

AIR SERVICES FOR REGIONAL WESTERN AUSTRALIA

Motion

MR SWEETMAN (Ningaloo) [4.00 pm]: I move -

That the Government take immediate action to ensure the reinstatement of essential air services for regional Western Australia.

In speaking to the motion I will cover recent history, the current circumstances in much of regional Western Australia and what I believe is a reasonable deal that may ease some of the concerns in the short term. Six months ago it was clear that Ansett Australia was not travelling well. A number of people from regional Western Australia and I have met on a regular basis over the past three or four years with Skywest Airlines to try to upgrade services to the Gascoyne region. The talks were not fruitful and we entered into dialogue with QantasLink Pty Ltd. We negotiated with Grant Pittman and tried to get additional air services into Carnarvon, Monkey Mia and Exmouth. It was not successful. Qantas had to match up with some fairly aggressive players on the east coast in the form of Impulse Airlines and Virgin Blue Airlines. They had to make some adjustments to ensure that they did not lose market share on their high volume air routes on the east coast. They were successful but, unfortunately, Ansett was not successful. The new players in the market, particularly Virgin Blue, stole the lion's share of the traffic on the high volume routes on which Ansett was making good money. Ansett is a monument to how air services were run 20 to 30 years ago and, to some extent, how Governments ran services. There was genuine cross-subsidisation. That entailed profitable route subsidising, marginal or loss-making routes but, at the end of the day, a profit was made and the community was supplied with a basic service. As has been said previously, air services to regional Australia need to be seen as an essential service. For obvious reasons, Ansett was unable to grant Skywest Airlines Pty Ltd any additional money to expand its business although Skywest has been a very profitable airline over the time it has been operating its traditional routes. It is obvious that money has been taken by Ansett and invested elsewhere. That is upsetting to previous managers of Skywest. That is the reason that Bob Mason retired from Skywest about three years ago. He was replaced by Bill Jaunsey, who has now left the airline and been replaced by David Fletcher. Mr Fletcher brought some grand plans and vision to the airline; he was very keen to expand the airline. It may seem, as a consequence of this motion, that I am here to bat exclusively for Skywest. I am here to argue on behalf of all regional Western Australians for the reinstatement of essential air services to their areas - exactly as per the motion. That includes Skywest services, but it also includes many Ansett planes that are sitting idle. Crews and pilots are available. If the Government and the administrator had the will to get the planes back in the air, I am sure that outcome could be achieved in a very short time.

The planes standing idle could be "wet leased" to Qantas, Virgin Blue, Emirates or other airlines to provide services to areas such as those that include the member for Pilbara's home town of Port Hedland as well as Kalgoorlie, Broome, Derby and Kununurra. That could be achieved if the Government had a mind to do it. In the case of Skywest, my research supports the proposition that a deal could be done if the Government were willing to negotiate.

Prior to the calamity of last Tuesday night, I met with the new manager of Skywest and also spoke to the manager of QantasLink. I was happy with the way the meetings went. We were encouraged that Skywest wanted to develop its business if it had the opportunity to do so and if it were allowed to trade on. We were happy with the position of QantasLink, as it was in direct negotiation with Ansett. I am not sure whether I am divulging a confidence, but Qantas expected to have done a deal by Friday. It did not know that the dreadful hour for foreclosure would be midnight on Thursday night. Qantas gave a lot of people the expectation that it would be flying planes into the areas normally serviced by Skywest as early as Friday. I arrived at the airport from Parliament last Thursday afternoon, and was told categorically by the Skywest staff that no deal had been done. As far as they knew, they would be providing a service to their normal destinations on Friday.

Ms MacTiernan: Was that Qantas?

Mr SWEETMAN: Qantas told me that previously and I was told by Skywest on Thursday afternoon that, as far as it knew, it would be providing the same service the next day. I realised that a deal had not been brokered. I have since discovered that the negotiations on that Thursday broke down. I do not know whether that meant that Qantas would do a deal with Ansett to fly Skywest planes on Friday or whether it would be in direct competition with Skywest by Friday. I cannot find that out. The events that unfolded from midnight on Thursday spoke for themselves. After being bombarded by a number of calls, I conducted an investigation of my own to work out what was needed to get services back to regional Western Australia on an interim basis, particularly to those areas in which Ansett or Skywest was the only carrier. Later that morning I rang the office of the Minister for

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Planning and Infrastructure, as I wanted to speak to her desperately to offer bipartisan support for what was clearly going to be a huge issue for the minister and the Government to deal with. I thought that was a reasonable thing to do. I did not want to run to the media with fancy press releases saying that the Government ought to do something about it. I genuinely wanted to assist the minister and the Government to sort out the problem. As I told the minister's staff, I would have been very happy to speak to her and give whatever information I had that would help her deliberate on the deals and propositions being put to her. I waited and was told that I would receive a call from either the minister or a member of her staff. It did not happen.

Ms MacTiernan: I am sorry; we were a little bit busy.

Mr SWEETMAN: I understand that but I thought someone in the minister's office would have condescended to call the opposition spokesman for regional transport, who was extending an olive branch and trying to help sort out the problem.

Mr McGowan: We tried to ring the member every day.

Mr SWEETMAN: I bet - I have enough lines.

I was satisfied early on Monday that the problem would be solved. Just to backtrack a little: there was an interrupted service to the Gascoyne region for one day until then. A deal agreed to by Qantas and Skippers Aviation Pty Ltd effectively provided transport into those areas that Skywest Airlines had previously serviced, on an interim basis. I could not work out from Qantas or Skippers whether they would provide an extended interim service. Clearly, they still expected to be able to do a deal with the administrator. Skywest also had an iron in the fire at that stage -

Ms MacTiernan: I do not honestly think that is correct. That certainly is not what was discussed in our many detailed discussions.

Mr SWEETMAN: Is the member referring to Qantas?

Ms MacTiernan: Yes. I do not think that was the game plan.

Mr SWEETMAN: My reading of the situation is that based on expectations that Qantas had signalled to the community, it intended to fly a regular service into the Skywest destinations. Qantas felt obligated to provide that service after Ansett Australia ceased operating. Qantas probably believed that it would do it only on a short-term basis until something more permanent was hatched. I understand that Qantas had backed the business propositions that Skywest had put to the administrator and to the Government to try to get Skywest back into the air.

I understood that Skywest required a fraction over \$3 million to become operational. That seems to be a consistent theme and an amount that several parties seem to substantiate and support. That must be an attractive proposal to the administrator. To get that airline back in the air is, of course, an attractive proposal to the regions and it should also be attractive to the Government. Skywest is not worth much money to anyone as an entity on the ground. The administrator is duty bound to realise as much as he can from the sale of Ansett's assets to satisfy the demands of the secured and unsecured creditors.

It makes good sense to put Skywest back in the air. Realising that Skywest is profitable, the deal was that the Government would - underwrite is probably the wrong word - bail out or underwrite Skywest. People's understandings of the definitions of those terms differ. Skywest wanted a revolving line of credit. It did not seek a gift or a grant; it wanted a line of credit that would enable it to trade on an interim basis. This deal would not involve Qantas taking ownership of Skywest on the day that the deal was done, neither would a prominent group of business people or the pilots. The pilots have their own views about the future of Skywest. I am sure that they are keen to ultimately own Skywest with other people. We are considering a proposal to get Skywest operational on an interim basis. The Government can easily achieve that by broking a deal with the administrator and by providing a line of credit that Skywest says it could repay in six months, although perhaps 12 months would be more realistic.

Mr Watson: On Saturday, I spoke to a man from Skywest who said that \$2 million was needed. When I spoke to him on the following Monday, he said that \$3 million was needed. What will be the figure next week?

Mr SWEETMAN: On Friday, the pilots' association told me that it wanted \$5 million. I am being careful in the way in which I back the Skywest proposal that has been put to the Government. The proposal that favours the pilots' position most is that they be assisted to buy the airline and that they be able to operate a franchise for three years to give them some protection on the traditional Skywest routes. I did not favour that position, and I told them so. My favoured position is to implement an interim arrangement that puts aeroplanes back in the air. The line of credit of \$3 million is simply a community service obligation. The Premier said that the Government was not a banker. The Government is involved with many community service obligations. If the federal

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Government is not providing a community banking role as defined by the Premier, I do not know what it is doing. The federal Government has set aside \$500 million to settle the issue of most of the Ansett workers' entitlements.

Mr Bradshaw: How much does it cost to run the metropolitan transport service?

Mr SWEETMAN: It costs between \$200 million and \$300 million. When the \$1.2 billion - or as you and I know, the \$1.5 billion - southern rail link is put in place, that figure will probably grow to \$400 million or \$500 million a year. Again, all Western Australians and the Government of the day will be the community bankers that underwrite that project to infinity. It is not in the Labor Party's platform or future objectives to put in place a fair regime that in any way recoups the cost of operating those metropolitan transport services.

Ms MacTiernan: What was that?

Dr Gallop: I heard him this morning; he is on about the metropolitan system.

Mr SWEETMAN: I am saying, Premier, that there is a subsidy on the recurrent operating costs of providing transport in the metropolitan area.

Ms MacTiernan: A huge subsidy is provided to the Avon link, even though only two people a day travel on it. A substantial subsidy is paid to the *Australind* and the *Prospector* and there is also a substantial cross-subsidisation from the metropolitan motorist to the country road user. All of that is fair. I do not think that you will find that the metropolitan people's benefits outweigh the benefits of the country people in that regard if the issue is considered globally.

