

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO REGIONAL AIRFARES IN WESTERN AUSTRALIA



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 16 AUGUST 2017**

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 9.36 am

Mr DAVID “RALPH” ADDIS

Acting Director General, Department of Primary Industries and Regional Development, examined:

Mr MARTIN CLIFFORD

Manager, Policy and Strategy, Department of Primary Industries and Regional Development, 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, Deputy Chairman Sean L’Estrange, member for Churchlands; Yaz Mubarakai, member for Jandakot; Stephen Price, member for Forrestfield; and Terry Redman, member for Warren–Blackwood. 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.

Welcome. I would like to thank you for your submission to the inquiry. Before we begin with our questions today, do you have any questions at all of us about your attendance here today?

Mr ADDIS: No, I think we have a pretty good understanding, thanks.

The CHAIR: Great. Do you wish to make a short opening statement about your submission at all?

Mr ADDIS: That would be welcome, thank you. I think broadly, in the context of our role with the economic and social development of our regions, and particularly now with the primary industries of agriculture and fisheries, regional air services and the pricing of air services is a significant issue and is perceived widely to be a significant issue that impacts on government services and costs, on industry and on business in the regions and on communities—it particularly impacts on some of our key growth sector opportunities at a time when our state needs us to be successful in those growth sectors. I think in particular that is tourism, where many of our best tourism opportunities reside in the regions in terms of destinations and assets, but also to a lesser extent agriculture. So it is a pretty important issue at our time in the economic cycle, I suppose you would say.

We, as a department, are very interested in ensuring that the fundamentals for economic development in the bush and our primary industries are right, so air services are a key part of that and are important for us. The structure of regional air services broadly would be defined by fairly thin markets, low volumes, very spoked out of Perth primarily—it is not a very interconnected system of routes—and mostly serviced by a monopoly or a duopoly. It is rare to have more than that in the main.

[9.40 am]

Over time it would be an anecdotal observation that duopolies tend to settle into a reasonably comfortable coexistence in terms of pricing regimes. It is very opaque as to how prices are determined, but they seem to gravitate in that direction broadly. It would be fair to say that most regional, and particularly the key regional services—I do not think we have particularly good data on it—but they would seem to be dominated by government as a major buyer; by the resource

sector and the broader business sector, both of whom tend to be less discriminating on price and more discriminating on convenience; and then retail customers, community and tourism, tend to be, I suppose, the residual of that and pretty much take whatever prices are available.

It is fair to say that there is a lot of anecdotal evidence and certainly a strongly established perception in the regions and in key sectors that price is a barrier to tourism, community travel et cetera. I know from my experience when I looked to book a family holiday to my home town of Kununurra, when I looked at it and could not get my family of four there for less than four and a half or five thousand bucks, I kind of look to Denpasar. To put that in context, I did a check last night. To fly to Kununurra this Friday would be anything from \$902 one way to \$1 462. I could get to Denpasar and have nine options to choose from for \$260. That is a very substantial driver of consumer choice, and particularly the tourism market. I am not aware of great data-based evidence on how much that is driving consumer choice. I understand that the Tourism Commission has recently done some perceptions work in the tourism sector that indicates that it is a strong driver, but I think that is an area that we would seek to better understand.

That is probably enough from me; I will probably hand it over to you. In short, it is certainly seen to be a substantial driver of what is happening in our regions. Evidence would suggest that it is high cost both for government, business and the consumer sector to travel to the regions, particularly at pinch-point times, I suppose. So it has a substantial impact. What government might usefully do about that is much less clear.

Mr S.K. L'ESTRANGE: Mr Addis, is this fixable?

Mr ADDIS: My sense is that government probably does not have an overarching view of what the types of impacts on consumer choices and therefore development are—or what the scale of those impacts are. I think that would certainly be a useful thing for us as a government to better understand. We have an aviation strategy. We have regulation on certain routes. Government has helped to invest alongside the private sector in various infrastructure in this sector. It is a complex system. I think facilitating greater transparency of what is happening, how prices are being set, what prices are set, what volumes are being carried et cetera —

The CHAIR: Which agency do you consider would be best positioned to collate that sort of information?

Mr ADDIS: I do not have a particularly clear view of that, but I understand Transport oversees the aviation strategy, so I think that is the place to start.

The CHAIR: Do you already work with Transport around these sorts of issues? Is there much information exchanged on the regulated routes in particular, where there is a bit of data gathering going on?

