



21 February 2017

**LETTER TO THE EDITOR**  
**The Border Watch**

Sent by email: [editor@tbw.com.au](mailto:editor@tbw.com.au)

Regional Express (Rex) would like to respond to recent articles published in *The Border Watch* on 15 February 2017 & 17 February 2017 in regards to the proposed upgrade of Mount Gambier airport.

Regional Express (Rex) operates to 58 destinations throughout New South Wales, Victoria, Tasmania, South Australia, Queensland and Western Australia. With its fleet of more than 50 Saab 340 aircraft, Rex operates 75,000 flights and carries some 1.2 million regional passengers per year.

Rex is the largest Saab 340 operator in the world with decades of regional aviation experience that stems back to its predecessor airlines Kendell and Hazelton. Kendell Airlines commenced servicing the Mount Gambier to Melbourne route in May 1983 which was followed by the Mount Gambier to Adelaide route in November 1985.

In regards to the District Council of Grant's 'build it and they will come' approach being adopted with Mount Gambier Airport, it is important to fully understand the history.

In July 2010 the District Council announced a 46% airport passenger tax increase effective from September 2010 and this was significantly covered by *The Border Watch*. The 46% passenger head tax followed two earlier head tax increases of around 8%. Rex issued then a solemn warning to the District Council of the dire consequences that would follow which was reported by *The Border Watch* in July 2010:

*"The District Council's actions are economically and socially irresponsible as the community will end up paying for the additional costs through higher ticket prices. This will have a negative downward spiral effect as higher fares will mean fewer passengers which in turn will translate into a reduction of services which in turn will lead to a further reduction of passengers. In the not too distant future the District Council will have to explain to the community why it had spent millions on additional airport infrastructure to welcome an ever decreasing number of passengers"* (Open Rex Letter to the District Council of Grant – 6 July 2010)

As predicted by Rex, the District Council's irresponsible money-grabbing decisions in the period 2007 – 2010, which sky-rocketed the airport head tax by more than 50%, resulted in a steep decline in passenger numbers from 117,000 then to 76,000 today. Sadly the 76,000 passengers today will have to support more airport head tax than the 117,000 did in 2007/08.

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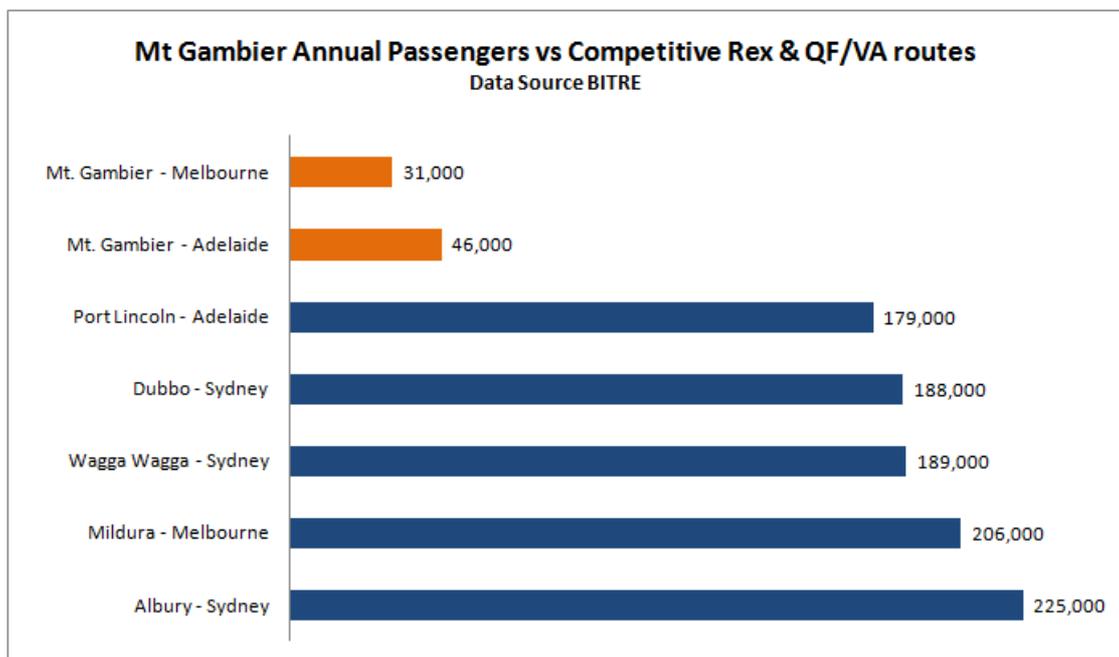
Since Rex commenced operations in 2002, there have been 17 regional airlines that have collapsed which should clearly illustrate the significant challenges faced by the regional aviation industry. Even with Rex's efficiencies associated with operating more than 50 aircraft on 75,000 flights per year, Rex's FY16 operational profit before tax amounted on average to only \$4 per passenger flight hour of over 400km, while it spends \$185 paying for the cost of flying the same passenger. A taxi driver makes much more profit on the 10km trip from Adelaide Airport to the city.

