# Massive cost-cutting by airlines across Europe

**By Jordan Shilton**
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Eight trade unions representing workers at Scandinavian Airlines (SAS) have lent their support to drastic cost-cutting proposals drawn up by management. The measures, revealed on November 19, were claimed to be necessary to avert a bankruptcy declaration. SAS, the flagship carrier of Sweden, Norway and Denmark, is the largest airline in Scandinavia.

The "4Excellence Next Generation" plan will see the elimination of 6,000 jobs, 40 percent of the total workforce of 15,000. For workers who retain their jobs, pay cuts of 17 percent are being imposed, with pilots receiving pay reductions of up to 30 percent. The unions, covering workers in the three countries, also accepted no wage negotiations until at least 2015, a move that will ensure more pay cuts over the coming years. SAS also plans to sell-off its Widerøe regional subsidiary and centralise administrative functions in Sweden as part of the plan.

The cuts were conditional on the airline receiving an increased credit line from major shareholders and banks of 3.5 billion Swedish kronor (US$525 million) through March 2015. The credit facility has yet to be approved by the parliaments of Sweden and Norway.

SAS has not made a yearly profit since 2007. More than half of the firm is jointly owned by the Norwegian, Swedish and Danish governments, while Sweden's Wallenberg family controls a significant stake. SAS has lost out to low-budget airlines such as Ryanair and Norwegian airlines on many of its traditional routes.

According to SAS, the restructuring will result in annual cost savings of 3 billion kronor (SEK) and another SEK 3 billion through asset sales.

The imposition of management's demands by the unions was celebrated by the financial elite, as SAS stock rose by 23 percent by the end of trading on November 19.

The attack launched against SAS workers is part of a global assault by airlines to drive down labour costs and impose intolerable working conditions. The economic crisis that erupted in 2008 has led to deepening financial problems for some of the largest airlines, as passenger numbers have dropped sharply.

The announcement at SAS came only weeks after a series of strikes across Lufthansa's operations in Germany, against attempts by the company to hire workers through its subsidiary Germanwings with much lower rates of pay. Lufthansa has already laid off 3,000 administrative workers over the past year and now plans even further cuts.

This week, in a newsletter to its employees, Lufthansa stated its intention to cut costs on its long-haul business by 10 percent by 2015 and by 20 percent by 2025, compared with 2011. The new restructuring plan, known as SPRINT, is based on increasing Lufthansa's annual earnings by €1.5 billion by the end of 2014. A Reuters report Monday noted that as well as moves to cut its fuel cost and renegotiate expensive contracts, it will "also examine possible measures related to infrastructure, crew, fleet planning, cabin layout and ground processes…."

At Air France/KLM, 10 percent of the workforce or 5,000 jobs will be eliminated in the coming year. This comes after the implementation of job cuts and flexible working practices that saw the firm's profits rise by 28 percent in the third quarter of 2012.

The Spanish airline Iberia plans to lay off 4,500 workers, a quarter of its workforce. Pay for workers who are not laid off will be slashed by between 25 and 30 percent. Willie Walsh, CEO of International Airlines Group, which owns Iberia, declared on November 9 that the airline was in a "fight for survival." He warned that without an agreement with the unions by the end of January, further job losses would be announced.

Earlier this year, Iberia proposed salary cuts for pilots of 20 percent and the creation of a new budget airline, Iberia Express, which would hire staff on lower rates of pay.

These are only the latest examples of a process of restructuring that has swept the airline industry in recent years, as firms have sought to offload the cost of the economic crisis on to workers. At Iberia's parent British Airways (BA), starting in 2009, a massive programme of job cuts and wage reductions was launched and implemented with the full support of the unions. Then British Airways (BA) CEO Walsh noted in similar tones that BA faced a "fight for survival."

These jobs cuts have allowed BA to go on the offensive, with the company announcing further job losses Tuesday. BA said that 400 jobs of senior cabin crew on both its long- and short-haul routes will be lost. The first of these are set to go in March 2013.

At every airline, the unions have collaborated fully in imposing the dictates of management on pilots, cabin crew, ground staff and other support workers. No attempt has been made to mobilise workers against the destruction of jobs and working conditions.

After calling one-day strikes, the unions at Lufthansa reached a settlement with management that imposed many of the original demands of the company, including cuts to wages, the introduction of flexible working patterns, and the creation of new pay structures to cut costs.

Unions at Iberia responded last Thursday to the 4,500 job cuts by calling strikes for December. But this move was aimed at preventing the opposition of workers from getting out of control rather than any principled rejection of management's attacks.

Comisiones Obreras (CC.OO) trade union representative Jose Carillo, capitulating to Walsh's threat of deeper cuts, remarked, "We are ready to negotiate salary cuts and increased productivity, but we don't want outright sackings."

At SAS, the unions presented management's demands as a fait accompli. Justifying the deal after having signed up to its terms, all the union heads could offer by way of justification was the claim that they had no alternative if SAS was to avert bankruptcy.

The cuts will only whet the appetite of the employers for deeper attacks on workers. As Arctic Securities analyst Kenneth Sivertsen told Reuters, "Although they [SAS] are cutting their costs by 3 billion Crowns, they will still be a high-cost company."

The unions did nothing to warn their members of what was being prepared by management. This was despite the fact that they had been in discussions with the company for months regarding the cuts. An SAS representative told the *Wall Street Journal* after the deal was made public, "This is exactly what we know as the Scandinavian model, where labor market parties agree on changes needed for the company to continue operations. It has almost been portrayed as if the first they heard was an ultimatum Monday which they were invited to talk about Thursday. In fact, we have talked about this with unions since August."

According to the *Financial Times*, trade unions hold three seats on the SAS board—an arrangement that has been one of the cornerstones of the so-called Swedish model of labour management in many key industries. Jacob Wallenberg, who is the head of the Wallenberg family business empire and a leading SAS shareholder, told the newspaper, "The labour unions were informed in detail about the situation over the summer and in order to strike an agreement with the banks what kind of demands [would be] put on them."

The role being played by the union bureaucracy poses airline workers with the urgent task of breaking free from these organisations if they are to defend their jobs and working conditions against the attacks of the airline companies.

Workers at SAS, BA, Iberia, Lufthansa and other airlines where jobs are threatened must unite across borders and form independent action committees to take forward the struggle in defence of working conditions. Only through the adoption of a socialist programme, fighting for the international unity of the working class, will it be possible to oppose the demands for job losses and cost-cutting sweeping the airline industry.