Mr SWEETMAN: Not if one has a fairly vivid imagination. That is not how it works. My area does not have subsidised air services.

Ms MacTiernan: However, there are subsidised air services in Western Australia.

Mr SWEETMAN: The subsidy of those is minuscule in the scheme of things.

Ms MacTiernan: Taken in conjunction with the subsidies on rail, the coach system, the *Australind* and the *Prospector*, if you add those up -

Mr SWEETMAN: We are talking about regional Western Australia, not part of the urban sprawl.

Mr Birney: They do not know where regional Western Australia is.

Ms MacTiernan: Does Esperance not count as a regional area? Is not even our esteemed Leader of the National Party in a country region any more? Will this be reflected in your electoral package?

The ACTING SPEAKER (Mr Edwards): Order! The member for Ningaloo has the floor.

Mr SWEETMAN: I will conclude my remarks about my effort to achieve bipartisan support. After ringing the minister's office again on Monday, she returned my call on Tuesday morning. Unfortunately, that was after PricewaterhouseCoopers had resigned as the administrators of Ansett and were replaced by Arthur Andersen. I asked Kate Guthrie in the minister's office where we were working from now. Until we knew who the new administrator was, we had nothing to work with, and she agreed.

It took four days to get a call back from the minister's office. That reinforced just how irrelevant one can be in opposition. As a regional member of Parliament, for the next three and a half years I am all that electorate has and I have to make points on my constituents' behalf. It is beholden on the minister to listen to me on behalf of those people.

Ms MacTiernan: I am doing that. This is the forum to do that. You have a very different set of expectations than the previous Government's ministers delivered.

Mr SWEETMAN: It took four days to contact the minister about an urgent matter that concerned essential air services in regional Western Australia.

The deal would require \$3 million. Skywest put up a robust business case because it is profitable, which can be substantiated by the figures. I understand that the proposal it offered takes into account the historical data of travel over the past three or four years, and applies a discount. The discount also takes into account the current uncertainty, anxiety and trauma that people are still living with as a consequence of the dreadful events that occurred in America last week. The minister must understand that more than just that is playing on the minds of the people; financial and employment uncertainty is also playing on their minds.

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Ansett employees do not know what will happen to them. Some 16 000 employees have been made redundant from Ansett Australia-wide. If that figure were multiplied for others by two or three, some 40 000 or 50 000 other people would also be affected. People would have told the minister that, and I am sure that she would agree that that is the number of people likely to be affected by the collapse of Ansett. Between 60 000 and 70 000 people have been directly affected by the collapse of Ansett.

Skywest Airlines has asked the Government to look seriously at its robust business proposition, and it believes it can repay the money in six months. On Skywest's behalf, I suggest it would be reasonable to give it at least 12 months on a line of credit to enable it to continue to trade. Skywest has 30 000 bookings already in its system for the next 12 weeks, which is the cut-off point for bookings, which they have applied. Skywest has bookings for 6 300 people to fly in the next fortnight. Ansett Australia has received in excess of \$500 000 as payment for some of those 6 300 bookings. I do not want to tell Skywest what its obligation is to people who have bought tickets. However, Skywest's management has a view, which the union and the pilots support, that it should save face and honour all of those bookings. It is keen to honour without charge those bookings for which the money has been paid. That is a fine gesture, and if that is what Skywest chooses to do I do not think it will create any precedent for government.

I highlight that this is an interim arrangement. This is not selling the airline, or the Government buying it; this will give the administrator some room to move and some time in which he can work out where he is going in relation to the orderly disposal of Ansett's assets; and in the meantime it will give regional Western Australia a whole lot of comfort. This situation has similarities to the position in which John Howard and Peter Costello found the federal Government with the 1.5c a litre increase in fuel due to a CPI increase in February - conveniently, not long before our state election. We saw what happened when the federal Government steadfastly refused to listen and compromise. In the end there was such an overwhelming groundswell of public opinion the federal Government changed its mind and made a \$500 million plus concession to the people of Australia. However, by the time it was given it was not appreciated and people did not accord the federal Government much respect because it had to be dragged kicking and screaming to that decision.

The Minister for Planning and Infrastructure still has time to argue the case and persuade the Premier that this would not be a bailout; the Government would not be acting as banker. It would be a line of credit that would provide an interim arrangement for Skywest, its crews and other employees, and for the travelling public. More than anything else it would be a sign to Western Australia that the Government was trying to get things back to normal after the cataclysmic events of the past week or so. People are uneasy. I do not know whether the minister has spoken with Hon Tom Stephens since his return from selling the budget up north in the past week or so. We chatted a bit last weekend at the Carnarvon Cup. Although we remarked on what a great occasion the Carnarvon Cup was and that it was the biggest crowd ever, I saw the event for what it was - a circuit breaker. I have never seen so many people attend the Carnarvon Cup. People wanted to get out, to socialise and mix with other people. Many of them were not racing people. I was staggered. I am the patron of the Carnarvon Race Club, so I have a fair idea of the people we generally attract to the races and to the Carnarvon Cup. I have been going to this event now for 20 years. It was an extraordinary event. Hon Tom Stephens commented on what a great event it was and how packed the racecourse was. The celebrations continued into the night. People want to get their lives back to normal. People need the comfort of reinstating an essential service, particularly to areas that were serviced by a single airline until the collapse of Ansett. People need a demonstration of sympathy, instead of the Government coming across as mean-spirited and uncaring. Do members opposite recall when they used to say that about the coalition Government?

Dr Gallop: We are offering extra support. What are you on about?

Mr SWEETMAN: The Government is offering moral support and is talking up the airline; that is meaningless. The Government has got to get its hands dirty. It has to talk to people who can give it good advice. Even if the Government chooses for political reasons to disregard everything that I have said, it should listen to people who know what they are talking about. I am out there. People are relaying to me clearly and precisely - often in an intimate way - the way they are feeling and hurting in the current circumstances.

I refer to the interim arrangement between Skippers Aviation and Qantas Airways to service Skywest destinations. I do not know whether the Government is aware that Skippers-Qantas has now won the contract to fly to Leinster and Mount Keith. Skippers will have fewer planes to fly in a week or two. That is another reason it may need to withdraw the interim arrangement it is currently providing.

Ms MacTiernan: Skippers was already doing a lot of the work on contract for Skywest, so I do not see how that will change.

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Mr SWEETMAN: Qantas and Skippers have planes that are surplus to requirements that they are currently flying into what were traditionally Skywest destinations. It will have to marshal those to the contract work that it is obligated to undertake.

Ms MacTiernan: It has already been doing that work as part of this current arrangement.

Mr SWEETMAN: Now it will have to do it as part of its contract. An interim arrangement that is not a contractual arrangement is different from a kind gesture. That is what we have to call what Qantas has been doing.

From tomorrow night the crews and pilots will start to run out of hours. Of necessity Skippers will discontinue services into certain areas. The minister must have a contingency plan in place. The best contingency plan would be to do a deal with the administrator to get Skywest back in the air.

I could say much more, but I have made the points I needed to make in this debate. I could draw a number of federal issues into this, and the conduct of the unions in setting aside the original administrator, which was a sad set of circumstances. I feel for Peter Hedge because I know that he and 20 of his staff worked tirelessly around the clock for four or five days until he was ultimately sacked. I wonder what the union's motivation was. It was not aimed at achieving the best outcome for the ultimate break-up of Ansett. I think it moved Ansett one step closer to liquidation.

Mrs Edwardes interjected.

Mr SWEETMAN: That is what worries me. Governments should take advice and give instruction. I wonder what is happening with this Government and where it is getting its advice. Is it acting under the instructions of the unions - its masters? The Government's position seems to be at variance - as the member for Pilbara said - with other areas in Australia. The Government has presented in an uncaring, unsympathetic, mean-spirited way -

Several members interjected.

The ACTING SPEAKER (Mr Edwards): Thank you, members! Premier, the member for Ningaloo has the floor. We are not here to listen to cross-Chamber conversations.

Mr SWEETMAN: If there was a time when members opposite were on the opposition benches and we were on the government benches and we looked as arrogant, as mean-spirited and as uncaring as the Government currently looks, it is no wonder that we are over here. It is simply a matter of time; people in regional Western Australia, and people in the city backing regional WA, will maintain their rage if the Government does not make a decision that is fair and right on behalf of all Western Australians.

MR BARNETT (Cottesloe - Leader of the Opposition) [4.28 pm]: I support this straightforward motion that requests that the Government act immediately to reinstate essential air services for regional Western Australia. These are the sorts of problems that Governments do not wish to arise, but they do, and it is the responsibility of the Government to get involved, to act and to resolve them. The member for Ningaloo outlined some of the background. I will publicly record that he has been working not only on behalf of his constituents in the north of the State but also as opposition spokesperson for regional transport. He has done everything possible since he became aware on Friday morning that Ansett and Skywest Airlines had stopped trading to try to reinstate those services. Indeed, he has gone out of his way to offer the Government advice, support and assistance. That has been shunned. That is a small-minded approach.

Ms MacTiernan: We actually respect the member for Ningaloo.

Mr BARNETT: It is a pity the Government did not return his phone calls or listen to what he had to say.

