



3 October 2023

Committee Chair
c/o Antony Paul, Principle Research Officer
Senate Select Committee on Commonwealth Bilateral Air Service Agreements

Dear Committee Chair

TESTIMONY GIVEN AT THE SENATE ENQUIRY

As a publicly listed company, Rex has the obligation to set the record straight whenever lies, half-truths and misrepresentations are publicly made concerning it.

We are therefore calling out on the lies and half-truths made by the most senior representatives of the lying kangaroo in their testimony before the committee on the 27th September 2023.

1. ***“Qantas is the most reliable airline”***

Qantas has repeatedly perpetuated this lie for over 6 months by both the former and current leadership. The fact of the matter is that in FY 23, Rex leads Qantas Group and the rest of the pack by a country mile for On Time Departures, and Qantas Group's cancellation rate is 100% higher than the Rex's Group as the following table will show. This trend is confirmed by the latest results for the month of August 23 published by BITRE.

The Rex Group has as many flights as Jetstar and yet Qantas selectively ignores Rex's results when it does not suit its narrative.

	FY 23		AUG 23	
	On Time Departures	Cancellation Rates	On Time Departures	Cancellation Rates
Rex Group	74.7%	1.9%	80.0%	1.8%
Qantas Group	69.1%	4.3%	73.8%	3.7%
Virgin Group	67.4%	3.5%	68.8%	4.9%

2. “Rex has 108 slots at Sydney Airport and has all the slots it wanted”

Rex has not been allocated all the slots it applied for and had to go through a lot of gymnastics to obtain the scraps of slots, most of which were salvaged from the international pool due to the foreign carriers not being at full force yet.

Rex's 100 slots in the legislated peak hours of Sydney Airport means it has only 20 peak slots a day (on weekdays) out of the 800 daily peak slots available, the equivalent of only 10 return trips out of Sydney.

This explains why Rex has only two 737-800NG aircraft based in Sydney, of its 9 aircraft in total, and 5 aircraft based in Melbourne, when we should have at least 4 aircraft based in Sydney based on the commercial demand patterns.

Qantas on the other hand blatantly games the system and squats on slots. By its own admission (see attached media release), Qantas is about at 90% pre-COVID capacity and yet squats on 110% of the pre-COVID allotment, thereby wasting 20% of the slots and illicitly preventing competition – both domestic and international. One does not need to be Einstein to understand why Qantas' cancellations in Sydney are through the roof and higher than its already-high national average.

3. “Fares have decreased since Qantas entered a route”

Qantas would not have an idea of what were the average fares before their entry into a route and this is another myth that Qantas likes to propagate to justify its predatory behavior. Rex has close to 20 years of data on the average fares of most of the routes that Qantas entered in a predatory manner and we have concrete evidence that the average fares have gone up in almost all instances, some as much as 25-30%.

4. “ACCC did not find a shred of evidence of wrong doing with regard to Qantas anti-competitive behavior”

This is a complete misrepresentation of the actual findings of the ACCC. The ACCC closed its investigation of Qantas because factors like COVID-19 complicated their investigation.

The ACCC indicated, in its June 22 monitoring report, that a range of factors impacted the competitive dynamics of the market at the time, particularly COVID-19 restrictions and border closures. The ACCC also indicated that with a lessened COVID-19 impact it would now be simpler to evaluate the impact of any future capacity increases or pricing practices by airlines in response to competition. The ACCC also indicated that it would continue to pay close attention to Qantas.

Members of the Rex Group



Having the waters muddied by COVID-19 and not being confident of a criminal conviction in court is not the same as saying that there is not a single piece of evidence of wrong doing.

Yours Sincerely,

Neville Howell
Director and COO

Members of the Rex Group



Qantas Responds

QANTAS RESPONSE ON SYDNEY SLOTS DEBATE

Published on 31st July 2023

Qantas completely rejects the notion that it is “hoarding” slots at Sydney, as the airport has wrongly claimed.

In a rule that is common throughout the world, airlines at Sydney Airport are required to operate at least 80 per cent of their allocated slots in order to keep them. Qantas is operating over 90 per cent of its allocated slots, meaning it's well above threshold levels.

