

**REGIONAL AIRLINE SERVICES, ANSETT AUSTRALIA AND QANTAS AIRWAYS LTD**

*Motion*

**MR SWEETMAN** (Ningaloo) [4.02 pm]: I move -

That this House calls on the Government to table in this House all information in relation to -

- (a) its dealing with Ansett, prior to its collapse;
- (b) subsequent dealings with the Administrator of Ansett regarding the reinstatement of regional air services utilising Skywest and/or Ansett aircraft; and
- (c) during this same time Government dealings with and support for Qantas Airlines.

This motion was brought about by the Premier's statement in this House last Thursday. I listened with some alarm to some of the comments made in that statement. It was anticipated that it would be received as good news, but it has some very alarming aspects. I refer in particular to the relationship, which was made transparent in that ministerial statement, between the Government and Qantas.

These are very interesting times. The calamitous events of 11 September were followed within two or three days by Ansett Australia and all its subsidiaries being placed into administration, and its aircraft being grounded. The House previously debated a motion about providing a line of credit to allow Skywest Airlines Pty Ltd to get back into the air, under the management and responsibility of the administrator, primarily to ensure that air services were reinstated to regional areas. There were other potential benefits, including the preservation of Skywest as an entity, and, in the interests of creditors of Skywest and Ansett, to preserve what was left of the business. It had to be an advantage to the administrators, because their prime interest was to ensure that the maximum return was made to creditors. It has been interesting to chart the course of events and to observe the conduct of the Government during the past three months. That conduct is contrary to views the Government held, and expectations it created in the community, that the sale of Skywest was a simple process and would be handled in the short term rather than the longer term.

I cautioned the Government during debate on the last private members' motion on this matter that it would not be a five-minute exercise, and it has not been. It has taken nearly three months, and Skywest has not been sold. The tenders have closed and the submissions are in. I understand five or six serious submissions have been made. I do not want to prejudice the chances of a successful sale of Skywest, but I am sure those people who have gone through the process of due diligence know a lot more about the intricacies and the dynamics of air travel in Western Australia than I do. I do not think, therefore, that what I say in this Chamber will in any way prejudice the chances of a successful sale or transition of Skywest from administration to a private owner.

The issues have involved not only travellers trying to get from point A to point B, the return to creditors or the establishment of a viable regional airline in Western Australia, but also other smaller businesses. Some reference was made, by way of interjection in the last debate, about hire car firms, tourist operators, resorts and accommodation houses that are being starved of business as a consequence of people being unable to be linked with their product. Skywest finally got its planes back into the air without the assistance of the State Government. The federal Government should be commended for its stance and the very quick action it took on Skywest, other airlines around Australia, and ultimately Ansett itself, in getting those planes back into the skies.

I became concerned about the predicament the travel agents were in. Traveland Pty Ltd was initially quite successfully sold off as a going entity. For some reason, the administrators did not have a lot of problems in divesting themselves of the travel agency business, under the Traveland name. I have read in the weekend newspaper that that company has now gone belly-up as well. We should not be surprised about that, because the people who bought Traveland did not exercise enough due diligence. They simply took advantage of the fact that the value of the business had dropped by \$60 million or \$70 million, and thought that therefore it must be a good buy. They did not realise that, because of what happened on 11 September, and then the collapse of the airline and all the problems that created in Western Australia and the nation, business would not return to Traveland as quickly as they would have liked.

One of the biggest issues I was tracking, in trying to enhance the viability of not just my local Traveland agency but also all other travel agencies, was the refloating of the agencies. I do not think the House understands what is involved in that process. Very quickly after Ansett went into liquidation, the International Air Transport Association registration, which enables travel agencies to automatically have their commission returned to them, was discontinued. For some reason, the administrator found it too difficult a task to continue that registration. I proposed to the administrator that he adopt manual ticketing - a simple step back in time, but foolproof.

**Mr Johnson:** Was that the first administrator or the second?

Mr SWEETMAN: This was the second administrator. Skywest did not get back into the air under the first administrator.

Ms MacTiernan: Are you talking about Skywest or Traveland?

Mr SWEETMAN: I am talking about a range of issues that have had some fairly dire consequences. What has the position of the Government been on all these things as they have happened?

Ms MacTiernan: The motion did not mention Traveland.

Mr SWEETMAN: I am mentioning it now, as a way of further developing my theme. I am being cautious in not referring to misconduct, but it has been a matter of convenience that the Government has not engaged with all the issues at play with Ansett and Skywest. I exclude Qantas; the Government has been very diligent, perhaps overzealous, in ensuring that Qantas is able to connect with many destinations and routes in Western Australia, prior to the sale of Skywest.

I am speaking about the conduct of the administrator. A previous speech in this House made reference to the fact that the Government or government ministers have met with the administrator on a consistent basis. I do not know whether the administrator has, to some extent, been doing the bidding of the Government. Was it by design or convenience, or just simply a mistake, that the administrator chose not to refloat the travel agency?

Ms MacTiernan: That is an amazing allegation against the administrator. The member for Ningaloo knows the administrator's obligations under law. Is he now saying that the administrator is basically breaching his legal obligation to look after the interests of the creditors and is doing the bidding of the Government? That is a very serious allegation, and I am sure the administrator would be interested in hearing it repeated outside the House.

Mr SWEETMAN: It is not for want of trying to get in contact with the administrator. Seemingly, the minister can do it more easily than I can. The last time my office spoke with the administrator, he hung up. We have been very persistent in trying to ensure that our travel agents were receiving a commission. The administrator would have been interested to know that the agents were putting people on buses to receive a commission. Is that in the interest of preserving the value of Skywest Airlines Pty Ltd or Ansett Australia's assets? It is crazy. I want the administrator to give an explanation, and I tried to ring his office to get one but he hung up on us - only once. However, it was in response to letters and faxes that we sent and persistent calls to ask what was happening with regard to the commission for travel agents. The commission would enable those agents to put people on planes. That would then enhance the business and make the airline a more viable and saleable asset, which ultimately is in the interest of all creditors. That is the responsibility of the administrator. Three months on, we are still sifting through the bidders.

