

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO REGIONAL AIRFARES IN WESTERN AUSTRALIA



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 6 SEPTEMBER 2017**

SESSION TWO

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 10.15 am

Ms DERRYN BELFORD

Executive Director, Destination Development, Tourism Western Australia, examined:

Mrs LOUISE SCOTT

Executive Director, Strategy, Brand and Marketing Services, Tourism Western Australia, examined:

Ms CLAIRE WERKMEISTER

Director, Aviation Development and Policy, Tourism Western Australia, 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—deputy chair Sean L'Estrange, member for Churchlands; Terry Redman, member for Warren—Blackwood; Yaz Mubarakai, member for Jandakot; and Stephen Price, member for Forrestfield. 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 you might say outside of today's proceedings. I advise that the proceedings of the committee's hearing will be broadcast live within Parliament House and via the internet. This broadcast may include documentation provided by you to assist the committee in its investigations.

I would like to thank you for your submission. We found it very helpful. Before we begin with our questions, do you have any questions about your attendance here today?

The WITNESSES: No.

The CHAIR: Would you like to make a short opening statement about your submission?

Ms BELFORD: Yes, I would.

The CHAIR: Fire away.

Ms BELFORD: Thank you very much for the opportunity to provide information to the inquiry. Tourism is an economic driver for Western Australia. We generate 109 000 and contribute \$10.6 billion to the state economy. Tourism WA sits now within the Department of Jobs, Tourism, Science and Innovation and our role is to get the conditions right so that the tourism industry in Western Australia can succeed. The agency focuses on three key areas—marketing the state, attracting and promoting major events, and supporting the development of destinations and tourism infrastructure. Our aviation focus is twofold—firstly, aviation development, which is both international and domestic; and we also advise and advocate on aviation policy. We are focused on the development of sustainable air services which support the growth of leisure tourism. When it comes to international carriers, that also includes consideration of education, business and freight exports. We work closely with Perth Airport as the main international gateway into WA, and we aim to grow aviation capacity from our priority visitor markets to provide economic benefit for the state.

From a regional focus, it is slightly different. The sheer size of WA obviously makes regional aviation a matter of both economic and social importance for resident communities, businesses, the

resource sector and, of course, tourism. Regional aviation affordability has been an ongoing concern for local communities and residents who seek affordable fares to remain connected to Perth and other parts of the state, and also for the tourism industry that is looking to entice visitors into regional Western Australia. Now, our regional aviation landscape is complex and our written submission gave an overview of some of the complexities that exist. Where we have looked through the other submissions that people have provided, a lot of the same information is coming up.

Effectively, the mining and resource sector in WA is a driver of regional aviation. It has skewed many routes in terms of the level of capacity, as in the number of flights and their schedules, as well as patronage, yield and the cost of airfares. Leisure travel does exist on a number of regional routes, but not on all regional routes, and that is the underlying issue of regional aviation in Western Australia in that each and every route is different. It has different players in terms of airlines and different drivers for travel, with different passenger mixes et cetera. Given all these differences, we are very clear and in our submission mentioned this—we believe each route needs to be considered separately and individually in order to determine the potential solution for each.

[10.20 am]

There is a whole range of issues that need to be looked at from resident populations, to passenger markets, the dynamics of the airline et cetera, but from a tourism perspective, we tend to prioritise regional aviation routes by also taking into account the visitor market demographics and travel preferences, and also the supporting infrastructure in the region. That includes things like the need for car hire, taxis and public transport, as well as normal tourism infrastructure such as accommodation, amenities and attractions. When you review all of these factors, we look at it and see that a one-size-fits-all solution is not really going to work across the state and would be hard to implement.

There have been successful solutions. We have put a couple in our submission. Onslow is an example of a government and industry collaboration as, too, are Albany and Esperance, which is a regulated route operated by Rex. We also applaud the announcement last week of Qantas, which spoke of putting in the state, resident fares and we hope to see more of those. But from a tourism perspective, we are keen for the development of new international and interstate leisure routes to regional destinations. Singapore to Broome, for example, would open up the north of our state to international tourism. Our medium-term goal is to attract a low-cost carrier into Western Australia, operating multiple routes and with a specific focus on growing the leisure market through its lower fare structure and concentrated marketing activities.

At the same time, we acknowledge the need to work on the ground for regional destinations to develop that supporting infrastructure I mentioned, both hard and soft, to build the tourism experience for the visitor. The development of activity we mentioned includes funding programs through the Tourism Council Western Australia, the Australian Tourism Export Council and WAITOC, which is the WA Indigenous Tourism Operators Council, to work directly with tourism operators to get them into the tourism distribution chains, which enables them to package on opportunities for the future.

Tourism WA, through our events team, also have, for many years, managed the regional events scheme and program, which is royalties for regions—funded, and that is about giving people a time-specific reason to travel into regional WA. Of course, directly, we are working with airlines, and we are very pleased around our negotiations with Qantas and the western hub into Perth because the inclusion of fares to Exmouth for stopover passengers is a great asset. Overall, we work with a wide range of partners, including state and local government, the tourism industry and airlines, and we focus on developing, promoting and marketing the leisure destinations in Western Australia.

The CHAIR: Great. Thank you for a very informative overview. With reference to your submission, it opens talking about the role of Tourism WA and you talk about your active role in aviation development and policy. Now, we are trying, as a committee, to understand the dynamics between the department of tourism, the Department of Primary Industries and Regional Development, and your department. Could you elaborate a little more on what your piece of the pie is and how you collaborate on an interagency basis around the development of aviation policy?

Ms BELFORD: So, we do work across. While we are focused on those tourism routes, and we have specified in our submission the routes that we are most focused on, we also do work with the other departments. We work with the Department of Transport on their regulated routes program. We were part of the development of the overall aviation strategy so we are putting in our view around that tourism element—and, of course, Claire comes from a background in aviation and is able to provide a lot more of the broader information about how airlines operate from a commercial perspective. A lot of that information we feed into there. With the Department of Regional Development, we have been working previously on the development of a regional tourism framework to try and look at what are the things that drive tourism in certain regions, and what are the enablers, because in different regions, it will be different. So, while that was not specifically related to aviation, it is about trying to understand what we need in each of those regions.

The CHAIR: So on the regulated routes, the Department of Transport is able to compel the production of information. Are you given access to the information that is disclosed to the Department of Transport for the purposes of your own modelling and establishing your strategies on different routes and destinations?

Ms WERKMEISTER: Yes, we are. We are provided with all the fact sheets and we also participate on the evaluation panel for the tourism-relevant regulated routes as well.

The CHAIR: What is your input into the regulatory process then?

Ms WERKMEISTER: Into the regulatory process, we have two positions. We specifically only contribute to those where we see more tourism relevance. So those, in the past, have been Exmouth, which is now partially deregulated, and we also participate in Albany, Esperance, and Monkey Mia—Carnarvon—that triangulated route. It is more around Monkey Mia and the tourism aspect going through there. We participate as an actual member of the panel who makes the decision process and does the evaluation. Also, myself, I act as a technical adviser to the panel and provide advice as required.

