AUSTRALIA'S
NORTH WEST

Australia's North West Tourism

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

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1. Executive Summary

Australia's North West Tourism (ANW) welcomes the opportunity to contribute to the Productivity Commission Inquiry into Regional Airfares.

Affordable and reliable air access is the single most critical enabler of economic sustainability across the Kimberley and Pilbara regions of Western Australia. In remote regions such as the North West, aviation is not discretionary; it underpins tourism exports, workforce mobility, service delivery, and community wellbeing.

Evidence presented in this submission indicates that:

- Airfares to remote Western Australia are structurally higher and more volatile than metropolitan routes.
- Regional aviation markets operate with thinner demand, higher operating costs and limited competitive pressure.
- Dynamic pricing models interacting with seasonal demand can amplify peak-period fare escalation in thin markets.
- Tourism demand in remote regions is highly price elastic, meaning airfare increases materially suppress visitation.
- Elevated airfares affect not only tourism demand but also workforce mobility, event viability and regional productivity.

ANW does not argue that remote aviation should mirror metropolitan pricing. However, we submit that current structural settings warrant improved transparency, monitoring, and targeted policy responses to ensure equitable and sustainable access for remote regions.

2. About Australia's North West Tourism

Australia's North West Tourism (ANW) is the Regional Tourism Organisation responsible for destination marketing and industry development across the Kimberley and Pilbara regions.

ANW regularly engages with airlines, airports and government agencies on aviation access and route development across Northern Australia.

ANW works across:

- International and domestic marketing.
- Support aviation and route development.
- Industry capability building.
- Event development.
- Visitor dispersal strategy.
- Stakeholder engagement with airlines, airports and Governments.

The North West covers one of the most remote and geographically vast tourism regions in Australia, with aviation forming the backbone of access.

3. The Critical Role of Aviation in the North West

The North West has:

- No passenger rail alternatives.
- Extremely long road travel distances.
- Limited public transport.
- Low population density and remote communities.

Air access underpins:

- Leisure tourism from interstate and international markets.
- Health, education and government service delivery.
- Workforce mobility across multiple industries.
- Cultural and family connection for Indigenous communities.
- Major event delivery and seasonal tourism demand.

Unlike metropolitan destinations, there are no viable modal substitutes. Aviation access is structural rather than discretionary in remote regions.

4. Determinants of Regional Airfares

4.1 Structural Cost Drivers

ANW acknowledges that remote aviation entails higher per-passenger operating costs due to:

- Lower and more volatile passenger volumes.
- Long sector distances.
- Weather variability.
- High fixed airport compliance costs.
- Smaller aircraft deployment.
- Reduced frequency and utilisation.

These structural realities must be recognised in policy assessment.

However, observed peak-period fare escalation and volatility suggest that price outcomes in certain regional markets may reflect both structural cost recovery dynamics and limited competitive discipline.

Analysis in the 2024 Aviation White Paper found that regional flight ticket prices were, on average, 52 % higher per kilometre than flights between capital cities — illustrating the structural cost and pricing dynamics in regional and remote markets.

4.2 Market Concentration and Competition

The competitive characteristics of North West aviation routes vary significantly between monopoly, duopoly and contestable markets, requiring differentiated policy consideration when assessing airfare outcomes and potential policy responses.

ACCC data indicates that approximately 90% of Australian passengers travelled on routes served by only Qantas Group and Virgin Australia in the past year. While this reflects national concentration, its impact is magnified in thin regional markets.

Recent changes to regional carrier networks illustrate the fragility of thin aviation markets. The withdrawal of Nexus services from Kununurra reduced route competition and immediately constrained itinerary flexibility for visitors and operators. In markets with limited capacity and few carriers, even small changes in airline presence can materially influence airfare dynamics, connectivity options and visitor accessibility.

Treasury's 2024 analysis of the Australian aviation sector concluded that increasing competition lowers price growth and that even the credible threat of entry can constrain fare escalation.

