



Inquiry into Regional Airfares

Submission from Regional Capitals Alliance of Western Australia (RCAWA)

February 2026

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1. Inquiry Terms of Reference

This submission responds to the Inquiry into Regional Airfares, which is examining:

- factors contributing to the current high cost of regional airfares
- the impacts of high-cost regional airfares on regional centres from a business, tourism and social perspective
- the impact of State Government regulatory processes on the cost and efficiency of regional air services
- actions that State and local governments can take to limit increases in airfares without undermining the commercial viability of regular public transport (RPT) services
- actions that airlines can take to limit increases in airfares without undermining the commercial viability of RPT services
- recent actions taken by other Australian governments to limit increases in regional RPT airfares

The Regional Capitals Alliance of Western Australia (RCAWA) addresses these terms of reference through the lens of regional capital cities and their role as economic and service hubs for surrounding regions, focussing in particular on:

- the importance of affordable and predictable airfares in enabling Regional Capitals to function as decentralised centres for health, education, government and business services
- the two-way nature of aviation demand between metropolitan centres and Regional Capitals
- the structural characteristics of regional aviation markets that influence airfare outcomes in Regional Capitals
- the effectiveness and limitations of existing policy interventions in improving affordability and access
- opportunities for policy and regulatory reform that support both affordability and long-term service sustainability

While individual examples are referenced where relevant, the submission is not intended to represent the circumstances of any single community. Instead, it reflects shared issues and structural challenges experienced across Regional Capitals in Western Australia.

2. About the Regional Capitals Alliance of WA

The Regional Capitals Alliance of WA (RCAWA) is comprised of membership from the City of Albany, Shire of Broome, City of Busselton, City of Bunbury, Shire of East Pilbara, Shire of Esperance, City of Greater Geraldton, City of Kalgoorlie-Boulder, City of Karratha, Shire of Northam, and Town of Port Hedland. The Alliance represents over half of the population of regional Western Australia. These regional capital cities offer the most significant concentrations of employment outside the Perth metropolitan area and significantly contribute to Western Australia's economic output.

Regions thrive from having a strong regional capital as they act as an anchor point for the whole region, providing a level of service and amenity that benefits all residents across the region. The Alliance has adopted a strong, cohesive approach to lead change and implement projects to drive the growth of regional centres as attractive places to live, work, visit and invest. This positions the Regional Capitals as ideal partners for government and industry investment to grow the social capital, economy, and population of regional WA, delivering great outcomes not just for the regions but for Western Australia and nation.

3. Executive Summary

Affordable and reliable aviation is critical infrastructure for regional Australia. For regional capital cities, aviation underpins economic productivity, service delivery, workforce mobility and national cohesion. Unlike metropolitan areas, Regional Capitals rely on aviation not as a discretionary travel option but as an essential two-way connector that enables decentralised delivery of health, education, government services and business activity.

This submission from the Regional Capitals Alliance of Western Australia (RCAWA) responds to the Inquiry into Regional Airfares with a focus on the unique role of Regional Capitals as service and economic hubs for surrounding regions. Regional Capitals host hospitals, specialist clinics, government offices, education institutions and business branches that service wide catchments, reducing pressure on metropolitan systems. The viability of this model depends on affordable, predictable and reliable air services.

RCAWA's members consistently report that high and volatile airfares undermine the ability of Regional Capitals to attract and retain workforce, sustain regional business operations, deliver decentralised services and support tourism and investment. While demand for air travel remains strong and necessity-driven, particularly for business, health and government travel, fare levels materially influence how often people travel, how services are delivered and where costs ultimately fall.

The submission identifies that regional airfares are shaped by structural factors distinct from metropolitan markets, including thin demand, high fixed costs, limited competition and constrained fleet availability. These characteristics mean that market forces alone are often insufficient to deliver affordable and predictable outcomes for Regional Capitals.

Government policy interventions have demonstrated that affordability and access can be improved without undermining commercial viability. However, the effectiveness of such interventions has been uneven, particularly where policy certainty has been short-term or extensions have been confirmed late. Price ceilings alone are insufficient without durable policy design that supports forward planning for residents, businesses and service providers.

