

10 February 2018

Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

Subject: Inquiry into the operation, regulation and funding of air route service delivery to rural, regional and remote communities.

On behalf of the Board of RAPAD please find enclosed our submission to the aforementioned inquiry. The Board thanks the committee for allowing an extension period for our submission.

Our submission relates to a broad cross section of the regions interests but with major focus on tourism as one of the key economic drivers of your region, however that should not be interpreted as the only sector affected by benefiting from improved air operations.

RAPAD would welcome an invitation to comment further if required by the committee.

I can be contacted on 0428583301 for further information.

Yours sincerely



David Arnold
CEO

**SUBMISSION
BY THE
Central Western Qld Remote Area Planning and Development Board (RAPAD)**

to the

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

Recommendations

That the operation, regulation and funding of air route services are strategically planned so they drive investment in the Central West regions tourism and business sectors.

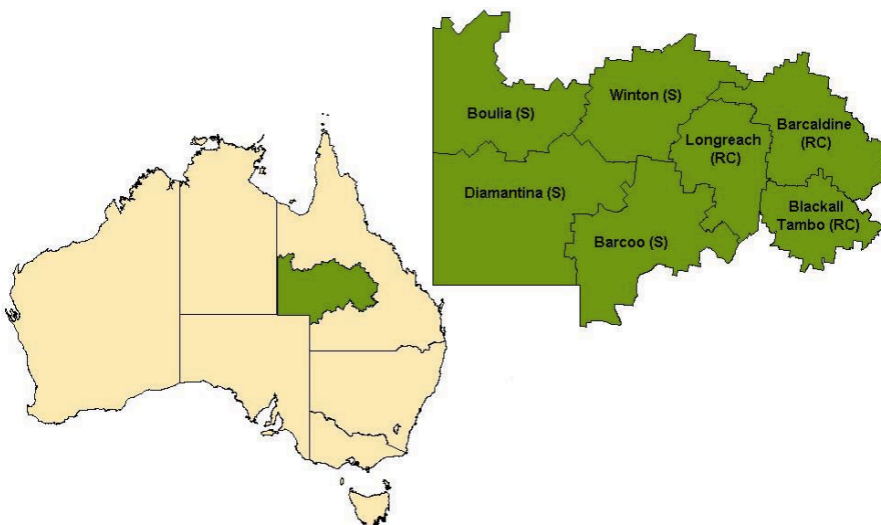
That the operation, regulation and funding of air route services support the family, social and health needs of the Central West residents, in turn incentivizing the region as a location of choice.

That the operation, regulation and funding of air route services allows for a given percentage of residents fare pricing on major nominated routes.

Introduction

RAPAD thanks the inquiry members for the opportunity to provide comment into the operation, regulation and funding of air route service delivery to rural, regional and remote communities.

The Central Western Queensland Remote Area Planning and Development Board (RAPAD) is a regional development organisation and regional organisation of councils which aims to foster, facilitate and promote the sustainable growth and development of the Central Western Queensland region. RAPAD has been in existence since 1992 and has proven to be a cohesive and collaborative organisation, proactively working in partnership with government and non-government stakeholders at the local, state and federal level.



RAPAD is owned by and represents the seven local governments of the Central Western Queensland region, *vis-a-vis* Barcaldine Regional Council, Barcoo Shire Council, Blackall-Tambo Regional Council, Boullia Shire Council, Diamantina Shire Council, Longreach Regional Council and Winton Shire Council.

Why are we interested in this?

RAPADs vision is:

A united regional organisation, proactively shaping and creating a prosperous future for the RAPAD region of Outback Queensland.

