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Rex spreads its wings

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BUSH airline, Regional Express (REX), is making determined headway in the turbulent regional aviation market with help from lower fuel costs and some new and novel diversification strategies.

While the young company's main business involves 1300 weekly flights to and from 35 country airports in eastern Australia, it also has a handy, if unconventional, sideline flying targets into live missile and radar training exercises for the armed forces.

Rex subsidiary, Pel-Air Aviation, is currently tendering to expand its aerial target work with the Australian Defence Force, while also about to take over the Victorian Air Ambulance contract as part of its charter service activities.

Pel-Air has hopes to also expand into a Northern Territory aero-medical service contract in addition to other regular charter work such as flying staff to and from remote mining locations and government contracts.

The defence work ranges from flying Lear jets in simulated enemy attack profiles against Royal Australian Navy vessels, to towing targets and unmanned remote control aircraft through live firing zones.

Rex, which this year notches up eight years since it was formed from the Hazelton and Kendell remnants of the Ansett Airlines collapse, achieved a record \$24.6 million after tax profit in 2009-10 despite a five per cent drop in passenger numbers for its second year in a row.

Tax concessions associated with last year's Federal Government's rebates on new investment spending aided the final profit result, as did careful attention to costs and a 20pc lower fuel bill than 2008-09.

Early this year Rex established a new Queensland base in Townsville, beginning regular services direct to Mt Isa and State Government-subsidised routes to Winton and Longreach and Hughenden, Richmond, Julia Creek and Mt Isa.

The year ahead was likely to see consolidation of Rex's current commercial services rather than more new routes established, according to managing director, Jim Davis.

The company's resilience in a tight trading environment has also been significantly bolstered by a big reduction in its pilot attrition rate to other airlines, thanks largely to Rex opening its own pilot training school.

The Australian Airline Pilot Academy, started in Melbourne in 2007, opened its newly built Wagga Wagga campus in April and is already poised to double its on-site accommodation facilities to handle up to 200 students.

So far 63 graduate cadets have joined the regional airline, significantly boosting Rex's workforce stability.

In 2008 Rex took repeated hits as young pilots were poached to fill vacancies elsewhere in the aviation sector, forcing the company to quit its Melbourne to Griffith service, which was reintroduced in late 2009 as pilot numbers recovered.

Mr Davis, said the investment in pilot training, subsidised by Rex, was an important strategic move to secure long term skills and staff continuity in the specialist regional market - and also a potentially strong revenue opportunity.

"Boeing forecasts a five per cent in global airline activity in the next 20 years and there's a baby boomer retirement bubble emerging in the industry - all of which means another 20,000 pilots will be needed worldwide," he said.

"It's far more preferable that Rex be in a position to service that growing market than constantly losing pilots to other operators who can't find enough qualified people," Mr Davis said.

Rex is the only sizeable airline in Australia with its own flying school which has begun opening placements to other airlines, including Boeing subsidiary, Jeppesen.

The company absorbs 25pc of the training costs if pilots join and remain with Rex for more than six years.

Mr Davis said although last year's passenger numbers were about 10pc below the record 1.4m carried in the heady days of 2007-08, the airline had weathered a lot of challenges in its short history to secure itself a significant regional market niche.

Eight smaller regional competitors had quit in that period, including MacAir, Big Sky, O'Connor and Horizon, while Qantas had upgraded and moved away from 30-seat aircraft routes - services provided by Rex's 40-plus Saab 340 turboprop fleet.

Rex at a glance

- Regional Express (Rex) flies regular services to 35 destinations in NSW, Victoria, Tasmania, South Australia and Queensland
- Country airports on Rex flight paths range from Ceduna, Coober Pedy and Kangaroo Island in SA, to Longreach and Mt Isa in Queensland and King Island and Burnie in Tasmania
- The Rex group also includes air freight and charter operator Pel-Air Aviation, Dubbo-based regional airline, Air Link, and the Australian Airline Pilot Academy at Wagga Wagga.
- Net profit after tax in 2009-10 was \$24.6 million