

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO REGIONAL AIRFARES IN WESTERN AUSTRALIA



**TRANSCRIPT OF EVIDENCE
TAKEN AT KALGOORLIE
THURSDAY, 31 AUGUST 2017**

SESSION THREE

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 10.58 am

Mr SHAYNE PATRICK FLANAGAN

Chief Executive Officer, Goldfields–Esperance Development Commission, 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 Chair of the Economics and Industry Standing Committee. I would like to introduce the other members of the committee to my left: deputy chair, Sean L'Estrange, the member for Churchlands; Terry Redman, the member for Warren–Blackwood; Yaz Mubarakai, our colleague and the member for Jandakot, will join us shortly; and Stephen Price, the 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 that you might say outside of today's proceedings.

Thank you. Before we begin with our questions, do you have any questions about your attendance here today?

Mr FLANAGAN: No.

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

Mr FLANAGAN: Not particularly. The first statement I would like to make is that the Kalgoorlie air route is fundamentally different from those other unregulated air routes that are under consideration as part of this review, so primarily due to distance, elasticity of demand—there are alternate options in relation to access by road and rail, which probably is not the same as Broome, Port Hedland, Newman and Karratha. That is a fundamental difference in terms of accessibility and the implications in relation to regional development and also the way in which the airlines have the ability to price, because they actually have a maximum price point and then see the demand drop off and go to alternate and viable options for access, specifically to Perth. The other comment I would make relates to regulation. Probably the most important point I want to make as part of my evidence is the lack of regulatory oversight that has taken place over the last five to six years by the Department of Transport. That is a very, very fundamental thing. Just to give you a bit of my background, it was actually aviation policy with the Department of Transport or the then Department for Planning and Infrastructure back after the collapse of Ansett. I was involved with the economic analysis in relation to air services throughout Western Australia and then putting together the intrastate air services policy that then saw decisions around what would be regulated and not regulated.

Mr S.J. PRICE: What years were they?

Mr FLANAGAN: That was in 2002–03 as an interim policy stopgap to ensure that air services did continue throughout the state. That involved discussions with Qantas primarily and with Skywest. The further analysis and policy related to the regulated or unregulated routes, and then how the regulated routes would be put out to market and how the networks would be configured to ensure that they would actually continue to be viable, and then to establish a constructive regulatory regime that was acceptable to the National Competition Council.

The CHAIR: This is very interesting. Are you of the opinion that there is a sufficient legislative framework in place and that it just is not being applied correctly or do you think there needs to be legislative change to the framework?

Mr FLANAGAN: No, I do not believe that there needs to be legislative change. I think that under the Transport Co-ordination Act the government has sufficient mechanisms available to it through the way in which it actually licenses air services or air service routes, and it has the ability to apply conditions under those licences which would allow, say, the government or the Department of Transport to secure information in relation to those air services.

From my perspective, there has been a lack of scrutiny and the gathering of empirical data related to airfares, so that there is a trend over time that is related to each of the air services, understanding the characteristics around the markets that actually come to play and the market dynamics that come to play in relation to what has essentially become a duopoly—it is not really open competition per se—and then how that translates into the normal characteristics that apply in a duopoly with, say, parallel scheduling and how pricing works in terms of that market.

The CHAIR: On both regulated and unregulated routes?

Mr FLANAGAN: No, unregulated. The focus primarily—this is my interpretation—has been on the regulated routes. There has been a lot of scrutiny applied. They put those out to tender. Those tenders have not been terribly successful because generally there has only been one bidder. When it was last put out to market it was essentially Rex, Virgin and Qantas. Qantas were not interested. Virgin pulled out. I think Rex were the only bidder. I do not want to mislead the committee but that is my understanding of the situation.

The CHAIR: But interestingly they are the areas where we are getting very little push back from the community. People seem to be pretty happy with how things are operating there. So even though I accept your view that the tender process has its limitations, people seem to be pretty happy with the outcome.

