



Air Corporations Act 1966

1966 CHAPTER 11

An Act to provide for the capital reconstruction of the British Overseas Airways Corporation; to provide for Exchequer investment in that Corporation otherwise than by way of loan; to amend the financial duties and borrowing powers of that Corporation and of the British European Airways Corporation; to enable the Treasury to guarantee foreign currency debts of those Corporations; and to amend sections 21 and 23 of, and paragraphs 9 and 10 of Schedule 1 to, the Air Corporations Act 1949. [10th March 1966]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Capital reconstruction of B.O.A.C

- (1) As from 1st April 1965—
 - (a) all outstanding liabilities of the British Overseas Airways Corporation in respect of advances made before that date to the Corporation under section 42 of the Finance Act 1956 or section 3 of the Air Corporations Act 1962 shall be extinguished; and
 - (b) all rights and liabilities which under the terms of issue of the stock issued under section 9 of the Air Corporations Act 1949 (in this Act referred to as "the principal Act") or any enactment repealed by that Act were immediately before that date rights and liabilities of the Corporation shall be rights and liabilities of the Treasury.
- (2) The sum of £31 million shall be deemed to have been borrowed by the Corporation from the Minister of Aviation (hereafter in this Act referred to as "the Minister") on the said 1st April and to have been then advanced by him to the Corporation under section 3 of the said Act of 1962; and the sum of £35 million shall be deemed to have been paid by him to the Corporation under section 2 of this Act.

- (3) In section 12(1) of the principal Act (which restricts borrowing by the Corporation to a limit of £260 million or such greater sum not exceeding £300 million as the Minister may from time to time by order specify) for the references to £260 million and £300 million there shall be substituted respectively references to £90 million and £120 million, and the limit imposed by the said section 12(1) shall apply to the sum of—
- (a) the aggregate amount outstanding in respect of the principal of any moneys borrowed by the Corporation, including in such moneys the sum deemed to have been borrowed by the Corporation by virtue of subsection (2) above; and
 - (b) the aggregate of any sums paid to the Corporation under section 2 of this Act, including the sum deemed to have been so paid by virtue of the said subsection (2), but not any sum treated as so paid by virtue of a direction under section 2(3)(b) of this Act.
- (4) Schedule 1 to this Act shall have effect for the purposes of subsection (1)(b) of this section.

2 Exchequer investment in B.O.A.C. otherwise than by way of loan

- (1) Subject to the limit imposed by section 12(1) of the principal Act as amended by section 1(3) of this Act, the Minister may with the approval of the Treasury pay to the British Overseas Airways Corporation such sums as he thinks fit.
- (2) In consideration of receiving sums under this section, the Corporation shall, as respects the financial year ending on 31st March 1966 and each subsequent financial year, make to the Minister out of any funds available for that purpose payments of such amount as may be proposed by the Corporation and approved by the Minister with the consent of the Treasury, or such other amount as the Minister may, with the approval of the Treasury and after consultation with the Corporation, determine.
- (3) The funds available for the purpose of making a payment under subsection (2) above shall be—
- (a) any profits of the Corporation for any financial year not earlier than the financial year ending on 31st March 1966, after deducting any sums out of those profits carried to the credit of the reserve fund of the Corporation; and
 - (b) any sums standing to the credit of that fund other than any such sum which the Minister may, with the approval of the Treasury and after consultation with the Corporation, direct to be treated as if it were a sum which had been paid by the Minister to the Corporation under this section.
- (4) Any sums required by the Minister for making payments under this section shall be defrayed out of moneys provided by Parliament; and any sums received by him under subsection (2) above shall be paid into the Exchequer.
- (5) The account required to be prepared by the Minister under section 3(6) of the Air Corporations Act 1962 (Exchequer advances) shall include particulars of any sums paid by him to the Corporation under this section and of any sums to be paid into the Exchequer under subsection (4) above.
- (6) In this section " profits " as respects any financial year means the excess of the revenue of the Corporation for that year over the total sums properly chargeable by it to revenue account for that year.
- (7) Section 19 of the principal Act (Minister's powers in relation to profits of air Corporations) shall cease to have effect in relation to the Corporation.

- (8) In section 23 of the principal Act (estimates of receipts and expenditure of Corporations) the expression "receipts" shall not include any sum paid by the Minister to the Corporation under this section.

