

# Australian airline foreshadows major restructuring and shift to Asia

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Qantas chief executive Alan Joyce took the stage at the National Press Club in Canberra on June 22 to outline a further restructuring of the airline to drastically cut jobs, wages and working conditions.

The fact that Joyce's address was delivered in the national capital indicates that Qantas anticipates the full backing of the Gillard Labor government in the confrontations ahead with the airline's workforce.

Joyce pointedly told the gathering that Qantas's international division "needed restructuring to remain viable." It was "a poor business" that had achieved the "required returns only three times in the last 15 years."

The plan will centre on Qantas's recently floated proposal to shift the main base of its operations by establishing an Asian-based premium service carrier, to be operated by crews on low wages and conditions.

Joyce forecast an overall 2010-11 financial year pre-tax profit of more than \$500 million, up some 46 percent from the previous year, but warned that the airline's overseas full service operation would lose about \$200 million on a \$5 billion investment.

A day after Joyce's address, the *Australian* reported that he had confirmed to the newspaper plans for an offshore premium carrier, possibly based in Singapore, Malaysia or China. The airline's final scheme is expected to be released before the end of 2011.

Qantas already has a joint venture, low-cost subsidiary in Singapore—Jetstar Asia, which competes for cheap flight business in the Asian market and provides flights to and from Australia via Singapore using low-paid Singapore-based pilots and crew.

Qantas's wholly-owned New Zealand-based subsidiary, Jetconnect, is operated with staff on New Zealand wages and conditions, inferior to those in Australia, to provide budget Qantas flights in and out of Australia, while Jetstar Pacific, a joint venture, operates

from Vietnam.

A full-service subsidiary based in Asia would render redundant many aspects of Qantas's Australian-based operations and mark a qualitative step toward the transfer of airline's core operations out of the country.

The new subsidiary would be able to take over existing routes between Asia and Europe, with crews employed on low wages to fly full services to Australia. Increasingly, maintenance could also be transferred to lower-cost Asian bases.

Qantas faces growing competition from rivals that are all restructuring to gain greater market share. Australian-based Virgin Airlines is currently seeking approval from the Australian Competition and Consumer Commission (ACCC) for an alliance with Singapore Airlines (SIA).

That alliance would combine SIA's extensive international network with Virgin's Australian and Pacific routes and allow Virgin to "piggy-back" into growing markets in China and India. If approved, the alliance will mean 70 new routes for Virgin and 30 for SIA.

In its submission to the ACCC, Virgin made clear its intention to directly compete with Qantas, particularly in the lucrative business class category. "Virgin Australia will be better placed to challenge Qantas' leading position for air travel to and from Australia," it stated.

The deal also moves SIA—which is establishing a low-cost subsidiary to compete with Jetstar Asia—a step closer in its efforts to gain regulatory approval to operate services on highly profitable routes between Australia and the US.

Joyce made his announcement amid a mounting conflict with key sections of the airline's Australian-based workforce, including pilots, engineers and

ground crew, who are demanding “job security” clauses in new enterprise bargaining agreements currently being negotiated.

The clauses would require the company to pay any crew on a Qantas-badged flight, or workers undertaking Qantas work on the ground, the same wages and entitlements specified in the agreement. This stipulation extends to pilots and cabin crews of overseas subsidiaries.

While the trade unions covering engineers, pilots and ground crew claim they will not accept any agreements that do not include job security provisions, they have consistently worked for many years with Qantas and other airlines to slash working conditions and jobs, under the banner of making Australian carriers “competitive.”

Despite overwhelming votes by their members for industrial action, the three unions are bending over backward to contain any industrial action and ensure minimal disruption to Qantas operations. Behind the scenes they are attempting to strike a deal to deliver substantial cost-cutting and productivity gains, hoping to forestall the shift to Asia and protect their own positions as labour bargaining agencies.

No doubt these efforts will be stepped up in response to Joyce’s speech. This week, the Australian Licensed Engineers Association (ALEA) announced it would conduct two-hour rolling stoppages in support of a new work agreement, while declaring an unprecedented readiness to provide strike breakers from within the union.

ALEA federal secretary Stephen Purvinas told media the union would allow Qantas to call in off-duty engineers and pay them overtime rates to cover for colleagues who were on strike. He presented the option as more cost-effective for Qantas than the \$5,000 a week the company was offering retired and overseas engineers to work as scabs.

This offer underscores the unions’ commitment to protecting Qantas from any financial losses. Purvinas cynically attempted to justify the strike-breaking proposal by claiming that it “places the heat fairly on Qantas’s shoulders.” The company’s refusal to accept the option would mean that any disruption to services would be attributed to “a decision of airline and not the actions of the union.”

Politically, the unions are working to prevent any

confrontation of workers with the precarious minority Gillard government, which has repeatedly pledged to back big business in its demands for higher productivity and “global competitiveness”.

Labor’s Fair Work industrial legislation permits employers such as Qantas to lock out strikers and use scabs, take punitive action against so-called “illegal” strikes, call for police operations against picket lines and impose massive legal penalties on workers.

The prostration of the ALEA, the continuous sell-outs of the unions and their commitment to enforce the pro-business perspective of the Labor government raises urgently the need for a conscious political break with these bankrupt organisations and a turn to the building of new organs of struggle such as rank and file committees.

Against the policies of the unions, which pit airline workers against each other along national lines, workers in Australia, Asia and internationally must unite to mount a political and industrial counter-offensive to demand decent jobs, wages and working conditions.

The ruthless competition and chase for profits that are driving the endless attacks on workers’ conditions—and lead to the destruction of airlines themselves—demonstrate that in its present state, the airline industry is utterly irrational. It is global in character and combines the labour of workers on every continent, yet it is fractured into scores of nationally-based companies, fighting each other for survival in order to satisfy the insatiable appetites of investors and the financial markets.

The struggles of airline workers must be guided by the understanding that the crisis now engulfing the entire industry requires the building of an international socialist movement that has as its aim the complete reorganisation of economic life to meet social and human needs, not private profit. The airlines must be transformed into public utilities, run on an international basis, and under the democratic control of the working people.



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