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Senate Standing Committees on Rural and Regional Affairs and Transport
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Parliament House
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Australia.

The real reasons for the Qantas problems. Bad management, not the level playing field and Qantas Sale Act red herrings are to blame for the Qantas position today.

Dear Senators

My name is Steve Ashby, and I have been working on setting up an airline in Australia for nearly five years now. It has had to have a strong international focus because all new domestic entrants into the Australian market usually get driven out of existence by targeted capacity and pricing campaigns by Qantas.
Here are my thoughts on why Qantas is having so much trouble.

I recently approached the Minister for Regional Development, the Deputy Prime Minister, Warren Truss, about my concerns over the way that Qantas is still being been run into the ground by its CEO, Alan Joyce and his flawed strategies. I told him that I had a plan for my own airline which could just as easily be used as a rescue plan for Qantas, and my background to this plan, and that I would be happy to share it with him and to show him just how badly that things are being done at Qantas, and the reasons why they should be done so differently from how they are at the moment. I offered to show him my airline plan which I have developed over the last four plus years, which surprisingly, is very different from the Qantas methodology. I also asked him if he could arrange a meeting for me with Leigh Clifford, the chairman of Qantas, as my direct approaches through the Qantas corporate email system didn't even raise an acknowledgement or a reply from my emails. I suspect that they get 'filtered out' by people who don't want them to be passed
I also wrote to Senator Nick Xenophon as well. I don't normally bother to write letters to people about anything but Qantas needs immediate attention.

After the Federal Government announced that it would not offer a loan guarantee to Qantas but instead look to change the Qantas Sale Act, I then wrote to all 76 Senators by email outlining my concerns.

So in my submission to the enquiry, I wish to outline the problems with Qantas the way it is currently being run as sent to all Senators, then address individual points in the enquiry's terms of reference, and then to show the enquiry that I am not just a critic mouthing off, but instead show a real alternative to how just one part of the Qantas route structure would look very different under my airline plan, if it were applied to rescue Qantas. This is just one piece of my plan, and I have a plan that would change the majority of the Qantas International route network, and even some parts of its domestic network.

So firstly, let me summarise the real facts about the Qantas woes at the beginning of this submission.

Summary of facts

1/. Alan Joyce did a wonderful job setting up Jetstar Australia and building it into a wonderful part of the Qantas group of companies;

2/. When he was appointed CEO of Qantas over John Borghetti, he inherited a sound and profitable airline;

3/. He seems to have failed to make the transition from being the head of Jetstar Australia to being the CEO of the Qantas Group of companies, and has almost continued to run Qantas as if it were Jetstar;

4/. Over the years he has discontinued many Qantas international routes, instead, focusing on building LCC (budget) Jetstar routes as a ‘replacement’ in many cases;

5/. This has led to the loss of much of the Qantas full service customer base as it has migrated to full service competitors;

6/. His vision for the future of aviation appears to be a network of Jetstar franchises around the world;

7/. To that end, he has spent **over a billion dollars** of Qantas shareholders’ funds in recent years setting up Jetstar Asia (Singapore), Jetstar Vietnam, Jetstar Hong Kong, and Jetstar Japan;

8/. These are not making a profit and as recently as November last year, $120 million had to be injected into Jetstar Japan to assist it;

9/. This was at a time when Qantas was losing money heavily and badly needed to retain its share of the bail out money itself, in fact for its own bail out;

10/. These Jetstar franchises operate as stand alone airlines and are not making a profit so they don’t contribute anything back to Qantas. They also are not well integrated into the Jetstar Australia network so they offer little in the way of inbound tourists into Australia;

11/. Because they operate in Asian countries, they employ almost entirely local employees, so don’t employ Australians;

12/. As well as this billion dollars plus spent in Asia, many hundreds of millions of dollars of Qantas shareholders’ money (I keep saying shareholders’ money because lets not lose sight of the fact that they own the airline, not the management) has been diverted to the fight against Virgin Australia. This is evident as far back as when V-Australia commenced flying to LA when Qantas heavily discounted travel to knock V-Australia out of existence. At that time, I purchased a return ticket to New York from Sydney for $849 ($450 in taxes and fees and $400 for the airline). This is not a way to make money running an airline;

13/. Since then, Qantas has continued to try to knock Virgin Australia over and to maintain its current market share by flooding the domestic market with excess capacity. This has resulted in unprofitable load factors and declining yields (too many empty seats and less money for the ones being sold) and consequential losses at both Virgin and Qantas. This is also the reason why Virgin has needed a top up of money from its shareholders because of Qantas using its shareholders’ funds to try to knock Virgin out of the market. And now Alan Joyce is squealing all the way to the Federal Government saying that this is unfair that Virgin should be able to raise money from its shareholders to fend off his attempts to push them out of the market, and this is also one of the main reasons why Qantas has made a loss itself – it is flying a whole lot of empty seats around all over the place;

14/. To further exacerbate this trend, Qantas has been gradually replacing many Qantas domestic services with Jetstar services, thus continuing the loss of premium customers who have been shifting to Virgin Australia, and continuing the downward spiral of yields for the airline;

15/. Qantas has dramatically increased its flights to Singapore since shifting its European hub to Dubai. But what for, I do not know? It no longer flies beyond Singapore, and the Singapore flights simply link up with a small number of code share flights to Europe, and to Jetstar Asia’s remarkably small network of services out of Singapore. Jetstar Asia has been struggling with some of its services and recently retrenched its Singapore – Beijing service on the pretext that the A330 was needed back in Australia. There is a clear mismatch of services with full service Qantas passengers being expected to hop onto a budget Jetstar Asia connection in Singapore. Why wouldn’t you just buy a ticket on Singapore Airlines full service all the way? So this has resulted in a loss-making excess of capacity on the Singapore routes as well;

16/. Qantas doesn’t have the correct aircraft for many of the services that it flies. For example, it flies its B744ER’s from Sydney to Dallas but they don’t have the capability to fly back against the headwinds non-stop, so have to fly back to Brisbane instead. Qantas also doesn’t have the world’s best long range aircraft in its fleet – the Boeing B777, of which Emirates have ordered 325, so maybe this fact will tell you how good these aircraft are. It also could use some smaller jets such as Embraer E-Jets on domestic services (as Virgin does), and along with the Airbus A319’s would ensure that it had the right sized aircraft for the route being flown, instead of having low load factors (lots of empty seats);

17/. Unlike domestically where Qantas has drawn a line in the sand of 65% market share beyond which it has said it will not retreat, internationally its market share has dropped from 40% down to almost 16% with no apparent concern whatsoever, and no answer from the Qantas management. They appear to be going to allow whoever wants to fly into Australia to do whatever they want, without a fight. How different is this attitude from the domestic front;

18/. Qantas is already listed on the Australian stock exchange which is the usual vehicle by which large companies raise the money that they need for growth and development. Qantas has successfully raised $1.2 billion over the last 5 years on the ASX.

19/. Qantas has not paid its shareholders a dividend for five years now (first half of 2009). Instead, money has been spent on flooding the market with excess capacity to defeat Virgin Australia, and over a billion has been splashed out on Jetstar franchises in Asia. Shareholders are fed up with the way that the company is being run by Alan Joyce. One Credit reporting agency has Qantas on negative watch while another comes straight out and lists it as junk bond equivalent. This is the real reason why Qantas can't raise money on the ASX, because of poor management, and the losses caused by poor management decisions. Qantas is following a strategy under Alan Joyce that will lead it into bankruptcy;

20/. The Qantas predicament has nothing to do with the Qantas Sale Act. It doesn't need more than 49% foreign ownership. It just needs to do what shareholders expect and that is for it to spare a thought for them and to give them a fair return for their trust and their investment in the airline. If Alan Joyce had done this instead of spending money on his ventures in Asia, then he would be able to raise money on the ASX right now, today;

21/. The problem of an over paid and under productive Qantas workforce is not a new one and Alan Joyce has been around as CEO since 2007 so he should have had this problem sorted out by now. Instead he has skirted around the problem instead of facing up to it head on. I guarantee that it is not causing the airline to lose as much money when compared to the excess capacity losses caused by management decisions to squash Virgin Australia and the losses caused by the continual downward spiralling of load factors and yields caused by defective strategies, and the (mis-) appropriation of Qantas (shareholders') funds to set up an empire of Jetstar franchises in Asia;

22/. The Qantas board of directors has a fiduciary duty to look after the interests of shareholders, and has failed miserably in this respect over the last five years. I doubt if any shareholders have ever given the airline management a mandate to take their money and blow it to the tune of over a billion dollars in countries outside of Australia. I am sure the Qantas shareholders all thought that they were investing in an Australian airline, not dubious ventures in other countries.

As you are all well aware, Qantas is in a serious predicament, and in my opinion, it is predominantly down to the poor way in which it is run, and the flawed strategies of Alan Joyce (AJ). It does need an injection of cash urgently, but it will be a wasted exercise if Alan Joyce remains in charge. It will be spent on the wrong things. Nothing has changed as far as his strategy is concerned if you just look at where all of the new aircraft are going to. Not many end up in Qantas's fleet as they nearly all go to Jetstar and its franchises.

My Background

My passion and background in this area starts way back in the 1970's when I first learnt to fly. In recent years, I have been looking to start an airline in Australia, but don't yet have all of the requisite capital needed to do this. I did have most of my investors set up a few years ago (about $200 million), but after the poor performance of V-Australia, Virgin, Air Australia/Strategic, a number of other airline casualties, and then Qantas over the last four years, they have all but been scared off. In fact, Qantas has not paid shareholders a dividend since its interim 2009 dividend, which makes it difficult to convince people that my very different approach to international flying in particular, will give them decent returns on their investment.

I first approached IAG (the parent company of British Airways and Iberia) nearly four years ago, with the idea, but after much talking, they said that they were happy with their existing (pre-Emirates) arrangements with Qantas, and were having their British Airways profits wiped out at that time by their Iberia losses, and would not be able to proceed. I then approached Emirates (pre-Qantas), who after some talk, said that they had 13 wide-body aircraft arriving that year which were all committed to new routes, and that their five year plan had already been set in place, so they were fully committed already. I then approached Qantas (twice with no reply), when I saw how much Qantas International was struggling.
As I said, my plans were set up to compete with Qantas but they could just as easily be used to rescue Qantas, and I would be happy for that to happen.

Continued downward trending

Figures released by Qantas in the last few months, show the continued disturbing downward trend in yields and passenger load factors. On the face of it, almost nothing has been done to alleviate the problem, although the Qantas CEO says that costs are being addressed to cover it, and all avenues are being looked at.

Variable costs are only just the one small part of the problem, as more than 80% of costs are out of the reach of the CEO. These are things such as fuel costs which for an airline such as Jetstar form about 50% of its overall costs. Other costs such as the cost or aircraft, financing, and capital expenditure in general, have already been put in place for the near to medium term. Many external operating costs such as airways and landing charges are outside of the CEO’s ability to control and maintenance costs can only be reduced up to a point by farming out maintenance overseas, which is bit of a hot topic because it exports Australian jobs. Foreign exchange movements are for a large part, outside of his control too, although the airline earns a lot of its money in foreign currencies anyway.

