

Submission to the Productivity Commission Inquiry into the Determinants of Regional Airfares

Cooperative Research Centre for Developing Northern Australia (CRCNA)



25 February 2026

1. Introduction

The Cooperative Research Centre for Developing Northern Australia (CRCNA) welcomes the opportunity to contribute to the Productivity Commission’s Inquiry into the Determinants of Regional Airfares.

The CRCNA is an industry-led, research-driven organisation established under the Australian Government’s Cooperative Research Centres Program to improve productivity, resilience, and sustainability across northern Australia. Its research program is focused on key northern industries and development priorities, including agriculture, aquaculture, First Nations–led business development, water resources and health service delivery. Through applied research and strong industry partnerships, CRCNA aims to de-risk development across the north by strengthening enabling systems such as supply chains, infrastructure, workforce capability, digital connectivity, and regional service networks. This work is undertaken in close collaboration with stakeholders across northern Western Australia and Queensland and the Northern Territory.

Based on this work, the CRCNA has consistently identified integrated and multi-modal transport connectivity, particularly aviation, as a foundational enabler of economic participation, service delivery, social inclusion, and tourism-dependent regional economies in northern Australia. This is particularly important in ensuring equitable services availability to remote and Indigenous communities and industries. High and volatile airfares represent a material constraint on regional productivity and development as well as social outcomes.

This submission draws on the CRCNA’s applied research and industry engagement to highlight structural drivers of regional airfares and outline policy-relevant responses.

2. Northern Australia aviation markets

Regional aviation markets in northern Australia are shaped by three persistent structural features:

- **Remoteness and distance:** Northern Australia is characterised by vast distances between population centres and between regional hubs and major metropolitan markets, compounded by highly seasonal weather and climate conditions that regularly disrupt road and maritime access. For many communities, air travel is therefore the only practical mode of transport for time-sensitive business, health, education, and governance activities. This geographic and climatic context results in high operating costs per passenger, limited opportunities for route

consolidation, reduced scope for economies of scale, and heightened operational risk for service providers.

- **Thin and fragmented demand:** Many regional routes operate in thin markets with low passenger volumes, seasonal variability, limited business travel density, high dependence on government and essential travel. These conditions constrain commercial viability and reduce incentives for new entrants, contributing to limited competition and price volatility.
- **Constrained infrastructure and service ecosystems:** CRCNA research indicates that aviation operates within a broader ecosystem of infrastructure and services. In many northern locations, limitations in airport infrastructure, maintenance capacity, skilled labour, fuel supply and digital systems increase operating costs and reduce service flexibility. These factors interact to reinforce high fare structures and limited service frequency.
- **Lack of competition and high airfares constrain tourism development:** Northern Australia offers distinctive and niche visitor experiences, including First Nations cultural tourism, nature-based, adventure and wilderness tourism. However, limited competition, high airfares, and inconsistent service levels restrict visitor access and suppress demand. Regular, affordable and reliable air services are essential to sustaining visitor flows, enabling multi-destination travel, and supporting the long-term development of place-based tourism industries.

3. Market drivers, barriers, and structural constraints

- **Demand drivers in northern Australia:** CRCNA research shows that demand for regional air services in northern Australia is driven predominantly by essential services and economically productive activities rather than just discretionary travel. Key demand drivers include access to health services, workforce mobility (including FIFO and professional services), education and training, government service delivery, tourism and business development. For many communities and industries, aviation is integral to day-to-day operations rather than optional travel. This demand profile limits price sensitivity and reduces the capacity of markets to self-correct through reduced consumption, reinforcing upward pressure on fares.
- **Barriers to entry and market expansion:** Structural barriers constrain airline entry and route expansion in northern Australia. These include limited access to suitable aircraft, institutional capacities to manage airports, constrained maintenance and engineering capacity, shortages of skilled pilots and technical staff, high fuel and logistics costs, limited economies of scale, and elevated operational risk associated with weather, remoteness, and infrastructure constraints. Airport charges and compliance requirements further increase fixed costs on low-volume routes. Together, these factors reduce contestability and discourage new market entrants, contributing to persistent concentration on many regional routes.
- **Interaction with charter, freight, and other transport modes:** Regional aviation markets in northern Australia operate within a complex ecosystem that includes regular public transport services, charter operations, air freight, and seasonally constrained road and maritime networks. In many locations, passenger routes rely on freight revenue to maintain commercial

viability, while charter services compete for limited aircraft and workforce resources. Seasonal weather regularly disrupts road and rail access, increasing reliance on aviation for both passengers and freight. These interdependencies mean that passenger fares cannot be assessed in isolation from broader transport and logistics systems.

- **Regulatory and policy settings:** CRCNA research and stakeholder engagement indicate that regulatory, compliance, and policy settings materially affect operating costs and service viability in regional markets. These include airport pricing structures, security and safety requirements, infrastructure standards, route access arrangements and the design of state and territory support programs. While these settings serve important public policy objectives, their cumulative impact is proportionally higher in thin regional markets. Policy frameworks that are designed primarily for high-volume metropolitan routes can unintentionally impose disproportionate costs on regional services.
- **International experience and best practice:** International experience in comparable remote and regional markets suggests that sustained affordability and service reliability are typically supported through integrated policy frameworks combining targeted subsidies, infrastructure co-investment, service obligations, data transparency and long-term network planning. Jurisdictions in Canada, Scandinavia, and parts of the United States demonstrate the value of coordinated approaches that recognise aviation as essential regional infrastructure.

