

# **ECONOMICS AND INDUSTRY STANDING COMMITTEE**

## **INQUIRY INTO REGIONAL AIRFARES IN WESTERN AUSTRALIA**



**TRANSCRIPT OF EVIDENCE  
TAKEN AT KARRATHA  
WEDNESDAY, 23 AUGUST 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**

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**Hearing commenced at 11.43 am**

**Mr JOHN THOMAS LALLY**

**CEO, Karratha and Districts Chamber of Commerce and Industry, examined:**

**Mrs CASSIE PERRY**

**Board Member, Karratha and Districts Chamber of Commerce and Industry, examined:**

**Mr VAUGHAN CORPS**

**Vice-President, Karratha and Districts Chamber of Commerce and Industry, 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 to my left: Yaz Mubarakai, the member for Jandakot; Terry Redman, the member for Warren–Blackwood; deputy chair Sean L'Estrange, the member for Churchlands; 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 you might say outside of today's proceedings.

Thank you very much for your submission to the inquiry that we have just received. I have had a quick look through it. I appreciate that a lot of effort goes into preparing them, so thank you very much.

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

**Mr LALLY:** No, I am fine.

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

**Mr LALLY:** Yes. Basically, we have spoken to our members. We are not experts in airfares. Cassie knows a lot more about it than us because she owns the local travel agency. Basically, we spoke to our members and tried to get a feel for how it was impacting them. We have put those comments in as an attachment. Secondly, our businesses travel a lot and we have put some thoughts together of what our members thought was causing some of the issues. That is part of the submission.

**The CHAIR:** Fantastic. Given that we have not had an opportunity to review your submission, as such, could you perhaps start by giving us a bit of an overview of the chamber—what sorts of businesses and a rough idea of the proportion of businesses in, say, retail, services and then a bit of a flavour of the content of your submission? That will help shape our questions.

**Mr LALLY:** We have around 450—I will just round up and down a bit—members of the chamber. There appear to be around 1 000 businesses in Karratha, but a lot of them are home based. Our membership ranges from major resource companies right down to home-based businesses, basically. It is an across-the-board range. I have not got with me the exact percentages of retail. We do not have many retail members of the chamber; we have a few. But looking at it, probably only 20 to 25 per cent of the retail businesses are members of the chamber. The rest tend to be contractors, people to do with the resource industry, the butcher, the baker, the candlestick maker that services the town! That is where our main membership is made up of.

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When there is major construction in the town, companies will come into town and, if they have major contracts, they will join the chamber to facilitate our networks. When the contracts are finished, they often move on. Basically, small to medium enterprise is our main focus. The resource companies are engaged as members mainly in sponsorships and things like that.

**The CHAIR:** I am very interested to hear, given that you have a lot of small businesses as members of your organisation, could you give us a bit of a sense of how high regional airfares are impacting the local business community up here?

**Mr LALLY:** We have put in the attachments there that a lot of things are to do with the business itself. If they need specialist people up, they cannot get people up. If you come up at short term, the airfares can be \$700 or \$800. That is not a norm, but it often happens if you have to get people up on a particular date. The other thing that happens, as Cassie mentioned, is that if you are part of a franchise—three franchises mentioned this—their managers cannot get up here; they consider it too expensive. That was from Yo-get-it, Sumo Salads and —

**Mrs PERRY:** Helloworld is what we are a part of.

**Mr LALLY:** Helloworld was the same. That is the big issue. The other issue is that if people are up here in a business—this was mentioned quite a few times to us—their families do not come to see them. They will go off on a trip to Europe or somewhere rather than coming up here because, for a couple of thousand dollars, they can get to Croatia or somewhere else. When the airfares were more reasonable, people tended to come up here on holiday. It still happens, of course, but decisions are made and that does affect the decision.

**The CHAIR:** Why do you think the airfares are so high?

**Mr LALLY:** I will put it through here. The resource companies do deals. I understand that it is a bit like workers' comp. They will say so many tickets and at the end of the year whack it up—unders and overs. The main thing, it appears to us, is that the airlines put their flights around FIFO rosters, and that is one of the reasons. I was looking at some figures—this was a couple of weeks ago—and at that stage they were talking 53 per cent. I have been there myself. The plane is full all the way up, but not the way back. Because they are putting them around the FIFO rosters, it tends to totally skew the market. If they were not working around FIFO rosters—this must be part of their agreement—plus they get cheap fares, obviously, which is fair enough. If they were not working around FIFO rosters, you would probably have less flights but higher capacity, which would really help. That was the first one.

