

26 FEBRUARY 2013

MEDIA RELEASE

REX CONDEMNS DUBBO COUNCIL AIRPORT SECURITY DECISION

Regional Express (Rex) condemns Dubbo City Council's (DCC's) decision yesterday to screen and charge Rex passengers at Dubbo airport for screening services that are not legally required under the Federal Air Transport Safety Regulations.

The NATIONALS Leader and Shadow Minister for Infrastructure & Transport Warren Truss has expressed concerns about this matter: "There has been no substantial security case established to justify requiring security screening of passengers on these smaller aircraft." Mr Truss' Media Release is attached.

"Many individuals and companies have expressed their outrage at this irresponsible decision to impose an unnecessary and unfair burden on them and the wider community; some have indicated that they will be reconsidering their investments in Dubbo as a consequence. The DCC has chosen to pursue a path which will substantially damage the social and economic fabric of Dubbo and the surrounding region, for an agenda that is best known to itself" said Rex General Manager of Network Strategy & Sales Warrick Lodge.

To set the record straight, the attached Fact Sheet documents all the attempts that the DCC has made to deceive the constituents of the City of Dubbo City and the Central West.

The Rex board is meeting today and is considering options relating to its Dubbo services. The Board has invited Mayor Dickerson to a meeting on Thursday 28 February 2013 before making a final decision.

Rex calls on all concerned constituents to multiply the petitions for a rescission motion by ten fold so that DCC will be forced to listen to the community (go to www.rex.com.au click on 'Stop Screening Charges at Dubbo'). Let the councillors know that they lose their legitimacy to represent you if they insist on pursuing this reckless path.

Regional Express (Rex) is Australia's largest independent regional airline operating a fleet of more than 40 Saab 340 aircraft on some 1,300 weekly flights to 35 destinations throughout New South Wales, Victoria, Tasmania, South Australia and Queensland. The Rex Group comprises Regional Express, air freight and charter operator Pel-Air Aviation and Dubbo-based regional airline Air Link, as well as the pilot academy Australian Airline Pilot Academy.

Rex operates up to seven return flights a day between Dubbo and Sydney with a crew base at Dubbo. Additionally it operates a successful charter business, Air Link, headquartered in Dubbo with a maintenance base and support staff. In total the Rex Group has 27 staff based in Dubbo.



Security screening charges causing concern

NATIONALS leader and Shadow Minister for Infrastructure and Transport Warren Truss has expressed concern that some airports are seeking to impose security screening charges on smaller regional aircraft which are not required to be screened under Australian government law.

Mr Truss said he shared the concerns of the Regional Aviation Association of Australia about the impact of the charges.

The extra costs of this screening have the potential to make services operated by small aircraft unviable. In some cases this will mean reduced competition into regional communities and even cancellation of services altogether.

Mr Truss said federal government law does not require passengers travelling on Dash 8 300 and 200 Series aircraft, Saab 340s, Metros, Brasilias, King Airs, Piper Chieftains and other similar aircraft to be screened.

The only propeller-driven aircraft operating regular services in Australia that must be screened under the current law are the cargo passenger Q400 and ATR72s.

Mr Truss said there has been no substantial security case established to justify requiring security screening of passengers on these smaller aircraft.

In Australia, Dash 8s, Saab 340s and other similar aircraft are fitted with government funded hardened cockpit doors as an extra security measure. Passengers are generally required to go through security again when they transit through a capital city or other airport serviced by large jet aircraft.

In some cases, where aircraft which are not required to be screened are caught up through parallel schedules with aircraft requiring screening, their passengers are screened free of charge by the relevant airport. Alternatively, passengers can be kept separate in the departure terminal to avoid the need for screening.

Mr Truss said regional air services in Australia are already facing increasing government imposed cost increases such as the carbon tax and the abolition of the navigation en route subsidy scheme for smaller regional aircraft.

Charges for security screening are an unnecessary cost increase because the screening is not required by Australian law.

FACT SHEET - DUBBO AIRPORT SECURITY SCREENING ISSUE

This fact sheet presents the facts concerning the Dubbo Airport Security Screening issue and sets the record straight on the public statements by Dubbo City Council (DCC) with regards to its justifications for screening Rex passengers and charging them for it.

1. Federal regulations on regional airport security screening

The Federal Government assessed the key risk drivers for regional airports in its 2009 White Paper and concluded that the only turboprop aircraft that presented a level of risk significant enough to warrant security screening at regional airports were those weighing over 20 tonnes. This included the Dash 8-400 used by QantasLink. This new regulation took effect from 1 July 2012.

