



Media release

Open Letter to the Deputy Prime Minister from Regional Airlines

Thursday 26th March 2020

Dear Deputy Prime Minister

THE LOOMING DEMISE OF REGIONAL AVIATION IN AUSTRALIA

The undersigned are compelled to make a united plea for the Federal Government to provide urgent financial assistance to regional airline operators in the face of the present COVID-19 crisis.

The Federal Government's imposition of air travel restrictions and lock-downs by several states as part of its COVID-19 containment strategy has resulted in airlines being left with little option but to suspend all or nearly all of their scheduled regular passenger transport (RPT) flights. Further travel bans may result in complete cancellation of these remaining flights along with any air-charter operations.

The containment strategy has had a devastating impact on the revenue of all airlines but in particular for smaller regional airlines with lower capital reserves. Unlike the major carriers our companies are generally privately or family-owned. The current funding crisis facing our companies results not from mis-management but as a direct result of government policy to restrict travel. The priority to save lives is important but so too is the protection of businesses and the economy generally. It is galling that our viable companies, typically having been built up over a period of many years, face imminent closure under circumstances they had no control over.

We are aware many airlines have sought financial assistance from Federal or state governments. Respectfully, the response from the Federal Government to date has been largely misdirected. The \$715m aviation industry support package announced last week was welcomed but is based around the waiver of certain aviation charges and its promised financial support will very likely remain largely unallocated, given the savings only accrue when flights are made and that since the package was announced flights are now at a virtual standstill. For regional airlines, in particular, this money needs to be immediately redirected in order to provide more immediate and targeted financial relief. This will achieve the Government's stated aim of assisting to future-proof regional aviation. Without this immediate assistance Australia will likely see the demise of regional airline services. It is worth remembering that it is the smaller to mid-size companies that offer much needed air services to regional communities throughout Australia servicing routes unattractive to the major airlines. The risks are high and the margins small.

Any funding or saving measures for regional aviation in the \$1b "Economic Response to the Coronavirus/assistance for severely affected regions and sectors" package announced is extremely limited and even then, not available for some months. Moreover whilst the package potentially offers some support for aviation companies still able to operate aircraft, there is little support for operators where their aircraft – their primary income earning asset, is grounded. The measures also seem to take "a one size fits all approach" in seeking to offer the same quantum of benefits irrespective of the size of the business and its capital requirements. The industry certainly has little faith that the Government will address these funding shortcomings when they carry out their consideration of "new mechanisms" for allocation of the funds.



The Government, while repeatedly proclaiming the importance of protecting regional aviation as a vital resource for growing the economy appears, instead, to have wiped its hand of the industry at what is its most critical time. If existing operators are not protected until such time as the COVID-19 crisis resolves, restoration of regional air travel services is highly doubtful given the significant regulatory and system development barriers making entry by new operators exceedingly difficult. We cannot stress too highly the distinction between small businesses, such as say the hospitality industry, temporarily closing their activities and then re-opening and the suspension of an airline operation and the myriad CASA regulatory demands to be met before its re-opening. It is this difference that needs to be recognized by Government.

What is urgently needed is meaningful and substantial support, fairly distributed, in which the Government temporarily underwrites the smaller to mid-size airline operators until such time as normal demand returns. We note QANTAS has been able to obtain relief by borrowing against the security of its aircraft. Unfortunately, a similar approach to banks by smaller airlines is largely not practical as in the current climate, banks are now reluctant to allow increased borrowings against the security of rapidly diminishing (albeit temporary) aircraft valuations.

The financial survival of our companies can be counted in days rather than weeks. The continuing existence of jobs for the many thousands of employees engaged directly or indirectly by our companies are now in jeopardy.

Given the urgency of the situation we call upon government to offer our companies a lifeline. We request reconsideration of the design of its current aviation assistance packages to allow them to provide more tangible aid to a vital air transport sector struggling to cope. Representatives of our companies are available to discuss this matter with you today and to offer some suggestions as to the specific kinds of assistance sought. Announcement of the planned introduction of such measures needs to be made by tomorrow.

Yours sincerely,

AIRLINK AIRLINES

AVIAIR

ALLIANCE AIRLINES

CHARTAIR

FLY CORPORATE

FLY PELICAN

HARDY AVIATION

SHARP AIRLINES

Ends.

Further information

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About FlyPelican

- > FlyPelican is Newcastle's local airline with its headquarters based at Newcastle Airport.
- > FlyPelican is a privately-owned Newcastle company.
- > FlyPelican has been successfully operating regular passenger services for 5 years, with a fleet of British Aerospace Jetstream 32 aircraft.
- > FlyPelican operates up to 120 scheduled flights per week with services from Newcastle, Canberra, Sydney, Dubbo, Ballina (Byron Bay), Cobar, Mudgee and Taree.
- > FlyPelican holds a 100% safety record throughout the whole network, with a current on-time performance over 5 years at 90%.