In remote markets such as Broome, Karratha and Kununurra:

- Route entry carries a higher commercial risk.
- Load variability is greater.
- Capacity reallocation is easier for carriers than new entry.

The result is a structurally weaker competitive discipline relative to high-density metropolitan corridors.

It is notable that several Pilbara airports historically supported direct interstate services to destinations such as Darwin, Brisbane and Melbourne during periods when passenger throughput was comparable to current levels. The absence of similar services today may reflect concentrated market dynamics, route risk allocation practices and fleet deployment priorities rather than an absence of underlying demand. In thin regional markets, limited competition can reduce incentives for carriers to explore direct interstate routes, reinforcing hub-and-spoke dependence and limiting consumer choice.

4.3 Seasonality and Dynamic Pricing

Tourism demand in the North West is highly seasonal, with strong dry-season peaks and significant wet-season contraction.

Dynamic pricing models amplify volatility in thin markets, leading to:

- Significant peak-period fare escalation.
- Reduced affordability during school holidays and event periods.
- Disproportionate impact on date-fixed travel.

Unlike discretionary travel, event attendance, and workforce travel are inflexible. Consumers cannot shift timing to avoid peak pricing, magnifying the economic impact.

4.4 Aircraft Availability and Supply Constraints

Post-pandemic global aircraft shortages have constrained airline fleet flexibility. Limited availability of suitable narrow-body aircraft has reduced the capacity for:

- Route expansion into remote markets.
- Competitive entry.
- Frequency growth.
- International–regional connectivity trials.

These supply-side constraints compound structural market thinness in remote Western Australia. Airlines must allocate scarce aircraft across competing route opportunities, meaning thin regional markets may receive lower priority relative to high-density metropolitan corridors.

These structural aviation market characteristics have direct economic and social consequences for remote regions.

4.5 Aviation Market Typologies in the North West

Regional aviation markets in the North West broadly fall into three categories:

1. Remote-essential routes serving small populations with limited discretionary demand.
2. Mixed corporate–leisure markets, particularly in the Pilbara, where high-yield resource-sector travel can influence pricing dynamics.
3. Leisure-dominant seasonal markets, such as Broome, where tourism demand peaks strongly during the dry season.

Each category exhibits different pricing dynamics, competitive structures and policy considerations.

Recognising these differences is important when assessing regional airfare outcomes and designing policy responses.

4.6 Illustrative Regional Fare Volatility

Route	Typical Off-Peak Return	Observed Peak Return	Competition
Perth – Broome	~$350 – $650	$1,200 – $1,500	Duopoly
Perth – Kununurra	~$500 – $700	$1,200+	Limited
Perth – Karratha	~$450 – $650	$900–$1,200	Mixed

These ranges are indicative and based on observed fare patterns reported by industry participants.

These structural aviation market characteristics have direct economic and social consequences for remote regions, which are outlined in the following section.

5. Economic and Social Impacts

5.1 Demand Suppression and Price Elasticity

Treasury's research confirms a consistent negative relationship between airfare price and passenger demand, with effects particularly pronounced on tourist routes.

This aligns with ANW industry feedback that elevated airfares materially reduce booking conversion in the North West, particularly among:

- First-time interstate visitors.
- Short-stay travellers.
- Family segments.
- Price-sensitive markets.

Operators report that conversion declines measurably when return fares exceed perceived affordability thresholds.

Demand suppression:

- Reduces occupancy.
- Limits product scaling.
- Constrains investment confidence.
- Weakens export competitiveness.

Travel time and itinerary complexity also influence travel demand. Industry operators report that some interstate journeys to the East Kimberley can exceed 24 hours door-to-door due to multiple connections and limited routing options. Extended travel times reduce destination competitiveness relative to alternative domestic and international destinations that offer more direct access.

From a welfare perspective, elevated peak pricing in thin markets may also result in allocative inefficiency where limited capacity is rationed toward high-yield travellers while price-sensitive but economically valuable leisure demand is excluded.

