

**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, with particular focus on:

- The determinants of regional airfares, including factors that contribute to price differences between regional and major-city routes.
- The challenges faced by airports serving smaller populations in recovering fixed operating costs and taxes.

- Opportunities for Government investment to be more effectively scaled across Australia.
- Policy and regulatory settings that may unintentionally lead to higher airfares, reduced service levels, or limited competition.

TTF appreciates the Australian 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@tff.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) February 2026

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 fifty-seven cents of every visitor dollar is spent in these communities (Tourism Research Australia, 2024). These figures underscore the economic and social importance of reliable, competitive regional air services.

The visitor economy is especially important for regional communities, contributing 4.1% to regional GDP compared with 2.7% in capital cities. Tourism is described as the "lifeblood" of regional communities, meaning that the cost of flying affects far more than travel alone (Australia. Parliament. Joint Standing Committee on Foreign Affairs, Defence and Trade, 2024, p. 42). Affordable and reliable air travel is therefore not just a transport issue, it is a critical enabler of regional economic resilience, workforce sustainability, and infrastructure investment.

Providing affordable, reliable air services in regional and remote Australia is increasingly difficult. Small populations mean fewer passengers to share high fixed costs, leaving regional airports and airlines without the economies of scale enjoyed by major cities. As a result, both infrastructure and operators face structural constraints that limit competition, affordability, and service quality.

These scale challenges are well understood and may result in structurally higher airfares on many regional routes. Addressing affordability and connectivity therefore requires a coordinated policy response, including targeted airport charge relief, transparent and proportionate regulatory settings, and well-designed route support programs that recognise seasonality and demand volatility. Policies that promote competition where viable, alongside strategic government intervention where markets cannot sustain essential services, are critical to improving regional aviation outcomes and unlocking regional tourism growth.

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

Recommendations

TTF recommends that the Australian Government:

1. **Adopt a risk-based approach to aviation security and passenger screening**, reflecting differing route profiles and passenger volumes. Alternatively, security costs could be shared on a nationwide per-passenger basis rather than recovered separately at each airport.
 2. **Reinvest a sizeable proportion of Passenger Movement Charge (PMC) revenue** into international border modernisation, including investments in regional airports.
 3. Reinforce **Aeronautical Pricing Principles (APP)**, ensuring both airlines and airport operators adhere to them.
 4. **Increase transparency and benchmarking** of all government taxes and regional airport charges to ensure understanding, accountability, and comparability across airports.
 5. **Absorb all Defence-related capital costs** from airport budgets to avoid distorting airport investment and operating priorities.
 6. **Continue funding programs**, such as the Regional Airports Program (RAP), with infrastructure grants that support compliance, safety, accessibility, and productivity-enhancing upgrades. This should include over-indexed support for regional costs incurred to implement new aviation consumer protection and accessibility standards. Additionally, provide **greater clarity on selection criteria and transparency of grant outcomes** to ensure equitable funding between private and government airports.
 7. Coordinate **aviation attraction schemes** for non-gateway and regional airports, ensuring funding programs are stable, sustained, and avoid short-term or fragmented arrangements that could undermine route planning and operational certainty.
 8. Consider a **government-backed support program** for loss-making regional routes, allowing airlines to make representations before cancelling unviable services.
 9. **Design financing and leasing support** to encourage modern, fuel-efficient regional aircraft fleets.
 10. **Provide investment incentives for regional manufacturing and Sustainable Aviation Fuel (SAF) development**, enabling regions to establish plants complementary to local bio-feedstock production and supporting Australian airlines' investment in SAF.
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Impact on the Visitor Economy

Improved air connectivity drives direct economic benefits for regional communities by bringing new visitor spending to local businesses, including accommodation, hospitality, tours, producers, and retail. While Australians have supported regional travel post-COVID, outbound travel is rebounding, making market diversification increasingly important.

Although international capacity into Australia's major gateways has recovered, regional air services and visitor dispersal have lagged. International visitors remain concentrated in capital cities, limiting tourism's economic contribution to regional Australia.

