

# **ECONOMICS AND INDUSTRY STANDING COMMITTEE**

**INQUIRY INTO REGIONAL AIRFARES IN WESTERN AUSTRALIA**



**TRANSCRIPT OF EVIDENCE  
TAKEN AT KARRATHA  
WEDNESDAY, 23 AUGUST 2017**

**SESSION THREE**

## **Members**

**Ms J.J. Shaw (Chair)  
Mr S.K. L'Estrange (Deputy Chairman)  
Mr Y. Mubarakai  
Mr S.J. Price  
Mr D.T. Redman**

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**Hearing commenced at 1.23 pm****Mr TERRY HILL****Chief Executive Officer, Pilbara Development Commission, examined:**

**The CHAIR:** On behalf of the committee, I would like to thank you for agreeing to appear today to provide evidence in relation to the committee's inquiry into regional airfares. My name is Jessica Shaw and I am 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, member for Jandakot; Terry Redman, member for Warren–Blackwood; deputy chair Sean L'Estrange, member for Churchlands; and Stephen Price, member for Forrestfield. It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege; however, this privilege does not apply to anything that you might say outside of today's proceedings.

I would like to thank you for your feedback and input into the Department of Primary Industries and Regional Development's submission. Before we begin with our questions, do you have any questions about your attendance here today?

**Mr HILL:** No, thank you.

**The CHAIR:** Do you wish to make a short opening statement?

**Mr HILL:** If I might.

**The CHAIR:** Fantastic, thank you.

**Mr HILL:** Okay, thanks very much.

Firstly, thanks for the opportunity to meet with you today and present and discuss, I guess. The Pilbara Development Commission is part of a new, broader organisation now called the Department of Primary Industries and Regional Development, so we made the decision to provide a submission through the department. I understand the department's position was quite high level. You would have all seen that, and I understand the interim DG has presented to the group. I thought what I might do today is just make it a little bit more granular and present some information about the Pilbara, what is happening in the Pilbara, the kind of engagement we have had in the Pilbara and the future of the Pilbara. Of course, airfares and access to air services will have an impact on that, so if I might, I will start by talking a little bit about the commission, how it operates and then work through some information about the economy and what we expect to happen over the next few years, which will, again, impact on regional air services.

**The CHAIR:** That would be perfect.

**Mr HILL:** That will be fine? Okay, thank you.

The commission was established under the Regional Development Commissions Act. I think Jeff Gooding from the Kimberley Development Commission presented to you previously. It is a statutory authority. As a statutory authority, we were established to coordinate and promote economic development to maximise prosperity and wellbeing for the regions and for Western Australia. That is our mandate from government and from the legislation.

We have a board that is made up of local government people, community people and ministerially appointed people. I report to a minister and I report to a board. The chairman of the board,

Mr Chris Gilmour, is actually in the gallery today and is here today to support me on a number of issues, which was great. We have two main offices; the commission's head office is in Karratha and we have an office in Port Hedland. We also have some staff in a sublease space in the Pilbara Ports facility in West Perth and we are moving to close that down as we can and have all those people based in regional WA. Our minister is the Minister for Regional Development, Hon Alannah MacTiernan, and for the record, as the CEO I have the pleasure of living in Karratha, and it is a pleasure and a real privilege to work and live in the Pilbara.

As I said earlier, the commission still continues with myself as CEO and the board, but we now have our staff as part of the Department of Primary Industries and Regional Development and we are working through the machinery of government changes about how that will work for the department moving forward.

Our role in terms of regional airfares, we do not have any statutory or regulatory powers or impact. I note that you had the Department of Transport, which does have those powers, meet with you and present. I note also that they mentioned us a couple of times. I guess, for the record, one thing I would say is that they mentioned we had completed a report around regional airfares late last year; in fact, it was the Pilbara Regional Council that completed that report, not the Pilbara Development Commission. I have not yet had a chance to talk to the Department of Transport but I thought I would correct that for the record. That was the report I think they were talking about.

We tend to work in a catalytic and cooperative way. We work with departments that have statutory and regulatory powers and we provide advice to ministers around policy. I note it was mentioned by Mr Addis that we were in the process of doing a study, looking at the drivers for fly in, fly out people, particularly in the Pilbara, but more broadly: how does the finance and the economics and tax et cetera work in that sphere? We are obviously doing that report so that we can use it to inform future policy. That report is not yet complete. The board has asked for a bit more work around some of the assumptions about fly in, fly out workers, and that is because there is not a consistent swing approach. Across the resource sector you have a range of what they call swings, which is people working three weeks on, one week off; two weeks on, one week off; eight days on, six days off. We are trying to get a number of scenarios that accurately reflect that as part of that report. I understand Ralph said that we would make that report available to you; we obviously will. We just need to complete the report, which should happen pretty soon.

