

## **KDCCI Submission to Economics and Industry Standing Committee Inquiry into Regional Airfares**

**23 August 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**

The Karratha Districts Chamber of Commerce & Industry (KDCCI) is a not for profit organisation that is member based and represents 410 local businesses. We are committed to raising the concerns and issues of all local business. We work collaboratively with all stakeholders to achieve positive outcomes with an aim to deliver economic and SME growth in the City of Karratha.

The high price of Karratha air fares an issue of concern for all our members and the local community and we welcome the opportunity to provide a submission to the Inquiry.

We have addressed what is considered the major issues.

### **Factors Contributing to the Current High Cost of Karratha Airfares**

- The major airlines appear to run flight schedules to accommodate their resource company business and FIFO commitments. The resource companies have long term deals and these commitments appear to skew flight times, frequency and capacity.
- Often the plane will be full one way and almost empty on the return flight. We are of the view that the contractual requirement for the resource clients could be why flight capacity is in the low 50%. Less flights should mean higher passenger loads and greater profitability,
- Due the volumes of seats purchased by resource companies, we assume at an attractive rate, and then the airlines need keep the price of remaining seats purchased by the public higher to cover costs. Resulting in the community possibly subsidising the resource companies cheap fare rate.

- Pricing models: Usually cheaper flights are available if booked long in advance. Contrary to the practice that is done in other parts of the world, Qantas and Virgin seem to be adverse to make cheaper flights available when the load factors are low (a practice referred to Seat dumping ) as people will hold out for the cheaper seats . This leads to a perverse situation where the airline would prefer to fly half full rather than generating some income through offering cheaper flights at short notice.
- The City of Karratha Airport has fixed RPT operating costs and needs to build its critical mass to be sustainable and reduce operational costs. The Citic Mine airport is diluting passenger numbers and the fixed RPT passenger costs are being shared amongst fewer passengers using Karratha Airport. The state has allowed Citic to build an airport within 70 Kms (45 min drive) of Karratha Airport. Mine airports are being approved under the provisions of the Mines Act. It would be a real concern if Citic started approaching other mining interests to make their airport more viable and thereby further reducing Karratha's passenger numbers. On figures supplied by Citic, revenue lost to Karratha Airport will be in the order of \$1.9 million in the coming financial.
- In light of recent world terrorism events, it could be strongly argued that these Charter Airports should be subject to the same security measures as RPT airports and should have to do passenger screening and baggage screening. It may level the playing field when an airport like Citic is built close to Karratha and would be a consideration in the business case for building the airport in the first place.
- 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 can. A captured market. Airfare costs in Australia show little resemblance to the distances travelled. While costs and load factors are varied pricing suggests that regional flights are effectively subsidising low margin, high volume flights to and from capital cities.

## **Impacts that High-Cost Regional Airfares have on Karratha - 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. Small to medium business owners choosing not to send their employees to Perth for training and development because of the cost.

- Decreased access industry professionals who choose not to deliver services in Karratha 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
- Business owners feeling isolated and disconnected from their extended families in Perth or interstate. Especially if new to the Karratha. The long term impact of high air fares can be that within few years of locating to a Karratha to buy a business they end up returning to Perth as they were unable to get to Perth or interstate as often as they had planned, and they did not get the visitors they expected.

### Tourism Impacts

- The high cost of Karratha fares is a barrier for tourists to make Karratha their destination. If part of an international fare it could make it viable that that would involve a massive commitment to destination marketing for overseas visitors.
- Economic Diversity – Karratha has many attractions that could be developed for tourism from the Dampier Archipelago, Burrup Peninsula and Cultural experiences in Roebourne. Tourism is identified as sector to be developed and strengthened to improve the economic diversity of the Karratha.
- Conference, sporting, corporate and events tourism all have massive potential in Karratha however the air fares always prove to be an inhibitor, either to organisers or potential visitors.

### Social Impacts

- The long term impact of high air fares results residents feeling isolated and disconnected from their extended families in Perth and interstate.
- 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.
- Anecdotally, the reputation that Karratha flights very expensive effects the decision making process of many who be thinking of relocating to Karratha for employment.

In considering the factors that contribute to Karratha fares being so high and the subsequent impacts of this cost, we also are cognizant that solving this problem is very complex will require genuine effort and commitment from everyone involved.

Everyone must play their part :

- Airlines can be more reasonable with their costing and look at practical ways that will allow them to reduce their fares managing the large commitment they have to their major resource customers.
- The State Government and the City of Karratha can consider how they might partner with the airlines to offer fares such as the community fares being offered in Esperance and Albany, or look at realistic ways of reducing their airport fees.
- The KDCCI and Visitor Centre can work closer with their relevant airlines to promote local use, tourism and to improve passenger numbers.

If you have any further questions or need any more information please contact me on 91 44 1999 or 0418 938 268 or at [ceo@KDCCI.asn.au](mailto:ceo@KDCCI.asn.au)

Yours Sincerely

A handwritten signature in black ink, appearing to read 'J. Lally', with a long, sweeping underline.

John Lally

KDCCI Members comments

Attachment

## Attachment

### Regional Airfares Inquiry

#### ***Actual Comments from Local Business Owners on high cost of Karratha Air***

- 1." Prohibit business owners and staff from attending valuable professional development, training and conferences held outside Karratha as it's too costly to travel." (Almost all business owners identified this impact to their business. Cracker Jack Paddle Sports said high airfares affect their ability to train staff and keep qualifications up to date.)
2. "Prevent many local businesses from meeting with clients in Perth, where a lot of decisions are made, for potential work;"
- 3."Isolate franchise businesses and regional branches from their HQ " (Yo-Get-It and SUMO Salad have only had one visit from each franchise since opening either business, where other stores are visited quarterly);
- 4."Limit access to specialised technicians" (The last time KAW Engineering got a technician up the cost was \$890 for the service and \$3,280 for the flights and accommodation because there were no suitable flights available for up and back in the same day.);
- 5." Force some businesses to carry out advanced maintenance on equipment themselves stumbling through without adequate training;"
- 6."Result in loosing additional days for employees to take holidays as they drive instead of fly;"
- 7."Limit access to technically advanced sales, marketing and IT staff;"
8. "Mean the City of Karratha and other organisations need to subsidise travel packages to make Karratha a desirable destination to hold annual conferences and CPD forums."
- 9."Mean the time to travel to Karratha without the direct link to the East Coast put off some highly-regarded experts and keynote speakers from visiting the region to deliver training or presentations"
10. "Combined with time impact to business owners to travel to Broome and Darwin etc. which in the past have not been too far to commute for business or consider expanding their services is now not worthwhile in many instances." (Workshop facilitators from Maverick Effect have been requested to present in Darwin, but the time to travel is more than twice the time required for a 1-day workshop making it difficult to justify the value.)
- 11."Are crippling intra- and inter-state tourism when the price to travel to Karratha is not competitive when it can be more than double the cost to fly to popular tourist destinations like Broome and Bali at times."
12. "Are directly impacting the number of Au Pairs choosing to come to the Pilbara Region due to the high additional cost. This then puts additional pressure on families to pay for an au pair to fly from Perth to a Pilbara Region just to access this child care option".

Several business owners also commented that :

“The biggest frustration caused by high airfares is that extended family often choose to holiday elsewhere rather than visiting family in Karratha. One young family who own two small businesses in town stated it was cheaper for their extended family to fly return to Europe from the East Coast than to visit them in Karratha. This creates a feeling of isolation and in some cases ultimately results in small business owners leaving town to be closer to family.”