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25<sup>th</sup> February 2026

Determinants of regional airfares inquiry

Productivity Commission

GPO Box 1428

CANBERRA CITY ACT 2601

<http://www.pc.gov.au/inquiries-and-research/regional-airfares>

Dear Committee,

### **Determinants of regional airfares inquiry**

Regional Development Australia Loddon Mallee, Loddon Campaspe Regional Partnership and Mallee Regional Partnership welcome the opportunity to contribute to the Determinants of regional airfares inquiry.

We collectively support the submissions made by Mildura Airport Pty Ltd, Mildura Rural City Council and the City of Greater Bendigo, while providing additional regional context and recommendations. This submission addresses the following points raised in the Terms of Reference:

- Analysing the determinants of regional airfares and service offerings, 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;
- Identifying the main drivers of demand for regional air service;
- Examining any barriers to entry or expansion for airlines to provide regional services;
- Identifying policies and regulatory settings that may contribute to higher regional airfares, reduced service levels or reduced competition;
- Assessing the role for government and the most efficient forms of government intervention in the market and other policies to improve access, pricing and service outcomes;
- Identifying the impacts of regional air fares and access to regular and reliable air services on regional economies (including tourism and migration), productivity, and improving Closing the Gap outcomes;
- Identifying the extent of competition between different air transport services (regular public air transport and charr) and with other modes of transport (road and rail), and the role of regional air freight in supporting the commercial viability of regional air services,

RDA Loddon Mallee and the Loddon Campaspe and Mallee Regional Partnerships represents the interests of communities across north-west Victoria and surrounding regions, supporting economic growth, investment, and regional resilience. Reliable and affordable air services are critical to achieving these objectives, providing essential connectivity for business, health, education, tourism, and emergency services.

Regional aviation is essential for economic resilience, social cohesion, and emergency response in Victoria and across surrounding tri-state regions. Ensuring reliable, affordable, and accessible air services requires a combination of strategic infrastructure investment, supportive policy settings, and



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incentives to encourage competition. RDA Loddon Mallee, along with the Loddon Campaspe and Mallee Regional Partnerships strongly supports measures that:

- Protect public investment in regional airports;
- Improve fare affordability and service reliability;
- Encourage airline competition on regional routes; and
- Strengthen regional connectivity to support economic growth, tourism, health, and education outcomes.

Mildura and Bendigo Airports are critical regional assets whose continued operation and enhancement are vital for the prosperity and wellbeing of regional Victoria and neighbouring communities.

Yours sincerely,

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Leonie Burrows OAM  
Chair  
Regional Development Australia  
Loddon Mallee

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Tricia Currie  
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## 1. Regional Development Australia and Regional Partnerships

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The Regional Development Australia Loddon Mallee committee is one of 52 Regional Development Australia (RDA) Committees established by the Australian Government. RDA committees advance economic development, attract investment and create jobs across Australia. The committees identify economic opportunities and leverage private and public sector investment to the regions; they engage across government, business and community organisations to develop confident regional economies that harness their competitive advantages. In Victoria, RDAs are also supported by the Victorian Government.

The Loddon Campaspe and Mallee Regional Partnerships are two of nine Partnerships across the state, established by the Victorian Government in recognition that the local communities are in the best position to understand the challenges and opportunities faced by their region.

### 1.1 Loddon Campaspe Region

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The central Victoria region has a diverse population and a buoyant economy based on agriculture, retail, health and manufacturing. Bendigo, one of Victoria's largest and fastest growing regional cities, lies at the heart of the region and is a prosperous and vibrant hub of cultural and economic activity. [Victoria's Housing Statement](#) calls for an additional 37,000 homes in Greater Bendigo by 2051 with smaller targets across the rest of the region. The region includes:

- Six municipalities ([Campaspe Shire](#), [Central Goldfields Shire](#), [City of Greater Bendigo](#), [Loddon Shire](#), [Macedon Ranges Shire](#), [Mount Alexander Shire](#))
- Gross Regional Product of \$16 billion<sup>2</sup> (2023-24)
- Population of 260,000<sup>3</sup> (2023-24)
- Top employing sectors include Health Care and Social Assistance, Construction, Manufacturing, Education and Training, Retail Trade<sup>4</sup>
- Top Sectors by Gross Value Add (GVA) include Health Care and Social Assistance, Agriculture, Forestry and Fishing, Manufacturing, Construction and Financial and Insurance Services.<sup>5</sup>
- Employment of 129,500<sup>6</sup> (2023-24)
- Unemployment Rate of 3.4%<sup>7</sup> (June Qtr 2025)
- Population Growth of 19% between 2021 and 2036<sup>8</sup>

### 1.2 Mallee Region

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Bordered by the Murray River in the north and South Australia in the west, the region includes the outback region of far north-west Victoria. Irrigated agriculture and broadacre cropping drive the Mallee's economy; with the areas surrounding Mildura, Robinvale and Swan Hill providing Victoria's most productive horticultural land.