3 Financial duties of B.O.A.C

- (1) The Minister shall from time to time determine with the approval of the Treasury and after consultation with the British Overseas Airways Corporation, as respects such period as he may so determine, the rate of return on net assets which he considers, having regard to his rights under section 2(2) of this Act, it is reasonable for the Corporation to achieve in that period; and the Minister may, with the like approval and after such consultation as aforesaid, vary a determination under this section in respect of any period by a further determination.
- (2) In subsection (1) above the reference to the rate of return on net assets is a reference to the amount of profits for the period in question (as defined for the purposes of section 2 of this Act but before deducting interest on moneys borrowed by the Corporation) expressed as a percentage of the total assets of the Corporation after deducting liabilities of a current nature.
- (3) The Minister shall give notice to the Corporation of any determination under subsection (1) above.
- (4) The Corporation shall conduct its affairs during any period in respect of which a determination has been made under subsection (1) above with a view to achieving a rate of return in that period not less than that specified by the determination as for the time being in force.
- (5) The Corporation shall from time to time during any such period as aforesaid review the financial results of its operations during the preceding part of the period, and if it appears to the Corporation that those results have been such that, unless special measures are taken, the Corporation is unlikely to be able to perform its obligation under subsection (4) above, the Corporation shall forthwith inform the Minister of that fact and consider what special measures can be taken, and the Corporation shall inform the Minister of the special measures which it proposes should be taken.
- (6) The Minister may by order—
- (a) substitute for the duty imposed by subsection (4) of this section a financial duty expressed otherwise than by reference to a rate of return on net assets; and
 - (b) for that purpose, direct that the foregoing provisions of this section shall have effect subject to such modifications as may be specified in the order and make such other incidental and transitional provisions as appear to him to be necessary or expedient;
- but no such order shall be made unless a draft of the order has been laid before, and approved by a resolution of, each House of Parliament.
- (7) Any order under the last foregoing subsection shall be made by statutory instrument and may be varied or revoked by a subsequent order under that subsection.
- (8) The Corporation, in framing and carrying out proposals involving substantial outlay on capital account by the Corporation or by a subsidiary of the Corporation, shall act on lines settled from time to time with the approval of the Minister.

- (9) As from 31st March 1969 the Minister's power under the principal Act to give directions to the Corporation as to the application of any sums standing to the credit of the Corporation's reserve fund shall, notwithstanding paragraph (a) of the proviso to section 18(2) of that Act, include power to direct the payment of any such sum (not being a sum in respect of which a direction has been given under section 2(3)(b) of this Act) into the Exchequer if it appears to the Minister, after consultation with the Corporation, that that sum is surplus to the requirements of the Corporation.
- (10) The account required to be prepared by the Minister under section 3(6) of the Air Corporations Act 1962 shall include particulars of any sums directed to be paid into the Exchequer under subsection (9) of this section.

4 Duration of ss. 2 and 3

- (1) Subject to subsection (2) below, the provisions of sections 2 and 3 of this Act, and of section 1(3) of this Act so far as it relates to the said section 2, shall continue in force until 31st March 1971 and then expire.
- (2) The Minister may by order direct that the said provisions—
- (a) shall continue in force permanently after the date on which they would otherwise expire ; or
 - (b) shall continue in force after that date for such period as may be specified in the order and then expire.
- (3) Any order under the last foregoing subsection shall be made by statutory instrument; and no such order shall be made unless a draft of the order has been approved by a resolution of each House of Parliament.
- (4) Upon the expiry of the provisions mentioned in subsection (1) above—
- (a) any sums which have been paid by the Minister to the British Overseas Airways Corporation under section 2 of this Act, including any sum deemed to have been, or treated as having been, so paid by virtue of any of the foregoing provisions of this Act, shall be deemed to have been borrowed by the Corporation from the Minister on the date of such expiry and to have been then advanced by him to the Corporation under section 3 of the Air Corporations Act 1962 (but not so as to subject to the limit imposed by section 12(1) of the principal Act any sums in respect of which a direction may have been given under section 2(3)(b) of this Act);
 - (b) section 5 of this Act shall apply to the said Corporation as it applies to the British European Airways Corporation;
- and section 38(2) of the Interpretation Act 1889 (effect of repeals) shall apply as if the said provisions had been then repealed by another Act.

5 Financial duties of B.E.A

- (1) The British European Airways Corporation shall so conduct its affairs as to secure that its revenue is not less than sufficient for making provision for the meeting of charges properly chargeable to revenue, taking one year with another.
- (2) The Corporation, in framing and carrying out proposals involving substantial outlay on capital account by the Corporation or by a subsidiary of the Corporation, shall act on lines settled from time to time with the approval of the Minister.

- (3) Any excess of the revenue of the Corporation for any financial year over the total sums properly chargeable by the Corporation to revenue account for that year shall be applied by the Corporation in such manner as the Minister, with the approval of the Treasury and after consultation with the Corporation, may direct; and any such direction may require the whole or any part of any such moneys to be paid into the Exchequer if it appears to the Minister, after such consultation as aforesaid, to be surplus to the requirements of the Corporation.
- (4) The account required to be prepared by the Minister under section 3(6) of the Air Corporations Act 1962 shall include particulars of any sums directed to be paid into the Exchequer under subsection (3) of this section.
- (5) Section 19 of the principal Act shall cease to have effect in relation to the Corporation.

