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Rex Submission to Aviation Green Paper



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Rex Airlines

Rex is Australia's largest independent regional and domestic airline operating a fleet of 58 Saab 340 and 9 Boeing 737-800NG aircraft to 56 destinations throughout all states in Australia. It emerged from the wreckage of Ansett which had bought the regional carriers Hazelton and Kendell airlines just prior to its collapse. In addition to Rex, the airline, the Rex Group comprises wholly owned subsidiaries Pel-Air Aviation (air freight, aeromedical and charter operator), the Australian Airline Pilot Academy with campuses in Wagga Wagga and Ballarat, and propeller maintenance organisation, Australian Aerospace Propeller Maintenance. Rex is also a 50% shareholder of National Jet Express (NJE), a premier Fly-In-Fly-Out (FIFO), charter and freight operator. In all, the Rex Group has 150 aircraft.



Pilot shortage

There is a worldwide shortage of pilots. Australia is affected like everyone else. Here, pilot poaching is exacerbating the problem. Rex has lost 35% of its Saab pilots in the last 18 months, 50% of which were Captains. This has had an unprecedented impact on Rex's regional airline operations. This year Rex has been forced to reduce frequencies on 14 routes and either suspend services to, or withdraw from, three other destinations, resulting in 30% reduction of our regional network.

The vast majority of the pilots Rex has lost have been poached by Qantas, and to a lesser extent, Virgin. As it takes five to six years to train a Saab Captain there is no 'quick fix solution.' It is, however, an instant panacea for both Qantas and Virgin. Neither Virgin or Qantas has company owned and operated pilot training centres. They happily pillage from regional airlines like Rex and others as this helps solve their recruiting needs at no cost to them, while at the same time weakening the smaller regional carriers and undermining their commercial viability to the competitive advantage of Qantas and Virgin.

Rex, on the other hand, has invested well over \$50 million in two state-of-the-art pilot training academies in Wagga Wagga and Ballarat. The airline expects to train 90 pilots – a combination of Rex Cadets and Direct-Entry – in FY24. It costs roughly \$150,000 to train a cadet pilot so they can be a first officer in an airline.

Rex believes the Federal Government should require all airlines to invest in their own future by training at least 50% of their own pilots from entry level so they can meet their future requirements, instead of taking pilots from airlines lower down the food chain. This should be mandated by legislation.

Another way of handling this problem is to follow the example of some countries who impose a transfer fee when one airline 'recruits' pilots from another airline. This recognises the cost of training a pilot and would allow a carrier which has trained the pilot to be reimbursed based on the value of their original investment.

Other steps to help improve the pipeline supply of pilots should include:

- Bigger focus on training to address the challenges and opportunities related to the aviation workforce.
- A national year 11 and 12 curriculum developed for aviation studies (STEM) at school.
- Increased support for VET to offset the high costs of pilot training.

Regional and Remote Aviation Services

These services in New South Wales could be improved by

- Adopting the Queensland regulated route model which ensures a reliable, sustainable and affordable RPT service for regional and remote Queenslanders
- Regional routes in NSW should be regulated and put out to tender in a similar manner to the Queensland model (albeit this is a State decision, not a Federal one).

