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## MEDIA RELEASE

### REX TO RAISE QANTAS ABUSE OF MARKET POWER TO ACCC

Regional Express (Rex) today announces that it has raised an official complaint to the Australian Competition and Consumer Commission (ACCC) about Qantas' behaviour of dumping excessive capacity on routes that are already extremely marginal. The direct impact of this conduct is to force out the smaller competitor and substantially lessen competition in the long term.

Rex will be citing Qantas' behaviour in three regional routes that go beyond "competition on the merits":

- **Adelaide to Whyalla**

In 2015, Qantas decided to mount services on the Adelaide to Whyalla route. This route was serviced by Rex with annual passenger numbers of 60,000 and annual seats of 100,000, giving a Rex load factor of 60%. In April 2015, Qantas commenced services on the route by bringing in an additional 66,000 seats, thus bringing the total market load factor to 43% which makes the service uneconomical for both carriers.

- **Adelaide to Kangaroo Island**

This route was serviced by Rex with annual passenger numbers of 37,000 and annual seats of 66,000, giving an annual Rex load factor of 57%. In December 2017 – the peak period for traffic on the Kangaroo Island route – Qantas commenced services by bringing in 6200 seats in the period of December 2017 to February 2018, bringing the total capacity during that period to 24,700 seats to service only 13,000 passengers. In addition, Qantas commenced direct services to Melbourne, further diluting the passengers travelling on Rex since they no longer need to travel to Adelaide to fly to Melbourne.

- **Sydney to Ballina**

On January 17, 2020, Qantas announced that it would mount additional services on the Sydney to Ballina route with effect from March 29. The new service targets the only service which Rex operates between Sydney and Ballina (early morning departure from Ballina and late evening return from Sydney). This service currently has 10,000 annual passengers serviced by Rex with 18,000 annual seats. The addition of the 36,000 annual seats from QantasLink would mean the load factor would fall to 19%.

It is obvious that the excessive additional capacity introduced by Qantas on these routes kills the ability for Rex to offer a sustainable alternative to the Qantas model for regional communities and increases Qantas' market power.

Rex has been a steadfast partner to Kangaroo Island, Ballina and other regional and remote communities for decades, faithfully providing reliable, safe and frequent air services with affordable fares. In fact, even though Rex is the sole operator across 80% of its vast regional network, Rex's average fare has risen only 1.2% annually since Rex was formed in 2002.



However, Rex has to face up to the reality that it is not able to match Qantas' financial firepower and unlike Qantas, Rex is not able to continue servicing a money-losing route indefinitely. The Rex Board has decided that in light of the sharp downturn experienced in the last six months and the poor economic outlook for the next 12 months, Rex will be exiting the Sydney to Ballina and Adelaide to Kangaroo Island routes in the coming weeks.

This is not a decision that Rex has taken lightly having serviced Kangaroo Island continuously for 30 years and Ballina for 24 years, first as Kendell Airlines and then as Rex since 2002.

Rex's only recourse is to appeal to the ACCC to stop this anti-competitive conduct now that the ACCC has an effects test in section 46 that can be enforced.

Qantas has won this round, but in the longer term the communities are the real losers.

**Regional Express (Rex)** is Australia's largest independent regional airline operating a fleet of 60 Saab 340 aircraft on some 1,500 weekly flights to 60 destinations throughout all states in Australia. In addition to the regional airline **Rex**, the **Rex Group** comprises wholly owned subsidiaries **Pel-Air Aviation** (air freight, aeromedical and charter operator) and the two pilot academies **Australian Airline Pilot Academy** in Wagga Wagga and Ballarat.

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