

REX IN STRONG POSITION TO WITHSTAND WEAK ECONOMY

News / Airlines



Regional Express (Rex) deputy chairman John Sharp says the airline is in a **strong position to withstand** the current weakness in the national economy.

However, other regional operators may not be so fortunate.

“The Australian economy, reflecting the worldwide one, continues to be weak and this will prolong the crisis affecting regional aviation,” Sharp told shareholders at Rex’s annual general meeting in Sydney on Friday in prepared remarks.

“Rex has the wherewithal to see through this downturn but weaker operators may fail as we saw this year with Skytrans and no doubt others in the coming months ahead.

“This leaves the path clear for Rex to consolidate its position and capitalise on the opportunities.

Sharp said he was confident Rex would “emerge stronger when the recovery comes.”

In November, the Western Australian government named Rex as the preferred tenderer for two regulated air routes – Perth-Albany and Perth-Esperance. Rex was expected to commence services in February 2016, replacing Virgin Australia on the two routes. Virgin decided not to rebid for the two routes, which it served with Fokker 50 aircraft, citing large losses.

The two regulated services will be Rex's first services in WA and set the scene for potential further expansion in the state.

"This foray into WA is significant not only because the two routes alone would increase our passenger numbers by more than 10 per cent but also because it gives us a solid base to build up a strong regional presence in the very vast territory of WA which is ideally suited for regional aviation," Sharp said.

"This reminds us of our beginnings in Queensland five years ago when we similarly started with two regulated routes servicing seven ports. Today Rex flies to 24 ports in Queensland."

The company said it expected the falling Australian dollar would increase engineering costs, while a weaker Australian economy has depressed demand for air travel.

On a positive note, Rex would continue to benefit from a lower fuel prices, as well as its recent expansion into Queensland and upcoming entry into WA. Further, the airline's pilot training academy was benefitting from world demand for pilot training.

As it did at Rex's full year results presentation in August, the company declined to offer company guidance given the "net outcome of headwinds and tailwinds is uncertain".

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