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The Murray River, which runs along the northern border of the region, provides access to substantial irrigation water supply. It also lures tourists and people seeking a lifestyle change. The region includes:

- Four municipalities ([Buloke Shire](#), [Gannawarra Shire](#), [Mildura Rural City](#), [Swan Hill Rural City](#))
- Gross Regional Product of \$76 billion<sup>1</sup> (2023-24)
- Population of 95,100<sup>2</sup> (2023-24)
- Top employing sectors include Agriculture, Forestry and Fishing, Health Care and Social Assistance, Retail Trade, Education and Training, Construction<sup>3</sup>
- Top Sectors by Gross Value Add (CVA) include Agriculture, Forestry and Fishing, Health Care and Social Assistance, Retail Trade, Manufacturing and Construction<sup>4</sup>
- Employment of 48,100 (2023-24)<sup>5</sup>
- Unemployment Rate of 2.9%<sup>6</sup> (June Qtr 2025)

### 1.3 Tri-State Economic Zone

The Tri-State Economic Zone encompasses the Murray Mallee Region, a large cross-border area spanning three jurisdictions and covering approximately 1,774 km<sup>2</sup>—about 75% of the size of the Australian Capital Territory. It has a diverse and distinctive economic base, supporting a population of more than 100,000 people and over 42,000 local jobs.

The inquiry should consider the broader Tri-State Economic Zone, recognising that Mildura Airport services not only north-west Victoria but also significant interstate communities across the South Australian and New South Wales borders. Evaluating the airport through a single-jurisdiction lens risks underestimating its strategic importance to isolated regional centres and may overlook opportunities to streamline cross-border investment in critical transport infrastructure.

Differing state regulations, licensing requirements, and access to services can create barriers to workforce mobility and access across the Loddon Mallee's cross-border communities. Furthermore, population and economic data are often difficult to coordinate across state boundaries, complicating government efforts to design and implement targeted initiatives.

Basic economic estimates for the identified Tri-State Economic Zone includes:

- Comprises of Loddon Mallee, Murray and Murraylands and Riverland Regional Development Australia (RDA) regions.
- Estimated to generate more than \$15 billion in economic activity contributing \$7.66 billion GRP, 43,252 jobs and \$4.93 billion exports
- Population of 100,734.
- Per worker Gross Regional Product of \$177.20k
- Labour Force Participation Rate of 56.3%
- Top employing sectors include Livestock, Grains and other Agriculture, Retail Trade, Education and Training, Health Care Service, Residential Care and Social Assistance Services.



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## 2 Regional Aviation Challenges

The following provides a list of the key challenges facing regional aviation, including limited alternatives and high costs; community confidence and economic impacts; operational and financial pressures facing regional airports; and the vulnerability to larger airline operators.

1	Limited alternatives and high costs	<ul style="list-style-type: none"> <li>- Many regional centres, including Mildura, lack rail connectivity and rely on air travel as essential infrastructure. For example, road travel from Mildura to Melbourne takes approximately six hours.</li> <li>- Airfares remain a significant barrier, with regional routes averaging approximately 52% higher per kilometre than metropolitan routes. (The cost for a return trip between Melbourne and Mildura can be as high as \$550). This impacts access to critical services such as healthcare, and education and business, and tourism.</li> <li>- Limited competition on regional routes exposes communities to service reductions or price surges based on airline profit decisions rather than community needs.</li> </ul>
2	Community confidence and economic impact	<ul style="list-style-type: none"> <li>- Airline decisions, fare volatility, and consistent government support may undermine community confidence, discouraging investment and increasing social isolation.</li> <li>- Mildura Airport is not only a transport hub but a critical emergency diversion airport, supporting Air Ambulance operations, FIFO services, and regional emergency response training. The airport services both local needs and the broader Tri-State Economic Zone.</li> <li>- Bendigo Airport serves a central Victorian catchment of approximately 300,000 people, supporting emergency services, Regular Public Transport routes, flight training, and recreational aviation. Both airports are vital to regional economic and social resilience.</li> </ul>
3	Operational and financial pressures	<ul style="list-style-type: none"> <li>- Mildura Airport continues to experience operating losses despite strong governance and is carrying significant debt from past capital works. With no operational subsidies in place, these financial pressures fall back on ratepayers, limiting the airport's capacity to secure or service additional funding for future infrastructure investment.</li> <li>- Bendigo Airport has benefited from over \$25 million in combined government investment, enabling infrastructure upgrades and supporting regular public transport, emergency services, aviation businesses, and regional tourism. Protecting these investments is essential.</li> </ul>
4	Vulnerability to airline decisions	<ul style="list-style-type: none"> <li>- The announced closure of Qantas' Mildura crew base in 2026, and prior service disruptions (Virgin withdrawal, Bonza collapse, Rex uncertainty) demonstrate the vulnerability of regional communities to airline operational decisions.</li> <li>- Limited carriers on regional routes restrict service continuity and reduce community trust in air connectivity.</li> </ul>



