



City of Kalgoorlie Boulder

**Productivity Commission Call for Submissions
on Determinants of Regional Airfares**

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Why is Regional Aviation so Important?

Contribution to Regional Economies, Tourism and Migration

Regular and reliable air services are fundamental to the economic viability of Kalgoorlie-Boulder and the broader Western Australian Goldfields.

Kalgoorlie-Boulder, with a resident population of 30,000, is a strategic regional city that supports the broader Goldfields-Esperance region. The Kalgoorlie-Boulder Airport, owned and operated by the City of Kalgoorlie-Boulder (the City), is a crucial transport hub that services a regional catchment of approximately 60,000 people and underpins one of Australia's most productive mining and critical minerals regions. The City and airport's interest is ensuring that residents, industry and business have access to reliable and affordable air services which support sustainable growth, regional productivity, population growth, enhanced livability and connected communities.

Kalgoorlie-Boulder has an annual economic output of \$15 billion (58.7% of which comes from mining), and the Goldfields-Esperance region has an annual economic output of \$39.9 billion (67% of which comes from mining). Aviation enables FIFO workforce mobility, business continuity, tourism visitation, professional services access, and population retention in a geographically isolated region. The Kalgoorlie-Boulder Airport is also the base for the Royal Flying Doctor Service.

However, despite its significance to our economy and community, the airport faces substantial regulatory, funding and operational challenges that arise from government legislation, regulatory costs, and the absence of equitable funding mechanisms for regional airports. These challenges directly affect service reliability, affordability, and the long-term sustainability of regional aviation.

In metropolitan areas, local governments are generally not responsible for the provision of public transport services. As the owner and operator of an airport which facilitates air travel which amounts to a public transport service to Perth for many, the City is bearing a disproportionate burden in this regard.

Without affordable and dependable air services, labour supply constraints, reduced business investment, suppressed tourism activity, and population decline would intensify – particularly given the vast distances between regional centres and capital cities in Western Australia.

Role of Regional Aviation in Improving Productivity

Regional aviation directly supports productivity by transporting workforce, reducing travel time, facilitating same-day business movement, enabling rapid access to specialist skills and services, and supporting supply chains.

In Kalgoorlie-Boulder, air travel is essential for mining operations, freight, tourism, health services, government administration, and professional services. Given the vast geographic distances between Kalgoorlie-Boulder and Perth, aviation services are vital to connect the community and businesses to critical specialist services, business and trade.

Given the remote location and lack of accommodation in regional Western Australia, regional airports also play an irreplaceable role in particular in servicing the mining industry via a Fly In Fly Out (FIFO) workforce.

Where aviation reliability is compromised – through high fares, delays, or limited capacity – productivity losses are incurred across multiple sectors, with costs often borne by regional businesses and workers rather than metropolitan markets.

Contribution to Closing the Gap Outcomes

Air services play a critical role in connecting Aboriginal communities to health care, education, employment, and family networks. In the Goldfields, aviation supports access to specialist medical services, visiting clinicians, cultural connections, and essential government services.

High airfares disproportionately affect Aboriginal people in regional and remote areas, limiting access to opportunities and exacerbating disadvantage. Affordable aviation is therefore a practical enabler of Closing the Gap outcomes, particularly in regions where road travel is unsafe, unreliable, or prohibitively time-consuming.

Substitution and Complementarity with other Transport Modes

In the Goldfields, aviation both substitutes for and complements road and rail.

Kalgoorlie-Boulder is approximately 600km from Perth, with travel times of 6–7 hours by road and rail. Rail passenger options are limited and often impractical for time-sensitive travel. Aviation remains the only feasible mode for urgent, medical, business, and workforce travel, including same-day travel.

Air services and airports are also a crucial part of the natural disaster emergency planning, response and recovery process. An increase in natural disasters in our changing climate means roads can be closed for longer periods. Airport infrastructure needs to be fit for purpose to support emergency management response and recovery, including adequate airport infrastructure for emergency management plans.

Local governments do not have the resources to do this work without support from Federal and State government.

The importance of air travel as substitution for and complementarity with other transport modes for natural disaster emergency planning, response and recovery process needs to be more strongly recognised and supported.

How much do Fares Influence Demand for Regional Air Services?

Drivers of Demand

Demand for regional air services is driven by employment (particularly FIFO), health access, education, family connections, business travel, and tourism. While fares are not the sole driver, affordability strongly influences frequency of travel, timing choices, and whether trips occur at all – particularly for residents, small businesses, and service providers.