Let us move to the conduct of the Minister for Housing and Works; Local Government and Regional Development; and the Kimberley, Pilbara and Gascoyne. I thought it strange and bordering on the bizarre, as did the manager of Skywest Airlines, when he received a call one Friday evening, a couple days after we had debated the motion in this House. The minister threatened the manager of Skywest and said that the Government would revoke its network license. The manager of Skywest thought that was interesting because, as far as he knew, the company did not have a network licence, but had an air operators certificate that was issued by the Civil Aviation Safety Authority. The company then, as a courtesy or some form of registration with the Department of Transport, logged the routes that it was able to fly. My understanding is that the minister or the Government cannot revoke the air operators certificate that is issued by CASA.

Ms MacTiernan: What is your allegation? What are you saying the minister said?

Mr SWEETMAN: The Minister for the Kimberley, Pilbara and Gascoyne rang the manager of Skywest because he believed that he was pushing too hard and being too aggressive in ensuring that Skywest got back in the air. In that discussion, which lasted nearly half an hour, the minister clearly indicated his preference for Qantas. That is strange and inappropriate conduct for a minister, even if he was a bit cranky. The manager of Skywest did not have a good weekend after that because all of a sudden, he felt that he and the airline were not in favour with the Government. Whether he rightly or wrongly assumed that, it is something that needs to be investigated and followed up under the Premier's ministerial code of conduct for a start. Separate to that issue, it is inappropriate behaviour, whether or not there is a ministerial code of conduct.

Ms MacTiernan: When you make a serious allegation like this, you should clarify what it is. You said that the minister rang the manager of Skywest on a Friday afternoon. What did the minister say?

Mr SWEETMAN: It was Friday evening and he threatened to revoke Skywest's network licence. In paraphrasing his conversation, he said that the airline had been too aggressive and was saying too much to too many people at that time - I suppose he meant me and the Opposition. In that conversation the minister conveyed to the manager of Skywest that he had a preference for Qantas.

Ms MacTiernan: This was not just an assumption?

Mr SWEETMAN: No. It dovetails well with an interview that the Minister for the Kimberley, Pilbara and Gascoyne gave on ABC Radio from Karratha. I am sure that the transcript to that interview is available. However, I would not mind a dollar for every time he mentioned the word “Qantas” - Qantas was going to do this, Qantas was going to do that, and Qantas was so good.

Mr Johnson: It sounds like a white elephant to me.

Mr SWEETMAN: It is a cosy relationship; maybe not a corrupt one but very convenient for an airline that is in the business of making the most from another airline’s calamity. That is the position in which Qantas has been. I have no gripe with Qantas, it is a great airline.

Mr Ripper: You made an allegation about a threat to Skywest. What was the purpose of making this threat?

Mr SWEETMAN: The Treasurer has come into the argument late. I have already said it twice but for his benefit, I will say it again. The Minister for the Kimberley, Pilbara and Gascoyne was disturbed that the manager of Skywest was doing too much about getting the airline back in business.

We might as well finish our business on the conduct of the Minister for the Kimberley, Pilbara and Gascoyne because that was not the end of it. He gave an interview to ABC radio in Karratha -

Ms MacTiernan: It is interesting to note the words “Gascoyne” and “Pilbara”, and that part of the minister’s responsibility is those areas.

Mr SWEETMAN: That is right. It is a fine line and I want the minister to understand what we are talking about. There is appropriate and inappropriate conduct. It takes a bit of wisdom to understand the difference - I am not having a shot at the minister. When talking about business, one must be careful about what is ethical and what is not, and what are the prevailing set of circumstances with regard to that business. The Premier’s statement in this House the other day made the point that he had spoken with Geoff Dixon, and so he should have. He should have also spoken to a lot of other people.

Ms MacTiernan: He did, and so has the rest of the Government.

Mr SWEETMAN: That action appears to have been fruitless. I am led to understand that the government jet took the Qantas executives north.

Mr Johnson: At the taxpayers’ expense.

Mr SWEETMAN: One would think that would not be right, but that is what I heard. The government jet flew the minister and Qantas executives to Exmouth and other places. I had notification of the ministerial visit because they were landing in my patch. This is a fine line. Does the minister believe that that is appropriate? Skywest services Exmouth and the patronage is light. However, it continues to provide that service and prevail on the administrator to allow it to keep flying into Exmouth. The minister and Qantas executives flew north for a meeting with various people in Exmouth. Does that not undermine the efforts of the administrator in his attempt to sell Skywest? The minister was almost undermining the business component of Skywest Airlines. Skywest Airlines exists as an entity with aeroplanes, but there is also the valuable part of the company is the business itself. One is not valuable without the other. If the business component of a company is attacked and diminished, the overall entity ultimately becomes valueless. That is wrong. Whether there is a ministerial code of conduct to cover that is neither here nor there. What the minister did was wrong. Will the Government now turn around during this assessment of tenders period and fly all the tenderers for Skywest to the same destinations?

I have views on whether to regulate. However, my concern is that in the Government’s haste to try to facilitate a better air service into country Western Australia, it ultimately prejudiced the situation with regard to competition, better air services and cheaper seats into some of those regions. Who has the Government had around the table during negotiations with Qantas? Has it been able to nail Qantas down on what benefits will accrue to the State and air travellers once it becomes the exclusive carrier within this State? This is what really concerns me. If the Government is considering a single airline policy in this State, it must sit down with these people and work out what will be the benefits of that policy to government and the people of Western Australia. The Government then needs to work out what the schedule of fees, or reduction in schedule of fees, will be once patronage goes above a certain level. It is impossible to achieve and I would not try it for that reason. That is why we must have competition. The Government has been negligent.

Ms MacTiernan: Who in the Liberal Party is responsible for aviation policy?

Mr Johnson: Who is responsible in your party? Why is the minister responsible for the north west involved?

Mr SWEETMAN: I am the shadow minister for transport, and aviation comes within that portfolio.

