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From: s22
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To: s22
Cc: s22
Subject: Fin Review coverage of Qantas

Hi s22 and s22

We wouldn't normally bother you with media updates, but you might find today's Fin Review coverage of Qantas interesting.

The tone has become a lot more sceptical of Qantas' motives throughout this week.

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Industry, Regional and Agriculture Unit
The Treasury, Langton Crescent, Parkes ACT 2600
phone: (02) 6263 s22
email: s22 @treasury.gov.au

Qantas quest to level parts of airline playing field

Jamie Freed

With the government believed to be effectively ruling out a retrospective rejection of Virgin Australia Holdings' ownership structure, the focus in political circles is now turning to the possibility of amending or repealing the Qantas Sale Act.

Qantas Airways chief executive Alan Joyce certainly has a case to make that the playing field between the airlines is not level.

The Qantas Sale Act carries several restrictions on foreign ownership and also requires the bulk of board members to be Australian citizens. It also insists that Qantas carry out the majority of its mainline operations in Australia rather than overseas, including maintenance.

But many would argue that Qantas has already sidestepped many of the provisions in the Qantas Sale Act by setting up Jetstar.

As a new airline with a new name, Jetstar has not faced the same restrictions as Qantas.

Because of Jetstar, Qantas's argument about stopping deep-pocketed foreign rivals from operating on its home turf also rings hollow in some quarters.

Just ask Cathay Pacific, which has been protesting in Hong Kong against the launch of Jetstar HK, which is two-thirds owned by Qantas and China Eastern Airlines.

Jetstar HK now has a local shareholder in Pansy Ho's Shun Talk Holdings, but that only came about after the difficulties of obtaining an operating licence had become clear.

In any case, the two-thirds foreign ownership is similar to that of Virgin.

Or perhaps talk to Singapore Airlines, which is helping to fund Virgin.

Qantas's Jetstar Asia is based in Singapore and competes against Singapore Airlines' budget carriers, Tigerair and Scoot. And in New Zealand, Jetstar competes directly against Air New Zealand in that domestic market as well as on trans-Tasman routes.

Notably, Qantas's share price has fallen since the start of its anti-Virgin campaign this week. That is probably due to investor fear that Qantas is likely to release even worse results than expected and will need to blame the ongoing competition against Virgin in the domestic market.

If Qantas were confident about its balance sheet and its future, there would be no need for it to question the state of the playing field.

The 49 per cent cap on foreign ownership is surely outdated, with Qantas already near the 40 per cent mark on that front.

But it is doubtful that is what is stopping Emirates or another player from buying a large stake in Qantas.

Emirates would seem to have received all the benefits available from its alliance with Qantas without outlaying any equity. The deal has led Qantas to pull out of operating flights to Europe from Adelaide, Brisbane and Perth.

And because Qantas has such a close alliance with Emirates, analysts suggest there is little reason for another airline to make a strategic investment in Qantas.

While the Qantas Sale Act is restrictive in many ways, it is worth remembering it also benefits Qantas. The federal government spends the bulk of its annual $500 million airline bill with Qantas rather than Virgin.

Presumably, if the act were repealed, Qantas should expect the playing field to be more equal on that front as well. But it is doubtful that point is what Joyce has in mind.

Alan Joyce doth protest too much, we thinks

Isn't the Qantas reaction to Virgin Australia's (mostly foreign) capital raising turning out to be the textbook definition of faecal matter connecting with a rotating ceiling-mounted cooling device?

It turns out **Alan Joyce** has sent an email to his more than 30,000 employees, fomenting his own Mascot Spring, saying: "If you feel as strongly as I do, I encourage you to make your voice heard... Write a letter to your local federal representative. Make a phone call. Speak up on social media."

Yes that's right, it's an uprising of Qantas staff, by Qantas staff, for Qantas staff. And the last time the CEO of a top 10 Australian employer mobilised its workforce and unleashed it on Canberra was the day in 2007 (over broadband policy) when then Telstra boss **Sol Trujillo** forgot to take his purple pills.

Further, Joyce did seem perilously close to accusing Virgin directors (who include chairman **Neil Chatfield**, former deputy PM **Mark Vaile** and AFL Commissioner **Sam Mostyn**) of wilfully acting against the interests of all shareholders and breaching competition law by engaging in predatory pricing: "Virgin has been ... driven by a strategy of... un-competitively low prices... and otherwise irrational behaviour ... Virgin can set prices below a competitive level simply because, unlike us, they don't need to make a profit." You'd wanna be sure...

The month before his extremely delicate decision on ADM's takeover of GrainCorp, we're sure Treasurer **Joe Hockey** is chuffed to have Joyce desperately referring to a $350 million capital raising in a $1.4 billion airline as: "GrainCorp on steroids" (but given ADM's bid is valued at $3 billion **John Borghetti** should be asking his drug dealer for a refund).

Just as Joyce once railed that Middle Eastern carriers were the root of all evil (at the time his executives were in Canberra distributing sh*t sheets on human rights in the UAE) right up until the moment he got into bed with Emirates, foreign ownership of Australian airlines will only be a bogeyman until Qantas can have more of it. Naked self-interest, after all, is the best kind.

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