



# DANGER

## Aviation FOCs

An overview

# Maritime FOCs

- Ships fly flags of convenience (FOCs) to evade national laws, conditions and trade unions.
- No “genuine link” between the owner of a ship and the flag it flies.
- FOC seafarers may have low pay, bad conditions and many workplace grievances.
- FOCs have increased the pressures on seafarers on national flag ships.

# FOCs = Loss of union power

- Approximately 120,000 ships over 500 GT in the world fleet.
- 70% of them operate under FOC system.
- ITF has CBA's in about 12,500 ships.
- The penetration of union labour in the FOC fleet is approximately 10 per cent.

# Just a decade ago...

- ITF's Civil Aviation section raised concerns about aviation FOCs.
- ITF warned that aviation could follow shipping
- Dismissed as alarmist, ludicrous!
- **The vast majority in the industry ignored these “unfounded” concerns.**
- Civil aviation safety was highly regulated. They argued it was too regulated and needed swift liberalisation.

# Time proved the ITF correct

- Liberalisation and deregulation of the industry have resulted in airlines registering both themselves and their aircraft in different countries, where standards of safety oversight are inadequate by internationally-agreed standards.
- “Flags of convenience have no place in a safe industry.” (Giovanni Bisignani, 2006)

# And today...

- ICAO, acknowledges that “flags of convenience” exist in aviation.
- The term is also used by the EC and IATA.
- ICAO has adopted some measures to reduce the threat to safety.
- **The term “flags of convenience” is not used officially by the IMO (maritime).**

# Can we afford to be complacent?

- Someone might say: **“Well, all stakeholders in the industry are aware of the danger and they are already tackling the problems it may cause. So there’s no need for civil aviation unions to be alarmed.”**
- Such optimism and complacency do not withstand closer scrutiny.

# According to ICAO...

- ICAO identifies two different types of FOC operations:
  - (a) those that were for fiscal reasons where arrangements were generally made between the state of registry and the state of the operator to ensure proper oversight;
  - (b) those arranged to “take advantage of a system with no or minimal economic or technical oversight”.

The second group, ICAO says, is creating “serious safety concerns” and requires counter-measures.



# ICAO is complacent

- ICAO says that “FOC operations” is “appropriate terminology” only for the second group.
- According to ICAO, existing measures are enough to minimise the risk.

# Only “secondary issues”?

- ICAO accepts that there are some problems, including more precise definitions of terms such as “principal base of business” and leased aircraft where ownership rather than control rests elsewhere. Simplifying “lines of accountability” among states in situations where aircraft are based or operated in states different from those of registry and/or the operator is also seen as needing more work.

# The EU and the FAA

- In 2006 the European Union began blacklisting airlines “to root out the practice of flags of convenience whereby some countries issue Air Operation Certificates to dubious airlines”.
- The US Federal Aviation Authority (FAA) audits other countries’ safety oversight, and based on the findings, can refuse or revoke permission to operate to or in the US.

# Can we be content?

- The big question for aviation unions is, while liberalisation policies continue, can we be content with some new globally harmonised safety oversight?
- **Are these measures good enough to protect the working conditions of aviation workers and to stop further social damping?**