**The CHAIR:** Rough idea of when it might be done?

[1.30 pm]

**Mr HILL:** I would hope it would be done in the next couple of weeks. So, it is not three months out. We would like to get it complete, because I think it is important to inform some of the policy discussions that will be happening over the next three or four months.

Taking a step back, we do talk to the Department of Transport around issues with airlines and airfares. We do work with other government departments around that and we work with business and community in collaboration, often in joint ventures or often in funding partnerships, to do things. People ask me, "You can fund things, but how do you operate?" I guess we operate almost like a catalyst for regional development. We work closely with local government, have a number of joint projects with local government, and we work with other state government departments and the federal government when that is appropriate.

From a regional perspective, what is the region? The region for us is about 20 per cent of the state's land mass. That impacts, when you think about it. You would have heard from the Kimberley

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Development Commission, Mr Gooding, that they are distant and they are large. The Pilbara, we are the near neighbour, and I guess we are distant and large as well—about 20 per cent of the state's land mass. To get that in perspective, the Pilbara is about twice the size of Victoria. It is a different construct when you talk about regions and regional development in Western Australia, I am sure you are aware of that, but it is an important factor when you think about airfares and why they are important to a regional community. We have four local governments. It is a large area with four local governments—the City of Karratha, where we are meeting; the town of Port Hedland; and the Shires of East Pilbara and Ashburton.

There are about 60 000 residents in the region, as the recent census indicated, which is about an increase of 10 000 people living in the region since 2006. I think another factor that is different about the Pilbara—because that is what we are talking about—is the demographic in the Pilbara. That impacts again on the need for airfares and the need for people to have affordable airfares. We have got a young population in the Pilbara. If you have a look at the demographics in the last census, we have got a population, compared to the rest of the state, that is very much under 50. So I'm an outlier—I am an old bugger, sorry—an old person in the Pilbara, essentially!

**Mr D.T. REDMAN:** I would not have put you a day over 40, Terry!

**Mr HILL:** Thank you, Terry!

So, it is a very young population. Our schools are basically very full. We have a school that is looking at putting in transportables because it is full. The seven primary schools are all pretty full. It is a very young population with lots of families. That is a construct to have, I guess, in terms of thinking about the Pilbara and regional airfares. Where you have got young families, you have health needs and you have family needs, so a precursor in terms of regional development is having a liveable community—a liveable place in the Pilbara. That has been really critical. When you look at that, it becomes more important when you have a younger construct of people.

**Mr S.J. PRICE:** Is that equally applied to all the regional centres within the Pilbara or are you specifically talking more about here?

**Mr HILL:** No; I think it is certainly a difference in terms of the schools and how full the schools are, and that is more population, but the demographic generally across the Pilbara is quite young. I was down in Paraburdoo recently—again, I do not have the statistics with me—but it is a very young community, a lot of young families, a lot of kids playing sport. Overall, a young demographic, yes. It is a bit different. That, of course, also has issues with other social factors like getting people who can volunteer to do things, because you have a younger structure, more young families.

In terms of airports that service the region, I guess the five major airports are Onslow, Paraburdoo, Newman, Karratha and Port Hedland, and there are a range of passenger movements. We have got some numbers from 2016. Data is an interesting thing that I will talk to you a bit more about later. It is difficult to get consistent data quite often, but if you have a look at the numbers, in 2016—this is from the Bureau of Infrastructure, Transport and Regional Economics—Karratha was about 500 000. I am sure the City of Karratha's got more accurate numbers than that. Newman has about 300 000, Paraburdoo about 164 000 movements and Port Hedland about 364 000 movements. They are large airports in terms of movements for regional Western Australia. Then you ask yourself the question about that, and I will get into that minute.

**The CHAIR:** One thing we are very keen to understand about those passenger movements is the breakdown—what is the purpose of travel? Is there any visibility or any datasets you are aware of that can give us that level of visibility?

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**Mr HILL:** That is a very good question. In working through this, we attempted to get more of that data. I think that data is important to thinking about the costs of regional airfares and how they are structured in the future. It is pretty opaque. There are a number of numbers that are opaque that make some of this stuff challenging. I guess the other one is how many fly in, fly out workers operate in the Pilbara. I have done some numbers. I am happy to share. I have made some notes to myself, if you want me to share those notes, that have some of the stats that I am talking about, to save you writing them all down. I am happy to share that.

**The CHAIR:** That would be great.

**Mr HILL:** If I just quickly run through and give you an idea of the economy and then jump to some numbers I did on FIFO.

**The CHAIR:** Perfect, yes.

**Mr HILL:** That would be okay with you; that would be good. I was saying earlier that we have 13 other certified non-government operated airports in the Pilbara. So you have got those five and you have got 13 others. When I delved into what certification means, it means the level of service is RPT or it is a frequent charter with more than 30 passengers. That is a lot of airports. You would be aware that there are a number of those that are reasonably close to population centres. It is an interesting construct.

