



1 July 20

Isabelle Mauleon-Wells

Adjudication Merger and Authorisation Review Division
Australian Competition & Consumer Commission

Via email: Isabelle.Mauleon-Wells@accc.gov.au

Dear Ms Mauleon-Wells,

AA1000478 – Regional Express Pty Ltd - Information Request

Please find our responses to your queries below:

1. *In relation to Rex's announcement, on 8 June 2020, regarding daily weekday return services and twice-daily return services on certain days, on seven of the ten regional routes for which Rex seeks authorisation (the **Relevant Routes**), please confirm:*
 - a) *if there has been an increase in demand for passenger transport on any of the Relevant Routes since the beginning of March*

Please refer to attached spreadsheet (1A Rex Passenger data.xls). Ballina-Sydney has seen some increases due to the lack of domestic capacity impacting other airports like the Gold Coast. We only used to do 6 returns per week pre Covid so in the weeks that we did 4 returns with reasonable loads we are not far away from pre Covid pax and revenue.

- b) if the government grants have increased the number of services Rex is able to run*

Passenger numbers are still at about 15% of what they were pre COVID. The government grants, under RANS programme, have helped cover Rex's minimum fixed costs and variable costs for up to two return flights per regional destination. It is because some of the fixed costs are covered that Rex is able to, at its own cost, mount additional services to some destinations despite passenger numbers being insufficient to make these services viable.

- c) if the government grants have affected the profit/cost per passenger of running those services.*

Under the RANS scheme Rex is obliged to return all revenue generated on subsidised services to the government. Rex does not make any profits on subsidised services. With regards to non-subsidised services, at this stage we are uncertain if they will break even and will review this in the coming months and if they are not viable we will reduce services back to just Government subsidised frequencies.

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Regional Express Group of Companies:





It should be noted that the main objectives for Rex in putting on additional services are:

- 1) to put more staff back to work;
- 2) to assist in the recovery of regional economies; and
- 3) to try to stimulate demand by offering more schedules and hence convenience.

2. In relation to the Regional Airline Network Support (RANS) grant program, please provide:

a) a copy of Rex's application

A copy of Rex's RANS application is attached. (2A Regional Air Network Application.pdf). Please check with the Department if this information can be released to the public.

b) a copy of any claims and/or reports relating to the Relevant Routes that Rex may have submitted to the Department of Infrastructure, Transport, Regional Development and Communications under the grant agreement

Please refer to 2B RANS claim data.xls. This sets out the routes, number of returns, ASKs flown and revenue received on each route. Please check with the Department if this information can be released to the public.

c) If not included in Rex's claims and/or reports, please clearly identify (i) Rex's revenue and volumes derived from passenger transport and (ii) Rex's revenue and volumes derived from freight transport (in relevant cargo unit of measurement), from January to the latest claim and/or report.

Included in the spreadsheet 2B RANS claim data.xls.

3. In addition to this information, please provide:

a) Rex's flight schedules on the Relevant Routes (i) prior to the COVID-19 pandemic and (ii) for the months of April and May 2020

Please refer to attached spreadsheet – 3A Rex schedule Pre and Post COVID.

b) information on current air fares and operational costs on the Relevant Routes compared to air fares and operational costs pre-COVID-19 pandemic. Please indicate if operational costs vary depending on the time of the flight

Please refer to attached spreadsheet – 3B Rex Fares Pre and Post COVID. It should be noted that implementation of community fares (much lower fares) was not limited to the competitive routes in the spreadsheet. Rex also implemented community fares on other non-competitive routes post COVID. There are a total of 27 non-competitive routes that currently have community fares available. These are listed in the second tab of the spreadsheet.

The implementation of community fares is not motivated by competitive reasons but a desire to assist the communities to recover from the devastating effect.





- c) information on whether Rex's offer differs from Qantas' offer and Virgin's offer (if appropriate) on factors such as price, quality and flight capacity on the Relevant Routes and any other way through which Rex's offer differs from Qantas' offer and Virgin's offer (if appropriate) on the Relevant Routes*

Please refer to Rex's confidential complaint to the enforcement branch on the 31st January 20. This sets out in detail the differences between Rex and Qantas. Rex requests that you take note of the findings of the enforcement branch if they indeed embarked on any investigations.

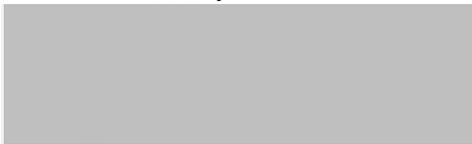
Rex requests that the complaint letter be excluded from the ACCC's public register.

- d) a copy of any relevant in-house forecasts of demand, industry forecasts/industry analyst reports on Australian domestic aviation.*

Rex is unable to make any meaningful demand forecasts at this time. We do not subscribe to industry forecasts as they relate to international or domestic aviation which are totally different to regional aviation.

Please let us know if you require any further information.

Yours sincerely,



~~Irwin Tan~~
GM Corporate Services