Ms MacTiernan: Is your policy determined in consultation with your other members? Please explain why the Liberal Party's policies in this House are so different from the policies espoused by Liberal members in the other place.

Mr SWEETMAN: It is not a matter of policy. Members opposite are in government and are responsible for this situation. A variety of views has been expressed. I do not have a problem if the Government wants to consider regulating this area and perhaps even enshrining a single carrier in Western Australia. I do not think it would work or that it could be achieved, but it would probably be worth investigating. However, without having done any investigation, the Government appears to have decided to pursue a single-airline policy. Members opposite must admit that the players in the industry have been undermined, particularly Skywest Airlines.

Ms MacTiernan: That is not true.

Mr Johnson: If the member for Armadale is the minister responsible for transport, particularly air transport, why did Hon Tom Stephens get involved by trying to gag Skywest? I cannot understand that.

Ms MacTiernan: The underlying assumption is completely incorrect. He has responsibility for the north west, and there were particular issues of concern in that area. He is also the Minister for Local Government and Regional Development. In his role as the minister responsible for the north west and regional development, he was addressing regional development issues affecting the north west. He did that with my complete support. We liaised very closely.

Mr Johnson: Did he speak to you about it?

Ms MacTiernan: Yes.

Mr Johnson: Were you informed about his discussions with Skywest?

Ms MacTiernan: I was informed about his tour of the north of the State. The Minister for Tourism and I supported his actions.

Mr SWEETMAN: That is interesting. A few other people are now embroiled. Perhaps we were wrong in giving him the benefit of the doubt. This could be more controversial than I originally thought. I do not easily subscribe to conspiracy theories, but a prima facie case seems to be developing. We now have the Minister for Tourism and the Minister for Planning and Infrastructure endorsing Hon Tom Stephens' actions.

I am simply saying that when Skywest first got back in the air, the manager put a proposal to the administrator that he look at hiring or leasing Ansett Australia planes or bringing Flight West Airlines planes from Queensland to immediately provide services to areas of the State that were not being serviced. The shadow Minister for Tourism highlighted those areas in her speech.

Ms Sue Walker: The Minister for Planning and Infrastructure took responsibility for the airline during the crisis; she was right there. She seems to have shifted.

Ms MacTiernan: Sorry madam, that is not true.

Ms Sue Walker: "Madam" to you too! You might be a madam, but I am not!

Several members interjected.

Mr SWEETMAN: I think that is why people were overly traumatised -

Mr Johnson: We are having a reshuffle again.

Mr SWEETMAN: There were sound reasons for the administrator, if he had been encouraged by the Government, to look at bringing in additional aircraft. However, the minister might have been so hitched up with Qantas at that stage that she was doing its bidding.

Ms MacTiernan: You could not be further from the truth. It is ironic.

Mr SWEETMAN: I am simply reviewing the evidence. Ansett planes could have been put back in the air if this Government had displayed initiative.

Ms MacTiernan: Are you saying that we should have directed the administrator to do that?

Mr SWEETMAN: No, but the Government could have helped facilitate that result, just as the Commonwealth Government provided a line of credit and got Skywest back in the air.

Ms MacTiernan: Tell me how we could have insisted that the administrator put those planes into service.

Mr SWEETMAN: I am not saying that. The Government could have developed that scenario. At the end of the day, it was of state significance and community service obligations were involved. The minister should have been more proactive and shown more initiative in ensuring that Skywest accessed Ansett planes or Flight West

planes from Queensland to fill the void. It simply said that Qantas would pick up the slack. Qantas was in a position to do something, but it had real difficulties. Even though it did a great job in putting planes back in the air, it was a token gesture. It did not have ticketing arrangements for more than one day out. The planes were flying, but if potential passengers were not at the airport, they did not get on them. It was a mess. Planes were flying in and out of those areas with two or three passengers. People did not know about the services because there was no central ticketing arrangement.

Ms MacTiernan: No-one denies that there were problems.

Mr SWEETMAN: The Government could have addressed those problems by consulting the administrator. We would then have had a stronger, more saleable and certainly more valuable airline. That would have been in the interests of the State, and certainly in the interests of the Government and the creditors, who still stand to lose a great deal of money. Will the Premier table in this House the details of the Government's dealings with Ansett and Skywest, its support of and dealings with Qantas and his ministers' conduct? Is it appropriate for a minister to threaten the manager of Skywest? Should a minister personally escort an airline executive to the north of the State, regardless of the motives?

**MS MacTIERNAN** (Armadale - Minister for Planning and Infrastructure) [4.28 pm]: I came into the House well prepared for this debate because, unlike some of his colleagues, the member for Ningaloo is not prone to hysteria. He normally presents a reasonably well-argued case.

Mr Sweetman: Thank you, minister.

Ms MacTIERNAN: I was ready to take down pages of notes. The member gave his introduction, but it was not followed by an argument. The substance of the case is an allegation that the Minister for Local Government and Regional Development; the Kimberley, Pilbara and Gascoyne made a telephone call to the manager of Skywest Airlines Pty Ltd and told him that he was being too aggressive.

Several members interjected.

Ms MacTIERNAN: I will outline the case and demonstrate how flimsy it is. The second component of the case is that the minister then flew to the north of the State escorting various persons from Qantas Airways Ltd and stopping off at various places.

The member for Ningaloo made a further claim that the Government could have directed the administrator to do a better job in utilising Ansett Australia aircraft. That is particularly interesting given the first allegation made in this debate that the administrator was in gross breach of his obligations under the Corporations Law and he was not acting in the best interests of the creditors of the company but at the beck and call of the Government. That is a very interesting allegation. If the member for Ningaloo is serious about it, he should repeat it outside the House. If he did, he would receive an appropriate response from the administrator. That allegation is outrageous and there is absolutely no truth in it.

Putting aside the various component parts, the basic theme of this motion is that the Government has been anti-Skywest and pro-Qantas. An analysis of the facts does not support that allegation. The Government has been a very active player in dealing with a range of airlines. The Government's aim has always been to ensure that the situation serves the best interests not of any company but of the people of Western Australia. Its particular concern has been to protect the interests of regional Western Australia.