Two of the major ones that he has done very little to improve are wage costs and productivity. Sure he has recently put in place a wage freeze, but this is just a band aid to temporarily pause the problem. But a long-term fix needs to be negotiated with the unions and he has habitually shied away from doing this. Instead of doing this, he chose to infamously shut the entire Qantas airline down for two days in a drama-queen act to try to gain public support for himself against the unions. And this seems to be one of the problems – it’s all about him. He needs to get on with the job, and bring down the cost of labour for the airline, particularly wages rates and increase productivity per employee to reduce the number of employees required per aircraft, to become competitive with Qantas’s opponents. Many staff are on agreements which cannot be change unilaterally, or which have fixed periods to run, so this won’t be an easy task, but if he had started on this task when he first became CEO in 2007, then many of these work practices and agreements would be already changed for the better. But in the first instance at least, an agreement should be reached to ensure that all new employees are employed on terms and conditions similar to those of Jetstar employees. If this is not achieved, then I have an alternate plan.

Death by a thousand cuts

Qantas under Alan Joyce has been gradually winding down Qantas services (particularly international), and building up Jetstar services. Some of it has been blatant and obvious for everyone to see, but some of it has been done very quietly.

The obvious has been the discontinuation of the following Qantas International services:-

1/. To Frankfurt from Singapore;

2/. Sydney to San Francisco which operated from 1958 until 2012;

3/. The only international service offered at all from Adelaide by Qantas to any international destination whatsoever – to Singapore;

4/. Australia to Mumbai (first the Sydney to Mumbai direct service and then the Mumbai via Singapore replacement service);

5/. The Auckland to Los Angeles service;

6/. Now all Singapore, Hong Kong and Bangkok to London services are just British Airways code shares;

7/. The Asian Golden triangle services between Singapore, Bangkok and Hong Kong (Singapore to Hong Kong is one of the busiest international routes in the world);

8/. To Buenos Aires from Sydney which it replaced with Santiago as a destination, but this is almost a duplication of services as Santiago is a hub destination already well serviced through Auckland by code share partner LATAM (nee LAN Chile and TAM Brazil);

9/. The recently announced discontinuation of the Qantas Perth-Singapore service.

As well he has been quietly replacing many Qantas international and domestic services with Jetstar services. So that is, gradually replacing its higher-yield full-service travellers with low-yield leisure travellers. This is in fact the direct opposite to what John Borghetti at Virgin Australia has been doing. Some of these have included the following:-

1/. The entire Qantas New Zealand domestic route network was changed to Jetstar in a single day;

2/. Over half of the trans-Tasman services between Australia and New Zealand have been converted to Jetstar services. By that I do not mean that Jetstar services have grown to half of the services because of demand for these services, which would have been the right thing to do if it had been demand-driven, but merely that Qantas simply stopped Qantas services and replaced them with Jetstar services. Try flying Qantas from Australia to many places in New Zealand today – many services just don't exist anymore. Trans-Tasman routes are very competitive with a very large number of airlines flying from Sydney to Auckland in particular, but in many cases the Qantas offerings are less than attractive;

3/. This same scenario has been played out time and time again on Australian domestic services too. On one route alone, the entire four services per day were converted from Qantas to Jetstar services overnight. Any 'normal' manager might have converted one of these flights-per-day from Qantas to Jetstar as a toe-in-the-water effort and then waited to see the market response and what the market demand dictated after that, but not Alan Joyce. Some communities now no longer have any choice of full-service or budget services – just budget Jetstar services only.

4/. All services to places like Phuket and Bali are Jetstar only services now with no presence whatsoever of Qantas. So how do people like me who don't want to be crammed on a Jetstar plane with young backpackers, raving party goers and so on, go to Bali? Obvious there is no alternative choice on a Qantas flight so we have no choice but to fly on another airline.

5/. Osaka has two routes from Australia serviced by Jetstar and none by Qantas, and there are two with Jetstar and one with Qantas to Tokyo. Why would you want to offer travellers from a country like Japan with one of the highest paid workforces in the world a low yield "bum-on-seat" ticket coming into Australia? What sort of strategy is this to actually plan to get the least money possible out of high net-worth individuals? AJ has recently announced that Jetstar are retrenching their Gold Coast to Tokyo service (because of poor performance) and replacing it with a Melbourne-Tokyo Jetstar service instead. What a waste of an opportunity to get a full-service higher yield Qantas service to Tokyo from Melbourne. The 3.85 million people who live in Melbourne deserve this. Tokyo airport slots are hard to come by, and not to try to extract maximum yields from the service is bordering on sacrilege.

6/. Even domestic destinations such as Hamilton Island only have Jetstar services but with the more expensive and up-market nature of this destination, more mature travellers and families would tend to be the target audience and not the budget or yahoo market, so a Qantas service would appear to fit this market better, even though it is a leisure destination;

7/. All new international and domestic services have been Jetstar services only (except for the Sydney / Melbourne to Dubai services which were simply a transfer of services from Singapore). For example, the new Adelaide to Auckland route is a Jetstar service. Now why Alan Joyce thinks that nobody wants to fly this route full-service is beyond me. All that is likely to happen is that people will fly the opposition airline (Air NZ) or on one-stop services, and the direct Jetstar service will eventually be discontinued because of poor load factors. And then there is the new Jetstar Perth to Lombok service. The people in Perth earn on average much more than people in many other parts of Australia because of the resources industry. This is an opportunity missed by Qantas to cater for the full-service premium customer once again. Surely AJ can see this by the fact that Air NZ has added Premium Economy on its service from Perth to Auckland because of demand for it. And of course, Auckland to Singapore is Jetstar only. Another opportunity missed for higher yield customers considering that Air New Zealand doesn't even fly this route and simply code shares with Singapore Airlines. After an absence of about seven years, it is about to recommence Auckland-Singapore services.

This is at the crux of Alan Joyce's folly – that Jetstar services equal Qantas services and that everyone will be happy to fly on Jetstar instead of Qantas. Alan Joyce has come up through the airline business in Ireland, worked with budget airlines, and he was instrumental in building Jetstar Australia, in fact, Jetstar anywhere. It is no wonder that he sees thing through Jetstar-tinted glasses when it comes to services – it is his baby. And he did a wonderful job of building Jetstar Australia too, and he deserves full credit for that. But he forgets the IATA statistics – 59% of the world's travellers are full-service travellers and only 29% are budget travellers. The balance is made up of regional and other operations such as charter flights. The budget side does need growing with Jetstar over time, but that should not necessarily spell the death knell for Qantas. In fact Qantas needs to be grown too. It has had its network drastically contracted over recent times and Alan Joyce has done absolutely nothing to counter the influx of full-service competitors that have hit Australia's shores in recent times. Qantas and Jetstar services are in fact complementary services for different target markets – not interchangeable.
I am sure that his vision for the future of airline travel is for a Jetstar network of franchises around the world. But by gradually converting Qantas services to Jetstar services, all he is doing is driving his premium customers (the big bucks) away and into the arms of his opposition. This has been evident even in the domestic Australian market, with John Borghetti rushing to convert Virgin Blue et al, into a credible full range-of-classes airline, the new look Virgin Australia, to pick up those passengers alienated by the Qantas group strategy.

The Qantas Sale Act and the even playing field.

Alan Joyce has demanded that the Federal Government change the Qantas Sale Act because of an uneven playing field with sovereign airline shareholders about to own 80% of Virgin Australia, but he has not been playing on an even playing field himself either.

Firstly, his code share partner Emirates is fully government owned, pays no taxes, pays no interest on loans under the Muslim system that forbids this, and has almost unlimited access to funding. Isn't this the pot calling the kettle black? After all, from Sydney and Melbourne to Europe, Qantas is now just an Emirates express feeder airline, and from Brisbane, Adelaide and Perth, Alan Joyce now has Qantas merely acting as a glorified travel agent selling seats on Emirates' flights as passengers don't ever see the inside of a Qantas plane. Is this where the Australian national flag carrier needs to go? His new code share airline, China Southern Airlines, is 100% government owned and funded also, and he is once again merely selling seats on its planes.

Secondly, with the Jetstar franchises that have been set up, Qantas is behaving in a similar manner to those that Alan Joyce is campaigning against. Qantas contributed to a 'prop-up' payment to loss-making Jetstar Japan, just as recently as November

2013. $120 million was paid to Jetstar Japan, which is amazing considering the massive Qantas losses, zero dividends paid to Qantas shareholders for 5 years, and its plea to the Australian Government for a loan guarantee. It is also amazing given the fact that he is doing with these Jetstar franchises just exactly the same thing that he is accusing Virgin shareholder airlines of doing.
Also, Jetstar Hong Kong is facing problems with getting landing slots at Hong Kong airport because Cathay Pacific and Dragonair have complained to the Chinese Government about giving scarce landing slots at the airport to an airline which is run from Sydney.

Qantas has abused his dominant market position time and time again in the past to push new entrants into the domestic market out of business. Ask the mangers of Compass and Compass II just how Qantas tried to stop them getting landing slots, terminal and lounge access, and how Qantas sent them broke with targeted pricing and capacity campaigns. I have never heard Qantas ask the Federal Government to give those airlines a fair deal and an even playing field.

Jetstar more profitable than Qantas?

Alan Joyce is trying to give the impression that Jetstar is much more profitable than Qantas. This is not necessarily the case. Firstly, as we know, the majority of costs are the same for an aircraft no matter what the outside of an aircraft has painted on it.

But he is artificially creating lower operating costs at Jetstar by giving them the most fuel efficient new aircraft such as the Boeing 787’s which were ordered for Qantas in the first instance. But instead, Qantas misses out on them and he is transferring the older less fuel efficient Airbus A330’s to Qantas service. On the face of it, there is nothing wrong with this because they are both part of the Qantas group and what really matters is for things to be done for the betterment of the group as a whole, but come time for balance sheets and profit and loss statements I guarantee that there will be no mention of the fact that the lower operating costs of Jetstar were lower in part because of the more fuel efficient aircraft that they were given to operate using up to 25% less fuel.
The Boeing 787’s were exactly what Qantas needed to help revitalize itself and to allow many routes to continue to be flown profitably instead of being discontinued. This was an absolutely stupid decision to give these planes to Jetstar, and an even more idiotic decision has just been announced to defer the delivery of some of the remaining B787’s. They need to go to Qantas.

Why can’t Qantas raise the money it needs?

And now, Alan Joyce is trying to get the Federal Government to change the Qantas Sale Act. He says that Qantas is severely disadvantaged by being bound by it, and he can’t raise the necessary capital that Qantas needs for the future.

So firstly, let’s actually see why he needs this change. After all, Qantas is already listed on the ASX so the stock exchange is where companies normally go when they want to raise capital. Qantas has actually raised $1.2 billion there in recent years, In fact, the raising of capital for businesses and the fair, free (open) and efficient trading of shares are the two main functions of the stock exchange. But he can't go there any more because Qantas has not paid shareholders any return, yes ANY return since 2009 - five years now. And there is no likelihood of any dividends in the near future either. So if you were an investor, would you want to give your retirement money to Alan Joyce, to enable him to go off on another tangent somewhere and blow another billion dollars of investors' money and not give you any return for it? And with Qantas's poor performance under Alan Joyce, Qantas's credit status has been down graded to that of Junk status by Standard & Poor's, and is on negative watch by Moody's. So if Qantas were to try to raise money on the ASX like normal companies do, then it would almost certainly be unsuccessful, or they would have pay through the nose for the pleasure of doing so. The only one likely to be remotely interested in putting money into Qantas at the moment is Emirates (or another foreign government owned airline), and that is to ultimately gain control of the international side of Qantas to further their goal of having a truly international worldwide network. And they are not bothered by the fact that there has been no dividend for five years because they can see for themselves the wonderful opportunities that exist right now, right this very moment for Qantas International to make money and to fly to all sorts of destinations profitably if the strategies of Alan Joyce were discontinued. In fact if nobody else wants to put money into Qantas International then that is better for them because they can not only pick it up for a bargain basement price, but be seen as the white knight rescuing Qantas and saving the Australian public. Once they gain control, then they would change the direction of the airline over-night, I am sure.