**Mr S.K. L'ESTRANGE:** Terry, you called them airports. Would it be fair to call them airstrips?

**Mr HILL:** Some of them feel like airports. I landed at Solomon four months ago. It has got an air-conditioned facility with TVs and food and drink and all of that. It is actually better than the Carnarvon Airport used to be when I lived in Carnarvon! There are some pretty flash airstrips that are termed "airports" around.

**Mr D.T. REDMAN:** Was the Solomon one what you called the certified? What are the five certified?

**Mr HILL:** Sorry, there are 13 other non-government operated airports that are certified by CASA. I can give you the list.

**Mr D.T. REDMAN:** What are the five? Do you know the five that are certified? I thought you said there are five certified.

**Mr HILL:** No, there are five that I would call "major" and then there are 13 other certified non-government operated airports. I will just quickly see whether I brought the list. If not, I can provide it. It is on the CASA website.

**Mr D.T. REDMAN:** That is okay. I thought there was a difference between certified and non-certified.

**Mr S.J. PRICE:** Do you count Paraburdoo in the top five?

**Mr HILL:** Yes, about 164 000 passenger movements in 2016.

**Mr S.J. PRICE:** That is owned by Rio, is it not?

**Mr HILL:** Yes, but it operates RPT services. It is that RPT. CASA certification talks about the level of service to be certified as being RPT or a frequent charter with more than 30. That is where that number came from. It indicates that there are 13 other pretty functional airports out there dealing with passengers. It is a lot of airports, when we think about it. When we compare that to the rest of the state, we have a lot of airports in the Pilbara. I guess the economy has a significant impact on airfares, and I will talk about that a bit more, but it is dominated by the resource sector. We all know that. We produce 95 per cent of WA's iron ore. WA is the largest iron ore producer, accounting for 37 per cent of world production and 52 per cent of world seaborne exports. Internationally, this region is really important economically.

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In terms of new things that are happening: when I am in Perth I often get the feeling that people in Perth think that the economy in the Pilbara is battling, there is not a lot of new things happening. I just did a quick run. We have got CITIC Pacific's Sino iron ramping up; Hancock Prospecting is ramping up production. They are both doing that. Rio Tinto is developing new mines and a number of new deposits. BHP is ramping up Jimblebar, proposing South Flank, and FMG needs to replace Firetail. At that top end of iron ore, there is going to be a lot of construction over the next three to five years. Again, that will impact on our air services.

The other thing that is happening is there is a lot of new developments in other minerals. We have got three lithium mines south of Port Hedland that are on the books and under development. Artemis Resources just announced a gold find out of Karratha. De Grey Mining are looking at a gold mine out of Whim Creek and, of course, you would have heard about Flinders Mines that is linked to the Balla Balla Infrastructure Group project, which I think government is aware of, which is a rail and port for another operation.

[1.40 pm]

When you pull all of that together, it is something that we need to do, and you were talking about statistics, the potential number of jobs flowing out of the Pilbara in the next three to five years is quite significant. Yes, we have been through a construction boom and we are coming back into a production cycle, but to keep these mines going and with the new mines you would expect that will arc up a little bit as we move forward. Of course, LNG is the other key sector for the region and that is in a growth phase as well. We are also seeing Woodside revamping houses in Karratha; we are seeing new investment back into the facilities out on the Burrup. There is an expectation that the economy will push forward again quite quickly.

We have some numbers around the number of flights. How does that work? How is that dominated? And there were questions about statistics. We went to the last census. Unfortunately, I understand the data from the new census to help us with this is not out until October, but that is not far away to get access to that data. We had a look at the last census and did some numbers around what that indicated. We actually think that is an under-representation of FIFO, but it is the best numbers we could get. If you operated that on a two-for-one swing, it indicated that about 600 000 of the passenger movements in the region were attributable to just the FIFO part of the sector. If you then say those resource companies have people coming up to work during the week and stuff like that, quite a large number of the airfares and receipts is dominated by the resource sector. That has an implication. When you look at Pilbara passenger movements over time, there is a really strong peak of passenger movements in 2010–11 and 2011–12 and then a tailing off in 2012–13, 2014–15 and 2015–16. Those numbers were pretty clear. You could see a very quick ramping up of seat availability and passenger movements in the region. I guess that is the data we have. Having more data and better data would be really valuable, and obviously when the census comes out we will be able to update that data.

From a commission perspective, we have a role around economic development and we have a role of engaging with community. In 2015 the commission worked with the community. That was workshops across direct involvement in getting people to communicate back to the commission about what their expectations for the future of the Pilbara were. It was a significant process. More than 300 people got involved in that process and it ended up in, I guess, a vision that the people of the Pilbara had for the Pilbara. It was talked about as an investment blueprint, but it was really about a vision for the Pilbara by the Pilbara. What came out of that for us is a number of sectoral opportunities. The community believed that the commission should work around tourism, agriculture, aquaculture, small and medium-sized enterprises, and new energy. They were some of

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the key areas that community and business felt were important for the future of the region—that is, we need to diversify the region's economy. The high cost of airfares does impact upon that.

