

18 JULY 2018

MEDIA RELEASE

REX ANNOUNCES A REDUCTION IN SERVICES BETWEEN KING ISLAND AND MELBOURNE

In an earlier media release '*Rex Condemns the Lies, Deception and Incompetence of King Island Council*', dated 6 July 2018 (reproduced below) Rex solemnly warned King Island Council (KIC) that if they did not review their decision to double airport charges that it would result in a degradation of air services to the remote Tasmanian Island.

KIC is persisting in its position. As such, Rex will be cancelling 30% of the services weekly between King Island and Melbourne in an attempt to reduce the negative financial impact of the doubling of airport charges. Rex will be monitoring the situation thereafter and will make further adjustments to the schedule and ticket prices as necessary.

Rex, and its component airline Kendell before that, has serviced the community for the last 38 years and understands very well the significant socio-economic importance of the air services to the island community. Rex regrets that the current myopic leadership at the local council has resulted in such an outcome but promises that it is open to reviewing the matter when there is a more enlightened leadership in place at the council.

The following services will be cancelled effective Tuesday 14 August 2018:

Tuesday and Wednesday

-) ZL3871: Depart Melbourne 1105- Arrive King Island 1200
-) ZL3872: Depart King Island 1220- Arrive Melbourne 1315

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 58 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 and charter operator), **Air Link** (Dubbo-based regional airline) and the **Australian Airline Pilot Academy**.

Rex Media Contact: Corporate Communications: +61 402 438 361 media@rex.com.au



6 JULY 2018

MEDIA RELEASE

REX CONDEMNS THE LIES, DECEPTION AND INCOMPETENCE OF KING ISLAND COUNCIL

Regional Express (Rex) vehemently condemns the press release issued by the King Island Council (KIC) in response to Rex's objection of KIC's unilateral decision to more than double the airport charges at King Island airport.

Rex has operated to King Island airport since 2002 and prior to this as Kendell Airlines since 1980 - almost 40 years ago. King Island is one of Rex's most marginal routes across its entire network of 60 ports with only 14,000 annual passengers and operates at a loss to Rex for much of the year. A doubling of airport charges bringing an additional \$127,000 in cost will surely make the services in its current form completely unviable.

Rex does not dispute the fact that an airport with such low annual passenger traffic will inevitably make losses. More than two dozen of Rex's ports are in a similar situation and none of them would have any aspirations to break even on airport operations. KIC too would not expect its local infrastructure like the library, swimming pool, roads and bridges to be profit centres. The airport is a community asset gifted to the Council from the Federal Government with reserves of over \$450,000 and is a strategic economic asset to attract air services. It is totally myopic to talk in terms of profits for this asset as the socio-economic benefits which it brings to the island far outweighs the cost of maintaining it. If the island loses its air service, it would undoubtedly spiral into a terminal economic decline.

The recent Media Release by the KIC is full of lies, deceit, xenophobic and defamatory remarks concerning Rex and it behoves Rex as a publicly listed Company to expose the duplicity of the KIC.

1. The airport is running at a loss of \$450k annually

Rex notes that at a Senate Inquiry into the Aerodrome Local Ownership Plan (ALOP) back in 2003 outlined that King Island airport was only making a loss of \$49,000. Since then, its revenue has grown significantly and it is unbelievable that it can today make such a massive loss. Rex has fairly intimate knowledge of the costs of running a regional airport and typically this is in the region of \$400,000 per annum if no security screening is needed. As such, it is highly suspicious to see a loss of \$450,000 on a revenue exceeding \$200,000.

From decades of dealing with over 60 ports, it is our experience that every time a Council makes incredulous claims of massive losses as a basis for steep escalation of airport charges, invariably the real reason is due to one or more of the following:

- Corruption; and/or
- Sheer incompetence, and/or
- Creative accounting so as to cross subsidise Council's other money-losing ventures.



2. Rex has been consulted for over 2 years

This is a total lie and fabrication and we call on council to produce evidence. Rex was first informed of the 100% increase in airport charges in a letter from KIC's new General Manager, Troy Brice, on 20 June 2018. On the 27 June 2018, Rex received an email from Council's General Manager Troy Brice advising that Council had decided to proceed with the increase with effect from 1st October 2018.

The only prior correspondence was in mid-2016 when Council attempted to increase the airport charges by 75%. This increase was subsequently revoked following similar outrage from Rex and the State Government.

3. Rex practices price gouging in its airfares

The KIC has made serious defamatory statements in its Press Release insinuating that Rex had indulged in price gouging practices in Western Australia. Rex challenges the council to produce a single criticism of Rex's fare practices by the WA Government Senate Inquiry into the cost of regional airfares that occurred in mid-2017. On the contrary, the report has complimented Rex's innovative approach to lowering airfares through its Community Fare scheme. Rex was also commended by the WA Government for its proactive approach in partnering with airports to make regional air fares more affordable.

KIC has also made the false and scurrilous accusation that the Central Queensland Communities are outraged by Rex's price gouging. Rex has participated in 19 Consultative Forum meetings organised by the Queensland Government Department of Transport and Main Roads to gather feedback on Rex's service across the five regulated routes in that state. Minutes are taken for all these meetings. We challenge the KIC to produce any evidence that Central Queensland communities are accusing Rex of price gouging as this is contradictory to what the Minutes reflect.

4. Rex is headquartered in Singapore

It is well known fact and of public record that Rex is a publicly listed company on the Australian Stock Exchange (ASX), with its corporate headquarters in Sydney. Council's irresponsible assertion that Rex is headquartered in Singapore is mischievous and deceitful and is totally unworthy of elected officials. It is a poor reflection on the quality of KIC professional standards that such incorrect and deliberately xenophobic statements could be made in an official council press release.

In summary, the KIC has made factually incorrect, reprehensible and defamatory claims in its Media Release and Rex demands that the KIC either retracts these statements and apologises to Rex, or alternatively produce evidence to back its claims.

Regarding the more than doubling of airport charges that KIC has voted to implement, Rex wishes to solemnly warn the KIC that such a move will inevitably lead to a sharp degradation of the air services to the King Island community and may even result in the disappearance of air services in the longer term.



Regional Express

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