



Media Release

BUILDING A STRONGER QANTAS – NEW INTERNATIONAL STRATEGY

SYDNEY, 16 August 2011: The Qantas Group today announced the first phase of a new strategy to build a truly modern, customer-focused and competitive global aviation business.

Qantas Chief Executive Officer Alan Joyce said the rebuilding of Qantas International would begin today.

“Qantas International is a great airline with a proud history,” Mr Joyce said.

“But it is suffering big financial losses and a substantial decline in market share. To reverse that decline we need fundamental change.

“Qantas International takes up enormous amounts of capital, and our cost base is around 20 per cent higher than that of our key competitors. To do nothing, or tinker around the edges, is not an option.

“We have established a five-year plan that has the objective, first, of returning Qantas International to profitability in the short term. In five years, the Qantas flying businesses, domestic and international combined, will exceed the cost of capital on a sustainable basis.

“It is a huge task but we start from a good position. The Qantas Group is a large, stable and profitable enterprise with exposure to different markets and business models. We have a powerhouse portfolio of brands from Jetstar to Qantas Domestic and QantasLink, Qantas Freight to Qantas Frequent Flyer.

“At the end of this process, we expect that we will be established on a competitive global platform, with high growth potential across all markets. Instead of being restricted to an Australian-based international airline, Qantas International will be participating in regional Asian opportunities, and in the world beyond.

“We will still be the best premium airline for Australia’s global travellers. Our Frequent Flyer program will offer the best incentives and benefits. We will better reward loyal Qantas passengers and attract new ones. At the same time we will be doing things smarter and more efficiently, extending our reach while we lower our costs. And we will be creating value for our shareholders.

“From today, we are building a stronger Qantas for our customers, employees and shareholders.”

The plan addresses the challenges facing the Qantas International business and has four elements:

- Opening gateways to the world
- Growing with Asia
- Being best for global travellers
- Building a strong, viable business

These goals will be achieved through a number of major initiatives.

- A ‘gateway’ strategy to connect Qantas customers to key global cities in alliance with partner airlines and maximise membership of the **oneworld** alliance, including the following initiatives.
 - The launch of direct services to Santiago, which will replace Buenos Aires as the best entry point to South America for Australians, and is home to Qantas’ **oneworld** partner LAN.
 - The restructure of Qantas’ Joint Services Agreement with British Airways to strengthen the airlines’ Singapore hub – with daily A380 services from Melbourne and Sydney to London via Singapore.
 - The continued development of Qantas’ joint business agreement with American Airlines, based on Qantas’ services to Dallas/Fort Worth.



- Exploring opportunities to work with oneworld member-elect Malaysia Airlines.
- Investment in product and service to ensure that the Qantas customer experience continues to meet the highest global standards.
 - 12 Airbus A380s will be in service by the end of 2011 and the first of nine Boeing 747s being reconfigured with A380-standard cabins will commence flying within the next three months.
 - New premium lounges will be built in Singapore, Hong Kong and Los Angeles.
 - Continued introduction of next-generation Boeing 737-800 aircraft on trans-Tasman services and the launch of Qantas' faster, smarter check-in technology for flights between Australia and New Zealand.
 - Continued focus on increasing points-earning opportunities and rewards for Qantas Frequent Flyers through bonuses for Qantas' most regular customers, network improvements, airline partnerships.
- An enhanced presence in Asia, the world's fastest-growing region for air travel.
 - The Qantas Group will invest in a new premium airline based in Asia, building on Qantas expertise but with a new name, new aircraft and a new look and feel. The location for the new carrier is being finalised and will be announced at a later date.
 - The launch of Jetstar Japan, a new low-cost carrier to begin domestic operations by the end of 2012 and international services within a year, together with iconic Japanese brands Japan Airlines and Mitsubishi.
- Ensuring a strong, viable business through capital expenditure focused on growth opportunities. The following changes have been made to the Qantas Group fleet plan.
 - The acquisition of between 106 and 110 Airbus A320 aircraft to support Group capacity growth and expansion into new markets, including aircraft for Jetstar Japan and the new premium Asia-based airline.
 - Of this order, between 28 and 32 aircraft will be current-generation A320s and the remaining 78 will be the highly fuel-efficient, next-generation A320neo.
 - The delivery of Qantas' final six A380s has been deferred by up to six years, significantly reducing the capital burden on the Group and ensuring the Group maintains a strong balance sheet.
 - The retirement of four Boeing 747s as a result of the international network restructure.
 - The reconfiguration of B747s with A380 product and the reconfiguration of A380s to improve productivity by matching capacity to demand.

There will be an impact on employment from the retirement of older aircraft and network changes – as a result, around 1,000 jobs will be affected. Employees will be provided with full information as plans develop and are implemented and those affected will have access to all the support required. The Group will be looking to minimise the number of compulsory redundancies wherever possible.

There will also be opportunities to capitalise on Qantas skills and talent as new projects are launched.

The initiatives announced today represent phase one of the new strategy. Further details about these projects, and about other new initiatives, will be announced in due course.

Issued by Qantas Corporate Communication (Q5157)

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