This submission argues that regional aviation should be recognised as essential economic and social infrastructure, and that policy responses should focus on price predictability, structural cost pressures and long-term certainty rather than relying solely on competition in markets where competition is inherently limited.

RCAWA welcomes the Productivity Commission's inquiry as an opportunity to examine regional airfares through the lens of Regional Capitals and to develop policy recommendations that strengthen decentralised service delivery, regional productivity and national connectivity.

4. Context: Regional Capitals, Aviation and the Two-Way Connectivity Imperative

Regional Capitals play a central role in Australia's economic and service delivery system. They act as anchor points for surrounding regions, providing access to hospitals, specialist health services, education and training facilities, courts, government administration, regional business offices and tourism gateways. This decentralised model supports regional liveability, economic participation and population retention, while reducing pressure on metropolitan cities.

Aviation is fundamental to the effectiveness of this model. Regular, affordable and reliable air services enable metropolitan-based specialists, professionals and decision-makers to access Regional Capitals, while also allowing regional residents and businesses to connect with metropolitan centres. This two-way connectivity supports service delivery, workforce mobility, business operations and personal travel.

Unlike metropolitan travel markets, regional capital aviation demand is predominantly necessity-driven. Travel is often required for business, health, education, government functions and workforce movements, with limited flexibility around timing. As a result, fare levels and volatility have a disproportionate impact on Regional Capitals compared to metropolitan areas.

High or unpredictable airfares increase the cost of doing business in regional centres, reduce the frequency of in-person service delivery and undermine workforce attraction and retention. Over time, these pressures risk recentralising services in metropolitan areas, increasing costs to governments and households and weakening regional economic resilience.

Regional airfares are influenced by structural factors including smaller market size, limited competition, higher per-passenger operating costs and infrastructure constraints. These characteristics are well understood, yet policy responses have often been fragmented, short-term or reactive, limiting their effectiveness.

For RCAWA, the issue of regional airfares is not simply about travel affordability. It is about the ability of Regional Capitals to function as viable service hubs, to support decentralised economic activity and to maintain strong connections between regional and metropolitan Australia.

This submission is informed by the lived experience of regional capital cities operating at the frontline of service delivery, workforce mobility and regional development. It seeks to contribute constructively to policy solutions that improve affordability and access while supporting sustainable regional aviation services over the long term.

5. Question 1: Why is regional aviation so important?

RCAWA submission response

Regional aviation is critical infrastructure for Australia's Regional Capitals. These centres function as economic, service and employment hubs for surrounding regions and play a central role in reducing pressure on metropolitan cities by hosting regional branches of businesses, hospitals, government services and education facilities.

Affordable, reliable air services are essential to the ability of Regional Capitals to perform this role effectively.

5.1 Regional Capitals as service and economic hubs

Regional Capitals are not simply destinations at the end of air routes. They are locations where metropolitan-level services are delivered closer to where people live and work. Businesses commonly establish regional branches in these centres, and governments locate hospitals, specialist clinics, courts, training institutions and administrative functions in Regional Capitals to serve large catchments.

This decentralised service model relies on regular and affordable two-way air connectivity. Professionals, specialists and executives must be able to travel from metropolitan centres to Regional Capitals, and regional staff must be able to travel to capital cities for training, coordination and progression. Where airfares are high or services unreliable, this model breaks down and services are recentralised in metropolitan areas.

5.2 Productivity, workforce and business operations

Regional Capitals support significant economic activity across health, resources, energy, tourism, construction, education and public administration. Aviation enables efficient business travel, same-day access to meetings and services, and the movement of skilled labour between regions and capital cities.

Many businesses operate across multiple locations, with headquarters in capital cities and operational bases in Regional Capitals. Affordable air access supports productivity by reducing travel time, enabling collaboration and allowing businesses to operate at scale across regions. When airfares are prohibitively high, regional operations become less viable, reducing investment and employment outside metropolitan areas.

Health, education and service delivery

Regional Capitals host hospitals and specialist services that service wider regional populations, relieving pressure on metropolitan health systems. These facilities depend on visiting specialists, clinicians and allied health professionals who often travel by air.

Affordable aviation is also critical for regional residents accessing metropolitan services that are not available locally, including highly specialised health care, education, professional development and major events. This access works both ways: metropolitan-based specialists also need affordable access to Regional Capitals to deliver services locally.

