

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO REGIONAL AIRFARES IN WESTERN AUSTRALIA



**TRANSCRIPT OF EVIDENCE
TAKEN AT KARRATHA
WEDNESDAY, 23 AUGUST 2017**

SESSION FOUR

Members

**Ms J.J. Shaw (Chair)
Mr S.K. L'Estrange (Deputy Chairman)
Mr Y. Mubarakai
Mr S.J. Price
Mr D.T. Redman**

Hearing commenced at 2.30 pm

Mr OWEN DAVID HIGHTOWER

Representative, Town of Port Hedland, examined:

Mr ARMANDO de la FLOR OLAVIDE

Senior Partnerships and Engagement Officer, Town of Port Hedland, examined:

The CHAIR: On behalf of the committee, I would like to thank you for agreeing to appear today to provide evidence in relation to the committee's inquiry into regional airfares. My name is Jessica Shaw and I am the Chair of the Economics and Industry Standing Committee. I would like to introduce the other members of the committee to my left: Yaz Mubarakai, member for Jandakot; Sean L'Estrange, member for Churchlands; Stephen Price, member for Forrestfield; and Terry Redman, member for Warren–Blackwood. It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege; however, this privilege does not apply to anything that you might say outside of today's proceedings.

Mr Hightower, what is your role as a representative of the Town of Port Hedland?

Mr HIGHTOWER: Just for clarity, that email went to the mayor, and apologies for him, because he is unable to attend. I have been a Port Hedland resident for eight years and have worked on and off with the Town of Port Hedland in an external consultancy, and in that capacity I have been asked to come and represent the community and the town's interests. I also want to put on the record just for clarity that I am a board member of the Pilbara Development Commission. So that is my other component as well.

The CHAIR: Fabulous. We do not have a submission from the Town of Port Hedland. Would you like to make a short opening statement from the town's perspective?

Mr HIGHTOWER: Sure. I think there was a brief submission that has gone through from the CEO and the director, but it may not have been done during the submission period so it might not have come through and been uploaded onto the website yet. I will talk to some of the content of that and I guess the intent of the town's views in that respect.

Mr S.K. L'ESTRANGE: I am trying to get some clarity on this. You have just said that you want to give the town's views on this. Are you an elected official of the town?

Mr HIGHTOWER: No.

Mr S.K. L'ESTRANGE: Do you have in any capacity—this is no offence to you. I am just trying to get clear here how is it that you are representing the town if you are not an employee of the town or the city?

Mr HIGHTOWER: I have been engaged by the town as an external consultant to assist with providing this submission and its representations for the Town of Port Hedland, and I have been given authorisation from the CEO to do that.

Mr S.K. L'ESTRANGE: Okay. So you have got authorisation from the mayor?

Mr HIGHTOWER: I have spoken to the mayor, who knows the content of what I will be presenting and he is comfortable with that.

The CHAIR: I have just had word from the secretary that the CEO has nominated Mr Hightower as his representative.

Mr S.K. L'ESTRANGE: Okay; understood.

Mr HIGHTOWER: I know it is a unique situation and the CEO and the mayor would have liked to have been here —

Mr S.K. L'ESTRANGE: The mayor was here. He was in the audience for two of our hearings this morning.

Mr HIGHTOWER: No, he was not. That was the City of Karratha mayor.

Mr S.K. L'ESTRANGE: Sorry. So who are you representing?

Mr HIGHTOWER: The Town of Port Hedland.

Mr S.K. L'ESTRANGE: My apologies.

Mr HIGHTOWER: The mayor, Camilo Blanco, and the CEO send their apologies for not being able to attend. That being said, thanks for the opportunity to present to yourselves. Just as a brief opening statement, looking into things and all the technology, we are not experts in this space, but I started off with the State Aviation Strategy. I notice that a key part of that is the objective to support the economic and social development of Western Australia through the provision of safe, affordable, efficient and effective aviation services and infrastructure. Just to understand the key point that has come across from the community or the submissions to date, it is about the issue of affordability. The Town of Port Hedland took the opportunity to engage with the broader community just briefly, and in the last 24 hours I think we have got the survey feedback, so I will ask Armando if he can briefly go through that.

