



26th July 2017

**Economics and Industry Standing Committee
Inquiry into Regional Air Fares in Western Australia
Submission by the Regional Chambers of Commerce and Industry of WA**

To Whom It May Concern,

The Regional Chambers of Commerce and Industry of Western Australia (RCCIWA) is a member driven not for profit organisation that represents 41 regional chambers of commerce, business associations and business networks who collectively represent over 7,500 regional businesses. We are committed to raising the concerns and issues of all regional business communities in Western Australia and then working collaboratively with all stakeholders to achieve positive outcomes with an aim to deliver social, economic and community growth and development for all regional communities.

The extremely high price of all regional air fares in Western Australia has long been a priority issue of concern for all regional business and broader communities, and we welcome the opportunity to provide a submission to the Inquiry. It is important to note that whilst not all of our members are serviced by commercial airports and airlines and therefore not directly affected, they all comment that the flow-on affect is genuine and this factor will be addressed further on in this submission. Whilst all of our members have contributed feedback and information to form this submission, it is important to recognise the following members of RCCIWA and their communities who suffer the impact of high air fares most directly and acutely:

- Albany CCI
- Broome CCI
- Carnarvon CCI
- Denmark CC
- East Kimberley CCI
- Esperance CCI
- Exmouth CCI
- Kalgoorlie-Boulder CCI
- Karratha & Districts CCI
- Midwest CCI
- Newman CCI
- Onslow CCI
- Pilbara Inland CCI
- Port Hedland CCI

We have addressed the appropriate criteria below, as stated in your call for submissions.

Factors Contributing to the Current High Cost of Regional Airfares

- Fluctuating passenger numbers – flights not being full to capacity, market conditions, changing flying patterns, not having the population density, seasonal changes in demand.
- Local Airport Taxes and Fees – usually imposed by the relevant Local Government Authority.
- The prices that the airlines themselves set – the sentiment with our membership is that “if they can get away with it” the airlines charge what they want. A captured market.
- Poor scheduling and unreliable services means that the locals do not trust the service and therefore do not consider flying. This adds to the fluctuating passenger numbers issue.

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- For some regional areas, their RPT provider is not with a Global Distribution System (GDS), a system that global travel agents utilise to search for flights. The impact of this means that flights to towns such as Carnarvon do not even appear as being an option, the result being potential customers are lost. This again impacts on the fluctuating passengers numbers which affects the air fares.
- Long distances of the flights.
- Isolated nature of the regional airport locations.
- Not having commercial competition on certain routes.

Impacts that High-Cost Regional Airfares have on Regional Centres - From a Business, Tourism and Social Perspective

Business Impacts

- Most small to medium business owners have the need to travel to Perth various times during the year for business meetings, business opportunities, professional development, training, purchasing, improving their capacity. Because of the high air fares they often chose not to attend as they cannot justify the cost, and their capacity to grow and develop is negatively affected. If they then have to travel interstate or overseas for business opportunities they are further impacted, as the regional flight is usually the most expensive component.
- Small to medium business owners choosing not to send their employees to Perth for training and development because of the cost.
- Business owners in regional WA, view their airline services as unreliable, so if they are flying to Perth, for a specific meeting or time deadline many fly the night before, which takes them away from their business for longer as well as adding employee and accommodation costs.
- Some small to medium business owners close their business whilst they need to travel elsewhere as they chose to drive. This affects their turnover and cash flow and also impacts on the community, by that business not being open.
- Decreased access to services and industry professionals who choose not to deliver in regional towns and communities because of the financial cost to them. This also applies to Government agencies and departments who repeatedly run workshops in Perth and ask regional business owners to attend, as it is too expensive for the Government Agency to deliver the information/workshop in the regions. (If access to broadband was reliable this could be a solution).
- Small to medium business owners not being exposed to different markets, global trends and research opportunities because the cost to fly out of their town is too expensive, and they do not have the time to drive.
- Small to medium business owners feeling isolated and disconnected from their families in their communities, particularly if new to the locations. The long term impact of high air fares, can be that within three to five years of locating to a region to buy a business they end up returning to Perth as they were unable to get to Perth as often as they had planned, and they did not get the visitors they expected.
- Lost opportunities – new customers to their regional location, increased business, more traffic, more exposure, diversifying their local economic drivers.
- Because of the cost of accessing regional centres is so high many regional locations see an exodus of local residents by road, which impacts on all local businesses. So instead of making a 48 hour trip to Perth, they pack up the whole family and travel to Perth for two weeks, spending their money outside of their community.