The CHAIR: On both the routes that are regulated and, on the decisions about which routes should be regulated, does Tourism have a say? When the consideration was up and running around which routes should be regulated and which routes should not be, did Tourism have any input into that process?

Ms BELFORD: That was before our time in these roles. It was almost three regulations ago, but we have had conversations around them, but those decisions were earlier than us. I am sure Tourism was involved because we have good informal communication right across those agencies and with Transport.

Mr D.T. REDMAN: Just on the back of Jess's question, do you think that there are current routes that are deregulated that you think should be re-regulated from the point of view of the tourism industry?

Ms WERKMEISTER: I think that is something we need to take as a question on notice. In order to re-regulate, you would need to understand: is there an actual failure in the market, and regulation is causing the problem? We have seen passengers decrease in such a way that in fact by regulating it,

you will ensure a level of service for a community—all those kinds of aspects. Immediately to mind, I cannot say that one is jumping out at me saying that is the point. When Exmouth was made, a decision to do more into partially deregulation, which occurred about 12 to 18 months ago, I believe, there were some concerns raised from the industry at that time as a result of the changes in the mining sector should that still go forward. I know that the Department of Transport did commit, as part of the monitoring process, that they would continue to look at that very carefully. That would probably be the only route that I would say would need to be monitored very carefully to make sure that it is appropriate to have that partial deregulation. But at this point, it also has not shown that it needs to, in my opinion, unnecessarily go back into a regulated route in order to survive or to make sure it is okay.

Mr D.T. REDMAN: There are two examples that stand out in the north of the state from a tourism perspective. One is the Exmouth with a Ningaloo post office iconic site. The other one is Broome—sort of a gateway and access into the Kimberley. The sense we get on the ground with all of our work is that tourism is quite a price-sensitive space. You have the Exmouth one now winding back to one airline—quasi unregulated, but one airline. It is probably not a good look and you may have views about that one so any comments about that particular route—and of course the Broome one that has a lot of tourism opportunity, people on the ground feel very strongly that it is tagged at being a very expensive flight and therefore their opportunities—they do not even get a chance to talk to people because they look at the airline fares and read the paper and say, “Well, we’re not even going to go up there”, because they have been tagged with the view that it is a high-cost route. I think those are the two northern sites that have iconic status, if we want to put it in that bracket. Any comments about the approach to those two routes from the point of view of tourism?

Ms WERKMEISTER: From the point of view of tourism or from the point of view of regulation?

Mr D.T. REDMAN: The goal here is to get tourism to happen. If regulation is one of the tools in the toolbox, then that is an opportunity. There may be other tools in the toolbox that you might advise us on.

Ms WERKMEISTER: Absolutely correct. Broome and Exmouth are very important tourism destinations. They also have that level of uniqueness matched in with density and diversity which are also important considerations for tourism airfares. I will start with Broome; I think that is probably the one to move forward with. That is a very interesting market. We see almost 50 per cent of the market is tourism related and 50 per cent of the market is business related. It is also one of the busiest routes you actually see from a regional route within WA itself as well. I think from memory it is about the fourth or fifth busiest route in terms of passenger market size. It also has multiple carriers, which is quite unusual when you have a look at a few of the intrastate routes in WA itself as well. A large part of those routes, however, are made up of commercial-style contracts that are actually held with the different mining and resource sector aspects, and that is a very important relationship for the airlines that service those routes as well to make sure that they are able to have those contracts on hand and meet the requirements of those people.

[10.30 am]

Absolutely the airfares particularly up to Broome have been a concern. We have been working with the Broome tourism industry for quite some time and with airlines to look at opportunities to be able to overcome affordability and the perception sometimes there is around there with high airfares. There certainly are high airfares to Broome and I am sure if you go online, you will actually see that. I would also mention there are also affordable airfares to Broome. It is one of the routes that in our marketing campaigns with airlines, with wholesalers and with distributors that we consistently put forward as a very iconic destination that is recognisable—it has high levels of

awareness in both international and interstate markets. Those prices are not in the purported very high levels of airfares that we see.

I think part of the aspect that we see with those flights is the perception. Once you get online and look for an airfare, if you are seeing an airfare that sits around the \$2 000 mark, you move away; you do not look to see if there is another opportunity. So it is about: how do we overcome those perceptions or how do we educate the market to know when the best time is to travel or when the best time to look for fares from those aspects? How do we work with different partners in order to be able to make sure that there are avenues that tourism can access to be able to achieve affordable airfares. As Derryn mentioned previously as well—I think Broome is an essential focus for us—our medium to long-term view of hopefully being able to secure low-cost carrier services, Broome would be fundamental to that aspect as well.

Mr D.T. REDMAN: It would appear on the ground that “Let’s work collaboratively and bring it to the table and have a chat”, has not worked and you need a few more brutal tools to make something happen. Is that the view of Tourism WA?

Ms WERKMEISTER: I think that having a parliamentary inquiry such as this is very useful in that it provides a level of momentum and leverage in order to be able to achieve conversations at the highest level, and having conversations at the highest level can be very useful in being able to see more readily available solutions.

The CHAIR: But they are at a point in time and there is a response at a point in time. The real issue we need to address is long-term, sustainable, reasonably priced airfares. I want to come back to a point that you made with respect to the dynamics around FIFO, business travel, leisure travel and community travel. You make the statement in your submission that flights are largely underwritten by resource company contracts. Certainly, that has been suggested to us. You then observe that a limited availability of left-over seats on popular FIFO business flights often see surge pricing on remaining seats accessed by residents or visitors. So on one hand you are saying that the flights are being underwritten by the resource companies, which presumably means they are paid for, but then the surge pricing at the end that is paid by residents and tourists when they are booking on short, sometimes day-ahead, basis because of an emergency situation.

There seems to me to be some real pricing issues there and some real evidence that there is a bit of market failure. Does it suggest that they have made their money and there are excessive margins being drawn out from the residents and the tourism market, which is affecting people’s quality of life and impacting the tourism market?

Ms WERKMEISTER: I have two responses to that. I would just like to clarify “underwritten”. There is a direct underwrite, when obviously—Onslow comes into this effect with that—a flight is specifically underwritten, so all the seats are actually paid for on that particular flight. That is not necessarily the case on all different regional routes. When we say “underwritten” it is more that there is a component of those seats that are understood will be used by a company. They might be booked in advance as, sort of, seat blocks that put on different flights and are available for their staffing to use. It might be that they actually have a way to access them, similar to state government travel or anything like that. They are people—FIFO workers or whichever—who access the flight on a needs basis. If they know their roster in advance, they can buy them online or through whatever port they need to quite in advance. So it is done in sort of different ways. Therefore, the flights themselves are not necessarily underwritten so you do not necessarily have a situation such as Onslow where you could argue that any additional seats sold are considered to be profit because, ultimately, the flight is actually paid for. If that were the case, it would be a very different scenario and I think it would aid conversations across multiple routes. But to the point: where we have to look at each one

individually to understand what the make-up is and to understand what the corporate business element is, that is difficult to get oversight into because of the commercial-in-confidence aspects that each airline will have with its different charter agreements or commercial-style agreements with different airlines. So, apologies for the clarification in terms of what “underwrite” actually means; there is that kind of aspect.