High airfares undermine this two-way flow, increasing costs for governments, service providers and individuals, and shifting demand back onto already constrained metropolitan systems.

Workforce attraction, retention and liveability

The liveability of Regional Capitals depends in part on their connectivity. Affordable and predictable air services reduce the perceived distance between regional centres and capital cities, making it easier for residents to maintain family, professional and cultural connections.

This is particularly important for workforce attraction and retention in sectors facing national shortages. Professionals are more likely to relocate to Regional Capitals if they can travel easily and affordably for work, training and personal reasons. Where airfares are high, regional centres are placed at a competitive disadvantage relative to metropolitan locations.

Two-way access and national cohesion

Regional aviation must be understood as a two-way system. It enables metropolitan Australia to access Regional Capitals for service delivery, investment and tourism, just as it enables regional residents and businesses to access metropolitan opportunities.

When airfares are high, Regional Capitals risk being priced out of this two-way connectivity. This weakens regional economies, reduces service availability and undermines broader decentralisation and regional development objectives.

Complementarity with other transport modes

While road and rail remain important, they are often impractical for regular business and service travel across long distances. Aviation complements other transport modes by providing speed, reliability and year-round access, particularly where travel time is a critical constraint.

Digital connectivity has improved, but it does not replace the need for face-to-face engagement in health, governance, business and education. Aviation remains a core enabler of effective regional service delivery.

Summary

For Regional Capitals, aviation is not a luxury or discretionary service. It is essential economic and social infrastructure that supports productivity, service decentralisation, workforce mobility and national cohesion. Affordable and reliable airfares are fundamental to ensuring Regional Capitals can continue to function as strong, viable alternatives to metropolitan concentration.

6. Question 2: How much do fares influence demand for regional air services?

Airfares are a significant determinant of demand for regional air services, particularly for Regional Capitals that rely on frequent two-way travel to sustain economic activity, service delivery and workforce mobility. While demand for regional air travel is influenced by multiple factors, including population size, industry activity and service needs, fare levels play a decisive role in shaping who travels, how often, and for what purpose.

6.1 Demand in Regional Capitals is necessity-driven but price-sensitive

Regional Capitals generate substantial aviation demand because they host hospitals, government services, education institutions, regional business offices and industry hubs. Travel to and from these centres is often driven by necessity rather than discretion, including:

- business and professional travel
- health service delivery and access
- workforce commuting and FIFO connections
- education, training and government engagement
- tourism linked to regional gateways

Despite this necessity-driven demand, travel remains highly price-sensitive. When fares rise, trips are delayed, consolidated, shortened or avoided altogether, particularly for small businesses, regional organisations and residents who have limited flexibility in travel timing.

6.2 Impact of fares on business operations and service delivery

High airfares directly affect how Regional Capitals function as service hubs. Businesses operating across multiple locations are sensitive to travel costs, which influence decisions about where staff are based, how often services are delivered locally, and whether regional branches remain viable.

For health, education and government services, higher fares increase operating costs and reduce the frequency of in-person service delivery. This can result in fewer visiting specialists, reduced outreach services and greater reliance on metropolitan-based provision, shifting pressure back onto capital cities.

In this sense, fares influence not just passenger numbers, but the quality and availability of services delivered in Regional Capitals.

6.3 Changes in fares over time

Regional airfares have historically been higher on a per-kilometre basis than metropolitan routes. Government interventions, such as the Western Australian Regional Airfare Zone Cap, have demonstrated that fare levels materially influence travel behaviour by improving affordability, predictability and confidence in air travel for residents and businesses.

Recent changes to fare structures, including the introduction of higher peak-period caps, have raised concerns in Regional Capitals about the re-emergence of affordability constraints during periods when travel is least flexible. For many regional users, peak travel coincides with essential travel requirements rather than discretionary demand.

6.4 Post-COVID dynamics

Since the COVID-19 pandemic, demand patterns have shifted, but the underlying importance of aviation to Regional Capitals has not diminished. In some cases, demand has become more concentrated around essential travel, with reduced tolerance for high fares.

At the same time, capacity constraints, workforce shortages and increased operating costs have contributed to higher fares and reduced service frequency on some routes. These dynamics disproportionately affect Regional Capitals, where aviation is essential to maintaining economic and service connections rather than optional travel.

