QANTAS AND VIETNAM AIRLINES TO INVEST $181.5M IN JETSTAR PACIFIC

News / Airlines, Finance

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Qantas and Vietnam Airlines have unveiled plans to invest $US139 million ($181.5 million) to more than double the size of Vietnamese low-cost carrier Jetstar Pacific's fleet to 30 aircraft over the next four years.

Qantas, as the owner of a 30 per cent stake, will provide $US42 million to Jetstar Pacific over a number of tranches between now and 2020 with Vietnam Airlines responsible for the remainder due to its 70 per cent stake.

The decision to boost the A320 fleet was flagged in November, but at the time Qantas and Vietnam Airlines did not provide any details of the financial investment required.

Jetstar Pacific has 12 aircraft that are flown on 23 domestic and international routes, but the CAPA Centre for Aviation said that was expected to rise to 18 by the end of 2016. In the first half of the Qantas financial year, Jetstar Pacific capacity rose by 48 per cent, although the percentage of seats filled dipped to 83.4 per cent from 88.3 per cent a year earlier.

Vietnam Airlines has faced increasing competition from domestic rival VietJet and has been using Jetstar Pacific as a vehicle to help maintain share at the budget end of the market. CAPA said domestic capacity in Vietnam had nearly tripled since 2011, with VietJet accounting for about two-thirds of the additional seats since its late 2011 launch.

"The evolution of the Jetstar Pacific model was inevitable but was slow to materialise, a mistake that has benefited VietJet," CAPA said.

Jetstar Pacific chief executive Le Hong Ha told Vietnamese media that the airline had reported a $US10,000 profit in 2015 after years of losses. Qantas did not break out individual results for its Jetstar arms in Singapore, Japan or Vietnam in the first half, but it said the Asian airlines were collectively profitable.

It is unclear where Qantas and Vietnam Airlines plan to source the A320 aircraft needed for the Jetstar Pacific expansion. Qantas has 99 next generation A320neo aircraft on order with Airbus for delivery from 2017 but it is also possible planes could come from the open market.

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