Mr de la FLOR OLAVIDE: The town has conducted a survey just for 24 hours from this Monday 11.00 pm until yesterday at 11.00 pm, so we got the results this morning when I was driving here. There were 246 people who answered the survey. There were just three questions focused on this issue. The first question was: can you afford to go where you want to go? That was pretty simple. We got 246 responses, with yes, 16 responses, or 6.5 per cent, and no, 230, or 93.5 per cent. This is just one 24-hour survey. Not much difficulty for people to participate, just on Facebook, pretty simple.

Are the prices affecting your ability to visit family or friends? There were 246 responses, with yes, 244, or 99.2 per cent, and no, two responses, or 0.8 per cent. The last question—we are trying also to think out of the box, a type of, I like to say, Jerry Maguire approach—help me to help you; all heads are better than one. The last question was: should there be a different fee for Port Hedland locals, or people who reside in Port Hedland? There were 246 responses, with yes, 243, or 98.8 per cent, and no, three.

The CHAIR: What was that question again?

Mr de la FLOR OLAVIDE: The question was: should there be a different price for residents of Port Hedland? There are some countries, such as the country I come from—I am from Peru—that have a different price for Peruvian people to fly to Machu Picchu, one of the wonders of the world. If you are Chilean or Argentinian, you have to pay the same as any person from another country. My wife is Australian. When we went to Machu Picchu, I paid like a Peruvian and she paid like an Australian, which is way more expensive. We have nothing against the airlines, or whatever, but maybe there is a way that people who are part of the community can get some type of price that is affordable. That is what we have done this last week.

However, besides that, I am in charge of developing the strategic community plan. As part of that, I have been conducting workshops with a taskforce. We have 171 employees, and I have already engaged 130-something—132, I think—and continuously in each session, which has between 15 and 20 people, and I would say that in around 90 per cent of the sessions, this subject of airfares has been portrayed as one of the priority issues. So what I doing is, before going to ask the community what should be the direction, I need to ask people who have been living in the town for a long time and know better than me what is the sense of the community and what they think, to find the hot topics and narrow down a bit the areas that they have already given us.

I am sure that in the strategic community plan framework this question is going to be portrayed as appearing everywhere all the time. The difference between this strategic community plan and the former ones is that this time we are going out to the community and we are going to implement the engagement strategies for each one of the areas we are focusing on. We are including everyone. But we are focusing on the traditional disengaged groups, which are a lot. I am engaging more people who have not been engaged a lot. The sense that I have is that we will get a very massive response, kind of like what we have got in the survey.

But remember, there are people in this area who do not have a computer and they cannot even dream of affording a flight. The people who have answered this are the people who have a computer or a smartphone or something like that. I think that we will encounter a lot of data that we have never seen before, like routes that have been hidden before. I think the responses could be massive regarding this issue.

[2.40 pm]

Mr S.K. L'ESTRANGE: Just on that, I think your survey is very interesting and it clearly has the result that you have expressed, but it is only this week that it has gone out. If it was such a burning issue, why has this not been brought to the attention of the town before?

Mr HIGHTOWER: Part of the reason I am here is that the Town of Port Hedland has just gone through a massive administrative change—there has been new CEOs, new director and new mayors—effectively over the last year, and I have been here for a continuity of that process over eight years. In commencing a new community strategic plan, that has only commenced over the last four or five months, and the new administration has had the opportunity to look at what are the burning issues affecting Port Hedland and start this process.

Just on the interesting part of that, 246 respondents is double the overall community survey perceptions response in 24 hours, so you could say the level of interest from the community by the level of response is very significant. I guess the point of that, to me, was the State Aviation Strategy talks about a goal of affordable aviation services. We are not providing that if you take the community's feedback, so something has to change.

Mr S.K. L'ESTRANGE: Did they give you feedback on what would be affordable?