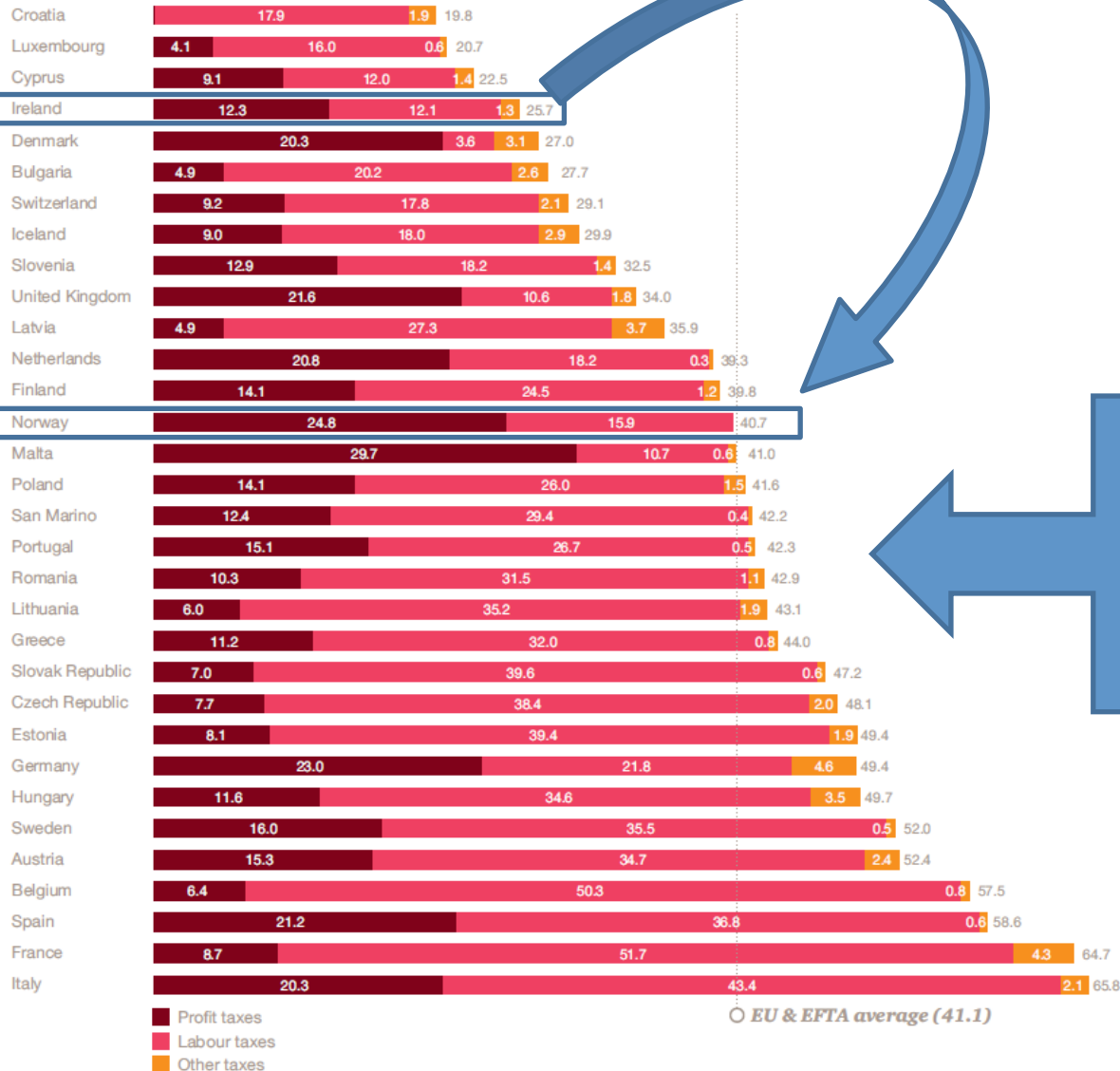
# Their FOCs and ours

- ICAO's and others' definitions of aviation FOCs are too narrow.
- They don't consider the social aspect of the problem.
- Neither ICAO, the EU, FAA or IATA are genuinely worried about airlines shopping around for the labour laws and regulations that best suit their bottom line. **They wouldn't mind airlines avoiding national taxes or national laws that protect labour and social conditions, by using an FOC flag.**

# Economy sub-indicator results by region: EU & EFTA

Source: "Paying Taxes 2014", PwC report, p. 157

## Total Tax Rate (%)



Various taxes promoting labour arbitration / social dumping

# The reality on the ground...

- Some airlines try to use FOC strategies to undermine decent labour standards.
- By subjecting the workforce to substandard wages and conditions, these airlines also threaten the standards of aviation workers in other parts of the world.
- **With other countries following the Irish example, competition among FOC countries to attract airlines is likely to start in the near future.**