

Findings and Recommendations

Finding 1

There are considerable differences between Western Australian regional destinations and their route supply-demand dynamics.

Finding 2

For most regional centres in Western Australia, there are limited alternative modes of travel to flying that are timely and safe.

Finding 3

The scope for State Government intervention in the Western Australian aviation market is limited.

Finding 4

The evidence before the Committee suggests that airfares on regulated routes are lower and less volatile than on unregulated routes.

Finding 5

The terms of the Deeds of Agreement for regulated RPT routes ensure the availability of information about airfares, costs and passenger numbers to the public.

Finding 6

Community outrage is lower when airlines proactively engage with regional communities, collaborate and innovate to develop service offerings and offer reasonable information to the community regarding costs, passenger numbers and fares.

Finding 7

All airlines flying RPT routes in Western Australia use an automated yield management system to set prices for fares offered to the general public, which may change by the day, but are generally higher closer to departure.

Finding 8

Data provided by the Bureau of Infrastructure, Transport and Regional Economics indicate that the passenger cost per kilometre for intra-Western Australian routes are often significantly higher compared with other national routes of similar distance.

Finding 9

The more remote the regional community is from Perth, and the more limited alternative transportation arrangements are, the more significant the impact of high airfares on regional communities.

Finding 10

High regional airfares are significantly and adversely affecting the lives of regional Western Australians, particularly those who are forced to travel due to sickness, emergency or other family incident.

Finding 11

The high cost of regional airfares can have a debilitating effect on price-sensitive markets, particularly small businesses and tourism operators.

Finding 12

The aircraft used by all airlines servicing regional routes in Western Australia are significantly older than those used to serve routes in other jurisdictions.

Finding 13

In addition to the impact that high fares have on regional communities, many residents are affected by inadequate scheduling, a poor quality older air fleet and unreliable and expensive freight services.

Finding 14

Tourists are holidaying outside of Western Australia, often in South East Asian destinations including Bali, Singapore and Thailand. The high cost of regional airfares to and within Western Australia is a significant contributing factor.

Finding 15

Airlines are required to travel significantly further, and to regional centres with smaller populations, than they do on RPT routes in all other Australian jurisdictions.

Finding 16

The Committee accepts that the dynamics vary significantly between RPT routes. However, to the extent that block bookings or seat charters essentially underwrite – or cover a substantial portion of the costs – of flights, it is difficult to justify extreme high prices for remaining seats sold to community members, particularly where those seats are purchased under conditions of extreme hardship.

Finding 17

Charter flights to sites located near RPT destinations have the potential to undermine the viability of RPT services to those destinations.

Finding 18

The development of new resource project airstrips close to existing airports hosting RPT services undermines RPT services.

Finding 19

Structural adjustment in the resources and energy sector has had a fundamental impact on regional aviation markets.

Finding 20

Resource and energy companies receive a substantial benefit that is often not available to other businesses, when they fly their FIFO workers to site due to these costs being eligible as an exemption from the Fringe Benefit Tax.

Finding 21

Evidence before the Committee suggests that market forces may not operate to place sufficient downward pressure on airfares to some unregulated regional destinations.

Finding 22

Most unregulated RPT routes in WA are flown by both Qantas Airways and Virgin Australia. A duopolistic market structure may prevent the effective operation of market forces, leading to parallel schedules and similar pricing. This is an important factor contributing to the price of airfares on unregulated routes.

Finding 23

The debate about the cost of WA airport charges relative to airport charges in the Eastern States is similar to the claims made about high regional airfares in WA. 'Apples for apples' comparisons are difficult and should be made with caution.

Finding 24

Airport landing fees constitute a varying, but generally small, component of the total costs of a regional airfare.

Finding 25

Local Government Authorities and private airport operators have been open and transparent with the Committee regarding the calculation and the level of their landing fees.

Finding 26

There are different passenger fee models used by airports around Australia. In Western Australia, local governments tend to operate airports as separate business units, and seek to recover both operating and capital costs. Recovered capital costs are frequently placed into reserves for future airport upgrades, repairs and maintenance. The Committee received no evidence that local councils were charging unreasonable fees.

Finding 27

The State Government indirectly subsidises regional airfares by providing substantial assistance to local governments for their airport development and maintenance with funds provided, including under the Regional Airport Development Scheme.

Finding 28

Separate to airport landing fees, the cost of maintaining and providing security services on unregulated RPT routes, due to a Commonwealth Government requirement, is a significant cost on each passenger fare.

Finding 29

The airline industry previously offered 'compassionate' fares to assist community members attempting to travel at times of great distress. If airlines were to proactively re-introduce these fares, this would be wholly consistent with good corporate citizenship and would likely assist to reduce community outrage.

Finding 30

Various airlines operating unregulated routes to regional destinations in Western Australia offer categories of discounted airfares for local residents. The discounts are frequently off the most expensive fare class and may therefore still represent a considerably more expensive fare than other non-resident fares offered into the market at different points in time.

Finding 31

Airlines operating in Western Australia adopt differing stakeholder engagement strategies. Community outrage is lower where airlines engage proactively with local communities and demonstrate responsiveness to local concerns.

Finding 32

Qantas' introduction of its Residents' Discount Fare is a welcome step. However, the Committee is concerned about the nature of the community engagement undertaken when introducing the fare; its ability to provide a long-term, sustainable solution for community access to reasonably priced fares; and whether these fares represent the best price that could be offered to community members travelling under 'compassionate' circumstances.

