



9 April 2019

Senator Glen Sterle
Committee Chair
Senate Standing Committees on Rural and Regional Affairs and Transport

Sent by email: RRAT.Sen@aph.gov.au

Inquiry into the operation, regulation and funding of air route service delivery

Dear Senator Sterle,

I write with reference to your letter of 8 April 2019 in reply to Rex's letter of 29 March 2019.

Rex fails to understand how there could be any confusion or contradiction. The evidence provided by Rex at the Mount Gambier hearing was predicated on the security screening charges being imposed on Rex throughout its network of over 50 regional airports. This would add at least over \$30M annual cost and will be more than the annual earnings of Rex. It is very clear what this would do to the viability of Rex's operations.

The letter of 29 March 2019 responds to the line of questioning towards Qantas where, with all due respect, it appeared to Rex that the committee was taking on the role of Chief Commercial Advocate of Qantas, rather than that of an independent Senate committee. The committee wanted to give the impression that if the Government imposed the revised threshold for security screening, regional air services would be jeopardised.

Rex was simply making the point in our letter of 29 March 2019 that this is simply fear mongering and appears to be crafted to protect Qantas commercial interest. In reality there would not be a single regional port in Australia that would lose its air service simply because of the proposed changes in airport security regulations. And if Qantas were to claim otherwise, Rex would be ready to fly into any route which loses its Qantas regional air service because of the proposed threshold changes to the airport security regulations.

Rex would like this response to be placed on public record and as part of Rex's submission.

Yours Sincerely,

Warrick Lodge
General Manager
Network Strategy & Sales
Regional Express (Rex)

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THE SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE

8 April 2019

Mr Warrick Lodge
General Manager, Network Strategy & Sales
Regional Express
PO Box 807
MASCOT NSW 1460

Dear Mr Lodge,

Inquiry into the operation, regulation and funding of air route service delivery

I write to you on behalf of the Senate Rural and Regional Affairs and Transport References Committee (committee) regarding its inquiry into the provision of regional air services.

I refer to recent correspondence to the committee from Regional Express (Rex), dated 29 March 2019. The correspondence relates to proposed changes to airport security screening arrangements, and evidence considered about this issue by Senator Rex Patrick and Qantas at a public hearing in Darwin on 15 March 2019.

In the correspondence, Rex states that:

with the introduction of the proposed security measures for regional airports, there will not be any regional airport in Australia that is at risk of losing its regional air service solely because of the proposed new aircraft seat thresholds for security screening at regional airports.

Rex operates regional air services to 60 destinations, which includes more than 50 regional ports and Rex will continue to service these regional communities under the proposed new security screening regime. The concerns raised by Senator Patrick in this area are therefore misguided.

The committee notes, however, that the position put forward by Rex in this correspondence seems to contradict the evidence that was provided to the committee by Rex at a public hearing in Mount Gambier on 24 July 2018. At that hearing, the Deputy Chairman of Rex, Mr John Sharp, advised that:

if all regional airports were required to provide security and the airport operator had to fund the operation of that airport security, check bags and passenger screening, probably half of our routes in the country would become unviable overnight, and then you've got to ask yourself the question: if then the overhead of

the company has to be carried by half of the routes, then that starts to make those viable ones suddenly unviable because the overhead is going to be a heavier burden on them.

You then went on to say that Rex had estimated the cost of imposing security screening onto Rex at all the regional airports at which it operates would cost \$35 million per year, which Mr Sharp suggested would 'close us down'. Mr Sharp later suggested that the implementation of security at all regional airports would put Rex out of business.¹

It appears to the committee that there is some contradiction between the evidence provided by Rex at the Mount Gambier hearing, and the views put forward to the committee in the correspondence of 29 March 2019. The committee therefore invites Rex to clarify its position on this issue.

If Rex is of the view that its evidence provided at the Mount Gambier hearing was not correct, it should advise the committee of this, in writing, and formally withdraw that evidence.

Should you have any questions on the matter, please contact the committee secretariat.

Yours sincerely,



Senator Glenn Sterle
Committee Chair

¹ Regional Express, *Committee Hansard*, 24 July 2018, pp. 36-37.