QantasLink's Dash 8-300 aircraft and Rex's Saab 340B aircraft that are currently deployed on the Dubbo route are both below the 20 tonne threshold and do not require screening. Federal regulations also allow for both screened and unscreened simultaneous operations from the same airport under an approved Transport Security Plan (TSP) from the Office of Transport Security (OTS).

2. Why the need for screening now at Dubbo airport?

QantasLink made the decision on 12 September 2012 to deploy a larger aircraft Dash 8-400 on one of its 4 daily services to Dubbo from 4 March 2013. As this aircraft is above the 20 tonne threshold, this particular service operated by QantasLink needs to be screened. There is no legal requirement for QantasLink's remaining 3 services using the Dash 8-300 to be screened and neither is there a requirement for Rex's 7 services to Sydney and 1 service to Broken Hill to be screened.

3. What has DCC decided/done?

The 19 September 2012 Airport Working Party Report tabled at the Council Meeting of 22 October 2012 is the only analysis that has been made publicly available and it is the only analysis that is referred to in any Council Minutes.

The Working Party Report identified 4 policy options for Council to choose from with regard to who is screened and proposed fees. All options were based on a "full cost recovery" i.e. no cost to Dubbo rate payers. Two options did not involve any fees levied on Rex. The Report did not identify any security need to screen all passengers (indeed one option involved screening only aircraft above the 20 tonne weight threshold).

Council adopted the recommendation of a "full cost recovery" basis. The Minutes of the Council Meeting on 17 December 2012 recorded the resolution that "*the Mayor and General Manager continue discussions with Regional Express with regard to screening charges*"

Three days later and without any prior negotiation, the Mayor wrote to Rex on 20 December giving formal 3 months notice, in accordance with IATA regulations, that Rex will be charged a levy based on the cost of screening and that Rex's share of the screening charges would be pro rated on Rex's proportion of departing passengers.

4. What are the decisions of the other Town Councils / regional airports?

Rex competes with QantasLink in several other regional cities. At Wagga Wagga and Albury the local councils have obtained an approved TSP from OTS to operate simultaneous screened departures of QantasLink Dash 8-400 aircraft and unscreened departures of Rex aircraft. Mildura airport decided to screen all passengers but only charge services operated by aircraft above the 20 tonne weight threshold. From April 2013 Port Lincoln airport will permit unscreened and screened departures where Rex also operates parallel services with QantasLink Dash 8-400 services. Port Lincoln airport have also decided that cost recovery of screening should only be borne by aircraft above the 20 tonne threshold.

5. What is Rex's position?

Rex has assessed the situation and agrees with the position taken by the Federal government in its White Paper of 2009 that its aircraft do not present a level of risk high enough to warrant screening. In any case there are 23 regional airports of the total 30 regional airports serviced by Rex that do not require and therefore do not have any screening facilities.

In the case of Dubbo airport, Rex prefers to have its own unscreened departure gate. This should be quite achievable as DCC is in the process of remodelling the terminal. Should this not be practical then Rex will accept screening on the basis of full cost recovery from the operator that under law requires the screening. This is the only fair and right approach.

6. What are DCC's stated justifications for its decision?

The proceedings of the DCC meeting do not provide any justification for its decision. However DCC has been on record in several media interviews as well as letters to constituents as proffering the following "justifications" for its decisions.

- "I'm telling you the truth, the mathematics is simple, it's \$4.69 (only) per passenger"

DCC has estimated Rex's share of the screening charges to be \$27,000 per month or \$324,000 per year. This excludes GST. Rex currently carries 68,500 passengers per year, half of which (34,250) are departing passengers (arriving passengers do not need to be screened). This works out to be around \$9 per departing passenger.

- Rex has only 27% of the passengers (implying Rex is not significant enough to be accorded much attention and that its share of the costs is lower)

DCC is being deliberately deceptive in repeatedly making this statement. Council has stated in its public forum on 21 February 2013 that the annual passenger numbers are 171,000. Rex's 75,000 passengers form 44% of this amount. If it were 27% Rex would only be paying about \$198,000 (excl. GST) per annum, not \$324,000 as communicated by DCC.

DCC has all the statistics for the last 11 years and knows fully well that Rex's annual market share is always above 40%. DCC knows that it is only in the month of January ("so far in 2013") that Rex reduces its frequency of operation due to lower seasonality and therefore has only 27% passenger share in this single month. It is obvious that there is a deliberate attempt to mislead the public. Such a deceptive approach is not worthy of the office to which councillors are elected.

