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HD **Qantas splits in bid for investors**

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Aviation - International division hived off

Qantas is setting up a 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.

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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**.

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.

Mr Joyce said the immediate focus 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 and fuel consumption, closure of a maintenance base at Avalon, and changes such as making better use of ground power units.

Qantas also intends to increase the use 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.

As it prepares to hive off the international division, Qantas is looking again at whether to pursue a split of its 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 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.

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 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 code-share partners such as Emirates, **China** Southern and **China** Eastern.

But StrategicAero Research strategist Saj Ahmad said he doubted any airline 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.

CO qntas : Qantas Airways Ltd

IN i75 : Airlines | i7501 : Scheduled Passenger Airlines | iairtr : Air Transport | itsp : Transportation/Shipping

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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