11 March 2026

Determinants of Regional Airfares Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Dear Commissioners,

RE: Determinants of Regional Airfares Inquiry

Thank you for the opportunity to provide a Submission to this Inquiry. Brisbane Airport (BNE), as Queensland's major aviation gateway, is acutely aware of the importance of aviation services to Queensland's regions. As a major federally-leased airport, located in one of Australia's fastest growing regions, BNE is seeking to balance international and domestic growth with continued support for regional connections. However, as will be discussed in this submission, the underlying economics and commercial challenges to support regional aviation (and in particular, regional airports) cannot necessarily be addressed through increased competition alone. Aviation is an exceptionally complex ecosystem with many intersecting operational and regulatory frameworks that have been developed over decades. Regional aviation requires a bespoke strategy that acknowledges these complexities, and the challenges involved in service provision within a highly decentralised State. By taking a bespoke approach to regional aviation, government and industry can work together to innovate, reform and support continued service delivery to the sector.

Our submission is based on the above context, and provided in four parts:

- **Part A** seeks to provide a background to aviation in Queensland and the growth of Brisbane Airport as the state's primary gateway – for regional, domestic and international connectivity
- **Part B** highlights the critical economic and community role played by Brisbane Airport in supporting regional Queensland
- **Part C** provides an overview of airport commercial models, and contrasts the application of these models to major and regional airports
- **Part D** outlines the considerations to address regional aviation challenges, noting any interventions to support regional aviation need to be carefully calibrated to balance the continued growth of major airports, and their role as critical enablers of regional aviation.

The Role of Aviation in Queensland

Queensland, and Australia, presents unique challenges in terms of connectivity. Characterised by a large land mass, relatively low population and dispersed population centres, options for high-speed connectivity are limited. This means aviation provides the only means of timely, reliable and accessible connectivity between our major – and equally important – regional population centres. As outlined in the map below, BNE, as the major gateway to Queensland, facilitates more than 25 connections to our regional centres, including Roma, Charleville, Longreach, Mt Isa and Gladstone. These are connections that cannot be readily substituted by other transport modes.
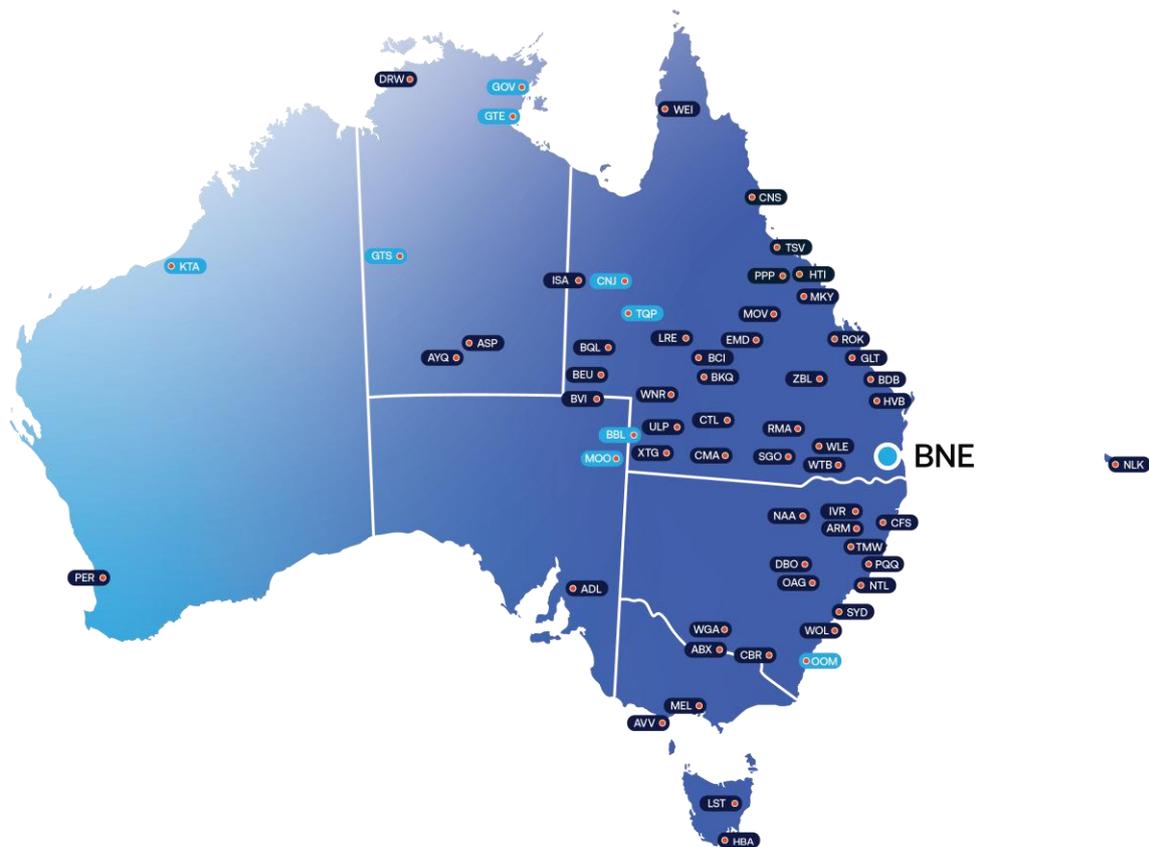
Australia's transport environment can be contrasted with Europe, where relatively short distances between major cities, high urban populations and tight population densities allow easier substitution between transport modes. These include high-speed rail and road transport options. For example, a trip from major French population centres of Paris to Lyon (a distance of 470km) is approximately 1hr 5mins by air, and 1hr 54mins by high-speed rail. SNCF, the French rail operator, schedules up to 72 services per day travelling between the two cities. By contrast, a trip from Brisbane to Roma (a similar distance to Paris/Lyon) is approximately 1hr 15mins by air and 10hrs 55mins by Queensland Rail's Westlander service, limited to two overnight services per week. Similar examples can be extrapolated across the European continent, including Germany, Italy and Spain, as mapped below.

