

CONFIDENTIAL

CABINET DECISION

NO. 902

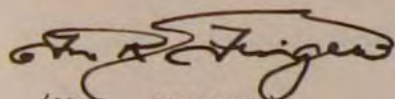
Submission No.: 773
Title: PROPOSED NORTHERN TERRITORY REGIONAL AIRLINE.

Cabinet approved the following requirements for a Northern Territory Regional Airline:-

- . to provide a suitable level of services for small communities as now served by Connair without reduction of existing services at a reasonable price without subsidy;
- . to provide a suitable level of services between communities now served by Ansett/MMA and TAA with no increase in the present fares (except general increases caused by rising fuel costs, etc);
- . to provide the facilities to enhance the Northern Territory's tourist market from interstate and overseas and the travel demands of Northern Territory residents; and
- . to provide services to meet the requirements of the Northern Territory Government itself as may be agreed between the Government and the operator from time to time.

This would involve:-

- . an airline with a legal identity of its own with Territory based management;
- . employment for all Connair staff;
- . a level of Northern Territory equity to be achieved in the long term;
- . a viable operation which will not require early changes in frequency of regular air services and financial arrangements;



(M.R. FINGER),
Secretary to Cabinet.

17 October, 1979

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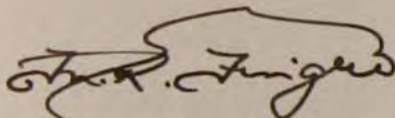
CABINET DECISION

NO. 902

Submission No.: 773

Title: PROPOSED NORTHERN TERRITORY REGIONAL AIRLINE.

- . using suitable turbo-prop aircraft on lower traffic density routes and, until June 1981, where and when demand warrants it on higher traffic density routes, using F27, F28 or equivalent jet or prop-jet aircraft;
- . after June 1981 at the latest using jet aircraft on all trunk routes;
- . maintenance of the present level of air fares except where genuine increases in operating costs can be demonstrated;
- . agreement of a formula regarding air fare increases;
- . making appropriate allowances for fluctuations in demand over time, the provision of the equivalent of existing services to the small Connair served communities;
- . at least daily services linking Darwin and Katherine, Darwin and Gove, Alice Springs and Tennant Creek, and Alice Springs and Ayers Rock, and at least five services a week linking Darwin and Groote Eylandt;
- . a role for existing charter operators to supplement the airline services on suitable routes where smaller loadings are required; and
- . a positive approach to improving incidence, frequency, scheduling and fare structure of services between the Northern Territory and interstate destinations and overseas destinations.



(M.R. FINGER),
Secretary to Cabinet.
17 October, 1979.

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THE NORTHERN TERRITORY OF AUSTRALIA

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Copy No. 1

FOR CABINET

SUBMISSION No. 773

Title:	PROPOSED NORTHERN TERRITORY REGIONAL AIRLINE
Cabinet Member	HON. R.M. STEELE, MINISTER FOR TRANSPORT & WORKS
Purpose:	To seek Cabinet's agreement to the requirements for a regional airline in the Northern Territory.
Relation to existing policy:	Consistent with existing policy and relevant to Air Transport Legislation which has been introduced into the Legislative Assembly.
Timing/ legislative priority:	High priority. An early decision is required.
Announcement of decision, tabling, etc.:	No public announcement at this stage.
Action required before announcement:	NIL
Staffing implications, numbers and costs, etc.:	NIL
Total cost:	NIL

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Department/Authority Law

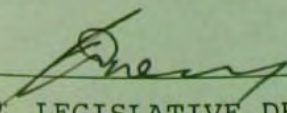
COMMENT ON CABINET SUBMISSION No.

TITLE: PROPOSED NORTHERN TERRITORY REGIONAL AIRLINE

COMMENTS:

There are no legal barriers to the setting of requirements for the purposes of negotiations, neither do there appear to be any constitutional barriers.

However, it should always be kept in mind that even if the Territory's proposals to the Commonwealth are accepted, the Territory will not have an absolutely free hand as the Commonwealth will retain some control through its own licensing power and other controls over aviation within its constitutional power.


