AUSTRALIAN NATIONAL AIRLINES COMMISSION RETENTION BILL 1984

Date Introduced: 9 May 1984
House: House of Representatives
Presented by: Hon. K.C. Beazley, Minister for Aviation

Short Digest of Bill

Purpose

To repeal the Australian National Airlines Repeal Act 1981.

Background

The Australian National Airlines Commission was established by an Act of Parliament in 1945. The Commission, trading as Trans Australia Airlines, began operations in 1946 with its main competitor being Australian National Airways Pty. Ltd. (ANA). Due to its modern aircraft fleet, but also benefiting from considerable government assistance, TAA proved very competitive and, by the late 1940s, ANA was making substantial losses.

In 1951, the Menzies Government announced that steps would be taken to ensure that 'fair competition' prevailed between TAA and ANA. This culminated in the formulation of the Two Airlines Policy. The first Civil Aviation Agreement was negotiated between the Commonwealth, TAA and ANA in 1952 and successive airlines agreements in 1957, 1961, 1972, 1973 and 1981 have perpetuated the Policy. ANA was taken over by Ansett Airways Ltd. in 1957.

In 1978, the Government received the recommendations of the Department of Transport's Domestic Air Transport Policy Review. The Review, while supporting the concept of the Two Airlines Policy, argued that more competition and innovation should be exhibited by the two major airlines. It also drew attention to certain areas where less regulation could apply. The Report made no explicit recommendations relating to the structure and operations of TAA, but it did conclude that the continuation of the government airline was a necessary part of the economic regulation of the domestic air transport industry.
It was in this post-Review climate, in January 1980, that the Minister for Transport, Mr Hunt, renewed discussions with the managements of TAA and Ansett Transport Industries Ltd. which were designed to develop new arrangements which would apply to domestic aviation in Australia. At the outset in these talks the new management of Ansett, reiterating views already expressed by certain Government backbenchers throughout the latter part of 1979, argued that true competition between the airlines could only occur if TAA were sold to the private sector. On 6 July 1980, however, Mr Hunt stated categorically that neither Qantas nor TAA was for sale.

In the meantime, an Inter-Departmental Committee investigating TAA's structure reported, in March 1980, that the airline's financial structure was inconsistent with a commercially competitive operation. The Report concluded that TAA had to be given greater responsibility for determining financial and staffing matters.

In September 1980, a new Airlines Agreement was negotiated and the Australian National Airlines Amendment Bill (No. 2) 1980 was introduced. The purpose of that Bill was to give the Australian National Airlines Commission more autonomy in its financial and staffing affairs, to organise its activities along more commercial lines and to clarify the powers of the Commission to transport passengers and goods on routes within and between States and Territories. The status of the Commission as a statutory authority was to remain intact. The Bill was introduced only hours before Parliament was dissolved (prior to the 1980 elections) and subsequently lapsed.

Upon being returned to power, the Liberal-National Party Government was subjected to considerable pressures from within its own ranks to modify its domestic aviation policies. Not only was concern expressed about several aspects of the recently negotiated Airlines Agreement, but pressure was again applied to sell TAA. As a result of that pressure, a new Airlines Agreement was negotiated in early 1981. Furthermore, on 1 April 1981, Mr Hunt announced that the Government had decided in principle to establish TAA as a public company. Expanding upon this, Mr Hunt announced on 13 May 1981 that the Government would initially hold all the shares in the new company but that private consultants would be commissioned to examine the practicalities of selling shares in TAA. The proposed sale was opposed not only by the Labor Party, which pledged that a future Labor government would restore TAA to public ownership if it were sold, but also by the Chairman of TAA, Sir Robert Law-Smith.
On 28 May 1981, a package of four Bills was introduced, three of which related to the regulation of domestic aviation while the fourth was the Australian National Airlines Repeal Bill 1981. This Bill aimed to repeal the Australian National Airlines Act 1945 and convert the Commission into a public company wholly owned by the Commonwealth. These Bills were subsequently enacted.

Five sections of the Australian National Airlines Repeal Act came into operation when the Act received the Royal Assent. Among these, section 5 authorised the Minister to nominate, in the Gazette, a public company, incorporated in the A.C.T. and in which the Commonwealth was to be the beneficial owner of all issued share capital, as being the body to which all the assets and liabilities of the Commission should be transferred. The remainder of the Act was to commence on a date to be proclaimed but no such proclamation has occurred.

No action has been taken to implement any of the provisions of the Act, although various initiatives were undertaken which might be interpreted as being preliminary to the incorporation and possible sale of the Commission. On 4 January 1982, Mr Hunt released terms of reference for a consultant's study into the practicality of selling shares in TAA and invited applications from organisations interested in undertaking this task. Mr Fife, Minister for the newly created aviation portfolio announced, on 23 July 1982, that Price Waterhouse would conduct the study. This Report was duly completed in December 1982, with those recommendations relating to the strategy for selling TAA remaining confidential.

Other actions taken by the Fraser Government as part of TAA's reorganisation included an injection, in December 1982, of $25m of capital which was designed to improve to some extent TAA's gearing ratio and, in June 1982, the takeover of the remainder of TAA's superannuation liability resulting from its commitments under the Commonwealth Superannuation Scheme. These were two problems that were widely recognised as constraints on the commercial attractiveness of the airline. TAA also adopted more appropriate accounting conventions.

The Labor Party, in its National Transport Policy document released in February 1983, reiterated its absolute opposition to the sale of TAA but argued that the airline should be given adequate flexibility of management and in operations. These policies are currently being implemented by the introduction, respectively, of the Australian National Airlines Commission Retention Bill 1984 and the Australian National Airlines Amendment Bill 1984.
Main Provisions

Clause 3 of the Bill will repeal the Australian National Airlines Repeal Act 1981.

For further information, if required, contact:

30 May 1984

Economics and Commerce Group
LEGISLATIVE RESEARCH SERVICE

References

Bills Digest for the Australian National Airlines Amendment Bill (No. 2) 1980

Bills Digest for the Airlines Agreement Bill 1981

Bills Digest for the Australian National Airlines Repeal Bill 1981

Bills Digest for the Australian National Airlines Amendment Bill 1984