

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO REGIONAL AIRFARES IN WESTERN AUSTRALIA



**TRANSCRIPT OF EVIDENCE
TAKEN AT KUNUNURRA
MONDAY, 21 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 9.30 am

Ms JILL WILLIAMS

President, East Kimberley Chamber of Commerce and Industry, examined:

Mrs MICHELE PUCCI

Vice-Chairperson, East Kimberley Chamber of Commerce and Industry, examined:

The CHAIR: Welcome. 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 right, deputy chairman Sean L'Estrange, member for Churchlands; 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.

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

The WITNESSES: No.

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

Ms WILLIAMS: Just briefly, as you all will have read it. Basically, it is around marketing, similar to some of the things we were just hearing before. I think it is economies of scale that will be the game changer.

The CHAIR: I am really interested in your submission, particularly the impacts that these issues are having on small business in Kununurra. Of course, you are a membership-based organisation and you probably have a unique set of insights into that. Could you perhaps provide us with a bit of an overview on how airfares are having an impact on local business?

Ms WILLIAMS: Yes. They impact in several ways on business, particularly liveability, within business and for residents. We all live and work here. They have a large impact on liveability. There is the cost of doing business, of course; retention of staff is a big issue; and health. The impacts are across quite a range and then how they impact the individuals and the businesses themselves. There is quite a raft of impacts.

The CHAIR: Could you perhaps give us some examples of specific businesses or sectors of business within the community and what sort of things they might be experiencing—some anecdotes perhaps of how this is impacting the local community?

Ms WILLIAMS: With liveability, I think it is to do with remoteness. Two of the areas are accessibility and the cost, so the two of them together have a large impact. It takes so long to get here—the connectivity of flights plus the cost. Whenever we are flying somewhere, it is a choice between time and cost. Can I afford to fly a whole day via Perth to go to the eastern states for business or to visit family; or is it cost-based in that I fly via Darwin, which is a shorter period of time day-wise, during business hours, and stay overnight, with the cost of accommodation in Darwin for connecting flights?

It is a choice between being time poor during working hours or cost. That impacts on business in training and development if we have to go somewhere, the cost of flying people in to train our staff or sending our staff somewhere else for training, so there is a huge impact as far as that goes in developing the workforce. Just the cost of doing business for us to fly somewhere to do business meetings et cetera, the time out of our week and the impact of the cost. The retention of staff and attracting staff to come to a remote area without some of the other social welfare issues that we face here is the cost. The cost for people to be able to fly their family here or to go and visit family makes it extremely hard to retain good staff for a long period of time. We have a higher turnover of staff due to some of those impacts.

Speaking briefly to health, once again, that is either purely related to business or residents. People living and working here may not choose to educate their children here, so they could be in boarding school. If you have children in boarding school in Perth or the eastern states, if one of them is sick and you want to fly them home, the cost to do so can be as high as \$2 500 to bring a sick child home. It has a huge impact. Just the health of people who live and work here in business and as far as residents are concerned, to go to Perth, you do not have a choice, if you are sick or you have medical appointments. You do not have that elasticity as tourists do to say, "I am going to fly this week", or, "I am not going to fly this week", due to cost. We do not have that choice. The cost as far as health goes is huge. One of those examples is somebody I know who went to Perth two weeks ago for an appointment. He is never sure due to his health issues how long those health appointments are going to be or if he has a follow-up, he cannot book in advance, so the return airfare from Perth to Kununurra was \$1 700.

The CHAIR: That is ludicrous. Could you tell me a little more about the chamber? How many members do you have and what sort of sectors do your members come from? Do you have a rough idea of proportion of membership from, say, tourism, catering or agriculture?