- "It is not fair for ratepayers to subsidise Rex's passengers"

Again DCC is being deliberately mischievous and deceptive. Rex has never disputed the principle of full cost recovery. Rex's position is that QantasLink should bear the full charges as they are the only operator of an aircraft that legally requires security screening.

- "I DON'T want to be the mayor when a Dubbo plane hits the Harbour Bridge."

A very emotive statement from the Mayor, but one that shows a lack of understanding of aviation security implications. All Rex's aircraft have bullet proof / hardened cockpit security doors mandated by law and thus cannot be hijacked and pilots cannot be forced to direct the aircraft at any particular landmark.

In any case, the vast majority of regional airports do not have security screening and there is little reason to choose Dubbo as a staging ground for such eventualities.

- "If you have seat belts it would be silly not to use it just because the law does not require it"

This justification is rather shallow on three counts:

(i) Life involves risks in all activities. It is all about risk assessment. Many would own a bicycle helmet but almost no one would wear one when walking down the street although the risk of falling is not uncommon. Would DCC build air raid shelters all over the city just because there is a remote risk of an air attack? If it does not, is one justified to accuse DCC of being "*not worried about safety, it is worried about cost*" in the exact words DCC used to accuse Rex?

(ii) Even if DCC had to impose screening for all, the correct approach, adopted by the other councils, will be to adopt the "causer pays" principle. There is no single justification for charging Rex's passengers.

(iii) Since the regulations allow it, DCC should let the consumer decide for themselves. Surely DCC believes their constituents are mature enough to decide if they want the inconvenience of screening, the added 30-minute time needed and the additional cost involved?

- "We would be justifiably accused of giving QantasLink an unfair advantage in the marketplace by protecting only their passengers."

A rather bizarre and contorted justification. Rex would be the only party with a reason to level such an accusation and it is clear that Rex has publicly stated its position in 4 separate submissions to DCC.

The opposite is true. Making Rex subsidise QantasLink to the tune of \$324,000 a year gives a great and massive unfair advantage to QantasLink. Rex's annual profitability on the Dubbo route in the first 7 months of this financial year does not even amount to the \$324,000 security charge.

- "Rex said from the very beginning of our talks with them that they would mount a media campaign."

This is a lie. Rex categorically denies having made such a threat and challenges DCC to produce evidence to this effect. Rex has steered away from the press until DCC made false statements to the NSW Deputy Premier last week on the Federal regulations being inflexible and forcing all aircraft to be screened. Rex cannot allow such a monumental misrepresentation to go uncorrected.

- DCC has only received 70 petitions on this matter (implying that the community is not behind Rex's position)

This is a further example that DCC has either got the figures wrong or is being deliberately misleading. Many of the petitions were copied to Rex and Rex alone has received over 150 petitions on this matter. All the petitions received are attached.

In a poll by the Dubbo Daily Liberal published on 15 February, the results were as follows:

Is Regional Express right to complain about security screening costs?

		Response Percent	Response Count
Yes		78.2%	187
No		21.8%	52
answered question			239

We see that 80% of the community is solidly behind Rex and disagree with the DCC decision. DCC should listen to the community which elected it. Council would be reckless to ignore the many warnings from business leaders, reflected in the petitions, who are expressing their reservations about continuing business in Dubbo because of the unenlightened or ill-informed decisions taken by council.

- "The proposal to screen all passengers was made unanimously in the interest of safety, security, fairness and equity"

DCC has not produced a single report from a safety/security expert to back its views. Clearly the justification of "safety, security" are views stated by people with no knowledge or proclaimed expertise in the matter. This view is in direct contradiction with the position of experts from the federal government authorities established specifically for this purpose.

As for "fairness and equity", this justification is so inane that it does not deserve further comment.

Concerning the unanimity of the decision, one constituent summed this up very eloquently:

"Whether the proposal was made unanimously has no bearing on the matter; it simply means everyone got it wrong."

- "The fact is that if Wagga and Albury didn't have the threats from Rex hanging over their decision making process they would prefer not to have dual systems"

This is another desperate attempt by the Mayor to justify his position and we challenge him to provide evidence for this baseless accusation. This is also highly insulting to the two councils concerned.

The fact of the matter is that Wagga Wagga and Albury are no more vulnerable than Dubbo is and in fact competition is even keener in Albury where both QantasLink and Virgin Australia are competing against Rex.

7. Conclusion

Such an important decision with huge ramifications on the local community deserves honesty. DCC should carefully re-examine the facts and listen to the voice of the community – over 150 petitions from individuals and companies have strongly opposed DCC's decision. If DCC chooses to ignore the legitimate concerns of the community without valid justifications, it no longer deserves the honour of representing you.

Regional Express 26 Feb 2013