

12 JULY 2010

MEDIA RELEASE

REX REFUTES SYDNEY AIRPORT'S FALSE CLAIMS CONCERNING \$3 MILLION PRICE INCREASES

In its Media Release of 7 July 2010, Sydney Airport (SACL) made several spurious accusations about Regional Express (Rex) over SACL's intentions to increase airport charges to Rex by \$3.3 million a year. This matter is critically important to the regional communities throughout regional New South Wales. Consequently, Rex is compelled to respond publicly to these accusations to set the record straight:

1. SACL accuses Rex of politicising the issue instead of engaging in discussions.

Rex believes that such matters are best resolved by first exhausting all possible avenues of professional and frank discussion amongst all the stakeholders and the regulators and has participated in such discussions with SACL. However it was SACL who first wrote to stakeholders in the regional communities on 25 June 2010 prior to the discussions being finalised and prior to the open consultation phase by the ACCC on the issue. Rex has no choice but to respond publicly to SACL's public claims and set the record straight after the pre-emptive strike by SACL.

2. SACL claims that Rex benefits from investments in runway safety measures.

Rex does not doubt that a huge investment has been made in runway safety areas. However these are measures that are needed for large jets used for international operations like the A380. Our turbo prop aircraft have operated safely for the last 40 years in regional airports with far smaller runways than those at Sydney and simply do not need the runway safety areas at Sydney Airport.

3. SACL claims that investment in mandated security requirements should also be borne by Rex.

Rex's aircraft do not require security screening and the vast majority of the airports we service do not have such security infrastructure. These measures are mandated for larger aircraft so there is a case to be made for these operations to bear the full cost of the security infrastructure.

4. SACL's price increase of \$130,000 per year on aeronautical fees is reasonable as it is the first increase since Ansett's collapse.

SACL has already had a 60% increase in aeronautical fees since FY02/03. Rex paid \$2.7M (excluding GST) in FY02/03 compared to \$4.5M (excluding GST) in FY09/10 due to Rex's increased passenger numbers and number of flights. SACL has made no attempt to demonstrate that the 60% increase is insufficient to cover the costs increases related to Rex's operations.

Efficient and fair organisations like Airservices Australia pass back savings from efficiencies of scale to the airline operators in the form of an annual rebate instead of trying to further add to their profits by asking for annual CPI increases.



5. **SACL claims that Rex is scare mongering about being chased out of Sydney Airport as access by regional operators is protected by legislation.**

Rex believes that SACL is being disingenuous. SACL is trying to chase out the regional operators by raising charges to such an extent that operations can no longer be commercially viable. While SACL has publicised its \$130,000 intended increase in aeronautical charges, it has not surprisingly been reticent about disclosing publicly its plans to increase the aircraft parking charges by about \$3.2 million a year, almost doubling the total amount of fees that Rex pays SACL every year.

There will be no longer be any need to protect regional air services if all the regional operators are forced out of business!

Sydney Airport was sold to Macquarie Bank on the clear condition that regional air services are to be protected for the future. The insidious attempt by SACL to force out regional aviation by covert means is morally reprehensible. The present government has clearly signalled its strong commitment to the regional communities through Declaration 92 – a mechanism by which all aeronautical charges have to be referred to ACCC - for the next 3 years.

SACL's attempt to increase charges by almost 100% on top of existing huge increases in revenue must be clearly resisted otherwise it will spell the end of access to Sydney airport for all the NSW regional stakeholders. Rex is committed to defending the rights of the bush and will make a vigorous submission to the ACCC against SACL's Machiavellian plans.

Rex calls on all affected stakeholders to take all necessary measures to protect its rights of access to Sydney airport which is so important for maintaining the social and economic fabric of the regional communities.

Regional Express (Rex) is Australia's largest independent regional airline operating a fleet of 50 Saab 340 aircraft on some 55,000 annual flights to 35 destinations throughout New South Wales, Victoria, Tasmania, South Australia and Queensland. The Rex Group comprises **Regional Express**, air freight and charter operator **Pel-Air Aviation** and Dubbo based regional airline **Air Link**, as well as the pilot academy **Australian Airline Pilot Academy**.

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