

# REX attacks

By Michael Murphy

## Airline targets Council over passenger tax hike

A war of words has erupted over a proposal to increase passenger taxes at the local airport.

Regional Express (REX) launched a stinging attack on City Council over the weekend, saying Council's proposed tax hike was "irresponsible" and "greedy".

But Council hit back at the regional airline yesterday, saying it was trying to "bully the community" with its threats to pull air services.

Council has proposed to raise the tax from \$12 to \$12.30 for each arriving and departing passenger next financial year.

It is currently calling for comment on its draft schedule of fees and charges for all council services, which includes the passenger fee.

"BHCC's latest proposal is irresponsible and myopic in light of the pandemic crisis in Australian aviation," said Warrick Lodge,

REX's General Manager of Network Strategy and Sales, in an open letter to the council.

Rex's profits fell 45% in the last financial year, and dropped a further 60% in the first half of this financial year, he said.

Mr Lodge said REX had invested heavily in its Broken Hill operations over the past decade while Council's passenger tax revenue had grown well above the Consumer Price Index.

"BHCC's proposal is a blatant greedy grab for money, totally ignoring the stark economic realities of regional aviation," Mr Lodge said.

"Rex requires BHCC to revert to the terms of the latest five year partnership agreement which was terminated in October 2012 because of BHCC's hostile stance against Rex.

"Otherwise, BHCC will have to take responsibility for the irreparable damage to Broken Hill air services which could include Rex withdrawing from the NSW route licence scheme for the Broken Hill to Sydney route."

Council's General Manager Therese Manns said she wrote to REX in late March requesting that they consider establishing a new partnership agreement with Council, but REX did not respond.

"Seems a bit of a no-win situation to me," Ms Manns said.

"I can honestly say, I have never started a partnership discussion with one party saying 'do what we say, or we will hurt you', which is basically the spirit Rex has taken," she said.

"Threatening to pull air services unless the

community supports lower head taxes - while aiming to pit the community against Council - I believe is an insult to the spirit and strength of the people of Broken Hill.

"Maybe it's time the council and the community stood together and asked Rex to sit at the table, have a conversation and try and develop a rewarding and respectful partnership for all."

She said the fees and charges within council's draft schedule have increased in line with CPI, as have all other charges which are billed to residents and other parties for services provided by council.

Council's draft schedule of fees and charges is available on its website.

It is taking submissions about them until April 24.

Council will consider feedback as part of its draft budget process, expected to be completed in May.

**READ REX'S OPEN LETTER: READERS' WRITE PAGE 6.**

### REX's open letter to City Council

Rex wishes to respond to Broken Hill City Council's (BHCC) Draft Schedule of Fees and Charges for FY15 that has been placed on public exhibition for 28 days, commencing 29 March 2014 and is issuing this open letter as an official response.

Regional Express (Rex) strongly opposes the proposed increase to the Broken Hill passenger tax from \$12.00 (incl GST) to \$12.30 (incl GST) per arriving and departing passenger.

BHCC's latest proposal is irresponsible and myopic in light of the pandemic crisis in Australian aviation which saw Qantas and Virgin Australia lose over \$400 million combined in the first half of this FY, resulting in both carriers being down rated to junk bond status. Estimated losses in the full FY are to be more than \$1 billion.

Rex itself has seen its profits fall 45% last FY followed by a further 60% in the first half of this FY.

BHCC's airport passenger head tax revenue in FY13 increased by some \$170K over the prior FY12.

This represents head tax revenue

growth of 30% and a significant cost impost on Rex in a year that Rex significantly expanded its Broken Hill operations.

On the back of the significant increase in costs incurred by Rex and the travelling public, BHCC further increased the head tax rate by 9% in October 2013.

Since FY03, BHCC's airport head tax revenue associated with Rex's Regular Public Transport (RPT) services has increased from around \$270K (incl GST) per year to \$700K (incl GST) per year.

This represents average annual head tax revenue growth of 9%, well in excess of CPI.

Rex has invested heavily in its Broken Hill operations over the past 11 years which has included transitioning from 19 seat to 34 seat aircraft on the Adelaide route and the expansion of services from Broken Hill to Adelaide, Dubbo, Melbourne, Mildura and Sydney.

There are typically five Rex aircraft allocated to servicing the Broken Hill community.

In addition, passenger numbers have more than doubled over the past 11 years, representing average annual passenger growth of 8%.

BHCC's proposal is a blatant greedy grab for money, totally ignoring the stark economic realities of regional aviation.

In the light of the unsustainable costs associated with the provision of regional air services, Rex requires BHCC to revert to the terms of the latest five year partnership agreement which was terminated in October 2012 because of BHCC's hostile stance against Rex. Otherwise, BHCC will have to take responsibility for the irreparable damage to Broken Hill air services which could include Rex withdrawing from the NSW route licence scheme for the Broken Hill to Sydney route.

Rex calls on all stakeholders who are equally incensed by the irresponsible behaviour of BHCC to put in their submission. Should BHCC persist in their irresponsible actions and wreck Broken Hill's air services, residents should consider if the council members are still worthy to be their elected representatives.

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