Then, in terms of the “surge pricing”—I am doing inverted commas just around that aspect—you see, particularly with your larger airlines, it is a global automated ticketing system that runs fairly similarly across every route in that particular airline’s network, whether it be regional, domestic or international. Now, certainly, you are going to have large teams of revenue and yield managers who might come in, and go in and pick and change different aspects at different times, but, largely, it is an automated system. That system is basically the closer you come to the flight taking off and the less seats available, the higher the price goes up. That is where we see those real difficulties, particularly for local residents who, perhaps particularly in emergency situations, want to be able to access more affordable airfares.

Even from a tourism perspective, the domestic tourism market tends to book flights only two to six weeks in advance; they are not looking three months in advance. They are sort of looking at shorter time frames as they are. We do applaud the initiatives such as Qantas, as they announced last week, making the resident fare available. On those six routes, if that is provided, it will provide at least a 10 per cent discount on flights and I think it was up to 30 per cent if you were looking at just the day before.

The CHAIR: On a trial basis?

Ms WERKMEISTER: On a trial basis, yes, for 12 months. Talking to Qantas, they have identified that the trial basis there is just to make sure that they are meeting the needs of the community and the community has the chance to talk back to them as well. It provides a level of ongoing communication to make sure that works. We would certainly hope that that is not a trial basis that then disappears, but that it is something that continues and, in fact, looks at ways to evolve and become of even more benefit to both Qantas as well as the communities themselves.

Ms BELFORD: From a tourism perspective, I think Broome is probably the one route that we would not like to see re-regulated because it has enough passengers that you can fit two airlines operating. We would like to see, and we are working to get low-cost carriers, so that would be potentially a third although, obviously, in a competitive environment, when one comes in, one could come out. But it is about driving the volume there and there is the capacity, from a tourism perspective because there is the accommodation, there are the attractions; there are the things to do for tourism in that location.

The conversation around what tends to drive down prices has two elements: good competition; and regulation, because it has that stick element of keeping the prices down. There are the smaller routes where that is working around Albany and Esperance where they are looking to do those deals. Onslow, again, is a smaller route but probably Broome would not be one to re-regulate because it really, for us from a tourism perspective, is about driving growth into that route.

The CHAIR: So if not Broome, any of the others?

Mr S.K. L’ESTRANGE: Just while we are on Broome, chair, some feedback we got on the Broome route was that from a tourism experience, some people might be prepared to spend a lot of money, for example on —

Mr D.T. REDMAN: Horizontal Falls.

Mr S.K. L'ESTRANGE: On a lovely stay at a Broome resort, but the actual airframe that they are going up to Broome on is, in their words, a very low quality airframe. There is no in-flight entertainment, very poor food and beverage service and seating is very uncomfortable. Have you looked at that aspect as well from a tourism perspective?

Ms WERKMEISTER: From that aspect, I think you will always get comments in terms of the type of product that is offered on different routes. If you look at it from an international point of view and you get feedback in terms of what flying on a particular route, from Perth moving into Asia, whether you fly on a full-service carrier versus a low-cost carrier and despite that difference in prices that you will get with those two types of carriers, you will often get a lot of feedback on what you have had to pay for and what goes through there. I think probably what is more important is to have a look at the type of aircraft and the type of ancillaries that are provided, whether that be in-flight entertainment, or food and beverages and those kinds of aspects, and compare it to other regional kinds of flights just to see what is sitting on a like-for-like kind of basis.

I think when you have a look at those aspects and if you were to look over in New Zealand or to the east coast of Australia, there are more similarities. We are not looking at massive big jets which are going to have in-flight entertainment. It would be fantastic if we were and I know everyone would be very, very happy with that kind of aspect but, on many of these routes, we are actually looking more at just providing a service. It is a Regular Public Transport service. Those additional extras I would consider to be more nice value add-ons as opposed to what is more critical.

[10.40 am]

Ms BELFORD: I think we are probably seeing that from Broome. A good few years ago, we did have in-flight entertainment because we had the bigger jets because there were more people travelling and a lot of that travel was business-related. Then, of course, once the sector softened, what you had was the airline, who is a commercial entity after all and can move its asset anywhere, moves somewhere else and puts the smaller planes onto the route. From our perspective, on the Broome route in particular, we are looking at the opportunities to drive demand. I think that is where we would see the best opportunity to get back to the bigger planes, to get the higher frequency.

Mr D.T. REDMAN: Do you see any conflict in your position about trying to drive intrastate airfares down and therefore support the likes of Broome's demand with Tourism WA's international interest in getting traffic into Western Australia, and presumably the gateway is Perth to get to these destinations? Is there any conflict in that in the sense that a tourist sitting in Western Australia intrastate is going to go to Bali for a week rather than to Broome for two days?

Ms BELFORD: That is what is happening and we recognise that. A lot of the marketing work that is being done around Broome is for the interstate and intrastate to try and encourage Western Australians to go there but you are right; you are not comparing like with like in terms of pricing, both in terms of the airfare and also on the ground. It is more expensive.

Ms WERKMEISTER: I would also probably add in there are synergies in terms of what we have looked at. International aviation provides the ability to bring inbound international leisure visitors into our state and also to do regional dispersal. I think we have seen great successes, not just with Qantas, which has done some fantastic deals on both Exmouth and Broome in relation to the Perth–London flight, which will go through next year, but I would also mention that Virgin Australia has worked very carefully with its partner Etihad to make sure that there are some really good agreements to ensure that regional dispersal there as well.

The international aspect as well, it takes things into account like international education. International students, we know they stay here for longer periods of time. They are more inclined

to do regional dispersal. Then if you look at things like business or if you look at international exports, particularly in agriculture, where WA is very well placed to grow going forward, those agricultural exports are going to come from the regions. Therefore, it is actually being able to provide benefit for the state overall.

Interestingly, just last week I was in China with Minister Papalia and we heard directly from key distribution partners who were pointing out that with a maturing travel market in China, they are looking for those things beyond Perth. There is interest in how do you actually start to spread the word of the fantastic and extraordinary experiences we have in the rest of Western Australia. They are going to need to have that accessibility and a lot of that is going to be in terms of regional aviation access.

Mr D.T. REDMAN: One of the experiences in Broome was that when someone books in Broome to go to Malaysia and back to Broome—I am picking a figure here—it can be \$500 or \$600 return or whatever it might be, yet someone books to Perth and has to pay significantly more for a one-way flight to Perth than to get in and out of Malaysia. In your destination marketing activities overseas, and hence your China experience now, can someone book in Shanghai to go into Perth and up to Broome as part of a package and pick up a cheaper flight in the intrastate flight as a part of that package? If so, that is going to butt heads with the domestic users in and out of Broome that just want to get to Perth for whatever reason.

Ms WERKMEISTER: That is a fantastic question. At this particular point in time, we do not have any direct flights that are actually going from Shanghai to Perth.

Mr D.T. REDMAN: I am picking a place in China. You pick another place—Beijing.

