

Government Response to Report 2 of the Economics and Industry Standing Committee “*Perceptions and Realities of Regional Airfare Prices in WA*”

RECOMMENDATION	OVERVIEW OF GOVERNMENT RESPONSE
<p>Recommendation 1 (Page 112)</p> <p>The Minister for Transport initiate an immediate review to update the <i>State Aviation Strategy</i>, to reflect current market conditions and the Government’s intrastate aviation policy objectives. The review should consider the adequacy of the Department of Transport’s resources, in light of any proposed changes to its policies or functions.</p>	<p>The Government supports Recommendation 1.</p> <p>The Department of Transport (DoT) will initiate and lead an update of the <i>State Aviation Strategy</i> with considerable community consultation and wide stakeholder engagement and independent consultants providing specialist aviation guidance. The review will take account of current market conditions and consider the adequacy DoT’s resources, in light of any proposed changes to its policies or functions. The review will be completed within 24 months with a revised <i>Strategy</i> submitted to Government for approval.</p> <p>There has been a significant change in the aviation landscape mainly due to economic and operating conditions in the resource industry since the release of the <i>State Aviation Strategy</i> in February 2015.</p> <p>The <i>Strategy</i> update will take account of the findings and recommendations of the Airfare Parliamentary Inquiry. In particular, the review will consider the impact of current economic conditions on regional aviation and determine the policy for air routes that are currently unregulated by the State Government.</p> <p>In order to determine whether the existing policy position of the State of only regulating monopoly routes is unreasonable sufficient data on unregulated air routes needs to be gathered and assessed. If new policy positions are to be taken then those positions must be taken on the basis of having good and well understood data including cost and revenue data for the airlines on individual routes.</p> <p>During the review there will be a focus on engagement between airlines, community and government, consistent with the Committee’s view that the airlines should proactively provide information and engage with communities to address concerns about the high price of regional airfares. Engagement will be undertaken on a route by route basis and build stronger, collaborative and more open relationships between airlines and regional communities as has occurred on the regulated routes in WA. This approach enables shared decisions to build aviation demand on the air routes by best serving passenger needs and in doing so meet the objectives of both the community and airlines.</p>
<p>Recommendation 2 (Page 114)</p> <p>The Ministers for Transport, Tourism, and Regional Development establish an interdepartmental working group by 1 February 2018 to assist the review of the <i>State Aviation Strategy</i></p>	<p>The Government supports Recommendation 2.</p> <p>DoT will initiate and lead the establishment of an interdepartmental working group to assist with the review of the <i>State Aviation Strategy</i>. The interdepartmental working group will have clear terms of reference to oversee the review and update of the <i>Strategy</i> and also to ensure ongoing interagency collaboration on whole of government aviation issues.</p>

<p>and undertake a more coordinated approach to aviation policy implementation.</p>	<p>The following state government agencies will be members of the interdepartmental working group:</p> <ul style="list-style-type: none"> • DoT (Chair); • Department of Jobs, Tourism, Science and Innovation (including agency representatives for each, the Minister for Tourism and the Minister for State Development); • Department of Primary Industries and Regional Development; and • Department of the Premier and Cabinet. <p>The introduction of an interdepartmental working group, along with the input from other key stakeholders, will guide and inform the updating of the State Aviation Strategy. There are significant synergies between the transport, tourism and regional development government agencies in respect of intrastate aviation and collaboration is already occurring. A coordinated and collaborative approach to the review and update of the Strategy will provide a positive foundation for the implementation of future aviation policies.</p>
<p>Recommendation 3 (Page 114)</p> <p>The Premier consider re-establishing an Aviation Ministerial Council, to provide oversight for the recommended review of the <i>State Aviation Strategy</i> and ensure an ongoing whole-of-Government approach to the implementation State aviation policy.</p>	<p>The Government supports Recommendation 3 <u>in principle</u>.</p> <p>The need for Ministerial level/Cabinet oversight in undertaking a review of the State Aviation Strategy is supported as is a whole-of-Government approach to the implementation of State aviation policy. The establishment of a new Ministerial Committee reporting to the Premier is not supported as there are existing ministerial processes and structures that can provide sufficient oversight to the State Aviation Strategy and regional aviation policy matters more generally. The Jobs and Economic Diversification (JEDi) Cabinet Sub-Committee is an appropriate committee for consideration of the above matters.</p>
<p>Recommendation 4 (Page 115)</p> <p>The Department of Transport develop memorandums of understanding by July 2018 with regional airport operators that service unregulated RPT flights for the provision of relevant flight and passenger data. As a minimum, the operators should provide the data that they disclose to the Bureau of Infrastructure, Transport and Regional Economics.</p>	<p>The Government supports Recommendation 4 <u>in principle</u>.</p> <p>The Government acknowledges the need for data to inform Government, stakeholders and the community and supports the intent of this recommendation for collecting and analysing route data. However, existing legislation already provides sufficient powers to acquire the necessary flight and passenger data from the airlines for unregulated air routes. Because there are significantly more airports than there are airlines, arrangements with 9 airlines operating RPT services will be less onerous than with the 23 relevant airports receiving them. Refer to the response to Recommendation 5.</p>
<p>Recommendation 5 (Page 121)</p> <p>The Minister for Transport utilise existing licensing powers under the <i>Transport Coordination Act 1966</i> and <i>Transport Co-Ordination Regulations 1985</i> to require that airlines operating on unregulated RPT routes provide the 'prescribed records' listed in</p>	<p>The Government supports Recommendation 5.</p> <p>The existing licensing powers under the <i>Transport Coordination Act 1966</i> and <i>Transport Co-Ordination Regulations 1985</i> can require that airlines operating on unregulated RPT routes to provide the 'prescribed records' to DoT. Obtaining appropriate prescribed records on the</p>

