



An Australian Government Initiative



Briefing Note: Determinants of Regional Airfares

Productivity Commission Enquiry

10 December 2025

Purpose

To provide evidence from Far North Queensland (FNQ), Cape York and the Torres Strait to inform the Productivity Commission’s inquiry into the determinants of regional airfares, with a focus on market constraints, cost drivers, equity considerations and the critical importance of sustained government intervention.

Background

Regional and remote air services are essential social and economic infrastructure for communities across Cape York and the Torres Strait. As highlighted in the Terms of Reference, regional air routes typically experience limited competition, higher operating costs and more fragmented demand than metropolitan routes. These conditions are amplified in FNQ where vast distances, limited alternative transport modes, seasonal isolation and socio-economic disadvantage create structural price pressures and systemic service vulnerability.

Torres and Cape Indigenous Councils Alliance (TCICA) represents 14 Indigenous councils across Cape York and the Torres Strait—communities that rely on aviation not as a discretionary service, but as a lifeline for access to health, education, employment, government services, cultural participation and essential goods.

TCICA has repeatedly highlighted that without government intervention, many residents would be unable to travel at all, particularly during the wet season when roads are impassable for months.

The PC's inquiry presents a critical opportunity to quantify these determinants and reform policy settings to deliver equitable, reliable and affordable regional aviation services for some of Australia's most remote communities.

Determinants of High Airfares in FNQ, Cape York and Torres Strait

1. Limited competition and market size

- The vast majority of Cape York and Torres Strait routes are single-operator or low-competition routes due to **high operating costs, low population density and seasonality**, similar to the monopoly characteristics identified in the TCICA Freight Equalisation Study.
- Sparse populations create natural monopolies that inflate the cost base and reduce consumer choice—reinforcing the need for public policy intervention.

2. Seasonal isolation and lack of transport alternatives

- Wet season conditions sever road access for months, making aviation the **only available transport mode** for many communities.
- This amplifies demand at specific times, constrains scheduling flexibility, and increases the cost burden on councils, families and service providers.

3. Socio-economic disadvantage

- One in five families in the Cape and Torres region earn less than \$33,800 per year.
- Without subsidies, the cost of a family return airfare from Darnley (Erub) Island to Cairns would be nearly **\$5,000**, and over **\$3,200** from Mornington Island to Cairns—clearly unaffordable for the majority of households.
- Equity considerations therefore form a major determinant of affordability and policy design.

4. High operating costs for airlines

Remote aviation incurs higher:

- Fuel and maintenance costs
 - Crew and training requirements
 - Capital costs for small aircraft
 - Insurance and risk premiums
 - Airport charges/pilotage/navigation costs, which disproportionately impact thin routes
- These factors mirror the freight cost drivers experienced in FNQ, where distance, weather exposure, and inadequate infrastructure increase service costs.

5. Infrastructure limitations

- Ageing airstrips, limited lighting, lack of instrument landing systems (ILS), and cyclone-prone conditions constrain aircraft types and scheduling, increasing operating costs.
- Similar infrastructure issues drive up freight costs in TCICA's Freight Equalisation Study, demonstrating a region-wide pattern of under-investment in essential logistics infrastructure.

Impact of High Airfares on Communities and Regional Development

1. Health, education and essential services

- Air travel is the only viable means for many residents to access hospitals, specialist care, schooling, justice services, and government appointments.
- High airfares directly worsen Closing the Gap outcomes by limiting mobility, participation, and service access.

2. Economic participation and productivity

- High costs deter labour mobility, increase service delivery costs for government and NGOs, and reduce opportunities for business growth.
- TCICA's freight analysis shows that mobility constraints already limit economic efficiency across the region.

3. Tourism and regional migration

- Airfare price volatility undermines tourism confidence and inhibits population attraction—both of which are referenced as key factors in the Terms of Reference.

4. Cultural and family connection

- The LFS statement emphasises that affordable airfares keep families connected to culture, tradition and significant community events.
- Without these schemes, social cohesion is weakened and participation becomes cost-prohibitive.

Evidence of the Importance of the Queensland Local Fare Scheme (LFS) – Administered by QLD Dept of Transport and Main Roads

TCICA strongly supports the continuation and expansion of the LFS, noting that it has:

- Improved access to health, education, employment and community services;
- Enabled cultural and family connection;
- Provided certainty for airlines to maintain services;
- Alleviated extreme price burdens on low-income families;
- Prevented social isolation during the wet season.

The LFS stands as a practical model demonstrating how targeted subsidies can improve equity without distorting competition on major routes.

Recommendations

1. Maintain and expand the Queensland Local Fare Scheme

- Ensure funding certainty and expand to additional communities where affordability barriers persist.
- Consider a national co-funded model to ensure consistency across jurisdictions.

2. Introduce a Commonwealth–State Remote Airfare Equalisation Scheme

Parallel to TCICA’s Freight Equalisation evidence, the case exists for a **Remote Aviation Equalisation Scheme** that:

- Reflects the true structural cost burden of delivering essential aviation services;
- Is targeted at low-income, remote and isolated communities;
- Includes transparent fare-monitoring to ensure consumer benefits flow through.

3. Invest in aviation infrastructure across Cape York and the Torres Strait

- Upgrade airstrips, lighting, terminals, and safety systems to reduce operating constraints.
- Prioritise infrastructure that lowers airline costs and enables service frequency improvements.

4. Improve regulatory and market transparency

- Implement real-time price monitoring, as recommended by previous Productivity Commission reviews in analogous contexts (e.g., remote retail).
- Require disclosure of airfare composition (airport charges, taxes, fuel components).

5. Recognise aviation as essential service infrastructure

- Air travel in remote FNQ is not discretionary; it is equivalent to road access elsewhere.
- Policy settings should reflect its essential service role in health, education and Closing the Gap.

Conclusion

The determinants of regional airfares in FNQ, Cape York and the Torres Strait are shaped by structural, geographic and socio-economic factors that necessitate ongoing and coordinated government intervention. TCICA, RDATN and regional councils have consistently demonstrated that without subsidies such as the LFS, air travel is unattainable for many residents—impeding economic development, undermining equity, and worsening service access.

A national policy response, informed by regional evidence, is both necessary and overdue.

References

TMR – Local Fare Scheme

<https://www.tmr.qld.gov.au/travel-and-transport/local-fare-scheme-far-north-queensland>

TCICA Local Fare Scheme

<https://tcica.com.au/wp-content/uploads/2019/07/tcica-lfs.pdf>

TCICA Freight Equalisation Study

https://tcica.com.au/wp-content/uploads/2023/02/tci1241_freight-equalisation-study-final.pdf

**some of this data pre-dates Covid and so today's figures would be considerably higher