

24 JUNE 2019

## MEDIA RELEASE

### REX RESPONDS TO HYPOCRITICAL MEDIA COMMENTS BY DUBBO MAYOR

Regional Express (Rex) would like to respond to the hypocritical and shameful comments made by the Dubbo Mayor in the following Daily Liberal news article on 22 June 2019;

<https://www.dailyliberal.com.au/story/6233329/why-dubbo-mayor-ben-shields-is-calling-airline-operators-greedy/?cs=9402>

Rex has noted that the headline of the article (as referenced in the above link) '**Why Dubbo Mayor Ben Shields is calling Airline Operators Greedy**' has been changed to '**Dubbo Mayor Ben Shields desperately wants cheaper airfares to and from city**'. The headline change indicates that the Dubbo Mayor is in damage control and that the comments made by the Mayor are nothing more than an attempt to detract from the facts.

While calling airlines greedy on the one hand, the Dubbo Mayor has no qualms in introducing an airport passenger head tax increase of 13% which will cost airport users \$400,000 more on top of the already astronomical \$4 million of airport charges that the Dubbo Regional Council (DRC) is extorting from airport users. In comparison, the annual airport revenue of similar regional airports in the area like Parkes, Bathurst, Broken Hill, Griffith, Orange and Armidale are in the region of \$300,000 to \$1.3 million annually.

The Mayor's comments are irresponsible and nothing but cheap political grandstanding. The constituents of Dubbo should question DRC on why it is extorting annually about \$1.5 million more from passengers than necessary and demand answers as to whether this excess has been used to cover up inefficiencies or irregularities in other areas.

In response to the Dubbo Mayor wanting cheaper fares to and from Dubbo, Rex is ready and willing to implement the Rex Community Fare scheme in Dubbo. This would be under the same terms and conditions that have seen the scheme successfully implemented in 15 other regional communities.

Rex can provide a Community Fare of \$119.00 between Dubbo and Sydney and \$189 between Dubbo and Broken Hill. The Community Fare would be available;

- on 30% of seats for sales outside of 30 days prior to departure, subject to the designated seats remaining available; or
- for **all unsold seats** within 24 hours to departure.

In return, as has been agreed by all of the Councils wanting the Community Fare scheme, DRC would need to cap any Dubbo airport head tax increases at CPI. In addition, if Rex is not legally obliged to have its services screened by Federal Government legislation, then Rex would not be imposed security screening charges.

If DRC is genuinely concerned about the cost of airfares for its constituents, then it should be willing to accept the Rex Community Fare scheme which has been widely and highly praised by the recent Senate report.



# Regional Express

To enable the reader of the Daily Liberal to have a complete background of the issue, attached is the correspondence between Rex and DRC relating to the proposed 13% increase to the Dubbo airport passenger head tax, as well as a prior Rex Media Release supporting the Senate report into the operation, regulation and funding of air route service delivery to rural and remote communities.

**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, charter and aeromedical operator) and the **Australian Airline Pilot Academy**.

**Rex Media Contact: Corporate Communications: +61 402 438 361 [media@rex.com.au](mailto:media@rex.com.au)**



FILE11/146  
ED19/53759  
MM:zj



24 April 2019

Regional Express  
General Manager  
PO Box 807  
MASCOT NSW 1460

Dear Sir/Madam

### **DRAFT REVENUE POLICY 2019/2020 - DUBBO CITY REGIONAL AIRPORT**

I wish to advise that included in Council's Draft Revenue Policy for the 2019/2020 financial year are the proposed fees and charges for RPT operators at Dubbo City Regional Airport (DCRA). The relevant sections of the draft policy are set out in the attached document.

These proposed fees and charges will be included in Council's draft Operational Plan for 2019/2020 which will be placed on public exhibition for 28 days, 3rd May – 31 May 2019. Council will adopt an Operational Plan (including Revenue Policy) in June 2019 which will be effective from 1 July 2019.

Airport Passengers Fees are proposed to increase by \$1.99 per passenger. This proposed increase is to assist in meeting increased operational expenditure and contribute to the DCRA future capital works program, specifically projects focussed on supporting current RTP demands and future growth.