Ms MacTiernan: My staff did. I do not remember you seeking our time when you were in government.

Mr BARNETT: The Government did not listen to what he had to say. He is someone who is representing his constituents. Further, he is experienced in business and understands the commercial issues. In a short while, we will hear from the opposition tourism spokesperson about the implications for the tourism industry. Although the tourism industry has been most notably affected by the loss of services, we should not for a moment forget the impact on ordinary people living in regional areas of Western Australia who need to travel for business, health or family reasons. The Government has a responsibility to ensure that people throughout this State have access to essential services, and an air service is an essential service for people in the regional or remote parts of Western Australia,

The cause of the problem is well understood. It has been a double calamity. The tragic terrorist attack in the United States has had an immediate impact on international tourism. Americans, quite rationally, do not travel - either within their country or overseas - when crises occur. If they are overseas, they return home. That

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happened during the Gulf War, and it has been replicated this week. On top of that, Australia has experienced the collapse of Ansett. That coincidence of events is not dissimilar to the timing of the airline pilots strike and the Gulf War, which occurred a decade ago. These two events - the terrorist attack in the United States and the collapse of Ansett - occurred within a couple of days of each other, which was an extraordinary event in itself.

The Skywest service is critical to servicing businesspeople, tourists and families throughout Western Australia. Qantas came in to assist. Negotiations took place to try to get Qantas to take over the service in some form. It is a pity that that did not materialise. I know that members, particularly the member for Ningaloo, were keen for that to happen. It did not happen, but we cannot lament that. We must move on and deal with the issue.

The Government seems very nervous, hesitant and jittery about dealing with issues. At the beginning of the year, I made a comment to both this House and a business audience that this Labor Government will exhibit a number of characteristics, two of which will be indecision and an absolute inability to deal with things involving money and the business sector. We are seeing that. This situation is serious.

Ms MacTiernan: The Leader of the Opposition has worldwide experience - from Nedlands to Cottesloe. It is such a wealth of experience!

Mr BARNETT: It should be noted that the minister with prime responsibility for this matter chooses to make flippant comments about me and my electorate. The Opposition has come into this Parliament today to address a serious issue for Western Australia.

Ms MacTiernan: You come in and pontificate in your western suburbs way.

Mr BARNETT: We have come to make suggestions to the Government and, in the spirit of what the member for Ningaloo has been doing since Friday, offer bipartisan support. Instead, we are subjected to this erratic minister behaving in that way. The Liberal Party regards this as a serious issue for this State. It is a difficult issue, but one that must be dealt with. It is no good making statements about talking up the industry or discussing the short term versus the medium term versus the long term. Since last Friday, there has been an immediate need to act. As was pointed out by the member for Pilbara, other States have acted; yet, Western Australia is the most vulnerable.

Ms MacTiernan: Can you explain what I should have done?

Mr BARNETT: I will make my speech and then answer any questions the Government might have.

I return to the nub of the problem. The thing that seems to be causing such indecision with particularly the Premier and his Cabinet -

Dr Gallop: There is no indecision on your side because it has been resolved by your country members; and you have to break your longstanding policy.

Mr BARNETT: The Premier is in fantasy land.

I lay down a few principles about this issue. Members might like to think about them. There must be a separation between government and business. It is a principle we employed in government. Sometimes it is difficult; there are grey areas. The Labor Government in the 1980s was a disaster, which is best highlighted by the bailout of Rothwells, which cost this State vast amounts of money and involved the failed petrochemical project. I will not go through that, except to say that the Government lacked understanding about the role of government versus business, and was completely naive about dealing with the Laurie Connells of this world. It was an inept performance. Given that history, I can understand why the Labor Party is so jittery and nervous about any business issue. That principle of separation is the correct one from which to start; however, the Government also cannot ignore the fact that it must attend to its responsibilities in government. The responsibility here is to maintain that separation between government and business while recognising the need to maintain community services. The Government cannot talk about the medium term, long term, short run or whatever else. It needs to deal with the issue. This is not a philosophical debate; it is about reinstating that service to Western Australian communities. The member for Ningaloo has gone to great pains to talk to people in the industry and to try to understand all the options and the financial reality. He offered in good spirit to share his knowledge and views with the Government. That has been shunned.

Ms MacTiernan: We have been speaking with the same people. Do not be absurd.

Mr BARNETT: The Government and the member may have been talking to the same people, but the Government has not made any progress.

Ms MacTiernan: How often did you come to the Opposition to seek advice? You are being silly; you are not in government.

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Mr BARNETT: No, but I am telling this Government what it can do.

Any Government would be nervous about a financial relationship with a company in trouble. It should be. How should the Government progress from that point? It should recognise the principle I have outlined and the potential dangers to taxpayers and, I guess, the political consequences. Once it has done that, how should it meet the second objective of maintaining essential services? What are the options? It cannot bail out the company. It should not try to do a Rothwells. It should not pour money into a corporate group that is haemorrhaging. It should not go down that path. That should be ruled out. It is not a realistic way of progressing. What other options exist? There might be a change of ownership. People may submit proposals for another company to take over the organisation; the split-up of Ansett, particularly Skywest; or a management/worker buy-out. Although those proposals might provide a medium-term solution, the Government should not get involved. It may facilitate and encourage - play whatever role it can - but it should not underwrite any such change in ownership. It should not bail out the company or underwrite a change in ownership.

The Government is starting to learn how to handle a financial issue. What might be a way of going forward? The Government should look to see if it can do something to help the company trade in a way that does not expose the taxpayer or, at the very worst, limits any exposure of the taxpayer. The Government must make a judgment.

Let us go over what can be done. The Government must rule out a bailout. The Liberal Party will not support bailouts. I rule out also any direct involvement in ownership or in facilitating a change of ownership that places the taxpayer at risk. I come to the third option: the Government taking sensible action to facilitate trading. There are risks. Are those risks justifiable, and how do we make that judgment?

Dr Gallop: To which companies would you direct that facilitation?

Mr BARNETT: The Premier should listen, and he might pick up a few tips.

What can we do? I do not have the figures for Skywest - and even if I did have those figures, I do not have the capacity to have them analysed - but we are informed, and we will take on good faith, that it is trading profitably.

Dr Gallop: You are willing to accept that in good faith? Have you not looked at the figures?

Mr BARNETT: Can the Premier not understand the simple point that I am not the Premier and I do not have available to me the resources of government? I am laying down in this House, in a bipartisan way, the principle of how we should proceed on this matter.

Dr Gallop: So it is not a commitment?

Mr BARNETT: The Premier should show a bit of maturity.

The ACTING SPEAKER (Mr Edwards): Order! It may make it a bit easier if we give the Leader of the Opposition the latitude to explain what he wants to say, and the Premier will have the opportunity later to make any comments that he wishes to make.

Mr BARNETT: The first point is that we are informed that Skywest is profitable. We will then want to reassure ourselves that it is profitable by having the appropriate financial analysis done. We will then look at its request for a line of credit. A line of credit is a trading facility. It is not a bailout or a direct subsidy, although it may end up being that. A line of credit allows an airline to do things such as buy fuel, pay landing charges, and pay wages that fall due. Skywest is in the hands of an administrator. It is not in a position to trade. A line of credit is effectively an overdraft facility that will allow it to trade. It is a trading account. If Skywest trades profitably and performs, we will not lose that money. However, there is a risk that Skywest will not trade profitably, and we will then need to address that matter. Skywest has estimated that the amount of the overdraft banking facility that is required is \$3.2 million. That does not mean that we will be giving Skywest \$3.2 million. We will simply be giving Skywest a revolving trading facility to enable it to pay accounts, pay for fuel, and order equipment. We will check its profitability and look at things such as its prospects, its bookings, the demand for its services, and its competition.

We will also need to be confident that such a facility will allow Skywest to trade for a reasonable time. It is no good our providing that facility if Skywest will cease trading in two days. The indications are - again, I will need to accept this on good faith, because I have neither the figures nor the ability to analyse them - that such a trading facility, if required, will allow Skywest to trade for six, 12 or 18 months. Therefore, it will be a medium-term facility. It will be, as the member for Ningaloo described it, an interim arrangement to allow Skywest to trade while the administrator gets on with his task. Of course, from the administrator's point of view, if Skywest is trading, taking bookings and providing a service, the value of Skywest will be retained and the administrator will have something to deal with; so we will be assisting the administrator in his task of restructuring or selling,

or whatever he does with Skywest. These are the sorts of things we will look at. We will need to limit the extent of that facility. We will need to make a decision and a judgment, because there is a risk that, if things go bad, we will lose some, or all, of that \$3.2 million.