4. Evidence from CRCNA supply chain research

CRCNA's supply chain research across Western Australia, north and far north Queensland, and the Northern Territory consistently identifies transport connectivity as a critical constraint on productivity. The research shows that high transport costs are embedded across northern supply chains, increasing input prices, reducing margins, and weakening competitiveness, while limited modal alternatives amplify reliance on aviation for high-value, time-sensitive, and specialist activities. Fragmented transport networks reduce resilience, particularly during weather disruptions, workforce shortages, and infrastructure outages, and poor connectivity inhibits market access for regional producers and First Nations enterprises. In regions such as Cape York, the Pilbara, Kimberley, the NT and northern agricultural zones, CRCNA projects have demonstrated that unreliable or expensive air services constrain business development and investment attraction, access to professional services, workforce mobility, innovation diffusion, and export pathway development, with these outcomes directly affecting regional productivity and economic diversification.

5. Impacts on tourism and visitor economies in northern Australia

Tourism is a critical economic pillar across northern Australia, supporting employment, small businesses, First Nations enterprises, and regional service viability. CRCNA research highlights the central role of aviation in enabling access to dispersed natural and cultural assets, including seven UNESCO World Heritage sites that attract large numbers of domestic and international visitors annually.

High airfares, limited service frequency, and unreliable connections constrain the growth and competitiveness of northern visitor economies. Elevated travel costs reduce destination attractiveness,

shorten visitor stays, and limit repeat visitation, particularly for remote and emerging destinations where aviation represents a significant share of total travel costs.

Weak aviation connectivity also restricts tourism supply chains, affecting accommodation providers, tour operators, hospitality businesses, and First Nations–led tourism enterprises, while constraining workforce mobility and private investment. Seasonal weather disruptions further heighten reliance on air services. Improving the affordability, reliability, and integration of regional air services would strengthen tourism resilience and enhance the contribution of northern destinations to national tourism growth.

6. Impacts on First Nations communities and essential services

Connectivity constraints disproportionately affect First Nations communities and remote populations, with high airfares and limited services restricting access to specialist and preventative health care, tertiary education and training, employment opportunities, cultural and economic participation, and government and regulatory services. For many communities, aviation is not discretionary infrastructure but essential social and economic infrastructure, and high costs effectively act as a barrier to opportunity, undermining broader policy objectives relating to inclusion, Closing the Gap, and regional equity. CRCNA research indicates that improved affordability and reliability of air services would deliver substantial social returns beyond direct economic impacts.

7. Importance of east–west connectivity

CRCNA’s research synthesis and infrastructure studies highlight the strategic importance of east–west connectivity across northern Australia, noting that current aviation and freight networks remain heavily oriented toward north–south corridors linking regional centres to capital cities. This structure limits inter-regional trade, supply chain integration, tourism circuit development, and collaboration between northern industries. Stronger east–west connections between northern Western Australia, northern Queensland, and the Northern Territory would improve market depth, enhance network resilience, support multi-hub development, and reduce dependency on single corridors. Weak east–west connectivity reinforces market thinness and contributes indirectly to higher fares by constraining network optimisation.

8. Determinants of regional airfares in northern Australia

Based on CRCNA research and industry engagement, the principal drivers of high regional airfares in northern Australia include high fixed and variable operating costs, limited route competition, low and volatile demand, infrastructure constraints, workforce shortages, regulatory and compliance costs, and limited network integration. These determinants are structural rather than cyclical and cannot be addressed through market mechanisms alone in many locations. Policy responses must therefore recognise the persistent nature of these constraints.

9. Recommendations

CRCNA recommends that policy responses to regional airfares in northern Australia adopt a system-wide, evidence-based approach.

- 1. Integrate aviation into broader connectivity planning:** Aviation policy should be embedded within comprehensive regional connectivity and supply chain strategies that incorporate airports, freight hubs, digital infrastructure, road and port linkages, and workforce development, as fragmented planning limits effectiveness and reduces policy impact.
- 2. Improve data transparency and analytical capability:** Enhanced access to route-level data on costs, demand, and utilisation would support better policy design and evaluation. CRCNA supports development of shared evidence frameworks involving government, industry, and researchers.
- 3. Support essential connectivity in thin markets:** Where markets cannot sustain affordable services, targeted interventions should be considered, including route-specific support mechanisms, service continuity arrangements, risk-sharing models, and infrastructure co-investment, with such measures designed to be performance-based and subject to regular review.
- 4. Strengthen east–west networks:** Strategic investment and policy support should prioritise improved east–west connectivity between northern regions, supporting network resilience and market depth.
- 5. Embed equity and inclusion objectives:** Assessment of aviation policy should explicitly consider impacts on First Nations communities and remote populations, ensuring connectivity supports access to essential services and economic participation.

10. Conclusion

Regional aviation is foundational infrastructure for northern Australia. High airfares and limited services reflect deep structural constraints associated with remoteness, thin markets, and fragmented networks. CRCNA’s research demonstrates that these constraints suppress productivity, weaken supply chains, restrict service delivery, and limit inclusion.

Addressing regional airfares therefore requires coordinated, long-term policy approaches that integrate aviation within broader infrastructure, industry, and development strategies. CRCNA welcomes ongoing engagement with the Productivity Commission and government agencies to support evidence-based reforms that enhance connectivity, productivity, and opportunity across northern Australia.

For further information please contact the CRCNA Chief Executive Officer, Anthony Curro