5.2 International Competitiveness and Dispersal

International air connectivity into the North West of Australia has historically supported export earnings, visitor growth and regional diversification. However, at present, the region does not have active scheduled international services.

Restoring international connectivity across the North West — including Broome, Port Hedland and Karratha — is a shared regional aspiration. The commercial feasibility of such services is influenced not only by inbound demand but also by the strength, affordability and integration of domestic aviation networks.

Major airline networks also play an important role in international destination visibility. Larger carriers provide access to global distribution systems (GDS), codeshare connectivity and

international loyalty programs used by travel agents and wholesalers when packaging itineraries. Without this level of network integration, regional destinations become significantly harder for international buyers to package and sell, even where visitor experiences are globally competitive.

In thin regional markets, airlines assessing international route viability consider:

- Domestic feeder connectivity
- Load factor stability across seasons
- Yield diversification across leisure and corporate segments
- Network integration with other Australian gateways

High and volatile domestic fares within Western Australia and between the North West and east coast capitals can weaken this network integration. During peak periods, domestic return fares within the State have exceeded $700–$1,000, increasing total itinerary cost and reducing onward dispersal potential.

Stronger domestic affordability and connectivity would enhance the commercial case for restoring international services by:

- Supporting higher and more stable load factors
- Increasing total addressable market size
- Improving multi-destination itinerary viability
- Reducing demand volatility

International connectivity in the North West should therefore be considered as a regional network issue rather than an airport-specific matter. Domestic airfare structures directly influence the feasibility of restoring international access and, by extension, the export competitiveness and diversification potential of remote Australia.

5.3 Event Viability and Peak Exposure

Major events in the North West function as visitation drivers and shoulder-season stabilisers.

However, airfare volatility during peak demand periods:

- Reduces interstate attendance.
- Increases artist and logistics costs.
- Introduces financial uncertainty.
- Limits marketing ambition.

Because event travel is date-fixed, dynamic pricing exposure is amplified. This reduces the economic multiplier effect of event investment.

5.4 Workforce Mobility and Regional Productivity

High airfares affect recruitment and retention across tourism, hospitality, health, education and government services.

Businesses report that airfare cost is increasingly factored into employment decisions.

Reduced workforce mobility:

- Narrows labour pools.
- Increases operating costs.
- Raises service delivery expense.
- Reduces regional productivity.

The economic consequences extend beyond leisure tourism.

5.5 Policy Trade-offs in Thin Aviation Markets

Regional aviation markets operate under fundamentally different conditions to high-density metropolitan corridors. Thin demand, long sector distances and limited competition mean that some level of airfare premium relative to major city routes is structurally unavoidable.

Policy responses aimed at improving affordability must therefore balance multiple considerations, including:

- Maintaining commercial incentives for airline participation.
- Avoiding long-term dependency on subsidies.
- Ensuring interventions do not crowd out potential competitive entry.
- Preserving operational flexibility for airlines responding to volatile demand.

In some remote markets, sustained airline competition may not be commercially viable. In these circumstances, policy responses may focus more on transparency, risk-sharing mechanisms and infrastructure support rather than attempting to replicate metropolitan-style competition.

Recognising these structural constraints is important in designing policy responses that improve accessibility while maintaining long-term aviation market sustainability.

6. Case Studies (Summary Versions)

Case Study 1 – Demand Suppression and Conversion Loss

Tourism operators across the North West consistently report measurable demand suppression when interstate airfares exceed perceived affordability thresholds.

Industry feedback indicates that booking conversion declines materially when return fares from east coast capitals rise above approximately $900–$1,100, particularly for short-stay and first-time visitors. This is consistent with Treasury analysis confirming that tourist routes demonstrate heightened price elasticity — meaning airfare increases disproportionately reduce leisure travel demand.

Operators report that during peak dry-season and school holiday periods, return fares to Broome have exceeded $1,200–$1,500 in some instances. At these levels, consumers frequently substitute the North West with alternative domestic or international destinations that offer lower total trip costs.