From the information available to the member for Ningaloo and from my discussions with him - again, a full analysis is not available - Skywest is profitable. It has about 30 000 advance bookings. If Skywest is given a line of credit of \$3.2 million to allow it to pay staff and order fuel, confidence will be restored that it can continue to trade as a regular service. I am not certain, but I am confident that Skywest can trade and the State will not lose any of that money. However, there is a risk that it will lose some of that money, and that is the judgment that will need to be made. We will need to make it clear to Skywest and the public that if things do not work out as we have hoped and the position deteriorates - I do not see why it will in this case - the line of credit will be limited strictly to \$3.2 million. The worst possible scenario is that over a six to 12-month period, the State will lose \$3.2 million. However, I do not believe that will be the outcome if this matter is dealt with prudently, and if the Government maintains someone with experience to watch over its interests in this matter; and there are plenty of people in this city who are capable of doing that. Even if we have the worst case scenario and Skywest trades for 12 months and at the end of the day that \$3.2 million is lost, perhaps it will be worth it. I think it will be worth that risk, because it will retain a service to regional Western Australia and thereby retain business, tourism, family and health services. As the member for Ningaloo rightly pointed out, the Government provides vast subsidies for metropolitan transport. In this time of double calamity, surely the State of Western Australia can do the homework and check the numbers, and take a prudent and considered risk to provide a line of credit facility so that Skywest can continue to trade.

I note a couple of factors. A line of credit such as this will attract an interest rate. Again, we will need to establish that Skywest is viable both currently and in the medium-term future. We will need to ensure that any credit risk is based on Skywest rather than Ansett; in other words, we will need to quarantine any support to Skywest. I am sure that can be negotiated with the administrator; and if the Government has not been doing that, I suggest it do so. That can be done if we have the will to do it. The Premier may not like to hear it, but I have outlined what I believe to be the public policy issues with regard to the relationship between a Government and a business. I have also outlined what I believe is a reasonable set of conditions that will allow the Government to put in place such a line of credit, and the sorts of checks and balances that need to be put in place. It is not rocket science. What we need to do at the end of the day, on best advice, is make a judgment. I am offering to the Premier, instead of talking up the industry and saying we are not into bailouts and being frenetic in this House -

Dr Gallop: Do not be so silly.

Mr BARNETT: It is the Premier who is being silly today.

Dr Gallop: If Skywest did happen to get up with your line of credit, it would want people to travel on it.

Mr BARNETT: It has 30 000 advance bookings.

Dr Gallop: We want those to be followed through. People are cancelling.

Mr BARNETT: People are cancelling because they do not believe the airline will continue to operate, and they are making alternative arrangements. Will a person in Port Hedland who has to come to Perth for a family wedding hang around in Port Hedland to see whether the plane will take off that morning? No. He will get in his car and drive to Perth for the wedding. That is logical. That is what people do. That is why Skywest is losing money. As soon as the line of credit is in place and the public can be confident that the service will continue, the bookings will be retained, and the value of Skywest will be retained; so this will also be in the interests of the administrator and the creditors. However, if Skywest fails and is liquidated, the line of credit facility will have first call, as it should; and there is no reason that it should not. They are commercial risks, but they are risks that I believe the Government should take to maintain that service. I am offering the Premier some advice that perhaps he does not want. I am asking the Premier to listen to what the member for Ningaloo is trying to achieve. I am offering the Premier, on the balance of justifiable analysis and judgment, some bipartisan support to provide a line of credit to get Skywest back in the air.

MR AINSWORTH (Roe) [4.48 pm]: I strongly support this motion, because it is of vital importance to all of regional Western Australia, particularly those areas that in the past have been serviced by only one airline, Skywest. I want to contrast the attitude taken by other people to this situation with the attitude taken by the Premier. I quote what the federal Leader of the Opposition, Kim Beazley, said at an Ansett rally on 14 September -

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We are prepared to take responsibility. We say this: John Howard you put in place a piece of legislation or an administrative decision which for the next few weeks underwrites the operation of this airline -

He is talking about the whole of Ansett -

and we will support you.

On the other hand, in answer to a question from the member for Eyre during question time yesterday, the Premier said -

We are not in the business of propping up individual companies. We are in the business of making sure strategic air services are available in regional Western Australia. However, we do not support propping up particular companies in this matter.

I would support the Premier's position if he were talking about an airline or any company in this State that was suffering huge losses, which had a virtual bottomless pit of commitments that could not be met, and which was a basket case. The figures from Skywest Airlines Pty Ltd are not available; the accounts of the airline are tied up with the global accounts of Ansett Australia. I do not think that those figures have been made fully available to the administrator, let alone to a backbencher like me. However, on the best evidence that I have been given, Skywest has made a profit of about \$2 million a year for at least the past five years. That is not a bad profit for a modest regional airline. Not only has the airline made a profit, but also it has provided an exceptionally high quality of service, with good planes, regular air services and good conditions on those planes. Planes have occasionally been late for some reason or other, but by and large, it was an extremely reliable and efficient service.

It is great that a service is operating in the places that Skywest operated, such as my home town of Esperance and in Albany and other places. At least we have an air service. However, those areas are now being serviced by a 19-seat metroliner run by Skippers Aviation Pty Ltd under the Qantas umbrella. I am not criticising Skippers for one moment; however, there is a big difference between the aircraft now on the run and those used by Skywest. The metroliner has no flight attendants, no wheelchair access, no toilet facilities and no provision is made for unaccompanied minors, so a child travelling without an adult cannot fly. It would be impossible for a person with a medical condition that required him to go to the toilet frequently to take the one hour and 20 minute flight between Esperance and Perth. The other point is that it is a 19-seat plane compared with Skywest's 46-seat Fokker planes. There are 27 fewer seats on every flight. The average loading for Skywest over its 13 destinations was about 65 per cent. In round figures, 65 per cent of 46 seats is 30 seats. The average Skywest flight had 30 passengers. These planes have only 19 seats, so under a Skywest loading, 11 passengers will not get a seat on a Skippers plane.

That of course assumes that everyone still wants to fly. Some people have cancelled bookings because of the uncertainty of the continuation of the current service. Figures from the tourist bureau in Esperance indicate that accommodation in the town has been cancelled as far forward as November, because of the uncertainty of the availability of air travel to the town. At the same time, Esperance has lost about 20 corporate visitors each day, either because of the uncertainty of flight availability or because of the lesser quality of the planes on those runs. I flew to Perth yesterday on a flight that was scheduled to reach Perth at 1.40 pm. That would have got me here for question time. However, I got to Parliament House at about 3.10 pm. That is the way a system using lighter, charter aircraft will work. Those aircraft are fine, but they are not suitable for a regular, domestic air service that has traditionally run to a strict timetable. Corporate customers are bypassing the air service to Esperance because of uncertainty and other factors. The town is losing about \$3 000 a day in accommodation and other costs that these corporate visitors would pay. I have not yet checked with car hire companies in the town, but I suspect that they are losing similar sums, because many corporate customers in Esperance also hired cars at the airport to use for the day or two they were in town. This is having a significant cost impact on a lot of businesses.

The real issue is one of leadership by the Government. Although a service is available, it is inadequate and unsustainable for any great length of time. It will not be long before a real downturn is felt in the economies of these regional centres that rely on Skywest flights. The \$3.2 million credit line that the Leader of the Opposition spoke about a minute ago is a small amount of money when compared with the losses already occurring in the regions. The combined cost to those communities would probably exceed \$3.2 million several times over. That can be extrapolated over a month or two. I am sure that it would not take long to work up \$3.2 million in real losses, which cannot be recovered. We are talking about a \$3.2 million credit line, which at the very worst is the maximum amount the Government might lose if the whole thing fell over. On the information I have been able to get, that seems highly unlikely.

Extract from *Hansard*

[ASSEMBLY - Wednesday, 19 September 2001]

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Mr Rod Sweetman; Acting Speaker; Mr Colin Barnett; Mr Ross Ainsworth; Dr Geoff Gallop; Ms Alannah MacTiernan; Ms Sue Walker; Mr Max Trenorden

Skywest personnel are still in place. They are ready, willing and able to fly those planes tomorrow. They tell me that they need only four hours notice, if they get the okay from the administrator, to get back in the air. One of the characteristics of the Skywest system is that its regular passengers are loyal. Although it was not a cheap flight - internal flights in this State are expensive - it was a good quality service. We are grateful for the quality and regularity of that service. I have provided Esperance as an example because it is the one service that I know best. We had two flights a day, five days a week, and a Saturday and Sunday flight as well. That gave us 12 return flights a week, which were spaced to suit the business traveller. For most flights during the week, passengers could leave Perth early in the morning, do a day's business in Esperance, have dinner there or on the plane with one of the good Skywest meals, and be home that night with their families. That service and the benefits it provided engendered a support base for the airline. A lot of people would immediately re-book their flights with Skywest if it got back in the air. They would give the service the support it needs to ensure that the income level is maintained.

Mr Hyde: Are you proposing that the Government underwrite car rental firms, accommodation and so on?

Mr AINSWORTH: No. I am proposing that the important regional air services that link towns like mine with the rest of the State and the world should be reinstated with the support of the Government. That would provide assistance to all those companies down the line, like car rental businesses. The minute customers come back, the car rental and motel businesses will pick up. Those things are falling flat at the moment. Although the metroliners provide some service, they cannot provide the quality or quantity of service that these towns have been used to. It is not just a matter of being used to having something that was more than we needed; Skywest planes regularly flew with an average loading of 65 per cent, or 30 seats, on every flight. A 19-seat plane cannot put 30 people in the air. The only way to get that many seats up and down to all the destinations is by providing three flights a day instead of two, which obviously cannot be done with those planes. The scheduling would be crazy, because the company would not run two planes parallel. One would be run in the middle of the day, which is bad timing for the customers, so it would fall flat.