Mr FLANAGAN: The tender process provides the facility for government to be reasonably prescriptive. There is oversight of on-time performance, the scheduling and then airfares, and it is an average fare over the schedule. They have pretty good information about how that trends over time, and they have the consultative committees as well, so there is a pretty good forum to bring together the development commissions, local government, generally the airport owner, the CCIs and tourism to have a roundtable conversation with DoT at the table as the convener, to say that we have got these issues. I have actually participated in those, where you could bring things to the table and say that we have issues in relation to whether you are releasing cheap fares into the market, when you are doing that. Are there things that constructively we can work together to actually allow better scheduling? Or there are issues around on-time performance and what is happening in that space and/or community fares, which has come into play in Esperance and Albany. But you can actually have a constructive discussion. There is actually more collaboration between the parties, but you always have the deed that is in place that they have to comply with sitting there. Historically, the Department of Transport tried to put out to tender, with those regulated routes, limited competition. There was a flawed premise because regulated competition is exceptionally difficult and it does not work within the market dynamics of the aviation industry.

The CHAIR: Why?

Mr FLANAGAN: Because you are regulating what the airlines, as private businesses, are going to have to do in terms of either their scheduling, fleet utilisation and/or how they actually do their yield management, and that is a black art.

The CHAIR: So is your view, then, that there is sufficient competitive tension or that the tendering process itself is the market dynamic that delivers the benefit to the community, as opposed to some form of ongoing regulated competition on a route, and that at a point in time there is a sufficient market function, as opposed to over time if there was some sort of regulated competition?

Mr FLANAGAN: I do not know if I have interpreted it correctly, but what I am saying is—this is when we did the analysis—that essentially there are three tiers of intervention. There is one where the government goes, “Well, you know what. The air service is absolutely necessary to be maintained. The economics don’t stack up. We have got to put our hand in our pocket and provide a subsidy.” Regulation—we say, “Okay, essentially generally it is a monopoly” because you cannot have two airlines cannibalising each other, cherry picking or doing whatever. So put it out into the market, have a single operator that is going in there and everything is tickety-boo, and you have the regulatory mechanisms to actually manage that so that there is no distortion in the market in terms of what they put into pricing and schedules. And then you have competition. The trouble with, say, Western Australia or generally Australia is that because you have so many long, thin routes and really, really limited demand, you only generally end up with either one, two—possibly three—players in the market. Generally in WA and the Northern Territory I think it is Qantas and Virgin, so you end up with a duopoly.

The CHAIR: So do you think on these unregulated routes there is market failure?

Mr FLANAGAN: I would not characterise it as market failure. I would say that there has probably been a lack of consultation or engagement with the airlines in a way that allows a constructive discussion, if you can put it that way. If you have a conversation with the airlines, they would say, “You know what. We are doing it tough everywhere and certainly don’t want government regulation—barleys; don’t want to go near that—and we certainly don’t want regulated competition, because government doesn’t do regulated competition well.”

But I think that what would be helpful is if the Department of Transport actually utilised the mechanisms available to it to at least secure the empirical data related to fares, scheduling and on-time performance. Put it this way—as a development commission, when we were looking at their services, we actually went to the Department of Transport and asked if we could get access to the data so that we could do some rudimentary analysis in terms of where fares are trending, where there are peaks, troughs, whatever it might be, so we have got an understanding. Because anecdotally—all that is available to us is anecdotal information: we go out and talk to the CCI, the city or whatever it might be and generally people around the traps. All we get is, “We used to be able to get a \$150 fare over the weekend back in the day, but now you are battling to get a \$400 one-way fare on a weekend.” But it is all anecdotal, and you have no real capacity to go to the airlines and say, “We have got a whole bunch of anecdotal information but here is the empirical data”, and let us have a more sophisticated discussion about how we look to influence some of those high-price fares, especially in respect of, say, Kalgoorlie, where you might have contracted block allocations for either FIFO or service companies coming in—your corporate sector doing whatever—and then you have the balance, which is generally business and the community being subject to the yield management, achieve a rate of return, how that is worked, and generally with algorithms that are applied across the business.