Addressing this imbalance is essential to realising the full potential of Australia's visitor economy. While affordable air access is only one part of a broader dispersal strategy, it is a topical constraint. Tourism Australia identifies high and volatile domestic airfares as a top industry challenge, directly limiting regional visitor dispersal through reduced event attendance, fly-drive travel and Visiting Friends and Relatives (VFR) visits.

These pressures create a range of interconnected challenges for regional destinations, including:

- **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 strategic 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.
- **Package pricing** that includes an expensive "entry ticket" can position a destination as expensive, reducing the target market pool and result in stagnant pricing of touring and accommodation to keep package pricing competitive.

TTF acknowledges the extensive work undertaken through the Aviation White Paper to support a safe, competitive, and sustainable aviation sector. Building on this foundation, a coordinated national aviation strategy, aligned with regional visitor economy and population growth frameworks, is essential. Realising these outcomes depends on addressing the structural barriers that affect airline entry, route expansion, and competition in regional markets.

Barriers to Entry and Expansion:

Airport and 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. Both parties must continually balance improved services with cost saving opportunities. These factors are often not prioritised by the travelling public.

In this context, efficient airport design can play a key role in improving outcomes. Many regional airports across Australia have a single-terminal model to reduce infrastructure duplication and airline charges, contributing to lower airfares and improved access.

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

Without addressing these pressures, regions remain constrained in their ability to attract and retain international visitors beyond a narrow set of destinations.

Fleet Availability and Suitability

Australian tourism frequently involves remote and diverse destinations, such as islands and outback towns, where shorter or narrower runways and other operational constraints apply. These conditions increase the cost and complexity of air connectivity. In this context, fleet composition and availability play a critical role in determining whether regional routes can be served efficiently and sustainably (Australia. Parliament. Joint Standing Committee on Foreign Affairs, Defence and Trade, 2024, pp. 42–44). Carriers that do not integrate smaller aircraft into their fleet, are in practice outsourcing services, which suggests it is financially better to contract some regional operations to specialist providers. This is evidenced by the breadth of small localised regional airlines and charter companies that are prevalent across the country.

- Key challenges include: **An ageing domestic fleet** with increasing maintenance requirements and expense. i.e. the Q400, which is no longer in production.
- **High capital costs and limited access to finance** are deterring fleet renewal or expansion.

The Australian Government can support through financing mechanisms, leasing incentives, and investment in research and development, while recognising that the cost of maintaining service quality and reliability is placing pressure on airline margins and increasing calls for subsidised routes. Support for fit-for-purpose fleets and informed policy settings are critical to enable regional dispersal and support the growth of the visitor economy.

Airport Fees, Infrastructure Limitations and Ground Operations

Regional airports face structural challenges that limit airline entry, competition, and route expansion. A modern, fit-for-purpose airport network is critical to improving route reliability, reducing operating costs, and enhancing the passenger experience. Continued investment in airport infrastructure underpins the economic and social viability of regional communities, supports tourism growth, and can stimulate private investment in visitor infrastructure, contributing to increased visitation and regional development.

These include:

- **Higher per-passenger security charges** due to low population throughput.
- **Limited commercial hospitality, retail,** and parking revenue opportunities to offset other expenses.
- **High staff costs** due to limited work schedules, back of clock flights and skill shortages.
- **Infrastructure gaps,** including runway length, lighting, instrument approach systems and weather-related capabilities, restricting aircraft types and limiting operations.
- **Defence-related capital requirements** at shared airports increasing infrastructure demands.
- **Additional regulatory responsibilities,** including wildlife risk management, security, 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.

Negotiations over aeronautical charges between airports and airlines operate within a well-established framework that emphasises transparency, efficiency, and genuine engagement. TTF acknowledges the Government's Aviation White Paper commitment to updating the Aeronautical Pricing Principles (APP). If this work proceeds, any updated framework should be carefully designed to reflect the diversity of regional airport operating environments, preserve incentives for ongoing investment, and balance the interests of passengers, airlines, and airport operators.