Ms WERKMEISTER: Yes, if you wanted to have a look through. Depending on what airline or what agent or what booking system they would be able to use, yes, they would be able to find access, and depending on whether there were existing alliances with airlines, they would start to move to how you see that packaged up or priced in that kind of component. If they were to do that from the very beginning, that is how they want to flow their traffic coming into Perth and directly out of Perth. Broome, again, is the example. If they were to come on certain airlines, they provide—I will just mention it because it is one of mine—the Walkabout Pass in Qantas is an example. You can land here and then utilise that pass to access the regions and those kinds of aspects. Different markets have different prices accorded to that in terms of what you do, similar to using a Busabout pass in Europe—that kind of aspect.

In terms of it butting heads, I think if we were seeing the types of numbers which alongside the business meant that you had absolutely no seats left for residents, that would probably cause a concern, I am absolutely sure. At the same time, if we were getting those levels of numbers, you would more likely see increases in capacity. Typically, if they start seeing they are selling out all the seats on every single flight of those planes, that is the point where they will introduce new capacity, which creates a more competitive market.

The CHAIR: So, it is a nice problem to have!

Ms BELFORD: That is certainly the way we would be operating—looking to drive the demand, which encourages the airlines to reintroduce the capacity that we know they took off on a number of routes. That is how we would operate it.

Mr D.T. REDMAN: The issue for the residents is that the spare seats that are available cost them a bloody fortune. So if the tourism destination marketing does not fill all the seats, and presumably that is a good outcome because there are others left there, they just do not seem to be getting the benefit on the ground. I would have thought every one of the people sitting in the room that we

talked with in a public forum in Broome would have held the view “I don’t give a stuff about tourism, as long as I can get a half reasonable price to get to Perth.” That is a challenge.

Ms WERKMEISTER: I must say there is a very active tourism industry in Broome and they have worked very, very collaboratively with us. In fact, even last year, we went as a group and met with airlines to try to work through different sorts of innovations in order to be able to assist growing tourism there as well.

Mr D.T. REDMAN: Absolutely, and they are chasing that market. But you can see the challenge for the committee in that I would have thought an intrastate flight for a local would be something of primacy for the committee, as distinct from the next step, which is a business and opportunistic —

Ms WERKMEISTER: I think you hit on a really important factor. When it comes to affordable aviation, particularly in WA and particularly if we have a look at the concerns that have been raised over a number of years now, they come from two different sides. It is about making sure that people who live in regions have access to affordable aviation that allows them to go about their daily lives, to be able to respond to situations, to be able to have a business and those kinds of aspects, and to be able to do that without having to pay exorbitant prices. That is part 1, and that is incredibly important.

Part 2 is making sure that we are able to drive tourism into those regions in order to be able to drive economic growth, particularly in those regions where we see that there is a level of supporting infrastructure, a level of awareness, a level of desire, that would say that we can bring those visitors in there, particularly when you are starting to look at, say, the north of our state where the distances are a bit longer and aviation is quite critical. We are already seeing that usage on those planes is indicating that people are wanting to be able to take aviation.

The CHAIR: Picking up on that point, one of the points that has been made to us in submissions—we are yet to hear from the Tourism Council, but they have given us a very comprehensive submission. They have made the observation that Western Australia does not leverage packaging to the same extent as other states and that one way of retaining the FIFO or the business travel and retaining its, I guess, role in preserving the viability of a lot of these air routes could involve packaging up and making tourism and community-specific fares available and that it could be packaged up from both international and intrastate tourism packages where airlines, accommodation providers and attraction operators work together. So it leaves the underwriting part of the business alone, but is specifically available for the tourism and community markets. What work has Tourism WA done in that space? You mentioned it in your opening address and it was something that you were newly looking at. Could you expand on that?

Ms BELFORD: I think there are two key elements to it. One is that we are working with these other organisations, including the Tourism Council, so we provide funding through them, ATEC and WAITOC, to actually bring the tourism industry into the distribution channel, because at the moment the tourism industry right across Western Australia is fragmented. It is a mum-and-dad business industry, so not all businesses in the sector are in the distribution channel. A lot of the work at the moment from a destination development point of view is encouraging each destination to work out what its unique proposition is and then to work with the tourism operators to bring them to the standard that international, interstate and other tourists want to see. That work happens on the ground and is really important. That is the first part of it. That will only be in certain areas where there is already a level of sophistication.

Broome has a higher level of sophistication, for example, than in other regions. Then we actually start to look at what are the different routes and which routes would we focus on and what is the opportunity for packaging. Again, we come back to not every route is the same, and tourism will not

save every route. It is all about looking at each individual route and identifying it. Then, in terms of working from a tourism marketing perspective, perhaps Louise can talk about how we work with the wholesalers once they are ready in the distribution channel and what we do.

[10.50 am]

Mrs SCOTT: We have marketing agreements—a number of different cooperative agreements essentially. So we work with APT; Broome, Kimberley and Beyond; and Discover Australia Holidays, who in effect create those packages that you are talking about and then sell them into the market. I guess they would be price sensitive as well, but they will make a decision somewhat in advance and sell a package based on the deal that they can get from the airline, the hotel and any associated tour product that goes along with that. They are quite successful. In fact, APT have been very successful in selling packages into the northern part of the state in particular. We work with them on an annual basis.

Mr D.T. REDMAN: Do those packages include airfares?

Mrs SCOTT: Yes, they do, not so much for us to create the package ourselves, but to encourage them to create the package to use the products that are in the distribution system and create an attractive itinerary for someone to come to the destination. Often it involves transfers and bus tours as part of the product as well or visits to things like Willie Creek Pearls or up to Cygnet Bay. They all create an itinerary that they will then sell and we will assist them to sell that essentially—so, get it out into the marketplace so that people will buy those package tours. But they probably do still tend to be largely at the more expensive end of the market and they are longer periods of time. We will work with a variety, but then we will also work in partnership with the airlines as well, where someone might book the flight but then have the opportunity through the airline's website to package up car hire and accommodation.

We also work across Australia with online travel agents such as Expedia, where, again, they offer a bit of a deal if you tie up your hotel and your flight and your car hire together and then that can create a package as well. There is sort of a range from almost a self-serve package up to a fully inclusive package that a high-quality holiday provider would put into the market.

The CHAIR: So why would the Tourism Council suggest that WA does not leverage packaging as well as other states?

Ms WERKMEISTER: Just before we move on to that, packaging is an excellent tool that you can use in different markets and obviously bringing together and putting together itineraries and working with different partners, which is fantastic. At the same time you need to also look at individual markets and understand consumer booking practices and what we find is that there are certain markets that perhaps packages are not necessarily the way that people are booking nowadays.

The more mature a market is, often the more they start to move away from going into packages. Australia as a whole—if you think of when you yourself perhaps booked your last holiday somewhere in Australia as well, it would be very interesting to note whether you decided to go with a package or whether you decided to book the individual elements yourself. We are seeing a move from your more group and your package holidays to your partially independent travellers who want to book some things in advance and have some things left to what they wish to do at the time. You also have fully independent travellers who like to go and do things themselves. You have a lot of different avenues, whether it be with different airlines, where they already have people working in their distribution systems so you can access different things at times.