Finding 33

Voluntary initiatives introduced by airlines to assist customers to understand airfare pricing dynamics would considerably reduce community outrage.

Finding 34

Collaborative initiatives between local businesses, councils and airlines would open up a range of new opportunities, expand the tourism market and overall passenger demand, increasing scale and potentially reducing airfares.

Finding 35

While three overseas airlines have recently announced new services to Perth, it seems unlikely in the near future that the State can attract a low-cost airline servicing tourists on regional routes.

Finding 36

The population, market size and current traffic to the State's main regional centres are the main factors inhibiting the development of new low-cost air services to regional WA.

Finding 37

Local communities have innovated to improve the attractiveness of their tourism product (with differing degrees of success) and have experienced varying levels of engagement with airlines.

Finding 38

Many regional local governments have taken direct action to reduce or freeze airport passenger and landing charges, to decrease fares and stimulate higher passenger numbers.

Finding 39

Airport operators in the Pilbara have developed operational efficiencies and cost savings by sharing knowledge and collaborating on tenders.

Recommendation 1

The Minister for Transport initiate an immediate review to update the *State Aviation Strategy*, to reflect current market conditions and the Government's intrastate aviation policy objectives. The review should consider the adequacy of the Department of Transport's resources, in light of any proposed changes to its policies or functions.

Finding 40

The Departments of Transport, Primary Industries and Regional Development and Tourism WA currently work together in an *ad hoc* fashion on specific aviation-related tasks.

Recommendation 2

The Ministers for Transport, Tourism, and Regional Development establish an interdepartmental working group by 1 February 2018 to assist the review of the *State Aviation Strategy* and undertake a more coordinated approach to aviation policy implementation.

Recommendation 3

The Premier consider re-establishing an Aviation Ministerial Council, to provide oversight for the recommended review of the *State Aviation Strategy* and ensure an ongoing whole-of-Government approach to the implementation State aviation policy.

Recommendation 4

The Department of Transport develop memorandums of understanding by July 2018 with regional airport operators that service unregulated RPT flights for the provision of relevant flight and passenger data. As a minimum, the operators should provide the data that they disclose to the Bureau of Infrastructure, Transport and Regional Economics.

Finding 41

Subject to regulatory or contractual constraints, airlines could provide classes of information under the *Transport Coordination Act 1966* and *Transport Coordination Regulations 1985* to Government on a voluntary and confidential basis.

Recommendation 5

The Minister for Transport utilise existing licensing powers under the *Transport Coordination Act 1966* and *Transport Co-Ordination Regulations 1985* to require that airlines operating on unregulated RPT routes provide the 'prescribed records' listed in Appendix Seven to the Department of Transport. Strict confidentiality protocols need to be observed around commercially sensitive information.

Recommendation 6

The Minister for Transport direct the Department of Transport to produce a biannual report assessing prevailing market dynamics and airfares on WA's unregulated RPT routes.

Finding 42

There are differing views on whether the State Government should re-regulate additional RPT air routes in Western Australia, and at what level of passenger numbers regulation should apply.

Finding 43

The drop in fares for the regulated Rex RPT routes to Albany and Esperance support the academic evidence provided to the Committee that regulated routes in WA have lower and less volatile airfares than unregulated routes.

Recommendation 7

The Minister for Transport direct the Department of Transport to undertake a discrete, detailed economic analysis and community consultation to determine whether any additional RPT routes in WA should be subject to regulation, with priority placed on the Perth-Kununurra service.

Finding 44

There is a difference of view between some local councils and the Department of Transport as to the level of consultation undertaken in the current tender process for regulated routes.

Recommendation 8

The Department of Transport review its current tender design process for regulated RPT routes. The review should consult with the market regarding alternative packaging arrangements to optimise service efficiencies for 'like' routes.

Recommendation 9

As part of the review of the *State Aviation Strategy*, the Department of Transport engage with industry and local communities to examine the market opportunities for additional inter-regional routes within Western Australia.

Recommendation 10

As part of the review of the *State Aviation Strategy*, the Department of Transport consider whether any current RPT routes require subsidisation to secure their viability.

Recommendation 11

The Department of Transport report to the Minister of Transport on the viability and utility of providing a web-based tool for regional airfares similar to FuelWatch.

Finding 45

The Government has procedures in place to use its purchasing power to produce savings from its annual budget of over \$30 million in airfares for State agencies and Government Trading Enterprises.

Recommendation 12

As part of the review of the *State Aviation Strategy*, the Department of Transport consider opportunities to leverage the State's purchasing power to encourage initiatives such as compassionate and/or community airfares for residents.

Recommendation 13

All proposals for new mining airstrips within 100km of existing RPT airports to be considered at Cabinet level and be accompanied by a recommendation from the Aviation Ministerial Council.

Finding 46

Growth in the State's tourism industry will increase the scale of the regional airfare market, thereby placing downward pressure on airfares to regional destinations.

Finding 47

The proposal to lift cabotage restrictions in Australia is supported by two major regional centres in Western Australia as a way of boosting tourism and lowering airfares for residents, but is strongly opposed by the two largest airlines serving the State.

Finding 48

Most other Australian jurisdictions regulate at least one economically marginal air route. The Queensland Government has a specific fund to support regional air services, particularly those focused on increasing their tourist sector and providing essential air services in remote areas in northern Queensland.