SIGNED: LEGISLATIVE DRAFTSMAN

DESIGNATION: for SOLICITOR GENERAL

DATE: 10 October 1979

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Department/Authority TREASURY

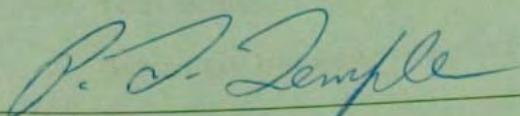
COMMENT ON CABINET SUBMISSION No.

TITLE: PROPOSED NORTHERN TERRITORY REGIONAL AIRLINE

COMMENTS:

Treasury has no comment on the proposal on the assumption that the policy will not involve a subsidy by the Northern Territory Government.

If a subsidy is required, the policy should be reassessed.



SIGNED: P. F. TEMPLE

DESIGNATION: ACTING UNDER TREASURER

DATE: 10 October, 1979 CONFIDENTIAL

(1) THE ISSUE

It is necessary that the Government lay down guidelines for future action in regard to the establishment of a regional airline in the Northern Territory to provide the type of service now supplied by Connair Pty. Ltd. and to take over selected trunk routes within the Northern Territory.

(2) BACKGROUND

Northern Territory air services for hire and reward comprise international, interstate, major intra Northern Territory, other regular intra Northern Territory services and charter.

Currently the international services are provided by Qantas and to a lesser extent by Merpati, the interstate services by TAA and Ansett using mainly Boeing 727 and DC9, plus MMA to Western Australia using F28, and a weekly East West F27 service between Sydney and Alice Springs.

Within the Northern Territory the major connections are all provided by TAA, Ansett and MMA using F27s plus F28s for Gove/Groote/Darwin flights. Connair provides the balance of the regular regional services. Charter operators are not expected to compete on regular routes and they are permitted a maximum of one service each 28 days on Connair routes unless given specified approval for more. In practice, there is presently a considerable overlap between Connair and charter operations.

In effect, the two airline policy has dominated interstate travel including the segments of the major trunk routes which traverse the Northern Territory, while Connair has operated the less profitable intra Northern Territory services but with a considerable Commonwealth subsidy. This subsidy is due to run out in September 1980.

The Connair operation has not had the opportunity to spread its overhead through access to the more heavily utilised and profitable routes over which the major airlines operate while its own routes have suffered serious incursions by charter operators. Both these factors have had adverse effects on its profitability. Separately the management situation at Connair has been a cause of concern and the current Board is not seen as being geared to meeting future needs. The Board has expressed a willingness to sell out on terms which it judges to be fair and reasonable to the shareholders.

All these factors were considered by Mr. F.D. Gallagher in his "Study of Air Transport Policy for the Northern Territory" tabled in the Legislative Assembly in May 1979. The underlying theme of the Gallagher recommendations was the need to make a fresh start.

Accordingly, in the Aviation Bill tabled in the Legislative Assembly on 20 September the Northern Territory Government is seeking State-type responsibilities for air transport. In obtaining air licensing power the Government will be able legally to accept, reject or vary proposals or licences for operation on regular intra Northern Territory air routes. The Government will also be in a position to regulate the amount of competition on these routes.

East West, TAA and Ansett are all interested in acquiring Connair as the foundation for a Northern Territory regional airline. It is also possible that one or two smaller companies will make proposals. In order, therefore, that the proposals of potential operators may be fairly assessed it is necessary for Cabinet to decide upon the requirements for a Northern Territory regional airline.

(3) CONSIDERATION OF THE ISSUE

Northern Territory Regional Airline - Requirements of the Northern Territory Government

In consultation with Mr. Gallagher and drawing on the recommendations in his Report, the proposed requirements for a Northern Territory regional airline are:

- . To provide a suitable level of services for small communities as now served by Connair at a reasonable price without subsidy.
- . To provide a suitable level of services between communities now served by Ansett/MMA and TAA with no increase in the present fares (except general increases caused by rising fuel costs, etc.).
- . To provide the facilities to enhance the Northern Territory's tourist market from interstate and overseas and the travel demands of Northern Territory residents.
- . To provide services to meet the requirements of the Northern Territory Government itself as may be agreed between the Government and the operator from time to time.

