11 December 2025

The Productivity Commission
CANBERRA ACT 2601

Via email : regional.airfares@pc.org.au
https://www.pc.gov.au/inquiries-and-research/regional-airfares/make-submission/

To whom it may concern

RE: Tourism & Transport Forum Submission – Inquiry into the Determinants of Regional Airfares

Tourism & Transport Forum Australia (TTF) is the peak industry group representing the national aviation, tourism, transport, and related infrastructure sectors. Supporting regional Australia's efforts to grow the visitor economy is a key strategic focus for TTF.

We welcome the opportunity to provide feedback on the cost, frequency, and reliability of regional air services as outlined in the Government's consultation paper. Affordable and sustainable regional air services are critical to the visitor economy and to regional development, they unlock economic activity and productivity, improve the provision of goods and services, support tourism growth, enhance Closing the Gap outcomes, and encourage regional migration.

This submission addresses a broad range of issues relevant to the Inquiry, in particular:

- the determinants of regional airfares and service offerings, including the factors contributing to price differences between regional and major-city routes, such as airport fees and charges.
- examining barriers to entry or expansion for airlines operating regional routes
- assessing policy and regulatory settings that may contribute to higher airfares, reduced service levels, or limited competition.

TTF appreciates the Government's commitment to strengthening aviation access for regional communities and the visitor economy. We thank you for considering our submission and recommendations. Please do not hesitate to contact TTF's Manager, Government Relations & Policy at policy@ttf.org.au should you wish to discuss any aspect of our feedback.

Yours sincerely,

Margy Osmond

Chief Executive

Tourism & Transport Forum

Submission to the Australian Government Inquiry into the Determinants of Regional Airfares

Tourism & Transport Forum Australia (TTF) December 2025

Introduction

Tourism & Transport Forum Australia (TTF) welcomes the opportunity to provide a submission to the Australian Government's Inquiry into the Determinants of Regional Airfares.

Tourism Research Australia reports that regional Australia accounts for 46% of national tourism expenditure—$107 billion—and supports 534,000 tourism-related jobs. More than 100,000 tourism-related businesses operate in regional areas, and 57 cents of every visitor dollar is spent in these communities (Australian Regional Tourism, YE September 2022). These figures underscore the economic and social importance of reliable, competitive regional air services.

High and volatile airfares constrain regional tourism performance, particularly on thin, long-distance, and highly seasonal routes. Air access influences nearly every visitor segment—from touring and events to business travel and visiting friends and relatives (VFR)—and underpins general aviation activities essential to regional communities. Generalised criticism of profitability of privatised airport companies and large airlines is unhelpful. It is well known that there are marginal returns and many charges that make up an air fare.

For example in the Qantas Group submission to the Aviation Green Paper 2023, it detailed the growing portion of airport charges, second only to labour and equal to fuel[1].

Table 1: Comparison of Passenger Service and Security Charges

Airport	Passenger Service Charges	Actual Security Charges
Sydney	$10.29 + GST	$1.13 + GST
Melbourne	$5.99 + GST	$0.71+ GST
Brisbane	$11.37 + GST	$2.80+ GST
Mount Isa	$23.45 + GST	$7.45+ GST
Rockhampton	$17.03 + GST	$6.93+ GST
Bundaberg	$22.42 + GST	$20.25 + GST
Port Hedland	$30.13 + GST	$8.00+ GST
Armidale	$15.23 + GST	$23.28 + GST
Norfolk Island	$75.00 + GST	$500 per departing flight + GST

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[1] https://www.qantas.com/content/dam/qantas/pdfs/qantas-group/qantas-group-submission-aviation-green-paper-2023.pdf

To better assess the pain points, a more transparent approach to the breakdown of all costs is desirable.

TTF's submission outlines the structural factors influencing airfares, the implications for tourism and regional development, and key policy interventions required to support a sustainable, competitive regional aviation network.

Impact on the Visitor Economy

Improved air connectivity brings new money directly into local economies—hotels, restaurants, tours, local producers and retail all benefit. Whilst international aviation capacity, particularly into the major gateways of Australia has returned to near 2019 levels, regional dispersal has been slower to recover. Tourism Australia's recent industry sentiment insights highlight one of the top 3 challenges for the tourism industry is the cost of domestic flights. Affordable and stable air access is critical to regional tourism viability. There is a direct correlation between increased airfares and reducing visitor dispersal across Australia due to diminishing participation in regional events, fly drive travel and regular VFR.