What will probably happen if this change goes through, is that Qantas will spin off Qantas International which will almost certainly involve Emirates becoming the majority shareholder, so that Qantas international will end up being controlled and run by Emirates. It will no longer be the Australian international flag carrier that it has been in the past. How can a Gulf carrier best know the interests of Australia and Australians? Traffic rights will become uncertain and vague and be an issue. Traffic routes could be set up to feed into Emirates services instead of what is actually best for Australia. Has this scenario of the Emirates 'rescue' of Qantas has already been discussed?

I am sure that the other entities such as Qantas domestic, Jetstar Australia, and the frequent flyer programme will all be sold separately too.

Qantas will almost certainly also cease domestic operations altogether in Australia and these will go to 100% Jetstar operations. After all, this has already happened in New Zealand in one hit on one day, and it has been happening 'on the quiet' here in Australia for a number of years (since Alan Joyce took the helm at Qantas). I am sure that within ten to fifteen years, Qantas domestic will be gone. That is of course, unless something is done now to stop it. Qantas does not need more that 49% foreign ownership. What it actually needs is a CEO who isn't hell bent on dismantling it (to stick it to the unions) and replacing it with a budget airline.

Qantas will however, need some low-cost funding to help it over the next few years. This is to help it to refocus itself back into areas where it needs to. Perhaps this is best where the Federal Government should become involved, to save the 35,000 airline jobs, and the taxes that it collects from those jobs and the Qantas and associated businesses. A government guarantee for the Qantas loan would work well and enable a Qantas rescue to be put into place. But it won't work at all if Qantas is allowed to continue on its current strategy. An Australian government equity holding along with board representation would work much better though, and I will highlight the reasons for this later.

Where does a billion dollars disappear to?

Over a billion dollars has been spent on developing the Jetstar franchises in Asia with very little likelihood of any return on the 'investment' any time soon. This was far too much money taken out of the coffers far too quickly, and it will take some getting over. At Jetstar Japan, as at November 2013, 22 Airbus A320 aircraft ordered by the Qantas group had been delivered to this one Jetstar franchise alone. This represents just under two billion dollars of brand new Qantas Group aircraft placed with this Jetstar franchise, and another $120 million in cash is currently being pumped into this airline to pay the for the losses and will raise the Qantas shareholding to 46%. Jetstar Japan is an example of the fragmentation of the Alan Joyce plan. He has 22 Airbus jets flying domestically within Japan, but how does that actually connect to Jetstar in Australia? Just through four services actually: from Gold Coast to Osaka and Tokyo (soon to be from Melbourne); and from Cairns to Osaka and Tokyo. Why spend all of this money on building a Jetstar Japan franchise, and then not properly connect it to all of the major population bases in Australia to feed into it, or to bring inbound tourists back here to Australia?
So how does the building of Jetstar franchises in Japan, Hong Kong, Vietnam and Singapore actually benefit Australia, Australians, or Qantas shareholders? Those franchises aren't making a profit and Qantas is having to put more money into them to prop them up (exactly what it is accusing Virgin shareholder airlines of doing). These franchises don't create jobs for very many Australians as the local country labour laws require locals to be employed and they can be employed for a fraction of the cost of Australian workers. They don't fly to Australia so how do they bring tourists into Australia to benefit the economy? Well the answer is that they don't create jobs for Australians or bring in tourists here, so why would the Australian Federal Government even consider guaranteeing a loan for Qantas so that Alan Joyce can take the money away to Asia and give nothing back to Australia in return?

On the domestic front, Alan Joyce has overseen the spending of hundreds of millions of dollars on defending 'Alan's line' of 65%, the line in the sand that he has drawn which is an absolute bastion from which he said publicly that he will not withdraw from when it comes to domestic market share. This has seen the redeployment of literally hundreds of millions of dollars of aircraft From A330's on trans-continental Australia to B717's on regional services) to defend market share at all costs, and a massive over capacity on the domestic front in many areas, and thus a corresponding decline in yields for the airline (decline in profit). QantasLink has average load factors of under 65% and the rest of the domestic operation now fares only slightly better. It never used to be like this with domestic load factors usually in the 80%'s. How can anyone expect to make a profit when not only are you having trouble filling your planes because you flood the market with extra seats, but the return per seat is declining rapidly too.

So why would the Australian Federal Government want to Guarantee a loan to Qantas so that Alan Joyce can take that money and use it to subsidize losses incurred as a result of flooding the market with excess capacity to ‘push’ Virgin out of the Market. After all, Virgin employs ten thousand of Australians too.

So domestically, we have Alan’s Joyce’s line (in the sand) to maintain market share. But where is it on the international front? Well, it’s nowhere to be seen to be honest with you. There appears to be no coherent plan or strategy to defend the international borders against the ever increasing competition that continues to advance upon Australia’s shores and ruin the market here for Qantas. Qantas used to have a 40% share of international traffic to and from Australia and now it is just over 16%, and steadily declining still further from there. The Qantas management on the face of it seem bereft of ideas to counter the competition from this dramatic influx of foreign airlines into Australia. But in reality, I don’t actually think that they are trying to come up with a different answer to this competition because I think that they firmly believe that the answer lies in following stoically their existing strategy of building Jetstar services at the expense of Qantas International. The fact that strategy is still alive and well is evidenced by the fact that Alan Joyce is to this very day, still placing so many (3-4 per month) new aircraft with Jetstar and Jetstar franchises and virtually none with Qantas. But really though, all that this does is encourage the competitors because they know that Qantas is not chasing the premium market but building its future business upon the bottom end of the market, the low-yield end where its not dollars that matter but cents, where if you fill your planes to 80% then you can literally make just a few dollars per passenger. And when there is a tough market then there is no fat left to sustain you.

Increasing competition

There are massive competition increases still ahead for Qantas internationally and it is doing nothing to prepare a counter attack into the market. There are now so many Chinese carriers flying into Australia, and apart from its Hong Kong services, Qantas only has one service operating from Sydney to Shanghai. This is for a market that has demand growing at a bottom rate of 7-8% annually, where the population of China exceeds 1.2 billion and is climbing, where the affluent middle class is now approaching several hundred million, and a market that has all forecasters labelling it as the fastest growing market by far for the next 20 years.

Cities such as Chongqing, Guangzhou, Macau, Chengdu, Kunming, Xi’an, Xiamen, Wuxi, Wuhan, Fuzhou, Shanghai, Beijing, Hong Kong, Shenyang, Dalian and many more, should all be flown into directly from Australia. My airline plan actually does this, and does it in a manner that is likely to be both successful and profitable and to compete against the many Chinese carriers that are flying to Australia today. In fact, within two years of implementing my airline plan, most of these Chinese cities would be serviced directly from Australia, with low risk to the airline. Why can’t the Qantas management work out how this needs to be done to be profitable?

China Southern Airlines (CSA) is planning to increase its services from its current 45 per week to 110 per week to Australia over the next two years and also to fly its Airbus A380’s all the way through to London from Sydney via Guangzhou. So are all of the other Chinese carriers planning to expand their services to Australia too (many have A330's and B787's on order for this), whilst Qantas still soldiers on in the mistaken belief that its services to Hong Kong and its single service to Shanghai from Sydney will cut the mustard? So it is no wonder that AJ has decided once again to throw in the towel in the face of stiff competition from China Southern, and to admit defeat and just to sell seats on CSA flights. CSA is a perfect example of what AJ wants the Federal Government to legislate against. It is 100% owned by the Chinese Government, employs its staff at a fraction of the price that Qantas does, and gets funding through BOC (the Bank of China). It is disheartening to see his airline strategy once again lead to another situation where Qantas is relegated to the roll of being just another travel agency. Where will it end? Well the truth is that it won't with AJ in control. He has done almost nothing for Qantas International since he became CEO.

India is the second most populous country in the world. Like the Chinese, Indians live in every nook of the world. They are spread everywhere including Australia. And like China, India has a population of well over a billion people. It has a middle class of at least 300 million people. But one thing that we know for sure is that India is growing into the next big power house after China, and Qantas does not service it at all. Yes it used to fly to Mumbai but that has not been for a long time now. But even if it recommenced its service from Sydney to Mumbai, that would be just a drop in the bucket – only one city in Australia flying into one city in India. India (like China) is a vast country with large population bases everywhere. To fly to just the one big centre would only just scrape the surface of the potential. My airline plan would have Qantas flying to at least 10 different Indian cities profitably if it were introduced. Qantas would fly to cities like Mumbai and Delhi of course, but also to Chennai, Hyderabad, Bangalore, Trivandrum, Goa, Pune, Ahmedabad, Jaipur, Jodhpur, Amritsar, and Kolkata. Then you can add to that Colombo, Male, Dhaka and Yangoon which are in the same vicinity.
It's actually very easy to add these services to the Qantas network in a low cost and low risk approach that would enable them to be built up over time. My plan would do this. Why can't the Qantas management work out how to do this in a low risk manner that is likely to be profitable at a very early stage?

Indonesia is right on Australia's doorstep. It has a population of at least 300 million. Qantas has one service from Sydney to Jakarta. Jetstar also flies to Denpasar (Bali) with a new Jetstar service about to start between Perth and Lombok. This level of connectivity is shameful. Apart from New Zealand, there is no country in the world that is easier for Qantas to provide connections to. Once again, there are at least 10 Indonesian cities that should have direct flights from Australia initially and my plan does this in a profitable and sensible way to build services steadily whilst keeping the cost and risk to Qantas down to its lowest denominator. There are many others too that could be trialled in a low risk manner in a toe in the water effort to develop business.

Garuda is re-emerging as a threat from Indonesia and has recommenced services from Australia to Europe, but Lion Air is the next big threat to Qantas that will come out of Indonesia. It is adding two brand new Boeing 737's every month to its fleet and has Boeing 787's on order for longer haul flights. There is no doubt that it intends to service not only Asia from Australia through its Indonesian hub, but as far a field as Europe.

AirAsia X is already here in Australia. It is not something that may happen or is going to happen, but it has already commenced. AirAsia has over 100 A320’s flying on domestic and regional routes already. AirAsia X has just placed a new top-up order with Airbus for an additional 25 Airbus A330’s (They already have 26 in service or on order). This top-up order is only 5 A330’s less than both Qantas and Jetstar have combined. Its A330-300 aircraft will hold 370 people each.

In a press release, Tan Sri’ Tony Fernandes, Co-Founder and Director of AirAsia X said, “This order stamps our firm intent to dominate the long-haul, low cost carrier space and marks the next phase in our development to be the undisputed global market leader. Our commitment would allow us to remain as the youngest wide body fleet age in the region at under five years throughout 2019, with corresponding competitive fuel efficiency, reliability and cabin comfort benefits.”