Mr HIGHTOWER: We just did a very simple three yes/no, because it was over 24 hours, and we know as well what the Port Hedland and Pilbara communities are like—you do not want to over-consult with them because they have been consulted to death—so it was very quick. I think that is something that needs to be explored by the committee. But I want to go on to a few other parts about this. It is a bit of semantics but I was looking at what this is about. The government issues licences for services to be provided to certain airports and the focus has been around RPT services. I had always assumed “RPT” had meant “regular passenger transfers”, but it is a “regular public transport service”. That is what the licence is issued to provide. It is issued to provide a regular transport service.

So I was looking through the regulations and the act and asking what is defined as public transport. There is no definition in the regulations or in the coordination act about what public transport is. So I reverted back to the Public Transport Authority Act, and that has a close enough definition, and it talks about the provision of transport that is over a fixed area or fixed route, at fixed fares or free of charge, and with fixed timetables. Again, putting that that into a layman's perspective, an aviation service is something that I would say is operated over a defined route with a regular schedule and with fair and equitable access to the same fares across the entire community. That is how I would guess we would frame public transport.

I think the concern of the Port Hedland community and the broader Pilbara is that third point—fair and equitable access to fares. The CME and the aviation companies' submissions all refer to the undertaking of cooperate travel contracts for larger users linked to the resources sector, and in that context are we to be assured that these contracts provided to these corporate travellers are based on providing fares that are the lowest possible lead-in fare that the general public can access of \$340, which is what Qantas has quoted in its submission? If not, I guess, was my point, are they really operating under the intent of the terms that licence is issued to provide public transport, or are they actually offering more of a charter service with an ancillary public transport component? That, to me, was a context of this: it is a public transport service that the licence is issued for, not a charter service with an ancillary component.

Mr S.K. L'ESTRANGE: So are you of the view then that the act is not being followed?

Mr HIGHTOWER: I mean it is something to be explored. If it is a public transport service, maybe somebody needs to revisit what "public transport" means in relation to the Transport Co-ordination Act and the transport regs. In that context, the mining and resources sectors are a hugely important part of the Pilbara. Everyone knows that FIFO is an important element. It creates, you know, a regular service that we do get here, which the community really appreciates. It is not to say that corporate travel should not be part of an RPT service, but I think it goes to the fact that corporate travel for mining organisations distorts the market that we are in the moment.

Qantas even recognises that in its submission. It says the significant "market distortion". That is related to corporate travel being able to dictate the schedule and regularity by corporate travel, creating lower load rates to a more conventional market, and, therefore, a higher cost per passenger, and an unfair competitive advantage to corporate travel users to negotiate fares in advance of the market where there is much smaller competition—where smaller competition or smaller businesses do not have that right or access.

Just as a silly example, I rang Qantas and then we rang one of the corporate travel agents yesterday, and asked, "I'm RFF. I want to book two fares a fortnight for the next three years."

The CHAIR: What does "RFF" mean?

Mr HIGHTOWER: That is my private small business. I rang, "We want to secure a long-term contract to provide that." Obviously there is going to be no interest from such a contract, so I am not able to access and negotiate that long-term secure provision of fares—the scheduling and the price. Again, it goes back to that public transport argument and what is fair and equitable in that environment.

Some would say that that form of distortion of the market represents a market failure and should trigger regulatory intervention, unless those affecting the market take on some corporate social responsibility to mitigate the significant impact they are having. Examples of that exist, and I think we have seen—and I do not know what the feedback from the Broome community was—where someone like Shell has agreed to in advance book the fully flexible and flexible fares in lieu of securing the lowest cost lead-in fair. There are examples where resources sectors can show genuine

corporate leadership and social responsibility to ensure there is a better balance between corporate interest and the community interest.

The CHAIR: It is interesting that you raise Broome, because one thing that is coming through loud and clear to the committee is that each regional community, they are very unique; there are often very unique determinants and very unique market dynamics in each different sector. So are you suggesting that the market failure—if that is a term we can use—in this market is more about demand side and the distorting affect that the resources companies from a demand side have, rather than a supply side, lack of competition between the two providers?

