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Carbon tax stalls air routes

DIRECTORS of Regional Express (REX) are concerned the Government's proposed carbon tax could be the final nail in the coffin for many of its regional flight routes already hanging by a thread, including the service run from Grafton Airport.

Rex chief operating officer Chris Hine said projected cost rises associated with the carbon tax spelled financial strife for regional airlines.

Other government measures compounded the trouble including the removal of the en-route rebate scheme for regional airlines, additional fuel excise to increase Civil Aviation Safety Authority (CASA) funding and increased security screening at regional ports.

"The combined effect of these measures on Rex alone would equate to at least \$6m per annum," Mr Hine said.

"Rex has already announced in its release of June 1 that the outcome of these measures could be the loss of air services to half a dozen marginal regional ports like Taree and Grafton.

"I foresee many regional operators without the financial strength and diversification of the Rex Group being forced out of business once these take effect after July 1, 2012.

"Those surviving will have to cut back on marginal routes in order to remain in business," he said. "This will unfortunately mean that some regional communities will suffer the loss of their essential air services."

Mr Hine said he hoped the government would reconsider its position on regional air services before "it was too late," and operators began going out of business.

However a spokesperson for the Federal Department of Infrastructure and Transport said the carbon tax would have little impact on regional airline operators and was no excuse to cut routes.

"There's no reason for Rex to be considering any reduction in services to their loyal regional customers," the spokesperson said.

"The carbon price will have only a marginal impact on airfares, adding less than \$2 to the cost of a seat on a flight from Grafton to Sydney.

"For nine out of 10 households there will be generous assistance in the forms of tax cuts and higher payments to offset any such price rise."

The spokesperson also underlined the record \$24.63 million profit Rex made in 2009-2010.

Carbon tax legislation is due to be considered by the Australian Parliament as early as August.