So how will Qantas look to compete against this onslaught of low cost excess capacity from Malaysia? Well, the truth is that it will do the same that it has for all of the Chinese carriers that are coming here, and it will do the same as it did for Emirates when they first started to fly to so many places here – Qantas will do absolutely NOTHING! The Qantas management seem to have no plan to bring Qantas International back to a profitable and viable part of the Qantas group. Qantas will bury its head in the sand once again, and continue to build its almost ‘not-for-profit’ Jetstar franchise services, and when it once again makes another big loss, it will blame the unions, and the market, the price of gas, the lack of investors, or even the Federal Government for the Qantas Sale Act, and of course the “uneven playing field”. None of the Qantas problems ever seem to be the management’s fault.

Turkish Airlines used to be a basket case. It was once a regional east-European airline that had all sorts of problems, including planes falling out of the sky on a regular basis. But that could not be father from the truth today. It has built itself into a world-class airline and has steadily built a European and CIS nations route network that is extensive. Its strategic location where Europe and Asia meet, allows it to fly to every European city with Boeing 737’s and Airbus A320’s. It has 20 Boeing B777-300ER’s (once again Qantas 0) coming and many of these are destined for the Australian market. It will be able to offer one-stop flights from major Australian cities to well over 120 European cities. This will well and truly gazump the 35 European cities that the Qantas can sell on Emirates aircraft. In one foul swoop, the Emirates fillip for Qantas could be undone. And where is this fillip anyway? Last year AJ announced that the Emirates’ tie-up was a coup d’etat, the saving grace, the deal to beat all other deals, that this year would bolster Qantas’s profits and bring it into good health. Where are those profits?

Qantas has virtually all of the Australian international airline business on a plate for itself. It really has no Australian competitor. After all, Virgin Australia only flies to Samoa, New Zealand, and Los Angeles and feeds into the Etihad network at Abu Dhabi. Virgin Australia has gone with a ‘virtual’ international airline network, just feeding into its shareholder airlines’ networks along with the Delta Airlines’ USA network in Los Angeles. There are many airlines around the world which would love to be a national icon and national flag carrier in a place like Australia, and have all the opportunities to themselves. Look at Air Canada in a country with one and a half times population base of Australia spread across the country in a line horizontally almost the same as Qantas has vertically down the east coast of Australia. Look how much competition it has. But Qantas has abused its position and failed miserably to look after the needs of an entire nation. The only city that has even in the slightest way been taken care of is Sydney. Melbourne has about 6-700,000 people less than Sydney, but Qantas international routes from Melbourne are pathetic: to Los Angeles; to London via Dubai; to Singapore; to Hong Kong; and to New Zealand (Auckland and Wellington). From Perth Qantas international services are only to Singapore and Hong Kong but very soon Singapore will be discontinued too; From Adelaide there are now none; From Brisbane there is Los Angeles, Manila, Hong Kong, Singapore, Noumea and Auckland. There are no Qantas international services from Darwin, Cairns, or the Gold Coast. And there lies the crux of the matter. Qantas International flies to almost nowhere – you can count them virtually on your hands and feet. It is no wonder that Australians get onto other airlines' flights in droves. The Qantas management is still stuck mentally in the past thinking that everybody wants to fly to London, Hong Kong, Singapore, and Los Angeles.

There is no doubt that market conditions are tough at the moment with the cost of aviation fuel at such high levels. Competition has never been greater either from international carriers from other countries, but amongst it all, lots of other airlines are making a go of it. Just look across the ditch to Air New Zealand. They have a much smaller population base just slightly less than 20% of that of Qantas, and the amount of competition that they face is actually greater for them than for Qantas on a per capita basis. Yet they still manage to fly to as many places in say China as Qantas does; They still manage to fly to London daily from NZ; They manage to fly to many more places in the Pacific than Qantas; They actually manage to fly to the same number of destinations in North America as Qantas does including Canada which Qantas doesn't fly to.
How do they manage to do this profitably as opposed to Qantas?
Well, the first reason is that they select the right aircraft for the job to be done. Air NZ flies both the Boeing B777-200ER (300 pax) and B777-300ER (350 pax) along with the B747-400's and B767-300ER's the same as Qantas does. The B777 burns only 60 tonnes of fuel on the Auckland to LA flight as opposed to the B747 which burns 100 tonnes for the same journey. This represents a 40% reduction in fuel burn with only a small loss of capacity. Right back in the late 1970's when I was living in Rockdale in Sydney I remember that the Qantas management were talking publicly then about becoming the World's first all-Boeing 747 airline (pre-Trans-Australian Airlines). It was a big PR thing and a point of pride for them at the time. But economically it was a disaster (just as the one today). I can remember flying on some Qantas services with as low as 42 passengers on a B747 flight. And they still persist with similar types of mental blocks in their logic today. They have continually dismissed the Boeing B777-300ER which is one of the world's most fuel efficient and best long-haul aircraft available today. They have none in their fleet whereas their code share partner Emirates Airlines has 175 of them either in service or on order. It also has an additional 150 of the new version of the Boeing B777X ordered which will be delivered from 2020 onwards. So Emirates has ordered 325 Boeing B777's versus 0 by Qantas. This fact should tell you which management strategy has worked.

Air NZ also has a large number of Boeing 787's starting to arrive from this year, with Auckland – Perth as the first route to be flown. What a pity that Qantas never got a chance to get any of the Boeing 787's that were ordered by it, but instead were diverted to Jetstar.

Qantas are so short of aircraft that are capable of doing the job properly, that they fly their B747-400ER's on the Sydney to Dallas route, and have to stop over in Brisbane on the way back because the aircraft doesn't have the range / payload capabilities to fly Dallas-Sydney non-stop against the head winds. Why would you even start a service if you don't have an aircraft in your fleet that is capable of flying the route? Why wouldn't you go out and buy one that could do the job?

Next, Air NZ actually flies to the places where the population make-up actually comes from. NZ has a strong Polynesian population base in Auckland so Air NZ has a correspondingly strong network to the Pacific Islands.

Qantas still thinks that Australia is made up of white Caucasians from England with the route network that it offers, but thinking back to when I lived in Rockdale once again, not many people who lived in Waltz Street where I lived actually had English as their first language. In the late 1970's there was even a JAT Yugoslav Airlines' travel agency on my way to the train station. And it is even more the case today. Then, we had the Italians and Greeks and Lebanese and Yugoslavian states represented and many more, but today there is a completely different make up added to this. South Africans, Philippinoes, Chinese, Koreans, Taiwanese, Indians, Indonesians, Thais, and so on make up the population along with an even broader range of European nationalities. Qantas does very little to offer services to any of these people. Why would these people want to fly to London, Los Angeles or Singapore for?

Thirdly, Air NZ still manages to offer the cheap budget bum-on-seat deals the same as Jetstar but not with the loss of its premium full-service business, as the Qantas management is steadily eliminating. What Air NZ doesn't do is try to fill its planes with only low-yield passengers as Jetstar does.

DIFFERENT STRATEGIES, A DIFFERENT WAY OF FLYING

Jetstar has just announced a raft of changes to its flight schedules to 'hopefully' it thinks, improve its load factors and yields, and at the same time to better compete directly against a competitor in AirAsia X from Adelaide. On the face of it, these changes appear to be sound, but in reality, they are just the shuffling of the proverbial deck chairs on the Titanic.
So, for example, they have dropped some international routes out of Darwin because of poor load factors. This is in fact the direct opposite to what my plan calls for (see later in this submission), because the routes that they are dropping would be well patronised and extremely profitable under my airline plan because they would form a part of a very different route structure and grouping of flights that would offer a dramatically better uplift of passengers at both ends of the flights. When you actually see my route groupings and structure later, then I am certain that you will see the logic, and both the common sense and the commercial sense in doing it this very

different way to how both Qantas and Jetstar do today. Qantas still has a route structure in place that was designed for the 1960's needs.

AirAsia X has targeted Adelaide as one of its first entry points into Australia because it can see the absolute neglect that this important Australian city of about 1.2 million people has received in the past from both Qantas and Jetstar. Qantas even discontinued its only international service from Adelaide to Singapore in favour of just becoming a travel agent selling seats on Emirates' aircraft flying out to Dubai and beyond (they call it code sharing, but code sharing implies that there is some bona fide, tangible reciprocity of the actual services provided as well at some point in time, but this is just in the realms of travel agency stuff).
My airline plan looks after Adelaide many, many times better than before by offering them easy access to 50 to 60 overseas destinations along with more direct flights as well. Why can't the Qantas management work out how to change things so that this can happen profitably?

My vision for Qantas or my International airline alternative

I am happy to show the Qantas board members in strict confidence, how my airline plan works so differently to the Qantas strategy.
If my airline plan were used to assist Qantas then I would not be looking to lay thousands of Qantas workers off, and if things were run differently then there would be no need to, but rather to grow the business again in the right areas and in a way so that it can compete profitably against the competition coming in from all directions, both internationally and domestically. Qantas international routes (not code share flights on other airlines' aircraft) have been steadily decreasing over the last few years, whilst competitors have been increasing their flights dramatically. If you take a look at the Qantas international route network, then you will see just how few places that Qantas actually flies to overseas. Obviously, if Qantas doesn't operate services to a destination, then people will get on another airline's aircraft. Qantas can't make a profit on, and people cannot fly on, services which it doesn't operate.

And if you are unfortunate enough to live in Perth or Adelaide, then you could be forgiven for not believing that Qantas actually was Australia's international airline because you mostly have to get on foreign carriers to fly anywhere internationally. Qantas management just do not have an answer for cities like these, but I do. Even cities the size of Melbourne and Brisbane have been relatively neglected because of the way that the Qantas route structure is laid out.

In recent years Qantas has also "invested" a billion dollars in Jetstar franchises in Asia without any likelihood of seeing a return in the near future, and looks set to continue this "investment" in the future. This Asian investment doesn't create Australian jobs or bring tourists here either. In fact, the whole Asian approach by Qantas management has been handled wrongly. Asia is a massive growth area from Australia but a completely different stucture needs to be put in place to maximise passenger uplift and destinations available, and to do it profitably and with very low risk to the airline.

My airline plan would put a stop to this, and would allow as many as 50 new routes to be flown by Qantas over the next 18-24 month period – **PROFITABLY!** Yes, I said 50. Many people might think that I have been smoking too much whacky bakky to make a statement like this because on the face of it, this would seem an impossible accomplishment. But it is very achievable and easy to see how it is achievable using my very different airline plan. It is relatively inexpensive to fly these routes (in the whole scheme of things), and is very low risk. These routes can be built up as demand grows. You can see for yourself later in this submission as I highlight my different approach to Asia.

Qantas has also been ramping up its services to Singapore to 'replace' seats lost with the shift of the European 'hub' to Dubai, AJ says. Its Singapore services are clearly losing money because of over capacity on the route. But why build up capacity to Singapore? There is almost nothing there anymore as far as Qantas services are concerned. Qantas doesn't fly beyond Singapore anymore itself and only provides onwards journeys on code share flights with partner airlines. Also, the principle of full-service Qantas passengers wanting to transfer onto flights with low cost carrier Jetstar Asia in Singapore is also a questionable notion. This is a clear mismatch of services. And furthermore, if you actually take a look at the Jetstar flights that are available from Singapore to Asian destinations, then they are few and far between. Why would the Qantas group want to marshal an over supply of air services from Australia to provide a mismatch of services to a Jetstar franchise that it only owns about a third of. This is the tail wagging the dog situation whereby Qantas shareholders are losing out on a dividend payment to artificially prop up Jetstar Asia.

