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## ASX RELEASE

### REX REVEALS NEW REGIONAL NETWORK STRATEGY

Rex announces that it will embark on a major revamp of its regional route network in response to aggressive predatory moves by Qantas into thin regional routes serviced by Rex.

Rex's Deputy Chairman, the Hon John Sharp AM, said, "Qantas has clearly embarked on a deliberate strategy of moving into Rex's routes that can only support one regional carrier in an attempt to intimidate and damage Rex in its traditional regional market, hoping that Rex would be a less formidable competitor in the domestic market."

"Qantas is making record losses during COVID and has received an estimated \$1.2 billion in Commonwealth assistance to stay solvent but, despite this, feels it is appropriate to use taxpayers' funds to finance the losses on new services whose sole objective is to weaken the competitor."

The routes on which Qantas has announced it will be starting, or has started, services since the outbreak of COVID are listed below. All of these routes have only supported one regional carrier in the past and the current monthly passenger numbers are laughable. Even when passenger numbers return to pre-COVID levels, these routes would still be unable to viably support 2 carriers:

Qantas new regional routes since COVID started	Annual Passengers per year (pre-COVID)	Rex Passengers in last 4 weeks (17 Jan to 13 Feb 21)
Sydney – Orange (started in July-20)	65,000	1,017
Sydney – Merimbula (started in Dec-20)	36,000	417
Sydney – Griffith	73,000	1,171
Melbourne – Merimbula	22,000	602
Melbourne – Albury	22,000	210
Melbourne – Wagga Wagga	26,000	152
Melbourne – Mount Gambier	36,000	134
Adelaide – Mount Gambier	49,000	1,286

"The Rex Board has decided to stand its ground in these routes even if inevitably both carriers will be making significant losses. Unfortunately, the expected drag on Rex's financial position from the losses on the above eight routes will mean that Rex will be unable to continue subsidising marginal routes that we have serviced for the past 20 years. It is with a heavy heart that we are announcing the cessation of services to the five routes below once the government support through the RANS program is discontinued at the end of March:

- Sydney - Bathurst (20,000 passengers pre-COVID)
- Sydney - Cooma (6,000 passengers pre-COVID)
- Sydney - Lismore (12,000 passengers pre-COVID)
- Sydney - Grafton (18,000 passengers pre-COVID)
- Adelaide - Kangaroo Island (42,000 passengers pre-COVID including Qantas)

“In order to recover from the losses, Rex will, from April, commence new services to ports where Virgin Australia has retreated, leaving Qantas as the sole or dominant operator. The new services are from Sydney to:

- Coffs Harbour (330,000 passengers pre-COVID)
- Port Macquarie (190,000 passengers pre-COVID)

and will be available for sale from tomorrow.”

“Other routes under active consideration where Qantas is the sole or dominant carrier include:

- Sydney - Tamworth (175,000 passengers pre-COVID),
- Perth - Geraldton (110,000 passengers pre-COVID),
- Melbourne - Devonport (146,000 passengers pre-COVID), and
- Sydney - Canberra (930,000 passengers pre-COVID).”

“We will be launching services to these cities once a partnership agreement is concluded with the local councils or airport owners.”

“Our plans to commence domestic jet services on the Sydney-Melbourne route on 1 March are still firm barring further border closures.”

Rex also calls on the ACCC to take enforcement actions against Qantas for its predatory behaviour. All carriers are facing existential challenges and the ACCC must do its part to ensure that the dominant carrier does not take advantage of the current situation to deliver pre-emptive strikes against its much smaller competitors, especially at a time when it is receiving massive handouts to stay solvent.

In this environment, the introduction of new competing services in fragile regional routes should be set aside by the ACCC until we return to a semblance of normality. Indeed, this is consistent with the public benefit criterion accepted by the ACCC when it granted authorisation to Rex to enter into an unprecedented collaboration with Qantas on regional routes where the parties had competing services prior to the pandemic.”

It is noteworthy that Qantas had not accepted numerous offers by Rex to enter into a collaborative partnership that optimises resources, as permitted under the authorisation, to achieve better outcomes for all stakeholders including the travelling public.

This announcement is authorised by Mr Lim Kim Hai, Executive Chairman, Regional Express Holdings Limited.

**Rex** is Australia’s largest independent regional and domestic airline operating a fleet of 60 Saab 340 aircraft (pre-COVID) on 1,500 weekly flights to 60 destinations throughout all states in Australia. Rex will begin its domestic services with six 737-800 NGs in March 2021. In addition to the airline Rex, the Rex Group comprises wholly owned subsidiaries Pel-Air Aviation (air freight, aeromedical and charter operator) and the two pilot academies, Australian Airline Pilot Academy in Wagga Wagga and Ballarat.

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