Whilst, again, you do not always have empirical evidence, if you go to the State Aviation Strategy, it was recognised that the tourism industry faces a dual effect. One was high airfares; of course the other one at the time was accommodation shortages because of the construction boom. That has settled down now, but the perception is the high airfares are still there, so that constrains. Recently, Tourism WA completed a study looking at what stops tourists. How do they feel about the Pilbara? What would drive a tourist to come to the Pilbara? One of the cons for the region, again, is that flights are expensive. I do not know if Tourism has shared that.

**The CHAIR:** We have not spoken to them yet.

**Mr HILL:** Again, the perception of people. Trying to build a tourism industry, the perception is that flights are expensive. It is considered to be a significant barrier to regional tourism generally. That is a challenge in terms of diversifying economy. The scale of the barrier has not been objectively identified. What is the barrier? What is the price point? What is the number at which tourists balk? What is the number at which tourists think that is value? Often, to come to the Pilbara—the same with the Kimberley, the same with regional Western Australia—you have to go somewhere first to get here. That may change for the Pilbara. We do have an international flight out of Port Hedland to Bali, so there is a route there, and the City of Karratha is looking at a route to Singapore. That would happen, but of course in looking at a route from Singapore, if you then said, "I'd like to go to the Pilbara and Perth," it may again impact on the perception that the cost is significant. The cost of an airfare to Perth could impact on the tourist's choice to come to the Pilbara via Singapore. That is economy.

I thought about the government. Government is an important part of the regional infrastructure and how the regions work. I got to thinking, in terms of that, what is an example of where the government is impacted by the cost of high airfares. The one that came to mind was the WA Country Health Service. They manage the patient assisted travel scheme and they also bring specialists to this region. I did this specifically for this region expecting others would have their information. When we looked at that, WACHS shared some data with us in the last financial year that they paid for at least 1 600 return flights per year from the Pilbara to Perth—that is an average.

**Mr S.K. L'ESTRANGE:** Who was that?

**Mr HILL:** WA Country Health Service through the patient assisted travel scheme.

**Mr D.T. REDMAN:** That is just PATS?

**Mr HILL:** That is PATS.

**Mr D.T. REDMAN:** That is just the PATS payment, 1 600—that is not their own traffic?

**Mr HILL:** That is just PATS. PATS was 1 600 return flights per year from the Pilbara to Perth. We calculated and talked about this. It is hard to get the number, but when you are on a PATS, you are going down for medical reasons, so often you need a flexible airfare. We calculated that at \$600 each way, which is the flexible airfare cost. We also asked them, because they do bring specialist medical people to the region who are not based in the region, and there are about 262 of those flights. If you bring together both of those, that part of government alone, is about \$2.2 million a year to support that service that the government provides in the Pilbara. The high cost of regional airfares does impact on government, as well as community and as well as business, and I guess that was the point in trying to assess where there is a chunky bit that we can actually get some stats on. That is why we got to that. Thanks to WA Health services for supporting us with providing that data.

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In terms of less data, but I guess, living in a region, understanding and being in contact with community—this is whether in Newman, Paraburdoo, Port Hedland, Karratha or Onslow—people see regional air travel and affordable regional air travel as a key component of the social community fabric of the region. There is this expectation they have that it will be affordable. How do you quantify that? It is difficult, but it is something that you could do in a community survey, if you did that kind of work. Periodically, you get outrage. If I go online today to buy an airfare to go to Perth from Newman in January to March next year, Virgin have got a sale and I can get in airfare from around \$159 one way. I looked at if I wanted to go at a particular time from Newman to Perth—it is a little unfair because there are different fares and different times—but the airfare was over \$1 000 one way.

You get outrage from people in the community who, for personal reasons, for family reasons really need to go to Perth, Mum's sick, there is an issue, "I need to go to Perth tonight," and they go to check the airfare and the cheapest airfare they can get one way is \$1 000. You get that regular community outrage and you feel that in the community. When you have got young families, kids, all of that kind of stuff, it is a big expense for a young family to jump on a plane and go to Perth from any part of this region. Any part of this region is distance from the city. That is a challenge and expectation, I guess, of the community.

The other thing in my mind is that there is an opportunity that also comes from the way the planes work in the regions—that is back in the diversification space. I am sorry I missed it, but the other thing in my mind is that as we diversify the economy and work to do that—it is starting to do that; there is momentum. We are seeing new businesses set up in the region in the SME sector. We talked about the investment in Pardoo in cattle. We are seeing other investments in the region in cattle. Pilbara Ports have just put in cattle yards so they can export cattle out of Port Hedland. We are seeing new industries set up.

