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HD **Qantas takes swing at market share critics**

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Qantas Airways will not back down from its target of a 65 per cent share of the domestic aviation market because doing so would be like "waving the white flag", says chief financial officer Gareth Evans.

Investors and analysts have begun to question whether Qantas should maintain such a hard line in the sand on market share given the airline's weakened financial state amid strong competition from Virgin Australia Holdings.

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BT Investment Management analyst Sondal Bensan this week said he did not believe Qantas needed to keep "strictly" to the 65 per cent market share target. BT is the fourth-largest shareholder in Qantas, with a 5.18 per cent **stake**.

In addition, the competition regulator last year began an investigation into potential misuse of market power as a result of the target.

But in an opinion piece published in Friday's edition of The Sydney Morning Herald, Mr Evans stridently defended the airline's strategy, saying that dumping the market share target would **lead** to Qantas abandoning its role in regional Australia and betraying the loyalty of its frequent flyers.

"Imagine someone saying Woolworths should start closing stores in response to the threat from Coles," he said. "Anyone who advocates this kind of approach simply does not understand the way business works. We plan to keep improving and strengthening our competitive advantages, not walking away from them."

Mr Evans said the target was designed to give Qantas customers a market-leading choice of destinations, frequencies and seats at the times when they want to travel. "It is prized by our customers and it is a very real competitive advantage that allows us to maximise earnings even in the toughest of market conditions," he said.

His comments come as Qantas undertakes a strategic review, in which it could decide to sell assets such as a minority **stake** in its frequent flyer program or Jetstar. Qantas has forecast it will report a pre-tax loss of up to $300 **million** in the first half and has flagged plans to slash 1000 jobs and cut $2 **billion** of spending over three years.

Virgin has filled its coffers with $350 **million**, mostly from three major foreign airline shareholders, to help its battle against Qantas. Virgin is now at least 77 per cent foreign owned. Qantas, which is barred from majority foreign ownership, has sought government aid to level the playing field.

The government is considering a proposal to provide a standby credit facility backed by a government guarantee for which Qantas would pay a fee. The deal would not guarantee the airline's existing debt but it could help return Qantas to an investment grade credit rating by showing it has the government's backing.

Union leaders have suggested any government assistance should be dependent on the airline using it to fund its Australian **operations** rather than grow its Jetstar joint ventures in Asia. Qantas and its partners have yet to receive approval to launch Jetstar **Hong Kong**. In the meantime, up to seven new A320 aircraft have been parked at Airbus's manufacturing base in Toulouse.

Mr Evans defended Qantas's investment in Jetstar's Asia arms, saying the total **equity** investment to date was less than the outlay on a single A380.

"That's far less than the inflated figures tossed around by those who would rather scapegoat Jetstar – the same people who seize on any setback experienced by these start-up ventures as the 'real issue' facing Qantas," he said.

Mr Evans said the value of the airlines was already significantly higher than their foundation capital, which UBS estimates at $270 **million**.

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IN	i75 : Airlines | i7501 : Scheduled Passenger Airlines | i81502 : Trusts/Funds/Financial Vehicles | i8150211 : Unit Trusts/Mutual Funds | iairtr : Air Transport | ifinal : Financial Services | iinv : Investing/Securities | ilowair : Low Cost Airlines | itsp : Transportation/Shipping
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