Changes in Fares Over Time

The costs faced by airlines that are core components to the pricing of airfares and associated services, disproportionately affect rural, regional and remote air services which do not benefit from factors that exist in larger urban centres. Unlike major city routes, regional markets lack economies of scale efficiencies, competition depth, and pricing flexibility, resulting in structurally higher fares.

The costs faced by airlines include Federal and State government passenger and security charges; domestic fuel excise charges; CASA costs; insurance costs; and training, safety and regulatory costs.

These increased costs both threaten the economic viability of air services in rural, regional and remote areas, and result in higher passenger fares when those services still exist. Regional fares have increased significantly relative to metropolitan routes, reflecting the rising regulatory, fuel, security, and infrastructure costs that are disproportionately borne by regional services.

In Western Australia, the State Government funds the Regional Airfare Zone Cap Scheme, which caps regional return fares from centres such as Kalgoorlie-Boulder to Perth at a nominated rate.

In December 2025 this scheme was extended; it will now run until June 2031. However, under the revised plan, which will take effect from 1 July 2026, passengers will pay more for “high demand” flights such as those in peak times, or flights booked at the last minute. This will have a detrimental effect on Kalgoorlie-Boulder residents, in part because of certain morning and afternoon time periods that see high FIFO flight traffic and are deemed “peak times”.

In addition, there are no subsidies for one-way resident fares; tourists; or business people, medical professionals or other Western Australian residents whose flight originates in Perth. These fares are generally substantially more than in urban centres, and the price escalation makes air travel unaffordable for many, and/or is passed on to end-users.

Impacts Since COVID-19

Post-COVID, regional demand recovered strongly – particularly in mining regions – but fare volatility increased. Capacity constraints, reduced competition, and cost pressures have led to persistently higher fares, especially for short-notice and peak-time travel. These impacts are magnified in regions such as Kalgoorlie-Boulder, where peak demand aligns with workforce movement rather than discretionary travel.

What Factors Influence Regional Airfares?

Key Determinants

Key determinants of regional airfares include:

- Federally mandated security and screening costs
- Fuel excise and operational costs
- Insurance, training and safety compliance
- Airport infrastructure constraints
- Limited competition and thin route margins

Regional airports must recover largely fixed compliance costs across significantly fewer passengers, directly inflating per-passenger fares.

Differences Compared to Major City Routes

Major city routes benefit from economies of scale, multiple carriers, higher aircraft utilisation, diversified revenue streams, and stronger bargaining power. Regional routes lack these advantages, yet face largely uniform regulatory requirements, creating unavoidable cost asymmetries that translate into higher fares for regional passengers.

Sector Characteristics Influencing Airfares

Competition

Competition on regional routes is limited. In many cases, only one or two carriers operate, constraining fare discipline and service flexibility.

Barriers to Entry

High capital requirements, regulatory compliance costs, aircraft availability, and airport infrastructure limitations present significant barriers to new entrants. For regional airports operated by local governments such as Kalgoorlie-Boulder, infrastructure upgrades required to accommodate additional services are often unfunded – this is a significant issue affecting the Kalgoorlie-Boulder Airport (more information provided in c) Barriers to expansion).

Barriers to Expansion

Existing airlines face constraints in expanding services due to terminal capacity, security screening bottlenecks, workforce availability, and cost recovery pressures.

At 30+ years old, the Kalgoorlie-Boulder Airport's ageing infrastructure requires significant upgrades to meet modern standards, increased operational demands, and regulatory requirements.

The airport has had significant passenger growth, mainly tied to the region's robust mining economy – it processed approximately 461,000 passengers in 2024-25, more than double its design capacity of 220,000. The airport's ageing security infrastructure is also a major constraint; screening congestion contributed to 62% of commercial flights being delayed between January and September 2024. Required upgrade options for the terminal range from \$25 million to \$42 million.

However, there are limited opportunities for the City to apply for government grants to enhance airport operations. The City is ineligible for all State and Federal aviation infrastructure grants due to its passenger numbers and revenue classification – despite these being largely tied to supporting essential mining-sector FIFO travel rather than discretionary metropolitan travel.

This inequity exacerbates the cost disparity, leaving local government and regional communities to shoulder infrastructure obligations without equitable funding support.

Role of Non-Passenger Services

Freight and charter services provide some cross-subsidisation benefits; however, these are insufficient to offset the fixed regulatory and infrastructure costs imposed on regional airports and passenger services.

Have Government Policies or Regulations made a Difference?

