PERTH AIRPORT

Submission to
Productivity Commission

Australia's International Tourism Industry Research Project

28 November 2014

Contents

1 Executive Summary

Perth Airport Pty Ltd (PAPL), as the operator of Perth Airport, welcomes the opportunity to make this submission to the Productivity Commission's ("the Commission") research project examining the international tourism industry.

In 2012/13, international tourism consumption in Australia totalled nearly $27 billion (ABS – Report 5249.0 – Tourism Satellite Account). Nationally, the tourism industry (domestic and international) employs over 500,000 people and is an important part of Australia's GDP.

PAPL's submission focusses on three key areas requested on the Commission's website. They are:

Bilateral Air Services Agreements

PAPL believes there is a strong case for Perth to be removed as a Major Gateway in future Bilateral Air Services Agreements. The main arguments for this policy change are:

- Australian airlines are primarily serving Perth international passengers through their foreign alliance partners. Perth has just 7% of its international seats provided by Australian airlines and the only destinations are short haul leisure markets focussed on outbound Australians (Bali and Thailand). By contrast, the other Major Gateways have 30% or more of their seat capacity provided by Australian airlines.

  What this means is that Perth is dependent on foreign airlines having sufficient bilateral rights for capacity increases and effectively only has access to the foreign side of most bilateral agreements while the other gateways have some prospect of services from one of the Australian airlines.

- PAPL believes that this policy change is in the National Interest since there is no material impact on the Australian airlines since Perth cannot realistically be used to access the east coast markets due to the distance.

- Perth is often the fourth market served by new foreign airlines entering the Australian market. This means bilateral agreements need to have sufficient room for the foreign airline's planned services to the east coast as well as any Perth services or Perth services are likely to be delayed.

- While a lack of any bilateral capacity constraints does not guarantee a new service, it does ensure that the only criteria international airlines need to consider is whether they believe a Perth service would be commercially successful relative to other destinations that the aircraft could be deployed. In the current environment, airlines need to weigh up the use of bilateral capacity to Perth versus the east coast gateways and whether there will be sufficient future bilateral capacity for their ambitions in those markets.

Rationale for Government Involvement in Tourism

As noted above, the Tourism Industry makes a valuable contribution to the Australian economy and PAPL is of the view that State and/or Commonwealth Government involvement is necessary in five key areas:

- Destination marketing and support for major events;

- Working with airports to encourage increased international capacity from current and prospective airlines on a sustainable basis;

- Provision of data allowing tourism businesses to analyse the markets;

- Provision of relevant infrastructure and regulation to support tourism; and
- Minimise the cost of travel for international visitors. In particular, the Passenger Movement Charge (PMC) and Visa costs act as a barrier to increasing visitor numbers. For example, a prospective Indonesian visitor faces a cost of $120 to get an entry visa and a further $55 for the PMC as part of their airfare. Considering low cost airline fares are regularly as low as $199 one-way, these charges represent a significant part of the cost of the trip.

Key Trends in International Tourism for Western Australia

From 2008/09 to 2013/14, non-Australian residents travelling internationally through Perth Airport increased by an average of 5.7% per annum. While the United Kingdom remains the largest visitor market, there was strong growth in a number of key markets including China (17% per annum), Malaysia (7% per annum) and Indonesia (8% per annum). Visitors travelling for employment increased as a percentage of the total as did people visiting friends and relatives.

2 Bilateral Air Services Agreements

PAPL is of the view that there is a strong case for removing Perth as a Major Gateway in future Bilateral Air Services Agreements and including it as part of a renamed Regional Package with unrestricted capacity. PAPL's case is based on the goal of promoting aviation liberalisation outlined in the Coalition's Policy for Aviation released in August 2013 which included the following statements:

- "The Coalition will work to increase global aviation liberalisation while recognising the need to protect our national interest."
- "We will strongly support the entry of Australian airlines into foreign markets and negotiate to remove barriers that prevent access."
- "The Coalition will prioritise bilateral air services agreements to ensure we have the aviation capacity necessary to meet future demand"

It has been the continued policy of successive Australian governments to seek to ensure that the Air Services Agreements (ASAs) deliver capacity ahead of demand, allowing airlines to make commercial decisions regarding incremental capacity and move towards "open skies" agreements. Notwithstanding this policy, from time to time airlines are prevented from expanding capacity by limits in the bilateral agreements due to delays in negotiations from one side or the other.

