FINANCIAL REVIEW

SE Companies and Markets

HD **Qantas sets scene for sale**

BY Jamie Freed
WC 585 words
PD 29 August 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 12
LA English


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Qantas Airways is setting up a new holding company for its international division – a change that could allow it to sell up to 49 per cent of the business to an outside investor.

The move was made possible by changes to the Qantas Sale Act that removed restrictions on a single airline owning more than 25 per cent or a group of airlines owning more than 35 per cent of the company.

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Chief executive Alan Joyce said the split increased the potential for investment, but cautioned it could take time to find an investor interested in the business, which is unprofitable.

"To be clear, this a long-term option value for the group," he said. "There is not going to be anything happening in the short term on this."

Mr Joyce said the focus for now was on cutting $2 billion of costs over three years, of which up to $1 billion will come from the international division.

He said the division would benefit from the airline's reduction in employees, closure of a maintenance base at Avalon in Victoria and reduction in fuel consumption by changes such as using lightweight catering containers, carrying fewer magazines on aircraft and making better use of ground power units.More flights planned

Qantas also intends to increase the utilisation of its international fleet by 6 per cent by adding flights that will lead its A380s and 747s to spend more time in the air and less on the ground. "The benefits we get out of the increase in utilisation reduces costs, but the way that comes through to the business is the improvement in revenue on it," Mr Joyce said.

As it prepares to hive off the international division, Qantas is looking again at whether to pursue a split of the Air Operator's Certificates, or licences to fly, so that the domestic and international business each have their own. That plan was put on ice in February.

The decision to split out the international business triggered the need for the airline to make $2.6 billion of write-downs on its international fleet of A380s, 747s and A330s.

The impairments could, however, help the international business return to profitability, because future depreciation costs will be reduced by $200 million a year.Shareholders pleased

Mr Joyce would not be drawn on when he expected the international business to stop losing money.

"I'm not going to speculate when that is going to occur, but this [international split] is aimed at allowing us to seek further investment around the international business," he said.

Qantas has previously said it will not exercise options or **purchase** rights over 50 Boeing 787-9s until its international business stops losing money. On Thursday, it pushed back the timing of the first options to be exercised to 2017 from 2016.

The decision to split out the international business rather than the domestic business pleased shareholders, who were concerned the airline could sell a **stake** in the profitable domestic arm and dilute their exposure to it.

Potential investors in the international business could include codeshare partners like Emirates, **China** Southern and **China** Eastern .

However, Saj Ahmad, the London-based chief analyst of StrategicAero Research, said he doubted other airlines would be interested in buying a **stake** while the business was losing money. "I honestly cannot see anyone lining up to take a **stake** here – it would be like pouring money down the drain," he said.

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