

18 JULY 2018

MEDIA RELEASE

REX RESPONDS TO UNREASONABLE INCREASE IN MILDURA AIRPORT CHARGES

Regional Express (Rex) has been forced to review the viability of existing air services to the Riverina town of Mildura after Mildura Airport (MAPL) has significantly increased the airport charges which is a serious breach of the partnership agreement in place.

In May 2017, MAPL and Rex extended for 3 years, a partnership agreement which saw Rex provide daily direct flights from Mildura to Adelaide, Sydney and Broken Hill, in addition to Melbourne.

Less than 13 months later, on 15 June 2018, MAPL provided notice to Rex of a 22.5% increase to the Mildura Airport head tax with effect from 1 July 2018 to be applied across all routes. This was later revised by MAPL to a 13.7% increase with effect from 1 October 2018 and applicable to the Melbourne route only. As such, Rex considers this to be serious breach of the commercial agreement and a blatant money grab by MAPL especially since its airport revenue is about 3 times the amount needed to run a regional airport.

The aviation industry is suffering from a crippling global pilot shortage and Rex has very recently announced that it will need to make schedule adjustments (refer to open letter attached) to prioritize its scarce resources, with priority given to airports and regional communities that are supportive of, and work in partnership with Rex. Until now, Mildura was one such community and Rex dedicated a huge amount of resources to it, making it one of the rare regional cities in Australia with connections to three capital cities and a major mining town. Given the unreasonable increase to airport charges that negates and breaches the partnership agreement, Rex has decided to cancel/reduce its services between Mildura and Adelaide, Sydney and Broken Hill. Details of the changes will be announced shortly.

Rex apologises to the local community whose socio-economic fabric will be greatly impacted by this loss of critical air services. Rex remains ready to re-engage with Mildura when there are more enlightened policies in place at the airport.

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**.

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13 July 2018

OPEN LETTER TO ALL REGIONAL COMMUNITIES IN REX NETWORK

Re: Pilot shortages and service disruptions.

The aviation industry is amidst a global pilot shortage from which Australia is not spared. Regional aviation is the hardest hit as many local and international airlines actively poach pilots from Australia's regional airlines to fill their own shortages. Even QantasLink is not immune to this as can be seen by the numerous media articles and releases by the former on its cancellations due to the pilot shortage.

<http://www.abc.net.au/news/2017-11-24/qantaslink-cuts-flight-numbers-to-fix-reliability/9185290>

<http://www.northerndailyleader.com.au/story/5182145/almost-50-sydney-flights-cancelled-in-three-months/>

<https://www.reuters.com/article/us-australia-airlines-pilots/outback-australians-grounded-as-pilot-crisis-worsens-idUSKBN1F73AM>

<https://www.northerndailyleader.com.au/story/5184600/qantaslink-says-tamworth-changes-have-led-to-fewer-cancelled-flights/>

Other regional carriers such as AirNorth and the RFDS are badly affected as can be seen by the following media articles/releases:

<http://www.abc.net.au/news/2018-01-16/airnorth-cancels-flights-amid-global-pilot-shortage/9332260>

<https://www.thechronicle.com.au/news/airnorth-pickle-over-pilots/3312583/>

<https://www.theherald.com.au/story/5386534/pilot-shortage-hits-rfds-in-outback-qld/>

<https://www.frasercoastchronicle.com.au/news/passenger-numbers-dwindle-at-fraser-coasts-airport/3410668/>

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Rex is the only major carrier in Australia that has proactively tried to resolve this problem by starting a state-of-the-art pilot academy – Australian Airline Pilot Academy (AAPA) – 10 years ago with over \$35 M of investment. Since then, AAPA has trained over 220 cadets for Rex. 71% of Rex’s First Officer ranks and 29% of the Captain ranks are filled with former cadets of AAPA.

Whilst Rex’s initiative is successful in responding to natural attrition rates, it is not enough to stave off Qantas and Virgin Australia’s rapacious plundering of Rex’s pilot pool instead of using their not inconsiderable resources to train their own pilots. In the past two years, these two airlines collectively have poached 17% and 56% of Rex’s First Officer and Captain establishment respectively. These two airlines are causing widespread chaos and disruptions to regional air travel by their selfish and irresponsible actions.

Because of the critical pilot shortage, Rex is not able to have its usual contingent of stand-by pilots rostered for duty. Consequently, any last-minute sick leave may result in flights being cancelled or combined with other routes. However, while we are obviously not proud of our current performance, we would like to reassure our customers that Rex’s cancellation rate of 1.29% (as reported by BITRE for FY18 YTD) is still significantly lower than the cancellation rate of QantasLink 2.39% (almost double) and Virgin Australia Regional 2.74% (more than double).

Rex is acutely aware of the effect that flight disruptions have on travel plans whether it be for leisure or business and **Rex apologises for all past and potential future disruption to services throughout the network as a result of the industry-wide global pilot shortage.**

We thank the regional communities in advance for their support, understanding and indulgence in this difficult period. We promise that we will redouble our efforts in pursuing all options for pilot recruitment, including overseas recruitment. We will also be reviewing our network with a view to trimming our schedule where possible to conserve resources.

Yours sincerely

Neville Howell
Chief Operating Officer

