

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO REGIONAL AIRFARES IN WESTERN AUSTRALIA



**TRANSCRIPT OF EVIDENCE
TAKEN AT ESPERANCE
WEDNESDAY, 30 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**

Hearing commenced at 12.59 pm

Mr WAYNE PHILIP HALLIDAY

Accommodation Manager/Chairperson, Tourism Esperance, 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 air fares. My name is Jessica Shaw, and I am Chair of the Economics and Industry Standing Committee. I would like to introduce the other members of the committee to my left: Yaz Mubarakai, the member for Jandakot; deputy chair Sean L'Estrange, the member for Churchlands; Terry Redman, the member for Warren-Blackwood; and our colleague, Stephen Price, the member for Forrestfield, will join us shortly. 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.

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

Mr HALLIDAY: I am assuming you would like some feedback, some questions and answers and some observations?

The CHAIR: Yes. I will begin by inviting you now to make a short opening statement, maybe give us a bit of an overview, and then we will turn over to questions.

Mr HALLIDAY: I am Chair of Tourism Esperance, which is a not-for-profit, volunteer organisation. We have 50 to 60 members within the community. We are involved in destination marketing and in just increasing the experience here of visitors to Esperance. We look after a lot of the initiatives like, for instance, the Tourism Esperance holiday planners. We do a lot of the social media, and we also do it for destination marketing as well. We sit below Australia's Golden Outback. Obviously they have a bigger budget and membership and paid staff, whereas we are just a volunteer organisation. Certainly our aspirations will get bigger as this town grows. We certainly see the impact of airfares coming in for visitors specifically. We see that on a regular basis.

The CHAIR: How long has your organisation been around for?

Mr HALLIDAY: I have been in town for five years. I have been with that volunteer organisation since I joined as an accommodation operator, but as far as I can remember, it would be the last 15 years here when there has certainly been a presence in the form of the regional tourism association.

The CHAIR: One of the things that a couple of other towns that we have visited have been doing is working with the airline providers, the various accommodation providers and the tourism operators to package up destination-based marketing strategies to encourage tourism. Has that been happening in Esperance? Could you give us a bit of an overview of how you are all working together?

Mr HALLIDAY: Yes. Certainly in the past, and at this particular time, too, we work closely with Australia's Golden Outback as far as packaging those airfares, accommodation and attractions and tours. Certainly it is probably underdeveloped, I have to admit, in this area, and that is probably an observation of the whole. I guess our tourism industry is probably underdeveloped, given our remoteness from capital cities. So it does make it difficult for holidaymakers to make that decision to come here to Esperance. Most of them do incorporate it, I guess, with a flight to the capital city and then a self-drive type of itinerary. We find that is very popular, and probably that is where most of our market is coming from at this stage. There is certainly potential.

The CHAIR: I was going to ask about the potential. What sort of potential do you see for air-based tourism to increase and how do you see airfares playing in that space?

Mr HALLIDAY: We have seen, certainly in the past couple of years, the increase in international visitors, particularly from China.

The CHAIR: Right.

Mr HALLIDAY: Being on the same time zone, it has been a very attractive proposition for Chinese who are wealthy enough to travel. We find that we are part of an itinerary. I can give you an example, if you like, with where I am with my accommodation. We have an itinerary with a Chinese travel group that fly from China into Perth. They do a south west tour, so they are actually on a bus and they come around from Perth, Bunker Bay, Pemberton, Albany to Esperance. Now, on the way back what happens? That is the itinerary they have got and built around at the moment, so they have overnight accommodation here and spend the day seeing the sights of Esperance. On the way home they actually catch the Rex plane home, but all their international luggage goes on the empty bus back to Perth. That is the way they have got around it because of the limitations on the kilos for the size of the plane that is frequenting from Esperance to Perth.

Mr S.K. L'ESTRANGE: That gives them a tourism experience in Perth as well then?

Mr HALLIDAY: Yes. They actually have another night in Perth and then they fly out the next day. It is a seven-day package, and it is very popular. Last year through winter we had basically one of those a week coming through.

Mr D.T. REDMAN: Through the winter?

Mr HALLIDAY: Through the winter. It was fantastic, yes. This year, with product development, they have actually taken a different type of itinerary through the middle of winter. They found it was a little too cold at that time, so they are exploring the north and the Coral Coast. But we are picking up those basically from September right through to the other side of April. At the moment there are certainly those Chinese visitors coming through in those packages.

The CHAIR: Are there tourism operators here who have gone through China Ready accreditation and do you have people with specific language skills?