There will be no increased financial return to Council's General Rates and Revenue as a result of the proposed increased landing fees.

Council appreciates the challenges and complexities of regional transport, and as you would be aware have delivered nil or moderate increases to landing fees in recent years; 2015/2016 fee was \$14.30, 2016/2017 fee was \$14.55, 2017/2018 fee was \$14.55 and 2018/2019 fee was \$14.90.

Financial modelling on Council's fees and charges and specific RPT related capital works program suggests that future increases to passenger fees will be moderate.

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In light of the range of airlines, services and destinations now operating from DCRA, Council is proposing to remove the 50% landing fee reduction for any passengers over 75,000. This fee reduction has only obtained by one airline in recent years.

To assist airlines and Council to forecast, manage and monitor costs in relation to security services a standard \$6.60 Per Passenger Screening Fee has been calculated on security service provision, maintenance costs and consumable costs only. Additional operational costs associated with this service will be met by Council. This standard fee is within the average range of passenger charges that has been recovered from Airlines in the past 2 years. This standard fee will reduce administration time for Council and Airlines from the current monthly process. Council is working closely with the security contractor to ensure costs of this service, now and in the future, remains sustainable for all stakeholders. This charge remains focused on a cost recovery philosophy and will be reviewed every in 12 months to enable any adjustments to reflect this philosophy.

Council's 'Route Viability Assistance Program' is proposed to continue. Upon application in writing, at the discretion of the CEO for a rebate of 50% of the passenger fees for a period of six (6) months. Assistance will be provided based on evidence of low viability including low load factors for continual three (3) month period. This program is only available to routes that have commenced or been established within the last five (5) years and can only be applied for once in a financial year. All accounts must be up to date with no arrears. The program can be accessed by an airline for an identified route for a maximum period of three (3) years.

Yours faithfully



*Michael McMahon*  
Chief Executive Officer

Attachment/s: 1. Pages from Draft Revenue Policy – Dubbo City Regional Airport

Name	Year 18/19 Last YR Fee (incl. GST)	Year 19/20 GST	Fee (incl. GST)	GST	Fee type	GST Code
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## ECONOMIC DEVELOPMENT AND BUSINESS

### DUBBO REGIONAL AIRPORT

#### AIRPORT PASSENGER FEES – DUBBO

Council provides for a period of 12 months, a passenger fee subsidy for routes not being effectively served by an airline or not operating under a government subsidy by reducing such fees from \$16.89 per person per, movement to a zero amount per person, per movement to develop new routes, noting further that a security screening fee will be applicable as per Council's adopted Policy.

A new route viability assistance program is available, upon application in writing, at the discretion of the CEO for a rebate of 50% of passenger fees for a period of six (6) months. Assistance will be provided based on evidence of low viability including low load factors for continual three (3) month period. This program is only available to routes that have commenced or been established within the last five (5) years and can only be applied for once in a financial year. All accounts must be up to date with no arrears. The program can be accessed by an airline for an identified route for a maximum period of three (3) years.

#### QANTASLINK

per passenger (Dubbo/Sydney)	\$14.90	\$1.54	\$16.89	Y	IS	10%
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#### REX

per passenger (Dubbo/Sydney)	\$14.90	\$1.54	\$16.89	Y	IS	10%
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#### FLY CORPORATE

per passenger	\$0.00	\$1.54	\$16.89	Y	IS	10%
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#### FLY PELICAN

per passenger	\$14.90	\$1.54	\$16.89	Y	IS	10%
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#### PASSENGER AND CHECKED BAGGAGE SCREENING

per passenger	\$0.00	\$0.60	\$6.60	Y	FCR	10%
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All passenger security charges are to cover the costs for the provision of passenger screening service.



21 May 2019

Mr Michael McMahon  
Chief Executive Officer  
Dubbo Regional Council

Sent by e-mail: [council@dubbo.nsw.gov.au](mailto:council@dubbo.nsw.gov.au)

**Rex Submission – Draft Revenue Policy 2019/2020 Dubbo City Regional Airport**

Dear Mr McMahon,

Regional Express (Rex) strongly opposes the **13%** proposed increase to the Dubbo City Regional Airport (DCRA) passenger tax from \$14.90 to \$16.89 (incl. GST), as outlined in councils 2019/2020 draft revenue policy.