As you move through that, you see quite often when you travel here, if you pick the wrong day or the wrong time, you will be on a very full plane. But quite often, if you pick the right time and the right day, you will be able to play footy down the aisle. I am not joking—if you live in the Pilbara, you will experience that. You will be on a plane with 16 people, depending on the time of day.

[1.50 pm]

**The CHAIR:** What, playing footy?

**Mr HILL:** Perhaps. I guess one of the opportunities that falls out of that for me is, in terms of a diversified economy, a number of things will come out of that. The Murujuga Aboriginal Corporation and another company are looking at whether they can do oyster production in the region. More of those industries will generate freight opportunities for airlines. You would hope that that will have a positive impact on the return on a plane and that will be part of a thing. I guess also, if you can get airfares to where tourists want to go on the planes, then you also have that opportunity because there are loads and planes that are not full. It is not all downsides. There is also some opportunity for the regularity of flights that we have.

I might stop in a minute. One of the experiences that I think it is also important is transparency of how things happen. In my experience of regional communities that I am sharing, if you can be transparent—if people can understand how things work and they can have a say but the expectation is not necessarily to have a vote, if you know what I mean, but to actually have a say, understand and influence, and feel like they are being heard—then you can get change and you can get community engagement.

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In reading the other submissions you have had and certainly in pulling together information, I found one of the difficult things is understanding the dynamic of regional airfares—how they work, how that plays out and how you might influence it. I notice that you talked to the Department of Transport about their legislation and what was possible in that. I think a really positive step forward would be more community business engagement with the airlines about how it works, why we do it the way we do it, and, again, my experience has been that if you do that with quite difficult issues, you can get positive outcomes. I think that is a really important thing.

As I say, some more tools—I think one of the recommendations around the DPIRD submission was whether you could have something similar to a regional price index for airfares. When people can regularly see how things are working, then they can make decisions about what they do and they can also government make decisions about how it interacts with the sector. Thank you; perhaps that is enough from me.

**The CHAIR:** Thank you, Mr Hill. I really think that is a fantastic overview of the work of the Pilbara Development Commission and a lot what is going on up here. I am really interested in a point that you came back to at the very end of your presentation and raised very early on around interagency collaboration—working with business and working with the community to do things around various specific projects, and the fact that you can act as a real catalyst for regional development. Do you see a role for the PDC in this airfares space? Or do you see opportunity for more collaboration within the community to engage with the airlines, for example, on this issue?

**Mr HILL:** I see an opportunity to get community and business—because small business is impacted on by the cost of airfares, as is community, and the Pilbara is under-represented in the small to medium-sized enterprise space. There was a lot of creating out of small business during that really, really peak construction cycle and expensive housing. The cost of doing business here was really high. As that has normalised—people talk about it normalising, and that has been very difficult for some people who have, I guess invested at the peak of the construction cycle. We are seeing green shoots, is perhaps the word. We are seeing those new businesses move forward and the Chamber of Commerce and Industry has been quite impactful in communicating change and working through that with the community.

I see an opportunity for community, business and government to better understand how this airfares system actually works and then have the chance to have a bit of a say about it—have a discussion about it. You do that in other challenging areas. You bring community and business together with the issue and you have more clarity and transparency, and you get results because people start to understand how things work better and people feel like they can have a say about how to move forward with those things. How you get that data—clearly I am no expert, obviously, in aviation—in reading the Department of Transport’s submission, they have some powers that can enable some of that data to be collected.

**The CHAIR:** The transparency and availability of information has certainly been fairly frequently raised as we have moved throughout the regions. There are some levers that can be pulled by the state and it is one form of intervention that is an option for us.

**Mr S.K. L’ESTRANGE:** On page 5 of the submission by Mr Addis, it says, “We submit that it would be useful to examine the profile of people using regional air travel and the purpose of the travel being undertaken” and it gives examples of different purposes. As the Pilbara Development Commission links to regional development, I suppose the question is why has that research not been done already. If regional airfares are such an issue, why has there not been an effort to look at it?

**Mr HILL:** That is a good question. I guess I do not have an answer to why not, really. It has become quite stark in recent times that it is a key issue in the regions, so it is a difficult question to answer.

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**Mr S.K. L'ESTRANGE:** I am not assessing the Pilbara Development Commission —

**Mr HILL:** No.

**Mr S.K. L'ESTRANGE:** It is just an observation. Has this issue become front-of-mind for the development commission because of our inquiry or was it serious enough for the community to be putting pressure on the development commission or putting pressure on the council or the CCI to get something done? Or is it not that big an issue?

**Mr HILL:** To answer the question, the Pilbara has been through a cycle and the cycle we went through was static, static, static, then an explosion of construction operation over a period of years. The focus at that point—it is about focus; it is about priority at the time—it was before my time here, but I understand it was dealing with how we support that growth from a state perspective?