The result is reduced occupancy certainty, dampened forward bookings, and constrained investment confidence. Despite strong destination appeal and high load factors during peak periods, elevated airfare settings limit the ability of tourism businesses to scale operations, diversify product offerings, and extend visitor length of stay.

This case study demonstrates how airfare pricing directly influences real economic outcomes at the business level in remote Australia.

Case Study 2 – International Route Viability & Domestic Connectivity

Direct international services into Broome previously strengthened the North West's export potential and supported visitor growth from key Asian markets. However, following the collapse of Jetstar Asia, international air access to Broome has ceased, and the route remains unserved.

Re-establishing international connectivity is a priority for the region. However, the commercial viability of such routes is influenced not only by inbound demand but also by domestic airfare settings and connectivity.

Industry stakeholders report that high and volatile domestic fares between Broome and other Australian gateways reduce onward connectivity and limit the attractiveness of Broome as a multi-destination entry point. During peak periods, domestic return fares within Western Australia have exceeded $700–$1,000, increasing the total itinerary cost for inbound travellers.

Stronger domestic affordability and connectivity would enhance:

- Route load factor stability.
- Dispersal potential.
- Airline revenue diversification.
- Commercial confidence in reinstating services.

Domestic airfare structures, therefore, influence not only regional access but also the commercial feasibility of restoring international air routes into remote Australia.

Case Study 3 – Event Exposure to Peak Pricing and Date-Fixed Demand

Major events in the North West play a critical role in driving visitation, supporting shoulder-season demand and generating regional economic activity. However, airfare volatility during peak demand periods introduces material financial and attendance risk.

Unlike discretionary leisure travel, event-related travel is date-fixed. Visitors, performers and event personnel cannot shift travel dates to avoid peak airfare pricing. During high-demand periods, return fares to Broome from east coast capitals have exceeded $1,200–$1,500, increasing the total trip cost substantially.

Event organisers report that elevated airfares:

- Reduce interstate ticket sales.
- Increase artist and logistics costs.
- Shorten length of stay.
- Limit marketing reach.

This reduces the economic multiplier impact of events and constrains their scalability.

Where events are designed to stabilise seasonal demand and support regional economic diversification, peak airfare volatility weakens their effectiveness as policy and investment tools.

This case study illustrates how dynamic pricing structures in thin regional markets can undermine planned demand generation and regional development outcomes.

Case Study 4 – Workforce Mobility and Regional Productivity

High and volatile airfares in remote Western Australia affect not only leisure travel but also workforce mobility and service delivery.

Businesses across tourism, hospitality and essential services report that airfare costs are increasingly factored into recruitment and retention decisions. For interstate workers, return airfares exceeding $800–$1,200 during peak periods materially increase the effective cost of employment.

In thin labour markets such as the North West, reduced workforce mobility:

- Narrows the available labour pool.
- Increases recruitment costs.
- Raises service delivery expenses.

- Constrains business scalability.

Where employers must subsidise travel to attract staff, airfare becomes embedded in operating cost structures.

These pressures extend beyond tourism to health, education and government services, where fly-in or rotational workforce models are common.

This case study demonstrates that airfare structures in remote markets have broader productivity implications and influence regional liveability, labour mobility and economic sustainability.

7. Policy Design Considerations

In assessing potential policy responses to regional aviation challenges, ANW submits that interventions should be guided by several principles to ensure long-term market sustainability.

Policy responses should aim to:

• Improve transparency and evidence available to governments, industry and communities.

• Address structural barriers to connectivity without distorting airline competition.

• Support route sustainability in thin markets where commercial entry risks are elevated.

• Avoid long-term subsidy dependence or mechanisms that discourage future competitive entry.

• Align aviation policy settings with broader regional economic development and visitor economy objectives.