Policy and Regulatory Impacts

Uniform regulatory frameworks – particularly security and consumer protection requirements – have significant cost impacts on regional airports and airlines. While these policies serve legitimate national objectives, they do not adequately account for regional scale, funding capacity, or passenger profiles, resulting in higher fares and operational strain.

For example, the Federal Government's proposed new Aviation Consumer Protections Charter and Framework, which will include baggage handling and accessibility, as well as government processes such as security screening, will impose additional cost and legal liability on airport owners, without any additional funding to enhance airport infrastructure.

This is a concern to the City, given Kalgoorlie-Boulder Airport's infrastructure and budgetary constraints. The City submits that the complexities of funding and operational structures of regional airports, who may have limited opportunities for funding support from the Federal and State government, are not recognised in the proposed Charter, which imposes additional regulation and responsibilities without providing avenues for financial support to achieve this.

The limitation on potential State and Federal grant funding airport assistance and high infrastructure upgrade costs is important context for Kalgoorlie-Boulder Airport's screening, congestion and departure issues, flight delays, and potential for expansion. Regional aviation cannot expand without a greater level of financial support from State and Federal governments.

Role of Government Intervention

Targeted government intervention has proven effective where applied. Western Australia's Regional Airfare Zone Cap Scheme has moderated many fares, and provided enhanced air travel opportunities and affordability for regional residents. However, its limitations – particularly for one-way travel, non-residents, and peak flights – mean affordability challenges persist. Broader, inter-governmental support and nationally consistent solutions are required, including targeted financial support for regional aviation and airports.

What Could be Done to Improve Affordability and Access?

Policy Focus Areas

Current fee and levy arrangements are not adequate for regional airports.

Federal aviation fees and levies do not scale appropriately to reflect regional realities such as the challenges of regional operations, ageing infrastructure, or higher operational costs inherent in remote areas.

The City has raised concerns that new regulatory frameworks – such as the proposed Aviation Consumer Protection Framework – may add further costs and legal obligations without providing corresponding financial support. The City has already provided feedback on the Commonwealth Government's consultation papers on both the primary and subordinate legislation for this proposed framework.

The current government processes are not effective in identifying and quantifying the real capital and operational costs borne by regional airports. Key issues include:

- Lack of regional representation in regulatory design: The City stresses the importance of regional representation on proposed national aviation governance bodies to ensure accurate understanding of local-government-run airport operations.
- Insufficient recognition of infrastructure compliance costs: Government modelling often does not properly account for the scale of infrastructure replacement required to meet modern security and accessibility standards. The Kalgoorlie-Boulder Airport can be used as a case study for this – the airport’s screening area, departures lounge and baggage handling systems require full modernisation. However, such costs are beyond the capacity of local government.

Such impacts are rarely factored into Federal regulatory cost modelling.

The Productivity Commission should consider:

- Dedicated Commonwealth funding for regional airport infrastructure
- Expanded grant eligibility based on public benefit, not raw passenger numbers
- Stronger regional representation in aviation regulatory design
- A nationally uniform security levy recognising screening as a national responsibility

These measures would directly reduce cost pressures that feed into regional airfares, and ensure that aviation remains reliable, affordable and sustainable across rural, regional and remote Australia.

International Best Practice

Internationally, jurisdictions such as Canada, the United States, and the European Union treat regional aviation as essential infrastructure and a public good, supported by direct subsidies, public service obligation models, and centralised funding of security requirements. Adapting these approaches to Australia’s aviation sector would significantly improve affordability and equity outcomes for regional communities.

Some examples are as follows:

- EU Member States can impose Public Service Obligations on routes vital for regional development where the market will not provide adequate service. The framework sits under Regulation (EC) 1008/2008 and allows compensation / tenders for carriers to operate those routes.
- In the United States, Essential Air Service (EAS) subsidies are a Federal program that subsidises airlines to provide a minimum level of scheduled air service to eligible small/rural communities that would otherwise lose service.
- In Canada, the Airports Capital Assistance Program (ACAP) is a Federal program that funds rehabilitation/safety projects for local and regional airports; The program funds projects that improve regional airport safety, protects airport assets (such as equipment and runways), and reduces operating costs. It assists smaller regional airports to provide enable essential air services including emergency response, and scheduled links to markets.

Conclusion

Regional airfares are not simply a function of market forces; they are the outcome of policy choices, regulatory design, and funding frameworks that do not adequately reflect regional realities. Without structural reform, regional Australians will continue to pay a disproportionate price for essential connectivity.

The City of Kalgoorlie-Boulder encourages the Productivity Commission to recommend reforms that recognise aviation as enabling infrastructure for regional productivity, equity and national economic performance.



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