Mr HIGHTOWER: Yes, I think if we were to go to—and it is talked about in the CME's own submission and Qantas's submission and Virgin's submissions; they all talk about this requirement to provide regularity of supply to meet their scheduling efficiencies. We are probably in an oversupplied market, and that is why we operate at lower passenger loads. A normal load is 75 per cent; we are operating at something like 55 or 60 per cent, so the planes are being underwritten, effectively. Armando and I were having a laugh about it, saying, "If the fares are being underwritten by these regular routes and there is this requirement to provide regularity of supply and fixed rates, why cannot all the other fares on top of that be issued for \$1, if the plane is being underwritten?"

Mr S.J. PRICE: Owen, you just said the CME and whoever's submissions—submissions into this inquiry?

Mr HIGHTOWER: Yes, into this inquiry. That, again, goes back to Virgin's own admission in their submission, where they say that they have no need to because the market's fixed. It is an inelastic market. You are forced to take the price that they put to you. Why would a business offer a cheaper price, reducing their margins, when they can know that you will have to take that larger price at a larger margin anyway? Again, that comes back to their corporate and social responsibility. I kind of was like—it is a bit of like corporate arrogance to say, "Well, we don't really care whether or not we are affecting access to tourism or the community. We know that we have a margin. It is covered by those fixed fares and those fixed contracts so we can afford it and we have a right to charge whatever we want and we'll still cover our margins."

The CHAIR: So there is a supply side as well as a demand side?

Mr HIGHTOWER: Yes. I guess that was really interesting. I think Virgin did everyone a favour for by being so honest in its submission. It was very upfront about it and kind of highlighted that is the way it perceives that ancillary community, tourism and small business market, as I saw it. In that sense I know that there have been a lot of issues around access to information. Like I said, I do not know and I do not think the Town of Port Hedland knows if those long-term contracts are consistent with the lead-in fares that the local community uses—is it 340 bucks per fare? Is that what they sign on to? I assume it is not. That goes to the potential—and I know under the act, and it has been talked about—the possibility to oblige the aviation industry to report to the community to provide greater transparency and accountability to their host communities. That might encourage those people who are distorting the market to think about their actions and possibly look to mitigate it through community engagement

Mr S.K. L'ESTRANGE: Have you looked at whether distortion is occurring by somebody in the middle, like the online agency portals?

Mr HIGHTOWER: I am just going with what the CME and Qantas and Virgin have said, that the market is being distorted by large corporate travel clients. I do not know who they are. It could be a variety of people. But those contracts which are not the public's are affecting the market and materially affecting our access to affordable fares.

[2.50 pm]

Mr de la FLOR OLAVIDE: The town would expect, or would like, to be able to access the same rates that the companies get. Owen and I were talking—this is just my personal perception; I have got in a lot of information from today and we have been here since early in the morning—and we were thinking it could be likely that, thanks to the mining companies, we have a lot of flights coming and going. But it could be likely that those flights are already paid, because the companies have already paid for them to come and they have an amount of seats empty.

So they could charge—I do not know; I am just thinking a hypothetical thing. If the airlines would be willing to be more transparent about how much it costs to bring the whole plane and that, and it is already paid. I think people are not against companies making money, because that is what a company is for, but people are against companies trying to surprise you; right? I think that maybe if they are transparent regarding that, all heads are better than one. As Owen was saying, I was thinking, I do not know, kind of like there are companies that sell you a coffee for \$5 more expensive than another company, but that coffee is made by, for example, people with disabilities, so you are paying the extra \$5 to help those people in another part of the world.

In this case, the Pilbara region is an engine for Australia. I say that as a person who has a very strong background in mining and is not from Australia. I could think maybe Virgin or Qantas would be willing to raise the price between Melbourne and Sydney, saying this \$5 will help people in the Pilbara—our engine. If they already pay more money for the coffee—maybe they do not—but it is just a way of thinking out of the box and trying to see if there are other possibilities as well. Maybe some transparency will help us, and especially you guys, find the best solution possible for the people.

Mr HIGHTOWER: That is the practicality of, rather than maybe the east coast, letting the mining companies recognise that their pushing very low rates, competitive rates and blocked fares is having a material impact on the broader community. Maybe there could be a balance there and maybe that would be brought about by more transparency through the coordination act, when I know that there are abilities—I think it is schedule 3, division 1 that lists the airports who have to be reported on. But additional airports that are having a market distortion in an unregulated market provide that so that the community can hold those people interacting in that market more accountable and that opens the door for greater engagement and collaboration.