**Mr D.T. REDMAN:** John, just before you go on to your second one, does the chamber have any view as to what proportion of the flights are resource-based traffic?

[11.50 am]

**Mr LALLY:** No, we have not got those figures. I think the airlines would have them.

**Mrs PERRY:** I think the airlines would be the only ones.

**Mr LALLY:** You can see a lot of fluoro shirts on board.

**The CHAIR:** I can see a few of them in the room here today!

**Mr LALLY:** Correct. Vaughan is our fluoro representative. Thank you, Vaughan.

**Mr CORPS:** No worries.

**Mr LALLY:** It is skewing the flights. In other words, the people of the town are actually subsidising the cheap airfares that the Rios of the world and the other resource companies are getting. They are virtually calling the shots and it is skewing the market. That is a feeling. Actual empirical evidence

would come from the airlines, but I would be very surprised if they were—I do not think they are paying \$450 or \$600 return airfares.

**The CHAIR:** Do you think that this is a competitive route between Perth and Karratha and that competition is keeping an adequate control on airfares?

**Mr CORPS:** First, back on the other one, as John was saying about the price, it is business. You have got two businesses competing for lots and lots of seats through these Rios. They are going to give the best possible price to try to win so many seats paid in advance. It does well for their cash flow. Virgin has lost \$500 million in cash since 2014. Now, all of a sudden, they are making \$34 million in cash in this financial year. That is not very good business when you think about it, but they have to win their business, just like ourselves, the butcher or Coles; they have to win the business. It just comes down to basic economics as well on that side of things, which we cannot ignore. That is a part of it. What was the second one you were saying?

**The CHAIR:** Picking up that point, do you think there is sufficient competition? If the idea is, as Mr Lally suggested, that there is a certain amount of baseload seats that are being sold to the resources and energy companies for your FIFO workforce, is there enough competition there to mean that there is going to be cheap flights and competition for the people of Karratha to access whatever seats are left over?

**Mr CORPS:** Absolutely not.

**The CHAIR:** You do not think so?

**Mr CORPS:** No. You have got a duopoly here.

**The CHAIR:** Right.

**Mr CORPS:** It happened in Karratha with simple concrete companies. You had two major concrete companies which were happy just going slowly up. A third person came into the market and it brought them down. Evidence of that was, I think, Virgin has just started a Melbourne to Hong Kong route or Sydney to Hong Kong route. That route was only serviced by Qantas and Cathay Pacific. They came in and announced in July that already by the announcement of the third carrier, their prices are now down 30 per cent in a price war. When you have got a duopoly, and Branson has said it himself, you will not get pure competition because one person is just following the other person up. If you bring a third person into the market, where you eliminate a duopoly and have pure competition, you will get that competition happening.

**The CHAIR:** There is a bit of market failure, you think, here?

**Mr CORPS:** Absolutely.

**Mr LALLY:** The point is that there are very cheap airfares but Rio Tinto, Woodside and all those get them; we do not.

**Mr D.T. REDMAN:** Do you know that anything more than anecdotal?

**Mrs PERRY:** I do. I know that they get \$216 one-way fares and the cheapest in the market for any general public is \$336.

**Mr S.K. L'ESTRANGE:** Are those big mining companies underwriting a number of seats per journey to get that deal?

**Mr LALLY:** Yes, I am sure they would.

**Mrs PERRY:** I just know what fare they can get because they have their online system that I can access.

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**Mr LALLY:** They have their own online system.