Map: Commercial high speed rail development in Europe to 2022
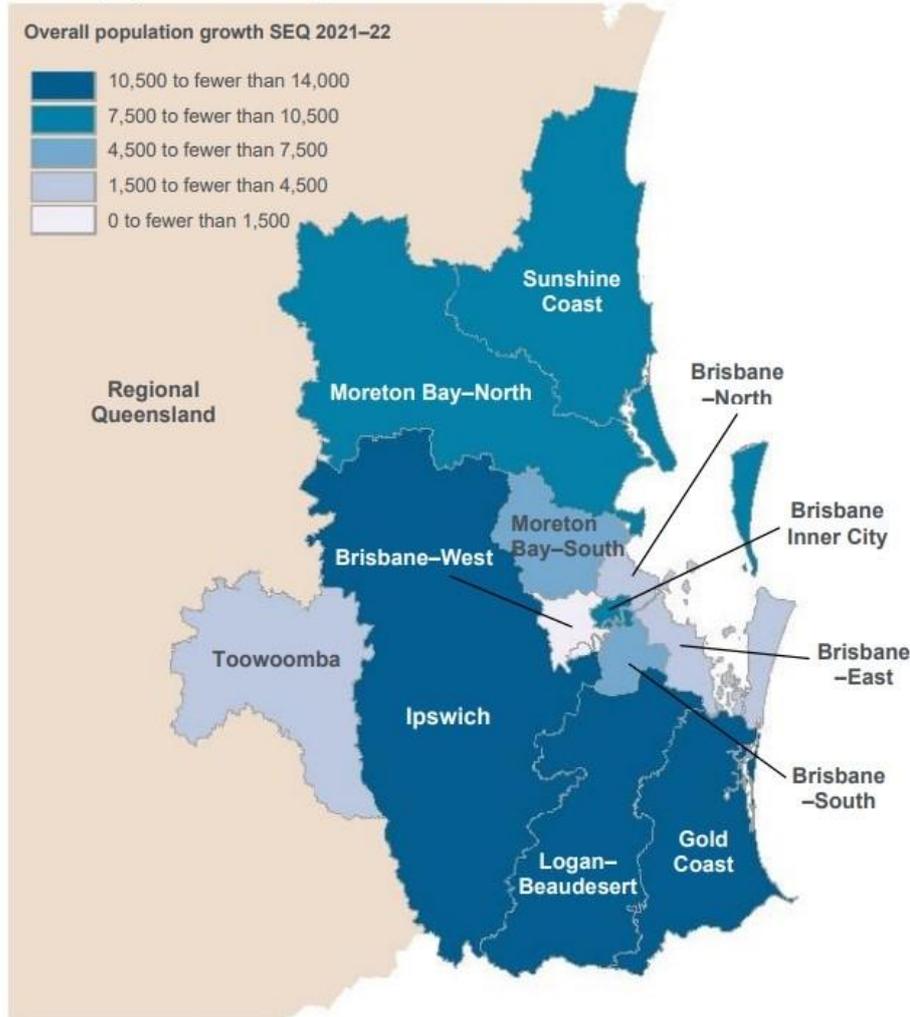Source: International Union of Railways, High Speed Rail Atlas 2023[1]

