



# PRIME MINISTER

Tuesday 2 June 1992

**JOINT STATEMENT BY THE PRIME MINISTER THE HON PAUL KEATING, MP; THE MINISTER FOR FINANCE, THE HON RALPH WILLIS, MP; AND, THE MINISTER FOR TRANSPORT AND COMMUNICATIONS, SENATOR THE HON BOB COLLINS**

The Government has approved the sale of Australian Airlines to Qantas.

It has also endorsed sale of 100 per cent of the combined airline, subject to approval by the Australian Labor Party.

The Government has also decided to establish an independent Tribunal to allocate international aviation routes.

These decisions were taken by Cabinet last night and agreed by Caucus this morning.

The decision to sell Australian Airlines to Qantas follows detailed examination by the Department of Finance's Task Force on Asset Sales of initial indicative bids for Australian Airlines.

The main factor bearing on the Government's decision was the increased value placed on the synergistic benefits which will result from operating the domestic carrier and Qantas together.

A sale agreement will be signed tomorrow between Qantas and the Government under which Qantas will pay \$400 million for 100 per cent of Australian Airlines.

Settlement of the sale will be finalised by the end of September after which Australian Airlines will become a wholly-owned subsidiary of Qantas.

The acquisition will allow for significant synergistic benefits and operational efficiency gains which will increase the ultimate sale value of Qantas as well as benefiting the travelling public.

Taken together with the new aviation regulatory changes also announced today, this transaction will ensure a strong and viable aviation industry in Australia in future.

As part of the transaction the Chairman of Qantas, Mr Bill Dix, and the Chief Executive, Mr John Ward, will join the Board of Australian Airlines as soon as possible.

In proposing to sell 100 per cent of Qantas the Government will retain a "golden share" providing a number of national safeguards.

These will include requirements that:

- . no more than 35 per cent of voting equity be sold to foreign interests;
- . the trading name "Qantas" be retained for international air transport passenger services provided by the company;
- . the head office of Qantas remain in Australia; and
- . a majority of Qantas' Board be Australian citizens.

The trade sale of Qantas will continue contingent with settlement of the acquisition by Qantas of Australian Airlines.

The Government expects no diminution of interest in Qantas by prospective purchasers as a result of this acquisition.

In fact, a number of prospective purchasers have indicated that this acquisition would strengthen their interest in the combined entity.

Prospective purchasers already approved for access to the next and final stage of the trade sale of Qantas/Australian Airlines are being advised.

The Government will also seek expressions of interest from new bidders attracted by the proposed revised ownership arrangements.

The parties concerned will be permitted to conduct their own detailed "buyer due diligence" investigations into the combined entity prior to submitting binding bids.

The trade sale process is expected to be completed by the end of this calendar year.

Significant resources are being allocated to preparing for a public float of the remaining equity in Qantas which will be undertaken in the period immediately following the trade sale.

With the decision to sell 100 per cent of Qantas, this will involve a major equity raising, recapitalising the airline on a competitive commercial basis and returning well over \$1 billion to the Commonwealth Budget.

#### **INDEPENDENT TRIBUNAL:**

An independent Tribunal will be responsible for assessing applications by domestic carriers for international route and capacity entitlements on the basis of criteria to be determined by the Government.

Licensed airlines will be eligible to seek the right to fly international services to the many countries where multiple designation is provided under existing bilateral air services agreements.

Until the Tribunal is established, Qantas will continue to be Australia's designated international airline, other than on trans-Tasman routes.

The Government has decided to clearly separate route authorisation and carrier selection procedures from its continuing regulatory and administrative functions, by establishing an independent Tribunal. This separation is consistent with practices in a number of major aviation countries.

The Government's objective is to introduce a process which will be clearly seen as being open, transparent and accessible to all parties and the Government will be legislating to give this effect.

At the same time, the Government has ensured that such matters as tourism and trade, route economies, incumbent airlines' rights and entitlements, the interests of other Australian carriers and broader national interests are adequately reflected in the criteria to be considered by the Tribunal.

The combination of existing unused capacity and additional capacity, arising out of bilateral negotiations, will provide the opportunity for the commencement of operations by competitive Australian carriers on international routes.

The new approach provides for the gaining of potential benefits and exposure to competition for all airlines under a timetable where access to new markets is aligned with competition in existing markets.