



**Submission to the Productivity Commission Inquiry into
Regional Airfares**

1. Executive Summary

Tourism Top End (TTE) welcomes the opportunity to contribute to the Productivity Commission Inquiry into the determinants of regional airfares.

Affordable and reliable aviation access is fundamental to the economic sustainability of Northern Australia. In the Top End of the Northern Territory, aviation is not discretionary transport, it is the primary means by which visitors, workers and communities connect with the rest of Australia and international markets.

Tourism Top End represents tourism businesses across Darwin, Kakadu, Arnhem Land, Litchfield, Katherine and the Big Rivers region. The visitor economy across the Top End relies heavily on aviation connectivity to interstate markets and international gateways.

The Northern Territory is one of Australia's most remote tourism destinations. Unlike metropolitan destinations, the Top End has limited alternative transport options, with extremely long road travel distances. As a result, aviation access underpins the ability of the region to compete in national and international tourism markets.

Tourism Top End submits that:

- Airfares to remote Northern Australia remain structurally higher and more volatile than comparable metropolitan routes.
- Regional aviation markets operate within thin demand environments with limited competition.
- Dynamic pricing models combined with strong seasonal demand can significantly increase peak-period fares.
- Elevated airfares materially suppress tourism demand and reduce interstate visitation.
- High aviation costs also affect workforce mobility, regional service delivery and liveability outcomes.

Tourism Top End recognises that remote aviation markets operate under fundamentally different conditions to metropolitan aviation networks. Higher operating costs, smaller passenger volumes and geographic distance will continue to influence fare structures.

However, current structural market dynamics warrant improved transparency, monitoring and policy consideration to ensure that regional aviation networks remain reliable, competitive and accessible for remote regions.

Affordable air access is critical not only for tourism but for the broader economic and social sustainability of Northern Australia.

2. About Tourism Top End

Tourism Top End (TTE) is the Regional Tourism Organisation representing the tourism industry across the Top End of the Northern Territory.

TTE is an independent, member-based not-for-profit organisation based in Darwin and acts as the representative voice of the Top End tourism industry at local, Territory and national levels.

The organisation works to champion, shape and strengthen the Top End tourism industry and ensure the region is recognised as one of Australia's most iconic destinations.

Tourism Top End works across several key areas including:

- Industry advocacy and policy engagement
- Destination marketing in partnership with Tourism NT and Tourism Australia
- Aviation and route development support
- Industry capability development and accreditation programs
- Event development and promotion
- Visitor servicing through the Top End Visitor Information Centre

The Top End represents one of Australia's most remote tourism regions, with aviation forming the backbone of visitor access and industry growth.

3. The Critical Role of Aviation in the Top End

The Top End operates within a uniquely remote transport environment characterised by:

- Extremely long road travel distances to other Australian population centres
- Limited public transport connectivity
- A dispersed population and remote communities

As a result, aviation access underpins:

- Interstate leisure tourism
- International visitor dispersal from gateway cities
- Workforce mobility across tourism, hospitality, health and government sectors
- Cultural and family connections for remote and Indigenous communities
- Major event delivery and seasonal tourism demand

For the Top End, aviation access is not simply a transport service, it is a fundamental enabler of economic participation and regional development.

4. Determinants of Regional Airfares

Regional airfares are influenced by several structural factors including market size, competition, aircraft availability, operating costs and seasonal demand patterns. In remote markets such as the Northern Territory, airlines operate within thin markets characterised by relatively low passenger volumes and significant seasonal variation. These conditions increase the cost per passenger and can limit the ability for multiple carriers to operate on the same route.

Market concentration and capacity constraints can also influence pricing dynamics. Where competition is limited, airfare outcomes may reflect both cost recovery requirements and reduced competitive pressure. In addition, the availability of suitable aircraft and airline fleet allocation decisions can affect route capacity and frequency. Global aircraft supply constraints following the COVID-19 pandemic have further limited the ability for airlines to expand services in regional markets.

High and volatile domestic fares within the Northern Territory and between the Top End and east coast capitals can also weaken broader network connectivity. During peak periods, domestic return fares have exceeded \$700–\$1,000, increasing total itinerary costs and reducing onward visitor dispersal to regional destinations across the Top End.

Airfare volatility also has broader economic implications for the Northern Territory visitor economy. Major events play a critical role in driving visitation, supporting shoulder-season demand and generating regional economic activity. However, airfare volatility during peak demand periods introduces financial and attendance risk for event organisers. Because event travel is date-fixed, visitors, performers and event personnel cannot shift travel dates to avoid peak airfare pricing. Elevated airfares can reduce interstate attendance, increase artist and logistics costs, shorten visitor length of stay and limit the scale and marketing reach of events. This reduces the economic multiplier effect of events and constrains their effectiveness as tools for regional tourism growth.

High airfares also affect workforce mobility and regional productivity. Tourism, hospitality, health, education and government sectors across the Northern Territory rely heavily on interstate labour mobility. Businesses increasingly report that airfare costs are a factor in recruitment and retention decisions. Reduced workforce mobility narrows labour pools, increases operating costs, raises service delivery expenses and limits the capacity for businesses and services to scale.

Taken together, these structural aviation market characteristics contribute to higher and more volatile airfare outcomes in remote regions such as the Northern Territory, with impacts extending beyond tourism to regional productivity, liveability and economic sustainability.

5. Economic and Social Impacts

Airfare levels directly influence tourism demand, workforce mobility and regional productivity.

Tourism businesses in the Top End report that elevated airfares can reduce booking conversion, particularly among interstate visitors and short-stay travellers. When airfare costs exceed perceived value thresholds, travellers often substitute alternative domestic or international destinations.

Demand suppression can reduce occupancy levels, limit business expansion and constrain investment confidence across the regional tourism industry.

High aviation costs also affect workforce recruitment and retention. Employers across tourism, hospitality and essential services increasingly factor airfare costs into employment decisions, particularly for interstate workers.

Reduced workforce mobility can narrow labour pools, increase operating costs and reduce the ability of businesses to scale their operations.

These impacts extend beyond tourism and influence broader regional liveability, economic growth and service delivery.

6. Policy Recommendations

Tourism Top End recommends the Productivity Commission consider the following policy approaches:

1. Improved Transparency and Data Monitoring

Establish a national framework for monitoring route-level airfare data, including average fares, capacity, load factors and competition indicators.

2. Support Mechanisms for Thin Regional Markets

Develop targeted policy tools that support aviation access in markets where competition is structurally limited.

3. Investment in Regional Airport Infrastructure

Continue investment in regional airport infrastructure to reduce operational costs and support airline operations in remote locations.

4. Support Aviation Innovation and Fleet Transition

Encourage the adoption of new aviation technologies and aircraft models that may improve efficiency and viability in remote markets.

5. National Regional Aviation Framework

Develop a coordinated national policy framework that supports sustainable aviation access for regional and remote communities.

7. Conclusion

Remote aviation markets operate under structurally different conditions to metropolitan corridors. While higher cost bases are recognised, the combination of thin markets, limited competition and seasonal volatility can create pricing outcomes that materially affect regional economies.

Affordable and reliable air access is foundational to the economic and social sustainability of the Top End and broader Northern Australia.

Tourism Top End welcomes continued engagement with the Productivity Commission and stands ready to provide further evidence and industry insights to support the objectives of this inquiry.