As can be seen through Queensland Rail's Travel Train Map, Queensland's land mass is larger than France, Germany and Spain combined. However, services are highly constrained to niche, overnight, tourist-based products, rather than high-frequency, high-speed and relatively affordable commuter services.

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[1] https://uic.org/IMG/pdf/atlas_uic_2023.pdf

Map: Queensland Regional Passenger Rail Network (Queensland Rail)

When placed in this context, the importance of aviation to Queensland travellers and industry cannot be overstated. This includes the provision of open, flexible, and accessible gateway airport operations, such as BNE. Long-term government policy on airports (and their importance to connectivity) reflects this sentiment:

> The Government recognises that airports are vitally important to the communities and regions which they serve. In circumstances where airport usage is increasing rapidly, passenger and freight users need airports which are operating efficiently, are responsive to user requirements and which deliver the services necessary to meet the requirements of the Australian tourism, export and service industries which depend on air transport to compete in world markets."[2]

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[2] Sharp, John, 1996, Second Reading Speech, Airports Bill, 23 May 1996

Regulatory and contractual frameworks placed by Government on Airport Leasing Companies (ALCs) were built on the presumption of private capital financing airport investment through increasing passenger numbers (and therefore, revenue), via a rapidly growing population base. Historical passenger movements at BNE reflect this growing population, not only in Brisbane, but the wider Southeast Queensland region. For example, in 1988-89, BNE serviced approximately 4.8 million passengers across its domestic and international operations. A decade later (1998-99), this number had almost doubled to 9.8 million passengers. In 2018-19, volumes more than doubled again to nearly 24 million passengers. Passenger volumes have exceeded 24 million in 2025-26. This reflects Brisbane and South East Queensland's population boom, with Brisbane's population growing by 1,611,027 (or more than 168%) from 1971 to 2021.[3] By contrast, Sydney and Melbourne grew 74% and 91% respectively.[4] More than 70% of Queenslanders lived in SEQ at 30 June 2022, with SEQ growing at almost triple the average annual rate (1.9%) of the rest of Queensland (0.7%) over the past 10 years.[5] In addition, Queensland's highest areas of growth are all within Brisbane Airport's catchment, as outlined in the map below.

Size of population change in SEQ SA4s

Overall population growth SEQ 2021–22
- 10,500 to fewer than 14,000
- 7,500 to fewer than 10,500
- 4,500 to fewer than 7,500
- 1,500 to fewer than 4,500
- 0 to fewer than 1,500

Source: Queensland Government Statisticians Office

[3] Australian Bureau of Statistics, 2022, '50 Years of Capital City Population Change', <https://www.abs.gov.au/articles/50-years-capital-city-population-change>, accessed 11 November 2025.
[4] Ibid.
[5] Queensland Government Statistician's Office, 2023, *Population growth highlights and trends, Queensland Regions, 2023 edition*, p.3.

BNE Growth Forecasts

Demand to move passengers through BNE is expected to grow considerably across the period to 2045-46 because of the region's considerable population and economic growth. The hosting of the 2032 Olympic and Paralympic Games in Brisbane is anticipated to significantly accelerate this growth. The latest updated BAC forecasts prepared by FKG Aero indicate by 2045-46, some 17.3 million passengers will pass through the international terminal and 35 million passengers will pass through the domestic terminal each year (constituting 52.3 million passengers transiting through BNE).

