



PRESS RELEASE

For Immediate Release: 3 July 2018

On 2 July 2018, King Island Council received a letter from David Brooksby, National Airports Manager of Regional Express Holdings Ltd. The letter, addressed to General Manager, Troy Brice and copied to the media smacks of corporate bullying, and aims a gun to the head of our remote Island community.

The correspondence was in response to a letter and subsequent email sent to the airlines that service the remote Island facility detailing changes to the airport fees and charges. These changes will bring King Island Airport into alignment with the rest of Australia, rather than operating as an exception to the rule and at significant cost to the community.

Coming after two years of communication with REX on the required alignment of King Island Airport with standard Regional Australian Airport practices, and including the share of confidential financial information, Council has ensured that the airline was well engaged at multiple levels from Directors to local staff.

These changes will go some way to achieving the directive setout by the Auditor General of getting the facility to break-even and beyond, which is a far cry from the loss in 2017/18 alone of \$470,000. In contrast, as a foreign based company, with headquarters in Singapore, REX reported a 60% increase in profit for its half yearly results listed in February 2018.

In a demonstration of good faith and desire for a long-term relationship with Rex, King Island Council proposed a phased introduction for RPT carriers in order to assist with financial management of their operations, whilst also minimising impacts in other areas. In return Mr Brooksby launched a heavy-handed attack, with a view to dictating commercial arrangements to our remote Island community.

Mr Brooksby misquoted quoted facts from a 2003 Senate Inquiry in defence of his position. Council's submission to the Inquiry, however, stated: "we made a loss of over \$49,000, and had consistently made a loss despite making operational changes to reduce costs". The \$407,000 Mr Brooksby believes was "gifted" by the Commonwealth in response to that inquiry is in fact what was left of the reserve handed over with ownership of the airport ten years prior. The Inquiry found that "The Council currently uses reserves set aside at the time of the ALOP transfer to meet capital costs of owning the aerodrome. The remaining reserve of \$470,000 is not sufficient to fund any significant aerodrome upgrades or sealing".



2003 also saw a consultant who was working with Rex, send a report to Council, recommending a move to a passenger-based charging system in order to sustain the economic viability of REX's King Island air service. Had we followed their advice in 2003 and applied a charge of \$5.30 passenger charge each leg, we would now (increasing by an average CPI of 2%) be charging \$7.17, which is in line with the current introduction.

The Mayor of King Island Council has extended an invitation to Executive Chairman Lim Kim Hai and Chief Operating Officer Neville Howell of REX to visit the Island and assist in resolving this on behalf of their remote Australian customers.

Elsewhere in Australia, regional airlines have already come under scrutiny, with a formal inquiry into regional airline price gouging tactics in Western Australia forcing REX to change their pricing for country customers. Central Queensland communities have similarly requested their State Government formally examine the price gouging occurring there.

King Island Council's Mayor and General Manager will be meeting with various ministers in Tasmania in the weeks to come and will be lobbying for a similar inquiry in Tasmania. This follows a submission by Council to the Senate Inquiry into the Operation, Regulation and Funding of Air Route Service Delivery to Rural, Regional and Remote Communities. The findings of this Inquiry are expected in September 2018.

Ends

Emma Little

Communications, Tourism & Events Officer

KING ISLAND COUNCIL