In the most recent financial year ended 30 June 2018, DCRA reported airport income from user charges of \$3.952M and other income \$136K, a total of \$4.088M. In the same year ended 30 June 2018 council received some \$10M in Government grants and contributions for capital purposes.

Since 2002 when Rex first commenced operations, the revenue at DCRA has increased from less than \$1M per year to more than \$4M per year. The increased airport revenue has been derived by increases in charges, significant passenger growth and in recent years additional new revenue has been generated by airlines providing additional services to new destinations such as Brisbane, Melbourne, Newcastle and Canberra.

It is outrageous that an annual income of some \$4M is not sufficient for council to manage the airport and that a further 13% passenger head tax increase is being proposed. One can only fully appreciate the extent of council's greed by looking at the airport head tax / user charges revenue at airports in proximity to Dubbo:

Airport	Annual Head Tax Revenue (approx.)
Parkes	\$300K
Bathurst	\$300K
Broken Hill	\$600K
Griffith	\$600K
Orange	\$1.2M
Armidale	\$1.3M

Council's justification of the increase *"to assist to meeting increased operational expenditure and contributing to DCRA future capital works program focused on supporting on current RPT demands and future growth"* is unsatisfactory and Council needs to justify why \$4M of annual revenue is not sufficient to operate a regional airport when other airports seem to be doing very well with revenue 1/10 to 1/3 of DCRA.



Furthermore, Rex opposes council's statement that *"financial modelling on Council's fees and charges and specific RPT related capital works program suggests that future increases to passengers will be moderate"*. Council needs to be transparent about the about the RPT related capital works program and this program should be determined by the principle airport users. ie Rex and QantasLink.

In relation to airport security screening, Rex maintains its longstanding opposition to airport screening charges being imposed on airlines, such as Rex, that operate aircraft that are not legally required to be screened under the Federal Government's security screening regulations.

With regards to the proposed change in which security charges are levied to airlines, (currently security costs are allocated to airlines by % of seats and proposed is a flat \$6.60 fee per arriving and departing passenger) Rex makes the following points;

1. In 2017/18 Rex paid \$5.32 (incl. GST) per arriving and departing passenger for security screening (a total of \$351K) and in 2018/19 YTD until March 2019 Rex has paid \$5.40 per arriving and departing passenger for security screening. Council needs to justify the proposed \$6.60 fee which is \$1.10 more than what Rex has been paying on average.
2. Rex believes that council is being disingenuous in saying that it will cover any additional operating costs associated with security if it is collecting an additional \$1.10 per arriving departing passenger, as this will be very healthy buffer of some \$200K per year. Any shortfall can always be recovered the following FY if needed.
3. Whatever the per passenger security fee is deemed to be, there should be an annual security cost recovery reconciliation whereby any over-recovery is rebated back to the airlines or any under-recovery is charged back to the airlines. This annual reconciliation process is common practice at many airports.

Regional Express (Rex) looks forward to receiving a detailed response from Dubbo Regional Council to the matters raised within this submission.

We hope that Rex's submission is appropriately considered by Dubbo Regional Council and that the Draft Revenue Policy 2019/2020 for Dubbo City Regional Airport has not been delivered to airport users as a "take-it-or-leave-it" offer.

Yours Sincerely,

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





Copy *Productivity Commission, Economic Regulation of Airport Services*  
*Dugald Saunders, NSW State Member for Dubbo*  
*Michael McCormack MP, Minister for Infrastructure, Transport and Regional Development*  
*Anthony Albanese MP, Shadow Minister for Infrastructure, Transport, Cities and Regional Development*  
*Dr Stephen Kennedy PSM, Secretary, Department of Infrastructure, Regional Development and Cities*  
*Graeme Samuel, Chairman Airlines for Australia and New Zealand (A4ANZ)*  
*QantasLink*  
*Fly Corporate*  
*Fly Pelican*





FILE11/146  
ED19/71802  
MM:nc



27 May 2019

Warrick Lodge  
Manager, Network Strategy & Sales  
Regional Express (Rex)  
PO Box 807  
MASCOT NSW 1460

Dear Warrick

### **DRAFT REVENUE POLICY 2019/2020 DUBBO CITY REGIONAL AIRPORT**

I am writing in response to your letter dated 21 May 2019, whereby you are seeking a response to matters regarding the proposed fees and charges for the RPT operators at the Dubbo City Regional Airport (DCRA).