Airports

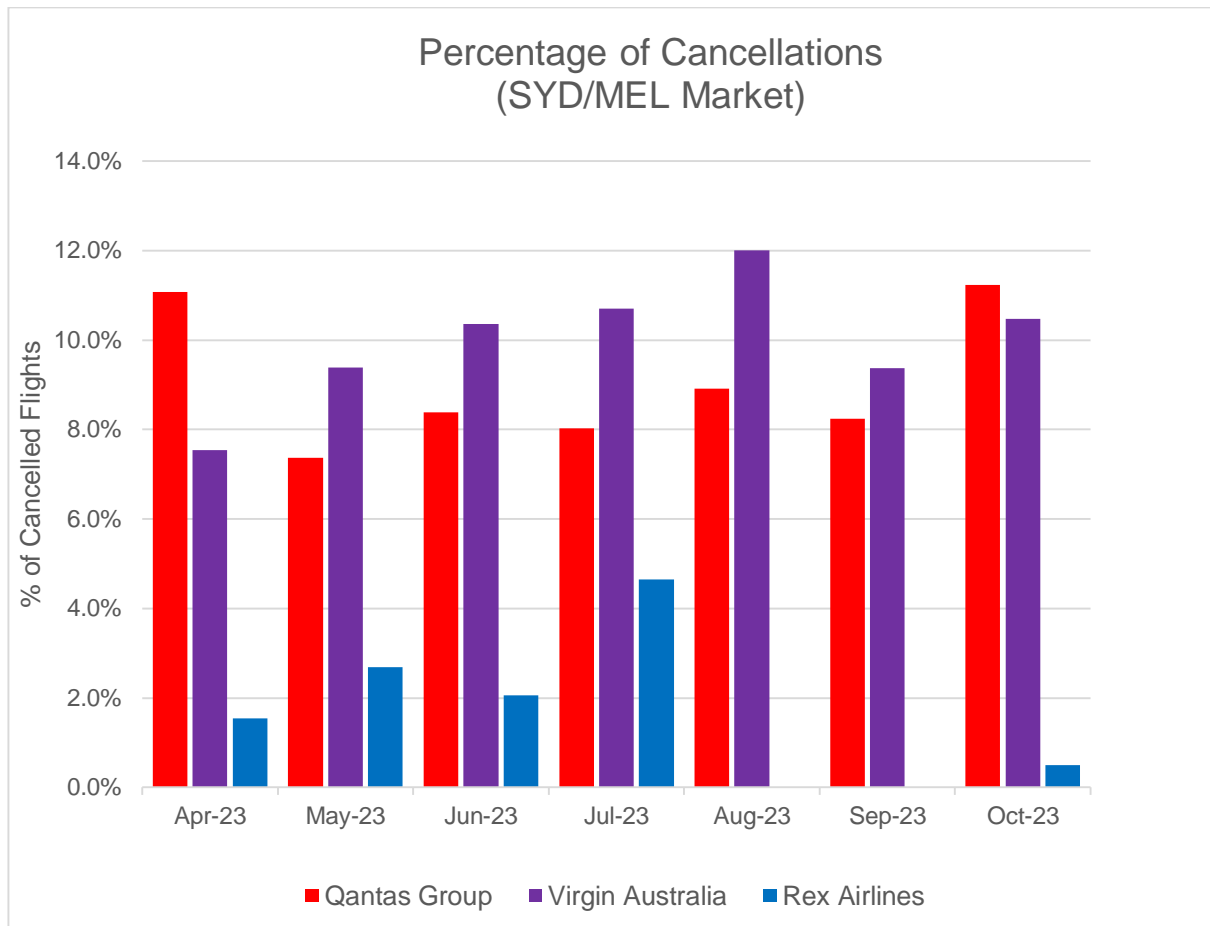
Most regional airports are owned by local councils. They were gifted to them by the Federal Government via the Airport Local Ownership Scheme (ALOP). It is difficult to gain a clear insight into their operations. The Federal Government should require regional airports to provide full visibility of their financial affairs. Generally, they hide behind nebulous statements like 'charges are based on cost recovery'. It is puzzling, though, how some airports cost several hundred thousand dollars a year to run, while others of a similar size cost several million dollars a year to maintain. Councils who refuse to make their airports' financial affairs transparent should be ineligible to apply for Government grants of any kind. The WA State Government has a model that ensures transparency of regional airport finances and this is linked with the airports ability to attract State Government funding for the airport. The Federal Government should review this model and adopt it at a National level.

Airline, Airport Dispute Resolution

Disputes between airports and airlines occur frequently. Airports are natural monopolies and will often use that position to impose their will over airlines. Airlines have little bargaining power in these situations. A negotiate/arbitrate resolution procedure should be established to resolve these disputes. This would avoid lengthy, bitter and costly legal battles and allow issues to be resolved quickly

Sydney Airport

Sydney is Australia's most constrained airport due to the movement cap of 80 per hour. The Qantas Group holds more than half the slots. It has become obvious that Qantas and to a lesser degree Virgin have been hoarding slots to deny other operators access to Sydney Airport. The slot system was never meant to be a barrier to competition but now by abusing the purpose of the 80/20 rule, it has become an anti-competitive barrier. The slot system at Sydney Airport must be immediately overhauled. Qantas has publicly stated (QF Newsroom, July 31, 2023) it uses 90% of its Sydney slots. In other words, they are not using up to 10 per cent of their allocated slots. These unused Qantas slots should be placed in a pool to allow more competition. The Qantas tactic of scheduling flights only to cancel them so as to adhere to 80/20 rule has been repeatedly called out by the CEOs of both Sydney and Canberra Airports. The extraordinarily high number of cancellations on the Sydney-Melbourne route is testament to the 'slot gaming' practice of both the Qantas Group and Virgin as demonstrated in the following table. Note in August and September Rex did not cancel a single flight.



Improving the efficiency of Sydney Airport

The way aircraft movements at Sydney Airport are measured needs to be reviewed. Measuring aircraft movements in fifteen minute quarters results in Sydney Airport averaging 72 movements per hour during peak periods due to the rigidity of compliance for every single 15-minute period. A simple change, removing the fifteen minute quarters and measuring movements based on the 60-minute clock hours would result in the average number of movements per hour being closer to 80.

Another simple change which would greatly improve efficiency would be to apply the 80 movements to only scheduled movements. Weather conditions on the day could result in some hourly periods having a few movements above the cap and other periods with movements below the cap. However, the overall noise impact would not be changed significantly.