**Mr D.T. REDMAN:** You have visibility of the online system?

**Mrs PERRY:** People tell me the visibility of it and the cost. So they are definitely getting —

**Mr LALLY:** It is a small town.

**Mrs PERRY:** It is a small town. You know everyone. My husband works at Woodside—not that I am dobbling him in.

**Mr S.K. L'ESTRANGE:** I suppose I have a question, John. From your submission, a number of the social factors you have highlighted with regard to the need for cheaper airfares between Perth and Karratha for family reasons or for medical reasons or for employees to get professional development —

**Mr LALLY:** Medical is pretty good because of the PATS system. It works really well.

**Mrs PERRY:** But they pay a fortune. PATS pay a lot of money as well. It is crazy.

**Mr LALLY:** Which costs the government a lot of money.

**Mrs PERRY:** And the Department of Transport fares—what they pay is ludicrous.

**Mr S.K. L'ESTRANGE:** Just picking up on your submission, we heard from the City of Karratha earlier today and what I found interesting was that in those discussions it was more based around the cost of running the airport et cetera, which is fine. We found out about efforts to try to get a direct flight from Karratha to Singapore for people possibly to have a holiday. I was curious as to how much effort and energy has been put in, given your submission, to try to influence the city and the councillors to try to look at reducing airfares between Karratha and Perth.

**Mr LALLY:** I have to admit that I am the deputy mayor, so I am a culprit here. There has been pressure on the council to try to do something but there has not been the exact thing to say, “Okay; how could the council try to reduce Perth airfares?” I think the Singapore thing was more about trying to activate tourism and other issues with people. It was attractive for the town because tourism has been totally squashed here by the resources industry and is just starting to come up again, which is encouraging.

**Mr S.K. L'ESTRANGE:** I am not assessing you. I am just curious.

**Mr LALLY:** From what I have seen, we have not really made a real effort to see what we can try to do to reduce the airfares to Perth, except we are very cognisant of the fact that we own the airport. A percentage of the airport goes to the community, but we do try to keep it reasonable. It is an easy bite from a politician to say, “You are charging outrageous landing fees”, when we believe we are not.

**Mr S.K. L'ESTRANGE:** The politicians here certainly are not saying that.

**The CHAIR:** No, we are not.

**Mr LALLY:** I know. I said to myself, “What a wonderful bunch of people” as soon as I walked in the door.

**Mr S.K. L'ESTRANGE:** Thanks, John. We are focused on the data. The data often tells us more.

**Mr LALLY:** I understand that.

**Mr S.K. L'ESTRANGE:** Given that your submission focuses on those social aspects that I talked about—I get that—and given that you have not, as a city or council, been focused on trying to reduce airfares between Perth and Karratha, is it because there is not pressure coming from the community for you to do so?

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**Mr LALLY:** There is lots of pressure. How it normally runs is that we meet with the airlines and try to haggle with the airlines, or the staff do.

**Mr S.K. L'ESTRANGE:** If there is pressure, I am curious as to why there has not been more effort.

**Mrs PERRY:** They do not listen; the airlines are not listening.

**Mr CORPS:** They do not have to.

**Mrs PERRY:** They are not; it is just a fact.

**Mr LALLY:** I do not want to be emotive or melodramatic, but I remember a couple of years ago talking to one of the senior Qantas people and said, "If you do not pay your landing fees, you are going to have to land on the highway soon because you are not landing in Karratha." They are a business. They string out, often to quite long periods of time, payments to us. I am not talking on behalf the city, so I will bow out of that. They talk a lot to the airlines but I think the general feeling is that it is a captive market. Where can we go? You just get that feeling of frustration—banging your head against a brick wall.

**The CHAIR:** This is an essential service. This is not a luxury for the people of Karratha. This is something that is essential to making this place the most liveable regional city. What are your views on the degree to which—do you think the airlines understand that there is a social licence they need to operate here? Do you think they understand? Do you think they are responding to the community's concerns?

**Mr LALLY:** I mean to say that is not only the airlines. That is why we are holding the New Pilbara in Perth next week. We are waving the flag because people do not understand our situation here. It is no accident money has been invested into the airport—you have flown into it, I presume—because we feel the airport is a key piece of infrastructure to make the Pilbara or our city work. Businesses understand that and businesses rely on it. Cassie will have far more knowledge about businesses—they are flying all over the place all the time, when they can.