I think there is the Onslow–Chevron kind of example, with the community—again, everyone seemed to work together to sort out an option that cut fares for locals and the Shell example. There are these examples. Perhaps there is a way that we can encourage them by forcing more transparency. But listening to the likes of the CEO of the KDCCI and that, everyone seems to say that they are not going to do it anyway. Who knows? Maybe there are other opportunities to actually restrict on a licence that major corporate travel contracts must not incorporate an airfare that is lower than the publicly available lead-in airfare as a means to ensure balance and fairness in the market to a public transport service.

Another one—again, these are just ideas that we were thinking we would throw out just to maybe put to the inquiry as a means to start their own session of thinking about options—was to require operators operating at a reported reduced below a conventional market arrangement, which is this 75 per cent figure, it seems to be, to sell the balance of available tickets at those lead-in airfare rates to address the comments of Virgin, which says that it does not really have any obligation or need to sell them at cheaper rates when everyone has to take them anyway. Perhaps, again, through licensing measures there are ways that we could force industry and the aviation sector to think about how to collaborate better to limit their market distortion on the community.

Mr S.J. PRICE: Owen, with a lot of the heat and pressure coming out of the resource sector and construction sector through Hedland over the last number of years, has there been any significant movement in the price of airfares in and out of Hedland?

Mr HIGHTOWER: Not from personal knowledge. I think there might be some information on that on from the Port Hedland International Airport. I think it has put in a submission to you. Now that the Town of Port Hedland is not really the owner or manager of the airport, I suppose that information would have to just be for research.

Mr S.J. PRICE: They are not?

Mr HIGHTOWER: No; they are privately managed. It is leased to AMP Capital.

Mr S.J. PRICE: Is it essentially what you would be seeing now? Hedland is essentially based on the resource industry and has been for a long time, so even though things have quietened down, they have actually gone back to the steady state of before the peak. But from what I am hearing, it has actually gone below and quietening right off in town.

Mr HIGHTOWER: I certainly would not say that. From an airfares and housing side of things, things are more affordable or realistic or reflective of the actual asset value of a property as opposed to its rental value, which is how things should really be.

Mr S.J. PRICE: Once again, looking at the other economic impacts of costs in regard to—I do not know if tourism is one of the key pillars that the town is looking at—the impact on other small businesses, is that something that is considered as well?

Mr HIGHTOWER: Yes. It links into the cost, again, for small businesses to travel to Perth and back to Karratha. I guess I can switch hats a bit in the sense of being a small business owner, having staff in Karratha, Port Hedland and Broome. Our means of servicing our clients requires us to fly to Perth continuously or—this is the reality of a small business—requires staff to travel extremely long distances outside of work hours because the productivity cost would make us uncompetitive with someone based in Perth. I have a staff member driving from Broome tomorrow morning, leaving at 4.00 am to be in Hedland for a 9.00 am meeting so that we do not have an impact on our productivity.

This goes to a public interest, and I want to talk about inter-regional regulated routes. When is it in the public interest for matters like that, or for productivity or efficiency, to consider the establishment of new inter-regional routes? I looked at the 2015 review of regulated routes and it only reviewed the current routes that are there and asked should we keep them or get rid of them. What is the framework for the state government to consider establishing new regulated routes in the public interest? How does a community organisation or how does a business, like the proposal that was on the front page of the paper, I think, today, from Aviair, go to the state government and say, “We think there is potentially a market; it is not quite there, but there is an option to work with the government to create new inter-regional regulated routes that could enhance productivity that could make it safer for people to travel”? How do we test that?

That is something that would be a really good outcome from the inquiry to set a framework around how we would do that so that we do look at these, rather than everyone talking about the possibility of Geraldton to Karratha, or Geraldton to Karratha to Port Hedland to Broome. Let us set something out and the state government can then assess those proposals and put to the community or put to Parliament to say, “Yes, this one fits the box. We think this community deserves a regulated route because of these reasons, just like Wiluna, Albany or Esperance gets one.”

