

World Airlines was created from the merger of two publicly owned state enterprises, Empire World Air Travel, which operated long haul flights all over the world, and Open Skies, which operated domestic and short haul routes between the UK and Europe. It stated that it would be recruiting new staff on substantially worse terms and conditions than those enjoyed by people already in post; and it stated that company final salary pension scheme would now be closed to all new starters except for senior managers. World Airlines has state of the art offices in London, New York, Milan, Hong Kong, Sydney, Tokyo, Buenos Aires and Cape Town, and these too are staffed with people on excellent salaries. Ground crew, sales, support and office staff terms and conditions are the envy of the whole global airline industry – each of these categories is paid at least 30 per cent above the industry norm, and in all cases for working shorter hours than competitors and alternatives. The unions reacted with a mixture of horror and anger: horror at the nature of the proposals and the levels of job cuts demanded, and anger at the fact that World Airlines had gone back on its word not to introduce any changes, including compulsory job losses, for the next two years. After merger, the newly formed venture became for a time the largest airline in the world in terms of route network, passengers carried and planes in operation. The terms and conditions of employment of the two previous institutions were consolidated simply by taking the best of each; and the result was that by today, the company's pilots earn up to GBP150,000 per annum for an eleven day working month; while the cabin crew earn up to GBP50,000 per annum each including bonuses and allowances. Accordingly, when World Airlines was privatised ten years ago it attracted a lot of interest, and as well as corporate holdings, many individuals flocked to buy shares. The shares then went through all stages of market development, from small individual holdings, to corporate giants and finally major global financial institutions. World Airlines management now faced having to come up with proposals that would both reinforce the cautious optimism and support from the unions, and also address the costs issues in a meaningful way. Travis consultancy exercise cost World Airlines over GBP7 million, and their findings were as follows:

- o Cost-cutting measures would not wait for two years; and the staff cost especially had to be tackled now.

Accordingly, earlier this year, the company approached its four recognised trade unions and presented them with a cost reduction plan. The consultants, Travis and Partners, were one of the one of the world's top international consulting firms, and they were engaged to conduct a full review of the business of World Airlines.