



## **INQUIRY INTO THE OPERATION, REGULATION AND FUNDING OF AIR ROUTE SERVICE DELIVERY TO RURAL, REGIONAL AND REMOTE COMMUNITIES**

### **SHIRE OF BROOME SUBMISSION**

**14 DECEMBER 2017**

The Shire of Broome welcomes any Federal Government assistance in maintaining and developing the community and economic sustainability of Broome, and other regional centres across northern Australia. The Shire seeks support in the development and facilitation of international linkages, addressing the high costs of air services to and from Broome and calling for greater transparency from airlines when setting airfares.

With support from all stakeholders, Broome is well positioned to make rapid progress as a result of the economic opportunities in the region. There is a strong willingness from local leadership to drive growth and development, and support from the Federal Government is welcomed.

#### **The Broome Context**

The context for Broome in relation to air route services and pricing can be summarised as follows:

- Airfares are now high to and from Broome.
- Average airfares have been higher to and from Broome for five years to end March 2017.
- Tourism to Broome has lost out due to high average airfares.
- Fall in number of seats offered on Perth-Broome are much larger than domestic airline averages – a key reason for high airfares.
- Growth in air travel is shown to be on the back of growth in the region's off-shore liquefied natural gas industry rather than tourism.

#### **Response to Terms of Reference**

The Shire's response, and recommendations to the inquiry's terms of reference are as follows:

##### ***a. social and economic impacts of air route supply and airfare pricing;***

The Shire believes that current air route supply and pricing are having significant social and economic impacts on Broome. Among other impacts, the current cost of air travel has been shown to be inhibitive to potential visitors and increases the isolation for residents. A fall in total overnight holiday visitors to Broome of 7%, compared to growth of 27% to WA as a whole in the last five years compared to the five years previous is a major concern for the Broome economy given its traditional reliance on tourism.

##### **Social (community) impacts**

- The cost of living in the north west is increased dramatically by the price of airfares.

- The geographical remoteness of Broome in comparison to the remainder of the State is exacerbated by accessibility of flights at affordable prices.
- Last minute, unexpected or peak season flights are regularly unaffordable for the majority of residents. Flights during the tourist season (April – October), around public holidays (Christmas, Easter etc) or during school holidays are not accessible for the community.
- Increased isolation for residents who have distant family or other requirements to travel elsewhere in the state.
- Prohibitive for residents to access the specialist health, education, commercial and recreational facilities that are not available where they normally reside.
- Increased costs for residents requiring travel to access medical services outside of Broome – especially where the Patient Assisted Travel Scheme (PATS) does not fully cover costs or is unable to be accessed.
- Increased costs of boarding school or remote schooling, especially when children return home during school holidays.

#### Business impacts

- Increased costs of operating businesses in the north west, and additional impediments to new businesses.
- Provides challenges for businesses looking to relocate to a regional area with access to good air services.
- Limited ability for local businesses and organisations to cost effectively access professional development, training, conferences, meetings etc where travel is required.
- Contributes to greater isolation with regards to access to staff, customers and services elsewhere.
- Limits the pool of prospective employees based on cost of living/travel, remoteness and related pay scales/living allowances are required to commensurate.
- Increases costs of goods and services to the community to reflect business costs.
- Challenges to current and future economic development - impacting the ability to establish, strengthen and accelerate trade and social connections across the state, country and abroad.
- Contributes to stifling stronger productivity performance and economic growth.

#### Tourism impacts

- The high cost of flights do not assist in the promotion of Broome as an affordable or accessible tourist destination.
- International and interstate travel is often more affordable – making it challenging for the Kimberley tourism sector to compete and providing little encouragement for domestic tourism in Broome based on cost alone.
- Concerns regarding impact on pricing and availability of airfares for tourism/residents where resource companies are utilising a fly in – fly out workforce.
- The tourism sector employs the most people in Broome. Reductions and impacts on numbers of tourists have a broader economic flow on effect throughout the community.

#### ***b. different legal, regulatory, policy and pricing frameworks and practices across the Commonwealth, states and territories;***

#### Local Pricing

- The Shire notes the benefits of local pricing schemes (eg. in regional Queensland) and regulated routes (eg. in southern Western Australia).

