



Shadow Minister for Infrastructure, Transport and Regional Development

Mr Grant Hehir
Auditor General
By email: grant.hehir@anao.gov.au

28 July 2020

Dear Auditor General

Thank you for your letter of 24 July 2020 advising me that you have finalised the 2020-21 Annual Audit Work Program (AAWP).

I was pleased to read that the final AAWP will include Administration of the Drought Communities Program and Drought Communities Program Extension and the Design and Delivery of the Building Better Regions Fund. I am also pleased that the AAWP will also include a potential audit on the Administration of the Urban Congestion Fund, and that you also intend to undertake further consideration of COVID-19 related topics as the Government response to this pandemic is implemented.

In this regard I write now to draw your attention to the Government's response to the situation facing the aviation sector as a result of the pandemic. As I am sure you are aware, the aviation sector has been hit very hard by the movement restrictions put in place as part of the COVID-19 response. However, the Government's response has been patchy and inconsistent in its application. I draw your attention to the Regional Airlines Funding Assistance program.

In March and early April 2020 as the pandemic restrictions rapidly hit the aviation sector, the Government rejected repeated requests for financial assistance (in the form of a loan or equity stake) from Virgin Australia on the basis that it was a majority foreign owned airline. However, on 28 March the Government made available funding support for regional airlines, including majority foreign-owned Regional Express, and made an untied cash grant of \$54 million available to this airline under the Regional Airlines Funding Assistance Program.

The Government's description of the Regional Airlines Funding Assistance program was that "The funding is a 'last resort' option when a range of other strategies to manage an airline's financial position have been undertaken." However, following receipt of the grant, Regional Express Airlines announced plans to raise additional capital to expand its operations into capital city routes. This announcement suggests that all funding options were not explored prior to the Government providing the \$54 million grant. I therefore believe that the design and administration of this program needs to be examined.

Yours sincerely

A handwritten signature in blue ink that reads "Catherine King".

Catherine King MP