Ms WILLIAMS: The chamber is a membership-based organisation. We have around 130 members, which is quite good for a small community. We are quite proud of ourselves. We have a good cross-section. The committee had the foresight at the last AGM to ensure that we went out and sought that we would have delegates put their hand up for the committee across all sectors so that we could fully represent all our economic pillars. On the committee, we have people from retail, mining, agricultural, pastoral and tourism industries. We are well represented so we can get feedback through those different industry sectors. We are really fortunate here to have several key economic pillars, so we have mining, tourism, pastoral, agricultural and hopefully aquaculture very soon into the future. We do have a good cross-section of information flowing into the chamber from those memberships. As far as percentage goes, we do not have a very high representative of trades and services as such. I would imagine the mix predominantly is agricultural and tourism, with smaller percentages of the other industry sectors.

The CHAIR: Would you say this is a particularly deeply and widely felt issue across all those pillars?

Ms WILLIAMS: Yes, very much so.

The CHAIR: Have you participated in the shire's development of the proposal to encourage the establishment of the Melbourne to Kununurra route? Have you been active in that?

Ms WILLIAMS: Yes, the chamber has a representative who sits on the East Kimberley Marketing Group. We have been active in that space.

The CHAIR: How have you found it has gone in terms of consulting with local business? What has been your experience in working together to try to establish this? This is a pretty innovative model into attracting more business into Kununurra. What has your experience with it been?

Ms WILLIAMS: I think it has been an amazing exercise and I think we have done extremely well as a committee. The East Kimberley Marketing Group has done extremely well to get it to where we have. For a volunteer-based organisation, to go out and get funding, to give us capacity to do that, I think we have made some substantial inroads. To come up with the proposal that we currently have on the table is extremely good. It has been a lot of work. There are certainly some benefits that will flow from the direct flights. The response from the community has been amazing. To raise the amount of money that we have from business and residents to back that proposal in such a short period of time has been absolutely outstanding.

Mr S.K. L'ESTRANGE: Jill, just with that, correct me if I am wrong, but it sounds to me like it is an effort to try to encourage economic development for Kununurra. You are trying to get more people in from Melbourne to try to support businesses and ventures that go on in the community, external to agriculture and aquaculture and whatever. I think that is commendable and it is an excellent initiative because it will support the community. Do you see a correlation between that effort and putting downward pressure on intrastate airfare prices, to pick up on the point you raised earlier, with the cost of training staff and getting people to conferences and things like that in Perth? Do you see the effort from the Melbourne model as being separate from that or do you see it as being able to contribute towards downward pressure on prices?

[9.40 am]

Ms WILLIAMS: I think it all contributes. There needs to be an integrated approach. I think we will all benefit from it: industry benefits from it, tourism benefits from it, business benefits from it.

Mr S.K. L'ESTRANGE: In terms of making your flights to Perth cheaper, is that a separate issue?

Ms WILLIAMS: Yes, and no in that all flights need to be made cheaper. We have to have the accessibility and we have to have the reduction in price, I think. Some of the examples that we have and then you look at some of the reasoning behind it, is that flights are impacted by dynamic pricing, as you probably well know. The more sought after, the more Google searches, the more activity around a particular event or date, the prices increase. I do not quite understand that. I would have thought more bums on seats, then pricing could perhaps be reduced. Understanding the true cost of flights is integral to this whole inquiry. If we can understand the true cost of flights, then we will have the ability to be able to work with airlines to work out how we can increase capacity, economy of scale and reduce airfares. What is it that will unlock that? I think that is the key.

Mr D.T. REDMAN: You are suggesting that there is some gouging in and around things like the muster and so on with pricing.

Ms WILLIAMS: You are putting words in my mouth, Terry! It needs looking at. One of my examples that I have here now is the Prelude project that is happening off Broome at the moment. The air over Broome is thick with helicopters flying in and out servicing that project that is going on at the moment. That has been going on and now it has ramped up over the last month, if you like. That is fly in, fly out, so there are a lot of people coming in through Darwin, Kununurra and Broome, and a lot of people coming up from Perth. There has been an indication that our flight prices are increasing. That is due to the demand. I am not saying there is gouging but the question has to be asked: why would you get an increase in those price fares in the last month when they are filling those planes?

Mr D.T. REDMAN: When the volumes are going up.

