



Submission in Response to the Inquiry into regional airfares in Western Australia

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1.0 Introduction

The Western Australian Local Government Association (WALGA) is the united voice of Local Government in Western Australia. The Association is an independent, membership-based group representing and supporting the work and interests of 138 Local Governments in Western Australia.

The Association provides an essential voice for over 1,200 elected members and approximately 15,000 Local Government employees as well as over 2.5 million constituents of Local Governments in Western Australia. The Association also provides professional advice and offers services that provide financial benefits to the Local Governments and the communities they serve.

For Local Governments in remote parts of Western Australia, efficient, cost effective air services that ensure accessibility for residents, visitors, workers and service providers underpin the economic and social sustainability of the region. For this reason, Local Governments and the Local Government Association value this Inquiry and the opportunity to provide a submission.

As part of a range of considerations in relation to tourism, in March 2017 the WALGA State Council endorsed a policy to advocate that the State Government undertake measures to reduce the cost and improve the scheduling and routes of regional air services. The Association is pleased that this inquiry is proceeding.

Local Governments contributed to the development of the State Aviation Strategy for Western Australia in 2013 that focussed on actions to ensure aviation infrastructure meets the State's growing needs. In addition, Local Governments and WALGA contributed to a review of regulated regular public transport air routes in Western Australia in 2014.

This inquiry into Regional Airfares of Regular Passenger Transport routes in regional Western Australia is being undertaken by the Economics and Industry Standing Committee of the Legislative Assembly will investigate:

- a. factors contributing to the current high cost of regional airfares;
- b. impacts that high-cost regional airfares have on regional centres from a business, tourism and social perspective;
- c. impact of State Government regulatory processes on the cost and efficiency of regional air services;
- d. actions that the State and local government authorities can take to limit increases to airfares without undermining the commercial viability of RPT services;
- e. actions that airlines can take to limit increases to airfares without undermining the commercial viability of RPT services; and
- f. recent actions taken by other Australian governments to limit regional RPT airfare increases.

Local Governments with airports providing regular passenger transport (RPT) services were invited to contribute to this submission through an online survey in addition to providing their individual submissions to the Committee. WALGA received responses from the City of Albany, Shire of Broome, Shire of East Pilbara, Shire of Esperance, City of Karratha, Shire of Menzies and the Pilbara Regional Council. The recommendations from WALGA's

submissions to the 'WA State Aviation Strategy' and the 2014 'Review of Regulated Regular Public Transport Air Routes in Western Australia – Position Paper for Public Comment' were also used to develop this submission. This submission is qualitative in nature, as WALGA does not have access to detailed data for regional air services.

2.0 Factors Contributing to the Current High Cost of Regional Airfares

2.1 Research and Evidence

Recommendation: That in addition to gathering perspectives from stakeholders, this inquiry undertake research to provide an evidence base from which to evaluate the importance of factors contributing to high intra state airfares in each region and the extent to which changes can be made.

While concern is widely expressed that intrastate airfares in Western Australia are high, based on the feedback from Local Governments across the State it would appear that the market conditions and underlying factors driving costs and prices differ between the regions.

The routes for which there is a monopoly (or occasionally duopoly) service provider are where there are the greatest concerns about high airfares. Consequently this inquiry should commission research that will provide an evidence based assessment of the degree to which market structure and other factors influence the cost of providing air services on each route, the pricing structure offered and the actual prices paid.

2.2 The Role of Landing and Passenger Charges

At time airlines attribute the high cost of intrastate airfares to high landing and passenger charges paid to the airport operator. As an example the landing and passenger charges at Newman airport are summarised in Table 1 and depicted in Figure 1.

Table 1 Landing and passenger fees at Newman Airport

Fee detail	Incl. GST
Landing fee for aircraft MTOW larger than 10,000kgs	\$22.77 per ton
Discount to RPT operators off the full per tonnage rate landing fee	25% (\$17.08)
Passenger charge per passenger arriving and departing	\$24.20
Security fee (departing passengers only)	\$13.57

Source: Shire of East Pilbara

Figure 1: Contribution of landing and passenger charges in the ticket price for Perth - Newman



Local Governments are conscious of the impact of fees and charges on the cost of airfares and while seeking to operate sustainably, the provision of various discounts as noted above are intended to encourage development of aviation services in each region.

The airfares between Newman and Perth are typically \$600 one way which means that landing, passenger and security fees make up less than 8% of the airfare¹. Even if these fees were able to be halved, it would reduce the overall airfare by just \$24. This is not the step change required to make these remote communities accessible.

3.0 Impacts that High-Cost Regional Airfares have on Regional Centres- from a Business, Tourism and Social Perspective

Impacts on business and tourism

Any investment by way of subsidy or regulation in lowering the cost of regional airfares requires that the benefits be understood and where possible quantified. The importance of tourism as a source of employment and regional development is widely recognised. However, the Association is not aware of any research that estimates the extent to which the tourism industry in various parts of Western Australia will grow as a result of lower airfares. This knowledge would underpin a stronger case for further focus on reducing intra-state airfares.