The major links will look after themselves. The east-west link is fundamentally a profitable route. The Government has a real concern about the maintenance of a proper regional network. It is a complex issue because it does not relate solely to the collapse of Ansett Australia. It is a problem that has been developing for some time, which has been exacerbated by the mining companies moving away from regular passenger transport services to charter services. In our view, that has undermined the viability of a number of key routes into Western Australia.

We had dealings with Ansett prior to its collapse. Staff in the aviation unit of the Department for Planning and Infrastructure were monitoring Ansett's position daily. The Government was conscious not to talk up those problems. We did not want to contribute to the difficulties that Ansett was facing. The airline industry, to a significant extent, is a business based on confidence. A deal of talk about the imminent collapse of Ansett or Skywest Airlines would have undermined their capacity to attract custom and, therefore, would have undermined their cash flows. That talk could become a self-fulfilling prophecy. We were therefore careful not to talk up the problems of Skywest or Ansett prior to Ansett's collapse. However, we were aware of a growing body of evidence to suggest that the entire network of Skywest, Ansett and Air New Zealand Ltd had real financial problems. We were talking to not only Ansett in Western Australia but also the Ansett management in Melbourne and Air New Zealand personnel. We were keen to get the best possible information that we could, particularly for regional Western Australia, because the Ansett lines characterised probably more than 70 per

cent of travel done by Skywest and Ansett. Their demise therefore would have had a marked impact on regional Western Australia.

We were keen to do what we could to ensure that the needs of rural Western Australia were not neglected in the negotiations that were taking place. We even talked to Ansett about disengaging Skywest and having it dealt with separately. At the same time it was necessary for us to talk to Qantas because we needed to have a contingency plan in place. If we had not done that, members opposite would have stood in this place and criticised us. They would have said that the collapse of Ansett had been talked about in the financial media in the previous fortnight and they would have wanted to know what we were doing about it. We were, therefore, concerned to act and to ensure that contingency plans were put in place. For that reason, we spoke to Qantas and a number of smaller operators so that if, in the most regrettable instance, Ansett and with it Skywest were to fall over -

Mr Sweetman: All that happened prior to the collapse. This speech is word for word the speech you gave before Skywest got back in business. You need to get past that and tell me what you, as a minister, and other ministers in the Government have been doing since then.

Ms MacTIERNAN: Members opposite made allegations that we dealt improperly with the collapse. I want an opportunity to set out the facts.

So concerned were we to ensure that Ansett remained viable that I spoke to Dr Cheong, the Chief Executive Officer of Singapore Airlines Ltd. The member will recall that this whole travesty can be dated back to the difficulties put in the way of Singapore Airlines when it sought to take a part interest in Ansett some years ago.

Mr Sweetman: Some would say it goes back to Bob Hawke and Sir Peter Abeles.

Ms MacTIERNAN: It is clear that the fortunes of Ansett started to deteriorate and go into a nosedive - using the appropriate analogy - when the federal Government made it clear that it did not support a share of Ansett going to Singapore Airlines. I must say that often there is a feeling among some Asian countries that certain players in politics in Australia do not encourage a deep degree of integration between Asian economies and the Australian economy. That is not a disability, of course, under which Labor has ever suffered. We made it clear to Dr Cheong that if Singapore Airlines saw its way clear in the fallout to purchase Ansett Australia, it would certainly have strong support from the Labor Government of Western Australia. We believed that it would be a beneficial development for Western Australia and would provide a second stable airline in competition with Qantas. However, Dr Cheong advised us that, on analysis, it was not a project that it believed warranted the risks involved.

It is useful and relevant to make that point, because the fundamental aspect of the member for Ningaloo's motion is that the Government has bent over backwards to assist Qantas to gain a monopoly. There is clear evidence that we spoke to the most prospective competitor of Qantas, and encouraged that competitor to acquire Ansett and to move into Western Australia so that there could be real competition.

We had several discussions with the first administrator and met immediately with the new administrator when he was appointed. The theme that we constantly pushed with Ansett's local administration and senior administration in Melbourne was the possibility of disengaging Skywest's assets from the overall Ansett imbroglio. It was clear that it would be difficult to make an expeditious sale of the overall asset. It took the administrators months to work out who owned the Ansett planes. The engines were owned by someone, the bodies were owned by someone else and someone else had a lease over them. There was not even a paper trail that gave a clear indication of the ownership of the aircraft. It, therefore, became evident that administration would be a very protracted process. Our constant theme was to get the assets of Skywest disengaged from that process, get it up and running and get it sold.

The Government decided to not provide financial support to Skywest or any player. We took the view that we should get involved in overall assistance to the industry rather than buying into -

Mr Ainsworth: That decision cost the industry money.

Ms MacTIERNAN: No, I will give the member the evidence of why that did not cost the industry money. Is the member aware that the administrator secured an advance from the Commonwealth Government of \$3.5 million?

Mr Ainsworth: Absolutely, and I support it the whole way.

Ms MacTIERNAN: I was pleased that it had been done. To this day, the \$3.5 million has not been touched.

Mr Sweetman interjected.

Ms MacTIERNAN: It was not needed.

The DEPUTY SPEAKER: Order, members!

Ms MacTIERNAN: It was clear that it was in the interest of the administrator to sell Skywest Airlines as a going concern. The first administrator should never have closed down Skywest. The second administrator probably agrees with that. Skywest should have been allowed to continue to fly. The Government thought that it was a stupid and short-sighted approach to stop operations.

Mr Sweetman: Until guarantees were put in place, that could not be done. As a lawyer, you would know that.

Ms MacTIERNAN: Of course he could do it. Skywest was out of action for a week. That was regrettable. However, that was not the fundamental problem. The fundamental problem with Skywest was interlinked with the fate of its contracts with mining companies. The Government must look at the role of the mining companies and the impact that their fly in, fly out operations have on the delivery of air services across Western Australia. As the member will be aware, Skywest lost the contract to WMC Resources Ltd. That had a serious financial impact. I do not want to talk about the company's private dealings, but the member will be aware -

Mr Sweetman: It just lost the Woodside Pty Ltd contract as well.

