Virgin Australia axes 750 jobs

By Terry Cook
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In a bid to slash costs amid deepening international competition across the airline industry, Virgin Australia announced a major restructure of its operations late last month. The carrier will merge corporate and operational functions at its domestic, regional and international businesses, as well as those of its low-cost subsidiary Tigerair. Virgin is jointly owned by HNA, Nanshan Group, Virgin Group, Etihad Airways and Singapore Airlines.

The immediate consequence of the restructure is the axing of 750 jobs, or around 7 percent of the company's workforce, to achieve savings of $75 million a year. Around 30 percent of the job losses will be at the company's head office and will target corporate and administration positions.

The Australian Services Union (ASU), which covers the affected workers, has already made clear it will enforce the mass sacking. It is only seeking a meeting with Virgin representatives to discuss "proposed timeframes and measures to avoid or reduce the adverse effects of the changes on employees."

Virgin has also said it intends to put the squeeze on its suppliers in a bid to extract a further $50 million in savings. The company is aiming to further reduce capacity, on top of the 1.5 percent reduction over May and June this year, and has signalled it will be "reviewing all routes."

Last month's announcement came in the wake of Virgin posting a $349 million full-year loss, its seventh straight year of losses despite having grown its revenue base 7.6 percent to $5.8 billion. Virgin has chalked up losses of almost $1 billion in the past two years and well over $2 billion since it remodelled itself in 2011 from a low-cost domestic carrier to a more upmarket operation, with business class provision and international routes, in a bid to challenge Qantas.

The latest restructure and job cuts have been initiated by Virgin's new CEO Paul Scurrah, who was appointed to the position in late March. At the time, Scurrah was hailed by the airline's board for his "significant leadership in driving transformation and improving customer satisfaction in complex and challenging businesses." In other words, he is highly valued for his experience in imposing vicious cost-cutting measures at the direct expense of workers.

Scurrah was previously the CEO of port company DP World Australia and Queensland Rail, as well as executive general manager at Flight Centre. All of those enterprises have undergone major restructures over the past period, slashed jobs and stripped working conditions.

Announcing the Virgin restructure, Scurrah declared: "This may involve potential withdrawals from certain markets which are uneconomical for us." He also stated he would "not rule out further job losses or route cancellations." Declaring his focus was returning to profitability, he stated: "We'll make the right decisions, as tough as they might be."

There is now speculation that further reorganisation could mean the end of Tigerair. The subsidiary has its own management and operational structure, but a fleet of just 15 aircraft. The low-cost carrier posted a loss of $45 million.

Virgin's ongoing losses have been blamed on rising fuel prices, currency exchange costs and slowing passenger demand amid intensifying competition across domestic and international markets.

Jet fuel constitutes any airline's single biggest expense. Virgin Australia, for example, calculated its fuel bill for 2018 would rise by about $88 million, while Qantas last year looked to spend about $800 million more on fuel. While both airlines have sought to offset rising fuel prices through weight reduction on carriers and other measures, further price increases will inevitably be offset through cost-cutting measures targeting airline workers.

The same kind of attacks being imposed at Virgin are replicated across the globe airline industry, under conditions of a sharp downturn in profits. In July, the International Air Transport Association, whose 290 members account for 82 percent of scheduled air traffic, cut its forecast for earnings across the industry this year by more than a fifth.

Over the past five years, tens of thousands of jobs have already been slashed by airlines to bolster their bottom line, including at major carriers such as Qantas, American Airlines, United Airlines, Etihad Airways and Thai Airways.

Air France this year announced it will slash over 460 jobs in its short haul business, after it posted a loss of €189 million in 2018. Low cost carrier Ryan Air announced in June that it will cut up to 900 air crew jobs and close a number of bases closures, while Romanian carrier Tarom will axe more than 300 jobs. Some 1,700 workers were sacked after the Berlin-based Germania airline filed for bankruptcy.

Four other airlines also ceased operations in the first four months of this year, including Iceland's Wow Air, the UK-based airline Flybmi, Dutch Caribbean airline Insel Air and US-based start-up California Pacific. These failures follow the collapse of least 15 other carriers in 2018 which resulted in the loss of thousands of jobs.

In every country, the airline unions have worked closely with management to facilitate job cuts, the elimination of working conditions and closures.

This sustained corporate assault can only be answered by an internationally coordinated and unified counter-offensive by airline workers that must be organised independent of, and in opposition to, the airline unions.

Such a struggle must be based on a socialist perspective aimed at transforming the major airlines into publicly owned and democratically controlled utilities, and redistributing the vast wealth accrued by the major corporations to meet social need, not private profit.