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Fiji's Civil Aviation: New Zealand Style Restructuring Using New Zealand Replacement Workers

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At midnight on 12 April, 1999, 358 members of the Civil Aviation Authority of Fiji (CAAF) were locked out as the Fiji Government went forward with its controversial and unpopular civil aviation reform programme. Within hours, 15 New Zealand nonunion workers arrived in the country to man fire service operations at Fiji's two main airports, Nadi and Nausori, replacing locked out members of the Fiji Public Service Association (FPSA). The importation of New Zealand labour to undermine FPSA's struggle against the proposed civil aviation reforms marked a new height in the ruling Soqosoqo Ni Vakavulewa Ni Taukei (SVT) Government's effort to undermine worker resistance and push through its privatisation schemes. The use of replacement workers from the "developed world" to undermine a trade union in the developing island nation of Fiji was not only unheard of in Fiji's post-colonial period but represented a curious development in international labour relations. This paper explores some of the social and ethical concerns, legal questions, and genuine safety issues raised by the hiring of New Zealand contract employees in Fiji's recent civil aviation restructuring.

Background to Fiji's public sector restructuring

Since the late 1980s, Fiji's government has embarked on widespread restructuring of the economy. In common with other nations, the Fiji government has shown considerable willingness to abandon import-substitution policies and the extensive regulation and state participation in economic activities of earlier decades. Fiji's economy experienced severe shocks in 1987-88—largely in response to the military coup and mismanagement of the economy by military leaders—that required a stabilisation response followed by a full-blown structural adjustment regime in 1989 (Prasad, 1989). Under the adjustment package, it became imperative for Fiji to put debt service ahead of public spending. Trade policy now favours export-led growth with cuts in import tariffs and extensive support and incentives for export-oriented foreign investment. The labour market has been deregulated with the removal of wage indexation in 1989, followed by a series of measures designed to emphases the role of market forces in wage determination. Beginning in the early 1990s, state provision of public services also came under relentless assault as the government embarked on an extensive programme of corporatisation and privatisation (Reddy, 1998; World Bank, 1993, 1995).

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The initial corporatisation strategy involved changing the legal status of public entities, reducing government support, and implementing gradual reforms in industrial organisation. Between 1993 and 1996, the government carried out a review of the corporatisation process and developed a comprehensive policy framework for rapid public sector reform. According to a 1993 World Bank Report, the reconsideration of the corporatisation strategy led to the establishment and subsequent strengthening of the Public Enterprise Unit in the Ministry of Finance and its development of a common framework for achieving meaningful corporatisation based on the New Zealand model.[1] Key features of this framework included a greater emphasis on privatisation; ensuring that entities operate as profitable entities without government support; and industrial relations reforms which shift employment from collective to individual contracts and grant management more freedom within the context of agreed business plans.[2] Attacking the initial corporatisation strategy for being too slow, costly and ineffective, Fiji's Government leaders publicly advocated this more aggressive approach aimed essentially at reducing the debt and the costs of doing business (Vunibobo, 1995).

The Public Enterprise Act, passed in December 1996, served as the vehicle for change. The Act outlined the specific format for corporatisation and privatisation and committed the Government to completing the prescribed reforms in the public sector (Parliament of Fiji, 1996). By November 1998, nine government departments and statutory authorities had been declared Re-Organisation Enterprises, and the Government had decided in principle to sell part of its shares in ten government-owned companies. Government enterprises targeted included: the Fiji Electricity Authority, Port Authority, Fiji Broadcast Corporation, Fiji Hardwood Corporation, Civil Aviation Authority of Fiji, Government Supplies, Public Trustee Office, Water and Sewage of the Public Workers Department, Marine Department, and the Film and Television Unit.