<p>Appendix Seven to the Department of Transport. Strict confidentiality protocols need to be observed around commercially sensitive information.</p>	<p>unregulated routes from the operating airlines can be implemented relatively quickly by amending conditions on airlines' licences administered by DoT.</p> <p>The Government recognises that data is essential for engaging with stakeholders, informing consumers and for policy review and development. In order to determine whether the existing aviation policies are reasonable for unregulated air routes, appropriate data needs to be gathered and applied. Strict confidentiality protocols will be observed around commercially sensitive information, where required.</p>
<p>Recommendation 6 (Page 121)</p> <p>The Minister for Transport direct the Department of Transport to produce a biannual report assessing prevailing market dynamics and airfares on WA's unregulated RPT routes.</p>	<p>The Government supports Recommendation 6.</p> <p>DoT, in conjunction with the Department of Jobs, Tourism, Science and Innovation and the Department of Primary Industry and Regional Development will prepare a biannual report for the Government assessing the prevailing market dynamics and airfares with a focus on unregulated RPT routes commencing in 2018. The objective of the report is to inform Government on the movement of airfares, particularly on unregulated routes. As for Recommendation 2, the Government will respect the commercial confidentiality requirements of airlines.</p>
<p>Recommendation 7 (Page 127)</p> <p>The Minister for Transport direct the Department of Transport to undertake a discrete, detailed economic analysis and community consultation to determine whether any additional RPT routes in WA should be subject to regulation, with priority placed on the Perth-Kununurra service.</p>	<p>The Government supports Recommendation 7.</p> <p>A review to determine the policy position regarding regulation of additional RPT air routes in WA will be undertaken as part of the update of the State Aviation Strategy. Economic analysis and community consultation is a necessary forerunner to the Government forming a policy position. A particular priority will be given to the Perth-Kununurra air route. There are many approaches to regulating air routes and all routes will need to be considered individually in light of their specific contexts and characteristics. The policy position will be included in the update of the State Aviation Strategy (Recommendation 1).</p> <p>In order to maximise the value of the analysis, the information will be prepared in conjunction with the Department of Jobs, Tourism, Science and Innovation and the Department of Primary Industry and Regional Development which can provide valuable information on relevant individual route context, characteristics and market conditions.</p>
<p>Recommendation 8 (Page 130)</p> <p>The Department of Transport review its current tender design process for regulated RPT routes. The review should consult with the market regarding alternative packaging arrangements to optimise service efficiencies for 'like' routes.</p>	<p>The Government supports Recommendation 8.</p> <p>The Government recognises the need to optimise its tendering processes where it is practical to do so. DoT will review its current tender design process for regulated RPT routes prior to the next tender, as part of its continuous improvement processes and in line with best procurement practice.</p> <p>Recent and previous tenders for regulated RPT air services have allowed for 'packaging' of air routes and for air services to be provided to additional destinations by tendering airlines. Some routes, such as the Northern Goldfields, which comprise air services to 5 towns with similar</p>

	<p>market and environment characteristics, have already been tendered together. Packaging routes that are too dissimilar is likely to introduce inefficiencies for airlines that will result in cross subsidisation of routes and higher airfares or costly government subsidies.</p> <p>It is currently standard practice for DoT to engage with community stakeholders and airlines as part of preparing for each tender. The engagement with the community will include examining alternative packaging arrangements to optimise service efficiencies for 'like' routes. Any appropriate changes to the tender process resulting from the review will be implemented in the next round of tenders commencing in 2019 for services commencing in 2021.</p>
<p>Recommendation 9 (Page 132)</p> <p>As part of the review of the <i>State Aviation Strategy</i>, the Department of Transport engage with industry and local communities to examine the market opportunities for additional inter-regional routes within Western Australia.</p>	<p>The Government supports Recommendation 9.</p> <p>DoT will continue to engage with industry and local communities to examine the market opportunities for additional inter-regional routes within Western Australia. Following review, the relevant policy positions regarding market opportunities will be included in the review of the <i>State Aviation Strategy</i> (Recommendation 1).</p> <p>In recent years DoT has engaged with the airlines, the community and other government agencies in the Kimberley and Pilbara regions in order to assist to facilitate inter-regional routes. For example, DoT assisted in the development of the following routes in the Kimberley:</p> <ul style="list-style-type: none"> • Broome to Fitzroy Crossing to Kununurra; • Kununurra to Halls Creek; and • Kununurra to Kalumburu. <p>Similar engagement with airlines and the community is currently actively occurring in the Pilbara.</p> <p>The Department of Jobs, Tourism, Science and Innovation and the Department of Primary Industries and Regional Development will be involved to ensure regional, jobs, tourism and other relevant perspectives are accounted for and maximised, as required.</p>
<p>Recommendation 10 (Page 133)</p> <p>As part of the review of the <i>State Aviation Strategy</i>, the Department of Transport consider whether any current RPT routes require subsidisation to secure their viability.</p>	<p>The Government supports Recommendation 10.</p> <p>RPT services on regulated air routes have been commercially viable for many years and have recently been retendered without the need for subsidies. Subsidies will be considered if there is a significant change in the economic and market conditions for particular routes that result in unacceptable levels of service for regional communities. Following review, the policy position regarding subsidisation will be included in the update of the <i>State Aviation Strategy</i> (Recommendation 1).</p> <p>The Government's position is only to subsidise air routes where absolutely necessary to provide a suitable service to the community. Currently, the only air route in Western Australia that is subsidised is the Halls Creek to Kununurra air route. As per Recommendation 9, this is a dynamic issue that is specific to each route at any point in time. The Government will consider</p>

