



23 May 2013

Mr Ken Rogers  
Director Corporate Development  
Dubbo City Council  
Civic Administration Building  
Church Street  
**Dubbo NSW 2830**

Sent by e-mail: [Ken.Rogers@dubbo.nsw.gov.au](mailto:Ken.Rogers@dubbo.nsw.gov.au)

Dear Ken,

### **DUBBO REGIONAL AIRPORT PROPOSED FEES AND CHARGES 2013-2014**

I write in reply to your letter of 26 March 2013 regarding the Dubbo Regional Airport proposed fees and charges for 2013-14 (FY14).

Regional Express (Rex) opposes the 2.26% increase in the passenger head tax proposed for FY14. This will see the passenger head tax (per arriving and departing passenger) increase from \$13.30 to \$13.60 (incl. GST). The 2.26% passenger head tax is not justifiable given the significant increase in total capacity through Dubbo airport that became effective in the 4<sup>th</sup> quarter of FY13 that will flow through to the full FY14. Dubbo City Council (DCC) has publicly stated that the increased total market capacity will increase passenger throughput. The modelling of FY14 forecast passenger numbers is integral in setting the passenger head tax for FY14 and any passenger number increases through Dubbo airport will drive increased airport head tax revenue growth that will negate the need for any unit rate increase.

In addition, Rex does not support the 75,000 passenger threshold that triggers a 50% reduced head tax rate, which in FY13 is \$6.65 (incl. GST). The 75,000 passenger threshold is out of date and does not reflect the current market dynamics.

Rex fully acknowledges and appreciates the history of this growth threshold arrangement that was established in FY09 when the both the Rex Group and QantasLink were achieving between 80,000 and 85,000 passengers per year for a total market size of around 165,000 passengers per year.

In light of this threshold not being reset for a number of years Rex calls upon the DCC to remove this threshold in the absence of establishing a more equitable growth incentive. In doing so, the current \$13.30 head tax rate could be justifiably reduced by around 9% (based on current annual passenger volumes) to a rate of approximately \$12.08 (incl. GST) for an equivalent head tax revenue outcome. This also does not consider any forecast growth.

Regional Express Group of Companies:

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Rex also opposes the DCCs fundamental approach when it comes to the airport having a ‘functional objective’ (as outlined in the operational plan) “to generate sufficient funds to provide an amount for transfer to General Revenue”. Any airport surplus / profit should be ring-fenced for the airports reserve fund and only used for future airport related investment. The airport should not be allowed to operate as a profit centre in the interests of topping up councils General Revenue at the expense of the airlines and the travelling public. Rex notes the \$275K contribution to General Revenue from the airport in FY13 and a forecast contribution to General Revenue of \$285K in FY14.

In relation to the security screening fees, Rex supports the “full cost recovery of the contractors charges, invoiced monthly on a per passenger pro rata basis” (as referenced in your letter of 26 March), however Rex strongly opposes having such fees levied on to Rex due to Rex’s aircraft not legally requiring passenger or baggage screening due to being under the Maximum Take Off Weight (MTOW) threshold of 20,000kg as prescribed by the Office of Transport and Security (OTS).

Rex regrets that following all of our correspondence to DCC, including my letters of 24 October 2012, 16 November 2012 and 19 December 2012 that DCC has not made any provision in the redeveloped airport terminal to facilitate separate unscreened and screened departures that is in accordance with OTS regulations, as adopted by other Category 3 airports serviced by Rex.

Further to our prior submissions relating to passenger and baggage security screening at Dubbo airport for the interim period through until 30 June 2013, Rex maintains its call for DCC to permit the facilitation of unscreened and screened departures at Dubbo airport effective from 1 July 2013.

We formally request that this letter as well as the prior correspondence (attached) be considered as Rex's submission to Dubbo City Council's 2013-14 Revenue Policy.

Yours Sincerely

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

