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Mr Michael McMahon  
Chief Executive Officer  
Dubbo City Regional Council

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## Regional Express Response to the Draft Master Plan for Dubbo City Regional Airport

Dear Mr McMahon

Regional Express (Rex) would like to thank Dubbo City Regional Council (DRC) for the opportunity to provide feedback to the 2019-2040 Dubbo City Airport Master Plan.

Regional Express (Rex) was founded in 2002 as the merger of Ansett subsidiary airlines Hazelton and Kendell following the collapse of Ansett in 2001. Both Hazelton and Kendell airlines had over 30 years' experience prior to the collapse of Ansett. Rex has serviced the City of Dubbo since Rex first commenced in 2002 and prior to that through its predecessor Hazelton.

Rex is a dedicated regional airline that operates 60 Saab 340 turboprop aircraft (34 seats) to 60 destinations throughout Western Australia, South Australia, Victoria, Tasmania, New South Wales and Queensland. Rex carries around 1.3 million passengers on some 78,000 flights per year. Rex is a publicly listed company on the ASX.

Rex with its more than 45 years of experience in regional aviation, the largest number of regional routes of any operator and the winner of the most State Government tenders for regulated routes is, without doubt, the pre-eminent authority on the operation, regulation and funding of air route service delivery to rural, regional and remote communities. As a dedicated regional airline Rex is solely focused on the provision of regional air services.

Over the past 15 years Rex has been very successful in growing regional passenger numbers to record levels with Rex's annual passenger numbers growing from around 600,000 in 2002/03 to around 1.3 million currently. This has been achieved through keeping fares affordable and focusing on safety, efficiencies and on-time performance.

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## Rex RPT Network



Rex operates to more than 50 regional airports across Australia, with the vast majority being owned by local councils. Regional airports were vested to the local Councils at no cost (often with a large sum to offset future maintenance costs) by the Federal Government prior to 1991.

Regional airports are a vital piece of community infrastructure and form a valuable community asset and should be treated no differently than local roads and bridges as the critical local infrastructure that has broad-ranging benefits throughout the local region.

Across Rex's vast regional network there is much contrast in the approach that is adopted by Regional Airports / Councils. There are those that truly value their regional air service, while others like Dubbo airport chose to embark on unnecessary grand plans that are based on the 'build it and they will come' approach often in combination with a 'cash cow approach'.





## Feedback on the Dubbo airport Master Plan 2019-2040

As a critical provider of Regular Public Transport (RPT) services to/from Dubbo, Rex will focus its Master Plan feedback on matters relating to RPT. However, Rex does have some significant concerns about airport infrastructure upgrades that are not RPT related.

The first relates to possible planned airport upgrades to accommodate larger Boeing 777 aircraft that the Masterplan has identified as a possible future aircraft for large scale freight opportunities. Such planning decisions need to be supported by facts and definitive plans that relate to such freight operations. In addition, any such infrastructure upgrade should be funded by DRC or the freight operator themselves if this was to ever materialise and current RPT operators must not be made to pay for the 'white elephant' should the project turn out to be a pie in the sky.

The RPT operators (Rex, QantasLink, Fly Corporate and FlyPelican) generate the vast majority of revenue for Dubbo airport and the RPT operators should not be responsible for funding non RPT related infrastructure requirements.

Similarly, Rex understands the critical importance of the Rural Fire Service's Aerial Operations at Dubbo airport, however, any expansion of the airport to support Large Aerial Tankers including the construction, strengthening or expansion of aprons, taxiways and runways should not be funded through increased passenger taxes and charges to the RPT services. It also is noted that Dubbo Airport already receives occasional C-130 Hercules visits from the RAAF and has previously already accommodated the RFS C-130 with the airport's existing infrastructure.

In relation to RPT, Rex is concerned with the Master Plan assumptions relating to passenger growth and future aircraft. Furthermore, Rex urges the Master Plan to reconsider the current security screening procedures for passengers on RPT flights that are not required to be screened in accordance with the Federal Government security screening legislation.

To provide some background context, Rex doubled its Dubbo to Sydney passenger numbers from 40K to 80K per year between FY04 and FY08, with passenger numbers then stagnating at around 80K through until FY11. With increased Dubbo airport charges and the imposition of unnecessary security screening charges in 2012, Rex was forced to scale back its flight frequency in order to protect its operating margins. Subsequently, Rex has averaged approximately 58k passengers per year between FY13 and FY19. Rex also carries around 4.5K passengers per year between Dubbo and Broken Hill which is an essential service.