More specifically between 2025-26* and the end of the 2026 Master Plan (2045-46):

- Annual BNE domestic passengers will grow by 16.7 million passengers at an average annual growth rate of 2.8%;

- Annual BNE international passengers will grow by 10.1 million passengers at an average annual growth rate of 4.2%;

- Annual BNE total passengers will grow by 26.7 million passengers at an average annual growth rate of 3.3%.
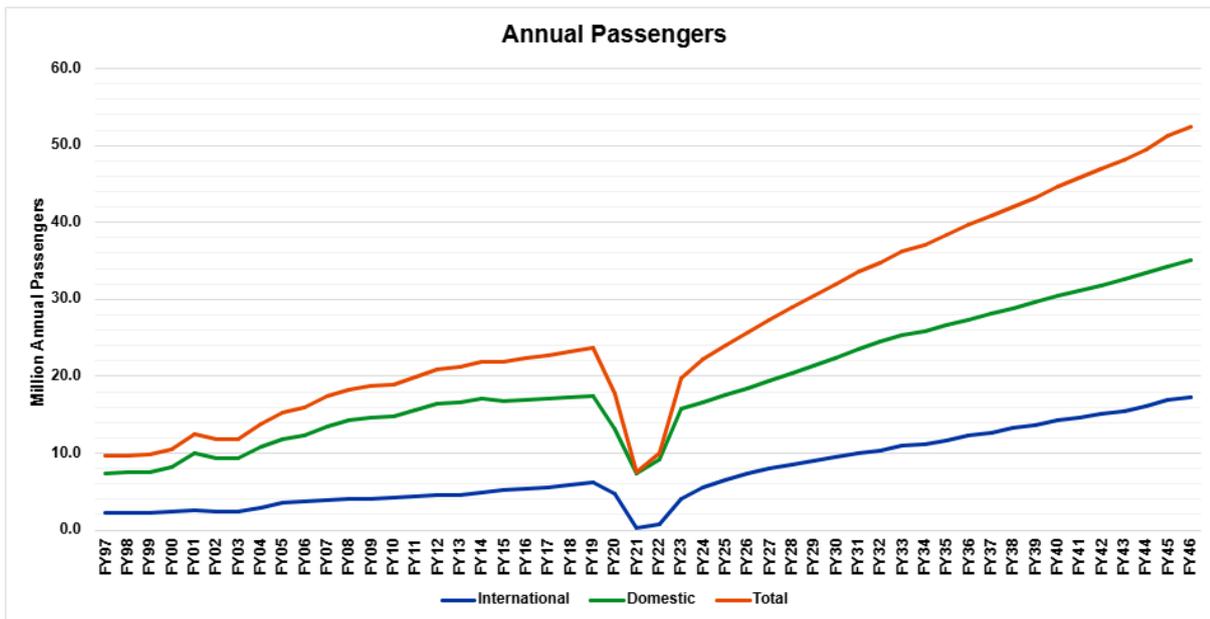
Major gateways such as BNE therefore have the requisite population, volume and passenger growth to sustain private investment in aeronautical infrastructure. This includes more than $5 billion in infrastructure investment at BNE over the next five years, including upgrades to security screening equipment, baggage systems, passenger boarding bridges, and self-check-in equipment. BNE is also planning terminal expansions to ensure adequate terminal capacity over the coming decades. The scale of this investment not only reflects the infrastructure requirements of major gateway airports, but also the ability to spread the costs of these investments over a large passenger cohort, and across multiple domestic and international carriers.

The Role of Brisbane Airport in Regional Queensland

Given its role as Queensland's major international gateway, BNE undertakes a critical role in supporting regional Queenslanders to connect across intrastate, interstate and international destinations. The key regional connections facilitated by BNE are outlined in the table below. The following regional locations experienced the highest passenger growth from the previous calendar year: Rockhampton (15%), Moranbah (15%), Bundaberg (9%), Miles (8%), Gladstone (7%) and Biloela (7%).

