

Australia: 610 aviation jobs destroyed in Regional Express collapse

Martin Scott
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Australian airline Regional Express (Rex) entered voluntary administration on Tuesday, and announced the suspension of all of its Boeing 737 capital city services. Rex is continuing to operate its lower-capacity turboprop fleet on regional routes.

The collapse of Rex is expected to put at least 610 aviation workers out of a job. The appointed EY (formerly Ernst and Young) administrators said on Wednesday that around 360 workers in Rex's 737 operations would be immediately stood down. A further 250 workers in regional areas also face the chopping block, even though that side of the business remains operational.

Compounding the challenge facing the hundreds of Rex workers suddenly thrown on the scrapheap, the airline's demise comes just months after another 737 operator, Bonza, collapsed destroying around 300 jobs.

According to an Australian Broadcasting Corporation (ABC) account of a leaked staff meeting recording, the administrators claimed on Wednesday that Rex was in "a very perilous financial position and has access to almost no funds."

As such, the company was "not in a position to pay the wages of its employees moving forward." The administrators told workers not to expect redundancy payments or other entitlements any time soon: "If things go very well, we're talking weeks, probably months before that happens."

At Bonza, the sacked workers had to wait more than two months before they were deemed eligible to seek compensation for their unpaid entitlements through the federal government's Fair Entitlements Guarantee.

Around 1,700 Qantas baggage handlers who were let go in 2020, under the pretext of COVID-19 travel restrictions, have still not received a cent of compensation for their unlawful termination, despite multiple legal findings in their favour.

The Rex workers' redundancy entitlements are the bare minimum allowed by Australia's National Employment Standards, 2-20 weeks' pay, depending on length of service.

This is in stark contrast to the situation for Rex chief executive officer Neville Howell. The terms of Howell's contract were amended less than a week before Rex entered administration, increasing the termination period from five weeks to one year. This means that even if Howell is immediately sacked, he is guaranteed a minimum payout of

\$352,600 over the next 12 months.

Rex employees, on the other hand, were kept in the dark about Rex's imminent demise right until the abrupt end. Workers told the ABC that they heard nothing about the company entering administration until it was reported in the media on Tuesday evening.

Some said they were contacted by competitor Virgin Australia, inviting them to submit expressions of interest for employment, *before* they received a text message at 11:30 p.m. from Rex telling them not to show up for work the next day.

The ABC also reported that around 20 Rex crew members were unable to check into their hotels in Melbourne and Brisbane, or use the company Uber account to organise ground transportation.

"As late as the weekend workers were working overtime and on RDOs when Rex bosses must have known they fully intended to sack them, and would try and get out of paying," United Services Union (USU) general secretary Graeme Kelly said.

Kelly's main complaint was that the union had not been given a seat at the table to negotiate which jobs would be slashed or try to prop the company up by extracting concessions from workers.

He said: "Rex management could have been in contact with us months ago and brought us into discussions, but instead they chose to wait until the airline goes belly up and there is nothing we could do to help."

Despite the sudden impact on workers, the writing has been on the wall for Rex for some time. According to the *Australian Financial Review*, restructuring consultants from both EY and Deloitte have been working with the company for months at the instigation of Rex's main financial backer, PAG Asia Capital, a major private equity fund.

In another sign of PAG's concerns, Rex's former executive chairman, Lim Kim Hai, was ousted from the role in June. As the company's largest shareholder, Lim is reportedly trying to engineer his reinstatement at a September 6 board meeting.

In the 2022-23 financial year, Rex reported an operating loss of more than \$30 million, one of its worst ever financial results.

Lim declared in the company's 2022?23 annual report: "Rex's financial misfortune was largely the result of Qantas'

illegal anti-competitive behaviour in the prior years when the latter dumped excess capacity on Rex's regional routes."

This, along with other anti-competitive practices by Qantas and Virgin Australia, such as the hoarding of slots at major airports, especially Sydney, have no doubt contributed to Rex's failure. Australia's aviation industry has functioned essentially as a duopoly for many decades, with numerous competitors either collapsing or being absorbed into the major players.

But Rex has coexisted with this setup for more than two decades, utilising a fleet of 30-36 seat Saab 340 turboprop aircraft to operate regional routes that are largely not attractive to the major airlines.

The seeds of the current crisis were planted in 2020. After Virgin Australia was placed in administration in April, Rex told investors it intended to take over one-third of the domestic aviation market, on the basis that it expected Virgin Australia to completely collapse.

The company's "Project Mother" presentation claimed Rex could achieve a 30-35 percent lower cost base than Virgin, in part because it would pay wages "pegged at 10 percent below Jetstar [the low cost subsidiary of Qantas]."

Based on this plan to capitalise on the economic and social devastation caused by the onset of the COVID-19 pandemic and the mass sackings carried out in its wake, Rex attracted a \$150 million investment from PAG.

Rex used this to launch its capital city operations, with former Virgin 737s leased at cut-rate prices, including the lucrative "golden triangle" of Australian aviation, Brisbane-Sydney-Melbourne.

Some aspects of this plan came to fruition—the aviation unions continued to deliver enterprise agreements enshrining further real cuts to wages that were already lower than those at Qantas or Virgin.

But soaring fuel prices sparked by the US-NATO proxy war against Russia in Ukraine, and the broader impact of inflation on discretionary spending, including travel, meant conditions were far less favourable than Rex anticipated.

Shortages of staff—not unrelated to Rex's low wages—and spare parts for the ageing Saab fleet, meant the company was forced to cancel some of the routes that had previously been the backbone of its operation.

Ultimately, Rex was unable to compete financially with Qantas, buoyed by billions of dollars in government bailouts, and the reincarnated Virgin, backed by Bain Capital.

The end result of Rex's adventurism is the destruction of hundreds of jobs, and, potentially, a major reduction in amenity to residents of regional Australia.

The trade unions and the federal Labor government have tacitly endorsed the sacking of hundreds of aviation workers. Their response to the collapse of Rex has centred on protecting the profit-making capacity of the airlines.

The Transport Workers Union (TWU) announced it had undertaken "positive conversations with Virgin Australia and

ground handler Dnata," underscoring that it intends to play the role of labour hire consultant.

Transport Minister Catherine King said: "We want to make sure that [Rex] have a future as part of aviation in this country and we're very determined to make sure that happens. We obviously don't want to do that at any cost. We want to be involved very closely in what that future might look like."

This indicates that the Labor government may intervene to prop up Rex's regional operations, which serve routes that Qantas and Virgin have no financial interest in. The only impulse for such an operation would be ensuring corporate profits, heralding the consolidation of the sackings and ongoing restructuring of whatever remained of Rex.

As Prime Minister Anthony Albanese bluntly declared, "It is a tough industry, aviation."

Aviation is undoubtedly a "tough industry" for the almost 1,000 Rex and Bonza workers now out of a job, as well as the tens of thousands of airline workers worldwide who have undertaken industrial action in recent months in opposition to attacks on their jobs, wages and conditions.

What the collapse of Rex and Bonza really reflects is the irrational character of capitalism, and its fundamental incapability to provide essential services like air travel to all, including in remote locations, with secure well-paid jobs and decent working conditions for workers.

One of the sharpest contemporary examples is Boeing, which has been driven into a financial crisis after years of profit-driven decisions have completely undermined the company's ability to produce safe aircraft.



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