¹ Shire of East Pilbara

Recommendation: That the State Government initiate research to quantify the benefits to the State and regional economies from growth in tourism that would result from lower regional airfares.

Impacts on the community

Residents needing to travel to Perth regularly for medical or other reasons are particularly exposed to the impact of high air fares. The Patient Assisted Travel Scheme provides some assistance for those needing to travel for medical reasons, but there are constraints particularly in relation to subsidies for accompanying persons and for treatment from allied health professionals such as dentists or psychologists.

High travel costs make it more difficult to strengthen and maintain extended family connections for those living in more remote parts of the State.

4.0 Actions that the State and Local Governments can take to limit increases to airfares without undermining the commercial viability of RPT services

Recommendation: Local Governments and airlines should be encouraged to form partnerships to enable lower cost air fares.

The City of Albany and the Shire of Esperance, together with Perth Airport, developed a partnership with REX airlines to provide lower priced airfares. The City of Albany is currently working with REX airlines to offer discounted holiday package deals to the region which will assist tourism promotion. This is being developed in conjunction with the 'Amazing South Coast - Regional Local Government Alliance'. The uptake of these lower priced airfares has been successful leading to REX extending this agreement until 2020.

Local Governments, particularly in the North West, would like to see similar agreements reached with their respective airline carriers.

Recommendation: Businesses booking large numbers of seats should be encouraged to engage with the airlines to ensure that discounted seats remain available for other members of the community.

To manage increased passenger movements due to oil and gas development activity in the Browse Basin, 430km from Broome, Shell Australia and Qantas have agreed to protect publicly available discounts and seats on aircraft in and out of Broome for tourists and residents. Shell is not contracted to use a particular airline and can utilise Qantas or Virgin. The discounted airfares for tourists are not being purchased by Shell. Rather the company has advised that it will block buy flexible and fully flexible fares for Prelude staff to and from Broome in advance to ensure availability of discounted Red e-deals was not affected². The State Government should be considering ways in which other businesses that require significant access to scheduled flights can be encouraged to operate in a similar way.

² Flyers protect town seats. <https://thewest.com.au/news/regional/flyers-protect-town-seats-ng-b88492588z>

Recommendation: Airfares should be more transparent.

The Government should evaluate the costs of benefits of providing oversight of the actual pricing of intrastate air travel by requiring declaration of the number of seats provided at each price point. While the detail would remain confidential, this would enable detailed analysis and high level reporting of market shifts, and the factors driving this. Any matters of concerns could be referred to other agencies for review.

Recommendation: Regional RPT services should be treated with the same priority as metropolitan public transport issues by the State Government.

RPT services are vitally important for regional Local Governments and their communities. The level of priority and focus from the State Government should be equal to transport connectivity and accessibility in the metropolitan areas. Individuals in the metropolitan areas have more transport choices, including public bus and train services, cycling, taxis and driving, and therefore greater connectivity and accessibility. The vast distances between regional locations, means that air travel is the only option. The State Government should be supporting regional Local Governments by exploring intra-regional transport options to link together regional towns, and supporting local tourism opportunities. For example, the Pilbara Regional Council advises that Aviair has developed a business proposal to provide such services. The proposal aims to link together Broome, Port Headland, Karratha, Onslow, Exmouth (Learmonth), Paraburdoo, Karijini and Newman³. The Commonwealth National Aviation Policy White Paper (White Paper), released in December 2009, states a policy goal for regional services that “Australians in regional and remote communities have reasonable access to air services to major cities and other key centres, including on routes that are not commercially viable.” In the Discussion Paper that was released by the State Government in March 2012, there was commitment to ensure that regional communities with populations greater than 500 persons are within 250 kilometres by sealed road, of an airport which receives RPT air services at least twice per week. However, if the objective of this policy is connectivity for all West Australians, then the RPT air service needs to be affordable for members of that community.

Recommendation: The State Government investigate the opportunity to instigate ongoing economic regulatory oversight of airfares and services where there is limited market competition.

There is concern from Local Governments that this current inquiry, although welcomed, is only a qualitative review. A deeper quantitative analysis is potentially required to drive the changes in the industry needed to achieve affordable intrastate airfares.

The air routes in question are served by only one or two airlines. Consequently it would seem appropriate that the State seek independent economic regulatory oversight, perhaps by the Australian Competition and Consumer Commission under the *Consumer Act (Cmmwlth) 2010*. A one-off review is unlikely to produce sustained changes in the market.

³ Pilbara Regional Council submission

Recommendation: The State Government should consider providing targeted subsidies for some air services and airports.

Historically, most RPT air routes in WA, even those that are marginal, have operated without any government subsidies. The 'Review of Regulated Regular Public Transport Air Routes in Western Australia Position paper stated that "subsidies for intrastate aviation will not be considered unless absolutely necessary".

A well designed and implemented subsidy arrangement may increase connectivity for regional residents as well as underpin growth in passenger numbers allowing the fixed costs of airport and airline operations to be spread.

Based on existing passenger throughput, few Local Government owned airports cover their full cost of operation and any increase in utilisation is helpful in lessening the financial burden on local ratepayers.