The restructuring of Fiji's civil aviation

While Fiji is a small island nation, CAAF is a major player in the South Pacific region. CAAF is responsible for tracking aircraft over the Nadi Flight Information Region (FIR), a space which includes the Fiji Islands and five other nations. CAAF's responsibilities include monitoring the speed, height, movement and proximity of aircraft to one another to ensure their safety and efficiency of operations while in Nadi FIR. CAAF is also accountable for aircraft and passengers that arrive in Fiji's major airports. Nadi International Airport forms the major hub of aviation in the South Pacific. In catering to

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1 The reform agenda found in the 1993 World Bank Report supports the thesis that the World Bank projected New Zealand style restructuring as the "best practice" model for reforming economies with one implication being the "globalisation" of industrial relations practices (for discussion see Kelsey, 1995).

2 For discussion of the New Zealand model see Boston et al., 1996; Deeks et al., 1994; Harbridge, 1993.

the needs of aircraft and passengers, CAAF provides such diverse services as a fire staff and search and rescue teams who are on hand at all times in the event of an accident; security officers and immigration authorities to monitor the terminals; customer service workers who maintain shops and restaurants, as well as baggage handlers, departure tax collectors, and so forth.

CAAF does not fit free-market advocates' stereotypical portrayal of inefficient and technologically backward public enterprises. CAAF has been a leader in aviation innovation. In 1994, Fiji became the first nation in the world to introduce Global Positioning Systems (GPS), a satellite navigational system, into its commercial domestic airlines which set the stage for the implementation of GPS technology worldwide. In more recent years, CAAF has enhanced GPS technology through the introduction of advanced computer based surveillance and datalink communication systems. The experimentation and implementation of these devises have kept CAAF on the cutting edge of aviation technology (*Fiji Business Monthly*, 1996).

The Government never had an outstanding debt on the airports, and CAAF had made consistent high profits in recent years without a recorded loss in over fifteen years. In 1998, accounts of CAAF show an operating profit before abnormal items and income tax of $6.22 million. In the previous year, 1997, CAAF did slightly better with an operating profit of $7,829,114. At the end of the 1998 financial year, the Authority had retained profits of $45,458,189 and assets estimated to be worth some $93 million (Parliament of Fiji, 1999a). Clearly, CAAF was a burden on neither the taxpayers nor the Government, but represented a very profitable organisation.

Despite Government's rhetoric, the aim of restructuring CAAF had little to do with selling-off an unprofitable public enterprise and a lot to do with efforts of reorganising industrial relations and reducing public service union influence in the running of the airports. FPSA, representing the majority of skilled and unskilled airport workers, had become a powerful trade union. FPSA used its control to check management and government prerogatives in the running of the airports while working to improve working conditions and wages. The carefully planned reforms stood to substantially weaken if not completely remove trade union control in the industry.

The Government's plans for reorganising CAAF were informed by a foreign consultant's commissioned research and recommendations presented in the *Underhill Report*. In this report, the imprints of the New Zealand public sector reforms involving sweeping privatisation, the removal of state sector controls, workplace reforms, the design of new appraisal and incentive mechanisms and the establishment of decentralised employment contracts were evident. The report suggested splitting CAAF into two corporatised entities. While CAAF (renamed Civil Aviation of the Fiji Islands or CAAFI) would remain an aviation regulatory body responsible for setting out regulations and issuing licenses, Airport Fiji Limited (AFL) would be set up as the commercial arm of the airports. As an entity, AFL was intended to operate as a management company who sub-contracted work out to other independent companies.[3] Although the report acknowledges a sizable number of redundancies, it stated these measures were necessary to create:

- a more competitive, commercial approach to managing people;
- a more realistic remuneration system based on performance pay systems;
- better designed roles;
- contract of employment enterprise agreements (Government of Fiji, 1998).

Implicitly, the objectives were to introduce individual contracts of employment and establish either a nonunion workforce or in-house unions.

The Government's handling of CAAF restructuring proved unpopular from its inception. Opposition parties and the FPSA, raising concerns about redundancies and the loss of valuable government assets, vehemently opposed the changes (see Parliament of Fiji, 1999a). CAAF management even remained divided on the Government's decisions to restructure the industry. On the one hand, they praised the changes for enabling management to perform better without having to worry about restrictive legislation that stopped them from doing things such as engaging in commercial activities. For management, less government bureaucracy in getting approval for proposed changes in airport operations and new projects translated into higher profits. On the other hand, management complained that the Government did not include them in important decisions regarding the restructuring plans or the sale of CAAF assets. Management also became angered at the Government's decision to "leak" plans about the contracting out of airport jobs. Fear of redundancies, management argued, would raise union opposition and lower staff morale affecting performance and profits (*The Review*, 1998).