This would involve:

- . An airline with a legal identity of its own with Darwin based management.
- . Employment for all Connair staff.
- . A level of Northern Territory equity to be achieved in the long term.
- . A viable operation which will not require early changes in frequency of regular air services and financial arrangements.
- . Using suitable turbo-prop aircraft on lower traffic density routes and, where and when demand warrants it on higher traffic density routes, using F27, F28 or equivalent jet or prop-jet aircraft.
- . Maintenance of the present level of air fares except where genuine increases in operating costs can be demonstrated.
- . Making appropriate allowances for fluctuations in demand over time, the provision of the equivalent of existing services to the small Connair served communities. The services should be generally in accordance with the assessment of ideal Top End services shown in Annexure 'A' but similar alternative proposals will be considered.
- . At least daily services linking Darwin and Katherine, Darwin and Gove, Alice Springs and Tennant Creek, and Alice Springs and Ayers Rock, and at least five services a week linking Darwin and Groote Eylandt.

- . A role for existing charter operators to supplement the airline services on suitable routes where smaller loadings are required.
- . A positive approach to improving incidence, frequency, scheduling and fare structure of services between the Northern Territory and interstate destinations and overseas destinations.

These requirements are designed to provide a regional airline which will combine the facilities for Territory-wide services to meet local community needs with the potentiality to expand through services on national trunk and international routes. Government business has yet to be firmly defined, but matters for negotiation will include an aeromedical service, block booking for public service travel and the provision of common maintenance facilities for other aircraft operators.

(4) OPTIONS

At this stage Cabinet endorsement is sought for the proposed requirements for a Northern Territory regional airline.

Both East West and TAA have made detailed proposals for a regional airline. A detailed proposal is expected from Ansett by 10th October. All three companies have worked within guidelines corresponding broadly with the proposed requirements but will be given copies of the requirements to make any necessary changes.

It is intended that a further submission be made to Cabinet at its next meeting with recommendations on

the proposals made by each of the airlines after evaluation against the requirements if now approved.

(5) PUBLIC IMPACT

Although potential operators will receive copies of the requirements, if approved, wider publicity is not intended at this stage.

(6) FINANCIAL AND EMPLOYMENT CONSIDERATIONS

None arising directly from this submission. Considerations under this heading arising from the selection of an operator for the regional airline will be included in the appropriate Cabinet submission.

(7) COMMONWEALTH AND LOCAL GOVERNMENT RELATIONS

The proposed requirements if adopted will have no direct consequences for Commonwealth and Local Government relations. Consultation is being maintained with the Commonwealth on the adoption of State-type responsibilities for air licensing by the Northern Territory.

(8) CO-ORDINATION

Department of Law has been closely involved in drafting the Aviation Bill which provides the legislative framework for the creation of a regional airline in the Northern Territory.

(9) RECOMMENDATION

That Cabinet approve the following requirements for a Northern Territory regional airline:

- . To provide a suitable level of services for small communities as now served by Connair at a reasonable price without subsidy.
- . To provide a suitable level of services between communities now served by Ansett/MMA and TAA with no increase in the present fares (except general increases caused by rising fuel costs, etc.).
- . To provide the facilities to enhance the Northern Territory's tourist market from interstate and overseas and the travel demands of Northern Territory residents.
- . To provide services to meet the requirements of the Northern Territory Government itself as may be agreed between the Government and the operator from time to time.

This would involve:

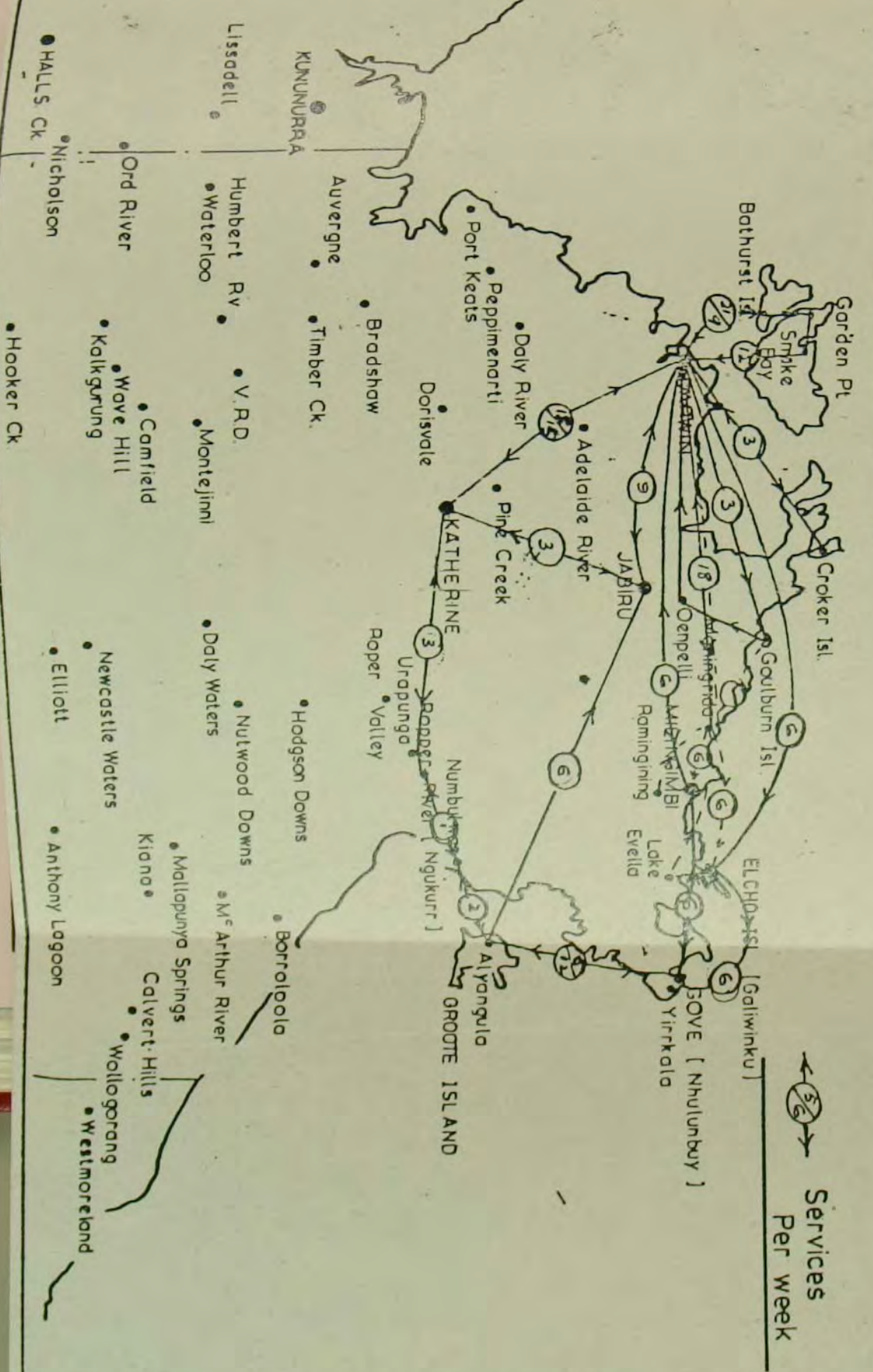
- . An airline with a legal identity of its own with Darwin based management.
- . Employment for all Connair staff.
- . A level of Northern Territory equity to be achieved in the long term.
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- . Maintenance of the present level of air fares except where genuine increases in operating costs can be demonstrated.
- . Making appropriate allowances for fluctuations in demand over time, the provision of the equivalent of existing services to the small Connair served communities. The services should be generally in accordance with the assessment of ideal Top End services shown in Annexure 'A' but similar alternative proposals will be considered.
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- . A role for existing charter operators to supplement the airline services on suitable routes where smaller loadings are required.
- . A positive approach to improving incidence, frequency, scheduling and fare structure of services between the Northern Territory and interstate destinations and overseas destinations.

Lawrence

10/10/29

MAP 3 IDEAL AIR SERVICE NETWORK DARWIN BASED AIR SERVICE OPERATOR



Routes	Services Per week
(Aircraft 1)	1
(Aircraft 2)	2
(Aircraft 3)	3
(Aircraft 4)	4