6 Borrowing powers of Corporations and Treasury guarantees

- (1) The British Overseas Airways Corporation and the British European Airways Corporation (hereafter in this Act referred to as " the Corporations") may borrow, from such persons and on such terms as the Minister may with the approval of the Treasury from time to time specify, any sums of foreign currency required by either of the Corporations for defraying expenditure properly chargeable to capital account, including the repayment of any money borrowed by that Corporation for defraying expenditure properly so chargeable :

Provided that nothing in this subsection shall authorise either of the Corporations to borrow in excess of the limit imposed for that Corporation by section 12 of the principal Act as for the time being in force.

- (2) The Treasury may guarantee, in such manner and on such conditions as they think fit—
 - (a) the repayment of, and the payment of interest on and other charges in respect of, any sums borrowed by either of the Corporations under subsection (1) above ; and
 - (b) the payment by either of the Corporations of any other debt incurred by it, being a debt which is to be discharged in foreign currency;

and subsections (2) to (5) of section 10 of the principal Act (which provide for the issue out of the Consolidated Fund of sums required for fulfilling guarantees under that section, for the repayment of such sums and for the laying before Parliament of statements and accounts in respect of such guarantees) shall have effect in relation to any guarantee under this subsection as they have effect in relation to a guarantee under that section and as if, in subsection (3)(b) of that section, references to a temporary loan included references to any such sums or debts as are mentioned in paragraphs (a) and (b) of this subsection, the reference to interest on such a loan included a reference to charges other than interest in respect of such sums and the reference to the date of the raising of such a loan included a reference to the date when any such debt is incurred.

- (3) Section 8(3) of the principal Act (power of Corporations to borrow from Minister for financing accumulated deficits on revenue account) and section 1(2) of the Air Corporations Act; 1956 (power of British Overseas Airways Corporation to borrow I from certain banks for the purpose of buying aircraft manufactured in the United States of America) shall cease to have effect.
- (4) In this section " foreign currency " means any currency other than sterling.

7 Pensions

(1) The power of the Minister to make regulations under section 21 of the principal Act (pension regulations in respect of service of employees of the Corporations) shall include power to make regulations in respect of the service of—

- (a) employees of any such undertaking as may be specified in the regulations, being—
 - (i) an undertaking which is a subsidiary of either of the Corporations, or
 - (ii) any other undertaking which would be a subsidiary of one of the Corporations if there were held by that Corporation any share capital, or power to appoint directors, of the undertaking which is held (directly or indirectly) by the other Corporation ;
- (b) employees of the management trustees of the pension scheme established and maintained by virtue of regulations made under the said section 21;
- (c) employees of the board of trustees of the joint medical service of the Corporations ;

and, accordingly, in the said section 21 references to the Corporations shall include references to any undertaking specified in the regulations by virtue of paragraph (a) of this subsection and to the trustees mentioned in paragraphs (b) and (c) of this subsection.

- (2) Regulations under the said section 21 may make provision for securing that where—
- (a) an employee of any such undertaking or body of trustees as is mentioned in paragraph (a), (b) or (c) of subsection (1) above becomes a member of either of the Corporations; or
 - (b) an employee of any such undertaking or body of trustees, or of either of the Corporations, becomes a director of any such undertaking,

being, in either case an employee in respect of whose service benefits are provided by a pension scheme established under that section, his service as such a member or director (whether before or after the passing of this Act) shall be treated for the purposes of the scheme as if it were service as an employee of the undertaking, body of trustees or Corporation in whose employment he was when he became such a member or director.

- (3) No regulations shall be made by the Minister under the said section 21 by virtue of this section except after consultation with each of the Corporations and with any organisation representative of the employees to whom the regulations will relate which appears to him to be appropriate; and nothing in that section shall require the Minister to make any regulations which he has power to make by virtue of this section.

8 Other amendments of principal Act

(1) In section 23(4) of the principal Act (Corporations to submit to Minister in respect of each planning period, as defined for the purposes of that section, and at such time before the beginning of that period as the Minister may direct, a programme of services and activities and an estimate of receipts and expenditure) for the words " in respect of each planning period, as defined for the purposes of this section, and at such time before the beginning of that period as the Minister may direct" there shall be substituted the words " at such times as the Minister may from time to time determine and in respect of any period so determined ".

(2) In section 23(6) of the principal Act (each of the Corporations to provide the Minister with information relating to the undertaking of the Corporation and of any associate of

the Corporation) for the words from " undertaking of the corporation " to " or any such associate)" there shall be substituted the words " property, financial position, activities or proposed activities of the corporation or of any subsidiary of the corporation ".

