PRESS STATEMENT:

MALCOLM FRASER:

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L. F. E. C

In the last few days the problem of IPEC has come to national notice. IPEC is a company that provides an interstate express parcel service. It began its operations by road transport, but more recently it had chartered old DC.3 aircraft to carry express freight to Tasmania. In about ten years it has built up a business that carries many thousands of tons of freight each year. It provides a good service. The problems that have arisen between IPEC and the Government have occurred because IPEC applied for a licence to import additional aircraft so that IPEC could expand the air-freight side of its business. If the Government had given permission, or if it does give permission in the future, IPEC will be entering direct competition with Ansett's and T.A.A. on the major trunk routes, at least so far as freight is concerned.

At first sight, most reasonable people would say IPEC should be allowed to operate this service but, unfortunately, the problem is much more involved than this. If you cast your minds back to about fifteen years ago, you will remember that the old A.N.A. was at its last gasp. T.A.A. had been established after the war. It had been given a complete monopoly of Government traffic and of mails, and A.N.A.'s financial position was eroded in the years between 1945 and 1949. Even though the present Government split the mail contracts and allowed Government business to be carried on the private enterprise airline, the old A.N.A. was finding it impossible to carry on. This would have meant that there would be one airline in Australia - the Government-controlled T.A.A.

This was opposed to Government policy. We believe in private enterprise and we believe in the best possible service for the public. From my own experience, I know that those countries that have given monopolies of air routes to one particular airline, whether it be Government or a private airline, suffer from air services that are vastly inferior to the air services you will find in Australia, especially on the main capital
city routes. The Government then was faced with the dilemma of how to maintain competition of some kind on Australia's air routes. Then Ansett's came along prepared to buy out the old A.N.A., and prepared to compete with T.A.A. Ansett's had been a third airline which, to this point of time, had not been spectacular, but it was, nevertheless, one that had made steady progress through offering various specialised services. There were intense and difficult negotiations between the Government and the two airlines. Quite obviously the Ansett Company would want some security of tenure if it was going to take on the heavy obligation of financing a large interstate fleet, in competition with the Government airline. As a result, various agreements were worked out, the most important of which was the formalisation of the two-airline policy. The agreement to which Ansett-A.N.A. has agreed is attached as a schedule to the appropriate Acts of Parliament, and this agreement says in fairly plain terms that there shall be two airlines, and not more than two, on the main trunk routes in Australia. Passengers and freight are treated in the same terms.

This agreement embodied the principal conditions which persuaded the company to buy the old A.N.A. and which persuaded it to invest heavily in the aircraft industry. The company has, of course, for some time borrowed considerable sums of money from the public, and there are 28,165 Australians who have invested in it on the understanding that the conditions now prevailing will endure for the period of the two-airline agreement, which will not be due for re-negotiation until 1977.

The Government is faced with a dilemma. IPEC has done good business. It is a good company, but there is an agreement with the present airlines and IPEC has known of it. This agreement could not, and should not, I believe, be broken, unless the two airlines concerned agree that its terms should be varied. It may be that they will do this. I don't know. There are other difficulties in this affair. I am told that, constitutionally, once a company has aircraft in Australia, they obtain a licence to operate those aircraft and, even though they might import aircraft for freight purposes, you could not legally present them from converting those aircraft to passenger
use. Thus the two-airline policy would break down. This could lead to a
disorganization of air traffic in a manner which, one day, could be exploited
to enable some future Government to nationalize all air traffic.

The Government has said that, if IPBC requested a review of the policy, the Government would conduct such a review. Since this statement, however, the Senate has disallowed a regulation which placed full responsibility for this matter in the Minister's hands. Responsibility, as the law now stands, rests with the Director-General - a civil servant. The reasons for this are somewhat complex and I don't want to go into them in detail, but it may well be that IPBC will have to go to the courts and through lengthy procedures to seek a positive decision to their request to import aircraft. The position can hardly be regarded as satisfactory from anyone's point of view.