6.5 Broome as an illustrative example

Broome illustrates how fare levels influence demand in a regional capital context. As a major service and tourism hub for the Kimberley, Broome supports a wide catchment and hosts regional health services, government offices and businesses.

When fares are affordable and predictable, travel supports workforce attraction, service delivery and tourism flows into and out of the region. When fares increase, demand does not disappear but shifts in ways that undermine productivity: trips are compressed, services are delivered less frequently, and costs are absorbed by households, businesses and governments.

This experience is not unique to Broome and is shared across Regional Capitals where aviation underpins two-way connectivity.

6.6 Summary

Fares materially influence demand for regional air services in Regional Capitals. While the need to travel remains, high fares reduce frequency, accessibility and efficiency, weakening the role of Regional Capitals as service and economic hubs. Affordable, predictable airfares support sustained demand, better service delivery and stronger regional productivity outcomes.

7. Question 3: What factors influence regional airfares?

Regional airfares are shaped by a combination of structural cost factors, market characteristics and policy settings. For Regional Capitals, these factors interact in ways that produce persistently higher fares than on metropolitan routes, even where demand is strong and travel is frequent.

Importantly, high fares in Regional Capitals are not simply the result of low demand or inefficiency, but reflect systemic features of regional aviation markets that differ fundamentally from major city routes.

7.1 Key determinants of regional airfares

7.1.1 Scale and market size

Regional capital routes generally operate at lower passenger volumes than metropolitan routes, limiting airlines' ability to spread fixed costs across large numbers of seats. Aircraft utilisation is often lower, frequencies are constrained, and opportunities to flex capacity are limited. Even where Regional Capitals generate relatively strong demand, it is rarely sufficient to replicate the economies of scale available on capital city trunk routes. This structural disadvantage places upward pressure on fares.

7.1.2 Aircraft type and fleet constraints

Regional routes are typically serviced by smaller aircraft with higher operating costs per seat kilometre than narrow-body jets used on major routes. Fleet availability, maintenance requirements and the need to match aircraft type to runway length and demand profiles further constrain cost efficiency. Limited fleet flexibility also reduces airlines' ability to respond quickly to changes in demand, contributing to price volatility during peak periods.

7.1.3 Workforce and operating costs

Regional aviation faces acute workforce challenges across pilots, cabin crew, engineers and ground staff. Regional Capitals often experience higher labour costs due to housing shortages, cost-of-living pressures and the need to offer incentives or fly-in staffing arrangements. These costs are structural rather than discretionary and are passed through to fares, particularly where airlines have limited ability to cross-subsidise regional operations with high-margin metropolitan routes.

7.1.4 Airport and regulatory costs

Regional airports operate at smaller scale and often lack the non-aeronautical revenue streams available to major airports. As a result, airport charges can be higher on a per-passenger basis, contributing to overall route costs. Compliance, safety and security requirements impose largely fixed costs regardless of airport size. For Regional Capitals, these regulatory obligations are essential but disproportionately costly when spread over lower passenger volumes.

Example: Geraldton Airport – Structural Cost Pressures in Practice

Geraldton Airport, a Tier 2 regional airport owned by local government, illustrates how structural and regulatory cost pressures influence regional aviation economics in practice.

Following a runway extension to 2,389 metres in 2019, the airport became the closest airport north of Perth capable of receiving Code 4E aircraft and now operates as an international diversion airport. Approximately 90 per cent of inbound international flights to Perth transit overhead or in close proximity to Geraldton, underscoring its strategic role in State and national aviation resilience.

Despite this expanded role, the airport operates with a small permanent workforce and a limited revenue base typical of council-owned regional airports. Security and regulatory compliance obligations impose largely fixed costs regardless of passenger throughput. Geraldton Airport recently awarded a contract for new aviation security screening equipment at a capital cost of \$2.1 million, with no Commonwealth or State funding support.

Additional perimeter security requirements and extended screening obligations during flight delays create further resourcing pressures. These costs must be recovered across relatively small passenger volumes, placing upward pressure on airport charges and, ultimately, regional airfares. This experience demonstrates that structural airport-level cost pressures are not theoretical. They directly affect the cost base of regional aviation and highlight the need for proportionate regulatory settings and targeted support where compliance costs are unavoidable.

