



An Australian Government Initiative



LIMESTONE COAST

Determinants of regional airfares inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

15 March 2026

Dear Productivity Committee,

Determinants of regional airfares inquiry

Regional Development Australia Limestone Coast (RDALC) welcomes the opportunity to provide a submission to the Productivity Commission's Inquiry into the Determinants of Regional Airfares.

Affordable, reliable and competitive regional aviation services are essential to the economic, social and community wellbeing of regional Australia. For the Limestone Coast region, aviation connectivity underpins access to healthcare, education, employment, government services, tourism, and trade. However, residents and businesses in regional areas continue to face disproportionately high airfares, limited-service availability and reduced reliability compared with metropolitan routes.

Regional Context and Strategic Importance of Aviation

The Limestone Coast is a major economic region in South Australia, characterised by diverse and high-value industries including agriculture, forestry, manufacturing and tourism. Aviation connectivity is critical to sustaining these industries, supporting workforce mobility and enabling regional growth.

The RDALC Regional Growth Strategy 2025–2030 identifies regional aviation and public transport as essential infrastructure and calls on the Australian Government to prioritise investment in the Mount Gambier Regional Airport.¹

Mount Gambier Regional Airport serves as a key gateway to the Limestone Coast and Western Victoria². Located approximately 10 minutes from the Mount Gambier city centre within the District Council of Grant, the airport provides passenger services to Adelaide and Melbourne, currently operated by Regional Express Airlines (Rex) and QantasLink.²

Between 2019 and 2021, the airport underwent significant runway upgrades, adding 120 metres of pavement. While this upgrade improved operational capability, the airport remains unable to accommodate larger aircraft such as Boeing 737-class aircraft. Further investment is required to extend the runway by an additional 360 metres to enable aircraft of up to 100 seats to operate.

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Such an upgrade is not merely desirable; it is essential. Larger aircraft would improve operational efficiency, increase passenger capacity, enhance competition and reduce per-seat operating costs. Newer aircraft also operate more efficiently, with lower fuel consumption and maintenance costs than smaller, older aircraft typically used on regional routes. Without this investment, Mount Gambier passengers will continue to face structurally high airfares and limited-service options.

Analysis the determinants of regional airfares and service offering, and the composition of factors that contribute to differences between airfares available on regional routes and those available between major cities, including airport fees and charges.

Income levels in the Limestone Coast are lower than the South Australian average, with a smaller proportion of residents earning high incomes.³ This significantly affects the affordability of air travel and constrains demand. For regional communities, affordable, reliable and frequent air services are not discretionary — they are essential to participation in economic and social life.

Disparities in Regional Airfares

Regional aviation affects approximately one-third of Australia’s population who live outside capital cities, in addition to visitors to regional areas.⁴ Despite this, airfares on regional routes are consistently higher than those on metropolitan routes, even where distances are substantially shorter.

Table 1: Comparison of Air Distances and Indicative Return Airfares (January 2026)

Origin	Destination	Air distance (kms)	Example round trip fare (\$AU)
Adelaide	Melbourne	642 kms	\$238.00
Mount Gambier	Melbourne	358 kms	\$699.00
Mount Gambier	Adelaide	377 kms	\$522.00

Source: Fare searches conducted on 9 January 2026 using Rex and Jetstar booking platforms.⁵

Analysis shows that passengers flying from Mount Gambier pay dramatically higher fares per kilometre than those travelling between capital cities. The Adelaide–Melbourne route costs approximately \$0.37 per kilometre, while Mount Gambier–Melbourne costs \$1.95 per kilometre — more than five times higher. Mount Gambier–Adelaide costs \$1.38 per kilometre, nearly four times higher than the capital city route.

These findings demonstrate that regional passengers face disproportionately higher travel costs that cannot be explained by distance alone. They reflect structural constraints in regional aviation markets, including limited competition, lower passenger volumes, infrastructure limitations and regulatory costs. The result is a systemic inequity that undermines regional accessibility and economic participation.

These disparities impose significant financial burdens on residents, businesses and service providers, while reducing the competitiveness of regional destinations for tourism and investment. Although Mount Gambier Airport charges only \$10.50 per passenger in airport service fees, the majority of airfare costs are retained by airlines. RDALC strongly advocates for Federal and State Government intervention to subsidise regional airfares and ensure that reductions are passed directly to consumers, recognising aviation as an essential service comparable to rail and bus transport.

Targeted affordability measures, including concessions for students, pensioners and health care card holders, particularly those travelling for medical treatment should be considered as part of a broader equity framework for regional transport.

Service Frequency and Reliability

In addition to high costs, regional air services are characterised by limited frequency and restricted scheduling. Online booking platforms frequently show limited or unavailable flight options, reducing flexibility for families, professionals and businesses. By contrast, metropolitan routes offer multiple daily services and competitive fare options.

Investment in runway extension at Mount Gambier would significantly improve service capacity and enable larger aircraft, increasing frequency and reducing operational constraints. Without such investment, regional communities will continue to face inferior service levels compared with metropolitan populations.