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### 3 Recommendations

To ensure sustainable, affordable, and reliable regional air services, we recommend the Committee consider the following. Implementing these recommendations will strengthen regional economic resilience, improve equity of access for regional communities, safeguard public investment, and ensure aviation infrastructure continues to support population growth, emergency response capability, and long-term regional development.

	<b>Recommendation</b>	<b>Benefit</b>
1	<p><b>Protect Public Investment</b></p> <ul style="list-style-type: none"> <li>- As a condition of receiving Government funding support, airlines should be required to commit to minimum service levels over a defined time period to increase value for money.</li> <li>- Establish long-term agreements or incentives with airlines to maintain and introduce new Regular Public Transport (RPT) routes.</li> </ul>	<ul style="list-style-type: none"> <li>- Provides certainty for regional communities and businesses, supporting long-term planning, investment attraction, and workforce retention.</li> <li>- Reduces volatility in regional connectivity, strengthening confidence among investors, health providers, educators, and tourism operators.</li> <li>- Safeguards taxpayer funding by ensuring infrastructure investments deliver sustained service outcomes rather than underutilised assets.</li> </ul>
2	<p><b>Improve Affordability and Accessibility</b></p> <ul style="list-style-type: none"> <li>- Introduce fare transparency standards and consider subsidies or pricing support for essential regional air links, particularly where competition is limited.</li> <li>- Align aviation policy with broader regional development goals, including health, education, tourism, and economic growth.</li> </ul>	<ul style="list-style-type: none"> <li>- Enhances equitable access to essential services, including specialist healthcare, tertiary education, and government services.</li> <li>- Reduces cost-of-living pressures for regional residents who rely on air travel as essential infrastructure rather than discretionary travel.</li> <li>- Stimulates regional tourism and business travel, increasing visitor expenditure and supporting local employment.</li> </ul>
3	<p><b>Encourage Competition</b></p> <ul style="list-style-type: none"> <li>- Provide incentives for new carriers to enter regional markets, including seat subsidies or marketing support.</li> <li>- Review regulatory settings to lower barriers to entry and support competition in regional aviation.</li> </ul>	<ul style="list-style-type: none"> <li>- Downward pressure on fares, improving affordability for residents and businesses.</li> <li>- Improved service quality and scheduling options, better aligning with business and community needs.</li> <li>- Stronger market resilience, making regional routes more sustainable.</li> </ul>
4	<p><b>Support Critical Regional Infrastructure Upgrades</b></p> <ul style="list-style-type: none"> <li>- Mildura Airport: Support the Regional Precincts and Partnerships Program (rPPP) funding application for upgrades to the main</li> </ul>	<ul style="list-style-type: none"> <li>- Enables operation of larger and more efficient aircraft, potentially reducing per-seat costs and improving route viability.</li> </ul>



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runway, taxiways, and aprons. These works will improve safety, operational efficiency, support larger aircraft, and enhance emergency response capability. Should these funds be provided, consideration should be given to what minimum service levels would be appropriate to negotiate as a condition of funding.

- Bendigo Airport: Continue to support upgrades and infrastructure investment that maintain RPT services, enhance regional connectivity, and protect prior public investment.

- Strengthens emergency response capability, including air ambulance, disaster response, and defence support.
- Generates local economic activity during construction, supporting regional jobs and supply chains.
- Capital investment projects that increase productivity and competitiveness should be prioritised, such as Mildura's rPPP funding application which seeks to upgrade the main runway to accommodate larger aircraft such as 737s and A320s. Currently, 737s are required to operate on a reduced weight limit to limit damage and deterioration of the runway which reduces competitiveness and productivity.