Security Screening

Federal regulations currently require all aircraft with 40 or more seats operating to an airport with more than 30,000 departing passengers a year, undergo passenger security screening. Airports that have more than 30,000 departing passengers are classified as Tier 2 Airports and Tier 2 Airports require passenger and baggage security screening for aircraft with more than 40 seats.

This arbitrary decision has resulted in about \$1million in extra costs per airport for the

airline. For such small passenger numbers, the airline's route profitability would not be even \$500,000 which means that the viability of air services would be threatened.

Rex also sees illogical outcomes associated with the current airport classification model. As an example, an airline can operate more than a daily 76-seat Q400 aircraft from a regional Tier 3 airport without security screening. However, a three times per week 76 seat Q400 service in to a Tier 2 airport (to add capacity on to a route that is serviced by an aircraft with less than 40 seats and does not require screening) will require security screening for those 3 weekly services. This is not financially viable for the 3 weekly services which in turn results in poor outcomes for regional communities.

The threshold for security screening at regional airports should be set at 150,000 to allow a lifeline for the regional communities.

Measures to Level the Airline Playing Field

- The Federal Government's Whole of Australian Government (WoAG) travel budget should be transparently shared amongst all airlines to ensure the Commonwealth is not guilty of effectively working against a competitive industry by giving the vast majority of their business to one airline.
- Qantas' share of the Commonwealth's business should be capped at 50% to encourage new entrants and competition.
- All public servants should be banned from accepting an invitation to join the Qantas Chairman's Lounge.
- Public Servants should not be allowed to use frequent flyer points or status points earned whilst travelling at Government expense. Whilst this is a current rule for frequent flyer points it requires greater scrutiny.
- Government Agencies need to strictly adhere to the "Best Fare of the Day" travel policy, which is currently too simple to circumvent.
- Travel Management Companies engaged to sell Federal Government travel also need to adhere to the "Best Fare of the Day" travel policy and not be driven by individual airline remuneration in the form of commissions paid or other service level agreements.

Emerging Aviation Technologies

Regional Express (Rex) has acquired a 20 per cent stake in Dovetail Electric Aviation (Dovetail) which is pioneering the conversion of turbine powered aircraft to electric, emission-free propulsion.



Test flights with electric motors in traditionally powered aircraft will begin next year at Rex's Wagga Wagga facilities. The technology is particularly suited for regional airlines operating sectors of no more than an hour. The significantly lower operating costs of electric aircraft coupled with the greatly improved reliability of electric motors will help to stimulate regional aviation services between communities not currently serviced by scheduled flights while at the same time accelerating Rex's journey to a zero emissions future.

Key points

For these new initiatives designed to help achieve reductions in carbon emissions the Commonwealth should:

- Engage with regulatory bodies such as CASA to progress the development of new regulations to accelerate the introduction of Advanced Air Mobility in Australia. The alignment with the FAA seems to be straightforward due to the CASA-FAA bilateral agreement, but EASA is pioneering some of the work in this area and Australia should facilitate the coordination with them. Additionally, many of the new regulation proposals are being initially framed by third party organizations like SAE, GAMA, EUROCAE, etc. Institutional engagement should be facilitated if possible, and if not, the engagement from Australian players should be encouraged, incentivised and even funded
- Include the decarbonisation of aviation as a priority area, within Government. In particular, go beyond promoting ground EVs (some programs until very recently seemed to prioritise ground EVs but exclude electric aircraft) or focus all efforts on SAF.
- Australia relies on regional aviation to connect under-served communities, and this is an area where electric aviation can bring added benefits by reducing

the operating costs of short flights and hence make previously unviable regional air services, viable.

- Set up programs to deploy distributed infrastructure at or near regional airports. Chargers and hydrogen electrolyzers at regional airports will be a must for adoption of electric aircraft as an effective regional means of transport.
- Establish test friendly regulations so that flight testing of new technologies can be done easily and quickly to enable progress. New Zealand is attracting overseas companies thanks to their flexible approach. Australia can do something similar: with our vast territory Australia should set up several test ranges for commercial entities (as well as research and academic organisations) to offer flexibility to developers, not just limiting options to one or two States. This should be applicable to large and small aircraft, piloted as well as autonomous.
- Provide dedicated funding channels for AAM demonstrators to showcase the technology to all stakeholders, and accelerate development and deployment.
- Include AAM and electric aviation as one of Defence's innovation priorities, as it will play a key strategic role. There is an opportunity for Australia to not be dependent on imported technology in an area of crucial importance to connect the country.
- Streamline visa processes for key advanced skills in electric aviation. There is a chronic shortage in Australia of highly skilled labour, but this problem is much higher in a nascent sector like electric aviation. Accelerated pathways to attract talent is a must for local experience to thrive.
- Support the creation of AAM hubs, without multiplying them to a point no one reaches critical mass. If needed, a decision must be made in terms of concentrating efforts on just one or a very few locations.