

Regional Flights

POSITION STATEMENT

KEY MESSAGES

The Pilbara suffers significant constraint on economic growth due to the high cost of regional air access. Flight premiums are an economic handbrake on economic growth and a direct risk to the value and objectives of government investment in regional development.

There are significant per kilometre differences in comparable routes between the east and west coasts of Australia. Prices are not set by free market forces, but are 'rigged' by a federal tax regime that fails to offer consistency across industries and cares little for the environmental impact of incentivising fly-in-fly-out workforce practices.

COMMITMENTS SOUGHT

That a commitment be made to:

- ✓ Establishing an 'Airways and Market Access Inquiry' to examine the issue of airfare and air freight costs in connecting the Pilbara to Perth;
- ✓ Establishing an intra-regional subsidised RPT flight between Port Hedland and Karratha; and
- ✓ Developing an interim region travel support package for the express purpose of mitigating price-distortion currently faced by Pilbara businesses and residents.

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BACKGROUND INFORMATION

Successive State Governments have invested billions in public funds with the express purpose of providing regions like the Pilbara with modern infrastructure, a more diverse economy and greater access to markets as enablers of economic growth and service delivery. Despite a downturn in the economy due to falling commodity prices, flights between Perth and the Pilbara are regularly run by the airlines at 60% capacity. This is due to the distorting effect of fly-in-fly-out workforces, whose travel costs are paid by resource companies who derive a tax incentive from this staffing model. The effect of artificially high flight costs renders these half-empty regional flights economically viable for the airlines, despite being inaccessible to residents, tourists and small businesses.

If free market forces were at play, demand and supply for seats would dictate that the price would either fall to fill additional seats, or that the number of flights would fall to remove excess capacity. Regular but half empty flights serve the interests of the major resource companies, who given the overall cost-benefit analysis of flying their workforce into the region, have determined paying higher fares is acceptable as long as they have access to regular flights. It is this distortion of standard economic principles that is in effect punishing Pilbara residents for their vast natural

resources and enormous contribution to Western Australia's economy.

Meanwhile through programs like Royalties for Regions, significant public funds have been invested in regions like the Pilbara with the purpose of 'developing Western Australia's regional areas into strong and vibrant regional communities that are desirable places to live, work and invest.' Improving services, attaining sustainability, expanding opportunity and growing prosperity are just some of the key objectives, yet the effect of demand-distorted airways limits the effectiveness of these objectives by restricting access to markets and slowing tourism.

Affordable air access is essential to the development of fully diversified regional economies in the Pilbara. It is an enabler of tourism and business visitation, of urgent freight, and of the perception that WA has connected Cities in the north. Flights to the Pilbara region in WA continue to be amongst the highest in the country on a per kilometre basis. With stabilised and ongoing demand from the resource industry and a growing permanent population base, there is little to justify this additional regional premium.

IN BRIEF

- ✓ Flight costs to the Pilbara from Perth are much higher than comparable flights from other major cities to their regional centres, due to the distorting effect of fly-in-fly-out workforces willing to pay higher premiums for more regular flights.
- ✓ This is good for resource companies, but constrains regional access to markets and tourism numbers, placing in jeopardy the effective value of government investment in the sustainability and prosperity of the Pilbara.