Tourism Impacts

- Lost opportunities – whether it be an intrastate, interstate or international visitor the sheer cost of regional air fares is an enormous impediment to their decision making in which regional locations they will visit. Because of the size of Western Australia and the often limited time of tourists, they usually don't have the time to drive, however flying is just too expensive. Often, more expensive than their original flight to Perth.



This means that regional locations miss out on visitors and their subsequent spend as well as the flow-on effect of that visitor becoming a global advocate for that regional location through their social media profiles. If it is too expensive and too hard for people to get to a regional location, they just won't do it with a limited time-frame and budget.

- Economic Diversity – Regional Tourism is identified as an important sector to be developed and strengthened to improve the economic diversity of the state. Conference, sporting, corporate and events tourism all have massive potential in regional WA, however the air fares always prove to be an inhibitor, either to organisers or potential visitors.
- Links to other parts of Regional WA – by providing affordable air fares to regional centres, there will be an increased likelihood of visitors utilizing that centre as their base and exploring other parts of Regional WA.
- Does not make Regional WA competitive in any tourism market – and just makes flying to Bali that much more attractive.

Social Impacts

- Residents feeling isolated and disconnected from their families in their communities, particularly if new to the locations. The long term impact of high air fares, can be that within three to five years of locating to a region, they end up returning to Perth as they were unable to get to Perth as often as they had planned, and they did not get the visitors they expected.
- As many people chose to drive to Perth instead of flying because of the cost, there is a serious fatigue implication. The rise in the number of fatalities on our regional roads could be considered in regards to this factor.
- Many residents of regional locations chose to send their children to metropolitan based boarding school for their education, and often end up purchasing property in Perth and eventually moving there as the costs to visit their children, and for their children to return home becomes unsustainable.
- If people have to travel to Perth with little notice for an emergency (such as a family funeral), the high cost of the air fare adds enormous emotional pressure and stress to their already difficult situation.
- The reputation of the whole regional community as being really expensive to get to, is impacted and can have long term affects in affecting the decision making process who may be thinking of relocating to regional towns or cities at some stage in the future.

Actions that the State and Local Government Authorities can take to Limit Increases to Airfares without Undermining the Commercial Viability of RPT Services.

- Local Government Authorities can review the airport fees they charge.
- Local Governments can support the airline that service their community similar to the Rex model for Albany and Esperance, where a guaranteed community fare is offered at a fixed price for local residents. This could either be by the LGA waiving their airport tax for that fare or by subsidising portions of the flights.
- The State Government could mandate by policy and legislation a system where the more favourable routes are serviced and awarded to service providers in conjunction with less favourable routes. Multi stop routes might be an option that airlines consider to service a number of communities in one circuit. Essentially if they want the more profitable and more attractive route, they must also service the less profitable route that is in a similar location (eg: Carnarvon and Exmouth).
- The State Government could offer either an incentive or guarantee to each of the air service providers, so that a certain portion of each flight could be offered at a fixed price for local residents. Similar to the big resource operations having a discounted rate because of the numbers they guarantee.

Actions that Airlines can take to Limit Increases to Airfares without Undermining the Commercial Viability of RPT Services

- Airlines to review all of their airfares constantly. When a regional location has two commercial airlines servicing it, the similarity of the air fares on individual flights would lead us to believe they can reduce



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airfares and still operate commercially. It appears that they just only do it when a competitor forces their hand.

- By using larger aircraft – they will have increased passengers and airfares will come down in price.
- By genuinely engaging with all of their regional communities to better understand the local opportunities to increase their passenger numbers.
- By communicating more effectively and restoring their reputation with people in regional WA. Many people who live in regional locations don't even consider flying anymore, as they became so frustrated and annoyed with the high costs and the unreliable scheduling and servicing. They need to build back the trust.

In addressing the factors that contribute to regional air fares being so high and the subsequent impacts of this cost, we also recognise that solving this problem is going to require effort and commitment from everyone involved. Everyone must play their part and by this we mean:

- Airlines can be more reasonable with their price setting and look at practical ways that will allow them to reduce their fares (aircraft sizes, communication etc).
- The State Government and Local Government Authorities can look at how they might partner with the airlines to be able to offer fares such as the community fares being offered in Esperance and Albany, or look at reducing their local airport fees.
- Regional Chambers of Commerce, Business Associations and Business Networks to look at working closer with their relevant airlines to promote local use and also improve passenger numbers.
- Local residents need to be encouraged to utilize the airlines.

On behalf of the RCCIWA, I look forward to working with The Committee throughout this Inquiry process and in providing further input prior to the report being finalised. If you have any further questions or need any more information please contact me on 0438 913 303 or at ceo@regionalchamberswa.com.au.

We thank you for the opportunity.

Yours Sincerely,

Kitty Prodonovich
CEO