Despite sharp opposition, the ruling SVT-government began implementing these proposals throughout 1997-98. In common with perspectives underpinning New Zealand's restructuring (see Douglas, 1993), the philosophy adopted to restructure Fiji's civil aviation was to achieve rapid restructuring through the formation of AFL and the appointment of a new chief executive. The new CEO's job was to ensure new work practices and individual contracts were established starting from day one. Alan Lodge, AFL's little known but highly influential new CEO, was recruited from New Zealand for this purpose. Lodge had a lot of experience in public service restructuring including involvement in New Zealand's electricity industry (Keith-Reid, 1998). He came in with a clear vision to reduce costs through rapid downsizing of the workforce and the implementation of new work practices and contracts.

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3 In New Zealand, the government-owned civil aviation industry was also split into a regulatory body and a state-owned enterprise with some services subsequently sub-contracted out. For further discussion of New Zealand's reform of state-owned enterprises see Kelsey, 1993; Powell, M. and Spicer, B., 1994.

On 18 February 1999, the Parliament passed the Civil Aviation Reform Bill, modelled on the recommendations of the *Underhill Report*. In some regards, this was a formal exercise. Not only had AFL been setup with Lodge in control, but CAAF had begun circulating a letter to airport employees explaining the reforms before the Civil Aviation Reform Bill was tabled in Parliament. Employees were told they had three choices:

- They could apply for work in the new reorganised companies. Their applications would receive preference, but all existing collective agreements would cease and new individual contracts would be negotiated.

- They could form their own companies and tender for contracted work being offered by AFL. Likewise, their tenders would receive preference over other bids. If successful in securing AFL tenders, however, they had to resign from CAAF.

- Any CAAF worker wanting to leave or unsuccessful in securing a position with either CAAFI or AFL would be offered a redundancy package determined by CAAF management.

For CAAF workers existing wages, working conditions, collective agreements and job security were all at stake.

As one of Fiji's strategic industries, the union's options in resisting the reforms were limited. Although FPSA members threatened to strike if CAAF management did not negotiate with the union, union leaders knew legislation restricting industrial action in strategic industries would curtail these actions (Chetty, 1999).[4] As an alternative strategy, the union instructed its members not to accept jobs with AFL or CAAFI or accept severance packages being offered. FPSA hoped this strategy of non-co-operation would prevent CAAFI or AFL from recruiting enough workers to successfully operate the airports, thereby driving CAAF management to the negotiation table.

While only 35 FPSA members broke with the union's position by accepting jobs with AFL and CAAFI, other problems surfaced ahead of AFL's scheduled takeover. Two smaller rival unions in the industry—Fiji Air Traffic Controllers Association (FATCOA) and Civil Aviation Workers Association (CAWA)– agreed to the reforms after securing AFL tenders for contracted work. While CAWA provided largely unskilled maintenance and utility staff, the securing of FATCOA's support meant AFL had obtained vital skilled and technical workers on its own terms and conditions. Fire rescue services, however, remained one strategic area where AFL had not secured technical workers. All of Fiji's qualified airport firemen were members of FPSA.

4 Industrial action by airport workers could be restricted by legislation under the Emergency Act. The Emergency Act provides the state with the power to restrict industrial action and pressure group politics during "national emergencies" (Parliament of Fiji, 1998).

As a member of the United Nation's International Civil Aviation Organisation (ICAO), Fiji had to maintain ICAO standards or else risk losing its reputable international standings. ICAO guidelines include safety standards regarding equipment and supplies for emergency and non-emergency related issues as well as proper certification of workers in essential services, including fire safety officers. While AFL offered Fire Control Fiji Limited[5] the contract for fire safety services, the sub-contracted company did not have the properly skilled and certified workers. FPSA instructed its ICAO certified and tenured firemen to resist taking up positions with Fire Control if advertised. Fire Control never did advertise positions within Fiji. Whether FPSA's strategy of non-co-operation was the reason for this decision remains unclear. Fire Control, with the help of AFL, opted instead to recruit non-union New Zealand firemen. The secrecy and methods adopted to secure these New Zealand recruits became the centre of controversy.