[11.10 am]

Mr D.T. REDMAN: Your comment about there not being market failure would seem inconsistent with the fact that you said there may be a duopoly in play. Can you just clarify —

Mr FLANAGAN: I would say that market failure is the fact that you actually do not have an air service —

Mr D.T. REDMAN: So it is a crash point?

Mr FLANAGAN: Yes.

Mr D.T. REDMAN: Albeit an expensive one, it is still a market?

Mr FLANAGAN: Yes, and that is probably the point I was going to make a bit later on: it is what you consider expensive in terms of access to an air service. From my point of view, I am not keen on regulation on competitive routes. What I would rather see is a more sophisticated and collaborative discussion between, say, the state government, the local government as the airport owner, and the airlines, to talk about ways in which you could investigate either capped fares or underwritten fares, bearing in mind that, say, the airport owner is making a few dollars out of the airport and probably could go some way to provide concessions in relation to head tax or landing fees or whatever it might be.

Mr D.T. REDMAN: You talked about the point in time where you go to market and test the market on a regulated route. From our experience with Albany and Esperance, that is seemingly providing to the community an acceptable service. Do you think that in the Department of Transport's processes—some submissions have suggested just doing an Albany pitch—maybe there should be Albany and Esperance and Carnarvon, so all those that suit a particular plane type, should be collectively put into a bid. Have you got any views about whether opening up the scope or the number of ports that would be in a regulated package would be of benefit versus just doing Albany and Esperance and just doing Carnarvon and Monkey Mia or whatever?

Mr FLANAGAN: It is interesting, because back when I was involved in doing the aviation policy the then Minister for Transport or the Department for Planning and Infrastructure basically asked us to do that analysis —

The CHAIR: Was that Minister MacTiernan?

Mr FLANAGAN: Yes, it was—because she wanted to investigate whether or not you should break the networks up and have point-to-point sectors and you just put those out or whether or not you should have a network approach. Our preference was a network approach. We did some rudimentary economic analysis in terms of just how you might get the suite. This is how airlines seem to work in terms of cross-subsidy and economies of scale, so spreading fixed costs over more routes, better aircraft utilisation. A prime example is Rex. They have got three planes operating two routes, which is fairly questionable in terms of a sustainability point of view but interesting. A network solution is probably far better, just economically. That was our analysis anyway.

The CHAIR: How interesting.

Mr S.J. PRICE: You mentioned earlier about the duopoly. I am just trying to think when we did not have that situation. It might have been more recently when Skywest was still flying. Has there been a time where there has not been just the airlines?

Mr FLANAGAN: I am not sure, to be honest with you. Historically, it has always been kind of Australian Airlines—back in the day, TAA—Ansett and then later Qantas. Qantas came in when they could do domestic. Then Australian disappeared; and then Ansett disappeared and were replaced essentially by Skywest to some extent, but not on all routes. They did not actually replace all the services provided by Ansett. I honestly do not know—whether it is a failure of memory. I guess the key point I am trying to make is that I would guard against pushing for regulation of the unregulated route. I would say that that is not the first step. I think the first step should be DoT probably doing what it needs to do in terms of the licence conditions; set up a regime where you have far more sophisticated engagement with the airlines in relation to what has actually come into play on each

of the routes—you can do that by having access to the empirical data—and involve the communities in a far better way, so involve the cities, the local government, the chambers and tourism.

The other point I would probably want to make is with tourism. Airlines historically do not create markets; they respond to markets, if you know what I mean. They actually service a destination. In relation to the tourism market here, it is essentially a drive market, so interstate, grey nomads, people driving, blah blah blah. You might get some people from Perth—generally they drive. What you are not seeing is any sort of sophisticated product development that you can actually wholesale into markets elsewhere internationally. I doubt whether you are going to see that.