Domestic Flight Movements by Queensland Cities and Towns 2024-25

Name	Passengers	Flights
Cairns	1,308,128	9,950
Townsville	942,705	8,411
Mackay	762,166	7,064
Rockhampton	586,158	8,016
Proserpine	277,772	2,020
Moranbah*	326,754	7,388
Gladstone*	228,450	4,001
Emerald*	204,120	3,921
Hamilton Island	163,262	1,532
Mount Isa	152,143	1,770
Bundaberg*	141,064	3,555
Hervey Bay	83,159	1,897
Roma	68,531	2,765
Norfolk Island	37,698	328
Longreach	23,268	429
Miles*	17,965	553
Blackall	8,255	155
Barcaldine	8,273	157
Charleville	9,074	431
Toowoomba	6,053	431
Weipa	6,480	96
Biloela*	5,617	489

Denotes 100% reliance on BNE for air connectivity

This connectivity in turn drives many positive societal and economic outcomes for regional Queensland, including:

- **Connecting individuals:** BNE fulfils the crucial societal function of connecting regional Queensland's individuals, families and communities. As mentioned at Part A, regional Queensland communities do not currently have a viable substitute for the services provided by BNE. Indeed, Moranbah, Gladstone, Emerald, Bundaberg, Miles and Biloela rely solely on BNE for air access to their communities. For 2024-25, Brisbane Airport facilitated the travel of 5 million passengers to and from regional Queensland, equating to 1,131 flights (or 159 flights daily). In all, BNE regularly services 30 Queensland destinations, plus many more via charter flights.

- **Connecting essential and emergency services:** BNE has a strong history in offsetting the geographical disadvantages of living in remote and rural parts of Queensland by delivering essential and emergency services. For example, BNE helps to bring medical services to the most remote areas in Queensland, via both the Royal Flying Doctor Service (RFDS) and LifeFlight. BNE is also constructing the Aeromedical precinct, bringing the RFDS, LifeFlight, and Retrieval Services Queensland together in one facility. The precinct will connect more regional, rural and remote Queenslanders to major hospitals and life-saving medical care.

- **Connecting economies:** BNE plays a key role as an economic enabler for regional Queensland, facilitating the movement of people and goods to significantly larger markets and accordingly, enhancing opportunities for our key sectors, including agriculture, advanced manufacturing and pharmaceuticals.

- **Promoting regional industry:** Connectivity is one of the main influencers of regional Queensland employers being able to attract the right skills and employees. For example, BNE's 7,226 FIFO charters have supported new resource developments across the State. BNE has played its part in helping enable $94.6 billion worth of economic activity that has created nearly 450,807 jobs. In 2018-19, the year before the impact of COVID19, Brisbane Airport was facilitating 76,431 tonnes of exports worth $2.9 billion. This represents 10% of exports via Australian airports and approximately 3.4% of Queensland's total exports.

- **Facilitating international education** is one of Queensland's largest service exports and it relies on BNE to bring 122,601 international students (2018-19 before COVID-19) to the state. Key learning institutions in regional Queensland such as University of Southern Queensland, Central Queensland University and James Cook University all benefit from BNE. International students studying in Queensland are estimated to be contributing $2.39 billion toward the Queensland economy and creating 13,796 jobs.

As a consequence of BNE's role in enabling regional trade, tourism, international education, resources and business sectors, BNE is forecast to enable $6.2 billion in economic activity in 2025-26, rising to $7.5 billion in 2031-32, and $9.6 billion by 2041-42. Through BNE's enabled economic activity, 66,158 regional jobs are forecast to be created in 2025-26 rising to 79,358 jobs in 2031-32 and 101,898 jobs by 2041-42. Without BNE as a cornerstone, the 30.4% (1,621,099 persons) of Queenslanders who live outside of Southeast Queensland would not have the same economic and social opportunities provided by BNE. We are therefore well aware of the importance of policy and regulations to continue to support these opportunities, given the challenges of regional aviation.

Airport Investment and Commercial Models

Airport Commercial Models and Major Airports

Airports are infrastructure-based businesses characterised by high capital costs, fixed costs and long pay-back periods. Under the *Airports Act 1997* (Cth) and airport leases, ALCs must invest in aviation infrastructure at a rate to meet forecast passenger demand. Commercial models at airports therefore prioritise passenger volumes, both to spread the cost of infrastructure provision, and to provide a consumer base from which to drive other commercial activities. The costs of airport infrastructure provision not only includes capital costs (e.g. planning, approvals, construction and commissioning), but also operational costs (e.g. utilities, runway maintenance, staff, and compliance). In addition to these direct infrastructure costs, airports must also facilitate security screening equipment and personnel, air navigation and control, and emergency services, amongst other key functions.

