Airlines Equipment Amendment Bill 1981

Date Introduced: 28 May 1981
House: House of Representatives
Presented by: Hon. R.J. Hunt, M.P., Minister for Transport

Short Digest of Bill

Purpose

To amend the Airlines Equipment Act 1958 to remove freight from the ambit of the Two Airline Policy and to establish the conditions under which regional airlines and cargo operators may apply to import turbo-jet aircraft.

Background

The Two Airline Policy, formulated in 1952, was designed to be a compromise between allowing a monopoly airline to service inter-State routes while preventing "wasteful competition" which, it was believed, could result from allowing more than two airlines to have access to a small market. Entry into the industry is regulated through the Customs (Prohibited Imports) Regulations which allow the importation of aircraft, airframes and aircraft engines only with the written permission of the Secretary of the Department of Transport.

Possible 'wasteful competition' between the major airlines is regulated, among other ways, through provisions of the Airlines Equipment Act 1958. Under the Act, the Minister must estimate, from time to time, the total volume of passenger, cargo and air mail traffic on each competitive route and on routes serviced by only one of the airlines. Each of the two major airlines is entitled to own a sufficiently large aircraft fleet as to allow it to carry, at acceptable load factors, only one half of the estimated total traffic on competitive routes, as well as providing services on its non-competitive routes. In order to deregulate cargo and air mail, the Act must be amended to cause the Minister to have regard only to revenue passenger traffic in making capacity determinations.

The Airlines Agreement Bill 1981 defines the respective roles of the two major airlines and other airlines in the provision of domestic services. While TAA and Ansett provide trunk route services, the commuter and
regional airlines may operate only on "prescribed routes". As defined in both the Airlines Agreement Bill 1981 and the present Bill, prescribed routes are intra-State and intra-Territory routes; routes between a regional centre and another place in Australia; routes over which the Minister has requested the major airlines to provide a passenger service and that service has not been satisfactorily provided; and routes over which an operator other than TAA or Ansett provided scheduled services as at 1 July 1980. There are various circumstances under which a prescribed route could coincide with a trunk routes. Due to this possible coincidence, the Minister, in assessing allowable capacity for TAA and Ansett, must make allowance for any share of those routes catered for by other operators.

It is also the intention of the Government to allow cargo operators and regional airlines to import turbo-jet aircraft. The Airlines Agreement Bill 1981 contains amendments to the Customs (Prohibited Imports) Regulations to ensure that the approval of turbo-jet purchases shall be made only after regard has been had to the intent of any Airlines Agreement currently in force.

The regional airlines, as with the major airlines, must permit the Minister to determine the level of capacity they may provide and must undertake to abide by that determination and meet other obligations before approval will be given for the importation of jet aircraft. Cargo operators may also purchase turbo-jet aircraft, providing that they do not use them for the carriage of passengers. Some commentators have suggested, however, that a lack of air traffic controllers might delay the introduction of turbo-jet services on regional routes in Eastern Australia for several years.

Main Provisions

Clause 4 repeals Parts II and III of the Principal Act. These parts relate to loan guarantee arrangements for loans which have been repaid.

Clause 5 substitutes a new section 11 in which several terms used in the Bill are defined. In particular, this new section defines prescribed routes and introduces the concept of the passenger revenue load factor.

Clause 6 amends section 12 of the Principal Act to alter the procedure whereby the Minister determines capacity for the major airlines. Reference is made only to passenger traffic and allowance is made for other operators providing some capacity on trunk routes.
Clause 9 introduces new sections 16 to 21 which bring regional airlines and cargo operators within the Principal Act. New sub-section 16(1) allows permission to be given for regional airlines to import turbo-jet aircraft with capacity exceeding 30 passengers or a maximum payload exceeding 3,500 kilograms, providing that obligations set out in new section 19 are adhered to. These are that the airline will abide by capacity determination decisions and will, if necessary, dispose of imported aircraft in an approved manner.

New sub-section 17(1) allows cargo operators to import turbo-jet aircraft having a maximum payload in excess of 3,500 kilograms, subject to obligations set out in new section 21. Section 21 requires that the imported aircraft should not be used for the carriage of passengers and that any aircraft disposed of should be done so in an approved manner.

New section 18 sets out the procedure whereby the Minister shall determine capacity in respect of regional airlines' passenger operations.

For further information, if required, contact:

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