Back in around 2008 the Tourism Commission made a decision to pull people out of the regions and focus specifically on Broome, Coral Bay and Margaret River. There was an expectation that the commissions would actually pick up the pieces in relation to our tourism development. I think that was fundamentally flawed, because generally the commissions did not have inherently the subject matter expertise to get into that space. I had a conversation with Kate Lamont and Stephanie Buckland when they did that and said, “If you are going to do that, you need to capacity build the local tourism organisations” because they did not have any sort of coordinated or sophisticated approach on how to do that. Essentially what you had was like Australia’s Golden Outback, which was marketing. So they were going out and doing some marketing. But there is no point in marketing stuff if you do not have a proper product that is going to grab the international tourists. What you see—this is my observation—is just ad hoc stuff. So you might have a bunch of people from China coming in, chartering a plane, going down to Esperance to see the Pink Lake or into Hopetoun to look at the Fitzgerald River National Park or something like that, but to expect the airlines to do that is I think quite silly. It has to be driven by the tourism industry. It has to be driven by possibly the commissions in terms of the diversification of the economic base of the region, which we are doing at the moment through a growth plan or a bunch of other things.

The CHAIR: I will defer to Terry. You may well be about to ask what I have been thinking, so go ahead.

[11.20 am]

Mr D.T. REDMAN: The suggestion from Karratha and even the City of Kalgoorlie–Boulder was that one of the things that was driving them was the yield management issue that plays out in higher prices for the local market—the resource sector that block books. We will be quizzing the resource sector about that. They block book a bunch of seats on a flight at an obviously competitive rate, which means to make their yields they want to get, they have to price the other stuff either central or higher in order to achieve their global outcome. That may be the case. We have not really confirmed it formally as a committee. Let us say that is the case or it is something like that that is driving some of the local prices.

From a regional development perspective, if government intervenes to the point where you try and balance that up, which means you are going to have some mechanism for raising the resource-sector pricing, that may or may not have a flow-on impact on the larger businesses in town—mines and whatever else or, as was suggested earlier on, the exploration sector, which runs on a tighter margin than the actual mining sector. But there is another group we are trying to get benefit to and that is the locals and perhaps the small business community. From a regional development perspective, is that something that the committee should have an eye for in terms of recommendations to government to change to rebalance it or you simply have, as you are probably suggesting, a transparency–collaborative discussion, which might be a better way to land a solution?

Mr FLANAGAN: You have to be careful about making assumptions about things you do not have full transparency on, and that is why I would be really reluctant to make a statement in relation to

whether or not airlines are basically discounting block seats and then making up the difference with a balance. I do not know that that is the case. Probably our experience, going back many years, was that it was actually quite the opposite. Effectively the block demand was underwriting the viability of the services and then the balance was that the seats were being sold and they were filling up the plane. I have been out of that game for 10 years so I actually do not know whether that is still the case. I would advocate that there would need to be far more detailed analysis in relation to if that is the case and then understanding what interventions you might put in place to be able to deal with that. But again, I would not be jumping straight to a regulatory answer to that. I would be looking at understanding the issue and then having a conversation with the airlines about that.

Mr D.T. REDMAN: It is an interesting dynamic. In the Esperance one, which you are very familiar with, they have been able to offer—they even talked to the local governments—a short-term community fare, but you risk not getting a seat. Everywhere where there has been the resource sector as a major player—Kalgoorlie, Karratha and to a lesser extent Broome—prices just seem to rise up until the day you fly and yet the experience is that there are empty seats on a plane and quite a lot of them when people fly out. This is the dark art thing you talked about!

Mr FLANAGAN: Everybody says it: surely by filling up empty seats you are going to get some money out of that. You talk to the airlines and they say, “Yes, but what is the point at which you actually release that seat into the market, because—you know what—you would have everybody hanging off, hanging off, and hanging off until blah blah.”

