Source: The Daily Examiner, 2 Dec 11

Flights under threat

Dominic Zietsch | 2nd December 2011

THE potential for Grafton Regional Airport to lose its Regional Express (Rex) flights due to rising operating costs was reinforced again yesterday by Nationals Senator Fiona Nash.

Senator Nash visited the airport where she met with Rex regional sales manager Maurice Gahan to discuss the difficulties facing regional airline operators.

Senator Nash said projected operating cost increases associated with the Federal Government's carbon price and also the impending removal of the en-route regional subsidy scheme for regional airlines were nails in the coffin of an industry already struggling to stay airborne.

"Certainly the carbon tax is a huge issue - the airline already pays about 3.5 cents a litre in fuel excise and the carbon tax is actually going to add 6 cents a litre to that, which is going to be enormous," Senator Nash said.

"Then you couple that with the removal of the en-route subsidies which were set up under the Coalition when we were in government - and regional airlines really do need assistance.

"The carbon tax will cost the airline about $2.4 million a year while the removal of the en-route subsidy will cost about $2 million. So the key message I got today from Maurice is that it's going to create some real difficulties and real hardships for the airline who are there doing their job for regional communities."

She said the Federal Government was underestimating the importance of airlines to regional communities and said given the push to shift the population to regional areas rather than the big cities, made it more important than ever to maintain air links between them.

"I just don't think the government has thought this through, particularly with the carbon tax and the removal of the en-route subsidy. They haven't really thought about the impact on regional communities and we've seen that across the board in a whole range of areas," she said.

However, a spokesperson for the Department of Infrastructure and Transport said claims Rex may be forced to cancel regional air routes due to higher operating costs were at odds with the airline posting a $17 million profit over the last financial year.

The spokesperson said Rex chairman Lim Kim Hai, when discussing the $17 million profit in August this year, was quoted as saying he was more optimistic about the potential of the Rex group that he had been for the past nine years.

The spokesperson also refuted the claims by Senator Nash that the carbon price and removal of the en-route regional subsidy scheme were making it unfeasible for regional airlines to maintain regional routes.

"The regional subsidy scheme was introduced in 2002 as a temporary measure in the wake of the Ansett collapse to ensure regional airlines continued to provide services," the spokesperson said.

"It was never intended as a permanent subsidy and in 2008 the government announced it would end.

"The rebate is around $2 a ticket and with passenger numbers increasing by 50% since the collapse of Ansett, the rebate is no longer necessary."

The spokesperson said the additional cost to airlines as a result of the carbon tax would be about $2 a seat.

"There is no reason why Rex should be considering any reduction to services," the spokesperson said.