Perth is typically most at risk from any delays in expanding capacity since it is the smallest of the four gateways and usually the fourth market to be served by new airlines entering the Australian market (although there are occasionally exceptions resulting from geographic or other reasons). PAPL is regularly given feedback from airlines that they will only consider starting services to Perth once they have operations established on the east coast of Australia to at least Sydney and Melbourne.

Perth Airport Pty Ltd ("PAPL") believes that the time has come for Perth to be removed from the category of "Major Australian Gateway" and moved into the Regional Package in all future bilateral agreements. Recent actions by both major Australian airlines have clearly demonstrated that Perth is dependent on foreign airlines to grow air service capacity into Perth and therefore it is critical that foreign airlines have no restrictions to increasing capacity to Perth.

PAPL considers that in assessing this issue, the key criterion is whether it is in the National Interest. Based on the Aviation White Paper from the previous government, the four key considerations are:

1. Does it improve competition and choice for Australian and foreign travellers?
2. Does it improve trade and tourism opportunities for Australian Industry?
3. Does it restrict a strong Australian-based aviation sector?
4. Does it reduce the leverage available to the Australian government when negotiating bilateral agreements?

Before considering these questions, it is important to understand how recent strategic changes from the major Australian airlines have affected international air services in Perth.

2.1 Australian Airlines are Focussed on Alliances from Perth

For strategic reasons which PAPL understands and agrees with, Qantas has chosen to partner with Emirates and from May 2014, Qantas has had no international services from Perth (except for seasonal Auckland services). Unlike Sydney, Melbourne and Brisbane, Emirates does not operate from Perth into Asia, so Qantas passengers in Perth are not able to benefit from the Qantas code share agreement with Emirates to Singapore, Bangkok and Kuala Lumpur from the various east coast airports. Qantas recently also entered into a code share agreement with China Southern (including from Perth to Guangzhou), complementing its code share agreement with China Eastern.

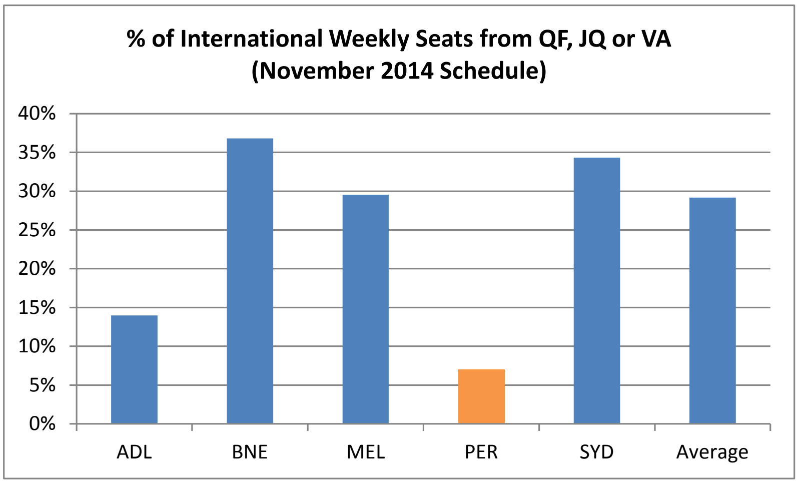
Similarly, Virgin Australia has adopted an alliance model for its international operations, entering key alliances with Etihad, Singapore Airlines and Air New Zealand. Again, PAPL understands and agrees with the logic behind this strategy.

What this means for Perth is that Virgin Australia's only international destinations are to the leisure ports of Bali and Phuket. Virgin Australia serves a wide range of other international destinations via its code share arrangements with its alliance partners who operate to Perth, but PAPL considers it to be unlikely that Virgin Australia will launch non-stop services from Perth to a major hub airport (such as Abu Dhabi or Singapore) to connect to its alliance partner in that hub. They are far more likely to do this from the east coast and they already do this by operating to Abu Dhabi from Sydney, complementing the Etihad services.