Mr ADDIS: I would say that our interaction with Transport is good but broadly ad hoc, so it is on a case-by-case rather than in a more purposeful way. That is probably an opportunity for improvement. Just providing better transparency and understandability to regional communities could only improve the quality of the debate. At the moment we just have a one-sided debate.

The CHAIR: I think it is interesting that you make the observation that where duopolies exist, the pricing regime tends to settle and any tension that there may have been upon the new entrant into a market tends to, I guess, alleviate over time. Do you have a view on the degree to which transparency in itself may place downward pressure on regional airfares?

Mr ADDIS: It is my very much a gut feel, but my sense would be that it would be a weak force in terms of encouraging credible new entrants, but in combination with some other measures that

government or industry might look at, maybe it is part of an approach to make sure that there is a —

The CHAIR: What sorts of other measures would you consider?

Mr ADDIS: It strikes me that government must procure a very large share of air services in the key regional centres. We do not, I do not think—not that I am aware of—use that in a particularly purposeful way. I do not know how we might do that, but that is certainly worth exploring. I would be surprised if government's share of some of those routes is not 30 to 40 per cent. That is something we could look at. One of the —

Mr CLIFFORD: Just in relation to the question on the flights and transparency, we have not looked in any detail but obviously FuelWatch used the same kind of approach—knowing the prices of petrol and advertising. I think the genesis behind that direction was that transparency would lead to a reduction in prices. We have not looked at it but it is probably worthy of investigation.

Mr ADDIS: Clearly tourism is a significant priority for the government, as it is for certain key tourism regions. Where there is a concerted push on to develop a product, markets et cetera, I think that can be used as part of a conversation with alternate providers and existing providers to improve competition. Again, it requires a concerted effort from a number of players.

The CHAIR: Has DPIRD looked, at all, at ways to potentially attract the low-cost providers into regional airfare services?

Mr ADDIS: There has been some work done on it and some proposals floating around, which are essentially along the lines of: how do you use targeted marketing spend to support a new entrant or new service? There has also been consideration of what is essentially a risk-sharing approach, which has not been supported. But, again, I think it comes back to what other multiple levers you could pull together in relation to one place to get a result.

The CHAIR: Your submission talks about the impact of the FIFO industry, and obviously your opening statement also references FIFO as an issue. Could you give us a bit more of an insight into your thoughts on potential distorting effects that the FIFO-related travel may have had on the regional airfare market?

Mr ADDIS: Martin might have some comments.

Mr CLIFFORD: Yes. We have not given a great deal of thought on it; it was just some of the feedback we had from the commissions, particularly from the Pilbara Development Commission. Also, we were mindful that some work had been done by the Pilbara Regional Council. It was just an observation that obviously there seems, on face value, to have been a distorted effect in terms of FIFO, particularly in the Pilbara, but there was a lack of transparency and understanding about how that affected airfares. We do not really have any answers in terms of what the effect has been, but we thought it was worthy of investigation.

Mr S.J. PRICE: The department is probably one of the key departments for, as the title says, regional development and primary industry. I am a little bit uncertain, I suppose, as to where this issue sits within your policy development, because you do not seem to have much information about what is appearing to be one of the key inhibitors for our people in the regions. Has the department actually looked at this issue previously; and, if so, in what sort of detail?

[9.50 am]

Mr ADDIS: I think it would be fair to say that there are a whole range of priority inhibitors for the regions, of which this is one. Broadly speaking, this is one on which I think our view would be that it is harder for us to have a clear and significant impact on. It is an issue absolutely. What can we do

about it is much less clear. We have certainly not given it, I suppose, overarching priority. It primarily sits within the responsibility of the Department of Transport. As I said before, I think our work on this has in the past been what I would describe as in patches in response to particular critical places or flare-ups, I suppose you would say, rather than holistically. I think a more holistic view from the government that brings together tourism, transport and regional development is perhaps worthy of consideration.

Mr S.K. L'ESTRANGE: Just picking up on that and this aspect of what you have looked at, on page 5 you said —

... it would be useful to examine the profile of people using regional air travel and the purpose of the travel being undertaken —

I am picking up on what Stephen asked; that is, what would you see as your mission or key objectives to regional development, and do these align with answering the need for that examination, or are you focused on something else?

