Date Introduced: 9 November 1978
House: House of Representatives

Purpose

To amend the Air Navigation (Charges) Act 1952 to increase the rates of air navigation charges (ANC's) payable by all domestic aircraft operators by 15% per year from 1 December 1978.

Background

The Air Navigation (Charges) Act 1952 imposes charges on aircraft for the use of aerodromes, air route and airways facilities, meteorological services and search and rescue services maintained, operated or provided by the Commonwealth. Other amounts paid to the Commonwealth such as all duty or tax on aviation fuel, also contribute towards the recovery of the costs of these services.

The Airlines Agreements Act 1961, the contents of which were negotiated between the two major domestic airlines (Ansett and TAA) and the Commonwealth, provided for the gradual implementation of a policy of full recovery of the cost of facilities properly attributable to civil air transport. The entitlement of the Commonwealth to this recovery was re-affirmed in the Airlines Agreement Act 1972. In the Airlines Agreement Act 1973 the 1961 Agreement was amended to alter the rate of increase in ANC's from 10% in any one year to 15%. This agreement, however, and therefore the amendment, was to operate only until 30 June 1978. The amendment according to the then Minister for Civil Aviation, Mr. Charles Jones, in his Second Reading Speech was designed to increase the rate at which full recovery of civil air transport facility costs was achieved. The previous Government had not increased ANC's at all in 1971-72 and in 1972 they had not increased charges by the full amount allowable. The 1973 Amendment was thus seen as a measure to implement the policy of full recovery in an effective manner. Reference was also made to the need to meet the rising costs of operating and maintaining civil aviation facilities. Although the first reason for the 15% increase in ANC's allowable each year is no longer relevant, the
argument with respect to a greater annual increase in costs now than when the 1961 Agreement was signed remains valid after the expiry of the 1973 Agreement.

Agreement had to be reached with the two major domestic airlines for them to waive their rights under the 1961 Agreement and permit a 15% increase.

The extent of cost recovery by the Commonwealth differs from area to area in the civil air transport sector. A study by the Bureau of Transport Economics, Cost Recovery in Australian Transport 1974-75, A.G.P.S., Canberra 1977, has examined cost recovery in this sector and other transport sectors. The areas within the civil air transport sector can be divided into international, domestic airlines (trunk and rural operators) and commuter and other general aviation.

According to the Minister's Second Reading Speech the recovery rate from the international airlines has exceeded 100% for three years and is expected to again exceed 100% in 1978-79. This Bill does not provide for any increase in the level of charges for the international operators.

Of the domestic airlines, none are providing full recovery. In 1977-78 the revenue earned by way of ANC's, fuel tax etc., achieved a recovery rate for the cost of provision of facilities for the domestic operators of 49.7%. The Government has announced its intention to achieve full recovery in the domestic trunk airline sector in 1979-80.

The commuter and other general aviation areas make relatively small contributions toward the cost of facilities provided for them. In 1977-78 recovery from commuters was about 12% and from other general aviation about 16%.

This Bill gives effect to a 15% increase in ANC's for both domestic trunk and rural airlines and provision is also made for a 15% increase for commuter and other general aviation. The amendments are expected to raise an extra $2m. in revenue for 1978-79.

Main Provisions

The major change in the Bill is to split the scale of ANC's into four sections. The Air Navigation (Changes) Act 1952 has three schedules each dealing with a different area of civil aviation.

Schedule 1 which deals with airlines holding Australian airline licences is being amended to split this
category into domestic and international holders, each of which will have a different scale of charges. The domestic scale is being increased by 15% (clause 4).

Schedule 2 which deals with general aviation contains only one scale of charges since it relates only to domestic aircraft operators. This scale will be increased by 15% (clause 5).

Schedule 3 also will have a separate scale but since it deals only with non-Australian international flights it does not impose any increase in charges (clause 7).

Clause 3 of the Bill is necessary to transfer the definition of the weight of an aircraft from paragraph 7 of Schedule 1 to the Act itself. This restructuring is necessary to prevent the repetition of this formula for each scale of charges.

The Act is to come into operation on 1 December 1978 (clause 2).

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