The only other Australian airline with regular international operations from Perth is Jetstar. From the end of October 2014, Jetstar's only international operations will be to Bali, while Jetstar Asia (a Singaporean airline) operates from Singapore with connections to a wide range of South East Asian destinations. PAPL's assessment is that Jetstar is unlikely to materially expand its international services from Perth using the Australian entity other than to leisure destinations.

Figure 1 below illustrates that as of the November 2014 schedule, Perth has just 7% of its international seat capacity from Australian airlines, compared to Sydney, Melbourne and Brisbane where Australian airlines represent around one third of international seat capacity. In fact, it is also well below Adelaide – which is in the Regional Package and has around 14% of its international seats from Australian airlines.

Figure 1: International Weekly Seats from Australian Airlines



Source: IATA AirportIS Schedules for International Flights from Australia in November 2014

The inevitable conclusions from the strategies adopted by the major Australian airlines are:

1. Perth is dependent on foreign airlines for its international capacity increases, far more so than any of the east coast airports which have around a third of their international capacity from Australian airlines. Therefore, Perth is more dependent than the east coast ports on the foreign airlines having sufficient seat capacity available under the relevant ASA to grow services, and is in a similar position to Adelaide in this respect. For example, both the Qatar and Hong Kong bilateral rights are fully utilised by the foreign airlines and the Philippine and Malaysian rights are almost fully utilised. If these agreements are not expanded soon, it is possible that new flights to Perth could be delayed.

2. None of the major Australian airlines are likely to increase capacity from Perth to a major hub point using their own aircraft, preferring instead to rely on their code share and alliance partners. From a Perth perspective, this means that for most bilateral agreements, only half of the capacity is actually available (whatever is available to foreign airlines). For the east coast gateways, there is some prospect of one of the Australian airlines starting or increasing non-stop services. As the smallest of the four Australian gateway markets, Perth is usually the fourth market served (occasionally third) from major hubs by foreign airlines.

3. Competition and growth to major markets to/from Perth into Europe and Asia depends on Perth having a wide range of services from foreign airlines operating to a range of hubs. From a competitive point of view for passengers, it is best if this includes both airlines allied with the major Australian airlines and those without such ties.

4. Removing Perth from the “Major Australian Gateway” category and into the Regional Package would have little or no impact on the Australian airlines. The Australian airlines are simply no longer directly serving major hubs from Perth and the markets beyond those hubs in any material way except through their code share services with their alliance partners.

5. Services to Perth do not assist foreign airlines in serving the east coast markets. Perth is simply too far away for a service via one of the major ports to be commercially viable and passengers are not going to fly into Perth to then fly on to the east coast where non-stop services are available (with the possible exception of African markets where the geography favours Perth as a gateway to the rest of Australia). By contrast, some airlines do make use of Adelaide’s relative proximity to the east coast and operate via one of the east coast ports to Adelaide and vice versa.

2.2 National Interest Questions

Does it improve competition and choice for Australian and foreign travellers?

Yes. By having no bilateral restrictions, foreign airlines serving Perth could decide on capacity increases based solely on commercial considerations and not consider whether they are better off using limited available capacity on Perth or deploying it to one of the east coast gateways. Competition by a number of foreign airlines operating via competing hubs and with different business models (low cost vs full service) is the best case scenario for all passengers travelling to or from Perth. If foreign airlines are willing to operate services that are only marginally profitable or even loss making over the short term, that is only to the benefit of passengers to and from Australia and should not be a factor in the government’s decision.

Does it improve trade and tourism opportunities for Australian Industry?

Yes. Given that Qantas and Virgin Australia are not operating to major hub airports from Perth, it is critical for trade and tourism that a wide range of foreign airlines are offering services, to create price competition for both passengers and air freight. Tourism Australia and Tourism WA both already work with foreign airlines to promote visitors to Western Australia. Efficient services to key trading partners are also critical to business links and growth in non-stop connections to key trading partners is far more likely to come from a home airline. For example, China Southern operates non-stop services to mainland China.

Does it restrict a strong Australian-based aviation sector?

