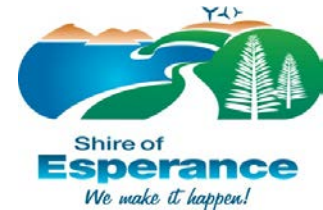


YOUR REF
OUR REF
ENQUIRIES Scott McKenzie
DATE 17 April 2019



**Australia Government Productivity Commission
Locked Bag 2 Collins St East
Melbourne VIC 3000**

Dear Commissioner,

RE: ECONOMIC REGULATION OF AIRPORTS INQUIRY

After having perused the response from Rex (DR108), it would appear that Rex have not provided the full context behind the Perth-Esperance route and the Shire of Esperance dealings with Rex over the past 3 years.

- Rex approached the Shire in early 2016 to request an agreement that restricts growth in airport charges to an agreed value (plus CPI) and therefore allows reward for growth to be obtained by Rex, and in return Rex would provide a conditional Community Fare at the \$129 price point. This was agreed to by Council based on a 50,000 passenger per annum level. Basically, the Shire does not charge a head tax for any passenger over 50,000 per annum. The initial agreement was for a 12 month period, and Rex requested that this be extended for a further 3 years.
- After a recent request from Rex, Council agreed to amend the agreement to allow Rex to increase the Community Fare by \$10 per flight. There were some minor requests from the Shire with regard to ensuring a previous contract condition is abided by and a greater emphasis placed on customer service to affected passengers during delayed or cancelled flights. The \$10 increase is expected to net Rex approximately \$130,000 per annum with minimal outlay.
- The agreement limits the growth on airport charges to CPI only, and benefits Rex if they grow the route over 50,000 passengers per annum. The agreement also allows Rex to withdraw from the agreement if passenger numbers fall below a certain figure, there is minimal risk for Rex in the agreement. In the 2017/18 financial year there were 50,620 passengers (therefore the Shire forego $620 \times \$25 = \$15,500$). Passengers number for the 2018/19 financial year are showing a 3.1% increase on the previous financial year.
- Rex have compared the percentage of airport charges to the Community Fare rather than the average fare. The attached Facts Sheet prepared by the WA State Government Department of Transport provides more transparency regarding the impact of fees from the Shire of Esperance & Perth airport on the average fare. It also has data on the number of Community Fares sold in the previous twelve months.

- The Shire is of the opinion that the above activities are clear proof that the Shire of Esperance has been very open and accountable and willing to negotiate. Local Council's do not require regulation to dissuade us from acting in a myopic manner as claimed by Rex in their submission.
- Rex reported a record Net Profit for the 2017/18 Financial year and an improved result for the first half of the current financial year (see links below).

http://rex.com.au/MediaRelease/Files/546_MR20180829-RexReleasesFY1718Results.pdf

http://rex.com.au/MediaRelease/Files/568_MR20190227-RexReleases1HFY1819Results.pdf

Yours sincerely

Scott McKenzie
MANAGER COUNCIL ENTERPRISES