The CHAIR: But in an area like this where essentially a lot of those flights are underwritten by the resource industry, it seems to me that there is a disproportionate burden that is being borne by local communities. We are seeing that there is a very small number of people, particularly on a route like into Kalgoorlie, that are community users of these fares. Significant parts of these flights are being underwritten by the resource industry. The locals are the ones who are suffering.

Mr FLANAGAN: The thing is, again from my point of view, these are private businesses you are talking about, so be really careful about going, “Well, okay, as a government, we want to get a public policy outcome but we want you manage your business to be able to do it.”

The CHAIR: But there is a social licence to operate, and it seems to me that these airlines are not necessarily doing themselves many favours by essentially gouging local communities.

Mr S.K. L’ESTRANGE: Do we have the data to support that? Do you know of any data to support that?

Mr FLANAGAN: No. But if they are gouging local communities, surely that would have been referred to the ACCC, and they would actually have been looking at that as an issue.

The CHAIR: There has been a lot of evidence from people where the word “gouging” has been mentioned quite some times, and we have held public forums in a number of the towns that we have visited where the community certainly feel that they are being gouged.

Mr FLANAGAN: Yes, but again, I think that is where you come back to a situation where you have got anecdotal information. You have got people responding emotively to circumstances where they have not been able to get a flight. And I come back to the fact that there is an absolute lack of empirical data.

The CHAIR: We have had people sobbing. We have heard some really sad stories about people who have been so adversely impacted, and it would seem not much engagement on the unregulated routes from the airlines to try to address the community’s concerns. We heard that throughout the election, which is why the Premier made the commitment he did to establish this, and all of us have

received representations. This inquiry has had a record number of submissions to it because this is such a deeply felt issue in regional Western Australia.

Mr S.K. L'ESTRANGE: I would just like to know how deeply felt do you think it is?

Mr FLANAGAN: I can only speak for Kalgoorlie, which is fundamentally different. That is the point I was making at the outset. With Kalgoorlie I do not think it is as deeply felt as, say, Broome or Karratha, because essentially those guys have got to travel 2 500 kilometres to get to Perth.

Mr D.T. REDMAN: They have not got any choices.

Mr FLANAGAN: Yes, it is a fundamentally different thing.

Mr D.T. REDMAN: They do not have a railway line.

Mr FLANAGAN: Yes—a railway line or jump in a car and be in Perth in six hours. Historically that is what people used to do. So the accessibility issue is different. When you talk to people about the issue, you have businesses that say, “Well, okay, you know what, it’s suits us to be able to throw someone on a plane, do their meeting, do their stuff and get back and not pay accommodation. And we need to do that at a reasonable price.” My experience is that you can generally do that during the week. You cannot do it if it involves the latter part of the week extending into the weekend. When you talk to the community, again if you book far enough in advance and you want to travel during the week, you can generally get a flight for \$300 to \$400 return. If you try getting to the weekend, when people want to travel to Perth—they want to go to the footy, do some shopping or do whatever over the weekend—they are going to get hit with anything from \$500 to \$800. It is their decision then as to whether or not they want to jump in a car, jump on a train or jump on a plane.

The CHAIR: Or you have just lost a loved one and you need to get down, or you have got a family member—it is not always discretionary.

Mr FLANAGAN: But you can jump in a car. You can drive for six hours and get there. Take my circumstance. I live in Esperance. If I had a loved one that passed away or had someone that was ill or whatever it was, if the flight was not possible, I would jump in the car at five o’clock in the morning and get to Perth at 12 o’clock, so I have that option available to me, whereas in Broome you do not. That is it. People might say it is not good and they do not like paying a lot, but in terms of a community development or social issue, I do not think it is as acute as the north west. If you want to jump on a plane for health reasons or whatever, you have got PATS, and socially disadvantaged people have other mechanisms, I imagine, to do that.

The CHAIR: There is a limited ability. So do you think there is far more scope for some sort of community-based fare or some sort of compassionate-type fare in northern Australia as opposed to down here? Is there a stronger case in those more remote areas?

