QANTAS AIRWAYS LIMITED (LOAN GUARANTEE) BILL 1984

Date Introduced: 5 September 1984
House: House of Representatives
Presented by: Hon. K.C. Beazley, Minister for Aviation

Short Digest of Bill

Purpose

To authorise the Treasurer on behalf of the Commonwealth to guarantee, up to an amount of $US200m (or its equivalent in foreign currencies), borrowings raised by QANTAS Airways Ltd. for financing the purchase of two Boeing 767-200 Extended Range aircraft and related spare parts and equipment.

Background

QANTAS is presently embarking upon a fleet modernisation program which will see significant changes in the structure of its current 'all-jumbo-jet' fleet. In November 1983, the Government approved the acquisition by QANTAS of six Boeing 767-200 Extended Range twin-jet aircraft and three Boeing 747-300 Stretched Upper Deck aircraft. As part of the program, QANTAS will sell six of its oldest B747-200 aircraft, with the result that its new acquisitions will not represent a significant change in its overall fleet capacity.

The acquisition of the new aircraft is designed to increase the flexibility of QANTAS' operations. The B747-300 SUD aircraft, which seat around 30 passengers more than a normal B747, will be used as an economic means of extending capacity on long haul, high density routes. The new B767-200 ER aircraft, which seat around 210 passengers, will provide economic services on more lightly trafficked routes to and from Australia. Moreover, such aircraft are a more attractive means for QANTAS to serve some of our smaller international airports such as Adelaide, Cairns, Darwin and Townsville. It is expected that the B767 ERs will be used on trans-Tasman routes as well as routes in the Pacific and to South East Asia.

The value of the total aircraft acquisition package is $860m. However, QANTAS intends to raise loans to finance the purchase of only two of the B767 ER aircraft, the
remaining four being financed from internal funds. The three B747 SUD aircraft will be subject to a $US304m leverage leasing transaction. Present indications are that the three B747 SUDs will be delivered between November 1984 and April 1985 while the B767 ERs are scheduled for delivery between July 1985 and March 1986.

Prior to 1976, borrowings for aircraft acquisition were arranged by the Commonwealth on behalf of QANTAS. This Bill continues the practice applying since 1976 for QANTAS to raise finance in its own name, with those borrowings being guaranteed by the Commonwealth.

Main Provisions

Sub-clause 4(1) authorises the Treasurer, on behalf of the Commonwealth, to guarantee the repayment by QANTAS Airways Ltd. of amounts borrowed by it in connection with its purchase of two B767-200 ER aircraft and related spare parts and equipment. The guarantee also extends to the payment of interest (including any interest on that interest) on amounts so borrowed.

Sub-clauses 4(2) and 4(4) limit the value of the guarantee to $US200m or its equivalent in foreign currencies.

Clause 5 sets out the conditions pertaining to the provision of a guarantee. The money borrowed shall be raised on terms and conditions satisfactory to the Treasurer. QANTAS shall give to the Commonwealth security over such of its property that 85 per cent of the value of that property is not less than the amount borrowed by the Company. QANTAS shall also give undertakings to the satisfaction of the Treasurer that the property over which security is given shall be insured and will not be sold or made the subject of a mortgage or other charge.

For further information, if required, contact:

19 September 1984

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