

CABINET MINUTE

DECISION NO.

BRISBANE,

9 / 4 / 19 85

45781

SUBJECT: Intrastate Air Services - Department of Transport.

(Submission No. 41203)

Copies Received at

10.30

a.m.

p.m.

4 / 4 / 19 85

Mr. Lane

Copies
Made

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CIRCULATION DETAILS

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2	SIR JOH BJELKE-PETERSEN	4	22	Transport	Copy of relevant Submission attached
3	MR. GUNN	9	23	Mr	30 Copy of relevant Submission attached
4	MR. HINZE		24	Leas	29 Copy of relevant Submission attached
5	MR. WHARTON		25	28-10	28 Copy of relevant Submission attached
6	MR. GIBBS		26	153	
7	MR. AHERN	4	27		
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C O N F I D E N T I A L
C A B I N E T M I N U T E

Copy No. 20

Brisbane, 9th April, 1985

Decision No. 45781

Submission No. 41203

TITLE: Intrastate Air Services - Department
of Transport.

CABINET decided:-

That the contents of the Submission be noted.

CIRCULATION: Department of Transport and copy to Minister.
Premier's Department and copy to Premier and Treasurer.
Treasury Department and copy to Deputy Premier and
Minister Assisting the Treasurer.
Department of Commercial and Industrial Development
and copy to Minister.
All other Ministers for perusal and return.

Answer
Certified True Copy



Relius
Secretary to Cabinet.



SECURITY CLASSIFICATION "C" - CONFIDENTIAL

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Submission No. _____

Copy No. _____

F O R C A B I N E TDEPARTMENT OF TRANSPORTINTRASTATE AIR SERVICES

1. Honourable Ministers will recall the discussion at last week's Meeting of Cabinet wherein I undertook to prepare a Submission on the approach received by Ansett Airlines of Australia to operate certain air services in Queensland.
2. A formal application was received from Ansett on 5th March, 1985 to operate over the following routes:

Brisbane/Maryborough/Bundaberg/Gladstone/Rockhampton

Cairns/Weipa/Thursday Island.
3. The application was lodged on the grounds that TAA's takeover of Air Queensland would seriously disadvantage Ansett as the oncarriage traffic which it previously enjoyed through its association with Air Queensland would no longer be available to it.
4. Honourable Ministers will recall that TAA announced its takeover of Air Queensland last month and as of last week, holds 95% of all shares in Air Queensland.
5. The Commissioner for Transport, refused Ansett's application within the terms of the provisions of the State Transport Act 1960-1981.

6. I did not direct the Commissioner otherwise, having regard to Government Policy which is designed to preserve the viability of air services within the State in an effort to provide an appropriate level of air services to all Queensland residents.
7. At a meeting with the Honourable the Premier, the Commissioner for Transport and myself on 26th March, 1985, the Chairman of TAA, Mr. Neil Smith offered to provide the following, in return for exclusive rights to routes in Queensland:
 - (i) Four (4) new ATR turbo prop aircraft and spares at an all up cost of \$50 million to be used by Air Queensland in maintaining its existing route network. The seating capacity of these aircraft is in the 42-49 passenger range;
 - (ii) Should the Commonwealth Government not agree to continue existing equal Commonwealth/State subsidy arrangements, TAA will continue to operate western air services without subsidy for a period of five (5) years;
 - (iii) If approval was given to Ansett to operate on various routes in Queensland, the offer to provide western air services without subsidy, would be negated. Also, the type of aircraft to service Air Queensland's routes would be down-graded from the ATR 42 to a 36 seat Dash 8.
8. Mr. Smith subsequently wrote to me on 2nd April, 1985, in the main confirming these arrangements. In his letter he also sought a guarantee from the Government that it would license the existing operations of Air Queensland and Sunstate Airlines, and TAA over its western Queensland routes, for a period of five years. He further sought a Government guarantee that another operator would not be licensed to fly over these routes during this five year period. A copy of this letter is attached as appendix (i).
9. I was of the opinion that in the public interest, it was undesirable to lock the Government into any such "guaranteed period" conditions.
10. Consequently, TAA was advised that such an undertaking could not be given.