Mr de la FLOR OLAVIDE: It is also a safety issue. Many people in Port Hedland, at least from where I have been talking—and it is my experience as well because my wife has two kids and they live in

Lismore in New South Wales, as I just told you, because their father lives there. We are seriously considering the possibility of driving down to Perth to meet them there. That is a 17-hour drive and it actually is very dangerous at night because an emu, kangaroo or a cow can be in the middle of the road and if you hit them, that is the end of your trip. So, actually, it is not as easy, but people are willing to risk that just in order to get to Perth and meet their family or find a flight ticket if they want to.

If you enter into the web page—I know a pilot—the prices are amazing. You can find a flight ticket from Perth to India for \$200 sometimes, and that is kind of like saying to the people of Port Hedland it is kind of like a job.

[3.00 pm]

Mr HIGHTOWER: I personally drove 18 hours direct with three kids under eight in the back of my car because the cost is \$5 000 versus driving your car. Looking at previous government decisions, using a Pilbara example, Wheatstone and its camp retention was because it was too dangerous for staff to drive 45 minutes; it is not in the interests of health and safety, but in the context of regional communities, that is not an occupational health and safety risk. It is not considered in the public interest that we should not do something about it. I think that again is a point of: when do we decide that it is in the public interest to ensure there is a more affordable outcome for communities to prevent those risks being taken? It is part of business; there is not really any other choice.

Mr de la FLOR OLAVIDE: And this also deprives the town to blossom because there are many people who, in another circumstance, would like to stay in Perth and come back and forth. There are families that need to relocate to another part of the country just because they know that after a certain year or age their kids have, they cannot remain in a FIFO situation for boarding school or things like that, because it is too expensive.

Mr HIGHTOWER: That inter-regional thing, I think, can help community and business access a better small business market, make it more competitive with Perth-based companies, but also provide better access, potentially, to health or education services because it is easier to consolidate that at a larger regional centre like Port Hedland, as an example, where you could have people getting access to those services rather than having to think you have to go to Perth to get it. In ways or, I guess, ideas of doing that was that perhaps the state government could complement or match the Australia en route charges payment scheme. If someone can prove to the federal government they should be entitled to that form of a scheme or maybe the state government could say, "We'll match you for three years to support and underwrite that inter-regional service to see if it works," as a means of testing it or providing a basis to grant funding.

The CHAIR: Where do you think people would like to go from Port Hedland?

Mr HIGHTOWER: Broome, Exmouth or Kununurra. There was a Karratha–Port Hedland–Broome–Kununurra–Darwin route for some time that Airnorth was running. I think, again, when we are talking about the Port Hedland community, a large portion of them do go to Broome, and if there are affordable flights possibly to fly there rather than drive, that would be something they would think about, same as Exmouth. Exmouth is almost that little bit too far for a community to holiday. It is eight hours to Exmouth; Broome is six, or Darwin.

I think it goes the other way as well. Port Hedland is unique in the fact that we have an international airport and it has an international connection. Perhaps there is a way to use community and small business use of that inter-regional service to link in with a promotion from the state government to encourage people to enter international markets directly into the Pilbara to come to Experience

Extraordinary. The majority of photos I see of Experience Extraordinary are photos of the Pilbara and the Kimberley, yet there is no direct port of access.

Everybody talks about cabotage, but if we can link that international access point, Customs through Hedland, and then you have a domestic inter-regional route that supports public small business, but also potentially a tourism element, maybe that is a way to start making it more economical over time. Maybe over that time some of those routes could become deregulated because they would stand on their own two feet.

The CHAIR: Has the Town of Port Hedland done any work to engage other potential participants in this hopping route up north or to encourage those sorts of international linkages?

Mr HIGHTOWER: Port Hedland International Airport, when AMP purchased it, they actually did a great initiative by working with Denpasar to ensure that we could get carryover—we did not have to check out in Denpasar and then check back in, so you can get carryover baggage. People can actually leave Port Hedland now and go through Bali and then off to some other international destination. If we started to promote it the other way, maybe that is something that could really work to bring tourists directly in to the north west.

The CHAIR: What sort of numbers are we talking about on that international route at the moment?