Mr FLANAGAN: I think that there is probably a different conversation to be had with the airlines and the role the government can play in relation to providing accessibility. In Kalgoorlie, I think that there is probably a role with the local airport owner and the community to have the discussion around either a capped fare or some other more accessible fare, but again, I think that in the consideration from a government policy point of view they are different things.

Mr S.K. L'ESTRANGE: That has certainly been my experience. We have done Kununurra, Broome, Karratha, Albany, Esperance and Kalgoorlie. My take on this is that they are very uniquely different and some are providing better opportunities for air travel than others, like Esperance with its Rex fares. The arrangement between the shire and the airline has been very solid to provide those \$129 fares. I think there are different experiences in different areas and different degrees of remoteness,

as you have highlighted, based on whether it is accessible by vehicle. You said you could jump in a car and get to Perth if you had to. There is a point at which it becomes difficult. I think if you are stuck in Kununurra during the wet season, it is exceedingly difficult.

Mr FLANAGAN: Absolutely.

Mr S.K. L'ESTRANGE: The remoteness is much greater.

[11.30 am]

Mr D.T. REDMAN: Shayne, you are a bit unique in the sense that you were involved in some government policy work back in the early 2000s. When you looked at that, was there much empirical information available then? The suggestion is that we just do not see it now, and the Department of Transport has the legislative capacity to do it.

Mr FLANAGAN: No, there was not. What happened was essentially there was blue sky from probably around the early 90s. There was a lack of scrutiny completely. Ansett went boom, and that is when everyone went “holy heck”. Blind Freddy could see what was going to happen. But there was a complete lack of regulatory oversight or—this is my assessment of it—any real oversight in relation to the aviation industry. Really what the aviation industry was looking at was some subsidised services, putting some small services into either the Gascoyne or the south west, and airport infrastructure, so through the RAD scheme and stuff like that, and attracting international airlines, like Emirates, into WA. So that is where the focus was. There had to be some work done in very short order to do the economic analysis to understand the characteristics of each of the routes; what sort of benchmarks or what sort of mechanisms you would put in place in terms of regulation and what the thresholds would be in terms of how do you determine what is a regulated route as opposed to an unregulated route and then the regulatory mechanisms that you actually put in place going forward.

The CHAIR: So the analysis that you undertook, particularly when you were having a look at routes and packaging up different parts of the market and the alternative—were there reports produced on that and were they made publicly available or were they just provided to the government of the day?

Mr FLANAGAN: I am not sure about whether they were made publicly available, but there were reports done and there was obviously a submission put forward to government. So back in the day they used to have what they called the Aviation Ministerial Council. That was chaired by the Premier, so at the time it was Geoff Gallop, and it had all the senior ministers of government sitting around the table, and then they would make decisions in relation to the aviation sector.

The CHAIR: And to your knowledge, that has not happened since those days?

Mr FLANAGAN: I think it has been disbanded. I am not sure.

The CHAIR: Did you think it was an effective way of setting aviation policy in Western Australia?

Mr D.T. REDMAN: As I understand it, the ministerial council is all states, so that is not a Western Australian focus but a national focus.

Mr FLANAGAN: No. The Aviation Ministerial Council was essentially a state government collective of key —

Mr D.T. REDMAN: Just the Western Australian —

Mr FLANAGAN: Yes.

The CHAIR: WA ministers with a stake in the portfolio.

Mr FLANAGAN: So you would have the Premier, the Minister for Tourism, Minister for State Development, Planning and Infrastructure, and Transport.

Mr S.J. PRICE: You mentioned that the Department of Transport already has the legislative ability to seek empirical data. One of the things that gets raised quite often, or has been raised with us, is in regards to transparency about pricing of the flights. In the data you mentioned that should be collected in regards to fares, scheduling and performance, it does not really go to giving more of an insight into the actual cost of the fares. Is there anything that you can recall that might sort of enable us to, I suppose, obtain more information regarding how they do their pricing?