- Destinations such as Roma in Western Queensland benefit from local pricing, and this is a practical measure for the airlines to demonstrate a long-term service commitment to the region.

#### Cabotage Restrictions

- The Shire also believes further analysis of the benefits of lifting cabotage restrictions (with limitations) is warranted.
- In the recent WA State enquiry, further investigation into the lifting of cabotage was also supported by one other international airport in the north west – however the Shire is aware of opposition from the airlines.
- The Shire believes that there is an opportunity to investigate the impact on ticket pricing and visitation through limited allowance of cabotage to attract international airline services from South East Asia and Hong Kong through to Broome to Perth and the Eastern States' capitals.

#### ***c. how airlines determine fare pricing;***

The Shire understands the use of yield management systems, but is not clear on the process used by airlines to determine fare pricing. There currently seems to be limited clarity on this process from airlines in the public forum - which is seen as one of the factors causing community outrage.

For example, the average airfares paid by Sydney and Melbourne residents to Broome is around 25% higher than the average of routes from Sydney and Melbourne to Darwin and Perth on a cents per kilometre basis over the five years ended March 2017.

#### ***d. the determination of airport charges for landing and security fees, aircraft type and customer demand;***

The Broome International Airport is privately run, and the Shire does not have involvement or oversight in relation to airport charges. The Shire notes that these costs constitute a small part of an airfare, but are a set fee and do not increase as the ticket price rises.

#### ***e. pricing determination, subsidisation and equity of airfares;***

#### Equity of Airfares – East vs West

By the Shire's understanding, the difference in pricing on the west vs east coast cannot be justified by operating costs. Furthermore:

- There is an apparent lower level of service (older aircraft) for a higher price on west coast routes.
- There are significantly higher costs per kilometre for west coast routes when compared to similar distances on the east coast.
- The average airfares paid on the Broome-Perth route (when Broome is the only stopover) is over 50% higher than the average of four east coast medium haul routes from Sydney and Melbourne to regional tourist centres on a cents per kilometre basis over the five years ended March 2017. This comparison excludes low cost carriers.
- The average airfares paid by Sydney and Melbourne residents to Broome is around 25% higher than the average of routes from Sydney and Melbourne to Darwin and Perth on a cents per kilometre basis over the five years ended March 2017.

#### ***f. determination of regulated routes and distribution of residents' fares across regulated routes;***

The Shire does not have a position on regulated routes, but understands that regulated routes in Western Australia have led to greater transparency and engagement between airlines and the community with regards to airfares and services.

***g. airline competition within rural and regional routes;***

The key air route to Broome is serviced by two airlines. The resultant degree of competition as a result could be seen as negligible.

***h. consistency of aircraft supply and retrieval of passengers by airlines during aircraft maintenance and breakdown;***

The Shire does not have a position on this matter, but is concerned about the numbers of seats available on flights to Broome.

Official data from the Commonwealth Government (BITRE) provides monthly data on the number of seats available and passengers carried for major airline routes in Australia, including Perth-Broome.

In the year ended May 2017 the number of seats available on the Perth-Broome route fell by 5.3% compared to the previous year ended May 2016. In contrast, domestic seats across the network (available seat kilometres) fell by 0.6%.

In the year ended May 2017 the number of seats available on the Perth-Broome route fell by 13.6% compared to three years earlier, the year ended May 2014. In contrast, domestic seats across the network (available seat kilometres) fell by 0.9% compared to year ending May 2014 data.

***i. all related costs and charges imposed by the Civil Aviation Safety Authority; and***

The Shire does not have a position.

***j. any related matters.***

Nil.

Recommendations

**Recommendation 1: Support investigations into the development of an international route from Melbourne/Sydney to Broome and on to South East Asia.**

It is expected that if this international route is flown even two times per week, it would lead to a significant reduction in airfares on current routes to Broome, and have additional flow on effects in relation to opening direct international access to Broome and the Kimberley.

**Recommendation 2: Investigate opportunities for cabotage to be allowed (only) between Australian regional international airports (including Broome, Darwin and Cairns) and the four primary international airports in Australia (being Perth, Brisbane, Melbourne and Sydney)**

A potential policy change may also benefit the other major tourist centres in Northern Australia of Darwin and Cairns and be a practical measure to increase tourist and economic development in Northern Australia.