Mr ADDIS: Our primary objective is the creation of economic activity in the regions and using key growth opportunities to achieve that. We think tourism is probably one of the state's better opportunities in the regions. That is not our direct responsibility, so I suppose in that regard we fall in behind the Tourism Commission and now the Department of Jobs, Tourism, Science and Innovation.

Mr S.K. L'ESTRANGE: I suppose where I am going with this is that you accept that the development of these regions is critically important as a goal of your department.

Mr ADDIS: Yes.

Mr S.K. L'ESTRANGE: You are saying in your submission that you think it would be useful to examine the profile of people using regional air travel and the purpose of the travelling undertaken because of the impact it could have, and that examination could show you how you could better develop those regional centres. Is that why you are saying that?

Mr ADDIS: It may give you some insights into how you might have an influence on air services and air prices. It may do. I think it goes back to my point at the start that the price sensitivity of the different segments, the different users of the air services, whether that is business, government or consumers—community or tourism—will be quite different.

Mr S.K. L'ESTRANGE: I get all that. I suppose where I am going with this is that if you understand the imperative, and I sense that the imperative here is in getting people to be able to get in and out of these regional centres more efficiently, at a lower cost, that will help develop those regional centres. I sense that is what you are saying.

Mr ADDIS: Yes.

Mr S.K. L'ESTRANGE: I suppose that if that is the goal, then I am curious as to why an examination has not occurred in this space. But notwithstanding that, there is probably three or four courses of action that you could come up with as a department that could address that objective. One could be subsidised airfares by the government to get people in and out of these regional centres more quickly. I am not saying that is the answer. That is course of action 1. Course of action 2 could be really injecting investment into the tourism aspects of those areas so that they become so attractive that the demand for air flights in and out becomes greater and the cost of air travel goes down. Have you done that analysis and have you come up with courses of action for how you might address this issue?

Mr ADDIS: We have not done a detailed analysis. We have done spot work. But broadly we have followed the approach that says, build the demand, so a focus on the tourism industry and product development and infrastructure more than the service itself, on the basis that the Department of Transport has the primary lead on air services overall, and the Tourism Commission in a more pointed way.

The CHAIR: Where do you play in that space then?

Mr ADDIS: We have played in it but without, I think, taking an overarching view, as I suppose may be considered by the state collectively. But I do not think that is something we would lead in isolation.

Mr S.K. L'ESTRANGE: So how do you measure your success as a department?

Mr ADDIS: We broadly measure it by our impact on jobs and economic growth.

Mr S.K. L'ESTRANGE: In regional centres?

Mr ADDIS: Yes, in regions, but with an increasing focus on regional centres as the kind of hub of each region.

Mr D.T. REDMAN: By extension, Ralph, this is almost a chicken and egg thing. There is regional development investment going on to try and grow product development, tourism assets, a quality airport and all those other things. If you have that going well and you attract traffic, then your airline prices get some pressure and deregulate and it comes down. What has been presented to us in all these files in front of us here is a whole range of potential interventions that government could do, either through policy and/or direct subsidies. Does the department have good analysis of the economic development opportunities and, hence, the return on investment that might be demonstrated on the back of potentially a subsidy on airfares? In other words, if government was to invest \$50 million into subsidising airfares in the state, have we got any analysis that says that is likely to return X, Y and Z in terms of regional growth and/or injection into the economy on a cost-benefit basis?

Mr ADDIS: We do not have that analysis. I think at the moment we have got a situation where broadly there is a sense that air services are too expensive and that is stopping things that should happen from happening. There is a gap in what is the nature and size of that impact. That is something we do not understand well. I think that goes across the government—and then the next step would be: what could you most usefully do to effect that? It seems to me that, and this is very much anecdotal, if the situation is such that you get a market structure established, whether it is a duopoly or whatever, and that over time settles, it would be strongly in the government's interest to have some credible interventions that it might not use but would keep the tension in the system to some extent. I think that is one area that is worth looking at. What are the package of either interventions or potential interventions that government can hold to keep some heat on?

Mr D.T. REDMAN: You talked about the price sensitisation of users. You would probably put FIFO, I am assuming, on the top of that as least price sensitive.

Mr ADDIS: Absolutely.

Mr D.T. REDMAN: If I was to run down that rank—correct me if I get it wrong—so FIFO, perhaps government/corporate, and then something like agriculture is probably slightly less price sensitive. Would it be fair to say that tourism is at the bottom of the list?