Obviously, as Louise has mentioned, we work with some of the key players where we know that packages are working, we know that it is actually hitting different demographics, whether those be

interstate or international audiences, but at the same time there is not necessarily one size that is going to fit all, because you have different levels of maturity in your consumers in different markets, be that domestic, be that international and each international —

Mr Y. MUBARAKAI: Sorry, can I just stop you there? Could you give us an example of where recently you have applied these principles and give us some evidence as to how international or domestic tourism has increased in those locations where you guys have focused your efforts?

Ms BELFORD: In terms of packaging?

Mr Y. MUBARAKAI: Packaging and increasing tourism, from a branding perspective.

Mrs SCOTT: Not right off the top of my head in terms of using that as a focused way. This is business as usual for us. Essentially we will work with a number of partners every year to create these packages to drive visitation domestically and internationally. If we are talking about northern Australia in particular, the majority of the packaging that we are seeing being sold is into the east coast, not necessarily overseas, certainly that I am aware of.

Having just been in China, as Claire said, it was really interesting to talk to both the travel agents who will create those packages but also talking with Ctrip, which is the equivalent of Expedia in the China market, and them seeing a significant increase in the use of online booking systems for people to create their own model, I guess, and being comfortable about doing that. I think one of the key things that TCWA have highlighted is that there is a significant package holiday history into the Gold Coast, for instance, and coming from the UK I acquaint that to booking a holiday in Spain. You would go to Thomas Cook and book a package holiday with a flight, your accommodation, maybe some of your meals, and certainly if you look at the market in the UK, the majority of people booking holidays overseas will book a package holiday, so you can go into a travel agent in the UK and book a package holiday to Western Australia if you want to do that with the likes of Trailfinders or Kuoni.

Any number of different suppliers create these packages and sell them for all sorts of destinations across Australia, but the habit for most people coming to Western Australia is not necessarily through a package holiday. But I would say that the northern part of the state may be a bit of an exception to that because it is actually quite difficult to do individually if you have to hire a car that enables you to drive and you are not really sure about where it is safe to drive or not to drive. For instance, that is why APT have been successful in promoting Broome and the Kimberley and beyond area because they take all the stress and worry away from you in terms of how far the distances are and how to have the best experience possible in a destination like that. Someone coming to Perth from the east coast is highly unlikely to go down the route of popping into their local travel agent and booking a package holiday because it is so easy now to go online and book that. The value of packaging, however, is that it can advertise a price point which can make the customer think that it is better value than they might have perceived already, so there is a value in promoting package deals in the market, but ultimately the customer might still go and book directly and do everything separately. It is a bit of a balancing act.

Ms BELFORD: I think it again goes back to the complexity, because it is what market is the product ready for packaging, and we are working on an ongoing basis to make that happen more and more across Australia. It is what does the consumer want, what is the benefit of packaging, and, as Louise was saying, the more difficult a place is, the more likely someone is to package, but that is not necessarily how it is always going to be into the future. I think, again, we come back to this complexity that we are operating across all these areas to try and offer the best chance for the consumer who thinks differently, depending on who they are, and also thinks differently depending on when they are travelling and where they are travelling. If they are going somewhere where they are more familiar, or if they are going for business and they are going to add on tourism later, all

the different permutations, if you like, of the decision-making process, we are trying to cover. So I think packages are a really important part of it, but it is not going to be the panacea either.

The CHAIR: There just was a lot of interest. All the regional towns we visited that consider themselves to have either a very viable or a very prospective tourism industry, and to varying extents have all sought to reach out to the tourism providers or through the local government to the airlines to say, “Look, we’ve got a great product here. We really want to work with you to try and encourage tourism traffic. We’d like to work with you in packaging up.” They have had some quite mixed experiences with the level of the airlines’ engagement with them on that.

The Tourism Council has pointed out that WA has not been leveraging packaging to the best extent possible. We have your major tourism industry peak body saying that more needs to be done with this space. We have had local government after local government say that they really want this to be done, but they cannot even get in the door with the airlines to talk to them about this. The tourism providers have a real appetite for it. You are saying you are doing it, but that is not necessarily the feedback we have been having. If the local governments have not got the foot in the door or the door cannot even open for them, how do we even examine this?

[11.00 am]

Ms BELFORD: I think it comes back to, again, the money we are putting through the Tourism Council to develop, getting the product in the distribution chain. It is 400 people they are looking at, so that is giving an indication that they have identified 400 organisations that are operating in tourism but are not yet offering the service that an airline and others would like. If we look at it from the Aboriginal tourism perspective, through WAITOC, which is a royalties for regions-funded program that we manage, again, it is moving the product from an emerging product to a market-ready to an export-ready product. In many cases, from an airline’s perspective, the product needs to be export ready, which means it needs to operate seven days a week, it needs to always be there, if it is booked. There are a whole range of things that identify export ready.

I absolutely agree. We are moving that way and we want to move that way, but from a destination level, we are still a long way from having a lot of export-ready product ready. So you go into some areas and you see this in cruise ships. Exmouth is an iconic destination, but not all the product is ready for the experience that they could offer when a cruise passenger comes along. It is about building up the level of sophistication of the industry. We are doing that in many ways, under cruise with TCWA, ATEC, WAITOC. We need to do that. We have to get that working and it is moving towards the right way, but it has to move further.

The CHAIR: What do you need, then? What would you suggest the committee recommends to assist you to develop that maturity and that sort of export-ready status?

Ms BELFORD: We are doing it. It is hard to say because if you put the experts in the field, we have mentors, we have people working one-to-one with tourism operators. The tourism industry needs to get that level of sophistication where it wants to be packaged. You will have operators who are saying, “Well, I don’t want to work with that wholesaler because they charge too much in commission”, but unfortunately that is the way that the tourism industry works. If I was a small business I could go direct for 100 per cent of my revenue and then I can use these various wholesalers and I can get different revenue levels. That level of sophistication needs to happen. It is happening, and that is the work we are doing on the ground. In terms of having the airlines and other organisations, really it is about getting in with those wholesalers, the major wholesalers that operate, and then they will work with the airlines.

Mrs SCOTT: From a domestic perspective, we are just about to engage a representative to be based on the east coast who can spend all of their time with the wholesalers and the travel agents talking about the destination and encouraging them to create packages to sell. But, ultimately, no-one is going to buy a package if they do not know enough about the destination, so it is the balance of us needing to make sure that awareness is high, and, frankly, awareness for some of our destinations is not high. We have got a state that is a third of the continent and it has five key areas. It is probably the equivalent to having five Tasmanias to some extent in terms of needing to promote them individually and raise the awareness and the profile of the destination.

I think there is a degree of belief that awareness is high, we just do not have the right packages—then people would start coming. But the reality is that when you go into the market and do the research, the awareness is not as high as you might expect; therefore, when it is a long way away and it is costly to get there, the likelihood of a package actually selling is limited, when you consider on the east coast you have the opportunity to go to Hawaii for less than you can get to Perth. The same issue is the case in point in New Zealand; we have seen quite a reduction in visitation from New Zealand. They have had a massive increase in the number of options that they have for a holiday choice and destination.