Ms MacTIERNAN: The member is aware of that. Skywest has lost the majority of the Woodside contract. That is regrettable. It is not something over which the Government has any control. The mining companies calculate who will provide the best service at the cheapest price. There are question marks about which aircraft configurations are the best. At the end of the day, that is not a matter that the Government can influence. The Government has constantly supported Skywest. The Government allocated \$50 000 to Skywest for an advertising program to increase its patronage.

Department for Planning and Infrastructure staff and I have met and spoken on many occasions with not only the administrators, but also a number of the bidders for Skywest. The Government has encouraged those bids. One consortium was interested in large dollops of financial assistance, but was told that the Government was not prepared to provide that sort of assistance because it would be unfair to the other bidders. However, the consortium was told that the Government was prepared to consider route protection. The Government is opposed to an airline cherry picking routes that form the basis of the turboprop service provided by Skywest. When the dust settles, it may be necessary to offer route protection for the overall network. For example, the Government would be prepared to consider providing a monopoly on the profitable route between Perth and Geraldton as a trade-off for an airline also providing a service to Exmouth, which is not such a profitable run. The precise configuration of how that would be done would be worked through once the dust had settled and the new owner of Skywest was known. The Government has made it clear that there is a role for a turboprop-based operation like the one run by Skywest. We are aware that it had its difficulties. The Government is concerned that some outfits might try to cherry pick one or two routes. The offer to all the consortia has been that the Government is prepared to provide route protection. They can go into the bidding process with an assurance that the Government will not provide a whole heap of money, but that it wants to protect the network and is prepared to use the powers under the Transport Co-ordination Act 1966 to deliver that. I understand that Qantas is no longer a bidder for Skywest. That is probably a good thing. Some diversity is needed in the system. There is a strong argument for a Western Australian-based operation to provide those services. Far from the Government trying to stymie the sale of Skywest or to make it an unattractive deal, I have gone out of my way to make it clear to anyone interested in Skywest that the Government will support the network and is prepared to use regulatory powers to do so.

Mr Sweetman: It currently looks a fairly unattractive deal. Do you take any responsibility for how long it has taken?

Ms MacTIERNAN: Absolutely not. The Government has no control over the administrator. The essential issue is that the administrator is legally obliged to maximise the return for the creditors. The Government is on the administrator's case all the time. The administrator has been asked why it is taking so long and has said there is no end of problems.

Mr Sweetman: I am glad you can get through to them.

Ms MacTIERNAN: Members on this side of the House are in government and members on that side are in opposition. That is not to say that members opposite do not have a role, but it is not surprising that it is easier for government members to have a conversation with the administrator because, at the end of the day, we are the decision makers. The member for Ningaloo has a role to play. A couple of members on the other side have a psychological problem because they have not made the adjustment to opposition. I single out the member for Kingsley as someone who has accepted the reality and got on with the job. She is working hard as a capable opposition member. Some opposition members seem to be full of pique that they are not still in government. They are outraged. They were in government and now they are not. They ask: why do people not deal with us as though we were in government? That is the problem the Leader of the Opposition has. He is suffering from post-traumatic stress syndrome. That accounts for some of his more unusual behaviour.

Ms Sue Walker: Don't talk about his behaviour; look at your own.

The DEPUTY SPEAKER: Order, members!

Ms MacTIERNAN: That is very painful! It is not at all surprising. Being in opposition is hard work. I know, because I was in opposition for eight years. One must try very hard. I urge all opposition members to follow the example of the member for Kingsley, who does not sit around whingeing about not being in government but gets on and does the job.

Government members: Hear, hear!

Mrs Edwardes: I am working to get back into government.

Ms MacTIERNAN: Absolutely. We would have preferred it if the member for Kingsley had lost her seat, but she did not and we accept that.

Mr Sweetman: We're glad that you didn't lose yours.

Ms MacTIERNAN: That is good. I thank the member for Ningaloo. I can assure the member that the people of Armadale are also glad.

The administrator has been defamed. On the one hand, he has been accused of colluding with the Government and on the other hand, the Government has been accused of not directing the administrator. That is a rather paradoxical set of allegations. Allegations were also made against the Minister for Local Government and Regional Development; the Kimberley, Pilbara and Gascoyne. It was alleged that he made a threatening phone call to the manager of Skywest about the expansion activities of the airline. The minister denies that absolutely. He does not deny that he rang Mr Fletcher; he said that he did. He rang him because he was concerned about Wiluna and Meekatharra. The minister responsible for the north west does not focus on only the main towns. Since the time that the Labor Party was in opposition, the minister has been concerned about the provision of air services to Mt Magnet, Wiluna and Meekatharra. When in opposition, he and I worked together to apply pressure to get a better delivery of services to Mt Magnet, and I think we can take credit for some success in that. The minister made the phone call to ask why Skywest Airlines was putting on flights to Karratha and withdrawing those services from Meekatharra and Wiluna. He called to find out why the traditional routes that Skywest had covered had been withdrawn and why the focus was on the big, more productive centre of Karratha. That was a legitimate concern of a minister who is responsible for the north west and who was concerned about those smaller communities.

Mr Sweetman: There was a tussle about which routes Skywest flew, because the administrator was determining which routes were profitable. He wanted to drop Shark Bay and Exmouth.

Ms MacTIERNAN: I understand that.

Mr Sweetman: The manager prevailed on him to continue to service them.

Ms MacTIERNAN: The member prevailed on the administrator?

Mr Sweetman: No, the manager did. The administrator said that the non-profitable routes should be knocked out. Why didn't the minister call the administrator? The manager of the airline was not doing that; the administrator was.