7.1.5 Demand characteristics and travel patterns

Demand on regional capital routes is typically necessity-driven rather than discretionary. Travel is often linked to health services, business operations, workforce mobility and government activity, with limited flexibility in timing. This reduces the scope for airlines to rely on discretionary price-sensitive demand and contributes to higher average fares, particularly during peak periods when capacity is constrained and travel is least deferrable.

7.1.6 Competition and market structure

Many regional capital routes are served by a limited number of airlines, and in some cases only one. Barriers to entry include capital costs, fleet availability, workforce constraints, airport infrastructure limitations and demand volatility. Even where multiple carriers operate, competition may be episodic or thin, limiting sustained downward pressure on fares. The withdrawal of carriers from regional routes in recent years demonstrates that higher fares do not necessarily equate to high profitability or route viability.

7.1.7 Differences between regional and metropolitan routes

The factors outlined above combine to produce systematic differences between regional and metropolitan airfares:

- metropolitan routes benefit from high volumes, multiple carriers and dense networks
- regional capital routes face higher per-seat costs, fewer competitors and less pricing flexibility
- regional aviation bears a higher share of fixed and unavoidable costs per passenger

As a result, fares on regional routes remain higher on a per-kilometre basis, even where demand is strong and services are essential.

7.1.8 Implications for Regional Capitals

For Regional Capitals, these fare determinants directly affect their ability to function as service hubs. Higher airfares increase the cost of doing business, reduce service frequency and undermine workforce mobility. Without targeted policy interventions, market forces alone are unlikely to deliver fare outcomes that support the long-term economic and service role of Regional Capitals.

7.1.9 Summary

Regional airfares are driven by structural and systemic factors that differ fundamentally from metropolitan aviation markets. For Regional Capitals, higher fares reflect the cost of maintaining essential connectivity rather than inefficiency or lack of demand. Understanding these determinants is critical to designing policy responses that improve affordability without undermining service viability.

8. What characteristics of the regional aviation sector have influenced the level of airfares?

The structure of the regional aviation sector has a significant influence on airfare levels in Regional Capitals. While competition exists on some routes, it is often constrained by structural barriers that limit entry, expansion and sustained rivalry. These characteristics mean that regional aviation markets behave differently from metropolitan routes, even where demand is relatively strong.

8.1 Competition in regional capital markets

Most regional capital routes support only a small number of operators, and in some cases a single carrier. Even where multiple airlines operate, competition may be intermittent or limited to certain periods, rather than sustained over time.

For Regional Capitals, demand is often sufficient to justify regular services but insufficient to support multiple airlines operating at metropolitan levels of frequency and capacity. This limits price competition and contributes to higher average fares, particularly during peak periods.

Importantly, the presence of higher fares does not necessarily indicate excess profits. The withdrawal of airlines from regional routes in recent years demonstrates that many services remain marginal, despite elevated fare levels.

8.2 Barriers to entry for new airlines

There are significant barriers to entry for airlines seeking to commence services to Regional Capitals, including:

- high upfront capital costs associated with aircraft acquisition and fleet allocation
- limited availability of suitable aircraft types for regional operations
- workforce shortages across pilots, engineers and ground staff
- housing shortages and cost-of-living pressures affecting regional staffing
- infrastructure constraints at some regional airports
- demand volatility linked to seasonality, industry cycles and population size

These barriers increase commercial risk and deter entry, even where there is unmet demand or public concern about fare levels.

8.3 Barriers to expansion for existing airlines

Existing operators also face constraints on expanding services or increasing capacity on regional routes. Fleet availability, workforce limitations and infrastructure capacity can restrict growth. In some cases, expanding regional services requires diverting aircraft from more profitable metropolitan routes, reducing commercial incentives. Expansion can also increase exposure to demand risk, particularly in regions with strong seasonality or reliance on a small number of industries.

8.4 Role of non-passenger services

Non-passenger services, such as air freight, charter and aeromedical operations, can support the viability of regional aviation but do not consistently offset the costs of regular public transport services. While freight and charter operations may improve aircraft utilisation, they often operate on different schedules or aircraft types and cannot be relied upon to materially reduce passenger fares on scheduled services.