Mr HALLIDAY: Certainly from a personal point of view, I have done that training in China Ready with the Tourism Council WA. And there are other operators that are specifically in line with doing those tours, taking those, and transporting those passengers, and they have done the same courses. The tour operator that we are working with actually has a Chinese English-speaking guide who travels with the group, so that alleviates a lot of the language barrier there at this point in time.

Mr S.K. L'ESTRANGE: What has been the feedback of that tourism experience?

Mr HALLIDAY: For Esperance, of that seven-day tour, Esperance is the real surprise and, I guess, the highlight, we have heard. They do the small charter—the Pink Lake flight, Lake Hillier on Middle Island, and that is quite significant, I would assume, in Chinese culture to see that pink lake. That is what, I guess, has brought them there—the attraction and their knowledge of Lake Hillier. Their experience, when they come away, they say has topped what their expectation has been.

Part of that tour they have organised—they have lunch at Lucky Bay, and they take their shoes off and they are sitting at a table with a white tablecloth, having dinner with bare feet, and kangaroos hopping about. That is, I think, the top experience of the whole trip that they identify as the highlight. It is certainly very interesting and a great potential when you consider how many. From the research, we are talking about 100 million Chinese visitors that were wealthy enough to travel the world in 2016. By 2020, they are anticipating that there will be 200 million that would be wealthy

enough to travel the world. Australia actually only attracts 1.6 or 1.7 at the moment, so there is great potential there, being on the same time zone and culturally so different, and weather-wise with the clear skies and fresh air they are taking it up in droves for sure.

Mr S.J. PRICE: Mr Halliday, I apologise for being a bit late. It is a really interesting point that you were just explaining. Can I ask a few questions about the package? It is a complete package so there is no individual identification, I suppose, of the costs associated with the travel from here?

Mr HALLIDAY: Exactly.

Mr S.J. PRICE: The other way of dealing with the tyranny of distance is to go the long way around and spread out over the week, stopping at different places along the way. Do you think a package as such, which brought international tourists directly to Esperance, would be as successful? Thinking along those lines, if that was to work, what sort of duration do you think people would spend in the area as a stand-alone tourist experience or do you think packaging it up with a central south west, south coast way around would be a better way to go?

Mr HALLIDAY: From the example of that Chinese tour operator, we had other itineraries that kept those Chinese visitors one night to two nights to three nights. It was probably a different level of expense, but those Chinese visitors would actually charter a plane and come out to Esperance and have their own pilots. We were putting up the pilots as well as the staff. That has actually happened. That is the next level of itinerary. Certainly we are really keen on developing those packages and see it as a way forward, that is for sure. That two-day, three-day trip would be ideal to capture the sights of Esperance.

Other Chinese operators have gone down the path of bypassing that first initial south west region with the heavy promotion of the space, the pink lakes and the white sand and the kangaroos. That has been developed. We have probably had, off the top of my head, four to five of that type of tour around Chinese New Year. We have not seen any of those yet this year, but we have had the bus tour package, the seven-day package, come through.

[1.10 pm]

Mr Y. MUBARAKAI: What do these packages cost for seven days? What is the price tag per person for a seven-day tour of the south west and the flight back?

Mr HALLIDAY: I am not aware of the commercial package that is done up. I have given my discount package to my airfares. There is probably at least a 25 to 30 per cent discount on my accommodation for it to be included in this package.

Mr S.J. PRICE: Is the package itself sold at the point of departure or if you fly to WA, can you pick up and do this? Do they actually come out of China knowing that they are going to do this?

Mr HALLIDAY: Yes, certainly the examples I have for Chinese tour operators—they actually have multiple offices in China to promote these and a Perth-based office as well.

Mr D.T. REDMAN: It is a little unique here in the sense that we were in Albany yesterday, and it is a four-hour drive from Albany to Armadale, so the flight costs and the price sensitivity is in competition with road travel. Four hours is not too bad a choice people could probably easily make. The question is a bit different with eight hours; it is a big call to make, offsetting your airfare price. In the tourism market space, so your sector, how price sensitive is the airfare market into Esperance to that, because driving is a higher cost alternative? Secondly, what do you think that price point is, the inflection point, between what they think is a fair deal and what is not?

Mr HALLIDAY: From my own personal experience with the accommodation, I see that the majority—if not, it is almost rare that I would see a holidaymaker coming to stay at my apartments who has

flown; they have incorporated it into a self-drive trip. I cater for holidaymakers plus corporate travellers. We have self-contained style accommodation, so people coming in for five or six days as a locum or working specifically on a project in town might stay at our place. They will be flying, so they will be paying those more corporate airfares.

Mr D.T. REDMAN: Fully flexible fares.

