QANTAS TO PULL OUT OF JETSTAR HONG KONG

News / Airlines

Australian flag carrierQantas will not pour any more funding into the long-delayed Jetstar Hong Kong low-cost carrier (LCC) subsidiary, according to Qantas CEO Alan Joyce.

"From a Qantas perspective we won't be investing any more funds in this airline," Joyce said.

The attempt to start a Jetstar Hong Kong operation in partnership with China-based China Eastern Airlines and Hong Kong transport investment company Shun Tak Holdings has been dogged by opposition from local operators—notably Cathay Pacific and Hong Kong Airlines (HKA).

The application has awaited a definitive answer from the aviation regulator since March 2012, and was given the final thumbs down in June this year. The Hong Kong Air Transport Licensing Authority refused an air operator's certificate to Jetstar Hong Kong because it did not comply with a requirement to have its "principal place of business in Hong Kong."

Following appeals and further submissions from Cathay and HKA, a panel of public inquiry finally decided that any Jetstar subsidiary would likely be "unduly influenced" by Qantas and China Eastern Airlines.

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Qantas's Joyce has said the decision was "blatant protectionism" by local regulators under pressure from local airlines.

"There was a blatant application of rules for Jetstar Hong Kong that did not apply to other carriers," he said. "We . . . made sure that we met all of the rules that apply; if those rules were applied to Cathay, it would not be able to operate in Hong Kong today," he said.

It is not yet clear if China Eastern and Shun Tak Holdings will look for another partner to replace Qantas, although they still have one aircraft on their books. The original partners ordered nine new Airbus A320s at a cost of over $60 million for the venture. The remainder have been leased out to other operators.

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