



Ms Jessica Jane Shaw MLA
Chairperson
Inquiry into Regional Airfares in Western Australia
Unit 8 / 31 Egerton Drive
Vale Town Centre
Aveley WA 6069

Dear Ms Shaw

Inquiry into regional airfares in Western Australia

WAITOC is the peak not for profit association representing Aboriginal tourism operators throughout Western Australia. Our association is autonomous and provides advice and information to all relevant State Government agencies as well as the tourism industry sector. The overriding purpose of WAITOC is to promote Aboriginal tourism by providing a supportive network for Aboriginal tourism operators within WA.

WAITOC empowers its members to embrace their cultural identity to honour and respect the ancestors and Elders both past and present. With traditions of the oldest living culture restored, the outcomes at a social and economic level become more progressive and offer the opportunity to create pride in its people. Showcasing these traditions fosters current and potential market understanding, sensitivity and awareness. Access and engagement with these traditions is a key consideration for the development of a sustainable Aboriginal tourism industry in Western Australia.

WAITOC with its extensive insights into Aboriginal people in the tourism industry is well positioned to offer assistance in identifying opportunities for the government in the Aboriginal tourism space. With this WAITOC have been asked to submit to the Economics and Industry Standing Committee a written submission to its inquiry into airfare prices on regular public transport (RPT) air routes in regional Western Australia, particularly on the impact of these fares on Indigenous tourism operators.

I trust that the following submission will assist in coming up with solutions that benefit government business and tourism across the sectors.

Yours faithfully
WAITOC

Tahn (Tania) Donovan
Chair

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Suite 6, Level 3 1060 Hay Street West Perth 6005 Western Australia
Email: info@waitoc.com | Web: waitoc.com

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*WHAT ARE THE FACTORS CONTRIBUTING TO THE CURRENT HIGH COST OF
REGIONAL AIRFARES?*

The factors contributing to the current high cost of regional airfares are levels of demand and the volume of traffic on any route e.g. Qantas for example looks for occupancies that average approximately 80% in order to ensure sustainability. As WA is sparsely populated compared to other regions in Australia and the world this is a big challenge for airlines. There is limited or no competition in the regional air space.

According to experts, it's a combination of landing fees, aircraft and crew costs, and according to the international air transport association one third of the cost is spent on Fuel.

Another contribution to this issue may be that the industry is not transparent in its overall costs after reviewing a number of articles written by newspapers across the nation all stated that they could access costs including, fuel, food and beverage, airport taxes, navigation charges and labour but that there are other costs that require transparency, as noted in the below article.

'This analysis can only provide a snapshot, such is the difficulty in obtaining accurate data on costs in the byzantine world of aviation. According to analysts, an airline's costs are typically equivalent to about 95 per cent of its revenue.'

'(There are other) factor in the costs of purchasing planes, aircraft leases and interest repayments into the money spent on operating a route.' (News.com.au, 2014)

Having full transparency of these factors could help to make more strategic decisions about how to create better outcomes for all stakeholders in this current situation. Airlines make regional flights high with the excuse that it is not profitable otherwise, however is this factual, in July this year prices reached almost \$6000 and all planes were at capacity at the Broome airport this year. (Barry, 2017)

This type of pricing unpredictability creates instability in the tourism market and leads to more Western Australians choosing to exodus the state to other countries such as Bali, a cheaper option than a flight from Perth to Broome, though the flight to Broome is approximately 377km closer to Perth.

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This leads to consumers questioning why it is so much more expensive to go to Broome then Bali.

The economic outcome of this instability is not limited to the flights. The loss of tourism spend into regional Australia leads to a decline in regional community business and then inevitably leads to loss of business and population in regions. According to TWA latest industry scorecard there has been a decline in Business and leisure tourism. As flight prices become more unpredictable within regional Australia the market will continue to see Asia as the more valued alternative. Regional destinations and cities too, suffer because of this consequence.

THE IMPACTS THAT HIGH-COST REGIONAL AIRFARES HAVE ON REGIONAL CENTRES

Regional airports create direct and indirect benefits to the region they are located in, with its daily operations and suppliers that are involved with making this happen. However the induced and catalytic outcomes from having an airport in a region are as much a part of successful community as any. Because air travel creates easy access to major cities and business hubs it means it becomes viable to run businesses in disperse localities if costs of flights are reasonable. It can help to produce and develop industries within these locations. Tourism is a substantial benefactor of this, Especially Aboriginal tourism which is often developed on the original tribal lands of the clan.

Therefore, from a business, tourism and social perspective the impact of unpredictable and or overpriced flights to regional destination can become very serious. Because of the distances around WA in particular, airlines play a major role in creating links to regions. Currently many have no choice, if Visitors wish to see these areas they must drive to the destinations. Time is one of the most important factors for the leisure market. They want to arrive at a destination quickly in order to start their holiday, not spend hours or days traveling before arriving and cutting their break short to return on time. Safety is another factor often Fatigue is one of the major causes of death on the roads in 2016 it was 21% of all fatalities according to the Road Safety commission. (Road Safety Commission, 2017) WAITOC understands some international visitors have been caught driving on the wrong side of the road or around bends with the possibility of a road train coming the other way.

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The international consumer market would be more likely to visit remote areas if flights were more readily available and the prices were reasonable. As Western Australia is often a long-haul flight for most of the international market and since visitors have already paid a high price to get to Australia they are less likely to visit the regions as it is cost prohibitive. Instead choose to stay in the capital cities for a short time this in turn creates less dispersal for the State tourism market and is not helpful at securing sustainability in these seasonally affected markets.