The CHAIR: Do you think there is a problem there around transparency?

Ms WILLIAMS: Yes, there is. I can understand there are some commercial interests. How far can they be transparent? Understanding the true cost of providing that service would then give us an

insight into what is going on and then how we could possibly come to a working solution with the airlines to say, “How is it that we can work together? If you need economy of scale, we do not understand what is going on with these flights that are full, how can we work together—government and the airlines—to ensure that we do have that economy of scale? Is it a shared marketing program? What do we need? Are we targeting the right markets for our tourism? Is that what is going on?”

The other thing is, there is some really good information in the Tourism Council.

The CHAIR: That is exactly where I was going.

Ms WILLIAMS: There is some great information in there and some great research done there with regards to the whole dynamic pricing—how the airlines work that out. I think that is where we are at a disadvantage here in that we are seasonal. Yes, we do have tourism that fills some of those seats for some of the year but not all of the year. What the airlines do is they offer packages for tourists because they can give them a reduced flight to get the volume on the planes but then business and residents suffer because that is not offered to us.

The CHAIR: I just want to tease out those two separate lines, I guess. The Tourism Council submission was very interesting insofar as it says that everybody has to club in and we can all potentially benefit from this—the airlines can benefit, the accommodation providers, the tour operators and associated local businesses. Is there an appetite amongst your membership to participate in that? If you could all club together and all potentially offer a bit of a discount to deliver an overarching cheaper package for tourism to create that scale, is there a willingness in your membership to explore those sorts of opportunities?

Ms WILLIAMS: Yes, I think there is. We have some great businesses in Kununurra, particularly in the tourism sector, that have shown their capacity to raise that small amount of money within such a short time for those East Kimberley marketing flights. We do have capacity and we have a very active/proactive membership which is willing to work together to the benefit of all. I think one of the members on the committee could speak to how passionate and cohesive this community is when it comes to kicking goals for something that we want.

The CHAIR: The second issue is the issue that you raised about the actual impact on residents and fares. We have taken care of the business community; you have already flagged the inelasticity of their demands. We have the potential then to bundle some sort of package up to enhance tourism. Then we have the potential elasticity or inelasticity, depending on the circumstances under which local residents have to travel—whether it is health related and it is urgent and you have no choice or a family incident or you just want a bit of a break from Kununurra; you just want to go down south for a bit of cool weather and a bit drier weather in the wet season. Do you have any views on what might be done to assist local people, local residents, be it subsidised airfares? Any views on what could help the people who live here?

Ms WILLIAMS: It is hard to say because I do not fully understand the capacity of government to impact that. The Tourism Council report puts forward perhaps a postcode-related discount. I am not sure of the logistics of implementing something like that. Other than that, I cannot really say what mechanisms there might be unless Michele has something to add there.

Mrs PUCCI: Not really. I think you have covered it and I think Mr Gooding made some valid points as well. I think it is about understanding what those real costs are. If we can have that clearly articulated, I think government and industry can work with the airlines around what strategies you could put in place. I am not sure what it is. We did a little bit of research this morning. We have the Kimberley Economic Forum, which is occurring in four weeks' time. If I am sitting in Perth and want

to come and be engaged in the Kimberley Economic Forum, we can talk about how we grow this region. To come for that few days in the middle of the week is \$1 700. Again, there is a serious impact with how we can grow the region. That is four weeks out. I am not quite sure what other suggestions you can give because four weeks out, you are paying as much as getting on the phone today and booking a flight. It is really hard to gauge that without having that understanding of why the industry itself prices the way it does. Essentially, we are lucky in a sense that we do have two airlines flying in here. That is marvellous for us as a community. The issue is the cost. It is just all over the shop.

The CHAIR: But if you have two airlines flying in and they are basically pricing the same and those prices are incredibly expensive, is it beneficial to the community? What is the difference between having one airline come in but two airlines is not giving any competitive tension or leading to lower prices?