No. The Australian airlines will be relatively unaffected by increases in foreign airlines operating to Perth since they are no longer operating to Perth with the exception of key outbound leisure ports. In fact, given their code share arrangements and alliances with foreign airlines, Qantas and Virgin actually depend on their foreign partners getting continued access to increased services to Perth.

Does it reduce the leverage available to the Australian government when negotiating bilateral agreements?

Not in a material way. While the Perth market is attractive in its own right given the strong economy and other factors, it is the smallest of the four current gateways and usually the last served by new airlines entering the Perth market. The east coast, and particularly Sydney and Melbourne, are the main targets for foreign airlines in Australia and services from Perth do not assist this goal. Removing Perth from this group would only marginally reduce the leverage the Australian government has in negotiations with foreign governments.

2.3 Case Study – Impact of Low Cost Carriers (LCCs) on Bilateral Agreements

The current Philippines bilateral agreement allows up to 6,000 weekly seats between the major Australian gateways and Manila/Clark for Philippine flag airlines. As of 9 September 2014, Philippine Airlines operated 2,526 seats and Cebu Pacific 1,744 seats, which will increase to 2,180 in the next scheduling season.

Cebu Pacific has recently acquired high capacity A330 aircraft with 436 seats. Therefore, a daily service from them requires 3,052 weekly seats – just over half of the current bilateral limit. Cebu Pacific has already entered the Australian market and is likely to expand services to other Australian cities in the short term.

Airlines prefer to have some certainty over the long term before committing to a new country market. What that means is that for Cebu Pacific to have scope to implement all of their planned capacity over the next few years, the bilateral rights would likely have to triple from current levels. If an increase of that scale is not implemented, it is distinctly possible that Perth services could be delayed beyond the point at which they would be commercially viable.

LCC's have been an important part of the growth in passengers through Perth Airport over the last five years and operate in an increasing number of markets. They now represent 31% of international seats operating to Perth and this is likely to continue to increase. LCC's often make decisions quickly with large capacity changes and if bilateral agreements have insufficient capacity, new services can be delayed.

2.4 Case Study – Hong Kong market

The Hong Kong bilateral agreement is currently fully utilised from the Hong Kong side, while space remains on the Australian side. For a range of reasons, Australia and Hong Kong have not yet been able to negotiate an increase in seat capacity.

In March 2013, Qantas withdrew from the Perth-Hong Kong market, leaving Cathay Pacific as the sole operator on the route. Prior to their withdrawal, Qantas operated 3 weekly services and Cathay Pacific continues to operate 10 services per week. Since the Hong Kong side of the bilateral is fully utilised, there is no scope for Cathay Pacific to increase frequency without reducing frequency in one of Sydney, Brisbane and/or Melbourne.

As a result of the loss of capacity, the Perth-Hong Kong origin/destination traffic fell, while all other major Asian markets (with the exception of Thailand where political unrest is affecting the market) grew as shown in Figure 2 below.

While it is possible that Cathay Pacific may have chosen not to increase frequency even if bilateral rights were available to them, the fact that those rights were not available made it impossible to even assess the prospect.

This supports the argument that Perth should be removed as a major Gateway in future bilateral agreements. In most markets, no Australian airline is likely to operate from Perth, leaving just the foreign side of the bilateral agreement. When that is full, there is a risk that new capacity is delayed due to artificial restrictions.

Figure 2: FY14 Growth in Major Markets Between Perth and Asia

Traffic from Perth to Asia

Country	FY13	FY14	Growth
Indonesia	833,176	914,711	9.8%
Singapore	319,059	412,074	29.2%
Malaysia	285,852	319,308	11.7%
Thailand	246,936	239,446	-3.0%
China	130,621	133,885	2.5%
India	89,964	102,512	13.9%
Hong Kong	79,984	74,604	-6.7%
Philippines	72,345	77,102	6.6%
Japan	67,197	83,835	24.8%
Vietnam	59,121	70,499	19.2%
South Korea	32,010	36,356	13.6%
Taiwan	29,828	29,503	-1.1%
Sri Lanka	15,538	17,019	9.5%
Cambodia	12,132	14,441	19.0%
Other Asia	45,572	46,292	1.6%
Total Asia	**2,319,334**	**2,571,585**	**10.9%**