**Mrs PERRY:** One thing I think impacts hugely on small business here is training of our staff, because to send our staff away for training is a ridiculous cost. Not only do we have airfares, accommodation and meals, but the airfares are ludicrous compared to Broome, for instance. For me, another big social impact is funerals. They do not do compassionate airfares. They used to do compassionate and, to me, have some bloody compassion, because people's families do pass away and people pay \$1 000 to go to the funeral. That is a big deal to me.

[12 noon]

**Mr D.T. REDMAN:** You just said that the airfares are ridiculous in comparison to Broome.

**Mrs PERRY:** Yes.

**Mr D.T. REDMAN:** Can you just give us that comparison?

**Mrs PERRY:** Yes. In fact I just have a little bit of evidence on that, if you like. So capacity versus distance is what I have always known as an ex-airline employee, Ansett—bring back Ansett!—but capacity versus distance is a joke in this instance because Broome to Perth, so this is just a one-way base fare, is \$172, and the same out of Karratha is \$311.63.

**Mr D.T. REDMAN:** That is a long-term booking fare ahead of time.

**Mrs PERRY:** If there were a seat available today in S class. So you understand the matrix, it goes S, T, V, K and L.

**Mr D.T. REDMAN:** The point was made strongly to us in Broome that you only got those sort of fares if you were prepared to book quite considerably ahead.

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**Mrs PERRY:** It can work both ways. Everyone can depend on what the flight's got left in that. They put so many seats at that price, so many seats at that price and so on and so forth. If these seats have not sold out and happen to be there, you will get the cheaper fare. It does not happen very often because they sell out first obviously.

**Mr D.T. REDMAN:** Just to expand on that, the point was made by both the city and the chamber in your submission here about there almost being one-way traffic here. You have chock-a-block full flights going one way and empty flights going back. Just the nature of that says there has to be an empty flight coming the other way because otherwise you are going to finish up with a big stack of people at one end. That means that there must be, on the basis of your point just then, cheap fares coming up at certain times. Is there a pattern to that given that it matches in with the FIFO —

**Mrs PERRY:** There is absolutely no pattern.

**Mr D.T. REDMAN:** So the FIFO roster plays nothing in that pattern?

**Mrs PERRY:** Some days of the week you will never see a cheaper fare; you will probably be down the line here as opposed to up here. I believe myself that that is to do with swings.

**Mr S.K. L'ESTRANGE:** That mid-ranking fare that you just pointed to, what was that one?

**Mrs PERRY:** Mid-ranking \$476.31 for Broome. If I rank that against number 17, \$901.63 for Karratha.

**The CHAIR:** There is a bit of a dark arts thing going on here. We might have to use the force to get a bit of clarity around it! Given your extensive level of knowledge of the tourism and airfare market, on your typical plane, how many S class, how many T class? Do you have a vague idea?

**Mrs PERRY:** It is a percentage base.

**The CHAIR:** Right. And is it by flight or by route?

**Mrs PERRY:** My understanding of an airline quite some time ago was they had to have so many of each class, so revenue based, to make the aircraft obviously viable to fly. I do not know the percentages because we can only see nine seats at a time, so we know there is nine or more. When you start booking grouped, you get a little bit more of an understanding of that. So group fares do not come this low, they kind of start in the middle, but if you book, say, 30 seats, you can quite often get them at the middle of the range price. But it will totally depend on what the revenue department does with it. They can move stuff, and they will move stuff, but in my belief the resources companies are getting all those nice cheap seats and the locals and businesses—small businesses—are paying the difference.

**Mr S.K. L'ESTRANGE:** That data you have got there, is that publicly available or is it because you are a licensed operator you can access it?

**Mrs PERRY:** No, this is from a CRS system, which I have access to.

**Mr S.K. L'ESTRANGE:** So as a licensed operator you have access to it —

**Mrs PERRY:** Yes.

**Mr S.K. L'ESTRANGE:** — but somebody going online would not have access to it.

**Mrs PERRY:** You can see fare levels and you can see different fare prices.

**Mr S.K. L'ESTRANGE:** But not what you can see.

**Mrs PERRY:** Not what I can see.

**Mr S.J. PRICE:** Can you sell those fares at that price through your business?

**Mrs PERRY:** Yes, if the seats are available.

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**Mr D.T. REDMAN:** Do the different classes there reserve a class for international connected flights; that is, the KL —

**Mrs PERRY:** Yes. I will give you an instance of a fare just recently. We had a person come in to get a Karratha to Perth return flight and it was \$676 on that day. I had a person come in to go Karratha to Kuala Lumpur with a Malaysian airlines connection, \$606 return.