If you were going to go to Hawaii, for instance, you probably would go into a travel agent to look for a package, but I do not think people perceive a part of their own country to be somewhere necessarily that they need to get a package to go and visit. It is quite complex, I think, in terms of how best to pitch the package offer or the offer in any sense to an east coaster for consideration. I also reflect that I think when people plan to go on a significant holiday, which, largely speaking, coming to some of the more remote areas of Western Australia would be a significant holiday, that there is a thought that you need to go overseas when you are going on your significant holiday.

Mr D.T. REDMAN: It is a bit more exotic overseas apparently, isn't it?

Mrs SCOTT: Yes. I often think that if the Kimberley was an island like the Galapagos Islands, it would have a way more significant sense of place than it being part of Australia in general. I think that is a significant challenge for us in terms of how we, overall, market the destination with what funds we have. We are spending less domestically than other states. Queensland are outspending us by about 100 per cent and South Australia by about 50 per cent just in the domestic market alone, never mind internationally in terms of investment.

Mr D.T. REDMAN: Sorry, the spend on this nation?

Mrs SCOTT: On advertising, yes. So within the domestic market —

Mr D.T. REDMAN: You mean public spending?

Mrs SCOTT: Yes—I just got some figures yesterday from the tourism agencies in Queensland on what they are spending. They have about a 16 per cent share of the market; we have about eight; and, in South Australia I think the figures came back at around 13.8 per cent.

Mr D.T. REDMAN: So you are talking about public spend on destination marketing?

Mrs SCOTT: Yes.

Mr D.T. REDMAN: Can you make some comments in terms of airlines' responses to that, do they respond to public spend on destination marketing intrastate; and, hence, if you put a focus on that, would you expect a commensurate response in their maturity, if you want to call it that, approach to doing the right thing in trying to develop a tourism market?

Mrs SCOTT: Intrastate we are not investing directly with airlines.

Ms BELFORD: We do with interstate.

Mrs SCOTT: Interstate, more so.

Mr D.T. REDMAN: Not necessarily investing directly with airlines, but airlines playing ball with any destination marketing resources that might not be directly in their pocket or directly with them—they are a player?

Mrs SCOTT: Certainly, as an approach, we will work with a range of airlines within Australia to encourage them to do lower rates and for us to promote a sale period throughout different points in the year to different parts of the state. They do respond well and have a cooperative agreement where they put money in, we put money, and together we get bigger bang for our buck in terms of promoting the particular destination.

Mr D.T. REDMAN: The comment you made about Western Australia's spend on destination marketing was an international spend—an interstate spend?

Mrs SCOTT: No, that was domestically, and that is the spend. So comparing that with what we would spend in terms of TV or media in the domestic market, to promote our state, you can pull off —

Mr D.T. REDMAN: Promoting it to whom? To our own—

Ms BELFORD: Interstate.

Mrs SCOTT: To Australia.

Mr D.T. REDMAN: Interstate?

Mrs SCOTT: Advertising within Australia.

Ms BELFORD: I think one of the key things, of course—we see this when we look at it from a destination point of view—is that we are the whole of the east coast, but over there, there are three, maybe four, states that you are actually marketing to. So, you focus your marketing differently. The intrastate market for Western Australia is the responsibility of the regional tourism organisations. Their job is to encourage people in. So you have Tourism Australia into Australia; Tourism WA into WA; regional tourism organisations into the region. Broadly, that is what we are trying to achieve. So we are a different exercise from a tourism perspective, and we also have different—if you go back to the aviation, there is only a number of routes that have a likely tourism outcome in that we can put bigger bang for buck and get a tourism outcome on it.

Mr D.T. REDMAN: Do the RTOs have a destination marketing fund?

Ms BELFORD: Yes, they are funded through us and then —

Mr D.T. REDMAN: You say “funded”; as an organisation, do they have a destination marketing resource to be able to put —

Ms BELFORD: Yes.

Mr D.T. REDMAN: Do you know how significant that is? What is the number?

Mrs SCOTT: They all secure around \$700 000 from us annually in terms of our contribution to their —

Mr D.T. REDMAN: That is the five?

Mrs SCOTT: Yes; there are five of them—\$3.5 million essentially goes into funding the RTOs. There are different levels of additional investment that they secure either from local government or from the industry. In the case of Experience Perth, where they have a large industry body, they will get more income than say the Coral Coast with fewer industry players and fewer local governments to support them. Then a portion of that funding obviously goes to staff costs and running the business, but the remainder is all to be used for marketing.

Their fundamental job is destination marketing, and, largely, their priority is intrastate. They do support some interstate and some international marketing, but it is essentially about supporting us to bring the product to the table in a national sense, whereby wholesalers or travel agents who want to package up need to understand what products are available and have that sold to them directly in order to do that. They definitely do have a pot of money, but it is not extensive in their ability to reach the audience. Most of their focus is on digital marketing and the production of a holiday planner every year that is distributed.

[11.10 am]

Mr D.T. REDMAN: The other comment that we picked up particularly in Karratha and Broome was the principle of having international traffic that comes in through those ports, and not being able to pick up and drop off domestic traffic because of the federal rules. I understand why that is in place. We also have the upcoming Busselton–Margaret River Airport, and there is a resource in that—we will probably find out on Thursday what the full extent of that is—in attracting airline and carriers from interstate. What is your understanding of the interaction there and do have any advice on recommendations for interaction between interstate traffic, such as the Busselton–Margaret River Airport on domestic airfares and traffic and/or the international airfares or potential international airfares into those other ports on intrastate airfares.

Ms WERKMEISTER: Can I ask, are you querying in terms of the level of airfares or the level of involvement of government within those conversations? Which aspect would you like us to comment directly on specifically?

Mr D.T. REDMAN: From a tourism perspective, you are dealing with the interaction of all these. We have a brief to look at the intrastate airfares. There is an interaction there. If you are looking for, or have a view about, a recommendation we might make, for example, if putting a significant amount of resources into supporting another carrier from China into Western Australia brings an amount of traffic, there is, projecting into the future, another 100 000 people in Western Australia who want to see other things. That is an interaction that is important in this discussion, I would have thought.

Ms BELFORD: From our perspective, you are absolutely right. We would like to see more international capacity into Western Australia because it has a flow-on effect. The work we are doing with Qantas around the western hub and the fact that we have the Walkabout Passes into the future will be about encouraging them to stop over, stay in Perth and potentially move out into regional WA. So, definitely, that is a key priority focus for us. In terms of the other intrastate, as we have said before, we are very keen to get a low-cost carrier operating in Western Australia, because low-cost carriers, unlike smaller regional carriers, are about leisure tourism and they have a fare structure that enables them, and they put a lot of emphasis on this, to market to leisure.

Mr D.T. REDMAN: Realistically, what ports are likely to be able to have the scope to carry a low-cost carrier?

Ms BELFORD: So it is really Broome, Exmouth, out of Perth—opportunities would be the two key to begin with, because again you have got the tourism, the desire for the consumer to go to those two. They are iconic marquee destinations. We talk about low levels of awareness, but those two, Ningaloo, and Broome, out of Perth, do have that level of awareness. Margaret River is a drive, you know. When you go south, people are looking at even Albany at four and a half to five hours, people see it is still a drive market, but it is the going north where the opportunity lies from a tourism perspective.

