Australian government signals breakup of Qantas airline

Mike Head
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After a two-hour cabinet discussion on Monday night, the Australian government announced that it would seek to repeal most restrictions on foreign ownership of Qantas. The decision paves the way for a split up of the airline's domestic and international operations, and ultimately the carve-up of the company by the financial markets and global airlines.

Prime Minister Tony Abbott also declared that the government would not provide a debt guarantee to the heavily credit-dependent airline. This intensifies the acute pressure on the company since the international credit ratings agencies reduced it to junk bond status in recent months. Qantas shares—already down almost one-third over the past 12 months—fell further after the announcement.

The decision was announced just days after Qantas unveiled a half-year loss of $235 million and sought to appease the markets by declaring it would freeze wages and eliminate 5,000 jobs—almost a sixth of its workforce—over the next three years to help meet a cost-saving target of $3 billion.

Coming on top of the announced closure of the entire car industry in Australia by GM, Ford and Toyota—and the destruction of tens of thousands of auto-related jobs—the Qantas crisis demonstrates the relentlessness with which the finance houses and transnational corporations are restructuring the global economy at the expense of the working class.

Airlines around the world are slashing the jobs and conditions of workers in a cut-throat fight for survival. In recent months alone, thousands of job cuts have been announced or foreshadowed by Delta, Air France, Philippines Airlines, Finnair, Alitalia and Malaysia Airlines.

The 1992 Qantas Sale Act, which privatised the airline, restricts foreign ownership of Qantas to 49 percent, and caps the level of ownership by another single foreign airline at 35 percent and a single foreign owner at 25 percent. It also requires Qantas to keep its head office and most international flight maintenance and catering in the country.

While scrapping these provisions, the Abbott government plans to compel Qantas International to remain 51 percent Australian-owned in order to retain national flagship status and thus benefit from government-negotiated international landing rights. This would force the carrier to split its operations into a domestic business that could attract foreign owners and an international business that remains in majority Australian shareholding.

Prime Minister Abbott made clear that Qantas must continue to axe workers' jobs and conditions. Asked if he was concerned that changing the Act would see Qantas shift jobs offshore, Abbott said: "It is deeply regrettable whenever a job goes offshore … but the best way to maximise good jobs in this country is to maximise the competitiveness of our businesses."

Demanding parliamentary support for the government's move, Abbott alluded to the squeeze being applied by the global financial institutions. He said Labor, the Greens and other parties would have to drop their stated opposition to changing the Qantas Sale Act, because the alternative was to "sit there and watch Qantas bleed."

Financial analysts last week stepped up demands for deeper cost-cutting. Having stripped Qantas of its investment-grade credit rating in January, Moody's Investors Service issued a credit opinion saying "the extent of earnings reversal in the international side of Qantas' operations" increased "the pressure on the current negative outlook."

As far as global finance capital is concerned, there is no more of a future for a "national" airline in Australia than there was for a car industry. In reality, Qantas is already in the grip of major banks and investment funds, both international and national.

With a 16.4 percent holding, the biggest currently is Franklin Resources, a subsidiary of the American hedge fund Franklin Templeton Investments. The Commonwealth Bank is next, with a 9.2 percent holding, followed by another US investment fund, the Capital Group of Companies, with 6.6. The National Australia Bank has 6.4, and the Swiss bank UBS has slightly less than that.

Market analyst Brian Han from the stockbrokers Fat Prophets told the Australian Broadcasting Corporation that investors would want to know if the government's changes would allow for a restructure to separate the airline's still profitable domestic arm and flyer loyalty program from the loss-making international division. Han pointed to a carve-up of the airline to loot its lucrative segments. "Qantas can be broken up into discrete, separate units because, certainly there's a view out there that the sum of parts is significantly greater than the current whole," he commented.

Efforts by Qantas to survive by setting up a low-cost subsidiary, Jetstar, in various Asian markets, have been undercut by fierce price-cutting wars. Even within the domestic market, which Qantas initially dominated following the collapse of Ansett Australia in 2001, the airline faces aggressive cost-cutting competition from Virgin Australia, in which three globally-linked airlines—Singapore Airlines, Air New Zealand and Abu Dhabi-based Etihad Airways—each has a 20 percent stake.

Labor and the Greens, together with the trade unions, responded to the government's announcement with a xenophobic campaign, accusing Abbott of betraying the "national interest" and selling out "Aussie jobs." This nationalism pits Qantas workers directly against their fellow air industry workers around the world, when the urgent necessity is to develop a common global struggle against the airline conglomerates.

Labor Opposition Leader Bill Shorten said Abbott had "created a new export industry: Australian jobs." Labor shadow minister Brendan O'Connor sought to whip up anti-Arab and anti-Chinese sentiment, saying the changes could lead to Qantas, whose logo is a flying kangaroo, "becoming the flying camel or the flying panda." Greens deputy leader Adam Bandt said the government was "selling off a vital national asset to the highest bidder."

The Greens proposed a Senate inquiry "to develop a plan to secure Qantas' future as a national carrier and to protect jobs." Far from protecting jobs, any such inquiry, like the backroom negotiations underway between Qantas and the unions, will seek to assist the company enforce its job destruction and prepare deeper cuts, all in the name of securing the airline's viability.

Labor and the Greens have no opposition whatsoever to the elimination of jobs and hard-won working conditions. In fact, their calls for a "secure" future for the company will mean no less destruction of jobs, wages and conditions than Abbott's open support for shifting work offshore.

During 2011 and 2012, when Labor was in office, supported by the Greens, they worked with the unions to suppress resistance to the last wave of 2,800 job cuts imposed by Qantas following its grounding of its fleet and threatened workforce lockout in October 2011. This was on top of the slashing of more than 5,000 jobs and repeated inroads into working conditions over the previous two years.

Like their counterparts around the world, these parties and trade unions demand that workers make "their" national airline competitive by endlessly cutting labour costs. Qantas workers can defend their interests only by breaking out of this political trap and establishing rank-and-file committees to turn to other sections of the working class in Australia and internationally to wage a unified struggle on the basis of a socialist perspective.