National Security and Aviation Costs

RDALC recognises the importance of aviation security screening in the national interest. However, the current funding model places a disproportionate financial burden on regional passengers. To address this inequity, RDALC proposes a national domestic aviation levy of \$1.00 per ticket applied across all Australian air travellers.

The Bureau of Infrastructure and Transport Research Economics (BITRE) reports 59.5 million domestic passengers in 2024–25.⁷ A \$1.00 levy would generate substantial funding to offset regional security and screening costs, providing a fair and sustainable mechanism that recognises regional aviation as a national responsibility rather than a regional burden.

Broader Impacts on Regional Development

Limited and expensive air services undermine regional productivity, increase travel costs and constrain workforce mobility. The impacts include reduced access to healthcare and education, constraints on business operations, reduced tourism competitiveness, challenges in attracting skilled workers and inequitable access to transport infrastructure.

These outcomes are inconsistent with national objectives to promote regional growth, productivity and social equity. The International Air Transport Association (IATA) notes that global airfares have generally declined over time, yet regional Australia has not benefited equally from this trend.⁶ The Limestone Coast Local Government Association emphasises the importance of affordable and frequent air services to support business travel and regional competitiveness.⁸

Mount Gambier is approximately five hours by road from Adelaide or Melbourne, with regional road conditions presenting safety risks and infrastructure challenges. Affordable air travel would reduce long-distance road travel, improve safety outcomes and reduce emissions, while enhancing connectivity and productivity.

Identifying the main drivers of demand for Regional Air Services

Demand for regional air travel is driven by economic activity, population growth, industry requirements, tourism, health and education needs. IATA projects continued growth in global air travel driven by economic expansion, urbanisation, market liberalisation and sustainability considerations.⁷

Mount Gambier Regional Airport is the largest regional airport in South Australia outside Adelaide and serves as a hub for industry, government and community services. Key regional industries include forestry, agriculture, manufacturing, logistics, health, education and government services. Business and institutional travel generates stable year-round demand.

The Limestone Coast attracts approximately 596,000 domestic overnight visitors annually,⁹ while Mount Gambier Airport services between 73,000 and 80,000 passengers per year.¹⁰ The airport also plays a critical role in facilitating medical travel, as many specialist health services are located in Adelaide and Melbourne.

The Mount Gambier Regional Airport plays a critical role in emergency healthcare delivery across the Limestone Coast. Royal Flying Doctor Service (RFDS) data indicates that in a single year, 586 aeromedical flights were conducted from Mount Gambier, supporting 740 patients, including 100 life-threatening retrievals. RFDS aircraft utilised the airport on 308 days of the year, demonstrating that Mount Gambier is not merely a commercial aviation facility but essential health infrastructure. These figures highlight the dependence of regional communities on reliable aviation services for timely access to critical medical care and underscore the importance of sustained investment in airport infrastructure and service capacity¹⁴.

Mount Gambier Regional Airport is also a critical asset in bushfire and disaster response across the Limestone Coast and Western Victoria. The region is characterised by extensive agricultural land, forestry plantations and conservation areas, which together create a high bushfire risk profile. The airport provides essential capacity for aerial firefighting operations, including the deployment of water-bombing aircraft and heavy fixed-wing firefighting planes.

During bushfire events, Mount Gambier Airport serves as a strategic base for large and specialised aircraft that require extended runway length, refuelling capability and rapid turnaround times. These aircraft are vital for protecting farmland, forestry assets, regional communities and critical infrastructure. Without adequate runway capacity and supporting infrastructure, the effectiveness and speed of aerial firefighting responses would be significantly constrained, increasing the risk of catastrophic fire damage and economic loss.

Investment in runway extension and airport infrastructure at Mount Gambier is therefore not only an aviation priority but a public safety imperative. Strengthening the airport's capacity to support heavy firefighting aircraft will enhance regional disaster preparedness, improve inter-agency response capability and safeguard one of South Australia's most productive agricultural and forestry regions.

Conclusion

The inequity facing regional air services is no longer sustainable. Mount Gambier Regional Airport is critical infrastructure for the Limestone Coast, yet it operates within a system that systematically disadvantages regional communities through higher costs, limited-service frequency and reduced reliability. Regional passengers pay multiple times more per kilometre than metropolitan travellers despite travelling shorter distances, reflecting structural shortcomings in Australia's approach to regional aviation.

The District Council of Grant remains committed to maintaining a safe, reliable and equitable airport service for the Limestone Coast. However, local government cannot address these challenges alone. Meaningful and sustained investment from Federal and State Governments is essential to ensure regional Australians have fair access to essential air services.

The Limestone Coast's regional gross product of \$5.09 billion¹³ underscores the economic importance of efficient air connectivity. Strategic investment in runway extension to accommodate larger aircraft is imperative to improve competition, reduce operating costs and place downward pressure on airfares.

This submission calls for coordinated national reform, including infrastructure investment, fare equity measures and the introduction of a national aviation levy. Without decisive action, inequities will deepen and regional communities will continue to bear an unfair burden.