What needs to be clearly understood by DRC is that the current total annual passenger numbers on the Dubbo to Sydney route of approximately 180K are accommodated with combined Rex and QantasLink annual seat capacity of approximately 278K. This means that there are almost 100K annual seats currently not being sold that are available to meet significant increases in passenger growth in future years.

Rex believes that the Master Plans 3.2% annual passenger growth rate assumption (based on historical compound rate) is too high and that 2% would be a more realistic growth rate due to the historical growth being skewed by the significant Rex passenger growth that took place between





FY03 and FY08. This is however somewhat of a moot point when one realises that there are over 100K seats unsold every year.

Assuming a more realistic 2% annual passenger growth assumption, the current 180k Dubbo to Sydney passengers would reach 220K by 2030 and 270K by 2040. With an 80% total market load factor, the current capacity provided by Rex and QantasLink, with an assumed 80% load factor, could accommodate this growth through until 2031. While the 80% load factor is acknowledged as being at the higher end of the scale for a regional route; it is certainly not unachievable with Rex recording 80% average load factors on numerous regional routes throughout Australia.

Rex makes this point to look more closely at the current capacity because the Master Plan estimates that Dubbo airport will likely see 100 seat aircraft (F100, CRJ900, CRJ1000) operating by 2023-26, 120 seat aircraft (B717, A220-100) by 2028-32 and 150+ sized aircraft (B737, A220-300) by 2030-2034. Rex strongly disagrees with these assumptions and believes that realistically the largest RPT aircraft to service Dubbo airport in the next 15 to 20 years will be in the 70 seat turboprop category. This includes the 74 seat Dash 8 Q400 (already operated by QantasLink) and the 68-70 seat ATR 72-600 aircraft.

It is nonsensical to assume that 100 seat jet aircraft such as the F100 and CRJ900/1000 aircraft will be operating RPT services to Dubbo by 2023-26 purely based on passenger number projections when there is already ample opportunity to grow passenger numbers within the current capacity. Furthermore the assumed aircraft types are not operating RPT services in NSW at all, with the F100 primarily being used by Alliance and Cobham airlines for either mining related Fly-in Fly-out (FIFO) services or RPT in partnership with Qantas or Virgin, mainly in QLD and WA.

What also needs to be understood is that the Dubbo to Sydney route has approximately 117 weekly flight frequencies, which is split between Rex (61) and QantasLink (56). Rex operates the 34 seat Saab 340 aircraft, and QantasLink operates with a mix of 36, 50 and 74 seat Dash 8 aircraft.

Rex has absolutely no intention of operating larger aircraft to Dubbo and indeed it is not inconceivable that under the current management and climate at DRC, Rex may even exit Dubbo altogether and redeploy the Sydney Airport slots to other NSW regional ports. If that were to happen and given that peak slots are no longer available at Sydney Airport, Dubbo will be left with only about 60 frequencies a week with a maximum capacity of 210K seats per year. This would still be sufficient seat capacity to cater to present demand but there would be no room for passenger growth. Furthermore with the high loads on a Qantas monopoly route, one can be fairly certain that air fares will most likely at least double.

This means that all of the key airport infrastructure (runways, taxiways and aprons) will not need costly upgrades associated with lengthening and strengthening. As such Rex does not see any requirement to extend Runway 05/23 beyond the existing 1,708m for the purpose of accommodating RPT services over the next 15 to 20 years, especially since such works will most likely result in greater costs for Rex and a likely exit from the route, thereby ensuring that more than half the slots to Sydney Airport disappearing with it.





Rex has noted that the Master Plans reference to Runway 05/23 being ultimately planned as a Code 4E instrument non-precision runway with 2,800m length (requires the purchase of land to the North) and 45m width with the Code 4E category being able to accommodate B777F (or similar) aircraft. Rex also notes the Master Plans reference to Runway 05/23 being extended to 2,200m long to accommodate Code 4C Narrow jet RPT operations. As previously outlined, Rex does not require any of these upgrades, and if DRC unilaterally decides to embark on these plans in future years then the cost of this should be met by DRC and not the existing airport users.