Mr ADDIS: My sense is tourism, because a tourist in Perth or anywhere starts with a whole world of opportunities. If you look for Broome or Kununurra, it is \$1 200, and Denpasar is \$200.

Mr D.T. REDMAN: Where does the domestic user, the Kununurra resident, fit into that?

Mr ADDIS: I would have thought above that—less price sensitive, but in the long term it seems to be one of those factors that adds up to people saying, “Well, it’s too hard. I’m going to pack up my bags and move.” Some of the perceptions and choice-driver information I think it would be worth understanding better.

The CHAIR: Are there at the moment any interdepartmental committees looking at this, or do you think there would be value? It seems like the Department of Transport, your department and Tourism all have a very significant stake in this. Yes, there are lead agencies, but you all have something to contribute. Are there working groups or do you see value potentially in establishing some sort of framework where the departments can work together on this issue?

Mr ADDIS: My understanding was that cross-agency work was done for the State Aviation Strategy, but I do not know if there is existing or continuing cross-agency.

Mr CLIFFORD: I am not aware of any.

The CHAIR: Do you see value in that?

Mr ADDIS: Potentially, yes. I would imagine that the inquiry would lead to that sort of thing being explored.

The CHAIR: I have a question, and I guess it is a little more granular. I wonder if you have any view on freight and the role of freight on airlines and regional air routes—what their impact is on the commercial viability of air routes and what impact that may have on airfares at all?

[10.00 am]

Mr ADDIS: I do not really.

The CHAIR: I have a whole heap of questions that, I guess, have emerged as I have been reviewing the materials. I will take a bit of a scattergun approach to asking different government agencies. One of the issues that has come through as well is around the way that local governments generate revenue from airports through landing fees and other taxes and charges. There is a view in some submissions that potentially local governments see the passenger numbers as a potential revenue source that then funds other activities or not. Does Regional Development have a view on the way that local governments charge or the cost component in airfares levied by local governments?

Mr ADDIS: I do not really have a particularly considered view. It is a material cost; part of the cost of air services but not overwhelmingly so. For instance, in the flights I was looking at last night, it was \$60 out of \$600. The opportunity to reduce that and make a significant impact on the overall price for the consumer is probably fairly marginal. It is probably a reasonable barrier to new entrants. That is one potential tool to look at in terms of reducing barriers to entry. There was some work done on local governments and airport infrastructure last year. Are you familiar with that?

Mr CLIFFORD: Yes. There was a report, it is still in draft, between the Department of Regional Development and the Department of Transport. That was looking at airport infrastructure needs.

The CHAIR: That was where I was going to go with my next question, so if you would like to expand on that point, that would be fantastic.

Mr CLIFFORD: It is not under my area. I have viewed the report in draft. I think it is still in draft. It is pretty comprehensive. I think it is more the detailed level in terms of particular airports, the controlling aspects of airports and who is responsible for infrastructure, and looking into the future for needs. I do not know necessarily whether it brings the whole subject together, but in terms of a local description, when I was going through the draft it seemed a useful document. I did review it for our submission as part of the committee’s work but there was not a great deal in there that

addressed actual terms of reference for this committee. It was a useful background document. We did not refer to it in the submission because it was still in draft.

Mr ADDIS: I think it is more about how and where the government should invest in airport infrastructure alongside local governments and the private sector more so than air services per se.

The CHAIR: What is your view on that? Some of the submissions have mentioned scope for private sector investment in developing airport infrastructure, not necessarily owning but certainly taking some sort of an investment position and then having some sort of reasonable return structure around that. What is the department's view on that? Have you done any work looking at other models of investment into airport infrastructure?

Mr ADDIS: That is essentially the nature of this draft report.

The CHAIR: Okay.

Mr ADDIS: Certainly I think our view will be that we should be looking at making the most of the private sector and being quite cautious and deliberate in the way that government puts capital into those things. A number of local governments make good commercial returns off their airports. Whether they are being run to maximise, I suppose, throughput, is a question that I think is probably considered in this draft report.

The CHAIR: Do you have a view at all on the success or the effectiveness of community fare schemes for regional development?

Mr ADDIS: I am not familiar with it. I understand it is working pretty well in Esperance and Albany. It seems like a useful initiative, but I am not that familiar with it.