Ms MacTIERNAN: Obviously, the minister thought that it was appropriate to talk to Skywest about how it saw its lot. The manager has influence with the administrator. The primary concern of the minister responsible for the north west was the fate of Wiluna and Meekatharra, and, basically, he wanted to question the decision to withdraw those services. He did not in any way threaten to revoke any licence. However, he no doubt pointed out what I have said the Government has pointed out to every Skywest proponent; that is, that the Government would be prepared to look at route protection on the network to ensure that those airlines that fly the less profitable or marginal lines also get a monopoly on the good lines, if that is necessary to preserve the integrity of the network. I presume the minister made a comment similar to that, and somehow or other that has been misconstrued as a threat.

There are some serious contenders for Skywest. As the member for Ningaloo knows, it will be difficult now that the contract with Woodside has been substantially lost. I understand Woodside's decision is to not put all its eggs in one basket and that a number of people will get the contract. However, the vast benefit of that Woodside contract has been lost to Skywest. It is no secret that that makes the Skywest operation a more problematic one, and it is not something over which the Government has any control. It cannot tell Woodside at this time that thou shalt not charter a service from Qantas or from anyone else. Indeed, if the Government attempted to do that, the Opposition would jump up and down and accuse it of collusion.



I refer to the trip to the north. It is true that Hon Tom Stephens, the minister responsible for the north west, was extremely concerned, as were the tourist operators in particularly the Kimberley, but also the Gascoyne and Pilbara, about the lack of sufficient capacity to cover what they believed was their legitimate demand. This must be seen in the context of the history of the airline industry in this State. The lion's share of the industry had been provided by Ansett Australia, but it is no longer doing that. Therefore, there is a huge vacuum in the add-ons and the promotion of Western Australian destinations. The minister responsible for the north west was trying, very legitimately, to fill that gap. Tourist operators had complained that when people rang Qantas and asked about holiday destinations in Western Australia, Qantas did not even know where the towns were, let alone anything about the complexity and richness of the attractions in those areas. Therefore, a bias against Western Australia was being built into the system. Western Australia as a tourist destination was not being promoted because Qantas did not have the level of expertise; it had not been in the market. Therefore, the minister attempted - he was supported 100 per cent by the Western Australian Tourism Commission in doing this - to get those people who were responsible for promoting the packages to come to Western Australia and to look at and understand the distances, the complexity of the places about which we are talking, the distinctness of the Gascoyne, the Pilbara and the Kimberley, and the range of experiences and tour opportunities.

Mr Sweetman: It would have been an opportune time to take the tenderers for Skywest up there as well. Why did you single out one airline?

Ms MacTIERNAN: There did not seem to be any problem with the tenderers for Skywest knowing what its business was. The problem was that because the lion's share of business in Western Australia had been in the hands of Ansett, the Qantas culture was not oriented to Western Australia. Qantas is here to stay. The Government has a deal with Qantas, and it will be a major player into Western Australia. Western Australia must make sure that it is on an equal footing with destinations in the Northern Territory and Queensland.

Mr Sweetman: Do we have a deal with Qantas?

Ms MacTIERNAN: Of course we deal with Qantas. We deal with all the airlines. Is the member saying that we should allow a situation to continue in which Qantas has staff who know virtually nothing about Western Australia and who have a culture and tradition based in the other States?

Mr Sweetman interjected.

Ms MacTIERNAN: The member for Ningaloo and the member for Nedlands can tell the tourism industry that we should not talk to Qantas about how it can bring packages into Western Australia, and they will be as popular as the member for Nedlands is in Donnybrook because of her nonsense about the chip-mill.

Mr Omodei: That is rubbish and you know it. There are 42 000 truck movements. Have you told many people about that?

Ms MacTIERNAN: Not only have we told people about it, but also we prepared the report. We look forward to the member for Nedlands telling us why it is a bad thing for the tourism industry that Hon Tom Stephens sought to break down the cultural divide that exists between the eastern States and Western Australia in the mind of Qantas. No doubt, the member for Kimberley will tell us how successful and important that trip was for the development of the north of this State.

The Government has done everything conceivably possible to assist Skywest and to encourage Western Australian-based consortia to purchase Skywest. The Government has met with them and promised them route protection, if that is what is needed to make the airline viable.

We have not argued, as Hon Norman Moore has argued on many occasions, that Western Australian air routes should be in the hands of a single monopoly. The Liberal Party has different policy settings between the upper House and the lower House.

Mr Sweetman: We have a policy.

Ms MacTIERNAN: It is not a policy; the Liberal Party has a policy-free zone. There is no substance to any of these allegations. The Government has demonstrated that they are quite nonsensical and paradoxical.

**MRS MARTIN** (Kimberley) [5.00 pm]: I will talk about the Kimberley. The Minister for the Kimberley, Pilbara and Gascoyne -

Mr Johnson: We do not know what he does either.

Mrs MARTIN: I see him regularly. He is one of the hardest working ministers I know. He is very committed to the Kimberley. My dealings with him have borne fruit, especially with Qantas. I attended a meeting the Saturday before last with a Qantas executive. He stated clearly that by 4 February there will be 90 per cent capacity. We are happy because we have a minister who will do something about the horrendous situation that came into being after 14 September. Even though it has taken some time, a Qantas executive has spoken to

people in the tourism industry in the Kimberley. There is no criticism; it is about dealing with realities. The reality of our situation is that we rely heavily on tourism. If tourists cannot get to the Kimberley to spend money and contribute to our economy -

Mr Johnson interjected.

Mrs MARTIN: Excuse me, the member can have his go later. We speak to people and look at ways of dealing with our problems. We do not hide behind anything. We deal with the issues. We invite people to our community to look at the situation. We do not operate on rumour and innuendo. The Opposition needs to rethink its motion.

Mr Johnson interjected.

Mrs MARTIN: I am not taking interjections.

Mr Johnson: I think you just did.

Mrs MARTIN: Some of us look at things rationally and are here for the betterment of our communities. We are elected to do that. We work with people. In my case, they happen to be ministers.

Several members interjected.

The DEPUTY SPEAKER: Order, members!