The independent manager of the Sydney slot system returned 99 per cent of Qantas' slots in the most recent completed season. This says two things: that we use our slots and, when we don't, we lose them.

Sydney Airport is clearly frustrated at airline cancellations because it means lost revenue for them. (It typically means the same for Qantas, as well as significant costs that are paid regardless.)

It's worth noting that Qantas (which has its main operational hub in Sydney) has had the highest level of on time performance of the major domestic airlines for 10 months in a row, and the lowest level of cancellations nationally for the past 12 months.

The main driver of cancellations at Sydney isn't Qantas. It's chiefly weather and, to some degree, air traffic control staffing shortages. In June alone, a combination of these factors reduced the capacity at Sydney Airport on 17 out of 30 days, which caused significant delays and cancellations.

Sydney Airport is legislated to have a maximum number of movements (meaning, takeoffs and landings) per hour. Due to weather and, since

COVID, air traffic control staffing shortages, the real-world figure is well below this. For instance, the maximum arrivals rate is 50 per hour¹ but so far this calendar year, it has averaged just 38.

This is a challenge for the industry as a whole, especially with climate change likely to increase the amount of extreme weather, and it calls for a more cooperative approach to fix it.

The Qantas Group broadly supports the recommendations of the Harris Review, most of which are aimed at increasing the efficiency of the airport. That is in the best interests of the industry and the travelling public, because it will ultimately reduce delays and costs.

CANCELLATIONS ON KEY DOMESTIC ROUTES

Sydney Airport argues that delays and cancellations on high volume domestic routes, like Sydney to Melbourne, are hurting the travelling public. However, the reality is the exact opposite.

When bad weather means fewer flights can take off and land, cancelling services on high-frequency routes like Sydney-Melbourne causes less disruption than cancelling services on routes with far fewer flights a day, like Sydney-Cairns.

For instance, passengers flying from Melbourne to Sydney can be reaccommodated much more easily (typically within an hour or two, simply because services are more frequent), compared to routes with less frequency (which, if cancelled, could result in a much longer delay).

While we try hard to avoid any delay or cancellation, our next priority is to minimise the total impact on passengers as much as possible, and we think this is something most people would appreciate.

DOMESTIC VS INTERNATIONAL

Sydney Airport recently said: “If incumbent airlines have decided to fly less between key domestic markets, then they should relinquish slots to domestic and international carriers who want to operate out of Sydney Airport and provide more choice for customers.”

The Qantas Group’s domestic capacity out of Sydney Airport is approximately at pre-COVID levels. But there’s a simple reason Sydney

Airport wants more international flights that has nothing to do with customer choice.

Passengers flying internationally typically spend more time in the terminal, are more likely to eat and drink there and might also buy some duty free – all things that drive significant revenue for Sydney Airport.

Aircraft that operate international flights tend to be larger. The same slot that can be used by an aircraft with under 100 seats is worth a lot more to Sydney Airport if it is instead used by a 450 seat A380, because their revenue is largely built on a per passenger basis.

There's nothing wrong with Sydney Airport looking for ways to legitimately increase its revenue, but it shouldn't try to nudge domestic carriers out of legitimately held slots in the process.

COMMENTS FROM QANTAS DOMESTIC CEO, ANDREW DAVID

"The claim that Qantas is hoarding slots at Sydney Airport is simply wrong.

"It's a use it or lose it system with a buffer for operational issues that you'd expect when you're getting planes in the sky with all sorts of weather and runway restrictions, and that's no different from many airports around the world.

"There does seem to be some misdirected frustration from Sydney Airport because they wish the system was different and they could unlock more revenue. We understand that, but we're not sure demonising your biggest customer is the way to go about it.

"We'd much prefer to work cooperatively with Sydney Airport on this, especially after what the whole industry has been through over the past few years.

"We support reform of the slot system to deal with the biggest issue all users face, which is the time lost to weather delays. No one controls the weather and the current constraints on Sydney means it's hard to catch up. That drives delays and cancellations and means it's less efficient for all carriers than it could be."

1 Total arrivals and departures per hour is limited to a combined total of 80 movements.