Mr HALLIDAY: Fully flexible fares, which are around that \$330 to \$360 mark. It is a rare thing, in my experience, to see a holidaymaker snapping up the \$129 fare. If I was trying to get to Perth and there was an option for those cheap fares, I would certainly try and plan my trip around those.

Mr D.T. REDMAN: The experience we have had with Rex, with both the shire and the chamber, and also with Albany yesterday, has been a pretty good one. You have a profile of fares: you have a fully flex fee and you have an early option to get into a community fare and take the chance of losing a seat but you get a late fare if you want to take that. So people feel reasonably satisfied. Is that the view of your representative group?

Mr HALLIDAY: Yes. I think that realistically we are aware that that price compared to other destinations in the state is probably pretty good as far as those options, yes. The price is probably less of an issue; it is probably the capacity issue of the airline at this stage.

Mr D.T. REDMAN: By extension, at some point this committee is going to be making recommendations in a report. Do you have a view about a particular recommendation that your group or yourself would like to see taken up?

Mr HALLIDAY: Yes, we would certainly want the packages, whether it is interstate or international, being promoted. I guess there can be an untapped market to capture those people that might not necessarily think of Esperance as a destination and suddenly realise that it is an accessible and easy place to get to affordably. That would be ideal, yes.

Mr S.K. L'ESTRANGE: Has there been any effort from Tourism Esperance, on your own or with other groups, to try to increase or improve air travel?

Mr HALLIDAY: I guess above us is Australia's Golden Outback—I can show you the holiday planner. On the back there is the promotion straightaway, and they are advertising that \$129 fare.

Mr S.K. L'ESTRANGE: Did you have a role to play in that ad?

Mr HALLIDAY: Obviously they travel to our region. They cover this whole larger than the goldfields–Esperance region. That was certainly one of the topics we were talking about. We are trying to get the same thing in our own specific destination. We are working with Rex to try and advertise the same as well, yes. That one got in first. Last year we were a bit late on the print run, so we are actually doing our new print run on this one.

Mr S.K. L'ESTRANGE: That is based on the current arrangements?

Mr HALLIDAY: The current arrangements, yes.

Mr S.K. L'ESTRANGE: So you are looking at your marketing campaign linked to what is currently in place?

Mr HALLIDAY: Yes.

Mr S.K. L'ESTRANGE: Have there been any discussions or is there any motivation to try to look for improving the current situation?

Mr HALLIDAY: I would say yes. Again, we are a volunteer organisation. All of our members have tourism-related businesses. We certainly aspire to do those things and get more time at the table with these operators.

Mr D.T. REDMAN: You talked about the uniqueness of Esperance and the fact that you have had a bunch of Chinese visitors. In the scheme of the south west, it is pretty important in itself. Getting out of Esperance and seeing Esperance in fact is a highlight. Perhaps there were some cultural things there that added to the experience which they put a big tick on, and hence marketing overseas is important. Rex does not have a global distribution system as a part of its profile of services. Is that something that has come up in discussions here and how important is that to you?

Mr HALLIDAY: That ability to code share we are looking at, yes. It has been identified with the oncoming direct flights from the UK to Perth. Apart from Chinese visitors, certainly from Europe we can consistently see the top three are UK, Germany and Swiss travellers, and reasonably well-heeled Swiss travellers. So they are travelling Europe but they have that option now to come out to Australia and experience something different. We would certainly be able to cut in if Rex or any regional airline could do that code sharing arrangement.

The CHAIR: This is probably quite a specific piece of information, but are you aware of what are the barriers to getting that code sharing? Is there a cost associated with it? Is that something you have any knowledge of?

Mr HALLIDAY: No, unfortunately.

The CHAIR: I did not think so, and I am sorry to put you on the spot.

Mr HALLIDAY: I think it is probably just airlines talking to airlines, and then also the code sharing for flights and then whatever—frequent-flyers, package-type incentives. If they have sharing of those, they do actually make people think twice about where they were booking or where they were thinking of a holiday destination as well.

The CHAIR: Have you participated at all in Rex's community engagement forums or their stakeholder groups that they hold?

Mr HALLIDAY: Yes, certainly I have got that capacity and I have been invited along. I am also involved with the chamber of commerce here, so I have managed to be in attendance at a couple of those, and we have had some specific one-on-one meetings as well with Rex. When they won the contract to provide services here, they were certainly very proactive about talking to the relevant people.

The CHAIR: What has your experience been with dealing with Rex?

Mr HALLIDAY: They are certainly making an effort, trying hard to do the best possible service they can do, I imagine, in a new market. Like I said, pricing may be not such an issue but capacity and those other peripheral things like baggage allowances and just those costs.

[1.20 pm]

The CHAIR: How would you contrast that with previous providers?