RAPADs Mission is:

Through collaboration and innovation, support and empower the RAPAD region, its communities and people to realise their potential by:

- *Strengthening our regional narrative, identity, and diversity through exploring possibilities inclusively,*
- *Developing leadership, skills and strategies to initiate, leverage and make the most of our regional communities capacities and assets,*
- *Generating economic growth and resilience through digital innovation, entrepreneurship and enterprise,*
- *Ensuring collaborative local government service delivery through resourceful and consultative partnerships and governance,*
- *Realising good health and well-being through a world class rural and regional health and aged care system,*
- *Strengthening links, local cooperative relationships and mutuality, with new thinking and working regionally,*
- *Orienting and engaging local to global; creating new possibilities, pathways and partners.*

Our interest in this enquiry is for multiple reasons and these reasons are best summarised in the context of our 2018 – 2020 strategic plan. THE OPERATION, REGULATION AND FUNDING OF AIR ROUTE SERVICE DELIVERY TO RURAL, REGIONAL AND REMOTE COMMUNITIES is directly related to many of the priority areas articulated in our plan, these being:

- Transport
Outcome: A transport network that is safe, accessible, affordable and integrated providing regional connectivity and enhanced economic development contributing to the liveability of the region.
- Education and Training
Outcome: That the region's education, training and skills capability develops to meet current and future needs recognising emerging economic, environmental and social change particularly in relation to disability services, tourism and the digital economy.
- Tourism
Outcome: The RAPAD region's tourism industry grows and reaches its potential as a global destination.
- Agriculture
Outcome: Grow jobs and achieve improvement in profitability for rural businesses through supporting traditional industries and fostering future agricultural opportunities across the region.
- Innovation and Entrepreneurship
Outcome: Globally connected ecosystems; and provision of hard and soft infrastructure that fosters innovation, creativity and entrepreneurship across the RAPAD region.
- Investment Attraction
Outcome: Actively seeking out and partnering with great companies and people who can make a real difference to our regional economy.
- Resources
Outcome: A resources sector which maximises local jobs and economic benefit to our communities; has limited negative impacts on the region's water and environment, and that all impacts are understood and managed through credible research and communicated through excellent community engagement.

- Aged Care
Outcome: Infrastructure and services that ensure the RAPAD region is a preferred retirement destination.
- Health Services
Outcome: Health services in the RAPAD region that reach world-class standards for rural and regional communities
- Regional Narrative
Outcome: A regional narrative of 'Team Central West' that embeds and demonstrates the region's vision, values, culture and history, its strengths, and potential; and capacity to attract and support new and expanded investment opportunities

More importantly is the origin of these priorities, as each of these priorities is drawn on extensive consultation with Mayors who know their region intimately, council plans, and also through recent research and consultation undertaken in our region by the Regional Australia Institute (RAI - found at <http://www.rapad.com.au/programs-and-projects/pathfinder/>) and Professor John Cole from the University of Southern Queensland's Institute for Resilient Regions (found at <http://www.rapad.com.au/programs-and-projects/pathways-to-futures/>), along with many contemporary state and national reports relating to rural remote regions.

These priorities are truly reflective of our region; our communities' real needs, now, and into the future; their desires and aspirations.

Here then it is important to note that the operation regulation, and funding of air route services to our region, and other remote regions is paramount to reaching the outcomes of each of those listed priority areas and, hence, to the continued economic growth and social sustainability of the Central West region.

Regional Profile

The RAPAD region boasts one of the most dispersed populations in the country, with roughly 12,000 people spread across an area of more than 320,000 square kilometers. Despite unique challenges – from remoteness to variable climate – the region has the potential to enter a period of high economic growth through to 2031. As a whole, the region is expected to grow 2.8 per cent per annum compared to the 1.9 per cent per annum achieved over the last decade, with key strengths in industries like agriculture, tourism and services which are aligned to global growth trends. Overall, the Regional Australia Institute (RAI) modeling¹ indicates the RAPAD region has the potential to deliver an annual output of \$1.5 billion in Gross Value Added (GVA) by 2031. Focusing on key strategic priorities of our region, and commitment to a long-term vision will be vital to achieving these gains.

