

**Productivity Commission
Determinants of Regional Airfares Inquiry
GPO Box 1428
CANBERRA CITY ACT 2601**

24 February 2026

To Whom It May Concern

Submission - Determinants of Regional Airfares Inquiry

Albury City Council ("AlburyCity") welcomes the opportunity to contribute to the Productivity Commission's Inquiry into the Determinants of Regional Airfares. For regional communities such as Albury Wodonga, aviation is essential economic and social infrastructure. Reliable and affordable air services underpin healthcare access, business activity, labour mobility, tourism and broader community wellbeing.

Regional Australians consistently face higher per-kilometre airfares, reduced competition and greater service volatility than metropolitan travellers. The withdrawal of QantasLink from the Albury Melbourne route effective 1 March 2026 highlights the structural fragility of regional aviation markets and the need for targeted policy reform.

This submission outlines the importance of air connectivity to the Albury Wodonga region, the structural cost pressures facing regional airports, the consequences of route withdrawal and the reforms required to ensure sustainable and equitable regional aviation outcomes.

The Importance of Air Connectivity

Access to Healthcare

Air services are critical for many residents requiring access to specialist healthcare in Melbourne and Sydney. For time sensitive appointments, surgery and ongoing treatment, aviation provides the only practical same day return option. When routes are withdrawn or fares increase

significantly the burden falls directly on patients and their families through longer travel times, higher costs and reduced accessibility.

Emergency and Time Critical Operations

Albury Airport plays an important role in aeromedical evacuation, organ and blood transport, emergency response and disaster resilience. These operations depend on a functioning aviation ecosystem and supporting infrastructure. The sustainability of scheduled commercial services contributes to maintaining that broader aviation capability.

Economic Productivity

Affordable and reliable air services are fundamental to regional productivity. Businesses depend on efficient capital city access for client engagement, investment attraction, supply chain participation and workforce mobility. National analysis indicates that average fare per kilometre prices for regional flights are approximately 52 per cent higher than for capital city routes. Higher travel costs directly reduce regional competitiveness and investment appeal.

Social and Community Connectivity

Aviation supports family cohesion, social participation and cultural connection across long distances. Compared with road or rail alternatives, air travel significantly reduces travel time and enables participation in work, study and family life that would otherwise be impractical. Connectivity loss increases social isolation and reduces regional resilience.

Structural Cost Pressures on Regional Airports

Regional airports operate within a capital intensive and highly regulated environment. Unlike major metropolitan airports, they must recover substantial fixed costs across comparatively small passenger volumes.

Regulatory and Operational Obligations

Regional airports are subject to Federally mandated aviation security and compliance requirements equivalent in nature to those applied at larger airports. These obligations include security screening compliance, trained personnel, recurrent training, regulatory audits and reporting. These costs are fixed and non-discretionary, regardless of passenger throughput.

Capital Infrastructure Responsibilities

Albury Airport must maintain and renew runways, taxiways, terminal facilities, airfield lighting and safety and security systems. These assets require ongoing capital investment running into millions of dollars. Deferral is not a viable option without compromising safety, regulatory

compliance and service standards. Increasing aircraft size and weight further drive engineering and pavement strengthening requirements.

Passenger and Security Charges

To sustainably recover both operational and capital costs, Albury Airport applies a \$17.40 per-passenger airport service charge and a \$13.61 per-seat departing security screening fee. These fees are reviewed and adopted annually through AlburyCity's formal budget process and are consistent with standard aviation sector cost-recovery principles. They are essential for ensuring the airport can maintain compliant operations, meet regulatory requirements, and invest in necessary infrastructure.

To support cost-effective delivery of screening services, AlburyCity outsources security screening to specialised providers through an open tender process. The most recent tender was advertised in 2022 for a four-year contract term.

However, the cost of mandated security screening places a disproportionately high burden on regional airports with comparatively low passenger throughput. The current national regulatory framework does not adequately account for this structural imbalance, resulting in higher per-passenger costs for regional communities.

Declining Route Diversity

Nationally, regional route numbers have declined significantly over recent decades, reducing competition and increasing exposure to pricing power and service withdrawal. Albury passenger numbers are forecast at approximately 210,000 in 2026–27, compared with approximately 251,000 in 2018–19 prior to COVID-19. Lower volumes intensify the challenge of spreading fixed costs and maintaining route viability.

Impact of QantasLink Withdrawal from the Albury to Melbourne Route

On 30 January 2026, QantasLink announced it would cease operating the Albury to Melbourne service from 1 March 2026, citing load factors below 40 per cent and sustained low demand. The result is the loss of direct access to a major capital city corridor.

The service previously provided direct access to specialist healthcare, a key business link, tourism connectivity and interline access to broader domestic and international networks. Passengers must now travel via Sydney or Brisbane, increasing travel time and overall cost.

The consequences for the region include higher household travel expenses, reduced efficiency for business travellers, additional barriers to healthcare access, diminished tourism performance and reduced attractiveness for investment.

The route has experienced significant volatility in recent years. Rex withdrew in 2022 after nearly 40 years of service, citing competitive pressures following QantasLink's entry. QantasLink has now exited, leaving the route unserved. This pattern demonstrates the vulnerability of essential regional routes to purely commercial decision making. There is currently no structural safeguard to protect critical regional connectivity.

Required Policy Reform

The determinants of regional airfares reflect structural imbalances in thin aviation markets with high fixed costs and limited competition. Targeted national reform is required.

Route Viability Mechanisms

The Commonwealth should consider structured support mechanisms for essential regional routes, including minimum revenue guarantees, universal service obligation-style frameworks or formal designation of critical regional corridors. Essential connectivity should be recognised as economic infrastructure rather than optional commercial capacity.

National Security Cost Equalisation

Aviation security is a national obligation. The cost burden should not fall disproportionately on smaller regional airports. A national cost equalisation mechanism would distribute mandated security costs more equitably across the network and reduce pressure on regional passenger charges.

Long-Term Capital Funding

Regional airports require predictable, recurrent capital funding programs to support runway rehabilitation, terminal upgrades and security equipment replacement. Greater funding certainly would improve long-term asset planning and reduce financial pressure on regional communities.

Competition and Transparency

Competition policy settings should recognise the thin market nature of regional aviation. Greater transparency in airfare construction including airport charges, security fees, navigation charges and operational components, would improve understanding of cost drivers and support evidence-based reform.

Conclusion

Aviation is essential infrastructure for Albury Wodonga. The withdrawal of the Albury to Melbourne route underscores the structural fragility of regional aviation markets and the risks associated with leaving essential connectivity fully exposed to short-term commercial decision-making.

Sustainable regional aviation requires policy settings that recognise high fixed costs, limited competition and the public interest in reliable connectivity.

AlburyCity urges the Productivity Commission to recommend reforms that deliver fairer airfare outcomes, more equitable distribution of Federally mandated costs, sustainable regional airport operations and greater protection for essential regional routes.

AlburyCity remains committed to working constructively with the Commission and the Australian Government to strengthen the long-term viability of regional aviation.

If you require any further information, or would like to discuss AlburyCity's submission further, please do not hesitate to contact Ambrose Glass, Service Leader Business and Lifestyle, on (02) 6023 8111

Regards,

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