The ongoing development of the DCRA is, as I'm sure you'd agree, is a positive commitment from Council, and is certainly a positive benefit for all airport stakeholders. As noted in your letter, these developments have been achieved through government grants and significant funding from Council. As a business function of Council, the DRCA does budget to return funds to the community (2019/202 budget identifies \$301,657) however this level of funding is insignificant in comparison to the corporate depreciation of the asset. Furthermore, in this financial year Council has provided additional funds to support operation of the Airport of \$1.2million. This is in addition to the capital investment alluded to in your correspondence.

While there is significant expansion occurring at the DRCA, Council makes a distinct separation of the costs of such capital projects and have not considered such costs as part of the fee structure for RPTs.

The determination of the proposed fee increase for 2019/2020 is considerably linked to our commitment to the improved runway 05/23 that has recently been strengthened. These works represent a substantial upgrade of the capabilities of that runway. DCRA now provides this new runway as part of the total airport portfolio and need to recognise the responsibility that this brings to maintain that runway through its life and also to be in a situation to be able to replace this enhanced level of service when the time comes.

Similarly, as Council saved the proportionate revenue over the lifecycle of the previous 05/23 runway, the organisation has a responsibility to do the same for this improved asset. This

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amount is estimated to be in the order of \$2.00 per RPT passenger at current utilisation over the life of that runway surface without any consideration given to the inclusion of GST on the maintenance works. This strategic lifecycle planning is the major component of the price increase advised. To not collect that revenue over the life of the runway would defer a significant financial burden and not position the DCRA as a sustainable, self-funding operation which is the primary business objective of the Airport operations.

In addition to the runway depreciation, you would also be aware that the runway lighting has recently been upgraded and the Precision Approach Path Indicator (PAPI) system has been enabled. There have been other enhancements to the customer experience that have been implemented in recent years including the construction of a specific rental car park with an additional 118 spaces which will see an immediate improvement in availability of spaces within the public car park as they will no longer be sharing the same space.

With this further detailed information provided it should be clear that the annual value to each RPT passenger is actually greater than the proposed price increase.

There are other works considered for the RPT services at the airport that can be discussed in general terms.

- In response to feedback considered as part of the DCRA Masterplan Project, Council is conducting an investigation to expand the RPT apron area from the current 5 bay configuration to an eventual 9 bay configuration. This will reduce the congestion in that space especially when there is an unserviceable plane from any of the users. This will be staged over time, with imminent addition of one bay to the south of the current apron space and then eventual addition of another three to the north. The northern expansion is still in conceptual stage.
- There is also consideration being given to a possible extension of runway 05/23 to, at this stage, to an approximate 2200m length. That work would also involve the extension and significant strengthening of Taxiway Delta for its entire length. Again, this work would enable the use of Delta for its intended purpose by the RPT aircraft reducing congestion on the runway and with the added safety that will be achieved having taxiing aircraft away from the landing space.

In reference to your feedback regarding the Passenger and Checked Baggage Screening fee. Council's intention for the flat fee is only to cost-recover, with the understanding that the fee will either be reduced or increased for the new financial year based on the actuals of the previous year. The proposed charge \$6.60 inc GST for the passenger screening is higher than YDT of \$5.41 average as the previous charges did not include contract maintenance costs, consumables and licence charges. As stated in our communications, Council will continue to meet related operational costs of power, cleaning, rent, administration, insurance and renewals for security equipment.

As always, Council welcome's the participation of the airlines through regular consultation and communication through staff on the development of the DCRA and Regional Express are an important stakeholder and partner in creating the overall vision for serviceability in Regional NSW.