**Mr D.T. REDMAN:** Three thousand dollars a week rents.

**Mr HILL:** Yes. The focus was absolutely on housing, getting land made available, infrastructure and making the place liveable. I remember when I first came to Karratha two and a half years ago, I went “Whoa! This is not what I expected from my memories of Karratha.” I had been here previously in a previous role. I do not think it is about not recognising the priority of the issue. It was where it sat at the time and as we have come through that cycle, the economy is coming out the back end and the community is keen to see more diversification and more opportunities. That has now become an issue. It was an issue before, but there were higher priorities at the time. Starting infrastructure build—you have been around the region and seen it—and just getting the housing and the land available so people could live here and support the sector was, I can see, an enormous effort over those periods of time. I just think it is about priorities in time.

**Mr S.K. L'ESTRANGE:** Is it a priority now for the development commission to conduct an examination of the people who are using regional air travel for the purpose of travel?

**Mr HILL:** The Pilbara Development Commission is part of the Department of Primary Industries and Regional Development. I think Mr Addis said yes, he sees that as a priority so, I would support Mr Addis.

**The CHAIR:** I guess as well that times are a bit tougher now and people are feeling the pinch a bit more. Maybe when everybody was doing pretty well out of the boom, perhaps the cost of regional airfares was not quite such a priority. Now, a lot of people are feeling the pinch and this is just another area where, perhaps, the high cost is really having an impact because wages are just not there. You mentioned in your evidence that you do a lot of community engagement. Could you give us a bit of a sense, not just from an economic perspective but as you have engaged with communities, what your sense is about the impacts of high airfares on communities and liveability up here in the Pilbara?

**Mr HILL:** We have not run a formal process around where we have gone out and talked to people specifically about the high cost of airfares. We have not done that. We have worked with the community on other issues so I could give you some examples of that but we have not done it specifically with airfares. I think that is to the point that a lot of conditions have caused us to get to the point where this has become an issue in terms of priorities and the economy moving forward.

To further answer that question, if you look at tourism, a number of charter boats used to operate in the region. A number of charter boats operated fishing charters out of Onslow. During the boom, all those boats turns into service vessels for the LNG sector, or accommodation, and so now it has swung back and people are saying there is a real opportunity here to get the charter vessels back and build the economy, but we have to get people to fly up here. There is a real opportunity for

Indigenous tourism businesses starting up in the Pilbara—the same thing. It is a different stage, I think, and that is how the priority comes about.

[2.00 pm]

**Mr S.J. PRICE:** Terry, would be fair to say that essentially—we are focusing a little bit on Karratha here, but we are talking the Pilbara more generally—it is in a bit of a transition, so I do not completely agree in regards to some of the comments about the last five years because for the last 30 years, there has been a continual pipeline of work. It started with the Burrup and went through the different stages. They finished and we went to Pluto. Then since Pluto, things have got a little bit tight but there has been Gorgon and Wheatstone, which has maintained throughput through here. Looking to the future, the pipeline of big projects is not there so Karratha will become essentially more of a service hub for some of the facilities that are around and, if we are fortunate, we might get some expansion of Pluto but, as far as it goes, that is pretty much it.

Then in the mining sector, away from oil and gas, you have had some new mines and some expansions of some mines but the predominant towns are Newman, Paraburdoo, Tom Price and the likes, which are predominantly mining towns as well. You are now in this situation where the future looks different to what the past has. We can come back to the economics of the impact that the high cost of regional airfares has on it. One of the things we are looking at is the economic impacts, but the social impacts have become reasonably front and centre from a lot of the hearings we have had. I am just curious as to the timing of that. I am picking up a little bit on what Sean said. The city did not raise the social impacts as one of the main reasons that they were presenting to us, yet quite a strong feeling has come through previously. Going forward, what is the development commission actually doing to help diversify the economy apart from a resource focus?

**Mr HILL:** If we take a step back to the work that was done with the community and business about the future and looking at the diversification options, the commission is doing a range of activities. Certainly, where we have businesses that come to the Pilbara and whether it be Newman—not based on Karratha, but wherever it is—in contact with us, we often help them think their way through the government processes. So we act as a catalyst, I guess, in terms of that. We also link businesses up. Another example of that might be in the new energy sector where, at the moment, we have a number of proposals for pilots and significant investments in the future in new energy—solar-based hydrogen and clever, new technology from an organisation called Sahara Forests that is doing a pre-feasibility on a high-tech solar glasshouse facility for producing food and other plants that uses solar, salt water, cooling/heating and it is pretty self-contained. We connect up those businesses and help those businesses think about how they work together. We do that with the city, if we are in Karratha or we do it with the Shire of East Pilbara, looking at horticultural opportunities around Newman.

In the ag space, we have had a project called the Pilbara Hinterland Agricultural Development Initiative. That looked at how you could use dewatering from mines to support agriculture and then, in fact, if you are supporting agriculture in the region, what plants can we then get a tick on that you can grow, because you have to be on an approved list with the Department of Environment Regulation. We are working in ag in that space. We are in a working partnership with ag, funding went to ag to do that and a lot of information has come out of that and is being shared with the sector.