RAI states that while traditional industries like agriculture will foreseeably remain the economic lifeblood of the RAPAD region, collectively, industries like tourism, public services (education, health, and public administration), construction and IT will contribute the biggest share to future economic growth. Upskilling and developing greater capacity across these industries, for example in tourism, health and digital skills, will be key to these industries reaching their full potential. Enhancing the capability and capacity of the region will help to build on its already highly productive workforce.

In both 2008 and 2013, the average productivity of the RAPAD region was more than 28 per cent higher than the Australian average. Traditionally low levels of unemployment and specialisations in agriculture, wholesale, civil engineering construction and recreation services jobs have formed the basis for a

¹ RAPAD Pathfinder Report – Regional Australia Institute, 2017 <http://www.rapad.com.au/programs-and-projects/pathfinder/>

healthy labour force. The RAPAD region also has a higher share of public sector jobs compared to the rest of the state. These labour force characteristics are key competitive advantages for the region, and building on them will be vital in the face of new challenges.

The digital revolution has been a catalyst for disruption and the job market of 2031 is likely to be very different to what we see now. In particular, low skilled jobs and even some high skilled but routine jobs are likely to fade away, while new jobs requiring new skills are likely to be created. On average, RAI modeling shows that 37.5 per cent of jobs within the RAPAD region are at risk of digital disruption. The challenge for the region will be how they adapt to race ahead with technology, rather than against it, prioritising development in digital and higher order skills.

Other challenges, like a growing older population will require the region to address issues such as the location of age-specific services, while climate change will continue to have disproportionate effects on sparsely populated areas like the RAPAD region, which are dependent on industries such as agriculture. Working proactively to mitigate these challenges and building on the region's strengths will be crucial.

Tourism:

RAI reports that in 2016, the Outback Queensland region (including south, north and central west Queensland) had 780,000 domestic overnight visitors, 498,700 day-trip visitors and 25,400 international visitor. These visitors spent \$461 million in overnight stays, which supported 4,580 jobs.

While the RAPAD region is only a component in the Outback Queensland tourism region, it contains some of the big attractions, e.g. Australian Age of Dinosaurs, Qantas Founder's Museum and Stockman's Hall of Fame.

During Professor John Coles 15-16 consultation in the region local residents from all across the Central West identified the following points, relating to tourism, in their vision for the future.

- *Tourism and agriculture are making the most of opportunities for integration.*
- *The rest of the world knows a lot more about what we have and our indigenous history and heritage are well presented and understood by younger generations.*
- *Our region is well promoted, well marketed and sign-posted locally to internationally.*
- *Our region is strategic and targeted in its promotion achieving a wider awareness of what we've got to share here.*
- *We have a stronger tourist industry, built on authentic, immersion experiences drawing on our heritage - pastoral, pioneers, landscape.*
- *Our towns are beautified and existing assets and resources are better utilised.*
- *Tourism numbers have increased by 50%.*
- *International direct flights connect Longreach to overseas.*
- *CWQ is a top 20 tourism destination in Australia for domestic and international tourists.*
- *Food tourism opportunities are being exploited with a paddock to plate experience - station cooking, beef and bush-tucker, enabling visitors to see, taste and buy unique food.*

In RAI's report for RAPAD they state: *Tourism is a Queensland Government priority industry and therefore has support for real growth. In line with the State Government's target of doubling the value of tourism by 2020, the target for the destination is to lift the value of overnight visitors in the outback economy from \$264 M in 2013 to \$585 M in 2020 (an increase of \$197 M or 12 per cent growth per annum). Projecting this forward to 2031 RAI predicts the industry to level off after this ambitious growth to 10 per cent annual growth. This levelling off is fuelled by swapping out of domestic visitors to*

overseas markets for short stay experiences with greater virtual and digitally connected opportunities. The expected tourism spend therefore in 2031 is \$1.67 billion showing an increase of 262 per cent from 2016 tourism expenditure with an associated increase in the number of direct jobs of 17,400 FTE across the broader Queensland Outback Tourism region. This increase is based on industry growth predictions from the PwC Geospatial Economic Model for the RAPAD region.