The whole thing must be done on an economic basis. The only way that can be done is with the size of airline that we had with Skywest and with the people who were running it. All they need is a bit of backing from this State Government. We are not talking about underwriting a company that has gone broke. This was a profit-making arm of a major airline. It just happened to be a small regional airline that was at arm's length from the parent body but which was paying the profits back into the global budget of Ansett. Ansett was losing money hand over fist and was sucking money out of Skywest. It was not reinvesting the money in the way that it should have done. Regional communities had to scratch and fight to upgrade the planes. The current crop of planes is of a good quality. That regional airline was running profitably because it was a monopoly. Customers had no other choice. Esperance is 720 kilometres from Perth. If a person were only going to Perth for a day, economics, time and the physical wear and tear on that person and his car would dictate that he would take the plane.

Mr Hyde: In the UK, the USA, and parts of Asia, air travel is down by 20 per cent - and there is no Ansett collapse. They are also affected.

Mr AINSWORTH: I take the member's point - he is dead right - about the downturn in air travel on the major routes across Europe and North America. That is exactly what is happening. However, I am talking about a local regional air service which deals with home-based traffic - few international travellers use that airline. The majority of the people who use those flights are public servants, business people, and people like me who have to get to and from Perth.

Mr Trenorden: What about health reasons?

Mr AINSWORTH: There are people who fly on medical business, and as the member for Avon said, there are people who fly for health reasons. For health reasons, some people cannot sit in a bus for the 12 hours it takes to get to Perth from Esperance, nor can they drive themselves; therefore, they fly to Perth by using their patient assisted travel scheme payments. It is those people we are talking about. Members should forget what has happened in the United States, because that will not affect one iota the bulk of traffic on this airline. The only thing affecting the traffic on the airline at the moment is the lack of quality and quantity of service, and the huge factor of uncertainty. The Government has an obligation to provide a service, because it is responsible for looking after the wellbeing of the State and the regions in which it professes to have such a great interest. This is a golden opportunity: the maximum amount the Government would have to guarantee, even if we take the worst possible scenario - is about \$3.2 million, or about 15 per cent of what is spent on public transport in Perth annually.

An Opposition member interjected.

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Mr AINSWORTH: Sorry, I think it is 0.5 per cent.

An Opposition member interjected.

Mr AINSWORTH: It is a lot less than that. Maybe it is 1.5 per cent. It is not much anyway. I am not good at doing maths while I am on my feet! However, \$3.2 million compared with \$200 million is not a lot of money, and the \$3.2 million may not even be lost. As the Leader of the Opposition said, it is, at worst, a possible loss over 12 months. However, even if that money were lost, members should be aware of how it would boost the trade and economies of the regions of this State. Therefore, the net loss to the State would not be a loss even if \$3.2 million went out of Treasury and did not come back in. The benefit to the State would be significantly more than the \$3.2 million. If something is not done soon, the losses will be huge.

DR GALLOP (Victoria Park - Premier) [5.04 pm]: The motion deals with air services in Western Australia. I will go through what the Government has been doing, and will do, about this issue.

First, the background to the matters raised in this motion is the collapse of Ansett. It is important that we start with that issue, because those on the other side of the House, for reasons best known to themselves, have not focused on that issue. It has become obvious in Australia in recent days that despite royal commissions and major inquiries into financial collapses, there are still people at the top level of major corporations in our nation who are incapable of managing their organisations responsibly. The first conclusion that I reach from all of that -

Ms Sue Walker: What does that have to do with this issue?

Dr GALLOP: It has a lot to do with this issue.

An opposition member interjected.

Dr GALLOP: I am not.

I think the Opposition knows exactly what I am talking about. The conclusion that I have reached from this is that because of what has happened with the collapse of Ansett, our corporate regulator must undertake a major investigation, followed by action. It has become clear to many of us, following the HIH Insurance collapse, the finance brokers scandal, and the collapse of Ansett, that some tough questions must be asked about these matters.

The second thing that the Opposition did not refer to, of course, was the entitlements of the workers who are affected by this collapse. I hope the Opposition will join with me to ensure that the employee entitlements are guaranteed for all the workers who are affected, and that we do that in such a way that we will not cause further problems for our tourism and aviation industries such as would be the case if we whacked a \$10 tax on everybody who flies in Western Australia.

Several Opposition members interjected.

The ACTING SPEAKER (Mr Andrews): Thank you, members.

Mr Trenorden: What a load of drivel!

Dr GALLOP: A load of drivel, is it? Does the member for Avon not think that it matters to those workers?

Mr Trenorden: Keep them employed; give them a job!

Dr GALLOP: I see.

I move now to the problems that we have to deal with in Western Australia, and nationally. The collapse of Ansett has caused enormous problems.

Ms Sue Walker interjected.

Dr GALLOP: Is the member for Nedlands blaming the Government for the collapse of Ansett?

Ms Sue Walker: I am blaming you for not getting off your bottom and dealing with the problems.

Dr GALLOP: The member for Nedlands is blaming the Government!

The Ansett collapse has caused many problems for our people, our communities and our industries. The Government's first responsibility was to ensure that the crisis was met head-on and quickly.

Mr Birney: What did you do?

Dr GALLOP: Last week the Government -

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Mr Barnett: The Government did nothing.

Dr GALLOP: Did nothing? If that is the case, why are there Qantas flights throughout Western Australia today? Last week that was achieved in cooperation with the Government, and through the initiation and support of the Minister for Planning and Infrastructure. The Government took that matter up with Qantas which covered the routes in Western Australia and I applaud it for what it has done. Despite the fact that Qantas has picked up some of Ansett's services - that is important because we now have services throughout Western Australia, and Broome to Derby services have been brought into the equation - many problems still exist. The first problem is that the school holidays are approaching and the Government is conscious of that. It has been talking to Qantas and giving it the data it needs to ensure that it can adequately meet that short-term problem. However, a bigger problem emerged last week, and I find it extraordinary that members opposite do not appreciate the extent of that problem. I refer to what has happened to international air travel as a result of the terrorist attacks in America.

An opposition member: That doesn't have an impact.

Dr GALLOP: That does have an impact, and it has an impact in two ways.

Mr Johnson interjected.

Dr GALLOP: I will come to that.

Some of the people who were travelling around the State were visitors to WA, and we are conscious of that. There is a climate of doom and gloom. It is important for us to rise above that and to encourage all of our citizens to travel in Western Australia, and to take up the available services. The Western Australian Government will be taking action on that front because it is an important issue, and we want to ensure that all Western Australians understand what is available, so that the pessimism that has been created is countered. Incidentally, I note that the federal Minister for Sport and Tourism said today exactly the same thing that I said about this matter. The Government is keen to get that information out, and to work with Qantas to meet the short-term problem caused by the school holidays.

The member for Roe mentioned other issues. The services that are in place do not fully meet the needs of all the people who want to utilise them. Therefore, there are short-term, medium-term and long-term goals that the Government must meet. The Government took action to ensure that Qantas provided services, and it applauds the efforts of Qantas. The Government acknowledges that there is much work to do on these issues, and I assure the House that the Government is doing that.

I turn now to Ansett and its administrator. Members appreciate that the Government of Western Australia does not own Ansett or its subsidiaries. In fact, the administrator has responsibility for Ansett. Unfortunately, we have had two administrators. The administrator can take one of two approaches to these issues. The administrator can either separate the assets - including the regional airlines - for sale, or it can sell Ansett with all the assets intact. That represents a problem for the administrator because, obviously, in wanting to sell Ansett, it will want the profitable bits as part of the whole. The administrator has not been decisive on the question of which way it will go. Other airlines have the ability to lease aircraft from Ansett.

Ms Sue Walker interjected.

Dr GALLOP: We can talk about leadership; we can talk about Liberal Party membership forms with the member for Nedlands. Let us talk about leadership on that. The Government has done two things in relation to this issue.

Ms Sue Walker: Talk to me about it.

Dr GALLOP: I am talking about Skywest. The Government has done two things: it has impressed upon the administrator that it would like the administrator to ensure that Skywest can be purchased separately. It is not a decision that the Government can make. The Government has impressed upon the administrator that it should happen. The Government has used its offices to facilitate contact between the potential purchasers of Skywest and the administrator.

Mr Barnett: The Government is not an airline broker; that is not its role.

Dr GALLOP: Let us go to the issue of the role. As the Minister for Planning and Infrastructure said -

Mr Barnett interjected.

Dr GALLOP: The arrogance of the Leader of the Opposition in this Parliament is consistently demonstrated. He has no capacity to consider different points of view. He has no capacity to acknowledge that these are complex matters.

Mr Johnson: Has the Premier spoken to the administrator?

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Dr GALLOP: No; but the minister and staff from my office have spoken to the administrator.

Several members interjected.

The ACTING SPEAKER (Mr Dean): Order, members! There is as much noise coming from the members on my right as from the gallery in front of me. I ask members to calm down. I remind members on my left that all interjections are unparliamentary.

Dr GALLOP: We are hearing a lot of empty rhetoric from the Opposition. The situation in Western Australia is very stressful; it is a very difficult situation. The Opposition is giving us empty rhetoric. The Government is providing a rapid-fire facilitation of air services in Western Australia.

Mr Trenorden: Rapid fire!

Dr GALLOP: How long did it take to get Qantas in the air?

Mr Trenorden: That has nothing to do with it.

Several members interjected.

The ACTING SPEAKER: Order, members!