Dubbo Regional Council appreciates the active role that Regional Express plays in the service delivery through DCRA and looks forward to a long term, sustainable and mutually beneficial partnership well into the future.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Michael McMahon', with a stylized, overlapping loop at the end.

*Michael McMahon*  
Chief Executive Officer



14 June 2019

Mr Michael McMahon  
Chief Executive Officer  
Dubbo Regional Council

Sent by e-mail: [council@dubbo.nsw.gov.au](mailto:council@dubbo.nsw.gov.au)

**Draft Revenue Policy 2019/2020 Dubbo City Regional Airport**

Dear Mr McMahon,

I write in reply to your letter of 27 May 2019 which forms the official response to the Regional Express (Rex) submission to Dubbo Regional Council's (DRC) Draft Revenue Policy 2019/20.

On 24 April 2019 DRC advised Rex that the proposed Dubbo airport fees and charges would be included in DRC's draft operational plan for 2019/20 and placed on public exhibition for 28 days from 3 May 2019 to 31 May 2019. Rex responded with a submission to DRC on 21 May 2019.

Your reply to Rex of 27 May 2019, which is prior to the conclusion of the 28 day public exhibition period, looks to be nothing more than a box ticking exercise. If DRC were sincere in considering submissions, it would have waited for the closure of the 28 day public exhibition period and then consider all submissions received in their full context prior to any decisions being made. This clearly demonstrates DRC arrogance and blatant disregard for the stakeholders' and the local constituents' views and is a prime example of a 'take-it-or-leave-it' offer by a monopoly regional airport.

Rex remains opposed to the significant 13% increase in airport charges when DRC is budgeting to return most of this increase as a \$300K surplus back to DRC's general revenue.

DRC has also completely ignored Rex's comments about the methodology of charging for security screening, in that there should be an annual reconciliation to reimburse airlines for any over-collection or to charge airlines for under-collection. It is unsatisfactory to adjust the per passenger security charge on an annual basis, as this does not address any possible over-collection in the prior year.

Rex also would like to ask DRC the following questions;

1. Did DRC budget for airport revenue from the collapsed JetGo in the 2018/19 airport budget?
2. If so, how much JetGo related airport revenue was budgeted for 2018/19?
3. Is this the true reason for DRC imposing a 13% increase in airport charges in 2019/20?

Furthermore, airline operators require at least 3months notice of any changes in airport charges, which is something that Rex has been advising Dubbo airport for more than a decade.

Yours Sincerely,

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

**Regional Express Pty Ltd**

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Regional Express Group of Companies:





Copy: *Productivity Commission, Economic Regulation of Airport Services*

*Dugald Saunders, NSW State Member for Dubbo*

*State ministers of the relevant portfolio*

*Michael McCormack MP, Minister for Infrastructure, Transport and Regional Development*

*Anthony Albanese MP, Shadow Minister for Infrastructure, Transport, Cities and Regional Development*

*Dr Stephen Kennedy PSM, Secretary, Department of Infrastructure, Regional Development and Cities*

*Graeme Samuel, Chairman Airlines for Australia and New Zealand (A4ANZ)*

*QantasLink*

*Fly Corporate*

*Fly Pelican*



13 JUNE 2019

## MEDIA RELEASE

### REX SUPPORTS SENATE REPORT INTO THE OPERATION, REGULATION AND FUNDING OF AIR ROUTE SERVICE DELIVERY TO RURAL AND REMOTE COMMUNITIES

Regional Express (Rex) supports the Senate report into the operation, regulation and funding of air route service delivery to rural and remote communities released on 7 June 2019. The Rural and Regional Affairs and Transport References Committee made nine recommendations (refer to Annex A) addressing the key issues faced by airlines in delivering sustainable, effective and affordable aviation services to rural, regional and remote communities.