**The CHAIR:** So it is cheaper —

**Mrs PERRY:** To go Karratha–Perth/Perth–KL was cheaper than going Karratha–Perth return.

**The CHAIR:** So you just do not hop on that last leg —

**Mrs PERRY:** No. That is not how airfares work either. I wish we could do that, but no.

**Mr S.K. L'ESTRANGE:** Cassie, just for my own benefit, this booking system—you called it CRS. Is that an acronym for something?

**Mrs PERRY:** Central reservation system. It is Galileo; there is Amadeus —

**Mr D.T. REDMAN:** That is the wholesaler.

**Mrs PERRY:** Yes, it is the distributor, Travelport.

**Mr S.K. L'ESTRANGE:** Just on the central reservation system, is there an agency in Perth that runs that?

**Mrs PERRY:** Travelport is who I am contracted to.

**Mr LALLY:** The point I want to make is this: in other parts of the world, Qantas and Virgin seem to be averse to make cheaper flights available when load factors are low—it is called seat dumping—as people hold out for cheaper seats. This leads to the perverse situation, as I said to you, where an airline would prefer to fly half full rather than generating some income through offering cheaper flights at real short notice. They just will not go for that. You are sitting on the plane, you know you have just paid—the last one I had was \$813 or \$789 or something plus a bit return—and there were about 10 of us on the plane.

**Mr D.T. REDMAN:** That encourages the behaviour of people waiting for the last minute and therefore cannot get the profile of seats —

**Mr LALLY:** Yes. They want the people to go early, I suppose, to book their fares, but when the people go early, there are only a limited number there. If someone was prepared to hang around, like you can do internationally, and then just book a late flight, you are right. I really think the big killer one is when people have bereavements and stuff like that. I have heard some really—it is shocking.

**Mrs PERRY:** It is embarrassing to sell tickets to them.

**Mr D.T. REDMAN:** John, can I just explore a slightly different thing. Back on to the CITIC strip: you have got in your submission here—I am assuming it is anecdotal—that they might be considering looking for other mining traffic through their strip.

**Mr LALLY:** Put it this way, I have been here 30 years and I have a lot of contacts. It is anecdotal evidence. When the airport was opened by the chair of CITIC, he said that if it were making this decision now, we would not. We did a survey and we gave evidence to say, “Why are you building this thing 60 kays away from us?” I believe they will do it because BC Iron is down there and Rio is real close. The point I made a bit further down, with these charter flights—I am not being silly here—with terrorist incidents and stuff like that, why can people just walk onto that plane with absolutely no screening at all? Their bags are not screened. The airport here has to compete against that. With the figures CITIC gave us when we were down there at the opening, it is around \$1.9 million in the



coming year in fares that that will take away from Karratha. Not all of that, but some of that money—Karratha has fixed costs with its screening and whatever—they will have to raise the prices.

**Mr D.T. REDMAN:** I think the point is sound. Correct me if I am wrong, Chair, the Department of Transport's presentation was open, was it not?

**The CHAIR:** Yes, it was.

**Mr D.T. REDMAN:** I was trying to question them about who has the relevant authority to approve that. My understanding is it came under the state agreement.

**Mr LALLY:** It did. I think it is tangled up with the mines department and it was the Minister for Transport at the time, but the previous state agreement was probably signed a number of years before—I do not know. We lobbied hard and long.

**Mr D.T. REDMAN:** So presumably through State Development is the influence. I think that is in my recollection as well.

**Mr LALLY:** It is a bit like if I said to you that I am going to build an airport at Mundaring in Perth to fly in charter flights for FIFO mines, there would be a riot.

