



24 October 2012

Clr Mathew Dickerson
Mayor of the City of Dubbo
Dubbo City Council

Sent by e-mail: mayor@dubbo.nsw.gov.au

Dubbo City Regional Airport Working Party Meeting 22 October 2012

Dear Mayor Dickerson,

Rex is officially writing to Dubbo City Council to express our strongest condemnation of the Dubbo City Regional Airport Working Party Notice of Meeting and agenda (copy attached) which contains scurrilous lies and misrepresentations and which is defamatory to the reputation of Rex, a company listed on the ASX.

Rex demands that the report be retracted with immediate effect and that a public apology be issued by Council and/or the author of the report.

Background

The Notice of Meeting dated 16 October 2012 was sent by post to Maurice Gahan, Rex NSW State Sales Manager, to his Lismore postal address. The notice of meeting and agenda was therefore not received by Maurice until Tuesday 23 October 2012, the day following the working party meeting.

In addition, Maurice was in Dubbo between Wednesday 17 October and Friday 19 October, participating in the Harvey World Travel Expo and whilst in Dubbo Maurice did meet with the Dubbo Airport Manager, Lindsay Mason.

It is unclear from the "Notice of Meeting" whether or not Rex was invited to the meeting however it was insufficient notice given that the mail arrived after the working party meeting took place. I assume that Rex were not invited to the meeting on the basis that you would have extended an invitation to Rex when we spoke by phone last Thursday.

Whilst Rex has serious concerns with views that are expressed throughout the report, I am focusing this response on some key matters that are factually incorrect as per the following;

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Regional Express Group of Companies:



Mildura Airport - Page 5 (a)

- Mildura Airport never introduced a charge on Rex when Rex Virgin first appeared 3 years ago.
- Rex therefore never refused to pay.
- Rex therefore never went to OTS/Minister.
- Mildura Airport never wrote off four months of charges.
- It is not correct that Rex passengers are currently not screened.
- From July 2012, all Rex passengers and baggage are screened.

As further background, Virgin Australia (formerly Virgin Blue) has been operating between Melbourne and Mildura since October 2008 (4 years) however during this time they have operated an opposite flight schedule to both Rex and QantasLink that is limited to one return flight per day.

The core Rex flight schedule between Mildura and Melbourne therefore did not fall within the regulated screening window as determined by the Virgin Australia flight schedule. The only time that Rex historically fell into the regulatory screening window was when Virgin were operating off-schedule or from time to time when Virgin adjusted their schedule, however the Virgin Australia schedule never aligned with the core Rex schedule.

Screening at Mildura airport has only become relevant to Rex from July 2012 due to Rex operating parallel schedules with the QantasLink Q-400 operations. Mildura Airport currently screens all Rex passengers and baggage, however they do not charge Rex due to Rex not legally requiring screening.

Albury Airport - Page 6 (b)

- Rex never threatened to take council to Government on basis that Rex did not need to be screened and Albury City Council did not agree not to charge Rex on that basis.
- Rex passengers never used to be screened at no charge to Rex.
- Rex is not aware of any Albury airport concerns regarding security risks in relation to Checked Bag Screening (CBS) and Rex cannot understand the comments that are made in this regard.

As further background, Virgin Australia (formerly Virgin Blue) has been operating between Sydney and Albury since February 2008 however during this time they have operated an opposite flight schedule to both Rex and QantasLink. The core Rex schedules between both Albury Sydney and Albury Melbourne did not fall within the regulated screening window as determined by the Virgin Australia flight schedule. Due to Rex operating outside of the regulated screening window there was not a historical need pre July 2012 for Rex to be screened at Albury airport.

The only time that Rex historically fell into the regulatory screening window was when Virgin Australia were operating off-schedule or from time to time when Virgin adjusted their schedule. In this regard, of the 4 week day Rex departures Albury to Sydney and 3 week day Rex departures Albury to Melbourne, the off-schedule Virgin Australia movements only ever impacted one mid morning Rex departure to Sydney.

Screening at Albury airport has therefore only become relevant to Rex from July 2012 due to Rex operating parallel schedules with the QantasLink Q-400 operations. Albury Airport allows for the segregation of screened and unscreened passengers and as a result Rex passengers are not screened or charged. Whilst the Rex baggage goes through the CBS process as an operational decision, it is not a legal requirement.





Wagga Wagga Airport - Page 6 (c)

- Wagga Wagga Airport allows for the segregation of screened and unscreened passengers and as a result Rex passengers are not screened or charged.
- Whilst the Rex baggage goes through the CBS process as an operational decision, it is not legally required.

Port Lincoln Airport - Page 6 (d)

- There is no similarity between Port Lincoln and Mildura, because Rex passengers are not screened at Port Lincoln airport and Rex passengers are screened at Mildura airport.

Ballina Airport - Page 6 (e)

- It is correct that Ballina Airport does not charge Rex but it must be understood that Rex operates 3 return frequencies each week day and the majority of Rex departures do not fall within the regulated screening window as determined by Jetstar and Virgin Australia. Therefore no screening is required for the majority of Rex services departing Ballina Airport.

Summary - Page 9 (Aircraft Strategy)

In relation to aircraft strategy Rex is surprised that Dubbo City Council “does not know what Rex’s strategy may be”. Further to our meeting in Sydney earlier in the year, the Rex strategy is business as usual. It is due to the efficient Saab 340 aircraft that Rex operates, that Rex is able to provide the City of Dubbo with 7 return frequencies to Sydney each week day. You agreed at the meeting in Sydney that the frequency of service was one of the most important elements of having a good regional air service, yet Dubbo City Council is still “seeking to have better air services”.

For the record, Rex has no intention of entering into a larger aircraft type. The Saab 340 aircraft will keep continuing to provide essential regional air services for at least a further 15 years. The aircraft are not considered old and the fact that the Saab 340 aircraft are no longer manufactured actually provides a much lower overhead cost base for Rex to sustainably provide air services to remote and regional Australia.





Conclusion

To reiterate Rex's fundamental position regarding screening, regional airports should simply follow the law as determined by the Office of Transport and Security (OTS). Rex's aircraft do not require passenger or baggage screening due to being under the Maximum Take Off Weight (MTOW) threshold and importantly OTS permits the airport segregation of screened and unscreened passengers subject to having an approved Transport Security Program (TSP).

If council chooses to adopt something other than what the regulators prescribe, then this is a prerogative for council, but Rex should not be expected to pay for a council prerogative.

Yours Sincerely

Warrick Lodge
Manager, Network Strategy & Sales
Regional Express (Rex)

Copy Mr Bill Burke, Chief Executive, Mildura Airport Pty Ltd.
Mr Bradley Ferris, Director of Engineering, Albury City Council
Mr Stephen Prowse, Wagga Wagga Airport Manager & NSW Division Chair, Australian Airports Association.