Source: Department of Immigration and Border Protection (DIBP)

2.5 Conclusion

In summary, it is in the national interest for Perth to be progressively removed from bilateral air services agreements as a Major Australian Gateway and included instead as part of the Regional Package. It would also be appropriate to rename the Regional Package given that both Adelaide and Perth are not regional centres. Perth would benefit from having no restrictions other than commercial considerations for foreign airlines considering new services and the strategic decisions from the major Australian airlines demonstrate that they will be relatively unaffected from Perth. Government policy should be amended so that in all future bilateral air services negotiations, capacity to Perth is unrestricted.

3 Rationale for Government Involvement in Tourism

In 2012/13, international tourism consumption in Australia totalled nearly $27 billion (ABS – Report 5249.0 – Tourism Satellite Account). Nationally, the tourism industry (domestic and international) employs over 500,000 people and is an important part of Australia's GDP. Given the size of the industry, PAPL's view is that State and Commonwealth governments have five key roles to play in supporting international tourism. They are:

Destination marketing and support for major events

The tourism industry is largely a collection of relatively small individual operators with limited capacity to effectively market across the wide range of international markets. While they are responsible for promoting their own services to prospective visitors, the State and Commonwealth need to do the destination marketing required to attract visitors to the country and state in the first place.

Events are an important drawcard for visitors and noticeable spikes in international visitors are present from such things as international sporting events. For example, an international rugby test between Australia and South Africa results in a noticeable increase in South African visitors in the month of the match. These events are also often televised internationally, offering images of Australia to an international audience. While some of these events are large enough to stand alone, new events often need initial support.

Working with airports to attract increased airline capacity

Perth Airport works closely with Tourism WA and collaborates with Tourism Australia where relevant. Some of the destination marketing noted above should be (and is) done in collaboration with airlines in specific targeted markets as part of encouraging new sustainable capacity into the market. Airports also have a key role to play in marketing to existing and prospective airlines where identified opportunities exist.

Provision of data

Ultimately, convincing an airline to start a new service or add new seat capacity requires data to prepare a business case to demonstrate the prospect of success. Again, individual players are too small for this expensive process and the Commonwealth is well placed to perform the data collection and make it available (at a price in some cases). Examples include immigration card data that is provided to airports and other stakeholders, visitor surveys, forecasting and specific studies to identify what individual markets want to experience in Australia. For example, Tourism Australia did extensive work in China that they shared with industry as part of a concerted effort to attract more Chinese visitors. Government sourced data is critical to PAPL's aviation business development efforts.

Provision of relevant infrastructure and regulation

Both State and Commonwealth Governments need to ensure timely provision of infrastructure supporting tourism including transportation (roads/rail), state and national parks, stadiums and other large projects not suited for private industry. Additionally, if a shortfall is identified in private infrastructure, consideration should be given to incentives or favourable regulatory conditions to offset it. For example, a shortage of hotel rooms was acting as a barrier to increased visitor numbers and the WA State Government successfully encouraged the construction of new room stock through a range of policy measures. There is now a pipeline of hotel projects in various stages that will be opening over the next few years.

Minimise the cost of travel for visitors

The Commonwealth Government should seek to limit charges for inbound visitors such as the cost of acquiring a tourist visa and the Passenger Movement Charge (PMC) to levels affordable for visitors. Currently some markets such as Indonesia have high visa costs (A$130) which act to constrain visitor numbers. By contrast, Singaporean and Malaysian visitors have access to the Electronic Travel Authority (ETA) which can be applied for online and costs just A$20. Key emerging visitor markets like Indonesia should be given access to the ETA as soon as possible.

The PMC is currently A$55 levied on all departing passengers. The charge is notionally to fund the cost of border agencies. In March 2013, a release by the TTF noted that by 2015, the PMC is expected to raise around $1 billion, while the cost of border agencies is estimated to be less than a quarter of that. At a time when LCC fares from South East Asia to Perth are regularly as little as A$199 one way, a levy of $55 materially increases the cost of travel.