Mr HIGHTOWER: I could not tell you the size of it. It is one flight a week. I think it leaves Saturday and the following Sunday it comes back. Just as a context, I have had people do 24-hour runs to Bali to have a going-away party because it is cheaper to do that than to fly to Perth to do it. That is an interesting kind of point. That is something that the Port Hedland community does on occasion. It is not a Fokker 100, it is bigger than that, so maybe a 200. I do not know how many people are using it, but I am sure the Port Hedland International Airport or Virgin—sorry, whoever is running that service—might be able to provide that information.

Mr de la FLOR OLAVIDE: Despite most of the people, obviously—and this is regarding your former question, Jessica—wanting to travel inter-regional and to Perth, there is a big percentage of the population that is not from the Pilbara. They have been living here for 10 years or so, but they are not originally from the Pilbara, they are from the east coast, like my family is, and they have not seen their family in five or seven years because they cannot afford to fly to Melbourne. You have two ways to go—through Perth or through Brisbane. We have one flight directly to Brisbane every Tuesday; just the one. I used to get to come here before starting to work and I had to start to wait until Tuesday to use that flight and start working, instead of Monday, on Wednesday, because that was the most reasonable flight for us.

We will have better data regarding that, most probably after our community plan, that will be based on a robust community consultation process. But yes, there are a lot of people from the east coast and they are the ones who normally suffer the most. You can manage to drive to Perth, right, especially if you have a partner or you share with your wife, but driving to Melbourne is a nightmare.

The CHAIR: In terms of who is actually using these services, as I was saying before, every community has its own very specific set of circumstances, but it sounds to me—please correct me if I am wrong—that you have your baseload resources and energy traffic and then a community angle, but not much tourism-related traffic. Is this specifically about the amenity of the community of Port Hedland?

Mr HIGHTOWER: Tourism is a very unique issue for the Pilbara. There are a number of factors that affect it. People have already mentioned it while we have been sitting here. We have great natural assets and we have things that are really great to take photos of, but we have a lack of product to support access to those and the quality of service that international tourists might expect when they

go to see those things. Obviously the cost to access it, sure, is probably a factor that is limiting international visitors into the Pilbara or the Kimberley.

A way, possibly, to reduce that is to take 1 500 kays off the flight distance by allowing people to land in Port Hedland directly and access the market from there as opposed to having to fly straight overhead and then come back. There is not necessarily a way that the government can support that. I know that Karratha is looking at chartering their own. How that is going to come together, who knows, but we already have a service and maybe there is a way that Tourism WA or the state government could put some resources towards promoting that international and promoting that connection, because it is already there. Let us build on what we have, rather than trying to create something new.

Mr S.J. PRICE: Who provides that flight?

Mr HIGHTOWER: I think it is Virgin, from memory. I have not done it for about four years. I think that is a really strategic advantage that the Pilbara has that set up, and it is already operating, so leverage what we have. That can be done and that could support increased passenger movements which, again, may add to overall reduced costs per passenger over time.

Mr D.T. REDMAN: I have a quick question. Can I just apologise for not being here. An issue came up in my electorate, so I apologise for that. Forgive me if this question has been asked. Between the likes of Broome, Port Hedland and Karratha, we have heard submissions from all of those city centres —

Mr HIGHTOWER: And Geraldton.

Mr D.T. REDMAN: In time—and all present the case that they are the centre that wants to get a whole range of things happening, including international flights and others. Has there been any level of discussion—I know we are talking to the Regional Capitals Alliance, coming up—or coordination between those as to how there might be a bit of teaming up in terms of strategies for, one, inter-regional sites, but also everyone, if you have three different groups trying to engage with an international carrier, that makes sense to me?

Mr de la FLOR OLAVIDE: Not that I am aware of, but the people from Karratha are having this meeting. However, we already have an international licence obviously with some frustrations, but it is already there, running the mail between Broome and Karratha. We also have a massive port. Regardless of the prices of the metals going up or down, that is a very important hub for Australia, not just for the region. We are also the gate to many mining towns as well, so I think geographically it is something that cannot be beaten. I am not aware if there is —

[3.10 pm]

Mr HIGHTOWER: I think the regional capital cities alliance, which I think the town is still a member of, and everyone else, would be a basis that, through their strategic planning, should be something that is probably on the radar, probably something to look at, but I could not speak directly to it.

