Australia's two major airlines axe thousands of jobs

By Terry Cook
24 August 2020

A wave of job cuts is being unleashed across Australia's aviation sector with Qantas and Virgin Australia, the country's two major airlines, dramatically restructuring operations to slash costs amid ongoing turmoil in the global airline industry.

After claiming a net financial year after-tax loss of $1.9 billion last week, Qantas CEO Allan Joyce declared there would be further job cuts on top of the 6,000, or about 20 percent of the airline's workforce, announced in June. Joyce did not say how many additional positions would be eliminated but made clear that 4,000 of the previously announced cuts would be imposed by the end of September.

The earlier cull was part of Qantas's plan to achieve $15 billion in savings by 2023 and $1 billion in annual benefits into the future. In April, at the outset of the imposition of COVID-19 travel restrictions, Qantas, which had a total workforce of 29,000, stood down around 20,000 employees and grounded large sections of its fleet.

While Joyce has used the reported financial year loss to justify the ongoing job destruction, the loss was partly driven by a $1.2 billion write-down of its Airbus A380 superjumbos, which were placed in storage after the company suspended numbers of domestic and international services when the pandemic restrictions began.

Excluding the write-downs and various one-off costs, Qantas remains in the black with a reported financial profit of $124 million. The job destruction at the giant corporation, moreover, is being stepped up, despite the fact that it has received millions of dollars in government assistance and is asking for even more.

Last week, a Qantas spokesman confirmed that the company had received $248 million from aviation-specific government support schemes and $267 million through the government's JobKeeper scheme that provides selected employers with $1,500 per fortnight per employee they keep on the books.

While Qantas claims that the majority of JobKeeper payments were given to stood-down workers, it admitted that the remainder were used to subsidise the wages of staff who continued to work. In other words, Qantas has been able to reduce its wages bill at public expense. In fact, Qantas reported a $15 million net benefit to its bottom line from the total $515 million it obtained in government support.

Qantas's restructure is an attempt to position itself in the ruthless competitive war for market share in the global aviation that will see airlines go under and tens of thousands of jobs destroyed.

Joyce made the company's predatory aims clear during a media briefing last week. Referencing the cost-cutting plan now being implemented by rival Virgin Australia, which has been taken over by private equity firm Bain Capital, he declared: "They [Virgin] will come out leaner and meaner and that's a big challenge for us because the margin [advantage] that Qantas had is really important."

Insisting that Qantas's restructuring program was "now even more important," Joyce added: "If Virgin were able to overcome that cost-base advantage, that's a long term threat to Qantas."

Joyce's statement followed announcements by Virgin Australia earlier this month that it was shedding 3,000 jobs, or about one third of the carrier's workforce. The cuts are part of Bain Capital's restructuring of the failed carrier, aimed at establishing what it describes as "a leaner, fitter" operation. This savage attack has not deterred the Queensland state Labor government from offering Bain Capital $200 million in assistance and other incentives to maintain

Virgin Australia's home base in that state.

Virgin Australia was placed in administration in March this year owing more than $6.8 billion to creditors, including banks and major investors. Along with its job destruction, Bain Capital announced it was ditching Virgin's low-cost carrier Tigerair, a move that will cost hundreds more positions. Around 220 Tigerair pilots have been made redundant.

Some of Virgin's assets are being sold off, including a number of Boeing 737s to Rex, a regional airline that has already received $54 million in government assistance. The proceeds will go towards paying off Virgin's secured creditors.

Bain Capital's bid for Virgin, for an undisclosed amount, was selected by administrator Deloitte Australia in June, as a host of corporate takeover firms were circling the failed airline looking for lucrative pickings.

In a development that locks in Bain Capital's takeover bid, the Federal Court last week ruled against an application by Asia-based hedge funds Broad Peak Investment and Tor Investments, who are representing Virgin bondholders for an alternate deal to be presented to a creditors' meeting scheduled for September 1.

The deal, which was supported by major investment giants, including Credit Suisse, Deutsche Bank and UBS, involved Virgin's bondholders swapping $2 billion in debt for shares in a relaunched airline and the raising of an additional $800 million to recapitalise the company.

The bondholders' application was not motivated by any concern for Virgin workers but fear that if Bain Capital, succeeded they could end up getting as little as ten cents in the dollar on their debt holdings. Even if the bondholders' proposal had succeeded, workers would have faced the same type of cost-cutting measures being implemented by Bain Capital.

From the outset, the airline unions' response to the jobs slaughter at Qantas and Virgin Australia has been to deepen their collaboration with management, prevent any unified action by workers in the industry, and echo company appeals to the government for even larger financial handouts to the carriers.

Transport Workers Union (TWU) national secretary Michael Kaine insisted that further government support was "imperative." He called on the federal government to "meet aviation businesses, airports and workers right now to work out a plan of action to stop aviation hitting a wall"—i.e., to involve the unions in airline industry job destruction and restructuring.

The airline unions endorsed Bain Capital's takeover of Virgin Australia, even after the announcement this month of its massive job cuts.

Kaine cynically told the media that while the job cuts announcement was a "difficult day" for workers, the company's decision to avoid becoming a solely low-cost carrier was "broadly positive."

The mounting onslaught on jobs and conditions across the aviation sector in Australia and internationally underscores the necessity for a unified global struggle by airline workers. The long record of union-enforced cuts demonstrates the need for a decisive break with the unions and the establishment of new organisations of struggle, including independent rank-and-file committees.

Such committees would be tasked with turning to other sections of workers in Australia and internationally, who are all facing similar attacks, and developing a globally coordinated counter offensive of the entire working class. This struggle must be based on a socialist perspective and the fight for a workers' government that would place the airlines and all essential industries, along with the major banks and corporations, under public ownership and democratic workers' control.