The bottom line is that DRC should be seeking advice from the current RPT providers (Rex, Qantas Link, Fly Corporate and Fly Pelican) about the future requirements for RPT as opposed to relying on such advice from a consultant. As the operator with the most frequencies to Dubbo and the most Sydney Airport slots, Rex solemnly warn the DRC that the consultant's recommendations are purely wishful thinking with no factual basis.

With reference to the important matter of airport security screening, Rex maintains its strong position that Dubbo airport should cater for RPT operators that do not legally require security screening through the provision of both screened and unscreened departures area.

Approximately two-thirds of RPT flights at Dubbo airport do not legally require security screening under the Federal Government security screening legislation and the imposition of unnecessary security screening is negatively impacting the commercial viability of regional air services to/from Dubbo airport. Given that the majority of RPT services at Dubbo do not legally require security screening, Dubbo airport should have the flexibility to facilitate unscreened departures for aircraft that do not legally require security screening. It is illogical that the 28 weekly QantasLink departures to Sydney are dictating the security screening requirements for all RPT services being operated at Dubbo airport.

Should there be any future redevelopment of the airport terminal, Rex believes that including a non-screened boarding gate for flights where screening is not legally required, would be of great benefit to Dubbo airport and its users. Rex has noted the feedback contained within the Master Plan relating to the current terminal which states that the airport would benefit from increased services and facilities within the non-screened area of the terminal. However, redesigning the airport to include a non-screened boarding gate would support the airport in addressing this feedback, as well as improving customer satisfaction at the airport. The airport would also reduce security-related costs, given the reduced requirement for the screening services.

At the commencement of FY20 Rex and all other RPT operators were hit with a 13% increase in the passenger head tax from \$14.90 to \$16.89 (incl. GST) per arriving and departing passenger. DRC also removed a growth incentive threshold that previously seen passenger numbers in excess of 150k receiving a 50% reduction in the passenger head tax. The removal of the growth incentive equates to more than an additional \$200K per year being collected by DRC which is further to the core 13% increase in the head tax. This means that the passenger head tax revenue is now exceeding a staggering \$3.5M per annum and this excludes more than \$1M in security screening charges. Furthermore the unnecessary security screening charges also increased to \$6.60 per arriving and departing passenger.





In Rex's vast experience of servicing more than 50 regional airports throughout Australia, the cost of operating and maintaining an efficient regional airport should be around \$600K per year. This is around 18% of what is collected by Dubbo airport which means that the local Dubbo Community are paying in the region of \$3M extra every year for their air tickets.

In DRC's draft revenue plan for FY20, council's justification of the increase was *"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"*. In the context of the Master Plan, Rex is deeply concerned about this statement because the Master Plan is focused on airport infrastructure upgrades that are not required by RPT operators and the current airport infrastructure can already support significant future RPT passenger growth.

It is outrageous that annual passenger head tax revenue of more than \$3.5M is being collected from the RPT operators by DRC in order to fund infrastructure upgrades that are not being requested by the RPT operators.

Should such infrastructure upgrades be deemed important by DRC then they should be funded by DRC and not the RPT operators. Such airport infrastructure upgrades should also have the ongoing maintenance and depreciation related costs fully removed from the costs that are imposed on to the RPT operators. It is only fair that the RPT operators pay for what the RPT operators require.

Rex is deeply concerned as to the direction that DRC is taking with Dubbo airport. Dubbo is a regional centre that strongly relies on frequent regional air services, but unfortunately the high airport charges are negatively impacting the commercial viability and sustainability of the regional air services that the City of Dubbo and surrounding region relies upon to do business. DRC is choosing a path of not listening to the existing RPT operators, but instead embarking on a build-it-and-they-will-come approach that is designed to attract new entrants with large jet aircraft. This misguided path will be to the detriment of existing RPT operations and ultimately to the detriment of Dubbo and the vast surrounding catchment area.

**Rex solemnly warns DRC that the recent imposition of ridiculous additional head tax charges and the burden of unjustified and unneeded security screening on Rex's services are seriously damaging the commercial viability of the route for Rex.**

**Rex puts DRC on notice that should our concerns not be addressed, Rex may start planning for the orderly redeployment of all 61 weekly frequencies to other councils that are less myopic and much more enlightened.**

Thank you once again for providing yet another opportunity to provide feedback all of which were totally ignored by DRC in the past.





Regards,

*Warrick J Lodge.*

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

*Copy:*

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