Tourism is a whole of community business in low-density economies like the RAPAD region. It touches on all aspects of the economy from accommodation and food services to transport, travel and tour operators, arts and recreation, retail and education and training.

However, the tourism market in the region is highly seasonal (dry season and cooler months) with the product dividing into two groups. First, is world leading products and attractions – ready for overseas tourists, and which are continually innovating and growing (e.g. Australian Age of Dinosaurs). The second is the more traditional tourism product providers and here there is limited investment and with recent declining economic conditions this will be harder for private investors..

While RAPAD councils across the region have supported diversifying their economies into tourism through enabling infrastructure (e.g. toilet blocks, street beautification) and supporting attractions (e.g. Waltzing Matilda Centre), the region must be supported by enabling infrastructure and services such as affordable, timely and *'investment facilitating'* air travel that opens the region to greater number of tourists (both business and leisure) and more diverse demographic groups such as the international market.

RAI identified in its research for RAPAD that investment in the tourism sector was lacking in the RAPAD region. A major constraint on investment is the obstacles in getting tourists form a wider demographic mix into the region and here affordable, timely air travel offering a range of links to east coast and other inland destinations will play an integral role in bringing tourists and in turn increasing investment.

For the reasons above tourism is vital for the economic growth of our region and air travel that facilitates that growth is paramount.

RAPAD works very closely with the Outback Qld Tourism Authority and here RAPAD supports the recommended air routes in the Central West that it has been outlined in their submission. In addition RAPAD offers the following comments.

Tour Operator Wholesale Airfares:

- Airfares are not structured to suit the needs of the local tourism industry. For example, there needs to be support for local tour operators in packaging airfares with their tours. RAPAD is advised that at present Qantas Link offer a 4% discount on their wholesale fares. This applies to whatever fare is available excluding the cheapest flights. The result is that the airfares are not consistent for packaging and lack competitiveness. The importance of structuring airfares with packages is presented by the Tourism Council WA in their policy paper (2017)². It states:

'...Airlines will also significantly discount airfares, which are included in a leisure tourism package. By including the airfare in the package only the package price is known. The discounted airfare component is not listed or able to be booked separately from the package. Packages are developed that appeal to leisure visitors not business travellers, for example

² Tourism Council Western Australia: Submission to the Inquiry into Regional Airfares in Western Australia, 2017

packages can include resorts, tours and leisure attractions. Leisure packages will also focus on weekends and/or have a minimum length of stay that does not suit business travellers. Leisure tourism packages enable airlines to regularly discount airfares up to 30%, without taking a revenue loss for offering the lower price to business travellers.

Packages can also change the demand for the regional destination, as well as demand for airfares, to further increase leisure travel. This is because packages can include discounts from accommodation, tours and attractions as well as discount airfares. Each product component can discount their price because the lower price is not available on the open market, only the total package price.

The cumulative value of multiple product discounts can create a leisure package of significant value. This will drive additional demand for the destination and each product which is included in the package i.e. the hotelier gets the advantage of the discount airfares and the airline gets and advantage from discounted room rates. Regional airports can contribute to leisure packages by discounting landing fees. Regional destinations can also contribute through underpinning package development and marketing.

Leisure tourism packages are highly effective means of reducing airfares and other destination costs while significantly increasing demand for those products and the regional destination.

Leisure packaging does have additional costs to airlines and tourism product such as commissions to wholesalers and the collective costs of developing, contracting and advertising the package to target markets. ...'

- That consideration be given to set year-round fares which can be used as part of tour packages, potentially based on an agreed number of flights booked by the operator per year. This may also have an option of locking down an allocation of seats.
- At present, flights are booked on an ad-hoc basis and operators can only access whatever fares are left to book. This situation combined with the reduced number of rail sleepers presently, impacts on tour operators ability to sell the full capacity of their tours. There is too much competition now for the reduced rail sleepers and put quite simply, current airfares are not tourism operator friendly.