The New Zealand firemen controversy

In the days prior to AFL's take-over, FPSA members discovered the plans to recruit New Zealand firemen. FPSA's branch secretary Krishna Chetty immediately contacted the New Zealand Engineering Printing and Manufacturing Union (NZEPMU) to get their support. According to Chetty, the NZEPMU stopped several members from taking up temporary positions in Fiji's airports, but nonunion firemen proved more difficult (Chetty, 1999). On 12 April, the night of AFL's takeover, 15 nonunion New Zealand firemen arrived in Fiji and immediately took over fire services.

The fact that only 15 replacement fire fighter replaced over 80 trained aviation emergency fire fighters raised safety concerns. FPSA leadership used the opportunity to gain public support. Through the media, FPSA warned travellers about shortages of staff and the New Zealand "scab" firemen's inexperience with the French designed fire equipment at Fiji's airports. Surprisingly, CAAFI and AFL management made no effort to calm public fears. Management of both organisations remained silent and refused repeated attempts by independent investigators and the media for interviews about the unfolding events at the airports. By 16 April, the powerful International Transport Workers Federation (ITF), began warning airline passengers and crews of the potential risks of flying in and out of Fiji. ITF's Asia-Pacific Regional Assistant, Simon Des Baux, warned passengers to "Fly to paradise at your own risk" (*Daily Post*, 16 April, 1999, p.4).

The conditions under which the New Zealand firemen entered the country and were allowed to work became a point of contention between locked out FPSA members, AFL, Fire Control and the Government. As raised by FPSA, the legality of Fire Control's hiring of these new recruits was questionable. Under Fiji's immigration laws, expatriates can be hired only under the condition that local citizens cannot be found to fill a particular

5 Contract negotiations for fire services commenced as early as December 1998, but according to FPSA leadership no tenders were called for (*Fiji Times*, 9 June, p.6; Singh, 1999).

occupation. In this particular case, Fiji citizens were not given the opportunity to apply for the positions as no vacancies were advertised. With over 80 qualified firemen locked out by AFL, the case for hiring expatriates remained baseless in any case. The rapid pace that the New Zealand firemen received work permits upon arriving also became suspect. According to the Immigration Department, the men were granted special 14 –day permits. Under Fiji's Immigration Act, this type of permit is reserved for purposes of conducting short-term business or consultative activities. At the end of 14 days, permit holders are expected to return home (Parliament of Fiji, 1985). The New Zealand firemen's activities should have been restricted by the permit's stipulations. Being the only certified firemen, however, Fire Control relied on the New Zealand recruits for servicing the airports and the recruitment and training of other firemen. One of the New Zealand recruits, Ross Riddell, was appointed fire chief shortly after arriving and took over much of this responsibility. To get around the 14 day provision, the Government simply renewed the permits every two weeks.

The controversy over Fiji's civil aviation restructuring and the New Zealand firemen, however, went beyond public safety issues and legal questions. The controversy over New Zealand fire fighters working at Nadi and Nausori airports conjured up feelings of colonial rule in Fiji. During the colonial period, the South Pacific Air Transport Council (SPATC), formed by the governments of New Zealand, Australia, Canada, Great Britain and Fiji, controlled Fiji's aviation industry. The New Zealand Government acted as the administering authority and hired predominately New Zealand staff.

By the time of Independence in 1970, the nation's airports had become a pivotal point in the Fijian economy as the tourist industry expanded. Increasingly New Zealand's management of the airports under SPATC arrangements drew criticism from airport workers and trade unions. A tense industrial relations climate unfolded as grievances over annual leave, long-service leave, shift allowances, and overtime pay surfaced between New Zealand management and FPSA members. FPSA members blamed SPATC's policies of hiring expatriate superiors with confrontational management styles for the industrial disputes and led a campaign aimed at pressuring the Fiji government to take over as the administering authority. On 1 October 1979, CAAF—a wholly government owned statutory body—was formed and the Fiji Government took over the running of the airports. In 1982, CAAF appointed its first local as the Chief Executive Officer (*Fiji Business Monthly*, 1996; Leckie, 1997). For FPSA members, the hiring of Lodge as AFL's CEO and the recruitment of New Zealand workers contributed to a fear that Fiji's Government might be handing over its airports to foreign control once again. The dismissal of 358 local workers only made the situation more difficult to accept.