Dr GALLOP: The Government is trying to facilitate contact between the administrator and potential purchasers of Skywest. I would have thought that the Opposition would prefer a commercial resolution of this issue. The State of Western Australia is not a bank, and enormous risks come into play when State Governments get involved in the sorts of things that the Leader of the Opposition was talking about. The Government has a clear position on that, and it is obviously different from that of the Opposition's.

Mr Barnett: Is it the Government's position that it will not accept my offer of bipartisan support?

Dr GALLOP: It does not agree that the State should be a banker in this matter.

Mr Trenorden: Provide a line of credit.

Dr GALLOP: It will not provide a line of credit. Lines of credit and banks all go together. The Government wants a commercial solution to this problem. It is empty rhetoric from the Opposition.

Mr Barnett: It is a considered position.

Dr GALLOP: The Opposition did not have that position at question time. It is so considered that it has happened between 2.40 and 4.00 pm. The Opposition has not seen the books, but it has a considered position.

Mr Barnett: The member for Ningaloo has been working on this since Friday, and my staff have been talking to merchant bankers in Melbourne and seeking their advice.

Dr GALLOP: If merchant bankers want to buy Skywest, the Government would be happy for that to happen.

Several members interjected.

The ACTING SPEAKER: Order, members!

Dr GALLOP: I cannot get a word in edgeways with all the members' comments. The Government has to do two things about this problem: confidence has to be injected into the system and it has to look at the position of tourism in the State. It will become a crucial issue for Western Australia, as a result of international events and the suspension of Ansett. The Government must inject some confidence. The Government is working on a package to inject confidence into the tourism industry. I hope that the Government can call on the Leader of the Opposition to join it in taking a proposal to the Commonwealth Government. I hope that the bipartisan spirit he is talking about today will be available when we ask for backing from the Commonwealth Government.

Mr Barnett: The Government cannot do anything by itself.

Several members interjected.

The ACTING SPEAKER: Order, members!

Dr GALLOP: A number of important issues must be addressed in order to provide a sustainable air service to regional Western Australia. These are the issues: the Government's purchasing policies and how they will be used in Western Australia in the future. We have heard nothing about that from the opposition benches. We must also look at the current system of route subsidisation. Members will know that subsidisation occurs for the following routes: Broome-Fitzroy-Halls Creek, Broome-Derby, Broome-Exmouth, including Port Hedland and Karratha, and Perth-Kalbarri. Regional air services in Western Australia need to be guaranteed. The Government must look at interstate and international services because Western Australia needs to attract people

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from the east coast and overseas. Short term, knee-jerk reactions from the Opposition will not deal with any of those issues.

Mr Johnson: A well thought out strategy.

Dr GALLOP: It is a well thought out strategy. The Government and Qantas have guaranteed services that were lost through the collapse of Ansett. The Government is working with Qantas to ensure that services are adequate and will deal with particular problems. The Tourism Commission will do more to ensure that people know what is available and will encourage them to use those services. The Government will inject money into tourism promotion and marketing in Western Australia to make sure that the State's position is protected in a competitive marketplace. The Government is looking at the subsidisation policies on particular routes, government purchasing policies and interstate and international services to make sure that we have a sustainable future for regional air services. The Government is taking action; the Opposition provides only empty rhetoric.

Opposition members have not commented on the employee entitlements of all those who worked for Ansett. Skywest is not Ansett in Western Australia. Lots of people who worked for Ansett want to know the position of the Opposition on the employees' entitlements. They want to know the view of the Opposition on an inquiry into the collapse of Ansett, and an account of what will happen.

We have heard nothing from the Opposition on those matters. The Government has short-term, medium-term and long-term positions to address this issue. We cannot change the nature of the international problems that have recently emerged. However, within the context of our capacity and our ability, we will make sure that a good regional air service is in place in Western Australia that has the capacity to deal with an expanding tourism market for Western Australia. That is the responsible thing for the Government to do. We have the capacity and the will to do that, and we will do it. The Opposition proposed a knee-jerk reaction that will not produce the necessary results. It cannot even be guaranteed to produce the necessary results; they are hollow words from the Opposition. It knows that it can use those hollow words because it does not have the responsibility of being in government.

Amendment to Motion

Dr GALLOP: I move -

To delete all words after "That" and substitute the following -

this House supports the action taken by the Government to ensure the provision of essential air serves for regional Western Australia.

MS MacTIERNAN (Armadale - Minister for Planning and Infrastructure) [5.20 pm]: I support the amendment. I acknowledge that the member for Ningaloo has brought this motion forward in good faith. The motion he has moved has arisen out of a genuine concern for the industry and for regional air services. I acknowledge that the member for Roe has a similarly genuine position. I will not speak for long, but I want to discuss some of the history of the matter. The member for Ningaloo may not be fully aware of all the circumstances, and that may have led him into error. I will also outline why I do not believe that the member for Ningaloo's motion is either necessary or desirable.

The weekend before last, it became evident that a crisis was imminent in the Air New Zealand Ltd-Ansett Australia stable. The Government held meetings over that weekend. We were keen not to talk up the problems because when a company is under heavy scrutiny, the more one talks of its potential insolvency problems, the more likely it is to become a self-fulfilling prophecy. Talking down could result in a dramatic fall off in the airline industry in the purchase of tickets, which could lead to a cashflow crisis and would make the airline's demise more certain.

Where possible, the Government was careful to stress that the airline should be kept operational. On Monday, 10 September, the Government began talks with Qantas Airways Ltd to consider the worst-case scenario. If the worst-case scenario occurred and Ansett went into receivership, we discussed the capacity of Qantas to fill the breach. Over the following two or three days, we worked with Qantas to ensure that a contingency plan was in place that could be activated within 12 to 18 hours to ensure that each of those services was provided. From our discussions it was never anticipated that it would be conducted by way of a wet lease of the Skywest aircraft. The contingency plan that Qantas proposed involved using various charter planes, especially the Skipper planes. At that stage, and to this date, there has been no serious proposal to wet lease those planes. However, all things are possible, and that could be considered.

Ansett then went into administration. It is not necessarily fatal for a company to go into administration. A company can operate under administration as Ansett did for some 36 hours. The administrator panicked by grounding all of the air services at 2.15 one morning; that was unfortunate. Not only did it leave many people

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stranded in country areas in Western Australia, Queensland and South Australia, but also the decision was of dubious commercial value. It appears that Skywest is able to operate profitably, although it is more difficult to untangle where it fits into the overall quagmire of Air New Zealand. However, from an operational point of view, I did not think there was any necessity to pull the pin so abruptly on the Skywest component. Nevertheless, the administrator decided to do that and because it was decided so precipitously in the early hours of Friday morning, it was not possible for Qantas to put in place its alternative arrangements in time to service the morning traffic. Indeed, it took some hours to implement that plan. However, as far as I understand, by the Saturday morning, all the centres that had been previously serviced by Skywest and the Ansett regional services were covered by Qantas either directly by QantasLink planes or by charters principally with Skippers. Air North covered the Kununurra-Darwin runs. Those contingency plans worked.

It is recognised that the service provided by Qantas is not as good as the service that was provided by Skywest. We could never pretend that the 19-seat aircraft currently being used are as good as the F50s that form the stable of Skywest. However, it has never been proposed by Qantas that that would be a permanent arrangement. If Qantas were to continue to conduct this market, it would do it with a different type of aircraft. It has discussed the aircraft types that it would invest in if it were to take over the Skywest part of the state regional services on a permanent basis. We are operating with an interim arrangement that is second best to the Skywest operation. I agree with the members here today. I would very much like Skywest to be operational, and I would like a Western Australian-based regional airline in this State.

Mr Birney: What will you do about it?

Ms MacTIERNAN: Issues such as this sometimes cannot be explained in 25 words or less. The Government has talked to the Skywest management team, as has the member for Ningaloo. We have had several meetings with them and have looked at their books. We agree, to the extent that it is possible to know these things from the papers that have been made available, that there is a case that the airline is viable. The Government accepts that this is a viable airline. That gives us great confidence that there is a future for it.

Mr Sweetman: They think you want to help them.

Ms MacTIERNAN: I do want to help them, and we are helping them. One of the problems, particularly in the early days of the administration, is that it was difficult to get the administrator, with all the dramas with which it was confronted, to focus on the Western Australian assets. Much of the work that the Government was doing was stressing to the administrator via the office of the federal Minister for Transport and Regional Services, the Deputy Prime Minister, that in this bizarre situation, the assets of the Western Australian airlines and other regional airlines had to be given special attention. Not only was there a commercial imperative and a good sound financial argument for doing so, but also there would be an enormous social and economic cost to the community in not doing so.

The Government looked at Skywest's propositions. However, it was not possible to take those forward because at that point the administrator was disengaged from the Western Australian situation. The administrator was virtually out of contact for 36 hours and was unavailable to deal with any other issue because it was locked in crisis talks trying to deal with the allegations of conflict of interest. Yesterday a new administrator was appointed. Even before the appointment was finalised the Government met with senior representatives of that administration in Western Australia. The Government again stressed its view that the administrator not only had to deal with this asset before its value withered on the vine, but also that there would be an enormous consequence to WA from not doing so. The administrator put the view that at that point it had not legally been appointed. Obviously, its first decision was either to dismember the entity and sell off the small, arguably profitable areas separately, or to maximise the return by keeping those areas in the larger package and making that package a more attractive proposition. The administrator's responsibility is not like the Government's responsibility to the community; its fundamental responsibility is to the creditors. The administrator answers to the creditors and the creditors will ultimately make the decision. The administrator had to do that calculation. It was still not possible to know in any meaningful way whether there would be any prospect of getting the Skywest operation up in the short term.