8.5 Industry-driven demand and pricing dynamics

In some Regional Capitals, demand is influenced by industry-related travel, including fly-in workforces and contractor movements. This demand can be less price-sensitive and concentrated during specific periods. Where industry demand occupies a significant proportion of available seats, fare structures may reflect this reduced price sensitivity, contributing to higher fares for other users, including residents and small businesses. Limited transparency around the share of industry versus resident travel makes it difficult to design targeted policy responses.

8.6 Implications for airfare outcomes

These sector characteristics mean that competition alone is unlikely to deliver metropolitan-style fare outcomes in Regional Capitals. Thin markets, high fixed costs and structural barriers limit the effectiveness of market entry as the sole mechanism for improving affordability. For Regional Capitals, the policy challenge is not simply to increase competition, but to recognise the limits of competition in thin markets and consider complementary interventions that support both affordability and service sustainability.

8.7 Summary

Regional aviation markets are characterised by structural barriers to entry, limited scale and demand volatility. These factors constrain competition and influence fare levels in Regional Capitals. Effective policy responses must account for these characteristics rather than assume that increased competition alone will resolve affordability challenges.

9. Question 5: Have government policies or regulations made a difference?

Government policies and regulatory settings have a material influence on regional airfares, service levels and market outcomes. For Regional Capitals, appropriately designed government interventions have demonstrated that targeted involvement can improve affordability, access and price predictability when supported by clear policy design and sufficient certainty, without undermining the commercial viability of regional air services.

Conversely, where policy settings are fragmented, opaque, short-term or poorly aligned with regional market realities, they can exacerbate cost pressures, increase volatility and constrain service provision.

9.1 The role of government in regional aviation markets

Regional aviation markets differ structurally from metropolitan markets. Thin demand, high fixed costs and limited competition mean that market forces alone often cannot deliver outcomes that support regional economic and service objectives.

In this context, governments play a legitimate role in:

- recognising aviation as essential economic and social infrastructure
- addressing market failures where competition is structurally limited
- supporting affordability and access while maintaining service viability
- providing certainty for airlines, airports and users

For Regional Capitals, this role is particularly important given their function as service hubs that reduce pressure on metropolitan systems.

9.2 Evidence that policy intervention can improve outcomes

Targeted government interventions have demonstrated clear and observable improvements in affordability, access and price certainty on regional air routes servicing Regional Capitals. However, the effectiveness of these interventions has been uneven, reflecting both the design of the policy and the manner in which it has been implemented.

In Western Australia, the introduction of capped regional airfares materially reduced peak fare levels on key regional capital routes. Prior to intervention, one-way fares on some regional routes regularly exceeded \$500–\$700, particularly during periods of high demand. The introduction of capped fares at \$199 or \$299 one way established transparent price ceilings and reduced the incidence of extreme fare outcomes.

However, while fare caps improved affordability at the point of travel, price certainty over time has remained volatile. The reliance on short-term program extensions and late announcements has limited the ability of residents, businesses and service providers to plan with confidence. In practice, this has meant that users often benefit from the policy only once its continuation is confirmed, rather than being able to incorporate predictable air travel costs into forward planning.

Notwithstanding these limitations, observable outcomes following the introduction of fare caps included:

- a reduction in extreme peak fares on affected routes
- improved affordability during periods when caps were confirmed and operational
- increased confidence among residents and regional employers to maintain travel-dependent arrangements
- continued airline participation on capped routes, indicating that affordability measures can coexist with commercial viability

Where policies provide both price ceilings and long-term certainty, they are more effective in supporting workforce attraction, business planning and decentralised service delivery. Regional employers and service providers frequently reference airfare predictability - not just affordability - as a critical factor in recruitment, retention and operational decision-making.

Importantly, these interventions have not removed commercial discipline from the market. Airlines continue to make fleet, scheduling and capacity decisions within policy settings, while governments intervene selectively to address affordability and access constraints in structurally thin regional aviation markets.

The experience to date suggests that policy design and certainty matter as much as the intervention itself. Fare-based measures can materially improve outcomes for Regional Capitals, but their effectiveness is reduced where continuation is uncertain or extensions are confirmed only at short notice.

