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## MEDIA RELEASE

### REX RESPONDS TO QUERIES REGARDING EXPANSION TO GERALDTON IN WESTERN AUSTRALIA

Following Virgin Australia's decision to withdraw from the Perth-Geraldton route, Rex has been bombarded by queries from various interested parties on Rex's intentions concerning the route. Rex provides below its position and thinking on the future of aerservices for Geraldton.

On 28 February 2016 Rex commenced the Perth-Albany and Perth-Esperance routes under a Deed of Agreement with the Western Australian (WA) government. This confers onto Rex the sole right to operate on the Perth-Albany and Perth-Esperance routes for a five-year term. This was a major milestone for Rex as it resulted in the establishment of operations in WA for the first time.

Prior to Rex's entry, these routes were similarly abandoned by Virgin Australia on the grounds that they were unprofitable even though they were the regulated monopoly provider. Today Rex provides a sustainable air service that offers more frequency, lower average fares and greater reliability.

Following Rex's remarkable success in turning around a loss-making route to one that is sustainable and thriving, the WA government awarded Rex the regulated routes of Perth-Carnarvon / Monkey Mia (Shark Bay) on 2 July 2018. Here again, Rex succeeds in providing these routes with more frequencies, lower average fares and much greater reliabilities. Rex has five Saab 340 B-plus aircraft based in Perth with locally based flight crew, engineering and airport staff.

Since commencing the Albany and Esperance routes, Rex has introduced a revolutionary Rex Community Fare scheme on both routes. This has been achieved in partnership with the City of Albany and the Shire of Esperance as well as with Perth Airport. The Community Fare is priced at \$139 fully inclusive for both the Albany and Esperance routes and on an annual basis we are seeing more than 25 per cent (one in four) of Albany and Esperance passengers travelling on the Community Fare. Rex has also introduced the Community Fare on the Perth to Carnarvon / Monkey Mia route priced at \$198 and \$157 respectively and we are seeing significant increases in total passenger numbers and community fare passenger numbers on both these routes.

The Geraldton route is too small to sustain competition in the long term, and this is borne out by the exit of Virgin Australia from the route. Arguably, with its proven efficiency and expertise in servicing over 50 regional cities, Rex could possibly mount an air service to compete with Qantas on this route. However, such an initiative would result in very marginal returns at best for Rex and would not be worth the investment in capital and, more importantly, in crew resources at a time when the pilot shortage is still having a severe negative impact.

After Virgin Australia's exit, it is inconceivable that, besides Rex, there could be another carrier able and willing to take on Qantas and mount an air service to Geraldton in competition. This means that Geraldton would be stuck with Qantas as a monopoly provider when Virgin Australia stops its services in July 2019. It would not be difficult to foresee what would happen to the airfares (and the passenger numbers) when this happens; it suffices to look at other Qantas monopoly ports like Lord Howe.



Since Geraldton is going to be de facto condemned to a sole operator for its air services, Rex believes that it would be better for the community to have some control over the conditions of operations of the sole operator. This can be achieved by following the example of Albany and Esperance, i.e. regulating the route and awarding the regulated route to the operator that would be able to provide the best community value in terms of average fare, frequency, schedule and reliability.

Should the WA Government go down the path of regulation of the Geraldton to Perth route, Rex is willing to give an undertaking that it will respond to the tender and put in a bid that would essentially replicate its formula for air services that have proven to be so successful elsewhere in WA, including the Community Fare scheme.

**Regional Express (Rex)** is Australia's largest independent regional airline operating a fleet of more than 50 Saab 340 aircraft on some 1,500 weekly flights to 60 destinations throughout all states in Australia. In addition to the regional airline Regional Express, the **Rex Group** comprises wholly owned subsidiaries **Pel-Air Aviation** (air freight, aeromedical and charter operator) and the **Australian Airline Pilot Academy**.

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