Since the new administrator was appointed, a number of serious consortia have been put together to express an interest in taking over this company. The Government was able to meet with one of those outfits this morning. It is led by an international banking group and clearly has the financial clout, credibility and capacity to take on an enterprise the size of Skywest. The consortia has indicated it is not only interested in buying Skywest but also prepared to enter into a presale arrangement to get the airline operational in advance of a sale. The consortia would be prepared to work with the administrator to get the company up and running while the processes of due diligence and a proper determination of the accounting situation are under way. For example, the Skywest management team is uncertain what the precise leasing arrangements are for its stable of aircraft. Before

undertaking a purchase arrangement, a fair amount of work has to be done, even with the best will in the world. These companies have indicated that they are prepared to come in with a line of credit before that time and take on that role.

I can report further developments. In our meetings this afternoon, the administrator indicated that it has more clarity about the way it wants to move forward. The new administrator wants to get the aircraft across Australia up and running at an early stage. The administrator does not share the same view as the previous administrator - without wanting to be too critical in hindsight - which may have acted somewhat precipitously in grounding all of the aircraft. The new administrator will be taking a more positive view about getting the aircraft off the ground and flying. However, that will not be under a wet lease arrangement - although that is one possibility; it will be as a company operating under administration. As the Premier said, it is far better if we can get a commercial solution to this issue. From our discussions we know that companies are prepared to go in before all the normal due diligence processes have been completed. Obviously, they will want some guarantees - as anyone would, even the Government - before they go in. Even the esteemed Leader of the Opposition acknowledged there would have to be some scrutiny of the accounts. Any player putting forward a line of credit would want to do that. I understand the genuineness and the logic of the argument put forward by the member for Ningaloo. The reality is that Skywest appears to be a profitable company with good prospects. A number of financially capable, well-resourced companies are in the marketplace and are serious about wanting to buy this entity. They are players who are prepared to go in early using a line of credit, provided that the same sorts of comforts can be provided to them as would be provided to anyone operating a line of credit.

Today the situation has moved forward. The new administrator has the view that these planes have to be got off the ground as quickly as possible, and there is an argument for putting these aircraft into operation either in administration or in some form or other before a sale is completed. At the same time, we know that companies are prepared to do that, and are also prepared to come forward with a line of credit. That is the preferred outcome. I understand the position and concerns of the member for Ningaloo. However, it is not necessary to take that unusual step. It is not necessary for us to put taxpayers' funds at risk because credible commercial operators are prepared to come forward.

I note the genuineness of the concerns of most of the members opposite who have spoken today. The Government recognises that Qantas and Skippers have done a fantastic job. However, that is not the ultimate solution. I want members to understand that Qantas never anticipated that would be the ultimate solution. It was looking at the different types of aircraft it could bring in. I reaffirm my confidence in Skywest as a marketable proposition. We want Skywest to continue operating in Western Australia with a Western Australian base and administration.

MS SUE WALKER (Nedlands) [5.39 pm]: I support the motion moved by the member for Ningaloo. I rise to speak about the ineptitude of the Gallop Government and its inability to show leadership during a crisis in the tourism and hospitality industries. My first glimpse of the fact that the Government has no idea what it is doing occurred during a meeting of the Western Australian branch of the Tourism Council Australia on Friday, 14 September between 11.00 am and 12 noon at the Hyatt Regency Perth, which was attended by many people from the tourism industry and the media. I had 15 minutes notice of this meeting, and I shot down there. I took notes during the meeting. The Minister for Tourism was asked what contingency plans the Government had in place. At this stage, the Government was referring to this as a federal matter. The acting president of the Tourism Council, Manny Papadoulis, said he was concerned for not only the viability of the tourism industry and north west towns but also the economic and social welfare of people in this State, particularly in the regional areas. The Minister for Tourism spoke for a while, after which the acting president put forward some solutions and very pointedly asked the minister to act on them. He said that he wanted the Government to show leadership and that the Tourism Council would assist in setting up a committee. The council wanted immediate action. It asked the Minister for Tourism to do three things: first, to speak to Skywest Airlines to see whether it was feasible to underwrite or assist in getting those planes back in the air. It wanted him to do that on Friday. Second, it wanted him to send someone to the eastern States to have discussions with Virgin Blue Airlines Pty Ltd. It wanted that done on Friday afternoon. Third, it wanted him to get in touch with the federal Government - on Friday - and ask it to relax the rules to allow international airlines servicing Australian ports to carry domestic passengers on sector routes. I was stunned by the expression on the Minister for Tourism's face and at his response. He was like a stunned mullet; he was out of his depth. He said that two issues were involved. I waited to see whether he had a grasp of the issues, and he said that the first issue was that "it is a very serious matter". That is all he said. The second issue, according to him, was that the Labor Government had bailed out a bank in 1987 and the public did not like it, and therefore the Government would not go down that street. That is all he had to say about the issues. He mentioned that a committee was being formed. Like the member for Ningaloo, I have spoken to many people in the industry. Not one person in the tourism industry is a member of that government committee.

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The Western Australian Tourism Commission, a statutory body, has not yet met. Its meeting is set down for sometime in the future.

On Friday the tourism industry tried to convey to the Minister for Tourism that a crisis was looming. Yesterday the Premier spoke about how he saw the industry progressing. He advised that Qantas Airways Ltd had picked up all the flights on the Ansett Australia and Skywest Airlines routes. He said that the Opposition should stop talking about doom and gloom in the industry. However, it is doom and gloom. I have received letters and e-mails from people up north. I will read their stories to the House because I would like the Government to know what is happening. The Premier said that all Skywest and Ansett routes had been filled by Qantas. That is not correct. I have been talking to people in the industry -

Dr Gallop: What did I say?

Ms SUE WALKER: The Premier said that all Skywest and Ansett routes have been met by Qantas.

Dr Gallop: Is that not true? Which ones have not been met?

Ms SUE WALKER: The Perth-Broome route. Five planes a day normally travel that route; now there are only two. People cannot get a flight on the normal Qantas schedule until 26 October.

Dr Gallop: A Perth-Broome route has been established. I did not say it was the same service.

Ms SUE WALKER: Yes, he did.

Dr Gallop: I did not say that. I have it here: Perth-Broome.

Mr Hyde: What about Broome-Derby?

Dr Gallop: You should not misrepresent my position in this Parliament.

Ms SUE WALKER: The words came out of the Premier's mouth. People have rung me about what he said, and they want me to put to him the truth about what is happening in the community and to emphasise that he is not taking action.

Dr Gallop: You have got it wrong.

Ms SUE WALKER: I have not got it wrong. I have rung people, and I know what is happening. The Premier spoke about talking up the industry. I have a copy of Monday's edition of Melbourne's *The Age* newspaper. This is what Melbournites think of us: "Broome is beautiful, wish we weren't here". The article talks about the Lidgett family, who are stranded. On Tuesday, the Premier came into this place and said that all was well with the world and that we should talk it up. He is not listening to the people. He should listen to this -

The first confirmed flight they can get on is October 26 - six weeks away . . .

one member of the group got out because she was originally booked on a Qantas flight . . .

Because they got back to Broome -

They were in the bush -

only on Saturday night, they could not add their names to Qantas's first-come-first-served list until yesterday morning. The list had been growing since Friday morning, when news broke of the Ansett collapse.

Dr Gallop: What is your solution?

Mr Hyde: Do you want us to pay for Victorians to get back to Victoria?

Ms SUE WALKER: I am telling the House the position.

Dr Gallop: What is your position?

Ms SUE WALKER: This is the position.

I tracked down the Lidgett family at Cable Beach Club Resort Broome. The resort's general manager, Chris Duffy, has allowed five members of the Lidgett family to stay in one of the bungalows, breakfasts included, for \$45 a night.

Dr Gallop: Is Skywest your solution to the Broome problem? Skywest does not go to Broome.

Ms SUE WALKER: The Premier is obviously on another planet. That is happening in Broome. He says he has no problems with Qantas and that it is doing an excellent job. An article by David Wroe published on the web site of *The Age* on Monday states -

Extract from *Hansard*

[ASSEMBLY - Wednesday, 19 September 2001]

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Mr Rod Sweetman; Acting Speaker; Mr Colin Barnett; Mr Ross Ainsworth; Dr Geoff Gallop; Ms Alannah MacTiernan; Ms Sue Walker; Mr Max Trenorden

Thousands of stranded holidaymakers booked on Ansett flights took trains, boats, buses and cars to leave remote tourist spots yesterday despite Qantas having arranged almost 100 extra services at the weekend.

Hotel owners estimated there were more than 1000 travellers trapped in Broome on the northern coast of Western Australia. Those having to dash back to work -

People need to work -

were given the choice of making the two-day land trip to Perth by hire car or coach. One owner said: "They're hiring cars, they're catching buses. One couple were looking at chartering a small plane just to get to Karratha then to fly out on a Qantas flight."

Mr Hyde: How will underwriting Skywest fix this?