Mr de la FLOR OLAVIDE: We need to talk in a way and try to find the most suitable solution, certainly yes.

The CHAIR: Are either of you in a position to or are you able to talk about the way that the ownership structure around the airport has changed and the leasing arrangements?

Mr HIGHTOWER: I believe the lease commenced in 2015. It was through a competitive process, and I think it is a 50-year lease. It has got a bunch of conditions to it. I think AMP Capital took on the lease so now they are running it as a commercial business operation. The community has received, I suppose, in payment for that up-front \$165 million and that is going to a community infrastructure

investment fund. What is happening now with that there is that this community's strategic planning exercise that is being undertaken will determine how that money is used, whether some of it is used, as Simon from the city said, perhaps to offset rates in the long term, perhaps to deliver new infrastructure. That is something the community will decide and that is really also a big focus of this community strategic planning. We could not go to how the airport operates anymore, but I think that transaction has delivered potential significant long-term benefits to the Port Hedland community. It is only a lease, so in 50 years' time, we will get it back. Maybe they can do it again.

The CHAIR: So beyond that initial payment, there is no ongoing revenue that the town derives from the airport operations?

Mr HIGHTOWER: There is probably land rates and the like that might have been factored into it.

Mr de la FLOR OLAVIDE: We could get back to you on that. I do not have the information about that. But we certainly can go back to other—there are people in the town who have that information available and the idea is to help you guys as much as possible to make a proper —

Mr HIGHTOWER: Just on that, I guess Port Hedland was a little bit beneficial in the sense that it owned its airport in freehold, whereas most other airports are crown reserve. It would require the state to permit that to occur and I imagine the state government will be saying, "We want that cash from our land."

The CHAIR: I would not want to speculate.

Mr HIGHTOWER: I think the town was very lucky it was able to do that, and it took some leadership to push through. Hopefully, the outcomes in the long term from that up-front payment can really deliver long-term lasting community outcomes.

The CHAIR: Under the terms of that arrangement, is it then the private operator that determines what the landing fees and charges passed on to passengers are?

Mr HIGHTOWER: I would expect it would be as per any other, like Perth International Airport probably sets their rates as per a private business, so those questions would probably have to be directed to them.

Mr S.J. PRICE: Any idea of the number of travellers through Port Hedland airport?

Mr HIGHTOWER: I was actually going through other submissions and Geraldton have a list of all the different passenger numbers going through airports and it was about 360, I think, for Port Hedland.

Mr S.J. PRICE: Do you have any idea about costs associated with landing fees?

Mr HIGHTOWER: Landing fees and the like? No, I think you would have to put that to Port Hedland International Airport on that.

The CHAIR: One of the key terms of this inquiry is actions that the state government might take to assist in this issue. Beyond the scope of what we have already discussed, are there any other things that you think we or the state government should be considering?

Mr HIGHTOWER: I just go back to that ability for the government to require transparency and we do not want to intervene too heavily in a market, I do not think, but in an element where it is recognised by the providers that there is market distortion, perhaps gathering information to understand how that market has been distorted and what we can do to rectify it is a reasonable thing to put forward. That is something that the state can do through the existing legislation.

I would encourage, as part of the inquiry, to review what the purpose of a regular public transport service is and what that means when the government issues one of those licences to provide some clarity around it. Is it a public service or is it just a private sector kind of arrangement? And then how

do we protect the public interest moving forward, given that aviation is such a critical element to accessing public services itself and family and friends? The final one, again, I would encourage revisiting how regulated routes are determined and really providing a framework so that, as regional communities and towns grow, we can ensure that we maximise connectivity between those communities.

The CHAIR: Thank you very much, Mr Hightower. I will proceed to close today's hearing. Thank you for your evidence before the committee today. A transcript of this hearing will be emailed to you for correction of minor errors. Any such corrections must be made and the transcript returned within seven days of the date of the letter attached to the transcript. If the transcript is not returned in this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence.

Hearing concluded at 3.16 pm