The CHAIR: We come back to Stephen's point. This overwhelmingly—the evidence that we have received thus far—would suggest that this is such a key part of unlocking the economic potentials of the regions. Do you think there is more scope for the department to do some work looking into these sorts of initiatives and their flow-on impacts?

Mr ADDIS: I would have thought there is scope for us to look at it. I think the question is: what can government do about it? Perhaps the most practical thing that we have been able to think of is for us to look at what is government spend and use that to do some more negotiated arrangements with —

Mr S.K. L'ESTRANGE: From that question I asked earlier, I think this gets back to that point I was making. Almost I am looking for: is the department—it obviously has not—prepared to take a scientific approach to this and that is to actually do some analysis of the regional development requirements throughout Western Australia, look for how regional airfares might be able to open up regional development opportunities, and then with a real scientific approach say, "These are the courses of action that are open to us" so that you can present that to your minister?

Mr ADDIS: We would certainly consider it. We do have a pretty heavy load of priorities that we have got to stay focused on, so it needs to be —

Mr S.K. L'ESTRANGE: I asked that earlier; so what are your priorities?

Mr ADDIS: Obviously we are in the middle of delivering on election commitments, the existing RforR program, as well as integrating agriculture and fisheries —

Mr S.K. L'ESTRANGE: I appreciate that. Could you submit to the committee, after this hearing, a list of your priorities?

Mr ADDIS: Yes, we can.

Mr S.K. L'ESTRANGE: Thank you.

The CHAIR: In terms of priorities, we have talked a fair bit about economic development of the regions, but regional development is about much more than economies; it is about communities. Could you give us a bit of a view on the social impacts and any work that you are doing around building resilience and community support and what the impact of high airfares has on community resilience?

Mr ADDIS: Are you talking about particularly community support in terms of the airfare service, or broadly?

The CHAIR: The social impacts and the community impacts that high airfares have. Does the department have a look at that?

Mr ADDIS: We have not had a specific look at the social impacts of high-cost air services. It is fair to say that we have invested heavily in recent years in community infrastructure and community amenity. There is a very deliberate shift to trying to augment that with a stronger focus on economic and job creation or job opportunities. That is broadly the shift of focus at the moment.

Mr CLIFFORD: We are aware that this committee is going to be visiting the goldfields–Esperance region, the Pilbara and Kimberley. We work very closely with the CEOs of the regional development commissions. I think they will certainly be able to give, I suppose, on-the-ground responses in terms of the social impacts. It was something that we tried to capture in the attachment to the submission, but we were conscious that the committee was going to make regional visits so I am sure they can answer that question in terms of what is going on in particular regions.

The CHAIR: In a similar vein to my question around what the department does with Transport and with Tourism, do you see the opportunity particularly on enhancing community resilience to have greater interdepartmental contact with, say, Health and the Department of Communities? Do you see a role for the Department of Regional Development in that space?

Mr ADDIS: We have a strong relationship with Health, particularly around things like the patient assisted travel scheme, RFDS et cetera. I suppose that goes to the point of: is there an opportunity for government to take a more coherent approach to expend on air services in the region and use that to achieve other policy items than just the direct service delivery? I think that is fertile ground for some thinking.

Mr Y. MUBARAKAI: Sean had the relevant question I wanted to ask. Further to that, the question I have is: as part of DRD's strategic plan, you must have identified at some point in time the hindrance that basically caters for that strategic plan in order to go through in regional areas and that would have been airfares, being a pretty good component for growth in those areas. My question here is: Has the department ever approached the airlines? Have you ever taken the initiative to approach airlines about the most important aspect of your hindrance? Has the department ever taken that sort of approach?

[10.10 am]

Mr ADDIS: There have been various conversations with airlines over time—quite different parts of the regional development portfolio, including the commissions and the department. They have been largely focused on spot issues rather than a broader view. I know that the Tourism Commission has a pretty heavy duty engagement with the main airlines. We would seek to work with the commission mostly on those issues.

Mr D.T. REDMAN: We have some slightly mixed responses from different groups on the interaction between the FIFO market and airfares. There is some suggestion that the FIFO market is sort of the background and then if we took it away, you would not have a service, so it helps keep the service active. The other suggestion is that the FIFO market also sets a price floor that no-one else can get

to. There are two trains of thought. One of the arguments that has come up from one submission was in respect to the fringe benefits tax, as it applies to FIFO. This goes to work camps and a range of other things. Have you got any analysis or opinion on the interaction with federal government policy, such as the fringe benefit tax which incentivised a particular behaviour in Western Australia and the interaction that that might have on the airfare market?