Mrs PUCCI: We did not run the research on that today but I am sure you have got that data. We do see some competitiveness between them and of course they are flying in on different days but it does give people options as well. That is important. Jill has already covered off on some of that. There are some options around when you want to go and when you can go.

Ms WILLIAMS: And there are some different options around the connectivity too, if you are going to Darwin and meeting another flight. There are some differences between the airlines and the connectivity as well. That does give you choices as well.

Just following up on what Michele said, the pricing for the Kimberley Economic Forum in September, they are at today's prices. That is without the impact of too much dynamic pricing coming in as well. Let us see what they look like as that gets closer as well. It will be a huge impact. It is between \$1 700 and \$1 800 today. It will be interesting to do the research and see what that is as that gets closer to that event and the dynamic pricing impacts on that.

[9.50 am]

Mr D.T. REDMAN: Is that forum in Broome or Kununurra?

Ms WILLIAMS: In Kununurra.

Mr S.K. L'ESTRANGE: Just talking to some community members last night, some similar issues were raised. One of the things I was looking for is: has there been any appetite to get the various stakeholders from those pillars of your economy together—mines, and I think the other one I mentioned last night was native title agreements, for example? There are probably a number of groups who all have a vested interest in projects and things that go on in and around Kununurra, to come together to try to self-fund subsidy schemes for, I suppose, travel that is required for, say, health and those serious aspects that you mentioned earlier.

Ms WILLIAMS: I am not sure how that would work because of the dynamics of our community, if you had a pool of money that was put in by others to subsidise flights, in that one sector may use a lot more of that than another sector.

Mr S.K. L'ESTRANGE: I am not saying it is a solution; I am just saying has there been any discussions or forums?

Mrs PUCCI: I think there has been. When you go back to the early days of Argyle and Rio Tinto, I cannot quite remember the year it was now, but they made a decision some time ago to underwrite some of the costs of the airlines flying into Kununurra, back in the early days of Skywest, so that had quite a positive bearing on the community. I am sorry that I do not have that data but I am sure you can get that data around the cost of those flights. I think that has happened in the

past. But now we are on the back of a changing economy as well. We have a decline in mining so we cannot as a region, I suppose, go on the back of using our mining industry to underpin. I think times have changed a little bit for us now.

Like I said before, I think the answer is around working with those airlines to really understand what the cost is. We want them to be viable. I think you would have much more of an outcry from this community if we lost servicing. I think that would hurt us more than the \$1 700. I think we want the two airlines here. I think that is great for us. We potentially have a third option through the eastern states. What we as a community need to understand with government is what is that real cost? They need to be viable. All businesses need to be viable. We as a community need to be viable. I think once we get that, then we can actually start talking about how we get flights that offer a bit of fairness in the game.

We all know we have to pay. We all know we have to pay a bit more than our city counterparts. I think we are comfortable with that, and I am sure you heard that. When it becomes hard is when you actually need to get to Perth tomorrow and you have to pay \$1 800 to \$2 000 or whatever the price is tomorrow. That is the issue.

Mr S.J. PRICE: Do you think you need larger planes?

Mrs PUCCI: I do not know. I think you would need the data. Like any business model, we would need the data to back that up. I suppose there is a train of thought that says more bums on seats, things go down. But if you look at the Broome example, that is not really stacking up. If you look at the Karratha example, I am not so sure. I am not the expert. Obviously, we have this inquiry that might be able to unwrap some of that information. I am not so sure. I wish I could say, “Yes, I am” because I am sure we would all love a bigger aircraft and have more bums on seats because you would think that it would make it cheaper.

Ms WILLIAMS: I guess that is why we are saying it is so important to understand the transparency of the pricing, what that real cost is. Then you can work out the business case for the larger plane, I guess. In some instances, like with Broome at the moment with the Prelude project, you would imagine that the fares would be going down with the volume. To say that we need the economy of scale, bums on seats, do we need bigger planes? If we could understand the real cost and work out what is going on there, then I think we would be in a better position to get some business cases around that.