These principles recognise that regional aviation markets operate under fundamentally different economic conditions to metropolitan corridors. Effective policy responses should therefore focus on improving market functioning and resilience rather than attempting to replicate metropolitan aviation outcomes.

8. Policy Recommendations

In remote regions such as the Kimberley and Pilbara, aviation functions as critical economic infrastructure comparable to road, port and digital connectivity. Aviation access enables tourism exports, workforce mobility, essential service delivery and community connectivity. Policy approaches should therefore recognise the structural importance of aviation in supporting regional economic sustainability.

At the same time, policy responses must balance affordability objectives against fiscal sustainability and avoid undermining commercial incentives for airline participation or future competitive entry.

ANW recommends that the Commission consider:

8.1 Transparent Route-Level Monitoring

Establish a national regional aviation transparency framework including publicly accessible reporting of:

- Average monthly fares by route
- Capacity and load factors
- Effective competition indicators
- Seat availability and seasonal volatility
- Capacity trends over time

This information could be presented through a Regional Airfare Transparency Dashboard to support evidence-based policy assessment and improve public understanding of regional aviation markets.

8.2 Remote Route Risk-Sharing Mechanisms

Targeted federal–state frameworks to:

- Support thin-market resilience.
- Trial capacity expansion.
- Buffer seasonal volatility.

8.3 Regional Airport Infrastructure Support

Investment to reduce fixed compliance burdens on low-volume airports.

8.4 Innovation and Fleet Transition Support

Encouraging alternative aircraft technologies, hybrid models and multi-sector routing for remote markets.

8.5 A National Regional Air Access Framework

A coordinated policy architecture addressing:

- Data transparency.
- Consistent subsidy mechanisms.
- Competition safeguards.
- Long-term access sustainability.

9. Alignment with National Policy Objectives

Aviation access in remote tourism regions functions as export infrastructure, enabling international visitor expenditure and supporting regional economic diversification across Northern Australia.

This submission aligns with:

- The Australian Aviation White Paper.
- Tourism Australia's Visitor Economy Strategy 2030.
- Northern Australia development priorities.
- Closing the Gap regional mobility objectives.

10. Conclusion

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

Affordable and reliable air access is foundational to the economic and social sustainability of Australia's North West.

ANW welcomes continued engagement with the Commission and stands ready to provide further evidence.

11. APPENDIX VERSION (Expanded Version)

Appendix A: Tourism Operator – Demand Suppression and Conversion Loss

Tourism operators in the North West of Western Australia operate within a structurally thin aviation market characterised by seasonal demand peaks, limited carrier competition, and significant fare volatility.

Multiple operators across Broome, Kununurra and the Pilbara report that airfare pricing is the single most significant external factor influencing booking conversion. While destination interest remains strong — particularly among east coast markets — actual booking behaviour is highly sensitive to total trip cost.

Industry feedback indicates that booking conversion begins to decline materially when return airfares from Sydney or Melbourne exceed approximately $900–$1,100. When return fares exceed $1,200–$1,500 during peak dry-season or school holiday periods, operators report that consumers frequently delay travel, shorten the length of stay, or substitute the North West with alternative destinations such as Bali, Northern Queensland or the Northern Territory.

This behaviour aligns with Treasury's 2024 analysis of aviation price elasticity, which confirms a consistent negative relationship between airfare price and demand, particularly pronounced on tourist routes. In thin regional markets such as the North West, elevated fares therefore have a disproportionately strong suppressive effect on discretionary leisure demand.

Operators further report that airfare volatility reduces forward booking confidence. Shorter booking windows limit workforce planning and capital investment decisions, particularly for high-value experiences such as aviation tourism, marine tourism, cultural tours and remote lodge accommodation.

Importantly, demand suppression does not necessarily indicate the absence of interest. Peak-season flights regularly achieve high load factors, demonstrating underlying demand strength. However, elevated peak pricing captures a narrower segment of high-yield travellers while excluding broader family and mid-market segments.

