

FINANCIAL REVIEW

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HD **Qantas split not a political problem**
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A decision by Qantas Airways to split its domestic and international business to attract more foreign investment could avoid any major political opposition.

"These are commercial matters for Qantas to consider," shadow transport minister Anthony Albanese said in a statement from Washington, DC in response to The Australian Financial Review's report that the airline was considering the split.

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"Labor is pleased that the Abbott government last week accepted our move to amend legislation to allow Qantas to lift restrictions on foreign investment without scrapping current requirements that the airline remain in majority Australian ownership."

Industry sources said the comments appeared to leave the door open for Qantas to sell a minority **stake** in its domestic business to a foreign investor while retaining a 49 per cent foreign ownership cap on the listed **company**.

However, Mr Albanese would want to see the full details of a split plan before deciding to support such a move.

Domestic airlines can be wholly foreign owned. International carriers must have majority local ownership to retain international air traffic rights. No comment on 'hypothetical' changes

Qantas's domestic business reports financial results separately from its international business but does not have an independent board or different shareholders.

A spokesman for Infrastructure and Regional Development Minister Warren Truss declined to comment on "hypothetical" changes to Qantas's business structure.

"It is a matter for Qantas and its shareholders to determine how it responds to the amendments to the Qantas **Sale** Act 1992," the spokesman said. "The government would examine any changes to Qantas's business structure to ensure compliance with Australia's aviation regulatory framework."

Virgin Australia Holdings has split its domestic and international businesses into two entities with separate ownership structure and directors. The publicly listed **company** is nearly 80 per cent foreign owned while the unlisted international division's foreign ownership is frozen below 49 per cent. Hard to attract large investor

If Qantas copied that structure but wanted to meet Mr Albanese's requirement of majority foreign ownership, it might find it harder to attract a large investor, because about 38 per cent of its shares are already foreign owned.

That means for an investor to acquire more than an 11 per cent **stake**, it would need to buy shares from foreign holders on the sharemarket or Qantas would need to issue new shares to the investor.

To date, potential investors Emirates and **China** Southern have ruled out any interest in buying a **stake** in Qantas, but CAPA Centre for Aviation said it expected that would change if an appropriate structure allowed the carriers to do so.

Qantas is due to update shareholders on its structural review next month. Other options include the partial **sale** of its frequent flyer business or Jetstar or the **sale** of its Sydney and Melbourne airport terminal leases.

Analysts expect the airline will report a full-year pre-tax loss of \$747 **million**, but there is speculation that one-off costs and write-downs could **lead** to a net loss of more than \$1 **billion**.

Earlier this year, the government declined to provide any financial support to the carrier.

Key points The national carrier may divide its domestic and international businesses. The Coalition accepted a move to amend legislation to allow Qantas leeway on foreign investment.

CO qntas : Qantas Airways Ltd

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