Mrs PUCCI: Can I just add to that? I think we also need to understand from the airlines’ perspective whether a bigger aircraft is cheaper to run. I think that is probably more the unwrapping of that. Certainly we would need a bigger airstrip and that is for the shire to investigate. That is a question for the airline: “If we made the airstrip bigger for you and you put on a bigger plane, does that mean we are going to get prices that are fairly reasonable?”

Ms WILLIAMS: Is it a better business case.

Mrs PUCCI: Again, it needs that research. It needs the data to underpin that. Once we get that, we can really talk.

Ms WILLIAMS: I guess a good example and something that we have looked at in the East Kimberley Marketing Group, looking at that direct flight, is—quite a while ago—with Uluru. Alliance started that flight into Uluru. There were virtually no tourists going there. They had a really good marketing campaign and they had an airline that was willing to give it a trial and fly in there. There are now between 200 000 and 300 000 visitors going to Uluru. Once that flight got up and was viable, next thing one of the larger airlines stepped in and went, “Gee, we should have taken that up when it

was offered to us in the beginning because this is pretty hot.” All of a sudden there was some more competition and there were more people going in there.

If we look at that as a business case for Kununurra, as the East Kimberley Marketing Group has done with direct flights here, Uluru has one rock; we have a lot more rocks! We have a veritable feast of one-day trips from Kununurra. It is about the marketing. If we can market ourselves and get the business case up—that is what we are trying to do; get the business case up—trial those flights, market ourselves and have a really good marketing campaign around that. But I do not think it is up to the community as such to take all of that cost of that marketing program up. One thing I might be bold enough to say is that I do not think Western Australia spends anywhere near enough money on their marketing for tourism.

The CHAIR: Do you think that an increased investment in destination-based marketing would be very helpful?

Ms WILLIAMS: Absolutely. The chamber is currently looking at that at the moment. We are getting some funds together and we are looking at doing providence and product branding for the East Kimberley for the Ord Valley because you cannot sell a secret. You cannot sell a destination if nobody knows where it is. If we can market ourselves much better and say, “These are the things that you can do from Kununurra. You can do all of these things—Mitchell Falls, Bungle Bungles, look at the Ord project—all of the things we have got here to offer on day trips. You could do something for a fortnight and not get bored.” But we do not market it because we do not have the capacity amongst ourselves and our small tourism operators to spend the dollars to do that. We have been prepared to put over \$100 000 into the East Kimberley marketing project. That is a lot from a small community.

The CHAIR: When you have only 100 to 150 members, that is a significant investment.

Ms WILLIAMS: It is a significant investment. If we could find out from the airlines what those transparent costs are, fully understand that, fully understand the business case of the economy of scale of the larger planes et cetera, and work out if that is going to work, we could have a coordinated and collaborative discussion amongst industry—and not across Western Australia; it needs to be regional specific. What do we have here and who would want to be involved here to talk about it—our operators, the airlines, and the government to say, “What is the business case for the East Kimberley? What is the business case for Broome? What is the business case for Kalgoorlie or Margaret River?” or wherever it is. We need to look at those individually. I think that is the way we could probably unlock some of this.

The CHAIR: Do you see a role potentially for the Department of Primary Industries and Regional Development or Tourism to facilitate that—to basically bring people together to open up that conversation and see how we might work collaboratively?

Ms WILLIAMS: Yes, I think Mr Gooding did a good job of giving you the impression of what needed to happen, as far as it needs to be an integrated, collaborative approach between different departments.

The CHAIR: I am a little conscious of the time. Do any of you have any further questions? Is there anything you think we should be aware of that we have not raised today or any specific points that you would like us to be aware of?

Ms WILLIAMS: No. I think we have covered most of the things that were a priority for us to discuss.

The CHAIR: Fantastic. I will proceed to close today’s hearing. Thank you very much for your evidence; it is fantastic. A transcript of this hearing will be emailed to you for correction of minor errors. Any 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.

Ms WILLIAMS: Thank you for your interest and your time.

Hearing concluded at 10.01 am