**The CHAIR:** That is in my electorate—there would be!

**Mr LALLY:** And I am sure, Jessie, you would stand up for that.

**The CHAIR:** I would.

**Mr LALLY:** Another fight we are having, which is just different here, is with FIFO camps in our town. There is an analogy between where are we going for the future? If mining companies keep building these airports around, it dilutes all the other RPT airports and, of course, if it dilutes them, you are in strife.

**The CHAIR:** I think it comes back to the point you made about economies and efficiencies of scale.

**Mr S.J. PRICE:** I have another question about Sino. You say here that on figures supplied by CITIC, revenue loss to the airport will be in the order of \$1.9 million. Is that what they paid to the airport last year? Have they ramped up to their full numbers yet?

[12.10 pm]

**Mr LALLY:** The point is their construction —

**Mr CORPS:** — is coming off.

**Mr LALLY:** Yes, their construction is coming off. This is just their regular—their whole force is FIFO, which is fair enough, it is 60 kays away. It is at Cape Preston. It is pretty well FIFO, but the figures that they said to us at the opening—they gave us a number of figures. How many flights have been in there now?

**Mr CORPS:** I think they fly Tuesday to Saturday, two flights a day —

**Mr S.J. PRICE:** Based on some really rough figures —

**Mr LALLY:** That 1.9 is pretty accurate, I understand, on the numbers that were given to us.

**Mr S.J. PRICE:** And all that that would be would be the landing costs associated with it, so based on what we heard previously, if we took an average figure of about \$60 per person as income to the airport through that \$1.9 million, that breaks down to about 600 people per week. Would that be the volume?

**Mr LALLY:** Yes, that would be the volume. It is a pretty big workforce down there. It was good for a lot of the local contractors because our business members—a lot of the stuff that went in there was

of poor quality and it had to be replaced—just conveyors. They have a pretty good workforce down there. They are ramping up their tonnages.

**Mr S.J. PRICE:** What sort of strip are they building?

**Mr LALLY:** It takes the Fokkers.

**Mr CORPS:** It takes about six Fokkers.

**Mr LALLY:** Did you say how many flights a day—two a day?

**Mr CORPS:** I think it was two a day, four days a week, like the Tuesday to Saturday.

**Mr S.J. PRICE:** Apart from them taking customers from other mine sites, are there any other resource developments within the City of Karratha that would have the ability to build an airport or require an airstrip?

**Mr LALLY:** Yes, the BBI project, and that is why we are working—we have been negotiating with them for drive in, drive out because that will mean 700 workers here.

**Mr S.K. L'ESTRANGE:** Is this for Balla Balla?

**Mr LALLY:** Yes. No. Yes, the end result is Balla Balla. The mine is on the Tom Price Road and the current government is committing to X kays on that road—I cannot remember the exact number. There is a bit at the end where we will look at it. You come here and see what a wonderful place it is; you would probably want to move here if you stayed a week. But, basically, people have this version of Karratha being a dusty mining town, you know. If you take an aerial photo, I do not see a super pit in the middle of town; this is a port. Families are moving here and we have to attract more, so the city is probably going to spend, off the top of my head, around half a million dollars not for tourists so much, but love where you live, come here and work. That road is the key; a good airport is the key.

**Mr D.T. REDMAN:** Where they would normally have a strip, as in the city, how far is that likely to be from here—Balla Balla?

**Mr LALLY:** About 120 kays, and they are going to drive in, drive out —

**Mr D.T. REDMAN:** That is a mine site.

**Mr LALLY:** Yes, that is a mine site. They are going to drive in, drive out. Some of the figures are interesting. One of my other jobs is I am chair of the high school board. In 2011, we had 450 students in the high school. At our board meeting this week, we are hitting just under 1 200, so 1 190. So families are moving here. If families move here, then this airfare business really impacts us. I think from the 2011 census to the 2016 census, 600 additional families moved to Karratha. Because there are cheap prices, families are buying them.

**Mr D.T. REDMAN:** John, a big part of your presentation has been on this interaction with the resource sector on a number of fronts. So there is a new mine now. You have obviously been talking to them about what might be the preferred model for this region—both Rio and Woodside and the joint venture groups. You also said right at the start when the chair asked about the nature of the CCI that you have these people with memberships. Have you used your membership and/or the fact that they are members of this organisation who are putting a pretty strong view to a parliamentary committee here as a platform for saying, “Righto, can we get to the table and see if we can’t work out a roster?” Some of the things that have been put to me today, other than—I do not know the logistics that happen at the other end in Perth, for example. I would have thought there are not too difficult solutions to try to change some of the behaviours that would probably land a better—sorry for that pun!—outcome for locals and their costs.