Mr ADDIS: In terms of the way it incentivises FIFO as a workforce practice?

Mr D.T. REDMAN: Yes.

Mr CLIFFORD: Yes. The Pilbara Development Commission has just done some work with a leading consultancy company on the relationship between taxation policy and FIFO. We have been part of that. In summary—I have not got the report in front of me—I think the advice was that there was not a great deal of relationship between the taxation policy encouraging FIFO, but the Pilbara Development Commission has done some work on it. I think this is an issue where there has been a bit of confusion in the past. They have commissioned work which, I think, on balance suggests that the current taxation arrangements—they have changed, I believe, in the last couple of years—do not act as an incentive or encourage FIFO. That might be made available to this committee.

The CHAIR: I was going to say: is that a public document, are you aware?

Mr CLIFFORD: It has not been released. It has only been completed within the last, I think, six weeks. We could check whether the Pilbara Development Commission would be able to provide it.

Mr ADDIS: It would seem to me, anecdotally, again, that FIFO locks in services but because the volumes go up and down from day to day—on Friday afternoon, it is very hard to get a flight from Port Hedland to Perth—it probably has both a distorting, displacing impact. So there is a bit of both, if you know what I mean, which was your question.

Mr Y. MUBARAKAI: I want to ask a follow-up question from my question earlier before about DRD's engagement with airlines. Recently, Qantas made an announcement about the London to Perth trip and then offered incentives to use that as a destination point to regional areas. Has DRD approached Qantas to discuss what other potential impacts it could assist with? It will obviously assist with growth in the area. Have you used this new initiative as a way of approaching other airlines and talking with them about how they too could take a leaf out of what Qantas has done and put more emphasis how you could meet your targets?

Mr ADDIS: The Tourism Commission has primary responsibility for that and leveraging that into the regional destinations stuff that they run. One of the challenges for us in Regional Development, because we are essentially a crosscutting agency, is to work with rather than step on toes of lead agencies in that sort of space.

Mr Y. MUBARAKAI: Have you engaged at all with the department of tourism?

Mr ADDIS: We engage with the department of tourism very regularly, yes.

Mr Y. MUBARAKAI: With regards to this new proposal?

Mr ADDIS: I am not familiar if we have done anything on that, in particular.

Mr CLIFFORD: No. We were aware, again through preparing this submission, that there have been discussions between the Tourism Commission and Qantas in terms of the new arrangements from next year. We did speak to the Tourism Commission and they raised this with us, but other than that, we have not been involved.

Mr S.K. L'ESTRANGE: With the changes to the structure of government departments, does your department—help educate me here—does your department sit now with Tourism under the same minister, or not?

Mr ADDIS: No.

Mr S.K. L'ESTRANGE: With regards to this restructure, has there been scope for you to get involved at the planning level with how this will all work so that Regional Development can have greater scope to look at influencing tourism goals for the regions?

Mr ADDIS: Over the long term, we have worked closely and invested heavily through royalties for regions with the Tourism Commission in a whole range of different things. It is probably true to say that in the six weeks the new department structures have been in place, we have had some interactions with what is the commission, I suppose still, but we have not got to the point of heading towards how we co-design their priorities with the new agency. We are not at that point yet.

The CHAIR: With your royalties for regions expenditure, one of the things that you mentioned earlier was around a shifting focus from community to economic infrastructure. Do you anticipate that that funding will be applied more to the development of airports? Is that something you are already looking at what you think that would be potentially where you might look to divert that funding?

Mr ADDIS: We certainly have some existing commitments to airport infrastructure and there are at least some new ones that I expect will come up. That has not been a particular focus thus far. It probably goes back to the point that we have a view that we should be careful and deliberate in terms of investing government capital in airports and in trying to make sure that the investment is first and foremost from the private sector.

The CHAIR: Would you mind taking on notice for us the existing royalties for regions investment commitments for funding for airports?

Mr ADDIS: Yes.

The CHAIR: If you would not mind, if you could take notice the availability of the Pilbara Development Commission report you mentioned on an FBT?

Mr ADDIS: The draft one? Yes; sure.

The CHAIR: That would be wonderful; thank you.