9.3 Regulatory settings and cost impacts

Regulatory requirements relating to safety, security, compliance and reporting are essential, but they impose largely fixed costs regardless of route size or passenger volumes. For Regional Capitals, these costs are spread over fewer passengers, contributing to higher per-passenger fares. While these regulations are not discretionary, there is scope for governments to:

- ensure regulatory frameworks are proportionate to scale and risk
- minimise duplication across jurisdictions
- provide targeted support where compliance costs are unavoidable

In addition, airport operators in Regional Capitals often have limited capacity to cross-subsidise aviation services through commercial revenues, increasing reliance on aeronautical charges to recover costs. Greater transparency and predictability in regulatory obligations can reduce cost uncertainty for airlines and airports, supporting more stable pricing outcomes over time.

As illustrated by the Geraldton Airport example in 7.1.4, security screening and perimeter compliance costs can require multi-million-dollar capital outlays that are recovered over small passenger bases, creating structural upward pressure on regional fares.

9.4 Infrastructure investment and service reliability

Government investment in regional airport infrastructure has played an important role in maintaining safety, reliability and operational capability. Such investment supports service continuity and enables airlines to operate more efficiently.

However, infrastructure funding alone does not address affordability challenges where operating costs remain high and markets remain thin. Infrastructure policy must therefore be complemented by pricing, regulatory and service-based interventions to deliver sustained improvements in access and affordability.

9.5 Policy consistency and certainty

Policy stability and clarity are critical to effective regional aviation outcomes. Regional Capitals benefit from long-term, predictable policy frameworks that allow airlines, airports, businesses and service providers to plan with confidence.

Where affordability measures are time-limited or extended at short notice, their effectiveness is reduced, even when the underlying policy mechanism is sound. Uncertainty around fare structures, eligibility or continuation can undermine travel planning, workforce decisions and service delivery models, particularly where demand is driven by essential rather than discretionary travel.

9.6 Implications for Regional Capitals

For Regional Capitals, effective government policies have:

- improved access to affordable air services
- supported workforce attraction and retention
- enabled decentralised delivery of health, education and government services
- strengthened regional economic resilience

Where policy support is withdrawn or weakened, the impacts are quickly felt through reduced service frequency, higher costs and increased pressure on metropolitan systems.

9.7 Summary

Government policies and regulatory settings do make a difference to regional airfares and service outcomes. For Regional Capitals, targeted and proportionate government intervention has proven essential in supporting affordability, access and service sustainability in markets where competition alone cannot deliver these outcomes.

The experience to date demonstrates that intervention alone is insufficient. Policy design, certainty and alignment with regional market realities are critical to achieving durable outcomes. Future policy approaches should build on what has worked, refine regulatory settings to reflect regional conditions, and provide long-term certainty that recognises aviation as critical infrastructure for regional Australia.

10. Question 6: What could be done to make fares more affordable and to improve access to aviation?

Improving affordability and access to regional aviation - particularly for Regional Capitals - will require a coordinated suite of policy and regulatory actions. No single intervention will address the structural challenges of thin markets, high fixed costs and limited competition. Effective reform should focus on improving price predictability, reducing avoidable cost pressures, and supporting sustainable service provision over the long term.

10.1 Focus policy on price certainty as well as affordability

Experience to date demonstrates that price ceilings alone are insufficient if they are not accompanied by long-term policy certainty. Regional Capitals benefit most from interventions that provide predictable and durable pricing frameworks, allowing residents, businesses and service providers to plan travel and operations with confidence.

Policy settings should therefore prioritise:

- longer-term commitments to affordability measures
- clear and transparent eligibility and pricing rules
- early confirmation of continuation or adjustment of schemes
- avoidance of short-term extensions announced close to expiry

For Regional Capitals, predictability is as important as price level, given the reliance on two-way travel for service delivery, workforce mobility and business operations.

10.2 Recognise regional aviation as essential infrastructure

Regional aviation should be treated as essential economic and social infrastructure rather than a purely discretionary transport service. This framing better reflects the role of Regional Capitals as service hubs that reduce pressure on metropolitan systems. Recognising aviation in this way would support:

- more consistent policy treatment across jurisdictions
- alignment with broader decentralisation, productivity and regional development objectives
- clearer justification for targeted intervention in structurally thin markets

This does not imply permanent subsidy of all routes, but rather a clearer policy basis for intervention where market outcomes do not align with public interest objectives.

