Regional Express response to National Competition Council request for further information
Virgin Blue application for declaration of services at Sydney Airport

1. How important in terms of revenue/profit is the carriage of air freight to your business? Would it be commercially rational for a regional carrier to operate a passenger only service without offering freight transport services? Are there any regional operators that do so?

The carriage of air freight provides supplementary revenue to a regional airline. Whilst passenger revenue is of prime importance, freight revenue provides additional revenue necessary for a successful regional airline. It would not be commercially rational for a regional carrier to provide passenger only services, and Rex is not aware of any that do so.

2. To what extent are your freight operations distinct to and/or integrated with your domestic passenger services in an operational sense? To what extent are operational decisions such as scheduling determined by freight as opposed to domestic passenger requirements? Would it be fair to say that most operational decisions are based on passenger requirements with freight a secondary consideration?

Rex freight operations are contracted to a third party freight specialist organisation, which co-ordinates operationally with the airline’s passenger and baggage services. Operational decisions such as scheduling are determined primarily on passenger requirements, with freight requirements being secondary.

3. What factors are taken into account in determining specific aircraft scheduling and timetabling for different seasons? How often are schedules (ie. routes, timetables and the allocation of specific aircraft types to provide a service) altered once a season is set? What are the main reasons for such alterations? For example, what price/yield increase would be needed on a particular route before a decision to add/remove services or change aircraft type on that route would be made?

Factors such as historical seasonal demand, competitor analysis, route growth, market conditions and economic conditions (both domestically and overseas) are taken into account when determining aircraft scheduling for different seasons. Once a season is set, alterations to capacity are made on a limited basis, usually for reasons of special demand due to events, holidays, unplanned matters (eg bushfires, floods), maintenance requirements, and passenger demand fluctuations. Every route is measured on a monthly basis to monitor profitability, with key factors such as load factor, yield, schedule and operating costs being of greatest importance. A significant shift in any of these factors (say 10-20%) would warrant a review of aircraft type, price or schedule.

4. To what extent are aircraft currently redeployed between different domestic routes as demand conditions vary? What (if any) are the impediments to such redeployment? Can all types of aircraft be readily redeployed between different domestic routes? If not, please explain why.

On the Rex network such redeployments are limited, due to the nature of our route structure and size of the markets we serve. Nevertheless redeployments do occur, mostly in times of peak demand. Impediments include aircraft and crew availability, CASA issues such as route endorsement for crew and competing demands within our network. All types can be redeployed as long as crew are endorsed on the route, airport runways and parking is suitable for the aircraft type and ground handling is available for the aircraft type.
5. To what extent is the operation of a regional and/or national network necessary for a carrier’s commercial viability?

The operation of a network allows an airline to achieve a greater market awareness and penetration, to maximise utilisation of its fleet and crew, to offer multi destinations and connections, and to amortise expenditure over a larger route network. Whilst it is not unknown for an airline to operate a small route network successfully, it is more usual for an airline to operate a reasonable-sized network in a commercially successful manner.

6. To what extent is wet leasing (or other such arrangements) used to add services on routes as opposed to diverting aircraft otherwise used on other routes? How quickly and easily can aircraft be wet leased?

Wet leasing or similar arrangements are used sparingly as they are difficult to arrange in terms of locating available aircraft and crew so they therefore take a considerable amount of time to organise and implement (several months). This method would be used for a significant requirement such as a new route, retraining needs or aircraft shortage in the short term.

7. To what extent is the position of Qantas as a dominant domestic carrier a barrier to entry for new carriers or expansion of existing carriers?

Qantas’ position in the domestic market is an enormous barrier to entry or expansion as Qantas has a dominant position over routes, aircraft availability, corporate and government business, travel agent distribution networks, leisure travel, marketing and brand awareness, network size and connections (regional, domestic and international) and pricing/yield management.

8. How important is access to slots and facilities (including terminals) other than those specifically required to provide the aeronautical services to airlines wishing to expand or start up new services to and from Sydney Airport? How difficult is it to get access to these facilities? Are any of these facilities currently or likely to be capacity constrained?

The availability of slots and terminals is absolutely crucial to an airline. Without them, there is no operation. Obtaining slots is difficult at certain peaks, whilst terminal access is difficult at some airports. This depends on available space and the price of those facilities. There are capacity constraints in terms of check-in counters, departure gates, baggage facilities, offices, customer lounges and aircraft parking at this time.

9. DOTARS suggests that Sydney Airport may be slot capacity constrained at some time from 2006/7 to 2010/11. Does this accord with your expectations? How does this expectation affect your future operating plans?

We agree with this assessment in terms of significant slot capacity constraint, however it should be noted that in certain peak periods, slot capacity constraints already exist.

Michael Jones
Chief Executive Officer