Cost of Fuel

TTF recognises that aviation fuel remains one of the largest operational costs for airlines, significantly influencing route viability. Increases in fuel costs are reflected in ticket prices, directly affecting passengers and the affordability of regional air travel.

While the transition to Low Carbon Liquid Fuels (LCLF) may involve higher costs in the short term, it is a genuine opportunity for Australia to build a new aviation industry that can help our regions. Establishing a domestic LCLF industry will improve the long-term cost pressures of decarbonisation and reduce the risk of fare increases for long-haul destinations, supporting international visitation, and enabling greater regional dispersal of visitors.

TTF acknowledges the Australian Government commitment of \$1.1 billion to support domestic production of LCLF through a new Cleaner Fuels Program. TTF requests that SAF target be included in the program. This will stimulate private sector investment and create a local industry that can reduce emissions and strengthen fuel security.

The development of an Australian LCLF industry also presents substantial opportunities for regional economies, including job creation, supply chain diversification, and leveraging regional strengths in agricultural feedstocks and renewable energy generation. TTF therefore encourages targeted government support including incentives, investment in production capacity, demand certainty measures, and effective market frameworks to accelerate the development of LCLF while helping minimise cost impacts on passengers.

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.

Forthcoming reforms including strengthened consumer protection and new accessibility standards will place further, significant cost pressures on operators.

The new Aviation Consumer Ombudsman Scheme has the potential to improve outcomes for air travellers who experience disruption or inconvenience. However, the proposed cost-recovery model is currently focused on airports and airlines, while excluding Airservices Australia and other relevant government agencies.

This uneven allocation of costs may influence financial risk management decisions by airports and airlines, with the chance that some cost recovery will be passed on to travellers through higher fares and charges.

Additionally, the upcoming regulatory and compliance changes that may arise through the Aviation Accessibility Review could impose costs, and these need to be considered in the broader context of affordability 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

Workforce dispersal is a notable factor in enabling regional tourism businesses to operate at full capacity (Australia. Parliament. Joint Standing Committee on Foreign Affairs, Defence and Trade, 2024, pp. 42–44). Once again, the challenge of a smaller population base results in widespread shortages across aviation professions including pilots, engineers, and licensed maintenance personnel. 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 all aspects of aviation including customer service, engineering, and pilot training maintenance. The Government might consider prioritising aviation related courses as occurs in Singapore.
- **Fragility of carriers basing staff permanently in a region.** The friction between communities and airlines when staff are relocated away from a region is considerable.

Regional Australia has the potential to deliver worldclass tourism experiences, provided there is sufficient staffing and sufficient accommodation for employees and visitors. Regional dispersal is closely related to labour mobility, housing supply, and workforce availability. Without sufficient workforce capacity, greater private / public investment and improved air access, the visitor economy in these regions will continue to struggle.

Conclusion

Reliable and affordable regional aviation is essential to Australia's economic development, social equity, and visitor economy performance. Logistical barriers, including limited competition, structural cost pressures, and infrastructure constraints, continue to undermine the sustainability of regional services, suppress demand, and drive higher fares. New regulatory burdens must be carefully scaled in the regions to ensure that compliance costs do not outweigh demand. Investment in border modernisation will benefit the entire nation.

Targeted, long-term government intervention is therefore critical. By implementing the recommendations outlined in this review, the Australian Government can support a stable, competitive, and resilient regional aviation network that strengthens tourism, enhances liveability, and improves connectivity for regional communities. Incentivising the sustainable aviation fuel (SAF) industry by enabling regions to establish plants complementary to local bio-feedstock production will further support the viability of air access.

Addressing these challenges is central to improving regional dispersal, supporting both liveability and the visitor economy.

Thank you for your consideration of this submission. We welcome the opportunity to work with the Australian Government to meet your objectives.