Examples of recent expenditure at Brisbane Airport has included:'

- $300m for the planning, installation and commissioning of Standard 3 security screening at our Domestic Terminal, as mandated by the Minister for Home Affairs
- Up to $55m for passenger boarding bridge upgrades; and
- Up to $9m for passenger gate upgrades at our International Terminal.

Airports recoup the bulk of their aviation related costs through landing and terminal charges, negotiated directly with airlines. These charges are informed through the 'building block' model, ensuring transparency in how airport charges are levied. By taking a modular approach to charging, airlines can analyse all components of airport charging in a structured manner, including operating costs, depreciation, return on capital and key volume assumptions.

Noting the above context, it is important to note airlines are also businesses with high capital costs and fixed costs. However, while airports work on a fixed per passenger charge, airlines utilise sophisticated revenue management strategies to price their service offerings. Revenue is therefore maximised by dynamically adjusting ticket prices based on several variables, including demand (both forecast and actual), customer segmentation, timing, and price elasticity. This approach means airlines can maximise available revenue per seat, thereby boosting overall profitability. Further, while airports and airlines are both businesses with high fixed costs, airlines can redeploy their assets on other, more profitable routes; the same cannot be said for airports, which must account for such volume risk in their capital funding and investments.

The implications of airport and airline commercial structures is airports will seek to recover costs based on maximising passenger volumes. In high demand routes, increased passenger demand is accommodated through larger aircraft (and therefore increased economies of scale), which provides airlines more leverage in negotiating airport charges (as well as other operating costs). This is because the marginal costs for small and large aircraft are similar (once initial capital investments have been made) – a De Havilland Q400 will have a similar cost to an airport as an Airbus A321, notwithstanding that the A321 is a significantly longer, wider and heavier aircraft. However, in routes with limited demand, costs must be spread across a smaller passenger base, providing less scope for lowering costs.

Given the prescription of major airports as monopoly assets, regulatory frameworks have been developed to ensure the market power of major airports is not abused at the expense of airlines (and by extension,

passengers, via their ticket charges). Under the 'light touch' regulatory regime implemented in 2002, airports are monitored on an annual basis by the Australian Competition and Consumer Commission (ACCC) for prices, costs and service quality. This monitoring is supplemented by reviews by the Productivity Commission to ensure the 'light touch' approach is effective, with the view to recommending stricture regulation if airports are found to be misusing market power.

In Queensland, flights to key regional centres are supported by the State Government, via the Long-Distance Air Services Program. Under the Program, specific routes are regulated via the *Transport Operations (Passenger Transport) Act 1994* (Qld) (i.e. a single service provider is nominated) with subsidised services provided under contract to the Department of Transport and Main Roads. Service prices are capped under the Program, with all fares under the capped price set at the discretion of the operator. While BAC strongly supports the Program as part of sustaining critical regional services, it does not negotiate airport charges with Government. Rather, these charges are negotiated between the contracted airline and BAC as part of a commercial agreement (noting airport charges are reviewed under the airport monitoring framework, as described above).

Airport Commercial Models and Regional Airports

While we do not wish to speak for regional Airports, we recommend the Submission provided by the Australian Airports Association (AAA) to the Commission. As described by the AAA, regional airports are subject to many of the cost structures and dynamics of major airports. However, unlike major airports, regional airports may not have the requisite passenger volumes to spread high fixed and operational costs across a broad base. This, by extension, requires shortfalls in funding to be covered by local Councils or State and Federal Governments.

