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## **Rex profit down as costs soar**

NET profit at Regional Express has fallen more than 10 per cent for the six months to December 31 and is expected to remain flat for the financial year as the airline continues to grapple with higher costs and a pilot shortage.

The airline was hit by increased fuel, maintenance and recruitment costs as well as cancellations and suspensions on some routes.

Its first-half net profit fell to \$10.4 million from \$11.5 million a year ago, despite a 5.6 per cent rise in passenger revenue to \$106.2 million and a 23.5 per cent increase in total revenue to \$128.9 million.

Fuel costs rose 29.2 per cent to \$21.7 million, while other expenses rose 29.3 per cent to \$93.6 million.

The airline said the lacklustre result was due to "the combined effect of the record fuel prices, high attrition rates of pilots, flight cancellations and suspension of some routes and one-off engineering expenses".

It said total fuel spend increased by \$1.4 million compared to the first half of the 2007 financial year and prompted an increase in the fuel levy.

"Rex engineering costs also saw an increase from \$10.4 million to \$13.3 million due to the clustering of major scheduled maintenance in the period, increased maintenance due to the harsh winter as well as additional cost associated with bringing five additional aircraft into service," acting managing director Jim Davis said in the director's report.

But, Mr Davis said, "an exceptionally high level of recruitment of Rex pilots by major Australian airlines" dominated the period.

He said this resulted in an increased number of flight cancellations, route suspensions and deterioration in the on-time performance of the airline.

The suspensions included the airline's short-lived attempt to fly between Brisbane and Maryborough, which began in October and was suspended in November.

Rex estimates its attrition rate at 60 per cent on an annualised basis.

The major airlines have denied they are actively poaching Rex pilots, and the Australian Federation of Air Pilots says staff are leaving because of dissatisfaction with pay and conditions.

Mr Davis said measures taken to combat the pilot shortage included significantly increased recruitment, removing marginal flying activity and starting a cadet scheme.

"These measures have allowed for a steady recovery in required pilot numbers from a low halfway through the period," he said.

"In conjunction with the cadet scheme, Rex has started its own airline pilot academy at Mangalore Airport in Victoria as a stand-alone business venture to help supply the massive worldwide demand for airline pilots as well as train its own cadets.

"It is expected that the first year of operation will produce 80 pilots for Rex and thereafter the academy should be able to produce an additional 100 pilots for other airlines."

Despite the pilot problems, the airline continued to add aircraft.

The introduction of five Saab 340B-Plus has brought its fleet to 37 aircraft.