- Travellers divert to alternative destinations perceived as offering better value or greater reliability. The current travel environment commonly sees short haul overseas travel to New Zealand, SE Asia, and the Pacific considered better value.

- Seasonal demand patterns mean aircraft load factors weaken at certain times of the year and reduce profitability for the airlines. To counter these effects, state and territory governments often integrate airfare incentives into cooperative marketing arrangements to offer passengers cheaper fares. It is sometimes more sensible that private/public incentives extend for long enough periods (2+ years) to establish the route. Otherwise, whilst effective in the short term, these mechanisms can create cycles of dependency and poor return on investment for regional destinations.

- Visitor expectations shift—an expensive "entry ticket" positions a destination as premium, reducing the target market pool and requiring higher on-ground experiences to meet price expectations.

- Australia is a long-haul destination and the ability to attract international visitors and drive regional dispersal means we must establish a domestic Low Carbon Liquid Fuel (LCLF) industry. This will ensure the transport sector can successfully decarbonise and maintain competitiveness in the global tourism market. The single biggest lever for the Australian aviation sector to decarbonise is Sustainable Aviation Fuel (SAF), with the potential to contribute up to 65 per cent of aviation emissions reduction by 2050. Beyond the environmental benefits, LCLF can boost Australia's regional economy through significant job creation and a more secure fuel supply for Australia. Regions might also capitalise on their competitive advantages in agricultural production and renewable generation.

TTF acknowledges the extensive work that has been invested in the Aviation White Paper to achieve a safe, competitive and sustainable aviation sector. Now a coordinated national aviation strategy—aligned with regional visitor economy and regional population growth frameworks is essential.

Barriers to Entry and Expansion

Airline Structural and Operational Constraints

Regional Airports and Airlines have a more expensive cost environment as the regional route economics are fundamentally constrained by small (and unique) demand as part of the broader supply-demand equation.

Key pressures include:

- **High per-passenger operating costs** due to small aircraft, lower load factors, and limited economies of scale.

- **Disproportionate fuel, labour, and maintenance costs**, particularly on long or thin routes.

- **Restricted engineering and aerodrome services** in remote locations, increasing turnaround and maintenance expenses.

- **Seasonal and climatic variability**, which reduces scheduling efficiency and route reliability.

- **Competing airspace and runway access** at dual civil–military airports, increasing operational complexity and cost.

- **Escalating compliance obligations** in security, risk management, and consumer protection, with limited scope for cost recovery.

Fleet Availability and Suitability

- The nature of Australian tourism experiences often means airlines face diverse and remote aerodromes i.e. Islands and outback towns which have shorter runway length, runway width, or obstacle clearance.

- Fleet dynamics present increasing challenges to regional aviation. The Australian Government must develop levers to drive fleet modernisation, including financing mechanisms, leasing incentives, and R&D investment, At the same time we need to acknowledge that the cost of maintaining service quality and reliability is eroding the margins for commercial airlines to unsubstantial levels.

- **Global shortages of small regional aircraft** and long delivery lead times.

- **An ageing domestic fleet** with increasing maintenance requirements and rising costs.

- **Reduced availability of aircraft types ideal for Australian conditions**, such as the Q400, which is no longer in production.

- **Fleet Mismatch,** carriers lack smaller, versatile aircraft (like turboprops or regional jets), suitable for shorter air strips resulting in sub-contracting or a reliance on expensive charter flights.

- **High capital costs and limited access to finance** deterring fleet renewal or expansion.

- **Changing fleet strategies** within major carriers, including consolidation of subsidiaries and regional operations.

Airport Fees, Infrastructure Limitations and Ground Operations

Regional airports face structural disadvantages that directly influence entry and expansion of airlines and therefore competition. A modern, fit-for-purpose regional airport network is fundamental to improving route reliability, reducing airline operating costs and enhancing passenger experience.

In the Qantas Group Aviation Green Paper submission, it states that the average cost per passenger (excluding security) at airports in Northern Australia is 55% higher.

- **Higher per-passenger charges** due to low throughput and limited commercial hospitality and retail revenue opportunities.