- (3) For paragraphs 9 and 10 of Schedule 1 to the principal Act (under which remuneration paid to a member of a Corporation in respect of his office as such or in respect of his office as chairman or deputy chairman is determined by the Minister with the consent of the Treasury, but any additional remuneration paid to a member employed about the affairs of the Corporation otherwise than as a member thereof is at the discretion of the Corporation) there shall be substituted the following paragraph—

“9 The Corporation shall pay to each member thereof such remuneration, whether in respect of his office as such or otherwise, as the Minister may with the consent of the Treasury determine.”;

but this subsection shall not affect any determination made under the said paragraphs before the commencement of this Act.

9 Citation, interpretation and repeals

- (1) This Act may be cited as the Air Corporations Act 1966, and the principal Act, the Air Corporations Act 1953, the Air Corporations Act 1962 and this Act may be cited together as the Air Corporations Acts 1949 to 1966.
- (2) In this Act " the Minister " means the Minister of Aviation, " the Corporations " means the British Overseas Airways Corporation and the British European Airways Corporation, " the principal Act" means the Air Corporations Act 1949 and " financial year ", " subsidiary " and " director " have the same meaning as in the principal Act.
- (3) In this Act, except where the context otherwise requires, any reference to an enactment shall be construed as a reference to that enactment as amended, and as including a reference thereto as extended or applied, by any other enactment, including this Act.
- (4) The enactments mentioned in Schedule 2 to this Act (which include certain spent provisions of the principal Act) shall be repealed to the extent mentioned in the third column of that Schedule.

SCHEDULES

SCHEDULE 1

Section 1.

TRANSFERRED STOCK OF BRITISH OVERSEAS AIRWAYS CORPORATION

Renaming of certain Stock

- 1 As from 1st April 1965 (in this Schedule referred to as " the date of transfer ") the following Stock, that is to say—
- (a) the 4 ½ % British Overseas Airways Guaranteed Stock 1965-66, and
 - (b) the 4% British Overseas Airways Guaranteed Stock 1974-80,
- being two of the issues comprised in the Stock mentioned in section 1(1)(b) of this Act, shall each be renamed by omitting the word " Guaranteed " .

Application of provisions applicable to Government Stock

- 2 As from the date of transfer, the Stock mentioned in section 1(1)(b) of this Act (in this Schedule referred to as "the Stock") shall be deemed for all purposes, but subject to the rights and liabilities mentioned in the said section 1(1)(b), to have been created and issued under the National Loans Act 1939, and that Act and any other enactment, regulation or rule relating to securities issued under that Act shall apply accordingly to the Stock.

- 3 As from the date of transfer, the Airways Corporations Stock Regulations 1947 and the Airways Corporations Stock Regulations 1948 shall be deemed not to have applied to the Stock, but this paragraph shall not affect the validity of any thing done under or for the purposes of any provision of those regulations before the commencement of this Act, and any such thing shall continue to have effect after the commencement of this Act in relation to the Stock and shall be deemed to have been done under or for the purposes of the corresponding enactment, regulation or rule for the time being applicable to the Stock.

Transitional provisions

- 4 In relation to the person entitled to any payment of interest in respect of the Stock before the commencement of this Act, any payment of such interest made by the British Overseas Airways Corporation on or after the date of transfer shall have effect as if made by the Treasury.
- 5 As soon as may be after the commencement of this Act there shall be made between the Treasury and the said Corporation all such adjustments in respect of the period beginning with the date of transfer and ending with the commencement of this Act as may be required for carrying section 1(1)(b) of this Act into effect, including in particular payments by the Treasury out of the Consolidated Fund for reimbursing to the Corporation interest paid by it in respect of the Stock during that period.

SCHEDULE 2

Section 9.

REPEALS

| Chapter | Short title | Extent of repeal |
|----------------------------|--------------------------------|---|
| 12, 13 & 14 Geo. 6. c. 91. | The Air Corporations Act 1949. | Section 8(3). Sections 13 to 17. Section 19. Section 23(5) and (8)(a) and (b). Section 29. Section 31(3). Section 36. In section 38(1) the definitions of " associate " and " revenue ". In Schedule 1, paragraph 8 |
| 5 & 6 Eliz. 2. c. 3. | The Air Corporations Act 1956. | The whole Act. |
| 11 & 12 Eliz. 2. c. 5. | The Air Corporations Act 1962. | In section 1, in the section to be substituted for section 8 of the Air Corporations Act 1949, subsection (3). In section 6(3) the words from " and in section 1(2)" to " Corporation) " and the words following the semi-colon |
| 1964 c. 2. | The Air Corporations Act 1964. | The whole Act. |