

1995

THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

HOUSE OF REPRESENTATIVES

QANTAS SALE AMENDMENT BILL 1995

EXPLANATORY MEMORANDUM

Circulated by the authority of the Minister for Finance,
the Hon Kim C Beazley MP

QANTAS SALE AMENDMENT BILL 1995

GENERAL OUTLINE

The *Qantas Sale Act 1992* put in place the necessary legislative and administrative framework for the sale of Qantas Airways Limited by the Commonwealth. The Act currently limits foreign shareholdings in Qantas to a maximum of 35 per cent. No individual foreign person may own more than 25 per cent of Qantas. The Government has reviewed the foreign ownership and control restrictions applying to Qantas and decided that all of its objectives would still be met if the foreign ownership limit were to be increased to 49 per cent.

In summary, the Bill addresses the following matters:

- increases the foreign ownership limit for Qantas from 35 per cent of issued capital to 49 per cent;
- restricts individual foreign airlines to holding no more than 25 per cent of the issued share capital of Qantas (the existing 25 per cent limit on holdings of foreign individuals is unchanged); and
- restricts foreign airlines, in total, to holding no more than 35 per cent of the issued share capital of Qantas.

These restrictions on the holdings of foreign airlines would align the provisions of the *Qantas Sale Act 1992* with those of the *Air Navigation Act 1920*.

FINANCIAL IMPACT STATEMENT

None of the amendments in the Bill affect the primary financial impact arising from the sale of the Government's remaining equity in Qantas, which will be the reduction in outlays occurring when the sale receipts are credited to the Commonwealth Public Account. No direct or indirect costs would be imposed on the Commonwealth or other parties.

However, an increase in the foreign ownership limit will increase the Qantas float's exposure to offshore equity markets and should help to ensure an appropriate return to the Commonwealth.

NOTES ON CLAUSES

Clause 1 Short Title

Commencement: Royal Assent

This clause provides for the proposed Act to be cited as the *Qantas Sale Amendment Act 1995* and that the term '**Principal Act**' refers to the *Qantas Sale Act 1992*.

Clause 2 Commencement

Commencement: Royal Assent

This clause provides for the Act to commence on the date it receives the Royal Assent.

Clause 3 Amendments

Commencement: Royal Assent

This clause provides that the *Qantas Sale Act 1992* is amended according to the schedule below.

SCHEDULE

AMENDMENT OF THE *QANTAS SALE ACT 1992*

Items 1 to 3

Commencement: Royal Assent

Item 1 increases the statutory limit on foreign shareholdings in Qantas from 35 per cent of its issued capital to 49 per cent. Item 2 restricts foreign airlines, in total, to a 35 per cent ownership interest in Qantas. This is consistent with comparable provisions in the *Air Navigation Act 1920* applying to other Australian international airlines. Item 3 clarifies the operation of the limitation confining the shareholdings of any one foreign person (the definition of which includes a foreign airline) to 25 per cent of the total share capital.

The effect of these amendments is to give Qantas increased access to international equity markets, placing it in a similar situation to Ansett.

Items 4 and 5

Commencement: Royal Assent

Item 4 inserts relevant definitions from the *Air Navigation Act 1920* and the *International Air Services Commission Act 1992*. Item 5 redefines a foreign person to mean either a foreign airline or a person who is not an Australian person.

