THE AGE
INDEPENDENT. ALWAYS.

SE Business

HD **Qantas takes hard line on market share**

BY Jamie Freed
WC 564 words
PD 24 January 2014
SN The Age
SC AGEE
ED First
PG 19
LA English

LP

Aviation - Carrier defends strategy

Qantas 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.

TD

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. 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 Age, Mr Evans stridently defends 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."

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.

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 the next three years.

Rival Virgin has filled its coffers with $350 **million**, mostly from three major foreign airline shareholders, to help continue 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 help 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**. Mr Evans defended Qantas' 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**.

"[The value] will increase as the Asian middle class drives nearly half the world's air traffic growth over the next 20 years," he said. "It takes breathtaking small-mindedness to dismiss this growth as an 'Asian distraction'."

CO qntas : Qantas Airways Ltd

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

NS reqrai : Suggested Reading Airlines | c313 : Market Share | c31 : Marketing | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : FC&E Industry News Filter | redit : Selection of Top Stories/Trends/Analysis | reqr : Suggested Reading Industry News

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

PUB Fairfax Media Management Pty Limited

AN Document AGEE000020140123ea1o0004b