In the aquaculture space, we did some studies looking at what are the opportunities for aquaculture in the Pilbara? We have an enormous coastline. It is stunning to me. We have 46-odd islands off the Dampier Peninsula and a whole lot of sites in the ocean that were there for pearls. So we actually have aquaculture sites but they were specifically for pearls in the region. We are working with an

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Indigenous corporation, with the city, with a private company, and with the Fisheries Research and Development Corporation out of Canberra with some of their money to bring together a project to look at growth rates of oysters and whether there are any fatal flaws to an oyster industry. Being a catalyst and facilitating that kind of development; I think they are just a few examples. Again, we are a small number of people—we are about 16—so have to be focused.

**Mr S.J. PRICE:** In all those discussions, does the cost of regional airfares come into consideration?

**Mr HILL:** Yes, I think it does. I did not get to tourism.

**Mr S.J. PRICE:** No, I am talking about the other ones; not tourism.

**Mr HILL:** Oh, in the other ones.

**Mr S.J. PRICE:** Is that a consideration for economic development?

**Mr HILL:** I think it is because you still have to get people to come and live here to do those jobs.

**Mr S.J. PRICE:** Yes, but has it been part of the discussions to date?

**Mr HILL:** No; they were very formative discussions, so the answer to that would be no.

**The CHAIR:** I guess you need a workforce, you need to educate people and that means people need to commute. I can understand that that would be a bit of a challenge. What about tourism then, Mr Hill? It is an issue that we have not really heard much about in the Pilbara. Certainly, when we were in the Kimberley yesterday, we got the rap from Broome and Kununurra and how proud they are there of their tourism opportunities up there. What do you see as the big opportunities here in the Pilbara, and how do you see regional airfares playing into that space?

**Mr HILL:** We have been doing some early work around a strategy for tourism in the Pilbara, which we have done with Tourism WA, local government, the Pilbara Regional Council and others. We brought together a strategy for the focus areas for tourism and I will go to that in a minute. Tourism WA also did some work with focus groups et cetera, which I was talking about earlier, on what people's perceptions are of the Pilbara. Why would you come to the Pilbara to do anything? We have a perception study from Tourism WA with some interesting things in it.

If we take a step back, the economy has been in such a place where we had \$3 000 rents and it was hard to get a room for quite a number of years at a hotel or a motel. Tourism got crowded out of the Pilbara. There was tourism product in the Pilbara before the construction cycle happened that was not there at the back end of the construction cycle. Probably, the reason you have heard less about it is the product is less well-developed and it is very difficult to market product in tourism if you do not have product, so it is a bit of a chicken and egg thing. In terms of opportunities for tourism in the Pilbara, the commission, as I said, did some work and some strategizing. The Department of Parks and Wildlife was involved in that as well.

Really, the three big, iconic tourism assets the Pilbara has are: Karijini National Park—I do not know if you have been to Karijini, it is quite amazing, but there is not a lot of infrastructure; Millstream National Park—again, there is not a lot of infrastructure, but some stunning features; and the Burrup Peninsula, which you may have heard about—the biggest collection of rock art anywhere. There is 30 000-year-old art right across the Burrup and some stunning islands. They are the areas that the commission has been focusing its attention on. The strategy was only completed six months ago.

As a result of the strategy and again working with the Murujuga Aboriginal Corporation around the Burrup and Maitland industrial estates agreement, the biggest part of that estate has committed some money—\$8 million—for a living knowledge centre. We are working with the Murujuga—they are leading, of course; we are working with them—around how you might build something iconic in terms of a tourism asset that is part of that so, I guess, it is profitable and does not require any

underpinning in the future. We are working with DPaW around what are the key—there are about 260 000 vehicle movements through Karijini now into the national park with very little infrastructure. I do not know if you have been there; the roads are a bit average sometimes and there is a little bit of infrastructure in some of the gorges. There are a lot of issues around safety around those gorges. DPaW would argue we could very quickly get a million tourists in the next 10 years into Karijini with some key infrastructure, so we have been doing some strategic work with DPaW about how that might work and the same with Millstream—at the front end of that business.

It is critical in that business, of course, to get people to go to those assets and airfares will have an impact upon that. There will be a lot of the drive-through traffic, which is what we have now, but with airfares at high prices and with the perception surveys we get that the number three point is flights are expensive for the punters, it will be a challenge to bring in a different level of tourists. The other thing we will, of course, need to be doing and others are looking at, is a hotel. There are discussions around a new hotel in Karratha. There have been discussions in the past about a new accommodation facility in Tom Price as an entrance to Karijini, which would be privately funded. So, as you do that, you do not want to be held back by high rent in airfares and the regional airfares the way they are at the moment.