	<p>the policy position for subsidisation of RPT routes as part of the update of the State Aviation Strategy.</p>
<p>Recommendation 11 (Page 134)</p> <p>The Department of Transport report to the Minister of Transport on the viability and utility of providing a web-based tool for regional airfares similar to FuelWatch.</p>	<p>The Government supports Recommendation 11.</p> <p>The Government recognises that appropriate online information on airfares can be useful in informing passengers and stakeholders to enable the effective operation of consumer markets. Such information must be relevant, timely and cost effective. DoT will investigate the costs and benefits of developing and implementing a web-based tool for watching regional airfares on intrastate routes in Western Australia. The Department will then report to the Minister for Transport on the viability and utility of such an Internet tool.</p> <p>The assessment of the viability of such a tool will need to take into consideration a number of factors, including the existence of other similar web-based tools to avoid a costly duplication of such services. For instance, the private sector currently provides web-based tools for regional airfares similar to FuelWatch. Private sector websites, such as Skyscanner, already allow consumers to search for flights and compare airfare pricing.</p>
<p>Recommendation 12 (Page 137)</p> <p>As part of the review of the <i>State Aviation Strategy</i>, the Department of Transport consider opportunities to leverage the State's purchasing power to encourage initiatives such as compassionate and/or community airfares for residents.</p>	<p>The Government supports Recommendation 12.</p> <p>Regional communities are often dependent on air services for emergency travel for family or personal reasons, which should not be unnecessarily costly. The extent of the Government's ability to effectively influence airfares through purchasing arrangements is not yet known. Therefore, this matter will be considered further as part of the review of the <i>State Aviation Strategy</i> (Recommendation 1).</p> <p>It was noted by the Committee that some of the most powerful personal stories to arise from the Inquiry were in respect of the impact of paying very high airfares for unintended short-notice air travel. The Committee noted that "<i>a common complaint to the Committee was the high cost of urgent decisions made to purchase a ticket at the last moment for family emergency</i>".</p> <p>The need for Government intervention requires careful policy consideration. Further analysis and engagement is required to determine the best way to address the concerns that led to this recommendation and provide effective solutions.</p> <p>As part of the review of the <i>State Aviation Strategy</i>, DoT will analyse opportunities to encourage initiatives such as compassionate and/or community airfares for residents. The State's CUA in respect of the travel of public servants may not be the best tool to leverage changes to the airlines decisions around the provision of lower airfares for compassionate travel for the community members.</p> <p>The Committee indicated that it would prefer that industry take proactive approach to address concerns about the high cost of regional airfares. Similarly, the government strongly supports</p>

	<p>airlines putting in place arrangements to meet the emergency travel needs of regional residents. Rex's and Skippers' community fare and Qantas's recent resident air fare schemes are examples of airlines attempting to meet community needs for suitably priced fares, which is consistent with the approach proposed by the Committee and is welcomed by the Government.</p>
<p>Recommendation 13 (Page 138)</p> <p>All proposals for new mining airstrips within 100km of existing RPT airports to be considered at Cabinet level and be accompanied by a recommendation from the Aviation Ministerial Council.</p>	<p>The Government will consider Recommendation 13 as part of the review of the State Aviation Strategy</p> <p>Regional local governments have indicated concern about the proliferation of mining airstrips and the impact this was having on the viability of RPT airports. It is recognised that the development of mining airstrips must balance the needs of the resource industry that want efficient transport and logistics supply chains to the mine site and the needs of local governments which are able to operate their RPT airports more efficiently by ensuring the greatest number of the passengers and aircraft operating through their airport.</p> <p>In the context of the information above, the Government will assess Recommendation 13 as part of the review of the State Aviation Strategy. In considering this matter, the review of the State Aviation Strategy will take into account the existing approval mechanisms for mining airstrips, including approvals administered under the <i>Mining Act 1978</i> and approvals granted on a project basis through individual state agreements.</p>