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Rex survives financial turbulence

Despite a drop in profit after tax of 28.5 per cent, Regional Express Airlines (Rex) executive chairman, Lim Kim Hai, remains upbeat about the future of the company.

Rex released its full year results with group profit before tax declining some 8 per cent to \$24.1 million and a steeper decline in profit after tax of 28.5 per cent due to the discontinuation of tax incentives set in place the previous financial year.

Mr Lim said that several issues had provided a challenging environment for the company, including the fuel prices which he said were "spiralling out of control" and several climatic catastrophes ranging from cyclones and floods to volcanic ash which saw an unprecedented voluntary shutdown of large areas of airspace over several days in Rex's network in South Australia, Victoria, Tasmania and NSW.

But in spite of the sobering results and challenging conditions, Mr Lim said: "I am actually more optimistic and confident of the outlook and potential of the Rex group than I have ever been for the past nine years. The deep restructuring of Rex's subsidiary Pel-Air, which started two years ago, is now almost complete."

He said that Pel-Air has emerged a stronger, more viable company with strong businesses in fly-in/fly-out mining charters, air ambulance, freight and defence.

Rex's other subsidiary, the Australian Airline Pilot Academy (AAPA), has received accreditation from the General Civil Aviation Authority of the United Arab Emirates (UAE) to conduct the flight training and expects to train over 60 cadets in this financial year.

"With the current world-wide demand for new pilots estimated at 20,000 a year, AAPA is well positioned to contribute strong earning streams in the coming years," Mr Lim said.

"Rex has also been ranked as the top performing regional airline in the world for the third consecutive year by Aviation Week and Space Technology magazine. Mr Lim said: "This external validation confirms that Rex has solid fundamentals and outstanding financial performance even in the midst of these extremely challenging times. While the economic turmoil in the USA and Europe is as threatening as ever, at Rex we approach the new financial year with a certain amount of confidence, serenity and even excitement. However the Rex Board does not believe that it is in a position to make an accurate profit forecast at this stage but believes that all its subsidiaries will be profitable this financial year."

He said that a final dividend of 7.1 cents per share had been approved in the light of Rex's strong cash holdings and limited capital expenditure needs in the coming year.

Spokeswoman for Rex, Candice Teo, said that the company would continue to monitor the operating environment.

"In relation to the South Coast, changes were made to the schedules back in March 2011 as we felt it was important to be able to increase passenger numbers to more sustainable levels. Being winter now, the demand has been softer and we will need to monitor the routes' performance once the stronger seasonal months swing by."

She said that nothing had changed with respect to the seven marginal routes that would be more difficult in the future to operate given the cost increases associated with the federal government policy from 1 July 2012.