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**Mr LALLY:** I will give you an example as I have taken you there. For four years, I have been trying to transfer the leases of the Hampton Harbour boat club to the City of Karratha—just transfer the lease. They want the land donated. It is an \$18 million project. We want \$5 million from government in some form of grant to make it happen. For those four years, I have been spectacularly unsuccessful and sometimes I consider myself a reasonably persuasive person. But we are not getting there. Last night I was at a committee meeting at the boat club and everyone was getting up in arms because that is the level we are at. I am sorry; people of my stature around the place—small fry—will not be able to talk to the resource companies about their flights. We cannot even transfer leases from the boat club to the city. I have been—Vaughan calls me a hugger. I have been good. I have been there, met people and met all the managers, but we just cannot get something like that over the line. Honestly, I do not see how they would possibly change their operations. I am just being a realist.

**Mr D.T. REDMAN:** So then getting into the next piece, can you give us some direction as to what recommendations you would like to see this committee come up with as it applies to this?

**Mr LALLY:** I think we can still and we have proved it at the city here—what you have said about getting together with the city I think is a good point. We have not really tried that. I talked to Hugh Gallagher in Kalgoorlie and stuff, and I think they are trying to go with Virgin so many community airfares that their chamber is going to distribute through the travel agencies, so they will be earmarked. I think we need to get together and have a crack at it; I really believe that. That goes into partnering. The third thing is with the visitor centre, as tourism starts to ramp up and it will—we have had heaps more grey nomads through here; previously, they drove straight past the door, but now. A friend of mine met someone in Broome and convinced him to come here and they found it was cheaper than Broome with more things to do, which I really love. I think we need to advertise in those. If we get more people in on the caravans, we need to be able to get more people in as that builds up. There is no silver bullet.

**Mr D.T. REDMAN:** John, can I just extend there? The language you have got here, and it is a bit like two successive governments in Western Australia trying to get a good outcome on GST —

**Mr LALLY:** Yes.

**Mr D.T. REDMAN:** We have used the words, and I am sure the companies would be more reasonable, “my partner; work closer”.

**Mr LALLY:** Yes.

**Mr D.T. REDMAN:** It is not until there is a slightly bigger tool that you are probably going to get a solution to it. Taking these collaborative-type requests, which is what your suggestion is as to what we should respond with, another step.

**Mr LALLY:** In RPT, there is a word—“public” transport.

**Mr CORPS:** This is our public transport.

**Mr LALLY:** When I go to Perth, it is because my daughter lives in Mosman Park and it is easier than to use my car to jump on the train. That is public transport. I know the airlines run the public transport. I think Owen, I can see here, mentioned something about Shell up north in the Kimberley buying ordinary tickets. I tell you what: that would help. But who is going to tell Rio to do that?

**Mr S.J. PRICE:** John, has the chamber and the city sort of got together and spoken and discussed this and explored ways where, working together, they might be able to come up with a proposed trial of some sort or anything like that?

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**Mr LALLY:** No, we have not, because you have to include the airlines and I gave an example of trying to get my lease out of Rio. The city has discussed it with the airport, but we have not discussed it as a chamber. I do not give up easily, but I am nearly 76 years old and I know where I can get a bang for the buck. I really do not see a way forward without some form of government intervention. I am highly excited that you people, from your recommendations, will do something positive to help us.

**Mr S.K. L'ESTRANGE:** John, just picking up on the point you made and Stephen's question, getting the different stakeholders together to look for innovative solutions or courses of action that you can consider—I am not saying it is a silver bullet but, for example, you have got clearly big mining companies in Karratha and a lot of businesses who service the mining community, and you have Indigenous groups who do native title agreements with the big mining companies. You have got all those stakeholders, and there is all money in pots somewhere linked to these projects and agreements. Has there been any way of saying, "Can we look at that and see if that can subsidise?" as one course of action? There might be six courses of action, but have you tried to look for innovative solutions to how you support your community?