Rex provided comprehensive feedback to the Committee in written submissions and to a public hearing held in Mount Gambier on 24 July 2018 and is pleased that the Senate Committee has adopted most of its recommendations and positions, inter alia:

- Competition on thin regional air routes could have a very negative impact on the sustainability of the air services and a properly constructed regulated environment could bring about the best economic outcome for the local community, the carrier and the airport owner (Recommendations 1 and 8);
- Airport taxes and charges imposed by greedy and myopic local councils could end up destroying the air service and there should be a regulated environment to reign in the excesses (Recommendation 2);
- The Commonwealth should not only fund the set-up costs for the new security equipment to be implemented at regional airports but should also fund the on-going costs of operating such equipment (Recommendations 4 and 5);
- Rex pioneered the revolutionary Community-Fare scheme for regional air services and is gratified that the Committee calls for this approach to be generalised across all services (Recommendation 9).

Since Rex's inception in 2002, over 20 regional carriers have collapsed. The recommendations of the Committee are both timely and sensible and Rex calls on the Federal Government to implement the recommended measures urgently before regional air services get further decimated.

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**Rex Media Contact: Corporate Communications: +61 402 438 361 [media@rex.com.au](mailto:media@rex.com.au)**



## List of recommendations

### Recommendation 1

**10.36** The committee recommends that the Australian Government direct the Productivity Commission to undertake a standalone, public inquiry into the determinants of domestic airfares on routes to and between regional centres in Australia. The inquiry should, via a detailed economic analysis, investigate the feasibility of increasing operational subsidies and introducing other price control alternatives to address the high cost of regional airfares. The inquiry should consult with regional communities to determine whether additional routes should be subject to regulation. The Productivity Commission should use its compulsory information-gathering powers to inform its investigations.

### Recommendation 2

**10.37** The committee recommends that the Australian Government direct the Productivity Commission to expand its terms of reference in all future reports into the economic regulation of airports, to include investigations into the social and economic impacts of air route supply and airfare pricing on rural, regional and remote Australia.

### Recommendation 3

**10.63** The committee recommends that the Australian Government, through the Council of Australian Governments, review the efficacy of Western Australia's Strategic Airport Asset and Financial Management Framework in 2022, in accordance with the suggestion of the Productivity Commission. The Government should assess the efficacy of the Framework and determine its suitability for application across all jurisdictions.

### Recommendation 4

**10.74** The committee recommends that the Australian Government complete, as a matter of priority, a financial analysis to determine the ongoing operational, maintenance and staffing costs of proposed passenger security screening enhancements at regional airports, as announced in the 2018–19 Budget. The analysis should further consider ongoing security costs at regional airports more broadly.

### Recommendation 5

**10.75** The committee recommends that following a financial analysis into the ongoing costs of the provision of security screening at regional airports, the Australian Government consider providing ongoing financial assistance to those regional airports which have been identified as requiring passenger security screening enhancements as part of the 2018–19 Budget, where required.

### Recommendation 6

**10.86** The committee recommends that over the forward estimates, the Australian Government ensure the ongoing operation and funding of the Regional Aviation Access Programme and its component programs (the Remote Airstrip Upgrade Programme, Remote Air Services Subsidy Scheme and the Remote Aerodrome Inspection Programme).

## Recommendation 7

**10.87** The committee recommends that the Australian Government undertake a review into the funding of regional and remote aerodrome infrastructure and maintenance, to ascertain whether financial support to such aerodromes should be increased, and whether the current grants programs are the best means of financial assistance. Local councils, as airport operators, should be consulted as part of the review to determine the annual financial impact on councils of aerodrome operation and maintenance.

## Recommendation 8

**10.96** The committee recommends the Transport Ministers of the Council of Australian Governments develop a nationally consistent framework for the tender process, implementation, operation and review of regulated routes in each jurisdiction. The framework should have a particular focus on improving the overall transparency of the operation of regulated routes. In developing the framework, affected communities should be consulted, particularly in jurisdictions where regulated routes are identified as being beneficial to the provision of regional air services.

## Recommendation 9

**10.105** The committee recommends the Transport Ministers of the Council of Australian Governments develop a nationally consistent framework which, by leveraging each state's purchasing power, aims to expand access for regional communities to initiatives such as community and compassionate fares, particularly for 'last minute' flights. The framework, which should be developed in consultation with airlines, should encourage greater transparency around the operation of such fares, and consider the feasibility of allowing residents in regional, rural and remote areas to access subsidised airfares through online purchasing.