PAPL recommends that the Commonwealth Government urgently does the following:

1. Conduct a cost/benefit study for the border agencies and quarantine inspections at airports in particular. Enormous resources are dedicated to this exercise and form part of the rationale for the PMC. If the cost of these services does not reflect the benefit to the Australian economy, then they should be scaled back to an appropriate level and the PMC reduced accordingly.

2. Reduce the PMC to encourage an increase in international visitor numbers, particularly from short haul markets such as Singapore, Malaysia and Indonesia. Australia is already an expensive destination for these markets and such a reduction is likely to stimulate visitor numbers, creating additional revenue for the Government to offset lower PMC revenue. The PMC for long haul markets should not be increased to compensate for lower short haul revenues.

4 Key Trends in Australian International Services for Western Australia

4.1 Trends in Visitor Markets

Figure 3: Top Visitor Markets for Passengers Through Perth Airport

History of Top Markets for Visitors Arriving or Departing from Perth Airport								
Country of Residence	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**CAGR**	**FY14 vs FY09**
United Kingdom	250 040	255 141	248 277	245,662	256,251	275,744	2.0%	10.3%
Singapore	142 737	152 029	152 179	140,316	140,606	184,698	5.3%	29.4%
Malaysia	109 981	118 241	126 884	125,990	133,522	155,795	7.2%	41.7%
New Zealand	62 746	60 554	68 976	72,554	87,840	94,671	8.6%	50.9%
Indonesia	45 677	52 266	60 555	62,831	63,440	68,191	8.3%	49.3%
China	30 324	40 313	45 590	55,895	63,075	67,293	17.3%	121.9%
Ireland	21 610	21 741	24 547	36,691	48,723	46,917	16.8%	117.1%
USA	22 376	24 802	26 658	35,534	42,265	43,219	14.1%	93.1%
South Africa	55 580	50 487	43 789	46,469	46,091	42,306	-5.3%	-23.9%
Germany	31 705	33 265	34 347	35,977	37,816	41,036	5.3%	29.4%
India	25 167	27 600	30 813	33,654	37,910	40,224	9.8%	59.8%
Japan	47 245	43 919	45 284	34,460	34,383	35,455	-5.6%	-25.0%
Hong Kong	24 650	25 850	28 655	28,229	32,607	34,159	6.7%	38.6%
France	18 246	19 847	21 674	23,995	27,900	31,730	11.7%	73.9%
Philippines	20 607	20 248	20 517	22,821	27,087	27,540	6.0%	33.6%
Thailand	18 873	25 767	23 435	21,647	22,376	23,559	4.5%	24.8%
South Korea	15 804	16 590	18 038	19,160	21,869	23,326	8.1%	47.6%
Italy	13 620	15 000	14 941	16,365	19,831	23,048	11.1%	69.2%
Taiwan	9 026	9 687	10 994	15,593	22,326	21,305	18.7%	136.0%
Netherlands	14 362	14 358	15 202	16,700	15,476	16,757	3.1%	16.7%
Canada	13 535	11 973	14 243	15,667	16,134	16,545	4.1%	22.2%
Switzerland	14 138	15 371	14 850	14,550	14,275	15,359	1.7%	8.6%
Mauritius	6 711	6 031	5 670	5,892	12,128	11,592	11.5%	72.7%

Source: Department of Immigration and Border Protection (DIBP)

It is worth noting that some markets in the Figure 3 are understated because it is only those passengers with Perth as the port of clearance. For markets such as the USA, New Zealand & Canada, a high percentage of passengers arrive or depart via one of the east coast airports (usually Sydney). To allow for this issue, Figure 4 below shows all visitors arriving in Australia at any port of clearance nominating WA as the State of Intended Stay.

