Australia: Qantas Airways to cut 5,000 jobs and impose wage freeze

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Qantas Airways announced this morning that it made a half-year loss of $252 million and intends to shed 5,000 jobs, or 15 percent of its workforce, over the next three years. As part of a $2 billion cost-cutting agenda, the airline declared it will mothball aircraft and defer new purchases, reduce flights and sell-off its terminal lease at Brisbane. It will also impose a wages freeze on most employees until it registers a full-year profit.

The job cuts include the 1,000 positions that the company had announced would go in December. This job destruction flows directly from the dog-eat-dog competition for market share and survival among rival transnational airline corporations and alliances since the 2008–2009 financial crisis. In every part of the world, airlines have inflicted savage job losses and wage cuts on their workforces in an attempt to meet the demands of financial markets for higher shareholder returns and profitability.

The cost-cutting is relentless. Airlines announcing job losses and restructuring in just the past several months include Delta, cutting 741 jobs in Detroit; Air France, sacking 2,800 workers; Philippines Airlines (PAL), suspending 38 flights; and Finnair, cutting 50 management jobs. Alitalia and Malaysia Airlines hover on the brink of bankruptcy and are looking to eliminate thousands of jobs.

Qantas has been ruthless in its pursuit of profitability at workers' expense. Its corporate strategy since 2008–2009 has been to build up its network of low-cost Jetstar subsidiaries to win market share in Asia, while slashing costs within its Australian-based Qantas operations, where wages and conditions are better. On October 29, 2011 it grounded its entire fleet in order to provide the then Labor government with a pretext to secure a ban on all industrial action by airline workers. The company, with the assistance of the trade unions, then pushed through a restructuring plan over the next two years, including the destruction of 2,800 jobs and greater use of contract labour.

The strategy has failed to restore the airline's profitability, however, due to no less savage cost-cutting by its competitors, combined with regulatory obstacles in Hong Kong to Jetstar's expansion. Qantas's share of international flights in and out of Australia has fallen to just 18 percent, compared with 20 percent in 2011 and 32 percent a decade ago. It faces intensifying competition for Australian domestic flights from Virgin, which is integrating its operations with the international flights of its part owners—Air New Zealand, Singapore Airlines and Etihad Airways.

Qantas registered a small $5 million profit in 2012–2013, after $245 million losses in 2011–2012. The company is carrying debts of some $8.5 billion. Clear indications of fresh losses led to the downgrading of its credit rating in December and January to below-investment-grade "junk" status by both Standard & Poors and Moody's.

The Qantas share price, which is barely a third of its 2009 value, plunged following today's announcement. It may fall further over the coming days as major institutional investors seek to dump their stocks and cut their losses.

Facing internal opposition and lacking a majority in the Senate, the federal government appears unlikely to repeal the Qantas Sale Act, which limits foreign ownership in the formerly state-owned airline to 49 percent. Opening Qantas to a foreign buy-out would send share prices soaring as it would clear the way for one of the larger airline conglomerates, backed by major financial interests, to restructure Qantas and integrate it into its global network. This would involve asset-stripping the airline and drastically reducing the number of international flights crewed and maintained in Australia, at the cost of thousands of jobs.

At present, Qantas management, on behalf of its shareholders, is seeking to use the parlous state of the company's balance sheet to extract a government guarantee of its debts, thereby allowing it to reduce its interest rates. The airline is effectively threatening the government with the prospect that its creditors will send it into bankruptcy and render the foreign ownership limitation a moot point.

As is already occurring in the car industry, the dictates of globally organised capital for international competitiveness are leading inexorably toward the complete destruction of any notion of a "national" Australian airline.

The trade unions covering airline workers, which have collaborated with decades of cost-cutting, responded to today's announcement with combinations of hollow threats and appeals to Prime Minister Tony Abbott's Liberal-National Party government to bail out the airline.

The Transport Workers Union declared it would consider "industrial action" if Abbott did not work out a way with Qantas to avoid the job losses. The Australian Services Union, which covers thousands of ground staff, declared it would "fight for each and every job." The Australian Manufacturing Workers Union, which is collaborating in the destruction of close to 50,000 jobs in the car industry over the next four years, demanded that the Abbott government "stand up for people's jobs."

The Labor Party, having conspired with Qantas to impose its restructuring after the fleet grounding 2011, is calling on the Abbott government to move quickly to provide a debt guarantee.

The reality is that airline workers can defend their interests only through the development of an international political struggle to end the cause of the endless assault on their conditions—the capitalist profit system.

In November 2011, the *World Socialist Web Site* published a perspective outlining "A global political strategy for Qantas workers."

"Qantas workers cannot take a step forward without launching a rebellion against the trade unions," it stated. "The most urgent need is to establish independent rank-and-file committees that make a conscious appeal to workers at Qantas's Jetstar franchises, at Virgin Airlines, at its OneWorld partners in Asia, Europe and America, and at airlines everywhere, for a coordinated global struggle in defence of jobs and for decent living wages and conditions internationally. The subordination of economic life to the demands of profitability and the obscene enrichment of a minority must be ended.

"The alternative to the corporate agenda of levelling working conditions to the lowest common denominator is the socialist reorganisation of the world economy in the interests of the working class. The airline industry, along with the global financial institutions and every other key sector of the world economy, must be taken out of private hands and rationally planned to provide for the social needs and rights of the population as a whole."

This remains the task at hand. With workers across Australia confronting a veritable onslaught of attacks on jobs, demands for wage cuts and devastating austerity cuts to public spending, the development of a mass movement fighting for a socialist and internationalist perspective is an urgent necessity.