[12.20 pm]

**Mr LALLY:** Not at this stage because until this committee was formed, people just sort of took it on the chin. And really, that is the honest truth.

**Mr CORPS:** But not only that, again it comes down to you are asking airlines or Rio or someone to give up cash, to give up their money. Everyone has their share —

**Mr S.K. L'ESTRANGE:** No, that is not what I am saying. What I am saying is innovative ways of getting the ticket price down from your community—do you know what I mean? From agreements that might or might not be achieved with companies to help you subsidise your airfares.

**Mr LALLY:** Could we try the Rio model? If they buy X-thousand tickets and we try to buy X-thousand tickets in advance and then get Cassie to distribute them.

**Mr S.K. L'ESTRANGE:** I am not asking for a solution today, I was just asking the question: have you put together any groups to try to thrash anything —

**Mr LALLY:** No, we have not.

**Mr CORPS:** Just from the chamber point of view as well, I know John is a big advocate of when people come in who have come out of the boom and are saying, "My business is failing," and John is like, "Well, you've got to do something different. If you think you can operate your business in the boom now, then you're going to fail. You've got to adapt, or whatever." I think that is how, from my point of view, you have to change the way we are doing it.

A couple of years ago when they were thinking of allowing foreign carriers or cabotage to fly down through northern Australia and down into capital cities, or whatever. I think that is a good option; we have to adapt up here. This is our town. I have been up here 31 years myself, and I have young kids up here as well. I have four kids, so to try to fly my family down to Perth or whatever costs me about three or four grand. We need to look at alternative solutions. Hitting the airlines, that would be good; they would probably go under covers. They will wait until something else happens in the news and then they will just forget about it. We need proper solutions to say, "Well, you know what? We'll lobby the federal government and say allow people to fly through to the capitals; allow them to come through Karratha and come to Hedland," and it will. If businesses have to, Qantas and Virgin will be competitive, they will change their business model, but at the moment there is nothing making them become more efficient on these routes.

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**The CHAIR:** Is your point that the boom has come off, everybody else has had to change their business model, but it seems like it is business as usual for the airfares?

**Mr CORPS:** Absolutely. If not, they are putting their prices up. I think Virgin even said in their submission to you guys that they are looking at putting their prices up because these are becoming unviable. Bring in a third person, bring in something else, or the other option is that the government starts subsidising, as our public transport system now. As we all know, the government has lots and lots of money and is willing to hand it out and spend!

**The CHAIR:** Yes, we are flush!

**Mr CORPS:** Absolutely. The chances of that happening are zero. We have to do something different and look outside the square, otherwise this town is going to struggle.

**Mr LALLY:** The resource companies get cheap airfares—that is great, whoopee—but we do not. So the community is actually subsidising their airfares because of their control of the market and their volumes. They are controlling the market, they are getting the good deals; the city is not. Tonight we have a business-after-hours and Vaughan [inaudible] ad nauseam, but I say right now is the good old days. We are not talking five years ago; right now, where are we going from here? I have had to say that to some of the politicians around here: I am not interested in what happened five years ago; I am interested in what happens five years hence.

Really, Vaughan is right. I just do not know what the solution is. The bottom line is that the resource companies get cheap airfares and the community and our businesses do not. It is as simple as that. Short of negotiation or whatever, I do not know. Even if we all got together and got some money somehow and we subsidised our airfares, we would never get them down to what the resource companies get. I think the flights are important, too. It would be a lot more efficient if the planes were fuller, up around 75 to 80 per cent, but that would mean that they would not have to fly around their rosters, because you know Rio has rosters four on, four off. You can just see them coming in; they just pour in on certain days. What is good, I really appreciate the fact you are having a listen, even though the odd waffle!

**The CHAIR:** No; it has been fantastic. Thank you. It certainly was not waffle, it was very helpful, and I do really appreciate how frank you have all been and how forthcoming with the information you have provided to the committee. We really do appreciate it. 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 the correction of minor errors. Any such corrections must be made and the transcript returned within seven days from 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 very much.

**Hearing concluded at 12.26 pm**

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