



## VC-INFO ARCHIV

### IFALPA

Interview mit Nigel Demery, HKAOA

#### 1. What in your opinion founded the remarkable reputation of Cathay Pacific as an employer?

a. To entice people to come to Hong Kong a decade or more ago, the package needed to be very good. HK was a colony with the "high life" then and people worked hard and played hard. There was a tremendous spirit about the place and it rubbed off on the airline. Young growing airlines tend to have a spirit and identity of their own and 10 years ago, that was still the case for CX.

#### 2. What is the current economic situation at Cathay Pacific?

a. We've just made 50% more operating profit in the first half of this year than the same period last year (before 9-11). In other words, 9-11 is no longer a factor here in HK. We've entered another expansion phase albeit more moderate than 18 months ago.

#### 3. What are the reasons for the worsening of relations between employees and the employer and when were the first signs recognizable?

a. In 1993 management introduced the B Scale – that was the first sign that CX had "come of age" and was no longer a "young growing airline". Next year they forced through 20% productivity increases on a rather industrially-naïve pilot body, who were voluble but not industrially motivated. Over the next 3 years many "incremental" changes for the worse came until we filed a law suit in 1997, mainly on rostering. The Asian financial crisis in 1998 meant that they demanded more productivity however this time, with the help of US-ALPA we stalled them by asking them to demonstrate the need for concessions. Of course there was no "need" just a desire.

b. In 1999, they tried to evaluate why the A Scale should be cut, which actually just demonstrated that the 700 pilots on B Scale weren't paid the going rate. Consequently, management proved that some concessions could be gained from the A Scale but were unwilling to accept that the B Scale should be improved. They issued an ultimatum to the 700 A Scale pilots – sign the new contract or be fired. In other words, they initiated industrial action on the pilots even though the pilots didn't want to take industrial action back.

#### 4. Does the employer only aim for cutting the power base of its pilots?

a. No – it aims to keep all unions ineffective whereby they can continually make "productivity improvements" over a long period of time. In 10 years time, this will be one of the worst airlines to work for in the world. At the moment, following their treatment of the 49ers, it is just a short-term contract airline instead of a "career airline".

#### 5. Should one only regard the campaign as isolated, or are there parallels to activities at, for example, Korean Air, LanChile or Varig?

a. There is no doubt that airline managements around the world are learning from each other how to make pilots more productive. The style of the Oneworld Alliance airlines just makes their approach more overt and aggressive.

#### 6. What was the cause of the campaign which preceded the dismissal of the 49ers?

a. Cathay Pacific made HK\$2 billion profit in 1999, the year they issued the sign-or-be-fired ultimatum. In other words, they lied to their staff about "fighting for survival". In 2000, they made HK\$5 billion record profits. Meanwhile half the pilots had another third pay cut to come on 2001 and the B Scale should be reviewed. Also, they still had not finalised the contractual rostering, which was

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part of the 1999 agreement. Management had virtually shut down communications as they had learned that non-communication is an effective union-busting tool. We had by now reorganised our industrial machine and consequently were prepared to take "Limited Industrial Action" to force them to the government mediation process. In the event, they terminated the talks prematurely and chose to take us on via confrontation instead of conciliation.

b. Our Limited Industrial Action was only designed to slow the operation down instead of forcing cancellations. That did not suit management's purposes who wanted to force a lock-out. Consequently, they fired 51 union pilots (49 on 9th July 2001) in an attempt to escalate. In HK, with government backing, we would have lost a lock out. Management went as far as to wet lease 23 mainland aircraft and cancel hundreds of flights just to give them the excuse for the firings.

#### **7. To what degree were the redundancies planned systematically?**

a. Please see my attached document "The 49ers". I would appreciate it if you would circulate this to your members separately.

#### **8. How do you support the laid off colleagues?**

a. We came up with the Big Four – support for food, housing, schooling and medical. Initially we charged and additional 3% on top of the 2% union running costs (the normal fee is 1% but dispute costs doubled). Since then, we have refined our costs to 4% total of which the 49ers consume about 2%. Most 49ers have left HK; initially, they received up to 50 times union dues of 1%, which is close to half pay.

#### **9. Rumour has it that one pilot was dismissed because of a name mix up? Can you confirm that? If this was the case, was the dismissal rescinded by the management?**

a. Yes and No. There is too much "face" involved for them.

#### **10. How do your members view the ongoing conflict after more than a year?**

a. Our situation changed for the worse after 9-11 and we literally had to fight for survival ourselves. We lost 200 members who weren't prepared to pay the 4% despite having committed to it. In effect, they were prepared to dump their mates. The sad thing is that we did achieve a modest pay rise of some 3% just prior to the firings so we had already gained the extra income from the company to fund the 49ers. However, some people just wish to take and not to give.

b. We have now stabilised and the union has survived the attempted bust, which is all about management control.

#### **11. What is your strategy to bring the conflict to an end?**

a. Our strategy throughout has been based on guerrilla tactics i.e. continual amounts of small pressure/unnecessary costs that, over a period, add up to a non-sustainable situation for management. It requires patience and pilots aren't too good at that! The alternative is head-on major conflict. The employment protections in HK – a communist Special Admin Region of China – and the high costs here aren't conducive to a successful outcome for us with a strike. Remember that 70% of the airline is owned by 2 shareholders – the Chinese Government and a British family, the Swires.

b. We will continue wasting resources here until management do the sensible and modern human resources thing – talk to their employees.

#### **12. Thanks to your tireless endeavours the topic: "Relations between employer and employees at CP" is discussed by pilots associations worldwide – even the ILO (International Labor Organisation in Geneva) have become involved in the conflict. Do you see any signs of reason from the employer side to finally bring the conflict to an end?**

a. The major factor here is one of control. The pilots don't want to exercise control, we just want to fly aeroplanes on a non-degrading contract. Unfortunately, management want to exercise complete control – something that pilots don't hand over easily!!

I think our long-term strategy, although very wearing on the pilots and their families, is causing many people to question the management tactics and effectiveness, including the Government and the major shareholder. It is difficult for the CEO to back off from his attempted union-bust but I think he already realises that it's just not going to work.

b. We will re-engage in attempted dialogue when we think the other side will listen more readily. In

effect, we've started using their non-communication tactics back on them; the airline is still desperately inefficient (mainly on rostering) and they can't improve it without our help. It's a bit like dealing with a child: You can tell them not to touch something because it's hot, but some children just need to learn it for themselves the hard way.

**13. CP is for many still very attractive as an employer. Do you have any recommendations for people who applied for a job or are in the process of applying?**

a. Many people find attractive looks an important criterion in choosing a social partner e.g. a girlfriend. They then find later that the partner is not suitable for a long term relationship and the process ends in recrimination, heartache and financial loss. If you're looking for a "one night stand" then go for it but do not expect a career. We have a 3-month contract and a management team who are using fear and intimidation as a daily weapon to attempt to subjugate Cathay's pilots. We've got 1100 pilots supporting 50 families and have been for more than 14 months. If someone comes here to replace those 50 pilots and to undermine the hard work that the rest of us have put in, don't expect to make friends either.

b. Please apply and come to HK for the second interview and an expenses-paid trip – just don't accept the job until we've achieved a resolution.

**Das Interview führte:  
Thomas Mildenberger,  
IFALPA-Director**

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