11. Mr. Smith subsequently withdrew this requirement. He sought in its place, a letter from me that the Commissioner for Transport's action in refusing Ansett's application was in accordance with Government intrastate airline policy at this time.
12. I gave him this undertaking in my letter of 3rd April, 1985, a copy of which is attached as appendix (ii).
13. Following this assurance, Air Queensland was authorised by Mr. Smith to proceed with the purchase of the four (4) ATR aircraft and spares costing \$50 million for delivery progressively at a rate of one a month from April, 1986. A "no escape clause" contract was signed on 3rd April, 1985 to this effect with visiting executives from the Franco-Italian Consortium which built the aircraft.
14. The State Manager of TAA (Queensland) has indicated that the four (4) ATR aircraft will operate mainly on existing Air Queensland routes, with occasional use on the western Queensland air services. TAA is currently considering a 90 day option to purchase three (3) British Aerospace Jetstream 31 aircraft (delivery May, 1986) for its western Queensland routes.
15. This new generation 15 seat configuration aircraft, boasting in-flight catering facilities and toilet, was well received by the people in western Queensland, when British Aerospace executives conducted a presentation on the Jetstream's capabilities at Blackall, Charleville and Longreach recently. It has been endorsed by the Western Queensland Local Government Association.
16. I have issued a media release announcing these decisions.
17. On the whole, this is a very satisfactory arrangement for the Queensland Government. It guarantees the continuation of air services to western Queensland for a period of five (5) years without the need for State Government subsidy funding of approximately \$1.3 million per annum.

18. As well, the type of aircraft to be acquired by Air Queensland and TAA will be of advanced technology engineering, employing state-of-the-art aerodynamics which will bring a degree of comfort, low noise level and service to passengers on these routes which was only previously enjoyed by coastal jet travellers.
19. Submitted for the information of Cabinet.

(D.F. Lane)

MINISTER FOR TRANSPORT

Brisbane

- 4 APR 1985

AUSTRALIAN NATIONAL AIRLINES COMMISSION

TRANS-AUSTRALIA AIRLINES

50 FRANKLIN STREET
MELBOURNE, AUSTRALIA 3001

TELEGRAMS:
"TRANSAIR", MELBOURNE
IN REPLY PLEASE QUOTE:

TELEPHONE 348 1335
P.O. BOX 2808AA
G.P.O., MELBOURNE, 3001

The Hon. D.F. Lape, MLA
Minister for Transport
Parliament House
BRISBANE QLD. 4000

2nd April 1985

Dear Mr Lane,

I would like to take this opportunity to express my appreciation to you for making the time available to see me last Tuesday morning to discuss certain matters affecting the future of airline services in Queensland.

I am taking this opportunity to include in this letter my understanding of the matters discussed and agreed between us.

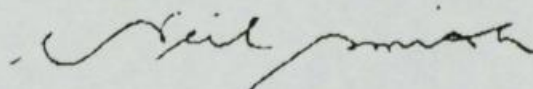
- 1) TAA undertakes to arrange all necessary finance on behalf of Air Queensland to enable the purchase of four (4) ATR-42 aircraft for use by that airline, to proceed immediately.
- 2) TAA undertakes to continue to provide air services to Western Queensland centres currently served for a period of five years without a subsidy from the Queensland Government.

In turn, your Government agrees to continue to license operations by Air Queensland and Sunstate Airlines over the routes presently served by them and TAA over Western Queensland routes for a matching period of five years, and will not during that period license another operator over these routes.

I am most appreciative of the action already taken by your Commissioner of Transport in refusing applications recently lodged by Ansett for licences to operate over Air Queensland routes, and look forward to your confirmation of our understanding.

With kind regards,

Yours sincerely,



(Neil A. Smith)
Chairman

Mr. N.A. Smith,
Chairman,
Australian National Airlines Commission,
G.P.O. Box 2806AA,
MELBOURNE. VIC. 3001.

Dear Mr. Smith,

I refer to our recent discussion concerning the operation of intrastate air services by TAA and Air Queensland.

You would now be aware that the Commissioner for Transport, Mr. Neal Kent, has refused an application by Ansett to operate on specified routes within Queensland and formal advice of this decision has been conveyed by the Commissioner to the TAA Manager for Queensland, Mr. A. Mosely.

I would confirm my advice that the Commissioner's decision is in accordance with Government policy which is designed to preserve the viability of air services within this State in an effort to provide appropriate air services to all Queensland residents.

I note that should the Commonwealth Government not be prepared to continue with subsidy for western air services beyond 30th April, 1985, TAA will continue to provide these services without subsidy.

I would suggest that formal advice along these lines be conveyed to the Commissioner by Mr. Mosely in due course.

Yours sincerely,

(D.F. Lane)
Minister for Transport