With my airline plan, some different aircraft would be used for some of the existing and new routes but I would not be looking to spend billions on ordering new aircraft, as those which are already on order will work well. Boeing 777's would be good of course but all new routes can be flown with the aircraft on order or aircraft that can be leased on short-term contracts, to eliminate the need for large capital expenditure and so as to not place undue financial strain and risk on the airline. By leasing the aircraft to be used as interim aircraft (3-5 years), then the latest technology aircraft can replace them when they are delivered. All new routes can be introduced progressively, to build demand as it is needed, and to keep risk down to its lowest level. Many existing routes, both international and domestic, would be flown differently.

By not coming through an airline management route, when I looked at setting up another international airline, I had to start with a blank piece of paper for my plan, and look at all of the players in the market critically (including Qantas) to find out what they did well and what they could improve on. So I always asked myself the question "why do it this way, when this way is much better"? I have masters' degrees in both property and business administration so I am not entirely without planning and management skills.

In my last approach to Qantas which was not responded to, I told them about the structural problems of flying to Europe with Singapore as their intermediary hub. Singapore is a great place to fly to Europe from if you are Singapore Airlines, but not if you are any other airline. Since then they have changed that to Dubai, which is what I told them that I had in my plan. This is only a very small part of the changes that needed to be made to the Qantas route structure for it to return to profitability and my plan covers every area that Qantas and Jetstar fly to.

I have a plan for:-
The United Kingdom
Continental Europe
South Africa
The Indian subcontinent
China
Japan
Indonesia
The rest of Asia
North America
South America
The Pacific
Trans-Tasman flights
Australian domestic routes

I don't have a clear plan for Qantas freight, but with the increase in aircraft flying to all sorts of new places, then they will be very busy trying to fill the cargo holds of those aircraft.

My airline plan works on a three pillar approach. The three pillars are Customers, Staff, and Shareholders. Some people might say well what about the other things like safety, customer satisfaction, on time performance efficiency and so on? Safety is not one of the three pillars because safety has to be underlying and evident in everything that an airline does. Customers should never have to ask themselves this question. It should be self evident. The other things such as on time performance etcetera are part of the operational KPI's that have to be met. So how does Qantas fare with these three pillars? Well lets start with shareholders first.

Shareholders – Qantas must score zero for shareholders because it has taken their money under false pretences. It has given shareholders a false impression that they may expect some sort of return on their investment, but in fact taken what should have been their dividend money, and gone off and set up airlines in Asia, without any mandate from shareholders, and blown a billion dollars;

Staff – Qantas would be lucky to get a score card of anything above 25% in this area. The CEO is virtually at war with the staff. He has had constant public spats with the unions, constant blaming of staff for the woes of the company, even culminating in the CEO shutting the airline down for two days to try to gain public support for himself against the staff. Now, up to 5,000 of them are going to be axed because of his defective strategies. You can't run an airline when you are at war with your staff;

Customers – once again a 25% maximum score here. Routes have been drastically cut, routes have been down graded from full service to budget, and no serious attempt has been made to actually fly where a big percentage of Australians want to fly to. Prospective customers are forced to fly on other airlines to get what they want.

So with a recent history that has seen the airline infamously completely shut down for a few days, shareholders without a dividend payment since 2009, constant public spats with employees and unions, massive increases in competition that have gone unanswered, a failure to put a check on costs, the shut downs of everything from catering services through to engineering bases, the continual run down of Qantas domestic and international services and their replacement in some instances with Jetstar services, it is difficult to see the current CEO bringing about any change in fortunes for the airline. He just does not have any answers.

Instead, he has launched attacks on the federal government and on his opposition blaming them for an uneven playing field that is causing the airline's woes, and the carbon tax. The carbon tax I personally believe is unfairly and unevenly levied, as it is not levied evenly across all sectors with aviation seen by many governments around the world as a soft touch. I also believe that the Federal Government needs to look at an accelerated depreciation schedule for aircraft. This doesn't eliminate the tax paid to the government but simply just spreads it out a little longer and helps to enable airlines to make the capital purchases that they require to maintain top levels of safety, and top levels of efficiency and competitiveness. To give an example of the costs of aircraft an Airbus A380 costs about $420 million and even the new narrow-body jets such as an A320neo (new engine option) can cost $100 million plus.

The Qantas senior management are led in the direction given to them by the CEO. Most of them are good people but following bad management strategies imposed upon them by their 'boss'. Most of them would be capable of leading the airline back to profitability given the right strategies to follow.

Qantas is not a basket case beyond retrieval, but a completely different approach to services, the product mix, fleet mix, and to route structures needs to be implemented.
As well, some short-term low-cost funding (repayable) needs to be made available whilst these changes are made, but a government equity investment would be preferable. This is not to create a sinking fund so that losses can continue, but to get on with the job of turning Qantas in a very different direction. Obviously unions need to be brought on board as well, or another route followed to regain the fortunes for Qantas.

So my airline plan could be used to bring Qantas back to profitability, and allow it to compete in so many areas where it has had difficulties previously. It will allow Qantas (and Jetstar), to fly to many destinations, which were previously unprofitable to fly to. It allows for a very different approach as to how international and some domestic routes should be flown.

So my airline plan will allow the following:-

1/. Qantas International to fly to up to 50 new international destinations over the next 18-24 months;

2/. Qantas and Jetstar will be able to fly many new domestic routes profitably;

3/. Qantas Link could commence many new routes profitably;

4/. Jetstar International would commence long-haul budget operations to at least 4 or 5 destinations in the next 18 months including to both Europe and the US - Profitably;

5/. Jetstar International would commence flying to 10-15 new short to medium-haul international destinations over the next 18-24 months;

6/. It will target and help to eliminate the over capacity (and consequential loss of profits) in many areas caused primarily by Qantas's flooding of the international route to Singapore and the domestic market with over capacity to maintain its imaginary 65% of the domestic market, and the over supply of seats to Singapore to support Jetstar Asia.

7/. All that some routes need is a smaller aircraft to be used on them but as Qantas doesn't have a full range of aircraft sizes to choose from, it instead flies many routes with aircraft that are too large for the market demand on that route. My plan will target this over supply of capacity.

This plan will not see any additional Jetstar franchises set up around the world, although the existing ones will remain but resources will only be placed with them if there is a convincing financial case for it to be done. There is no sense in writing off the money spent on them. Some unprofitable Jetstar Asia routes will be terminated if there is little likelihood of profits in the near future and aircraft would be repatriated to Qantas back here in Australia to use on other routes in my plan. All resources will be used back in Australia to further the return to profitability of the parent group, and to grow the core flying entities of Qantas International, Qantas Domestic, QantasLink, and Jetstar Australia.

So Qantas is not beyond recovery, but it is unlikely to survive with its current CEO in place following its current strategies.
Obviously too if my plan was used, I would want to get an eventual payoff for all of my work at some point in time, which I don't believe is unrealistic considering the tens of millions of dollars in pay that Alan Joyce has received during his time as CEO, for destroying the value of Qantas. Alan Joyce has talked about a reduction of his pay by a third, but what is really needed for the airline to move forward is for him to take a pay reduction of 100%, and let a completely different plan for the future of Qantas to be put in place. It is quite clear from what he has said in the media that he is unrepentant for how he has run the airline, and that it is business as usual with his same flawed strategies remaining in place.

I am happy to meet with the Qantas Board, the Federal Government, The Senate, or anyone else who needs to be convinced, at their earliest convenience to discuss any aspect of my plans that may assist a speedy recovery for the airline.

Yours faithfully,
Steve Ashby

The above was sent to all Senators earlier this month

I also have a plan to give shareholders at least a little something back in return for their money being 'invested' in Qantas shares. There is obviously no money in the pot to give them. It is something that would cost Qantas very little, but would be of high value in the hands of the recipients.

Committee terms of Reference.

1/. The Committee must consider what initiatives can be taken by Government to ensure Qantas remains a strong national carrier supporting aviation jobs in Australia, including:
a. a debt guarantee;
b an equity stake; and
c other forms of support consistent with wider policy settings
2/. That, in conducting the inquiry, the committee should consider:
a any national security, skills, marketing, tourism, emergency assistance or other benefits provided by a majority Australian-owned Qantas
b the level and forms of government support received by other international airlines operating to and from Australia;
c the ownership structures of other international airlines operating to and from Australia;
d the potential impact on Australian jobs arising from the Government's plan to repeal Part 3 of the Qantas Sale Act 1992;
e and any related matter.

1/. a.
As already outlined previously in this submission, a debt guarantee would certainly be advantageous to Qantas, but in my opinion, it would expose the Federal Government (and the taxpayers) to an enormous amount of risk as it would probably almost certainly be called upon, if the existing Qantas CEO and his flawed strategies are left in place. Qantas needs to change direction immediately. Unless this happens, then this should not be a considered option.

1/. b. My prefered option is for the Federal Government to take an equity stake in Qantas. This is the option taken by many goverments in similar situations around the world including in New Zealand. Air NZ was almost broke a few years ago, and the NZ government purchased an almost 75% stake in it by way of an equity injection. Recently, the NZ

government has sold down some of its equity. By taking an equity investment, it releaved the pressure of having a financial monkey around Air NZ's neck, and at the same time allowed the airline to recapitalise and gave it the breathing space required to refocus on its core flying activities.
I don 't think that it is necessary to take anything like a 75% stake in Qantas to be able to have influence over the direction of the airline, because that is almost re-nationalising the airline. Around 25% equity stake should be sufficient to get adequate board representation to ensure that the interests of the Australian public and shareholders are taken care of, alomg with sound management practices.
Qantas management have lost the plot as to what their role is and what they should be doing. Their taking of over a billion dollars to set up stand alone airlines in Asia, does nothing for Qantas or tourism and job creation in the aviation and tourism industries in Australia. It doesn't even fly the flag around the world for Australia because none of these airlines is carrying the Qantas name, but instead the Jetstar brand. There is very poor connectivity between these airlines and Australia.
The NZ government was able by way of an equity investment, to keep its finger on the pulse of what was happening at Air NZ and to even influence the board to keep strick financial control of the airline. The Qantas board have failed in this respect. They have allowed the CEO to carry on with his flawed strategies without keeping him under control. It does not mean that the government will run the airline, but merely ensure that it is accountable and doing its job of bringing tourists to Australia, and taking Australians to where they want to travel, in a fiscally responsible manner.
As well, if there had been more accountability by Qantas then Alan Joyce would have been forced to maintain tight controls on airline capacity allocation, and these two things combined, would never have been allowed to get Qantas into the position which it is in today.