Mr HALLIDAY: I can recall the early days with Skywest and then Virgin later on from there. I guess—it is hard to quantify too—that there is certainly a sense that there is a bit more community engagement from Rex and, in the past, Skywest, I guess being a WA entity. There is a sense that maybe Virgin had a plan but it was not making the revenue they anticipated and interest had dropped off and they were focusing on other alternative routes to raise revenue. There certainly was a sense of that in the community.

The CHAIR: This is a prime opportunity. You have the ear of the committee. We are obviously very interested in any suggestions that we can make to state government about things that they could do to improve the airfares issue. Do you have any comments or suggestions that you think we should be cognisant of?

Mr HALLIDAY: I think just to reiterate that certainly there is an opportunity for the state government to look at enhancing or making that experience easier for passengers to decide to come to Western Australia, whether it is by greater promotion of the state in those key areas. We would certainly be advocating for those package deals to be more developed than they are at the moment for sure. Obviously we have talked about that code sharing as well with airlines and whether there is any capacity there.

I certainly understand that running an airline is a commercial operation. We have got a reasonable handle on pricing. I guess the other observation would be—I do not know whether it is leverage or not—when you can get online at any time of the day and look at an airfare that goes from Sydney to Brisbane, which is 1 100 kilometres and it is \$89 to \$169 any day of the week. We have a similar-sized destination and the absolute minimum is \$129 but it is more likely to be in the \$200s to the \$300s choice. It makes a potential passenger think twice about it.

Mr S.K. L'ESTRANGE: Has there been any sort of analysis of that from organisations like yours that ask airlines how it is that on the east coast they can do these cheaper airfares but they cannot here or is this just anecdotally what your members are noticing?

Mr HALLIDAY: From Tourism Esperance, our volunteer organisation with limited capacity, it is anecdotal. We can see that for ourselves. Certainly we have had those discussions further up the line with Australia's Golden Outback and above that with Tourism WA for sure. We have certainly expressed those concerns. At Tourism Esperance, at this stage, we are still volunteers with limited capacity.

The CHAIR: Is Australia's Golden Outback a private sector organisation or is it state government? I am sorry I am not very familiar with the tourism sector.

Mr HALLIDAY: The way it works is that you have got Tourism WA as the state government entity. Below that is those regional centres that break up, so you have Australia's north west, the Coral Coast, the south west and Australia's Golden Outback, which covers right up into the Murchison. It is a different region or a bigger region. The Goldfields–Esperance Development Commission is a much bigger region.

Mr D.T. REDMAN: Those people are RTOs, the regional tourism organisations.

Mr HALLIDAY: Yes.

Mr D.T. REDMAN: In Albany yesterday they talked about an LTO, a local tourism organisation, which is the next tier below. So the Augusta–Margaret River group is an LTO. Albany, Plantagenet and Denmark want to set up an LTO. I think probably your organisation is an LTO; is that correct?

Mr HALLIDAY: That is the way we would describe ourselves, yes. Larger LTOs, like the Margaret River–Busselton area with 800 members and quite a number of staff—so we are competing against that where we have got 50-odd members and basically no paid staff.

Mr S.J. PRICE: So they are all volunteers here?

Mr HALLIDAY: We are all volunteers.

Mr S.J. PRICE: What about the regional one.

Mr D.T. REDMAN: There are some RTO paid staff that come under Tourism WA.

Mr HALLIDAY: Yes, there are two RTO paid staff. There is a CEO and a marketing manager that are Perth-based, but they are Australia's Golden Outback staff members.

Mr D.T. REDMAN: The only sensitivity, I guess, is that Australia's south west also covers the great southern.

The CHAIR: Right.

Mr D.T. REDMAN: So mention south west and great southern and you get a bite.

The CHAIR: I was beaten up yesterday for saying that Albany was part of the south west. I will not be making that mistake again!

Mr S.K. L'ESTRANGE: Just picking up on this regional aspect, you are part of the goldfields–Esperance region down here?

Mr HALLIDAY: Yes.

Mr S.K. L'ESTRANGE: Does that impact on your capacity to work with the great southern region on collating or is that boundary just merely for discussion? Does it have an effect?

Mr HALLIDAY: As far as us, not an effect. Holidaymakers do not distinguish those boundaries at all. If they are planning a trip they will —

Mr S.K. L'ESTRANGE: But if you wanted to go into that local arrangement with those communities in the great southern, being not in the same region would not impact on that?

Mr HALLIDAY: Not at all, and certainly those RTOs organise packages and discussions to enhance that experience for a visitor.

The CHAIR: Thank you, Mr Halliday. I will proceed to close today's hearing and thank you for your evidence before the committee. 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 1.27 pm