Mrs MARTIN: The ministers know what communities need because they are on the ground and talk to communities. We have incorporated community needs with industry needs. We have winning partnerships.

**MR BROWN** (Bassendean - Minister for State Development) [5.03 pm]: This is a very important issue. We all know that regional airline services have been declining for some time. When I was in Exmouth earlier this year, a number of tourism operators complained to me about the demise of air services. To the best of my recollection, the town had only five services a week. There were concerns it would be reduced to four services a week. I am unclear as to whether that happened before the collapse of Ansett Australia. There is no doubt that aviation policy is a critical issue for Western Australia given the size of the State and that communities in the Gascoyne, Pilbara and Kimberley are reliant on regular airline services. It is not only a question of regular airline services, but it is also a question of the type of aircraft that service those areas. Concerns were raised with me when I visited Kununurra that while there is a service between Kununurra, Broome and Perth, it is not a single service. It has sector fares and it does not provide automatic connections. The cost of travelling from Kununurra to Perth is too high and there is no continuity in bookings or other arrangements. We have seen similar difficulties in other northern towns.

This poses interesting challenges to the airline policy the State ultimately wishes to adopt. A number of alternatives need to be examined properly. One alternative is to re-regulate all airline routes. That appears to be a simple alternative, but it will potentially mean less competition. Re-regulation does not necessarily result in less competition, but it may. Less competition will result in greater cost. Additional cost can have a serious impact on the tourism industry. Tourists are more price sensitive than other travellers and will be deterred from holidaying in the State if the cost is not competitive. One can travel to the United Kingdom for the approximate cost of travelling to Kununurra. There is serious doubt as to whether people will travel to Kununurra for a holiday at that comparable cost. Options include regulation and deregulation. Deregulation would allow the market to dictate prices and provide services as the market sees fit. A third option is a combination of the two. It is possible to have such a combination on some routes. Whichever option is chosen, there will be significant implications.

I remember a significant speech made by the managing director of American Airlines in 1986. The airline had developed a fully integrated booking service. One could book flights, hire cars and hotels at the same time. The airline was doing very well in the American domestic market. Questions were raised about anti-trust actions being taken against the airline because of its dominant share of the market. The airline industry in the United States had been deregulated by then. The market had a large number of players, which had implications for the market. People were aware of community expectations about what the deregulation of the airline industry would bring. Community expectations of a deregulated airline policy were that planes would be available at all hours of the day and night, prices would be extremely competitive and more people would be able to travel. As the managing director of American Airlines said in his speech, that overlooked the obvious. He pointed out that people like to travel at certain times and all airlines are very aware of the travel patterns of consumers. They know when people want to travel. That is why all airlines seek to position their flight schedules around peak times and in peak markets. The theoretical idea that deregulation would result in planes leaving airports every half an hour or every 10 minutes, was not realised. It was found that business people liked to travel at the end of the day and to fly home if they were one or two hours away. Flights leaving between 4.30 pm and 6.30 pm are very popular, but flights leaving in the middle of the day, when people are unable to attend a meeting, are not as

popular. The airlines scheduled their flights around those parts of the day that consumers would use. One of the myths that deregulation would provide greater options did not prove to be the case.

When the United States deregulated its aviation industry a huge number of players come into the market. I remember an airline called the People's Airline that was given great publicity at the time. That airline did not engage any baggage handlers or whatever. People purchased a ticket, humped their baggage onto the plane, took their own bottle of water onto the plane where they sat down and shut up; at the end they humped their baggage out. People got a cheap fare, but despite that philosophy, people's airlines did not survive. My understanding, and I stand to be corrected by those who have looked at more recent history, is that as a result of deregulation, a massive number of new entrants came into the market providing a lot of additional services. However, within a relatively short time, many of those new players had disappeared and the concentration of airline ownership had increased notwithstanding deregulation. When one looks at the policy options, it is not as though there is no experience to look at in other parts of the world to see what has happened whenever deregulation occurs.

Australia has deregulated air services, and that has been reflected in the price of seats. I can recall being a regular passenger from Perth to Melbourne, Sydney and Adelaide when the price of a seat was \$1 000. One would be doing well if one could get a seat for under \$1 000. Since deregulation the cheapest seat that I can remember is \$360 to Melbourne or Sydney. Those lower prices have come about as a result of deregulation. All of that puts pressure on an airline company. If, instead of an airline company getting \$1 000 a seat, it gets \$360 a seat, it must operate on that level of income. That means the airline must look at maintenance schedules, notwithstanding requirements of the Civil Aviation Authority. It will not have gone unnoticed that three to six months prior to its collapse Ansett Australia had difficulties properly maintaining its planes. In many ways this was a warning sign.

The second point is that in a fully deregulated market there is pressure for a downward spiral in labour costs; that is, to reduce labour costs. It is no secret that the labour costs in Ansett were considerably more than the labour costs in Qantas Airways Ltd. It is equally not a secret and is out there for all to see that Qantas is currently talking about a second, lower cost airline that would operate on the basis of lower labour costs. Likewise, Virgin Blue Airlines Pty Ltd is able to provide a service and it is my understanding that the labour costs in Virgin are less than the labour costs for Qantas. If we have an open skies policy, a policy of complete deregulation, of survival of the fittest, that will drive prices down, but that will also drive costs down. That will have implications for maintenance schedules, types of planes, frequency of flights and in other ways to ensure that a service will be by and large profitable. If the route is not profitable, the planes come off that route and services diminish. For example, a community that had a jet service will receive a non-jet service, and a jet plane that held 60 or 70 people will be replaced with a non-jet plane that holds 10 or 15 people. When a community experiences reduced comfort and increased costs, the Government will feel real pressure from that community to try to rebuild the types of services that were there previously.