10.3 Target interventions to market structure, not just competition

While competition can deliver benefits where markets are sufficiently large, many regional capital routes cannot sustainably support multiple carriers. Policy responses should therefore move beyond a singular focus on competition and instead address underlying structural constraints. Potential approaches include:

- route-specific interventions where demand is strong but competition is structurally limited
- mechanisms that support service continuity and affordability without requiring multiple operators
- pricing or service obligations linked to public value rather than pure market entry

In this context, competition should be seen as one tool rather than the sole solution.

10.4 Reduce avoidable cost pressures on regional aviation

Governments should continue to examine opportunities to reduce or offset unavoidable cost pressures that disproportionately affect regional aviation, including:

- regulatory compliance costs that are largely fixed regardless of scale
- duplication of regulatory requirements across jurisdictions
- security and safety obligations that impose high per-passenger costs at smaller airports

Where such costs are unavoidable, targeted support or proportional regulatory approaches may be more efficient than allowing costs to be fully passed through to fares.

10.5 Align infrastructure investment with affordability objectives

Investment in regional airport infrastructure remains essential to safety, reliability and service continuity. However, infrastructure funding should be more closely aligned with broader affordability and access objectives.

This includes:

- ensuring infrastructure upgrades support efficient aircraft operations
- coordinating infrastructure investment with service and pricing policies
- recognising that infrastructure investment alone will not deliver affordability outcomes without complementary policy measures

For Regional Capitals, infrastructure policy should support their role as gateways and service centres, not simply asset compliance.

10.6 Improve transparency and data to support better policy design

Improved access to consistent and transparent data on fares, demand, capacity and cost drivers would assist governments in designing more targeted and effective interventions.

The Productivity Commission's inquiry presents an opportunity to:

- analyse route-level dynamics affecting regional capital
- distinguish between resident, business and industry travel demand
- assess the distributional impacts of fare structures and policy interventions

Better data would support more nuanced policy responses that improve affordability without undermining service viability.

10.7 Consider transferable lessons from other jurisdictions cautiously

International and interstate examples demonstrate a range of approaches to supporting regional aviation, including fare regulation, service obligations and targeted subsidies. While these examples can provide useful insights, policy responses must be tailored to Australia's unique geography, market structure and role of Regional Capitals.

Interventions that work in dense or short-haul markets may not translate directly to long-distance regional routes serving service hubs across vast catchments.

10.8 Summary

Improving the affordability and accessibility of regional aviation for Regional Capitals requires policy approaches that move beyond short-term or reactive interventions. The most effective responses will:

- prioritise price predictability and long-term certainty
- recognise aviation as essential infrastructure for regional economies
- address structural market constraints rather than relying solely on competition
- reduce avoidable cost pressures where possible
- align infrastructure, regulatory and pricing policies
- be informed by robust, route-level data

For Regional Capitals, such reforms are critical to maintaining their role as service hubs, supporting decentralised economic activity and ensuring regional Australia remains connected, productive and resilient.

11 Conclusion

Regional airfares are not simply a transport issue for Regional Capitals. They are a determinant of how effectively Australia delivers decentralised services, supports regional productivity and maintains strong economic and social connections between metropolitan and regional communities.

This submission has highlighted that regional capital aviation markets are structurally different from metropolitan markets. Thin demand, high fixed costs and limited competition mean that market forces alone are unlikely to deliver affordable, predictable outcomes, even where demand is strong and travel is essential. Experience to date demonstrates that targeted government intervention can improve affordability and access, but that policy design and long-term certainty are critical to achieving durable outcomes.

For Regional Capitals, affordable and predictable aviation supports workforce attraction, business operations, health and education service delivery and regional economic resilience. Where airfare volatility or cost pressures persist, the impacts extend beyond individual travellers to governments, service systems and national productivity.

RCAWA welcomes the inquiry as an opportunity to examine regional airfares through a structural and evidence-based lens, and to develop policy settings that recognise aviation as essential infrastructure for regional Australia. The Alliance would welcome ongoing engagement with the Commission as it considers recommendations that support sustainable, affordable and reliable aviation outcomes for Regional Capitals.