Ms SUE WALKER: A constituent wrote to me today -

To my local Representative,

Dear Sue,

I would like you to protest to the Premier on behalf of all those trapped in rural communities by his shortsightedness in denying the request for the extension of a line of credit to Skywest. They are our only regional airline that actually services remote destinations in WA. Qantas has services to some of the major regional centres but what about the remote communities that only have landing strips that can accommodate the small planes used by Skywest? I have friends who have spent their savings on Ansett tickets to go home for the semester break who now cannot return to their parents. And what about those trapped in their own towns?

Some examples: My friend Nicola's father has to get to London for his Mother's funeral and he can't because he can't get out of his town. What about the backpackers, heartbroken, trapped in Perth -

Several members interjected.

Ms SUE WALKER: I ask members to listen -

with no money for their continued accommodation? You should have taken a drive down Wellington Street on Friday and seen all the backpackers stranded.

Dr Gallop: What has that got to do with the regional air services?

Ms SUE WALKER: I am talking about tourism. I continue -

Many of them were in tears.

Enough of a diatribe.

Mr Hyde interjected.

Ms SUE WALKER: Is the member listening to the people of Western Australia, because I am telling the House what they are saying. The letter continues -

I can only hope that with your support, the Premier reconsiders and decides that Western Australians are more important than money and helps to re-establish the transportation network that is so vital to our huge state.

Mr Kucera: You have missed the point of the debate. This is about Skywest.

Ms SUE WALKER: It is about the effect of not having regional services. A media release from the Office of the Premier of Victoria, dated Tuesday, 18 September, states -

The Bracks Government today announced a \$10 million boost to Victoria's international and domestic tourism marketing effort in response to the current tourism crisis . . .

"The demise of Ansett combined with the devastating impact on international tourism as a result of the tragic events in the US are having a profound effect right across the state," Mr Bracks said.

I wonder whether the Premier has taken note of these comments, because at least Mr Bracks has done something about this situation. It continues -

"We have therefore announced today an injection of \$10 million additional funding to be directed to marketing and promotion of Victoria both domestically and internationally.

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“We are acting decently and responsibly on behalf of the Victorian tourism industry and the thousands of jobs it supports.”

That is not what this Premier is doing. The Bracks Government has also held a meeting of the key tourism stakeholders. The Premier does not have on his committee anyone from the industry.

Dr Gallop: When we announce the tourism package tomorrow, you will support us, will you?

Ms SUE WALKER: It will be a bit late.

Dr Gallop: Has any of that money from Mr Bracks been spent?

Ms SUE WALKER: The Premier should listen to this letter that I received today and tell me whether this person will be applauding him. This letter is from Broome, and the people who have written it have said they will not mind if I mention their names. The letter is from Gary and Leanne Thayer, and they say -

Dear Sue,

Re: Effects of Ansett collapse in Broome

Thanks for your phone call today. As discussed, the collapse of Ansett is having a far greater effect on the regional areas of Western Australia than the government is obviously aware of. Following is the background to my situation and how this is effecting my family and I, as just one of many business proprietors in Broome.

Several members interjected.

Ms SUE WALKER: Are members opposite interested in hearing what these people have to say? The letter continues -

My family and I are the proprietors of Coastal Resort Management and we have the Management Rights for the 44 strata titled holiday apartments at Blue Seas Resort. The sale of our business has now failed due to the collapse of Ansett and any sale in the near future is highly unlikely with the damage that has been done to our business and the potential for the collapse of the tourism industry in Broome.

Ansett Holidays owe us \$43,161-00 for accommodation we have provided from 11th August to 14th September (a period of approximately 5 weeks). This lost rental income is borne by the owners of apartments who had bookings from Ansett Holidays in their individual apartments and the lost income for our Resort Management business is \$5,179-32.

The value of lost bookings is currently \$37,140-00 with still many more bookings to be cancelled as we have received numerous phone calls from people advising that they will probably have to cancel if they cannot get to Broome by Qantas or an alternative carrier. We are holding bookings up to July 2002 and we have not yet had contact from these people so the potential loss could be far greater.

As managers of the resort we earn our income from a management commission on the accommodation income and also from the services we provide to our apartment owners such as cleaning and linen service and the sale of ancillary services to our resort guests such as the sale of day tours, merchandise etc. The loss of Management commission on lost future bookings is \$4456-80, and approximately \$10,000-00 on other services.

Our business is currently looking at a loss of approximately \$20,000 plus the loss to all the apartment owners who have invested in a little piece of Broome's tourism industry is currently \$80,000-00 with further cancellations still to be processed.

Furthermore I am one of the proprietors of the Traveland franchise in Broome - yes it gets worse!!!

Imagine a pub with no beer or a bookshop with no books - very hard to make a profit with no product to sell!

The agency is managed by my business partner Kaye McNerney and we currently employ 2 full time staff. Our income is solely derived from commissions on the sale of airline tickets, accommodation, tours etc. With the collapse of Ansett we have lost approximately 250 - 300 seats per day available to sell to our clients and the additional services such as accommodation etc that go with a clients travel booking. At this stage the earliest available seat for sale on Qantas is November and so it is impossible for us to move people out of Broome at the peak travel time for Broome residents. Currently the first available seat out of Broome on a Qantas flight is November and if people can't depart Broome then their plans to travel overseas or interstate are limited. Qantas flies from Broome to Broome once per

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day where Ansett flew 3 - 4 times each day. You have 4 travel agencies in Broome now trying to book 88 seats where once you had an additional 250-300 seats available to sell.

As the effect on Broome's tourism industry has meant the loss of jobs and the uncertainty of our town's future, people are also now too cautious to spend money on luxury items such as travel. You don't have to be too bright to work out that 1 or 2 agencies will close their doors! With the damage to the brand name of Traveland from the adverse publicity and our strong alliance with Ansett then it is more than likely that we will have no choice but to be the first to close down. We are financially very viable and it will only be due to a lack of product to sell that will cripple our ability to earn an income and continue to pay staff and cover our costs such as rent etc. We are looking at a loss of our business that has been valued at \$130,000-00.

Apart from all of this I have 2 beautiful children, a terrific husband and live in the best place in the world so it can't be all bad!!!

As you can see I am just one of many with similar stories and we are in urgent need of an airline to increase the available capacity to Broome on a long term basis and not just in the interim to help the stranded Ansett passengers. Due to Broome's remoteness we are so reliant on air travel.

Thanks for listening and hopefully we can make the government realise they need action fast.

I have also received a letter from another person in the tourism industry, who also does not mind if I use his name. This letter is from Mr Bernard Whewell, who is a travel wholesaler. His letter states -

Sue

I understand that Gallop stood up in Parliament and stated all is well in Broome.

That is the furthest thing from the truth.

If you want to know the truth give me a call . . .

Mr Hyde: Who told him that?

Ms SUE WALKER: I did not tell him. Someone else obviously told him.. He said also that hoteliers in Broome have lost \$750 000 from Ansett holidays, because the clients who stayed in Broome during July and August presented vouchers for those holidays. The hoteliers took those vouchers in good faith, but they are still owed that money from Ansett. Those people have also lost business as from Friday, because people who had made bookings with Ansett have cancelled, and the future business is unknown. He said that he understands that the Western Australian Tourism Commission has not met and is having its first meeting today, or later on. He said also that 200 000 people went through Broome Airport last year. He said that he cannot understand the Premier's comment that all is well in the tourism industry in Broome when it clearly is not.

Dr Gallop: I never said all is well.

Ms SUE WALKER: That is what he said he heard. The Premier said it is not doom and gloom. It is doom and gloom.

Dr Gallop: My friend -

Ms SUE WALKER: The Premier should not "My friend" me. The Premier is not my friend. The Premier should get off his hands and do something. The Premier is doing nothing.

Dr Gallop: The doom and gloom merchants are trying to manufacture more of a crisis than there is; and you are one of them. Do you know that I heard on Channel 10 that on the Qantas flight from Broome today, there were 40 spare seats?

Ms SUE WALKER: That is because people do not know how to book them.

Dr Gallop: Exactly, and we are going to fix that.

Ms SUE WALKER: How?

Dr Gallop: By sending out the schedules.

Ms SUE WALKER: There is doom and gloom, and the Government needs to pull its head out of the sand and get to work on this issue. However, I think the situation has now gone too far. The Government was told on Friday to act. It did nothing. Had I been the Minister for Tourism, I would have been on the telephone and been proactive. The Government is still talking.

Mr Brown: You are a joke. You do not know what you are talking about.

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Ms SUE WALKER: The minister is the joke. The Labor Party's policy states that tourism is a major industry in this State; and the hotel sector alone employs over 20 000 people in Western Australia directly and is worth over \$1.5 billion a year to the state economy. The Australian Hotels Association has told me that it is extremely unhappy with this Government's performance. Tourism accounts for approximately nine per cent of the State's work force and plays a vital role in the regions of this State. I ask members to support the motion moved by the member for Ningaloo.

MR TRENORDEN (Avon - Leader of the National Party) [6.00 pm]: I obviously have little time. There is no possibility that I will support the amendment, because no action has been taken. In an article in the *Broome Advertiser*, the Kimberley Tourist Association said that 66 per cent of Broome tourists come from Perth.

Debate interrupted.

Sitting suspended from 6.00 to 7.00 pm