Ms WERKMEISTER: I might just add, if that is okay, I think every route is kind of different in terms of what the complexities are. In person, I think it is really important to see international—I think

there is great scope for WA to be able to attract more international carriers, particularly from some of our priority markets. I think the benefits that you would see across the board, whether it be from tourism, international education or business, is something we can really take advantage of going forward. I think they would also have flow-on effects into the regions. I think it works hand in hand. I think any recommendations that the steering committee comes up with on regional, it should not be at the expense of international. It should be seeing how the two can work so well together.

If you can grow international markets, particularly some of our more mature markets or markets that are maturing, we are going to be having second gateways. So, you have got UK and Europe, but we have also got Asia right at our doorstep. If you make accessibility into our regions far more easy and you make sort of the short-break destination of WA from some of those places, something that is achievable. You do not have to do 10 days; you can actually look at us and say in five days, I can come to Perth, go to Broome, go to Exmouth, go to Albany, whichever. I think that actually has benefits for the state overall. In terms of individual ports across the state that have different aspirations whether they need to get interstate or international flights, the way that we work at this point in time is we meet—I have discussions with multiple airports on those kinds of aspects. What we try and look at is what is the market size, and that is an aviation term. That is, basically, saying: what is the prospect from a passenger, but what are the other prospects? Like, what could you see from a business point of view or export point of view, and have a look at that. We have been very clear with a number of regions on this aspect is if we see that there is potential to drive inbound tourism into the destination, and we also see that there is merit, there is actually a business case that an airline could look at and say, “There is some commercial sense there”, then we will support and we will work in partnership with those airports and those shires and cities in order to try and achieve those different aspects.

The difficulty is that it is a very competitive playing stage. We do not want to be supporting what is not going to be sustainable or what is always going to need a level of co-incentive or support or subsidy or those kinds of aspects. So, it is really important to be able to analyse and monitor what the actual ability is.

Mr D.T. REDMAN: That last point you make is a really interesting one because when you look across the state, you have your Kalgoorlie—we were in Kalgoorlie recently—who promote all the tourism opportunities that Kalgoorlie has to offer. It is very different tourism opportunity. Esperance, the south east part of the state, again it has got some very unique tourism opportunities, yet when they talk to us across the table and us individually, they say, “Everyone talks about Broome and Margaret River and what about us?” So you have got the challenge of spreading your love across all of regional Western Australia, and I guess the committee would have to have an eye on all those aspects of our intrastate airfares.

Are there any comments that you have about looking at directing the resources that you have to what you might see as a commercial basis, but may or may not be prepared to take some risk on a chicken-and-egg scenario where you need to have a bit of base tracking, a bit of destination marketing, a bit of effort in order to get something that might meet a commercial agenda?

Ms BELFORD: I have got some figures here. A very large proportion of the Western Australian tourism market is the drive market. So, when we talk about investing in the development of destination, we work with the local shires, the local tourism organisations and the local tour operators to get the destination working and the idea being that if you have got people driving through, encourage them to stay, stay longer, spend more. So, there is a chicken-and-egg situation going on, but you need to build up the destination and first low-hanging fruit is always the drive

market anyway, because they are driving around Western Australia. The latest figures say that, you know, compared to the eastern states, we get a far higher number of grey nomads, so over 55s, staying here for an extended length of time, driving, than some of the east coast states. So, that is how we would start to work at a destination level.

Then from an airline perspective, they need to see the commerciality of the route. That is why for a lot of the routes, it is about: What are the other factors? Is it a resource-driven route? None of them has a big enough population to be a resident-drive route, so generally for Western Australia it is resource and then can we add tourism into that?

The CHAIR: Can I just explore this cabotage concept a little more as a part of this, because I understand that the reason cabotage does not exist is because there are federal regulatory constraints there—and it has been suggested to us that there is actually a real opportunity there and a couple of the destinations that we have visited have said, “Look, if we could only have cabotage, our problems would be fixed”, but then you hear to the contrary that there is a little bit of resistance to that concept from domestic carriers. So, I just wondered—maybe I am putting it politely—what your thoughts were on that around this business case concept and whether that is actually a real thing.

Ms WERKMEISTER: Cabotage is a real thing and effectively it is in place to protect Australia’s carriers across the board from having international carriers come in and take away their business and —

The CHAIR: And compete.

[11.20 am]

Ms WERKMEISTER: — in terms of where it goes through. It is a conversation that we have had on multiple occasions with the federal government saying that particularly when you look at the north of Australia—when I say north of Australia, not just Western Australia, but the Northern Territory and the north of Queensland as well, and I think they are all quite in similar positions. You are looking at smaller population sizes. You are looking at very specific routes across that board, similar to us. There is a level of resource and mining sector which gives a bit of a skew of the industry, and we have put forward that we think the federal restrictions on cabotage, which means, just to clarify, that if an international carrier were to fly into any of those ports, they can do that. What they cannot do is pick up new passengers. They cannot take on new revenues to fill the plane when they go on to another port. That means you still have to spend all the money on taking off and those kinds of aspects, but you cannot get to increase your revenue. So, therefore it is not good commercial business case for an airline in order to do that.

We have put forward that that actually puts us at a disadvantage and that if we remove cabotage across northern Australia, there are a number of ports, we think, for which this would be advantageous. This is not met necessarily very kindly by the national carriers who feel that you would also see a large proportion of their business on those flights taken away. So, the federal government has to take a position where it tries to balance the needs of the people, the community and the states, and also balance the needs of the national carriers and make sure that those national carriers are able to continue to do business. Whilst I am supportive, I would love to see the ability for us to remove cabotage and see some of those flights come in. I am also very conscious that it is not an easy global aviation climate at this particular point in time. More than ever, we have seen a number of airlines across the globe actually put forward difficult financial situations so that balancing act is always a bit of an interesting one.

Mr D.T. REDMAN: You are operating uniquely in the tourism space, but there seems to be a strong relationship with the resource sector in Western Australia, particularly with some ports and/or the

economy. So, if you look at the intrastate tourism market and what has happened over the last number of years, recently it has sort of gone down a bit. How much of the changes in the tourism sector in regional Western Australia is a product of the downturn in the resource sector and the economy and things like the dollar—your Bali market, when the dollar is right, gets awful cheap—those interrelationships, is that something that you put your mind to in terms of your tourism destinations and this interaction with the resource sector?

Ms WERKMEISTER: Absolutely.

Ms BELFORD: Yes. The international market has continued to grow on a regular basis. So, you know, even with the fluctuations in the dollar —

Mr D.T. REDMAN: Coming into WA?

Ms BELFORD: Yes, coming into WA. That has just continued to grow. The Western Australian intrastate market is as much—you have your outbounds, so you have your Bali trips. When you have so many opportunities to go to Bali, that was where people started to go. But you also have the downturn in the mining and the economic problems with individuals so they are taking fewer trips. If people take fewer trips, they might take one big trip rather than multiple small trips. The dynamics of the intrastate tourism market has been affected by the downturn.