[2.10 pm]

**The CHAIR:** I was very interested to hear what you said about how tourism has been crowded out by the resources sector. Certainly some of the evidence that was presented to us in Broome suggested that they are seeing their tourism industry being crowded out by the resources sector. It would seem that there is still going to be a bit of resources-related economic activity here in the Pilbara. Is it a risk going forward that there is not going to be space for the tourism sector?

**Mr HILL:** I take the honourable member's point about how tourism —

**Mr S.J. PRICE:** I am not honourable! Stephen, please.

**Mr HILL:** Stephen, I take your point. The biggest project, I guess, on the books at the moment for the Pilbara is the BBI project at \$5 billion to \$7 billion, somewhere around there. They are not small numbers. In most of the regional centres, there are some issues around access to industrial land. In Newman at the moment, interestingly there are only a couple of blocks left at the industrial estate. If you look at the opportunity for land and housing and the housing stock in some of the major places—we are in Karratha, so I will talk about that—you have still got blocks available in Madigan estate, which you will pass on the left on your way back to the airport, and we also have an estate called Mulataga which is yet to be developed and ready to go.

My expectation is we are in a better position to deal with the growth. We do not have the answer, because we have not done the modelling to do the work around if it was really big, what would we need to do. However, the Pilbara Development Commission and the Kimberley Development Commission have invested in a modelling tool called ALCES, and we are working to populate that. That tool will enable us to say: if we have an extra 500 jobs in Karratha, what would that mean for population, what would that mean for land, what would that mean for the number of schools we would need, and can you build it? It is a very clever piece of software with a bunch of algorithms that are way beyond me, but the young staff interact with it really well and they can actually run scenarios with it at the moment. We are getting all the state databases in it, like the SLIP database out of Landgate et cetera so that we can do some of that scenario modelling in the future, because they have been quite difficult questions in a planning sense to answer. Again, you need data and you need to be able to understand what that data means.

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**The CHAIR:** I do not know if you have had an opportunity to look at the Tourism Council's submission to this inquiry. It is quite an interesting submission. It talks about increasing the number of bums on regional planes or regional routes, and the degree to which there is obviously a fair portion of resources-related traffic but then the opportunity for tourism-related traffic, and recognising the fact that price is a bit of a deterrent, how can you increase tourism bums on seats at the sort of price that is going to encourage those bums onto those seats whilst not affecting the sort of resources-related baseload that underwrites in many circumstances the flights. The Tourism Council's submission talks about packaging up with local accommodation providers and attraction operators and other tourism-related industries working with airlines. Has any work been done in the Pilbara to look at that or is there an opportunity perhaps for the community, industry and government to work together like that for the Pilbara?

**Mr HILL:** If we go back to where the Pilbara is at with tourism at the moment and the amount of product that we have that you could package, a number of our tourism operators sit on the Australia's North West Tourism Board. One of the charter boat operators sits on that board, and one of the representatives of the company that owns the Mackerel Islands resort and the Beach Club in Onslow also sits on that. That is the organisation that looks at packaging and promoting the region. I guess they have looked at that. I do not know if you will be talking to ANWT as part of the process but they might be better positioned to answer that than me.

**The CHAIR:** Okay.

**Mr D.T. REDMAN:** Terry, this committee has to come together with some recommendations. Clearly, this is a very sharp, pointy issue for particularly local residents. I guess that flows into the business sector by way of retention and a range of other issues that touch that sector. You have talked about how the interaction of airfares is growing in significance as a factor in play and is one of the difficulties in building and growing the business sector here. What is the commission's view about what tools the government has the capacity to use in order to get that changed? Is it about a soft touch and hence building relationships—which has worked really well with our GST arrangements with Canberra! —

**Mr HILL:** I cannot comment on that, member!

**Mr D.T. REDMAN:** —or is there scope for other things? For example, you touched on something that came up in Broome, and that was about the buying power of government. You talked about one section of that one agency being 1 600 movements a year. The buying power of government would be pretty substantial, I would have thought, into the Pilbara and into the broader area, with things such as social services. Any advice on that?

**Mr HILL:** I do not have those solutions and I am not an expert in the area, but I do know that when you have buying power you can normally come to an agreement. Certainly in terms of government services, that is something that would be worthwhile considering. However, in terms of the broader, I guess, airfare discussion, it is really hard to see into it. That would be my answer. I could not give you an answer to the question confidently because I absolutely do not understand how it works.

**Mr D.T. REDMAN:** As the Chair has said, there is a bit of a dark art here that no-one really is able to see.

**Mr HILL:** Yes. If you cannot measure it, you cannot manage it. That is something that I was brought up with. It is hard when you cannot understand it and measure it to think about how do you impact upon it. I think quite a few of the submissions have talked about that. I do not have an answer. I have not actually thought about the concept of how government could negotiate in terms of its costs in

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a more ordered way. That is probably an option the government should think about because government is a big player in the regions.

**The CHAIR:** Absolutely. Thank you, Mr Hill. 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 via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Thank you.

**Hearing concluded at 2.19 pm**

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