

Qantas looks to Asia for international future - Business (Australian Broadcasting Corporation)

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## Business



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## Qantas looks to Asia for international future

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Qantas is planning to drastically cut costs by forming two new airlines in Asia and cutting 1,000 jobs in Australia.

(Tracey Kirkland)

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Transcript

TICKY FULLERTON, PRESENTER: Qantas has given the clearest signal yet that the days of the Flying Kangaroo being a truly global airline are over.

But it's got other plans.

In a bid to drastically cut costs in its loss-making international division, it will form two new airlines in Asia and develop closer ties with other existing airlines.

The purchase of the last of its six A380s will be delayed as it switches to smaller aircraft, and it's signalled 1,000 jobs will be lost.

Tracey Kirkland reports.

TRACEY KIRKLAND, REPORTER: Desperate times need desperate measures. With its struggling international operations bleeding cash, Qantas says it was forced to act to save itself. In its sights, Asia.

ALAN JOYCE, CEO, QANTAS AIRWAYS: We have a historic opportunity to position Australia's two great airlines brands - Qantas and Jetstar - in Asia and create a platform for future of our business in the highest growth region in the world.

We need to act now because our competitors are circling these opportunities.

TRACEY KIRKLAND: Qantas announced the launch of two new Asian airlines: one a budget Jetstar airline in Japan; the other, a stake in an unnamed premium carrier based somewhere in Asia.

PETER HARBISON, CENTRE FOR ASIA PACIFIC AVIATION: Asia is in many ways Qantas's saviour. But of course you have to take that opportunity.

TRACEY KIRKLAND: Of course Qantas knew it would be controversial, so the company took out full page ads in several major newspapers. "The times have changed", it read, "and Qantas is changing with them".

It also stated "the vast majority of our operations are based in Australia". What it didn't say was that to implement the five year plan 1,000 jobs will be slashed, begging the question: will an Asian hub simply be an avenue for Qantas to pay cheaper wages offshore?

ROGER MONTGOMERY, MONTGOMERY INVESTMENT MANAGEMENT: Moving to Asia lowers the costs, it increases the utilisation of the aircraft and - while politically it wouldn't be appropriate for Qantas to admit that - there that's no doubt that they will not survive without lowering their costs.

TRACEY KIRKLAND: Already, independent South Australian Senator Nick Xenophon says he will introduce legislation in Parliament to force Qantas to pay comparable wages to overseas staff. And unions representing pilots and engineers are threatening strike action. Qantas is, however, adamant it needs to do this to survive.

ALAN JOYCE: To do nothing or tinker round the edges would only guarantee the end of Qantas International in our home Australian market. And that would be a tragedy. So we must change. We have a five year plan and it starts today.

PETER HARBISON: It's a real global leader in this respect, and these steps that we're talking about today are industry leaders. They're way out there in front.

TRACEY KIRKLAND: But Qantas needs money, so it's decided to delay the purchase of six A380s for at least six years, saving it \$2.3 billion. Instead, it will purchase up to 110 smaller A320s, mainly to service the short-haul Asian sector.

ROGER MONTGOMERY: I think if Alan doesn't actually affect this strategy, if he doesn't take this and run with it, then there is an increased likelihood - with the shares languishing where they are - that there's some corporate activity in Qantas. I wouldn't be surprised to see some sort of a takeover attempt of Qantas, and the business being broken up.

TRACEY KIRKLAND: So questions remain - nowhere more than on the share market, where, after initially embracing the plan, investors had second thoughts. After being up around five per cent at one stage, Qantas shares ended the day down.