



14 June 2024

Senator The Hon Matthew Canavan
Via Committee Secretary
Rural and Regional Affairs and Transport References Committee
PO Box 6100, Parliament House
Canberra ACT 2600

Dear Senator Canavan,

RE: Airline Passenger Protections (Pay on Delay) Bill 2024

Rex Airlines (Rex) welcomes the opportunity to make a submission in response to the Committee's Inquiry into the *Airline Passenger Protections (Pay on Delay) Bill 2024*.

Rex is Australia's largest independent airline with a history dating back to 1953. Rex has decades of experience providing essential regional air services and commenced domestic operations with Boeing 737-800NG aircraft in March 2021.

The Rex Group also comprises wholly owned subsidiaries Pel-Air Aviation (State Government aeromedical and charter operator), the Australian Airline Pilot Academy with campuses in Wagga Wagga and Ballarat; and Australian Aero Propeller Maintenance (AAPM).

REX has been a publicly listed company on the ASX since 2005.

From October 2022, Rex also became a 50 per cent shareholder of National Jet Express (NJE), a premier Fly-In-Fly-Out (FIFO), charter and freight operator, with hubs in Perth, Adelaide and Brisbane.

In regards to consumer protections in aviation, Rex has focused on three areas:

1. Ensuring our services are reliable with strong on-time performance (OTP) and low cancellation rates;
2. Upholding our obligations to consumers under the Australian Consumer Law; and
3. Ensuring Rex provides consumers with a fit-for-purpose travel insurance product through its third-party provider.

Relevant to point one, Rex has achieved the highest departure OTP of any Australian carrier for three of the past four years (Rex was second in FY23).

During the same period, Rex had the lowest cancellation rate and in the current FY24 (YTD) Rex's cancellation rate is almost five times lower than Virgin Australia and less than half of Qantas.

As a long established regional airline, service reliability is in our DNA and we deeply understand that we are selling time to our customers.

Rex has been awarded the prestigious Australian Aviation Airline of the Year Award for the last two years as a consequence of its efforts to strengthen Australia's passenger and freight movements across the nation.

Members of the Rex Group



It is worth noting that the performance of Airservices Australia, which was singled out for criticism in Senate Estimates in February this year, should also be considered by the Committee if recommending any sector change.

Ongoing operational disruptions at the government agency has resulted in a cascading effect of flight delays and cancellations across the country.

Unplanned absences and staff shortages have on multiple occasions resulted in operational disruptions at airports, restricting take-offs and landings.

In December 2023, one in six delayed flights in Australia was directly attributable to controller shortages.

As the Shadow Minister for Infrastructure, Transport and Regional Development Senator Bridget McKenzie duly noted:

“Poor accountability and management of Airservices Australia is failing to provide travelling Australians with a safer, more affordable, and reliable aviation system.”

In regards to point two, the Australian Consumer Law (ACL) as set out by the *Competition and Consumer Act 2010 (Cth)* legislates rights and guarantees for consumers. Rex has always acted in accordance with these guarantees.

During the COVID-19 pandemic, Rex was proactive in ensuring timely refunds for customers and set up an online refund portal, which efficiently processed refunds within seven days.

Rex also offers its customers a “Trip Protect Travel Insurance” product, which covers trip cancellation, delays, amendments; and loss of baggage, valuables and travel documents.

This third-party product offering is available for purchase during the Rex flight booking process, and the premium is added to the total cost of a Rex booking.

It covers costs that a passenger may incur in the event they voluntarily cancel, curtail or change a trip due to unforeseen circumstances including weather, death, illness or injury.

Coverage includes additional hotel accommodation (room only) up to AUD \$200, if the Rex flight is delayed more than six hours.

Rex could not afford to pay customers for delays on regional routes as its margins are too small. The provision of regional air services is challenging for a number of unique reasons.

For example, nearly all regional airports do not have licensed aircraft maintenance engineers on site. If an aircraft has a technical issue, Rex must organize engineers from a metropolitan hub, in addition to a recovery flight to get passengers to their final destination.

The cost of such disruptions must be absorbed by Rex. Similarly, the airline cannot afford to compensate for hotel accommodation because, in most instances one hotel room costs more than the ticket. Rex recommends travel insurance is purchased to cover for any unexpected contingencies. Rex will always act in accordance with its Conditions of Carriage and its consumer guarantee when it comes to consideration for compensation.

Rex does not agree with the airline industry being singled out from other modes of transport (including rail and bus). Rex also disagrees with being penalised for the poor performance of other airlines. Any additional layers of administration and cost is of concern to Rex.

The industry is continuing to grapple with a number of post pandemic issues including skilled labour shortages, particularly amongst pilots and engineers; and dislocated supply chains. These issues will not disappear with the introduction of “pay on delay” fines. All airlines are self-motivated to improve OTP and lower cancellation rates, and inroads have been made.

Customer compensation is not a magic bullet. It cannot undo the external factors unique to aviation. Governments must work with industry, not hobble it with further costs and red tape.

Rex has provided a number of briefings to the Department of Infrastructure, Transport, Regional Development, Communication and the Arts, relating to the significant skilled labour shortages and supply chain issues. The Federal Government should therefore have a good understanding as to the key factors that have impacted on-time performance across the aviation sector.

Rex would encourage the Federal Government to work with industry to collectively improve the harsh operating conditions as opposed to penalising the industry with a “pay on delay” measure that is not going to fix the core issues.