

Admin, LACO

Subject: FW: Inquiry into regional airfares in Western Australia

From: Gareth Thomas
Sent: Wednesday, 26 July 2017 4:50 PM
To: Committee, Economics & Industry Standing
Subject: Inquiry into regional airfares in Western Australia

Dear Committee

I write to you on behalf of my hospitality group which has operated in regional Western Australia for some 17 years now with our property in Broome.

Seashells is a Hospitality Management Company and we developed and built the existing Seashells in Broome, along with 3 properties in WA in Scarborough, Mandurah and Yallingup. Seashells Broome is a strata titled property and the 49 apartments are owned by typical mum and dad investors who will also use their property from time to time as a holiday venue. So I also write to you on their behalf.

Broome, as I am sure you are all aware is a wonderful place to holiday, but the reality is, it's a very difficult place to do business. Especially when just about every business is in some way linked to the Tourism industry. That industry literally survives on a 2 month window of peak trade being July and August. Outside of this peak period we have shoulder periods which by the end of October become troughs that do not reach shoulders again until May. It's very easy to say that the reason for these shoulder periods is the heat, but the reality is that many people love the warmer tropical climates, but the cost of airfares in those quieter seasons, combined with the closure of many facilities (due to the lack of people around) means it's not the most attractive destination.

It's a catch 22 – more people, more facilities will run, less restaurants will close etc – less people and Broome shuts down and so less people come because, in part Broome shuts down!

A typical hospitality business that stays open year round will run at 95% in July and August, between 60% and 70% September and October, down to 20% to 30% November through until March (which is 5 months!), around 40% to 50% in April and May, back to 60% to 70% in June and the cycle continues.

Airfares do reduce for the wet season but when you are looking at a minimum \$249 per adult one way with very few limited seats available at that price, then that's a \$2000 airfare cost, in off season, for a family of four before even factoring in accommodation, activities, meals etc. Add a weak in a moderate priced property and you are now up around \$3500. For about half of that cost your family could fly to Bali for a week all-inclusive and have change and that is the absolute crux of it. Our competitors for Broome are not the South West, The East Coast or any Australian destination for that matter. Its Bali, Its Phuket, all on the same time zone, all a similar flying time and all much, much cheaper and providing a much greater value for money proposition. Why do we allow so much of our money to literally fly out of the state because we cannot give reasonable regional airfares.

At the time of this brief email I have looked at flying to Broome in August for 1 adult for 5 days. Its \$547 one way on a Tuesday and \$1247 back on a Sunday from Perth. That's 1 person, return, \$1794 just for a **2 and a half hour flight**. I can fly to Europe for less than that and again have change. I appreciate its peak season and I appreciate that planes are full and the airlines are yielding their inventory. We do the same in hotels – but a price hike of that magnitude is simply unjustifiable.

What we need is a low cost solution, **year round** that increases or decrease services based on demand, that can add a premium for high season but does not do so to the detriment of the industry. **That does not price gauge**. The Hotels price differential between low and peak is in general around 30% and I believe a cap should be placed on any operator from hiking their prices up by more than that same margin. Low season flights need to be at a price level that support local industry. In particular our off peak season and shoulder season airfares need to be competitive with other destinations and price relative. We believe that reasonable pricing will fill a plane off season and will

create the demand for places like Broome to ensure their facilities and services do not fully shut down in off seasons and we extend the peak trading window. Business will benefit, local community will benefit, the operator of the airline will benefit as to will so many others.

It is very hard to make money on behalf of owners or investors when you only trade well in 3 months and you spend the next 9 months trying to stop yourself from losing it. When you lose money, as we do for at least 3 months of each and every year, where is the incentive for future investment, growth or even just maintaining a presence in a market that is constantly being beaten down.

Regards

Gareth Thomas Chief Operating Officer

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