One of the things that most people have not picked up on with the proposed reconstruction plan put forward by Alan Joyce, is that there will not be 5,000 job losses in total with this plan. Yes, he is saying 5,000 job losses at Qantas, and that is pretty much a guarantee from him, but the job losses will actually be closer to 20,000 or even 25,000 people. How is this possible?
Well, if we look at the Boeing 747's and Boeing 767's that he is going to remove from service, there is no proposal to replace these aircraft on their existing routes with other aircraft, except for a few of the B767's which will be replaced by A332's from Jetstar as new B787's arrive. But we also know that the last of the B787's have been defered so there won't be sufficient to do a full one for one replacement for the B767's, and no replacements for the B747's. So what this means in reality, is even more reductions in the already small Qantas International route network. These services will be discontinued with a massive loss of connectivity to Australia for tourists. These aircraft are part of the Qantas wide body fleet and carry probably close to 50% of their international travellers. Without them, or a suitable replacement aircraft, Qantas international figures will be drastically reduced. Remember too, that these are full service customers whom we are talking about, not the budget travellers carried by Jetstar, so they spend on average much more money per head whilst here.
If we use the usual multiplier that is used in the tourism industry to determine the full-time equivalent tourism industry jobs that flow on from each tourist who arrives on our shores, then the figure of 25,000 is probably a more accurate estimate.

1/. c. other forms of support that will assist are generally in the form of government backed marketing campaigns. These help immensely when they are targeted accurately.

Accelerated depreciation for aircraft purchases will help financially too. When you have an A380 costing $420 million, then you certainly don't want to be paying tax when the money for the cost of purchases of this magnatude needs to be found. Straight line depreciation should be used as well, instead of diminishing value. By allowing the 'tax money' that would normally be paid on the equivalent level of profit to be paid off capital purchases, then this helps to make them more affordable.

2/. a. The marketing of Australia as a business and tourist destination is very important for any Australian government. In terms of marketing, Qantas has been decreasing rapidly any flag flying that it does for Australia, by virtue of the big reduction in Qantas international services undertaken. Tourism is on a par with marketing and is clearly not a priority for the existing Qantas management. Many studies have been undertaken in the past to try to determine the corelation between the depth of market penetration and the level of tourism generated. Virgin Australia has a virtual international network using its shareholder airlines' networks along with Delta in the USA. The level of marketing undertaken for Australian destinations by Delta Airlines would be very limited if at all. Maybe something might be undertaken at its Los Angeles entry point for its Sydney service, but as you get out to cities inside its network, there would be almost none. The same applies for American Airlines – the Qantas American code share partner airline. They are more focused on selling American destinations to Australians than Australia to Americans. The studies actually showed that the only real way to get market penetration and brand and country recognition, was with an actual direct presence in the market.
So with a country like the US, Qantas only flies into Los Angeles and Dallas/Fort Worth, in Texas. It also continues its LA service across the country to JFK airport in New York. This is for a country that has a population of 300 million people, and 5,000 airports. It is obvious that there is very little market penetration into the US the way that Qantas serves the market at the moment. This is for a country that we consider to be one of our closest allies, and they consider Australia to be one of their safest holiday destinations. Tourists from the US should be some of the easiest to convince to visit here. Once the new plans come into effect that Alan Joyce recently announced to retire most of the airline's B747's and its B767's, then some of the US services will be pared back also, as there is no replacement aircraft for them. The US result is enormously underwelming considering what could be achieved if a different strategy was put into place. San Francisco, San Diego, Denver, Phoenix, Seattle, Las Vegas, Houston, Miami, Orlando, Chicago, Atlanta, New Orleans, Charlotte, and Washington DC, are all in my plan for North America, along with Vancouver, Calgary, Toronto, Montreal, Mexico City (with the same population that is in Australia in total), Cancun and perhaps some others too.
This level of market penetration is acievable and can be done affordably and profitably, if Qantas just looks to restructure the way that it does its business in that part of the world.

We all remember the devastation of cyclone Tracey and the world record set by a Qantas B747 for the number of people carried on board an aircraft. Well this is the sort of benefit that a national airline can make available to a government here in Australia. In the US, many airlines have aircraft in their fleets which are on the military register for short notice deployment, to transport troops in a time of need. We all know how much the latest Boeing C17's cost to purchase and to have available at all times. The slack could be taken up by Qantas aircraft. It's not just troops that can be carried but civilians too. This is one major benefit that could be available to the Federal Government.

2/. b. the level and forms of government support received by other international airlines operating to and from Australia is many and varied. Alan Joyce has us believing that it is unfair that Virgin Australia shareholder airlines should be allowed to inject capital when it is needed, although he does the very same thing with his Jetstar franchises. Chinese airlines (except for Cathay Pacific), are owned by the Chinese government, and funded by them or through the Bank of China. They are expected to make profits, but don't seem to be harshly punished if they don't. The individual regions or districts seem to have a level of control over their specific regional airlines too. It is difficult to know the full extent of Chinese government support for their airlines because it is never talked about openly. Certainly, there are things such as very low wages that they enjoy the benefit of, and low interest-rate loans. The Gulf carriers all are government owned and they enjoy a tax free environment in their home states for themselves and their employees. The Muslim system which forbids the charging of interest on loans is also very advantageous to them. Their governments are also prepared to spend billions of dollars on infrastructure around them as well, such as airports and so on.
No American airlines receive direct government support at all, but the American bankruptcy laws which allow companies to go into Chapter 11 is of great help to them, and in my opinion, is a form of government support. Airlines which are struggling with unproductive workforces, piles of debt, and older aircraft, can apply to go into Chapter 11 bankruptcy protection. This affords them protection from their creditors, and they effectively operate in a form of administration. During their time in Chapter 11, aircraft leases that they don't want can be terminated, staff can be pruned down in numbers, work place practices and pay rates drastically changed, and usually, billions of dollars of debt is written off.
And voila! They come out of Chapter 11 all trim and lean and mean, ready to fight another day. This form of practice is so prevalent with the American airlines, that it is difficult to believe that it is not actually planned for sometimes. Run your airline unprofitably to get the business from your rivals, get into debt, get cleansed by Chapter 11, then you're ready to go again.
I am not an expert on this matter, because I have not been studying this aspec of foreign airlines. I'm sure that there are many more knowledgable people on this matter than me.

2/. c. the ownership structures of other international airlines operating to and from Australia is from complete government ownership at one end of the scale up to complete stock exchange listing at the other end. Etihad, Emirates, Qatar, Singapore Airlines, Thai Airways, and all Chinese carriers (except for Cathay Pacific) operating into Australia, are all either 100% owned by their sovereign goverments or have substantial government shareholdings. Air NZ is about 50% owned by the NZ government, after they sold down over 20% of their shares recently.
As we already know, Virgin Australia is 80% owned by Etihad, Singapore Airlines and Air NZ, along with the Virgin group.

2/. d. the potential impact on Australian jobs arising from the Government's plan to repeal Part 3 of the Qantas Sale Act 1992, in my opinion, is going to spell the death knell for Qantas as we know it. It is clear already, that Alan Joyce will split the airline up into parts. Qantas International theoretically has a negative value because of the continuous losses made by bad management and neglect. This is the part of Qantas that Emirates want, with its ability to fly internationally to and from Australia with Australian traffic rights. It would become another part of their world network aspirations. Emirates would very quickly look to outsource as much as possible. The average salary of an Emirates employee is half that of a

Qantas employee. The number of employees per aircraft operated is dramatically less than is the case for Qantas. This clearly tells us where Qantas International will end up.
Qantas domestic could survive if someone bought it, but if it remained as part of the domestic operation coupled to Jetstar domestic, then the brand could easily disappear as Jetstar services have been steadily replacing Qantas domestic services for years. My estimate is that it would disappear domestically within 10-15 years. Both of the above options would see the Qantas workforce halved in the first couple of years after the split – about 17,500 jobs disappearing.
The most profitable part of the Qantas Group at the moment, is the frequent flyer programme.
In my opinion, the best way to get Qantas back to being a healthy airline again is to leave it intact, so that the different parts can help to support each other. If the plan to repeal Part 3 of the Qantas Sale Act 1992 goes ahead, then it is unlikely that Qantas will stay in one piece.
The 17,500 jobs at Qantas itself is only one part of the potential job losses ahead. What about all of the flow-on effect job losses in other areas? How do we measure these job losses?

2/. e. and any related matter.
Nothing

Blueprint for Asia

One of the many, many reasons that Alan Joyce has purported as being the cause of the Qantas woes is the “end of line airline” rationale. By this, he is saying that Qantas finds it difficult to fill its planes and to make a profit because it has its back to the Antarctic – 180 degrees of ocean and ice from whence there is nowhere to source passengers from. And from one perspective, he is right.
After all, look at Asian airlines such as Singapore Airlines, Cathay Pacific, and Thai Airways. They are smack dab in the middle of it all and are lucky airlines because they can fly to and from any city within a full 360 degree circle of their base cities and pick up passengers from anywhere, and take them to anywhere. And because of their close proximity to these other major population centres, they can fly to them using relatively much less expensive aircraft – smaller narrow-bodied jets such as B737’s and Airbus A320 aircraft.
Emirates is another “lucky” airline. From its Dubai home, it can reach anywhere in Europe with a narrow body aircraft. It doesn’t fly narrow bodied aircraft under its own brand any more, but it used to. When it first commenced services 27 years ago, it was with a couple of leased second hand narrow bodied aircraft, and its home base of Dubai was a not very well known rather sleepy fishing village.
But some of these “lucky” carriers have disadvantages of their own. Emirates, Singapore Airlines, and Cathay Pacific don’t have domestic networks like Qantas does to bolster their profits and load factors with. The Asian carriers are too far away from Europe to fly there with narrow body jets and so must always use wide body jets for European services. This is a great disadvantage as evidenced by the fact that Singapore, Cathay and Thai, have no more than 12 to 15 European destinations that they service each versus the 35 flown to by Emirates. “Jumbo” jets have so many seats to fill that they generally only permit viable services to be carried out between very large cities, and frequencies are not always daily because of this massive number of seats to fill.
This is how Qantas flies its services to Asia today – point to point between large cities and with wide body aircraft only. It doesn’t have an intermediary hub between Australia and Asia, but has attempted in part to use Singapore as a de facto hub of sorts for Asia, as it was in fact its hub set up for European services from Australia. This was because it was roughly

half way between Australia and Europe and ideal as a gas station city to refuel its Boeing 747’s at. But flying to Singapore from East Coast Australia was always going to require the use of wide body aircraft because of the distance involved. This then meant that not so large cities like Brisbane were never going to fare as well for destination choices as the much larger Sydney. And as history has shown us, Adelaide and Perth have all but been overlooked by Qantas for international services.
So what I attempted to do when I was looking at how was the best way to service Asia from Australia, was to look for a suitable intermediary hub where passengers could be accumulated from all over Australia, for onward flights to Asian destinations.
I looked at many Asian cities such as Manila, but they always came up as being unsuitable for many reasons, not least of which was because we did not have on-carriage rights beyond those cities.

Darwin Hub

Asia is set to be one of the biggest growth areas for the next twenty years, and beyond. Darwin is an ideal hub for Asian services to be routed through. Geographically, it is placed between most Asian cities and most Australian cities. Almost every city in Asia can be reached from Darwin by today’s long-range narrow bodied jets such as the A320 family of aircraft and Boeing 737s. I realise that this requires a mental shift in terms of what we expect as far as the size of aircraft that we expect on Asian services is concerned, but gone are the days when we only fly routes with B747s. The 707s and DC8s of old were about the same size as the A320s and B737s of today anyway. In Europe today, narrow bodied jets between major cities is not the exception now, but more likely the rule. Even E-Jets and turboprops are used to fly between some major European cities. I remember back to only a few years ago when we grumbled because we were getting onto a ‘small’ B767, as opposed to a B747, to fly from Sydney to Auckland? Well now of course, most of these services are narrow bodied services. If a twin aisle jet is flying on the route, it is generally because it is an extension of an airline’s much longer international service, such as Emirates, LAN, and Aerolineas Argentinas. Also, a large number of Asian cities can be reached by Embraer E-Jets (66-115 seats) from Darwin as well.

