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Rex profit down on higher fuel costs

Rural areas airline Regional Express Holdings Ltd has reported a 10.4 per cent fall in first half profit, due to rising fuel costs and pilot shortages.

Net profit fell to \$10.3 million in the six months ended December 31, from \$11.5 million in the previous corresponding period.

Revenue rose 23.5 per cent to \$128.9 million in the half year, the number of passengers carried rose 9.8 per cent to 772,837.

Rex said its profit was hurt by fuel costs, flight changes due to pilot shortages and the cancellation of its services between Olympic Dam and Adelaide in South Australia.

"Fuel unit costs increased 23 per cent in November and December, leading to an increase in total spending on fuel by \$1.4 million," Rex said.

There was also a one-off increase in engineering cost of \$3 million, as a result of a clustering of major scheduled maintenance and weather-related maintenance.

"Acute pilot shortages, with a 60 per cent annualised attrition rate resulted in an increased number of flight cancellations, route suspensions and service disruptions," Rex said.

"Consequently, there was also increased recruitment and training costs."

Rex also carried start-up costs of a pilot academy in Victoria.

The total cost of these additional expenses are estimated to be about \$1 million.

Rex lost a contract with BHP Billiton to supply the Olympic Dam services to another carrier.

"The loss of the Olympic Dam service resulted in a reduction of overall network yield as the redeployed activity and new routes will not immediately achieve the same yields," Rex said.

The airline also suffered temporary suspensions and reductions in services on some routes due to the pilot shortage.

Rex did not declare a dividend.

Its shares were down two cents to \$1.20 by 1141 AEDT on Wednesday.