Figure 4: Western Australia as State of Intended Stay – All Ports of Clearance

Country of Residence	FY09	FY10	FY11	FY12	FY13	FY14	CAGR	FY14 v FY09
New Zealand	108,453	106,984	117,804	130,840	147,542	145,055	6%	34%
USA	50,484	59,577	61,515	70,767	79,238	77,451	9%	53%
Canada	22,822	22,557	24,167	25,985	25,806	23,983	1%	5%

Source: Department of Immigration and Border Protection (DIBP)

Key trends in the origin/destination of visitors passing through Perth Airport since FY09 include the following:

- UK continues to be the largest inbound market, but growth has been slow;
- Other European countries including Ireland (now 2nd largest European visitor market), Germany, France and Italy have all experienced strong growth. This is likely to be at least in part due to the strong economic conditions in WA and people coming to work here. These new residents then attract family as visitors.
- Low cost carriers (LCCs) have dramatically stimulated the Singapore (in FY14) and Malaysian markets. This has been true in both directions, with lower airfares making more frequent trips possible. From FY09 to FY14, LCC seat capacity through Perth has risen from 13% to 31% (excluding Virgin Australia as an LCC).
- Japanese visitors were the 6th largest visitor group through Perth Airport in FY09 and in FY14 were the 12th largest, with numbers declining by 25% over that period. This was affected by the natural disasters and Qantas cancelling the Perth-Tokyo service shortly afterwards, but the trend was already established before those events.
- By contrast, Chinese visitors through the airport have more than doubled over the period, supported by the addition of direct services between Perth and Guangzhou by China Southern in November 2011.
- Other key emerging Asian markets include:
    - Indonesia – numbers are still small, but there is enormous potential given the proximity, population and growing middle class. Perth remains a relatively high cost destination however.
    - India – same comments as for Indonesia.
    - Philippines – high number of 457 visa workers in WA due to the resource sector. This creates both worker traffic and travel by family members to visit.
    - South Korea – still a small market, but stimulated by connections on LCCs.
    - Taiwan – same comments as South Korea.
- New Zealand visitors are increasingly arriving in Perth rather than other ports of clearance, reflecting the increasing non-stop capacity. In FY09 56% of visitors arrived in Perth compared to 63% in FY14.
- Similarly, US visitors arriving in Perth increased from 41% to 52% from FY09 to FY14.
- Finally, the South African visitor market has steadily declined with economic difficulty there translating to fewer visitors to WA.
- PAPL largely expects these trends to continue. Perth continues to be a relatively expensive destination for visitors from South East Asia relative to other options within South East Asia. PAPL expects that individual markets will be stimulated when they reach a size capable of supporting a new non-stop service, making Perth easier to reach and usually lowering the cost of the flight. LCC’s will continue to grow their share of the market, stimulating traffic through lower costs and competition.

4.2 Trends in Visitor Purpose of Travel

There has been relatively little change in the reason for travel for visitors arriving in Perth Airport as shown in Figure 5 below. Notably, as a percentage of the total, travel for education is down, while travel for employment is up slightly. Similarly, travel for holiday is down, while travel to visit friends and relatives is a higher proportion of the total. These trends reflect the economic strength of Western Australia, which is drawing new migrants seeking employment and the friends and relatives who come to visit them. While the WA economy is slowing, these trends are expected to continue given the strength relative to other parts of the world where unemployment remains high.

Figure 5: Arriving Visitors in Perth Airport – Purpose of Travel

Arriving Visitors in Perth Airport

Reason for Travel	FY09	FY14
Business	8.6%	8.0%
Convention / Conference	2.0%	1.6%
Education	9.5%	7.6%
Employment	7.0%	8.6%
Exhibition	0.1%	0.1%
Holiday	38.2%	36.1%
Other	8.3%	6.9%
Visiting friends/relatives	26.3%	31.1%
Total	100.0%	100.0%

Source: Department of Immigration and Border Protection (DIBP)

4.3 Key Drivers of International Tourism

PAPL considers that the key drivers are the obvious ones – easy to identify, harder to influence:

- Attractiveness and marketing of the destination relative to other comparable options.
- Relative cost versus other options available – Perth is likely to continue to be relatively expensive vs its Asian neighbours and as a long haul destination from North America and Europe similarly expensive time as well as money.
- Relative health of the origin economy – can people afford to travel?
- Availability of seat capacity – often a home carrier is preferred and LCC capacity helps reduce cost if available. For example, China Southern is likely to be much more effective at marketing to Chinese consumers than an Australian airline. Similarly, AirAsia X has strong brand presence in Malaysia.