Mr D.T. REDMAN: In terms of what has gone into airports, it would be fair to go back a few years. In other words, existing commitments are just commitments that either have not been made but there has been investment through the RAD scheme. So you might like to pick that up.

Mr ADDIS: Past and current.

Mr D.T. REDMAN: Past and current, yes.

Mr ADDIS: I am not sure whether we would be able to provide expected until the budget has been handed down.

The CHAIR: Sure; of course. Or you might get fired! We would not want you to leak anything!

Mr ADDIS: The other report, the airport infrastructure review that we have done and is drafted, are you seeking that as well?

The CHAIR: If you have that, that would be great, yes.

Mr ADDIS: I am not sure where it is up to, but we can check.

The CHAIR: If it is appropriate to provide it to us —

Mr CLIFFORD: It is nearly finalised. I think there are some issues to be worked out with the Department of Transport but I will include it on notice.

The CHAIR: The committee will be tabling on 28 November, so we have a couple of months up our sleeves. If it does resolve itself and you are able to provide us with a copy, that would be very much appreciated.

Mr ADDIS: Yes, very good.

Mr S.J. PRICE: Ralph, I suppose just to clear something up in my head, your submission addresses the second term of reference, which impacts the high-cost regional airfares and the impact that they have on regional centres from a business, tourism and social perspective. When Jess asked you the question a little bit earlier about the social impacts, to be honest, the response was a bit light. Then in your first paragraph after that, you talk about how there is limited information to respond to that aspect of the terms of reference. Is there any reason that you chose to address that particular term of reference?

I am getting the feeling that there has not been a lot of engagement between your department and the other departments regarding this particular issue and it is a difficult one but it almost seems to have been acknowledged that it was a problem and then “we’ll put over there and let someone else worry about it” whereas it is quite evident from what we have received through submission is that this is a very important issue to regional development yet the department does not seem to have taken that on board.

[10.20 am]

Mr ADDIS: I think we understand well that it is a significant issue and it is perceived to be a significant issue in the regions. I think we would be supportive of further work to put some detail around what the actual nature and scale of those impacts are. I think that is not well understood. It is anecdotal rather than analytical. That would be a substantial improvement in the debate. The next step, as I said earlier in this session, is then what you actually can do about it. That is a much, much less easy thing to do. I think at least getting a better handle on the nature and size of the economic and social impacts would be useful.

Mr S.J. PRICE: Picking up on what she said previously about investment in airport infrastructure, how have those decisions being made in the past?

Mr ADDIS: On a case-by-case basis. Essentially supported by identification of a problem or an opportunity and a business case that says that if we make this investment, we will get this result or change. But essentially on a place base rather than a broader base.

Mr S.J. PRICE: Once that investment has been made, is there any sort of review process to go back and say, “We said if we did this, we would get X amount in return” to, I suppose, identify the successfulness of it?

Mr ADDIS: There is a fairly standard acquittal process that tells us what the outputs were. The extent to which we go on and look at what are the longer-term outcomes that is by sample, so not every project gets that approach.

The CHAIR: I just have a very quick question. You mentioned at several junctures throughout your evidence about the development commissions. Are you able to shine a bit of light on what is happening with the development commissions moving forward?

Mr ADDIS: Government as part of the machinery of government changes in April committed that the commissions would stay as independent statutory authorities with their boards and with a director. The staff that previously were employed by the commissions are now employed by the

new department, and we are working through how to best make that arrangement work. Essentially, the aim is to maintain the commitment to region-based leadership and the connection to regional leadership networks but bring it into a more integrated and coordinated approach across these sorts of issues, so we do move as much as possible from spot-based to systemic.

Mr D.T. REDMAN: By extension of that question, and the Regional Development Council of Australia?

Mr ADDIS: That remains. There is a fair bit of transition happening and a fair bit of membership change which was already, I suppose, scheduled in. It is probably having a quiet period at the moment given the amount of change that is happening.

Mr D.T. REDMAN: By extension again to the Chair's question—the trust?

Mr ADDIS: The trust remains a key part of the RforR regime, essentially.

The CHAIR: Thank you very much, gentlemen. That has been very helpful. I will proceed to close today's hearing. Thank you for your evidence before the committee today. A transcript of this hearing will be emailed to you for correction of minor errors. Any such corrections must be made and the transcript returned within seven days of the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added by these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Thank you very much.

Hearing concluded at 10.23 am