Having illustrated the backdrop of the current environment, I would like to make the following points;

### 1. The 'Build it and they will come' approach adopted by the District Council

Despite having seen 40,000 fewer passengers a year, it is unbelievable that the District Council still wants the ratepayers to believe that there will be long queues of airlines wanting to operate to Mount Gambier. Unfortunately this is a pipe dream that Rex has witnessed many times over the past decade in several communities, and every single one has ended as a white elephant.

The truth of the matter is that the Mount Gambier to Adelaide route has around 45,000 passengers per year with the Mount Gambier to Melbourne route achieving around 31,000 passengers per year. Routes this size cannot sustain competition. As can be seen below in Rex's network, only routes with over 130,000 passengers a year can sustain a second regional carrier, be it QantasLink or VARA.





## 2. Current Runway Inadequate

Rex questions the need to extend runway at Mount Gambier airport beyond the 1524m that is currently available in order to accommodate aircraft such as the 74 seat Q400. As outlined in the below table, QantasLink has either past operated, or currently operates, the Q400 aircraft into many airports that have runway lengths that are less than or comparable in length with the 1524m that is available at Mount Gambier.

Airport with past or current Q400 flights	Available Runway Length
Horn Island (QLD)	1389m
Port Lincoln (SA)	1499m
Roma (QLD)	1504m
Charleville (QLD)	1524m
Moranbah (QLD)	1524m
Moree (NSW)	1613m
Rockhampton (QLD)	1645m
Weipa (QLD)	1645m

## 3. Continued provision of Rex services to Mount Gambier

The recent articles in *The Border Watch* suggested that the District Council was uncertain about Rex's continued operations with the Saab 340 aircraft. If this was indeed the true concern of the District Council, it would have sought feedback from Rex on this matter. Rex would have advised that it intends to operate the Saab 340 aircraft for at least another 15 years, and that it intends to continue servicing Mount Gambier airport over this timeframe if the airport head tax remained at the current level..

On the other hand, the District Council can be almost certain that Rex's services will be severely downgraded, if not withdrawn, if Council embarks on this cavalier exercise to significantly expand the airport with the inevitable sharp increase of the airport head tax that follows. It is well and good to receive Federal, State and ratepayer funding for airport works, however from experience (including some very recently), this will result in the ongoing airport costs – depreciation, operating and maintenance costs - spiralling out of control.

The airport will inevitably pass these huge cost increases to passengers. Fewer passengers will travel and in turn the remaining passengers will face even higher charges. This will be a repeat of the scenario of 2007 – 2010 only this time the current marginal passenger numbers will shrink to a level for services to be no longer viable.

A simple computation will clearly illustrate the folly of the initiative. If \$17M were invested in the airport, this would mean that the annual cost of running the airport would increase by the depreciation of this investment. Practically the \$17M airport works would be depreciated over 10 years which makes it \$1.7M in additional costs a year or \$22 extra per air ticket to Adelaide or Melbourne. On top of that, operational costs will increase which will further add to the ticket price. When we realise that Rex does not even make a profit of \$4 on each ticket, we can easily figure out what will happen to the air service if the head tax were to be increased by \$4, let alone \$22.



Rex solemnly urges the District Council to learn from its past mistakes and not to gamble with the future of the community's air service for the sake of its unrealistic grandiose visions. The already very fragile social economic fabric of the community will disintegrate once it loses its air services.

Yours Sincerely

*Warrick J Lodge.*

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