Conclusion

During the 1999 General Elections, the corporatisation of Fiji's civil aviation became a major political issue. The opposition Fiji Labour Party (FLP) used the opportunity to gain support among workers by promising to reinstate all locked out FPSA members, roll back privatisation schemes, and investigate the employment of expatriates in Fiji. Facing embarrassment and public opposition to the mass redundancies and hiring of expatriates, the ruling SVT government tried to distance itself from the debacle at the airports. In an effort to improve his image in the final days of his campaign, Prime Minister Sitiveni Rabuka ordered an airport inquiry into the restructuring. When queried by reporters about the management practices and hiring of Lodge at AFL, Rabuka attempted to remove himself from any involvement: "I wanted Jone Koroitamana (former CEO of CAAF) to be in charge of AFL. Who is this Lodge? He isn't someone special" (*Fiji Times*, 7 May, p.3).

On 17 May, the FLP won the elections in a landslide victory. As they had promised, the new Labour Government worked quickly to return FPSA members to work. On 22 May, just over a month after the initial lock-out, the newly elected Prime Minister Mahendra Chaudry, long-time leader of the FPSA, directed the airports to reinstate all 358 FPSA workers on the terms and conditions that existed at the time of termination. This decision, effectively, put an end to all contracted work at the airports. When AFL was forced to take back the workers, Fire Control's contract was left in doubt and the company's workers were expelled from the airports. Ironically, Ross Riddell graduated his first battalion of certified aviation fire fighters just days earlier.

In October, following a government investigation, the new Labour government requested the termination of Alan Lodge's "lucrative" contract[6] and the appointment of a new CEO. At the time of writing, it was unclear how the Government would compensate Alan Lodge or Fire Control for the premature termination of their contracts. According to Fire Control's Managing Director, Bob Hay, the company was seeking legal advice over a possible breach of their three year contract (valued at $F6 million) by AFL (*Fiji Times*, 15 October, 1999, p.1). Because there was not a proper tendering process for fire rescue services, Fire Control's claims may be difficult.

The significant issue presented in this paper is how the arrival of the New Zealand model of restructuring in Fiji has coincided with the import of a managerial leader (experienced in New Zealand's public sector reforms) to implement the restructuring agenda, and the use of New Zealand labour to weaken union and worker opposition. The decision by the SVT Government to undertake such a drastic and unpopular initiative so close to the general elections ultimately contributed to its downfall. In contrast, the reversal of the reforms has spurred great optimism among workers for the new Government. It is the hope of the reinstated FPSA workers, as is the hope of many Fijian workers and trade unions, that the new Labour Government will work to find an alternative to the New Zealand model. The task is to find a model whereby improvements in productivity and efficiency can be obtained through new forms of industrial democracy rather than individual contracts and de-unionisation.

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6 According to the Attorney-General, Alan Lodge's contract included a $259,000 salary and a percentage of the company's profits (*Fiji Times*, 23 July).

The new Government appears to be making positive steps in this direction and is certainly proving to be more worker and union friendly than recent Labour Governments in New Zealand and Britain. Within the first 100 days in office, Fiji's Labour Government had reversed corporatisation and privatisation programmes at CAAF, the Fiji Electricity Authority, and other smaller state enterprises and had begun efforts to implement widespread industrial relations reforms, including the establishment of a national minimum wage.[7] However, it is much to early to determine if the Labour Government can meet workers high expectations by delivering an alternative model or if the costs associated with reversing the trend set in place by the SVT Government and the pressures of international agencies to do otherwise will prove too great.

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7 For further discussion see Snell and Prasad, 1999.

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