- **High staff costs** due to inconsistent work schedules, back of clock flights and skill shortages.

- **Defence-related operational requirements** at airports such as Townsville and Darwin, increasing compliance and cost burdens.

- **Infrastructure gaps**, including runway length, lighting, instrument approach systems and weather-related capabilities, restricting aircraft types and limiting operations.

- **Additional regulatory responsibilities**, including wildlife risk management, security screening, and accessibility compliance.

- **Limited ground handling availability**, often requiring airlines to self-handle baggage, passenger services, and accessibility support.

- **Outdated border and passenger processing systems**, limiting efficiency due to the inability to innovate or use Artificial Intelligence to bridge staffing gaps.

- **Unrealistic incentives for LCLF** to fast-track manufacturing plants specific to SAF in regions.

Policy and Regulatory Settings Contributing to Higher Airfares

Compliance with aviation safety regulations, security screening obligations, border processing requirements, and per-passenger charges such as the International Passenger Movement Charge (PMC), imposes disproportionate burdens on low-volume airports that are attracting international flights such as Gold Coast and Newcastle. Forthcoming reforms—including strengthened consumer protection and new accessibility standards—will place further, significant cost pressures on regional operators.

The new Aviation Consumer Ombuds Scheme (consumer ombuds scheme) may improve outcomes for inconvenienced air travellers; however, the proposed cost recovery model is currently skewed unfairly towards airports and airlines.

Aviation Accessibility Review will require important but extensive infrastructure upgrades for regional airports. Without dedicated funding support, these upgrades risk further increasing the cost of regional travel and a reduction in air services where standards cannot be met either by the airport or airline.

Skilled Workforce Shortages

Widespread shortages across aviation professions—including pilots, engineers, and licensed maintenance personnel—continue to constrain the viability of regional services. A coordinated skills strategy, linked to regional development and population expansion objectives, is essential. Challenges include.

- **Higher costs of regional basing, training, and relocation**, particularly for remote locations.

- **Insufficient supply pipelines** for specialised aircraft and maintenance skill sets. The Government might consider a strategic investment like the Singapore Airlines Academy.

- **Fragility of state-based aviation attraction initiatives**, which have struggled to consistently mitigate workforce gaps. Historically partnership agreements with airlines can include a commitment to base staff permanently in a region. The friction between communities and airlines when this becomes unviable or more efficient to locate elsewhere is considerable. This can be seen clearly with the recent announcement by QantasLink that it is closing staff bases in Canberra, Mildura, and Hobart.

Recommendations

TTF recommends that the Australian Government:

1. Provides greater transparency and benchmarking of all government taxes and regional airport charges.

2. Introduces a national network pricing model for aviation charges to be distributed more equitably.

3. Adopts risk-based, rather than uniform, security and screening models reflecting differing route profiles and passenger volumes.

4. Removes all Defence-related operational costs from civilian airport budgets.

5. Continues funding programs, such as the Regional Airports Program (RAP) with infrastructure grants to support compliance, safety, accessibility, and productivity-enhancing upgrades, including over indexed support for regional costs incurred to implement new aviation consumer protection and accessible standards.

6. Consider a Government program to support loss-making regional routes, which airlines can make representations to before cancelling a service.

7. Reinvest a significant proportion of the PMC revenue into border modernisation including in the regions.

8. Coordinate, across all Governments, the aviation incentive schemes to ensure adequate support of non-gateway and regional airports.

9. Avoid short-term, fragmented funding programs that undermine long-term route planning.

10. Design financing and leasing support for modern, fuel-efficient regional fleets.

11. Provide genuine investment incentives for regions to establish manufacturing plants complimentary to their bio stock production and further advance Australian airlines' investing in SAF.

Conclusion

Reliable and affordable regional aviation is essential to Australia's economic development, social equity, and visitor economy performance. The logistical barriers including lack of competition, structural cost pressures, infrastructure limitations, and regulatory burdens continue to undermine the sustainability of regional services, suppressing demand and driving higher fares.

Targeted, long-term government intervention is essential. By implementing the recommendations outlined in this review, the Australian Government can support a stable, competitive, and resilient regional aviation network that strengthens tourism, improves liveability, and enhances connectivity for regional communities.

Thank you for your consideration of this submission.

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