Additional Flights ex Sydney and Melbourne via Toowoomba:

- Some tourism operators have seen growth in visitors from NSW & Victoria, hence it would be reasonable to expect that if there were flights ex SYD or MEL into Longreach, that it may encourage more interstate visitors,

Complete the loop to Cairns to encourage outback & reef packages to attract new markets:

- If flights were opened up to Cairns, direct or via links, this may open up a whole new packaging opportunity for operators based on the Reef & Outback theme.
- Outback could leverage the existing Cairns international visitor base by offering packages ex Cairns to the Outback, then fly onto Brisbane. RAPAD is advised this would offer a reef/outback/city package, which does appeal to International visitors.

Business

More broadly for business, at present for any public sector person or private businessperson, a trip from any location in the Central West, to Brisbane, or Canberra, for example requires up to 3 and 4 days respectively with the corresponding number of nights accommodation and meals. While residents in rural remote regions respect the distances, the current air routes and services simply do not facilitate cost effective travel for business at the private or public level.

Retention and attraction of staff for business is a major issue for our region. Residents and potential newcomers do appreciate that rural remote living comes with its hurdles just as living in a major city does,

however issues around travel, specifically air travel costs create barriers for our residents and new residents.

Retention and attraction of staff is challenging due to the considered remoteness of the region and challenges in attracting professional staff is an additional obstacle to businesses sustainability and success. For those working in our region the lack of connectivity, cost of flights, and regularity of flights to attend to business matters is a major hurdle.

With the support of government through the operation, regulation and funding of air route services, investment and tourist and business numbers will both grow side by side in the Central West regions tourism and business sectors.

Social – aged and health

RAIs report for RAPAD states:

Councils working together to create a healthy aged lifestyle in the RAPAD region will retain more locals with a potential 2,700 people aged 65+ in the region by 2031. These people will demand more health, retail and arts and recreation services, directly stimulating an additional 600 new jobs in the region. This number could increase if significant effort and promotion of the RAPAD region as a preferred retirement destination attracted further retirees. Successful attraction could mean up to 5,400 people aged 65+ in 2031, creating an additional 2,100 regional service jobs.

The RAPAD region is well placed to be an icon of healthy aged living with an older-person centred and integrated care approach targeted towards the first life stage of high and stable. This focus will provide increased requirements for services and infrastructure and will service older persons with declining capacity as well as high and stable.

Estimating the number of jobs created by taking a proactive role in supporting and attracting retirees to the RAPAD region is experimental at this stage as there is no clear starting data. Therefore, the payoff analysis proposed below is hypothetical to outline potential. We estimate based on current state population projection numbers that aged people will grow in the region at 61 per cent to 2031. These people will need increased service delivery in health, retail and arts and recreation industries to deliver community and health services. We propose that currently half the health services are servicing directly or indirectly the aged population, whilst only 30 per cent and a quarter respectively of the arts and recreation and retail sectors are dependent on this age group. Therefore increasing the age group will directly increase jobs in these sectors.

For the RAPAD region to meet its potential as an aged care and healthy aged lifestyle location, thus creating jobs and economic growth, air transport is vital. Without ready affordable air access, remote regions entire social fabric suffers.

RAPAD is advised that Qantaslink has a policy of issuing resident's fares at \$189 per seat, however there is no consistency in the seat allocation per flight and furthermore there is little advertising of these fares. RAPAD would want to see a residents fare clause added to contracts and the number clearly available for customers.

RAPAD also request that the current contract period be considered so it allows for greater flexibility. RAPAD appreciates the rigor of business for airlines however the current 5yr contract does not allow flexibility that allows for changing demands.

Affordable, timely, flexible competitive air travel can be one of the most significant economic drivers to a

rural remote region, just as it can be to a major urban center. It can and does affect, both positively and negatively depending on access, existing and new tourism and business activities including new investment, social, health and well being needs, family connections, attraction and retention of skilled and unskilled labor. Affordable, timely, flexible competitive air travel can drive growth and investment in our region just as roads did in the last century.