Mr S.J. PRICE: If international tourists are still on the increase, where are they going?

Ms BELFORD: Obviously, at the moment they are coming in through Perth as the gateway. Then it depends on your marketplace. We are seeing a start to the Chinese market in small numbers. They are starting to move out. You have seen the Singaporean market.

Mr S.J. PRICE: But are they going south, not north?

Ms BELFORD: It depends. Your Asian market probably goes more south. Up to Cervantes and into that area the Asian market is moving. Into the far north you really are talking about the European market because that is the adventure—and the US market.

Mr S.J. PRICE: So predominantly it is within a travelable distance?

Ms WERKMEISTER: I think it depends on the market. Again, it looks at that maturity. When you look at markets where you see a high level of maturity, as in they have been coming through to Australia or they tend to be travelling on a regular basis—we are looking more at your UK, your Europe, your USA, your New Zealand, typically your Western markets that have a history of more travel. You also see that they are a bit more adventurous in terms of being able to move out, go by themselves and get their own hire car. With the Asian markets, it is very different depending on which one you go to in terms of how much they like to travel beyond the cityscape. A new emerging market typically goes to a city and stays in the city. Over time, they start to spread out. Over time, that spreading out goes further. We are seeing a really interesting point of change in a couple of our markets—China, which is where everyone's focus is, is in a really interesting point of change at this point. Where we sit in at that point, working with regional tourism officers and Tourism Australia, is how to start spreading them even further so that they move away from that three to four-hour distance from the city and how do you start getting them further up? I would say that China is really interesting. Geraldton and Esperance have done some really fantastic work working with different online tourism agents to get some really exciting itineraries—having a look at the Pink Lake and those kind of aspects. You are seeing that kind of thing happen at this point already.

If I could go back to what you said before in terms of the impact of the mining and resource sector. I think it is a very exciting time for WA. I have heard many politicians speak over the last few years and different points in the industry. The diversification of Perth and WA is something that we are

seeing as a result of the change in the economy and the change of moving from a construction to a production point in time in a mining resource. It means that we are seeing a lot of our regions look much more to tourism to see what possibilities there are. In the past, if you go back to 2012, which was the height of the boom, what we were seeing was not necessarily a lot of availability in rooms, similar to Perth where there was not availability of hotel rooms. There was not necessarily a lot of accommodation or ability to take in more in some of our regions. That has changed. It has also changed for the flights. You have a new aviation term called dynamic scheduling that all the airlines are using. They have never done that previously. That is them having to change and accommodate the shifts in the market and the fact that they are not getting the same kind of passenger flows as before. I think we are seeing quite a new playing field. We are seeing a lot of interest from a lot of different people, which is fantastic. It is probably about how we harness that all together and how we make sure that the airlines are very much with us on that playing field and partners like the resource companies as well. I really think what Chevron did on the Onslow route, working with us and working with Virgin Australia, really shows you the advantages when you get very high-level decision-makers all coming together to put into place things that make a real difference.

Mr D.T. REDMAN: Derryn, your last comments talked about the impact of the economy. The impression I had from your comments was that a person's private spend—that is, less job security or whatever it might have been—influences their decisions, as distinct from what we heard on the ground, which was that airfares seem to be lower when things were running a bit hotter in the resource sector a few years ago compared to now. The reason I ask that question is to sense whether that is playing out in your assessment of the interaction with the resource sector.

Ms BELFORD: I think the interesting thing is that with the airlines, when the market started to soften, they changed their capacity. They brought in small planes and reduced frequency. It is a bit of the chicken and the egg that you have mentioned. When you do that and there are fewer seats available with dynamic pricing, if they are already almost pretty much full with the resources sector, the number of seats left reduces and also the change in nature of the consumer. There is the fact that people want to be able to say, "I want to go away next weekend. I want to do it now." They try to book but the dynamic pricing does not really suit that because the earlier out you book, the cheaper the flights. Again, we come back to this complexity. There is so much impact from so many different elements that make it happen. The prices might well have gone up because of reduction in capacity but it does not change the nature of travel decisions. They are also comparing other places. If it is really cheap to get on a flight to Bali and you look at Bali versus Broome, even if that price had not been any different now to then, the perception may well be that it is cheaper.

The CHAIR: I am just a little conscious that we have a couple of minutes left and then we are scheduled to wrap up. Your submission was very interesting and made a number of suggestions. I want to explore one very briefly. If it is too complex, by all means, feel free to provide additional information to us. You talked about opportunities for WA or small carriers to partner the largest conglomerates and you talked about barriers, costs or logistics that may prevent this—to consider those sorts of aspects. Do you have a sense for what those barriers, those logistical difficulties might be, that are preventing those sorts of partnership opportunities?

Ms BELFORD: I think I will let the aviation expert speak to that.

[11.30 am]

Ms WERKMEISTER: I think that suggestion put forward was a bit of a blue sky. If we could get anything we want, it would be that; it would be fantastic. Aviation and airline alliances and partnerships are a very intricate and strategic part of the process. If you have a look at what Virgin Australia has done and what Qantas has done or go further afield and look at the One World

alliances and all those things, they are very strategic and there are often costs involved in terms of how you set them up. Even if you go down to smaller style partnerships, if you just have an inter-line arrangement where you can basically make sure that you can book through tickets and have baggage, each one of those aspects even has different complexities. You need to consider what other strategic partnerships an airline might have and what level of interest. A larger airline would need to see what would be in it for them. Where is their commercial interest to enter into that kind of aspect? From a logistical point of view, are you remotely in the same terminals so that, if you wanted to be able to change things over, can you actually do that? Being able to book or being able to move your baggage and those things need to be lined up so that they can work together. There are a number of complexities moving just away from the commercial aspect of whether it would be considered of benefit to, particularly larger, but for the smaller airlines as well. At the same time, if one day in the future we could have it, I think it would be great.

Ms BELFORD: I guess it comes back to the whole conversation we started from, which is that we need to look at each route, the dynamics of each route and work out the possible solution on each route. It will sometimes have a tourism element and sometimes not. Sometimes it is driven by the resources and sometimes it is more about keeping the residents connected. Each of those will have a different impact and there will be different solutions out of it.

Ms WERKMEISTER: The largest beneficiary of that is the two groups—the Qantas group and the Virgin group. Both have full service and their low-cost carrier legs as well. Those entities have huge customer bases that they can access when they put out their sale fares and everything and getting that above the line awareness instead of having your Friday mailbox turning up with, “This destination is on sale just here.” That gives you a level of awareness and accessibility, which I think is fantastic and something that you can then play on top of. It is available at that very high end. It does not suit all our routes in WA to be operated by larger airlines, whether it be for a fleet component, whether it be for a logistical part of what the airport can handle, whether it be just from the passenger size does not actually suit larger ones. Again, it is looking at them individually to see what is suitable and how to partner with different ones to make things that make a difference.

The CHAIR: Thank you very much; that was great. 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 within this period, it will be deemed to be correct. New material cannot be added by 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. Thank you.

Hearing concluded at 11.33 am