It is important for the State as a whole to look at the options that are available to it: what is the demand in given areas, how is that demand likely to be increased or decreased over the next four to five years, what is the impact of fly in, fly out operations in given parts of the State, what capacity can the Government play in airline ticket purchases and to what extent, if any, is it able to influence overall policy arrangements? The current wisdom is that one should, if at all possible, leave it to the market to determine these matters. That may not be possible and the market determination may not be one that communities want, particularly, if that means only one airline will service various locations and competition diminishes, which is reflected in increased fares and the impact that will have on the tourism industry as a whole. The State has to face up to that. It is too early to make decisions about the appropriate policy prescription for Western Australia at the present time. That is because markets are being rebuilt. This situation has not arisen because Ansett has stopped flying; we are also suffering the after effects of 11 September in the United States and the decrease of international travellers in Western Australia. We are not orphans there; that has happened in other parts of the world to a greater or lesser extent. In line with all of that, there has been a significant impact on airline viability. It would not have escaped the notice of members of this House the number of airline companies around the world that are now in serious financial trouble or that are being underwritten by their various Governments. When it is looking at an appropriate policy for Western Australia, the Government needs to thoroughly consider a range of variables to structure the best policy for Western Australia given the breadth of our State and the need for air services. We have some challenges ahead in that.

The Gascoyne region is one of the hidden treasures of the State, and we have not maximised the tourism opportunities in that area. When I have met with senior people overseas, I have talked in glowing terms about the opportunities in that part of the State and have encouraged a greater interest in it; likewise, the Pilbara and Kimberley have terrific opportunities. I was in Broome last Friday meeting with the Kimberley Tourism Association. I had not been to Broome for a couple of years. When one visits the town and looks at the nature of the developments that have occurred, and those that are on the drawing board, one can see the importance of

good and competitive air services into that part of the world. It will take time for the Government to work through this policy.

The other question is whether the Government needs to start thinking outside the box. I have not given any detailed thought to this, but we have seen what has happened in some communities when banking services were withdrawn. People in those communities decided to get together and do something about that from the ground up. They formed partnerships with the Bendigo Bank, and have opened community banks. The member for Ballajura was instrumental in setting up one such bank in Bayswater, and it has been very successful, as a result of community involvement and, more importantly, community investment, not only by customers but also by shareholders. If that can be done in the banking industry, which is highly concentrated, what opportunities exist for similar actions in aviation? It may not be possible, but questions such as this need to be considered if one is thinking outside the box. In some areas, where airline services are vital for the tourism industry, perhaps there is a need for close alliances between the providers of air services, and the providers of tourism products. The Government has not done a lot of research on that subject, but it needs to be properly thought about, and I will be exercising my mind on it.

[Leave granted for the member's time to be extended.]

One of the matters raised in this debate is the degree to which Qantas might become a single airline. The member for Ningaloo has mentioned the dominance of Qantas. I direct his attention to some articles that have appeared in the *Financial Review* and the *Australian*. Questions are being raised by the Lindsay Fox and Solomon Lew partnership about Ansett. Some of the aviation writers are suggesting that the federal Government was adopting a de facto policy of being quite content to see the demise of Ansett. The thinking behind that, according to some of the articles, is that it is impossible for Australia to have two significant players, and therefore it is necessary for Qantas to continue to grow and be a dominant player, which will best position Australia in the medium term. That might be the view of the Australian Government on the international position, but it has an immediate impact on intrastate services. I would also direct the attention of the member for Ningaloo to comments reportedly made by either the chief of staff or the chief executive officer of the Department of Prime Minister and Cabinet, about what he thought about Ansett. I will not recall the rather colourful language in the newspaper about his views of Ansett, except to say that it was not complimentary. It is important, when considering aviation policy at state and national levels, that we examine the way the federal Government appears to be positioning itself on aviation services, particularly in the light of some of the commentary by aviation reporters. If what is being reported is true, there are very significant implications for Western Australia, because it means that the State will have one very dominant and very significant major Australian player.

Along with other members of the House, I am concerned about the capacity of the Government to service regional communities, to ensure competitive airline services to regional communities and to continue to grow the tourism industry. The Government will need to do considerable work to come up with a policy prescription that meets all of those objectives. Some considerable research has been done in the past, and will be done in the future, to seek the best available option. Airlines seats are very price sensitive, so any form of cross-subsidisation, which has been raised as an option to assist the ports that have lower volumes, is likely to be resisted by other locations, which consider they will be disadvantaged by cross-subsidies. This is not an easy matter, but the Government must address it when the market has been allowed to settle, the services offered by existing carriers can be determined and an understanding exists about the future of Skywest and Ansett. The Government will need to know the corporate plans and intentions of the owners of those services. Ultimately the State can make a determination about the degree to which it wants to intervene in the market.

The only saving grace is that this responsibility is placed on the Government outside the peak period for the tourism industry in the north of the State. This does not mean the Government can ignore the issue, but there is a short period within which the Government can address it. Significant impacts will be felt if the Government is unable to address this issue by the start of the tourism season next year, which can be as early as April. It will not be easy to find a solution. When a decision is made, it will be difficult to accommodate all ports of call, but it is a responsibility the Government does not shirk. The Minister for Planning and Infrastructure and I will give the matter detailed consideration and will come up with the best policy prescription that meets the needs and demands of regional Western Australia, and those who wish to travel there.

Several members interjected.

Mr BROWN: The Leader of the House raised another very significant point.

Mr Johnson: He said, "Please do not sit down; I want you to keep going until 5.30 pm." The minister was about to sit down.

Mr BROWN: The Leader of the House was drawing my attention to other matters that should be discussed in this debate, and I am deciding whether or not to raise those at this time.

Mr Sweetman: The best thing the minister has said is that he is in favour of competition. The crux of this private members' debate this afternoon is that the conduct of the Government to date indicates, on the face of it, that it is doing the bidding of one airline, at an inappropriate time, when tenders are in for Skywest. I am not simply favouring Skywest and saying that it should retain routes it currently has. While tenders are in bidding for that business, the Government should be talking to it as well.

Mr BROWN: A ministerial task force has been looking at the impacts on tourism. Skywest and Qantas representatives have been attending meetings with that ministerial task force. It has not been a situation in which one airline has been favoured over another.

Debate interrupted.

*Sitting suspended from 5.30 to 7.00 pm*