



***Transport for NSW Review of  
the Passenger Transport  
Legislation***

***Regional Express Submission to Discussion Paper***

***October 2012***



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## 1 PREAMBLE

Regional Express (Rex) welcomes the opportunity to provide a submission to the Discussion Paper. Rex however suggests that the review pertaining to the licensing for NSW intrastate air routes should have been carried out well ahead of Transport for NSW embarking on the process to renew the NSW intrastate licences beyond March 2013.

Once decisions have been announced by Transport for NSW for the next licence term the licences will then remain in place until March 2018 and a further 5 years is an eternity in regional aviation.

Rex has over 40 regional routes across its network in NSW, VIC, SA, TAS and QLD and of these only 7 routes are in competition with another carrier. Of the 7 competitive routes, 5 have greater than 170,000 annual passengers.

Besides NSW, there is no equivalent regime of licensed routes in any other state. Nevertheless, Rex has not seen once over the past decade where a new carrier competes with Rex on any route that has fewer than 50,000 passengers a year.

This is the reason why Rex put in a submission to the NSW Government prior to current licence term (2007) calling for the NSW Government to open up all NSW intrastate routes to competition even though Rex was the biggest, by far, beneficiary of the licensing regime.

Rex believes that this is even more valid today and believes that no route can be competitive with fewer than 100,000 annual passengers given the size of aircraft being used (30+ seats). Rex therefore continues its call for the NSW Government to abandon the licensing regime and to allow the market to decide.

Rex has attached its prior submission (*Regulation of Air Transport in NSW*) of 31 January 2007.

## 2 BACKGROUND

Rex commenced in August 2002 as the merger of 2 subsidiaries, Kendell and Hazelton Airlines, of the now-defunct Ansett Airlines. Listed on the Australian Stock Exchange (ASX) in 2005, Rex is Australia's largest independent regional airline operating a fleet of more than 45 Saab 340 aircraft out of Sydney, Melbourne, Adelaide and Townsville hubs to regional centres. Rex carries some 1.2 million passengers annually across 65,000 sectors to 35 destinations.



## Transport for NSW Review of the Passenger Transport Legislation

### Regional Express (Rex) Submission

Within the current licence term (March 2008 until March 2013) Rex has operated regional air services on 8 of the 14 NSW intrastate licensed routes as follows;

1. Sydney to Bathurst
2. Sydney to Broken Hill
3. Sydney to Grafton
4. Sydney to Merimbula
5. Sydney to Moruya
6. Sydney to Narrandera
7. Sydney to Parkes
8. Sydney to Taree

With the exception of the Sydney Taree & Sydney Grafton routes, Rex has operated all other routes since the commencement of Rex in August 2002. Prior to that all other routes were operated by Rex predecessor, Hazelton airlines.

The above regulated routes are very thin routes and are only viable because of the network efficiencies that Rex derives by maximising the usage of aircraft, crew, routing strategy and Sydney airport slots.

Rex currently operates on 7 of the 12 NSW intrastate deregulated routes as follows;

1. Sydney to Albury
2. Sydney to Ballina
3. Sydney to Dubbo
4. Sydney to Griffith
5. Sydney to Lismore
6. Sydney to Orange
7. Sydney to Wagga

Rex carries some 600,000 annual passengers across the above mentioned regulated and deregulated routes. It is important to note that only 150,000 passengers in total are associated with the 8 regulated routes, with Rex carrying some 450,000 passengers across the 7 deregulated routes. It is also important to note that the “total” market size of the above 7 deregulated routes exceeds 1,000,000 annual passengers.

Rex has the ability to draw from its pool of prime-time peak morning and evening slots, which belong to Rex and not to the routes, at Sydney airport, so that the communities can benefit from a day-return service which is indispensable for the medical and business needs of the community. As explained, the licensed routes are very thin and are only viable because of the

network efficiencies that Rex derives by maximising the usage of aircraft, crew, routing strategy and Sydney airport slots.

### **3 Submission to Discussion Paper**

#### **3.1 Reform Options**

***Proposed Approach – To cover all passenger transport services with a single piece of legislation, include provisions for intrastate air services in the revised passenger transport legislation.***

Rex Comment:

Rex does not have a strong view regarding the inclusion of intrastate air services in the revised passenger transport legislation so all passenger transport services are covered by a single piece of legislation. Rex however does not support the continuation of any legislative framework / regulation for NSW intrastate air services.

Rex does not agree with Transport for NSW that the licences provide greater stability and route viability and in regards to encouraging route development. Rex does not see any difference between regulated and deregulated routes in terms of the natural motivation that exists to develop routes which is mutually beneficial to both airlines and regional communities.

***Proposed Approach – Reform the regulatory scope of the air transport framework by amending the legislation to indicate that intrastate services are to be deregulated unless declared to be regulated by the Minister for Transport.***

Rex Comment:

Rex strongly supports this approach as we feel that regulation would only then occur when it can be demonstrated that such regulation is required.

***Proposed Approach – Reform the regulatory scope of the air transport framework by amending the legislation to indicate that intrastate services are to be deregulated unless declared to be regulated by the Minister for Transport.***

Rex Comment:

Rex does not support automatically carrying over the criteria for granting or refusing an air transport licence. The criteria should be reviewed in conjunction with reviewing the broader need for regulation.

For example Rex does not support the criteria;

*“To foster more than one airline providing adequate and reasonable public air transport services and to discourage the development of licences”*

Rex believes that in the context of thin (& marginal) regional routes, it is more desirable to have a strong monopoly provider so that efficiencies of scale could be harnessed rather than having many marginal operators that are always close to the point of collapse.

When an airline collapses it can have a catastrophic impact as in most instances the routes previously operated by the collapsed operators will lose their air service forever, particularly when considering the NSW regional slot situation at Sydney airport.

Other existing criteria includes;

*“Ensuring the insurance coverage for the applicant’s aircraft, pilots and passengers”*

Legislation is not required to ensure adequate insurance coverage as this is a core requirement of holding a RPT Air Operators Certificate (AOC) and operating RPT services.

Reviewing the assessment criteria should naturally form part of a broader and necessary review of the need for regulation.

***Proposed Approach – Disband the State Aviation Working Group (SAWG) and repeal the section of the Air Transport Act 1964 that established the SAWG when the regulation of intrastate air transport is transferred to the revised passenger transport legislation.***

Rex Comment:

Rex supports the disbanding of the State Aviation Working Group (SAWG) as proposed.

***Proposed Approach – Include a requirement in the revised passenger transport regulation to provide statistics broken down by airline for all NSW intrastate routes.***

Rex Comment:

Rex does not support the provision of passenger statistics for all NSW intrastate routes. A reason cited by Transport for NSW for recommending this is *“to allow air transport operators, local councils (as airport owners) and tourism related bodies to better plan service delivery throughout NSW”*.

Transport operators (airlines) and local councils (airports) already have the passenger statistics that are reported between airlines and councils and on the larger tourism related routes, passenger statistics can be obtained through the BITRE.

No other State requires passenger intrastate passenger statistic reporting for non regulated intrastate air services (In addition to New South Wales, Rex services South Australia, Victoria, Tasmania and Queensland) and Rex cannot see the need for the extra reporting burden and disclosure of commercial information.