Ensuring that regional air services are safe, affordable, reliable and equitable is not optional — it is a matter of fairness, national productivity and regional resilience.

Recommendations

RDALC urges the Productivity Commission to recognise that regional aviation in Australia is characterised by systemic inequity that disadvantages regional communities, undermines regional economies and limits access to essential services. Regional air travel is not a discretionary commercial service; it is critical national infrastructure that underpins health, economic participation, social inclusion and emergency response. Without decisive reform, regional Australians will continue to pay disproportionately higher costs and receive inferior service simply because of where they live.

Accordingly, RDALC recommends that the Commission propose the following actions:

1. Recognise Regional Aviation as Essential National Infrastructure

That the Australian Government formally recognise regional aviation as essential national infrastructure within national transport and regional development policy frameworks, ensuring that funding, regulatory and policy settings reflect its critical role in supporting regional communities and industries.

2. Deliver Priority Infrastructure Investment at Mount Gambier Regional Airport

That Federal and State Governments commit to targeted, long-term funding to extend the runway and upgrade infrastructure at Mount Gambier Regional Airport to enable the operation of larger aircraft.

This investment is essential to:

- increase passenger capacity and service frequency,
- improve competition and operational viability,
- reduce per-seat operating costs, and
- deliver tangible reductions in regional airfares.

3. Establish a National Regional Airfare Equity Program

That the Australian Government establish a national program to address excessive regional airfares, including direct fare support, route subsidies or price stabilisation mechanisms on priority regional routes.

Any government support must be structured to ensure that cost reductions are passed directly to passengers, with particular consideration given to:

- regional residents,
- students and apprentices,
- pensioners and health care card holders, and
- passengers travelling for medical and essential services.

4. Introduce a National Domestic Aviation Levy to Support Regional Security and Safety

That the Australian Government introduce a modest \$1.00 levy on all domestic airline tickets to create a sustainable and equitable funding pool for aviation security screening and safety compliance at regional airports.

This approach recognises that national aviation security is a shared responsibility and ensures that regional communities are not disproportionately burdened with costs that serve national interests.

5. Strengthen Competition and Accountability on Regional Air Routes

That governments implement regulatory and policy measures to:

- encourage greater competition on regional routes,
- improve transparency in airline pricing and cost structures, and
- prevent excessive pricing in markets characterised by limited or monopoly service provision.

Where market failure is evident, targeted government intervention should be considered to protect regional consumers.

6. Establish Minimum Service Standards for Regional Air Services

That nationally consistent benchmarks be developed for regional air routes, including minimum standards for:

- flight frequency,
- reliability and scheduling flexibility, and
- service continuity.

These standards should ensure that regional communities receive service levels that are fair and comparable to metropolitan areas.

7. Recognise Regional Airports as Critical Health and Emergency Infrastructure

That regional airports, including Mount Gambier Regional Airport, be formally recognised as critical infrastructure supporting:

- aeromedical services (including the Royal Flying Doctor Service),
- bushfire response and aerial firefighting operations,
- disaster and emergency management.

Policy and funding frameworks should reflect this role, rather than treating regional airports solely as commercial aviation assets.

8. Embed Regional Equity in National Aviation and Transport Policy

That future aviation and transport policy explicitly address equity between metropolitan and regional Australians, with measurable indicators to monitor disparities in airfare costs, service availability and infrastructure investment.

Without structural reform and sustained investment, regional Australians will continue to pay a disproportionate premium simply because of where they live. Addressing regional aviation inequity is therefore not only an economic imperative, but a matter of fairness and national cohesion.

Your sincerely,

Robyn Verrall

Chair of Regional Development Australia Limestone Coast

References

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- ³ Australian Bureau of Statistics (ABS) (2021), *Census of Population and Housing: Income and Employment Data*, Limestone Coast region.
- ⁴ Australian Bureau of Statistics (ABS) (2024), *Regional Population, Australia, 2023–24*, Canberra.
- ⁵ Regional Express Airlines and Jetstar Airways (2026), indicative fare data obtained from public booking platforms on 9 January 2026.
- ⁶ International Air Transport Association (IATA) (2023), *Key Drivers in Air Passenger Demand Forecasting*.
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- ⁸ Limestone Coast Local Government Association (LCLGA) (2023), *Destination Tourism Marketing Plan*.
- ⁹ District Council of Grant (2024), *Council Profile and Regional Overview*, Mount Gambier.
- ¹⁰ Regional Development Australia Limestone Coast (RDALC) (2024), *Limestone Coast Regional Profile*.
- ¹¹ District Council of Grant (2024), *Mount Gambier Regional Airport Overview*, Mount Gambier.
- ¹² District Council of Grant (2024), *Mount Gambier Regional Airport Master Plan*, Mount Gambier.
- ¹³ Regional Development Australia Limestone Coast (RDALC) (2024), *Economic Profile: Limestone Coast*, economy.id.
- ¹⁴ Royal Flying Doctor Service (RFDS) South Australia and Northern Territory (2024), *Mount Gambier Aeromedical Operations and Patient Transfer Facility Data*. Available at: <https://www.flyingdoctor.org.au>