Where the current aviation service delivery model is utilised, significant interventions will continue to be required to deliver services to regional and remote areas. Major airports can assist regional flights by ensuring sufficient capacity for regional services at key times, and investing in equipment and processes that support smaller aircraft with faster turnaround times. To this end, maintaining 24/7 operations at BNE is crucial to supporting regional operations, given the ability to accommodate international, national, intra-state and regional flights over a broader operating envelope. Brisbane Airport also supports regional flights via its promotion of regional tourism in collaboration with key Queensland tourism entities (e.g. the Department of Environment and Tourism, the Queensland Tourism Industry Council, and Tourism and Events Queensland). Nevertheless, we recognise and acknowledge the continued challenges of applying a commercial model designed for scale in a regional aviation environment.

Proposed Approaches to Address Regional Aviation Issues

Extending Domestic Airline Competition Monitoring to Regional Routes

Airline pricing is highly complex, with multiple variables at play in determining ticket pricing at a given point in time. Similar to airport monitoring, the ACCC undertakes monitoring of domestic airlines, with reports published on a quarterly basis. These reports seek to review the price, costs and profits of the major domestic airlines, with the view to identifying issues around competition in the industry. The current government directive concludes in December 2026. While the reports represent a comprehensive analysis of airfares and airline performance at a macro level, we recommend the directive should be expanded to provide specific analysis on key regional routes. Similar to airport monitoring, we believe transparent reporting will help consumers understand the factors involved in pricing decisions and provide accountability for regional performance. Continuing the directive past 2026 will also help to provide a broader evidentiary base from which to consider mechanisms to address market failures, where required.

Compliance and administration

Regional airports, like major airports, must comply with a multi-layered regulatory framework comprising Commonwealth, State, and local government requirements, alongside adherence to industry standards. Key compliance areas include aerodrome certification under *Civil Aviation Safety Regulations 1988* (Cth) Part 139, implementation of a Safety Management System (SMS), maintenance of pavement integrity and obstacle clearance, and adherence to the Manual of Standards (MOS) for aerodromes. Security obligations under the *Aviation Transport Security Act 2004* (Cth) require approved Transport Security Programs (TSP), compliance with screening thresholds, and the monitoring of defined airside and landside security zones. Environmental responsibilities include noise contour mapping, biodiversity management, and compliance with the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) and *Airports (Environment Protection Regulations) 1997* (Cth). These requirements impose significant resource and administrative burdens, with costs proportionally higher for smaller airports. While aviation safety and environmental management must remain paramount, we believe compliance and administrative processes can be streamlined and optimised to reduce duplication and transition toward a more risk-based—rather than purely compliance-based—approach to aerodrome management. We therefore encourage government to consider strategies to optimise regulatory compliance against the cost and resource limitations of regional airports.

Advanced Air Mobility

As part of its BNE Master Plan, BAC is exploring the introduction and application of new aviation technologies to an airport environment. A key technology with the capacity to transform regional aviation is that of Advanced Air Mobility (AAM). AAM, including Electric Vertical Takeoff and Landing (EVTOL), is a low cost, light weight solution to short haul aviation, and could represent a lower cost structure to support the needs of regional users. EVTOL aircraft are powered through a range of technologies (e.g. batteries or hydrogen), and in current configurations, can carry four to six passengers at a range of hundreds of kilometres. The nature of EVTOLs provides flexibility in facilities for take-off and landing, with scope for both dense urban and remote rural environments. As airports already have facilities for passenger check in, security, boarding and arrival, in addition to support operations (e.g. charging and maintenance), they are well suited to adapt to EVTOLs, without the need for bespoke infrastructure. As key routes in the regional aviation sector are characterised by the use of older aircraft (due to the cost and availability of new fleet), now could be the time to consider these alternative technologies as part of a transition plan for the sector.

In fact, regional aviation could provide the ideal environment to test, verify and scale EVTOL for additional applications.

However, despite its promise, these new technologies are not an immediate solution, with the development of AAM requiring further advances in battery density, air traffic control systems, and regulatory structures, not to mention updates to certification frameworks, operational rules and sector administration. Nevertheless, as a sustainable solution to the underlying structural issues with regional and remote aviation, industry and government should work together to develop its potential.

I trust the above information is of assistance to the Commission. BAC remains committed to connecting Queenslanders to regional destinations across its network. We will continue to engage with government and industry on how we can better support regional aviation, given our role as Queensland's major aviation gateway. We remain open to continued engagement with the Commission and to answer any further questions that may arise.

Yours sincerely,

Henry Tuttiett
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