With the reduction in mining, the one industry that has been able to afford volatility of airline tickets in the past; it is even more imperative to start looking at how to increase the visitor numbers to these regions. This would be helped considerably by the introduction of measured airfares. Domestic and International visitation does not just benefit the tourism industry, it has a great impact on communities and other industries in regions.

According to Tourism Research Australia, the trend has shown the number of Australians taking short term overseas trips continues to increase with departures up 6% in 2014 (Tourism Research Australia, 2016)

As it is cheaper to fly international than interstate, and cheaper again between WA intrastate and interstate, this trend is likely to continue.

Although Australia is the home of the oldest living culture on earth few Australians have been able to experience it. WAITOC works across the state with elders, and businesses to offer tours and activities that highlight this extraordinary culture. International travellers immerse themselves in these experiences. However, the domestic market have yet to recognise its significance. There are a number of reasons for this, however one factor is the lack of ability to access regional WA with their families at a reasonable price. We see that there is both economic and social opportunities for Aboriginal tourism and destinations when WA regions have access to affordable air travel.

Tourism Research Australia shows that approximately 80% of international visitors would like an Aboriginal Cultural experience but only 20% have had one and one experiences, one major factor is the dispersal issue, visitors fly into Perth yet cannot access the regions in particular the northwest which is where over 50% of WAITOC's members come from.

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Of course, there are extenuating reasons for this including less Aboriginal businesses in other regions of WA than the Kimberly. However, WAITOC in partnership with Tourism WA is annually improving the visibility of the current and emerging businesses across the whole of Western Australia.

However, if there were cheaper flights to access the north and other regional areas, then this would increase opportunity for businesses development in regional areas of WA

*THE IMPACT OF STATE GOVERNMENT REGULATORY PROCESSES ON THE COST
AND EFFICIENCY OF REGIONAL AIR SERVICES:*

It has been proven worldwide that to increase value a market needs to have competitors. If there is no competition there is little need to account to the consumer on costs. Introduction of more than one or two airlines leads to price reduction and consumer driven development. Currently the government regulates a single entity to run services across the state. If government and stakeholders have done the due diligence and has ascertained that this is the only successful way to deliver flights to regional destinations due to lack of demand or limited infrastructure then it is an understandable outcome to necessitate the service.

*ACTIONS THAT THE STATE AND LOCAL GOVERNMENT AUTHORITIES CAN TAKE TO
LIMIT INCREASES TO AIRFARES WITHOUT UNDERMINING THE COMMERCIAL
VIABILITY OF RPT SERVICES;*

1. Once government and all stakeholders understand the true overall costs of airline flights to regional WA, rates could be capped in order to hedge against seasonality. This would ensure a more stable fare rate
2. If costs make this prohibitive, review operations with stakeholders to ensure that it can be achieved through travel ratios.
3. Market tourism destinations at all airports. (Until recently Perth was the only domestic Airport in Australia who did not promote destinations within highly visible traffic areas in the airport itself.)

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4. Create partnerships with international airlines to match up flights for easier access to destinations to increase capacity for airlines to stay profitable and create packages like around the world packages but 'Around Western Australia'.
5. Offer incentives to encourage low cost airlines if regulatory commitments allow.
6. *'The major revenue source for airlines are regular business passengers'*
Strategically Government universities and industry could work to create industry hubs around that specialise in specific industries. A great benchmark to this kind of design is Silicone valley.
'...Fredrick Terman, A professor at Stanford created an industrial park on 660 acres of Stanford's land where the land was leased to electronics and other high technology companies on long-term leases. Hewlett-Packard were among the first tenants. This provided income to Stanford and created an agglomeration in high tech industry. At first industry came to Palo Alto to have access to the expertise at Stanford. Later the level of technical expertise in industry in the area exceeded the academic expertise of Stanford.'
As Stanford created a base for specialised industry Regional airport surrounding land could be developed to set up industry specific business that lead to further demand for airlines and create regional business development. This sort of opportunity could be developed to leverage off the Northern Australia policy which the federal government is willing to invest in infrastructure in the north to increase the population of the region.
7. As one of the largest costs to flight is fuel consumption incentivise study and research of adapting hybrid technology into airline systems in conjunction with WA universities.

*ACTIONS THAT AIRLINES CAN TAKE TO LIMIT INCREASES TO AIRFARES
WITHOUT UNDERMINING THE COMMERCIAL VIABILITY OF AIRPORT SERVICES;*

1. Airlines could work collaboratively on fuel efficiency research and development
2. Airlines could work collaboratively with government in targeting specific markets who have a desire to discover Australia's outback to create ease of flight connectivity from destinations in Europe and other countries.
3. According to John Cain and Richard Web

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'The Australian airline industry is heavily import-dependent, especially, in relation to purchases of fuel, aircraft and spare parts. The depreciation of the Australian dollar over the past two to three years increased costs in the aviation industry.'

If Government and industry can work together by developing niche businesses that specialise in some or all of these areas this could improve outcomes for all stakeholders. With increased mechanisation costs efficiency, manufacturing to supply to the industry may once again be viable in Australia.

*RECENT ACTIONS TAKEN BY OTHER AUSTRALIAN GOVERNMENTS TO LIMIT
REGIONAL AIRPORT AIRFARE INCREASES.*

At this stage WAITOC is unaware of any recent actions taken by other Australian governments regarding regional airfares.

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