So cities such as Cebu and Davao in The Philippines would not even be up for consideration as destinations in the Qantas International destinations portfolio of cities to be served. But with an E-170, in a 66-seat (6C, 60Y) international configuration, it is so low-risk to commence a twice weekly service to both of these cities, without the risk of potentially big losses. Remember that you have all of the inbound traffic from those cities and their surrounding catchment areas, as well as all of the outbound traffic from every Australian and New Zealand city that is feeding passengers into Darwin. Also, the distance to these cities from Darwin (2,000 to 2,500kms), means that an E-Jet can do a double-city return service in a single day, and in some cases, even a triple city return service. Crews can “double bang” a return sector, without the costs of over-nighting in a foreign city. As many of these flights as possible could be scheduled so that the aircraft are in the air for the early hours of the morning, to ensure the maximum aircraft utilisation as possible. Also, this would mean that the aircraft could possibly do a prime-time domestic sector or feed during the daytime schedule as required too. The only consideration here of course is to remember that some Philippine and Indonesian airports are ‘daylight-hours-only’ airports, without sophisticated navigational aids, so those airports must be daytime flights.

So, immediately, Qantas would not just be flying to Tokyo from Sydney as Qantas does now, and between Sydney and Osaka with budget Jetstar services, but to these cities from Perth, Adelaide, Melbourne, Sydney, Brisbane, Gold Coast, Canberra, Cairns, Newcastle, Sunshine Coast, and also Auckland, Hamilton, Wellington, and Christchurch in NZ, with narrow body full-service flights. Flights can be commenced on only a few days per week, but to some of these destinations, they would progress to daily very quickly. So, daily services to Fukuoka from Canberra or Wellington? It sounds impossible at the moment, but it is possible with the Darwin hub. So A319, A320, and A321 services to Fukuoka, Nagoya, Kagoshima, Hiroshima, Naha (Okinawa), Kyoto, Kobe, could all commence with twice weekly services to start with, and have capacity added as demand builds and dictates. A319LR services to Sapporo and even Sendai again (since the Tsunami) could commence too, with the additional range available for this aircraft. And because of the smaller size of the A319LR (124 seats) over the A320, even cities like Akita could be a starter for the future, just a couple of times each week to start. How much easier would it be to bring Japanese tourists to Australasia if there were frequent services to 8 or 10 Australasian cities, served with each flight, and in reverse, to multiple Japanese cities direct as opposed to via only Tokyo and Sydney?

So, from henceforth Sydney to Seoul is not the only South Korean route available to be flown by Qantas (Qantas doesn’t actually fly to South Korea at all), but Seoul to every city in Australasia via Darwin. And now a twice weekly A319LR service to Pusan or Jeju could be commenced and built up over time, and offer a link that would be difficult to match with conventional airline route structures. Last year 9.5 million domestic passengers travelled between Seoul and Jeju. Many of these would be connecting to international flights, and many people currently fly internationally on flights from both Pusan (Busan) and Jeju to destinations in Asia.

Taipei is similar to Seoul, and Kaoshiung is similar to Pusan – twice weekly A319LR flights to commence services and build them up to A320 or A321 services, or more per week in an all International configuration with lie-flat business-class seats, possibly premium economy, and economy configured cabins, with full galley service offered on each flight.

So instead of doing what Qantas does and feed China Eastern’s Chinese network through Shanghai from Sydney and Jetstar Asia’s network via Singapore and Cathay Pacific’s network in Hong Kong, and sell seats on China Southern’s flights, why wouldn’t Qantas simply serve those Chinese cities direct itself from Darwin or even Cairns? Not just Shanghai and Hong Kong are possible, but Beijing, Shenyang, Guangzhou, Fuzhou, Wuhan, Wuxi, Chongqing, Quingdao, Macau, Chengdu, Xi’an, Xiamen, Kunming, Dalian, and many more cities – they are all possible direct entry cities from Darwin. Some may not even deserve A319s and A320s. Some like Beijing could use B767s (the ones that Alan Joyce has slated for withdrawal from service) or A330s twice per week (building to daily) from Darwin. Remember that these services are being feed on the Australian side by all of Australasia. Air NZ and Qantas don’t fly direct to Beijing anymore, but only via Shanghai. A service from Auckland to Beijing via Darwin or Cairns has no disadvantage over a flight from Auckland to Beijing on Air NZ via Shanghai. They are both one stop services, except that the service via Darwin would all be completed on Qantas aircraft instead of the Air NZ flight where part of the service is on a Chinese carrier – which has a reputation for below par service. A flight from Wellington to Beijing on Air NZ becomes a two stop service, but would still remain a one stop service on Qantas. Chinese flights have the potential to account for up to 50% of Qantas’s total Asian flights over the next 5 years.

Direct entry into Chinese cities internationally is even more important because of the massive delays often encountered on intra-Chinese services because of an overloaded Chinese network with infrastructure that hasn't kept pace with traffic growth, and the restricted air traffic corridors that are available for use, given the Chinese military's tight control over it.

Other cities that will warrant A319 / A320 services from Darwin are pretty much most of the capital cities of Asian countries. Bangkok, Kuala Lumpur, Phnom Penh, Vientiane, Hanoi, Jakarta, Singapore, Bandar Seri Begawan (BSB) and Manila should all be included. Rangoon is also a city where the tourist demand is likely to increase dramatically over time as access to Myanmar (Burma) is freed up, so twice weekly A319 services are a good way to commence that route – from Darwin. Secondary cities and resort cities like Ho Chi Minh City, Da Nang, Chiang Mai, Penang, Kuantan, Kota Bharu, Phuket, and so on, are all worthwhile direct routes from the Darwin hub.

Indonesia has a place all of its own. With a population base of almost 300 million, there is great potential for massive growth over time. There are the two obvious cities to fly to of course – Jakarta and Denpasar (Bali). But with an E-Jet service from Darwin, there are a multitude of Indonesian cities that become potential destinations. Cities such as Surabaya, Mataram, Makasaar, Ambon, Palembang, Yojakarta, are all within the E-Jet range. Medan may be just a bit too far for the E-Jet's range so may have to be included in the longer routes from Darwin serviced by an A319. LCC Jetstar currently flies a couple of these routes through Darwin but its main focus is services through Singapore. LCC operator Lion Air, from Indonesia, is growing at the rate of at least two new Boeings every month, and has international aspirations towards Australia and elsewhere with new B787's on order.

Along with the Indonesian archipelago, there are other islands with great potential such as Guam, Saipan, and Palau for example. Saipan and Palau could commence with once per week flights with an E-Jet initially. Guam has a very large number of US service personnel permanently based there, and receives about one million Japanese tourists (mainly honeymooners) every year. So the tourist infrastructure is already in place for Australians and New Zealanders to go there, and for the tens of thousands of US service personnel to visit both Australia and New Zealand each year. But where is the air service to there now? It is nowhere to be seen at the moment except for limited Continental Micronesia (now part of United) services to Cairns. Guam is also renowned for its great diving spots. Some of the world's top dive spots are located there. Once the Asian network is extended and services emerged that showed that they needed to be augmented with some direct flights from Australasian cities as well as through the hub, then I would not be surprised if Guam was one of these destinations.

Naturally there would be a direct A319 service from Darwin to Singapore daily to start with to connect with the flights of all code share airlines and also Jetstar Asia. This could be increased to larger aircraft as the demand increased.

Services to Europe from Darwin could be introduced very easily as well.
Qantas has its new hub at Dubai which it can connect with, as well as at Singapore. One of the Boeing 767's destined for withdrawal from service could be utilised for a service from Darwin to Dubai to connect with code share partner Emirates' 35 European services. These Boeing 767's are all about year 2000 vintage and have only medium hours logged on them (40-50,000 hours). They have higher cycles (pressurisation / depressurisation cycles) than is usual for the number of hours logged, because they have also been used on domestic services

which are shorter than most international services. But that is not a major worry because if they flew one return service (2 cycles) each day to an Asian city such as Beijing, times 300 days per year, then that would only add an additional 600 cycles each year. If they remained in Qantas service for another 5 years before being replaced by new Boeing 787's then that is only an additional 3,000 cycles added over the 5 years to the existing total number of cycles now. Furthermore, these Boeing 767's have all had their passenger cabins recently refurbished (during the last two years) costing tens of millions of dollars, so they are 'good-to-go' for the next few years.

All of the State capitals along with Canberra, already have existing services to Darwin. Once we have the major centres serviced then we can add services to Darwin from Queensland provincial centres with 66-seat Embraer E170LR's and in some cases larger aircraft as demand builds – to Maroochydore, Hervey Bay, Bundaberg, Rockhampton, Proserpine, Mackay, Townsville and Cairns (already served by a Jetstar service), then people from these centres can easily access 40-50 Asian cities (one stop) as well as two stop to 35 destinations in Europe (via Darwin and Dubai).

As we know, the same flights can also bring inbound tourists back into Australia as well, so provincial tourism could increase dramatically as Asian people can fly one stop to any one of these provincial centres.

With these destinations on offer, we can do targeted tourism campaigns. So for example, playing golf in Japan is very expensive because of the shortage of land available for golf courses. So we could do a campaign to bring Japanese to Australia for a week to play golf, with game times booked, green fees paid, golf buggies and caddies pre-booked, and so on. So in the Bundaberg area, there are 5 golf courses to play, including Bargara, Innes Park and Coral Cove country clubs.

A scenario could exist whereby a father travels from Fukuoka in Japan with his family to Darwin. Once there, he continues on a plane to Bundaberg to play golf, whilst his wife and children continue on another plane to Cairns, the Whitsunday's, or the Sunshine or Gold Coasts, to visit the tourist attractions.

New Zealand cities such as Auckland, Hamilton, Wellington and Christchurch, could also have flights to Darwin. This could easily be done using Airbus A319's (124 seats) which have a range of 6,800 kilometres, or once again, one of the Boeing 767's from Auckland. This will give one stop services from these cities via Darwin to 50 plus Asian cities along with services to the 35 European cities served through Dubai. Even an Airbus A319LR service a couple of times per week in winter to Queenstown could bring skiers from Asia via Darwin.

International services on this side of Darwin to places like New Caledonia, Fiji, and Papua New Guinea could also add to the passenger numbers accumulating for onward flights through Darwin as well as the return options for business and tourism to those countries from Asia and Europe. We can now offer for example, flights from Noumea to the three destinations in France that are currently offered by Emirates.

On top of this, domestic sectors to feed into the Darwin international services could operate with E-Jets from all major mining centres too for the FIFO workers who want some R'n'R during their week off, but want a fast connection and a big choice of potential destinations. They all have 15 to 26 big chunks of time off at once during a year, so the potential for multiple trips per annum to be taken by these highly paid people is huge. Direct flights to Darwin with E-Jets from Mt Isa, Port Hedland, Karratha, and Broome for connection to international services are already in place with Air North, a Qantas code share partner airline. These will enable these workers to transit through to Asian destinations for their time off work.

Amongst all of this, we have created a whole host of new domestic and international services to Darwin itself, for tourism and business there. Most of these would probably not be economically viable as stand alone services by themselves, but with the top up of passengers transiting via Darwin to other destinations in Asia and Europe, then it is easy to see how the seats could be filled.