Mr FLANAGAN: My experience is that the airlines are extremely reluctant to actually share that with anybody. They would say that unless you have a very prescriptive deed in place and on a regulated route, they are probably not interested in providing you with that information. It is really difficult because I do not know whether the people within Transport are sufficiently experienced in the aviation industry to actually interpret that information and/or ask the right questions to get the right information. In terms of the regulated route, simply because it would be exceptionally difficult to understand what seats they are putting in the market, when they are putting in the market and how they are doing that over time, we essentially said, "Well, okay, just give us an average fare." So then across each flight you could actually understand and see whether that fare was trending upwards or downwards or staying the same, which would be a function of an average across the full price down to your discount seat. I do not know whether or not that is achievable in the way that the airlines manage the release of seats into the market, but you could at least have a conversation with the airlines. Get a starting point as to what type of information you want to gather so that it is useful to then actually start forming some views and then putting policy to government.

The CHAIR: It is just so interesting that you raise that, because the first hearing we had was with the Department of Transport, and it was certainly a line of questioning I took with them on what information do they gather, because the recommendations in their submission to us were that, "We gather the information. We do the data analysis." I put to them: "You have a \$77 million a year budget and the capability and the personnel to be doing this and the powers under the relevant legislative regime to gather this stuff. Why aren't you doing it?"

Mr FLANAGAN: Absolutely.

The CHAIR: I suppose it is sort of sunlight being the best disinfectant—more transparency. That is the start, I guess. On the regulated routes there is information provided; there is a degree of transparency. And that would appear to place downward pressure on prices. Obviously you do not want to go meddling and intervening in markets unless you absolutely have to, and so there are all sorts of forms of different intervention that government might employ. So information gathering and information analysis is perhaps one of those on a spectrum of interventions that government might take. It could be one of those first steps.

Mr FLANAGAN: Absolutely. From my point of view, when the state government says, "We take a light touch to regulation on the unregulated routes", it does not mean that you do not monitor and scrutinise to then have full transparency in relation to whether or not your regulatory regime is actually working effectively or not. The other thing is that having a parliamentary committee commissioning a study is a slice of time, and that is not what you need. What you need is data over time, so you can actually understand and establish trends. That is what the DoT need to do, and they can do it relatively easily I think, insofar as the aviation companies gather that information anyway. They will tell you that they probably do not all that it is really difficult to extract the data, but they could do it, and you could gather that data in a relatively easy way in a database that you can then use to conduct the analysis. It is not a complex or sophisticated thing to do.

The CHAIR: It is interesting that you mentioned a parliamentary committee being a slice in time, which may prompt responses from airlines at a point in time.

Mr FLANAGAN: That is it.

The CHAIR: Any responses are welcome, but at the end of the day we are talking about the long-term viability of regional communities and the real importance that air services have in that context. To the degree that this committee is performing its work, what we would like to see is long-term, sustainable provision of air services to support regional Western Australia.

[11.40 am]

Mr FLANAGAN: Sustainable and affordable, then they are accessible.

The CHAIR: Yes.

Mr FLANAGAN: I have been involved in the infrastructure business, because I used to be CEO of a port as well, where government generally looks to the private sector to deliver public policy outcomes, and that sometimes does not match with the commercial dynamics in terms of being able to achieve a commercial return and dividends back to your shareholders. In my personal judgement, there is probably a lack of sophisticated thought around how you would do that across—whether it is intervention or dealing with airlines providing an essential service into an airport or whether it is the delivery of infrastructure that would actually facilitate economic development. It is a really complex and really difficult space to be in, and with the state government it probably requires a higher degree of sophisticated thought about the mechanisms it could use to be able to deliver those things. It is playing out in the power sector at the moment.

The CHAIR: Don't we know it! Anything else from any member?

Thank you very much, Mr Flanagan. That was really, really interesting. I will proceed to close today's hearing and thank you for your evidence before the committee today. A transcript of this hearing will be emailed to you for correction 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 via 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 11.41 am