Strategy

Darwin is literally at the crossroads to Asia. It is strategically located between Australia and Asia, and is an ideal accumulation hub for flights to Asia.
Because of the fact that nearly every city in Asia can be serviced with narrow body jets from there, and every city in Australasia can be serviced by narrow body jets as well from there, it offers an amazing array of city options that would not otherwise be economically available.
The Darwin hub reduces the potential costs and risk of starting these services down to their lowest level, whilst allowing every opportunity for the traffic between Australasia and these cities to grow to their fullest potential, for two way tourism and commerce.
So from nowhere, we have created our own accumulation hub at Darwin for Asia and Europe which will negate the fact that we are an end-of-line carrier in an end-of-line destination.

Below are some of the services that could be offered from Darwin (DRW):-

DRW (12°24'53"S 130°52'36"E)	CTS (42°46'31"N 141°41'32"E)	10°	(N)	6210 km	Sapporo
DRW (12°24'53"S 130°52'36"E)	AXT (39°36'56"N 140°13'07"E)	9°	(N)	5841 km	Akita
DRW (12°24'53"S 130°52'36"E)	HND (35°33'12"N 139°46'52"E)	10°	(N)	5391 km	Tokyo Haneda
DRW (12°24'53"S 130°52'36"E)	NGS (32°55'01"N 129°54'49"E)	359°	(N)	5018 km	Nagasaki
DRW (12°24'53"S 130°52'36"E)	NGO (34°51'30"N 136°48'19"E)	7°	(N)	5269 km	Nagoya
DRW (12°24'53"S 130°52'36"E)	FUK (33°35'09"N 130°27'02"E)	360°	(N)	5091 km	Fukuoka
DRW (12°24'53"S 130°52'36"E)	OKA (26°11'45"N 127°38'45"E)	355°	(N)	4286 km	Okinawa
DRW (12°24'53"S 130°52'36"E)	KOJ (31°48'12"N 130°43'10"E)	360°	(N)	4893 km	Kagoshima
DRW (12°24'53"S 130°52'36"E)	KIX (34°25'38"N 135°14'39"E)	5°	(N)	5205 km	Osaka

DRW (12°24'53"S 130°52'36"E)	ICN (37°28'09"N 126°27'02"E)	355°	(N)	5541 km	Seoul
DRW (12°24'53"S 130°52'36"E)	PUS (35°10'46"N 128°56'18"E)	358°	(N)	5271 km	Busan
DRW (12°24'53"S 130°52'36"E)	PEK (40°04'48"N 116°35'04"E)	346°	(N)	5996 km	Beijing
DRW (12°24'53"S 130°52'36"E)	SHE (41°38'23"N 123°29'00"E)	353°	(N)	6033 km	Shenyang
DRW (12°24'53"S 130°52'36"E)	XIY (34°26'50"N 108°45'06"E)	336°	(NW)	5690 km	Xi'an
DRW (12°24'53"S 130°52'36"E)	FOC (25°56'06"N 119°39'48"E)	344°	(N)	4413 km	Fuzhou
DRW (12°24'53"S 130°52'36"E)	WUX (31°29'50"N 120°25'50"E)	347°	(N)	4986 km	Wuxi
DRW (12°24'53"S 130°52'36"E)	WUH (30°47'02"N 114°12'29"E)	340°	(N)	5102 km	Wuhan
DRW (12°24'53"S 130°52'36"E)	PVG (31°08'36"N 121°48'19"E)	349°	(N)	4916 km	Shanghai
DRW (12°24'53"S 130°52'36"E)	CTU (30°34'43"N 103°56'50"E)	329°	(NW)	5563 km	Chengdu
DRW (12°24'53"S 130°52'36"E)	HKG (22°18'32"N 113°54'53"E)	334°	(NW)	4264 km	Hong Kong
DRW (12°24'53"S 130°52'36"E)	DLC (38°57'56"N 121°32'19"E)	351°	(N)	5770 km	Dalian
DRW (12°24'53"S 130°52'36"E)	CJU (33°30'41"N 126°29'35"E)	355°	(N)	5104 km	Jeju
DRW (12°24'53"S 130°52'36"E)	CKG (29°43'09"N 106°38'30"E)	331°	(NW)	5339 km	Chongqing
DRW (12°24'53"S 130°52'36"E)	KHH (22°34'38"N 120°21'00"E)	343°	(N)	4037 km	Kaoshiung
DRW (12°24'53"S 130°52'36"E)	TPE (25°04'40"N 121°13'58"E)	346°	(N)	4278 km	Taipei
DRW (12°24'53"S 130°52'36"E)	UKB (34°37'58"N 135°13'26"E)	5°	(N)	5227 km	Kobe
DRW (12°24'53"S 130°52'36"E)	HIJ (34°26'10"N 132°55'10"E)	2°	(N)	5190 km	Hiroshima
DRW (12°24'53"S 130°52'36"E)	BKK (13°40'52"N 100°44'50"E)	310°	(NW)	4403 km	Bangkok
DRW (12°24'53"S 130°52'36"E)	HKT (08°06'48"N 98°19'01"E)	301°	(NW)	4258 km	Phuket
DRW (12°24'53"S 130°52'36"E)	CNX (18°46'01"N 98°57'46"E)	314°	(NW)	4915 km	Chiang Mai
DRW (12°24'53"S 130°52'36"E)	KBV (08°05'45"N 98°59'20"E)	301°	(NW)	4194 km	Krabi
DRW (12°24'53"S 130°52'36"E)	USM (09°32'52"N 100°03'44"E)	304°	(NW)	4185 km	Koh Samui
DRW (12°24'53"S 130°52'36"E)	LGK (06°19'47"N 99°43'43"E)	299°	(NW)	4022 km	Langkawi
DRW (12°24'53"S 130°52'36"E)	KUL (02°44'44"N 101°42'36"E)	296°	(NW)	3635 km	Kuala Lumpur

DRW (12°24'53"S 130°52'36"E)	SIN (01°21'01"N 103°59'40"E)	295°	(NW)	3338 km	Singapore
DRW (12°24'53"S 130°52'36"E)	KBR (06°10'01"N 102°17'35"E)	301°	(NW)	3772 km	Kota Bharu
DRW (12°24'53"S 130°52'36"E)	PEN (05°17'50"N 100°16'37"E)	298°	(NW)	3912 km	Penang
DRW (12°24'53"S 130°52'36"E)	MES (03°33'29"N 98°40'18"E)	294°	(NW)	3976 km	Medan
DRW (12°24'53"S 130°52'36"E)	SUB (07°22'47"S 112°47'13"E)	284°	(W)	2060 km	Surabaya
DRW (12°24'53"S 130°52'36"E)	AMI (08°33'39"S 116°05'41"E)	283°	(W)	1673 km	Lombok
DRW (12°24'53"S 130°52'36"E)	PLM (02°53'54"S 104°42'00"E)	288°	(W)	3070 km	Palembang
DRW (12°24'53"S 130°52'36"E)	ROR (07°22'02"N 134°32'39"E)	11°	(N)	2225 km	Palau
DRW (12°24'53"S 130°52'36"E)	SPN (15°07'13"N 145°43'48"E)	29°	(NE)	3457 km	Saipan
DRW (12°24'53"S 130°52'36"E)	GUM (13°29'02"N 144°47'50"E)	29°	(NE)	3250 km	Guam
DRW (12°24'53"S 130°52'36"E)	JOG (07°47'17"S 110°25'54"E)	281°	(W)	2298 km	Yojakarta
DRW (12°24'53"S 130°52'36"E)	DPS (08°44'53"S 115°10'02"E)	282°	(W)	1766 km	Bali
DRW (12°24'53"S 130°52'36"E)	BWN (04°56'39"N 114°55'42"E)	316°	(NW)	2608 km	BSB
DRW (12°24'53"S 130°52'36"E)	KCH (01°29'05"N 110°20'49"E)	303°	(NW)	2741 km	Kuching
DRW (12°24'53"S 130°52'36"E)	BKI (05°56'14"N 116°03'04"E)	320°	(NW)	2610 km	Kota Kinabalu
DRW (12°24'53"S 130°52'36"E)	PNH (11°32'48"N 104°50'39"E)	312°	(NW)	3911 km	Phnom Penh
DRW (12°24'53"S 130°52'36"E)	VTE (17°59'18"N 102°33'48"E)	317°	(NW)	4581 km	Vientiane
DRW (12°24'53"S 130°52'36"E)	HAN (21°13'16"N 105°48'26"E)	323°	(NW)	4621 km	Hanoi
DRW (12°24'53"S 130°52'36"E)	DAD (16°02'38"N 108°11'58"E)	321°	(NW)	4018 km	Da Nang
DRW (12°24'53"S 130°52'36"E)	SGN (10°49'08"N 106°39'07"E)	313°	(NW)	3711 km	HCM
DRW (12°24'53"S 130°52'36"E)	DVO (07°07'32"N 125°38'45"E)	345°	(N)	2237 km	Davao
DRW (12°24'53"S 130°52'36"E)	MNL (14°30'31"N 121°01'10"E)	340°	(N)	3170 km	Manila
DRW (12°24'53"S 130°52'36"E)	CEB (10°18'27"N 123°58'46"E)	343°	(N)	2626 km	Cebu
DRW (12°24'53"S 130°52'36"E)	PDG (00°52'30"S 100°21'07"E)	288°	(W)	3602 km	Padang
DRW (12°24'53"S 130°52'36"E)	CGK (06°07'32"S 106°39'21"E)	282°	(W)	2749 km	Jakarta

DRW (12°24'53"S 130°52'36"E)	HGH (30°13'46"N 120°26'04"E)	347°	(N)	4849 km	Hangzhou
DRW (12°24'53"S 130°52'36"E)	XMN (24°32'39"N 118°07'40"E)	341°	(N)	4317 km	Xiamen
DRW (12°24'53"S 130°52'36"E)	SZX (22°38'21"N 113°48'38"E)	334°	(NW)	4301 km	Zhenzhen
DRW (12°24'53"S 130°52'36"E)	WNZ (27°54'44"N 120°51'07"E)	346°	(N)	4591 km	Wenzhou
DRW (12°24'53"S 130°52'36"E)	HAK (19°56'05"N 110°27'32"E)	328°	(NW)	4220 km	Haikou
DRW (12°24'53"S 130°52'36"E)	CAN (23°23'33"N 113°17'56"E)	334°	(NW)	4400 km	Guangzhou
DRW (12°24'53"S 130°52'36"E)	TSN (39°07'35"N 117°21'30"E)	347°	(N)	5876 km	Tianjin
DRW (12°24'53"S 130°52'36"E)	ZUH (22°00'24"N 113°22'35"E)	333°	(NW)	4260 km	Zhuhai
DRW (12°24'53"S 130°52'36"E)	NOU (22°00'59"S 166°12'58"E)	111°	(E)	3895 km	Noumea
DRW (12°24'53"S 130°52'36"E)	SDJ (38°08'23"N 140°55'01"E)	10°	(N)	5693 km	Sendai
DRW (12°24'53"S 130°52'36"E)	POM (09°26'36"S 147°13'12"E)	81°	(E)	1816 km	Port Moresby

As well as the above Asian destinations from Darwin, there would be connections to 4-5 cities in New Zealand and 15 plus cities in Australia.