The economic impact extends beyond individual businesses. Reduced booking conversion:

- Lowers regional occupancy rates.
- Constrains product diversification.
- Limits event-driven visitation.
- Dampens multiplier effects across hospitality, retail and transport sectors.

This case study illustrates that airfare settings in remote markets do not merely reflect cost recovery dynamics; they materially shape regional economic performance and investment confidence.

Appendix B: International Route Viability and Domestic Connectivity

Broome has historically functioned as both a domestic and international gateway to the North West of Australia. The operation of direct international services demonstrated the region's export potential and strengthened its positioning within key Asian source markets.

Following the collapse of Jetstar Asia, direct international services to Broome ceased. The route remains unserved at the time of this submission. Reinstating international connectivity is a strategic priority for regional stakeholders; however, route sustainability depends on commercial confidence and structural viability.

The attractiveness of Broome as an international entry point is influenced not only by inbound demand from overseas markets but also by the strength and affordability of domestic connectivity.

Industry stakeholders report that high and volatile domestic fares between Broome and other Australian gateways reduce the viability of Broome as a multi-destination hub. During peak dry-season periods, domestic return fares within Western Australia have exceeded $700–$1,000. For international travellers seeking to combine Broome with other Australian destinations, these domestic sectors can represent a substantial proportion of the total itinerary cost.

High domestic fare settings affect international route viability in several ways:

1. Reduced Dispersal: Visitors may remain in a single gateway rather than travelling onward to secondary destinations, reducing overall network traffic.
2. Shortened Length of Stay: Elevated internal travel costs can compress itineraries.
3. Load Factor Volatility: Weak domestic connectivity limits the ability of airlines to draw connecting traffic from broader Australian markets.
4. Commercial Risk Perception: Airlines assessing route reinstatement consider not only origin–destination demand but also connecting market strength and yield diversification.

Improved domestic affordability and frequency would strengthen the commercial case for international carriers by:

- Supporting higher and more stable load factors.
- Increasing total addressable market size.
- Enhancing network connectivity.
- Reducing demand volatility.

This case study demonstrates that domestic airfare settings in remote Australia influence more than local access; they shape the structural feasibility of restoring international air services.

Aviation policy settings that support affordable domestic connectivity, therefore, contribute directly to export competitiveness and route development potential in remote regions.

Appendix C – Event Exposure to Peak Pricing and Date-Fixed Volatility

Major cultural, sporting and community events in the North West are central to the regional destination development strategy. Events such as music festivals, cultural gatherings, station-based experiences and nationally significant natural phenomena are designed to:

- Drive visitation.
- Extend seasonal demand.
- Generate regional economic multipliers.
- Strengthen destination brand positioning.

However, events operate within the structural constraints of a thin aviation market.

Unlike discretionary tourism travel, event attendance is date fixed. Consumers, artists and event personnel must travel on specific dates and therefore cannot avoid peak airfare pricing periods.

Industry stakeholders report that during peak dry-season and school holiday periods, return fares from east coast capitals to Broome have exceeded $1,200 – $1,500. For families or groups, airfare can represent the largest component of total event-related expenditure.

Elevated airfare settings affect events in multiple ways:

1. Reduced Interstate Attendance: Higher total trip cost suppresses ticket sales from interstate markets, particularly price-sensitive segments.
2. Increased Delivery Costs: Touring artists, technical crews, and contractors incur higher transport costs, increasing total event budgets.
3. Shortened Length of Stay: Visitors may compress itineraries to reduce accommodation and airfare exposure.
4. Constrained Scalability: Organisers may limit programming scope due to uncertainty in travel affordability.
5. Reduced Multiplier Effect: Lower attendance reduces secondary spending across hospitality, retail and tour sectors.

This dynamic is particularly relevant in the context of future date-fixed demand events, including large-scale natural phenomena and nationally marketed regional festivals. Where airfare volatility is high, the economic potential of these events is partially constrained by aviation market structure.

This case study demonstrates that airfare pricing volatility in remote markets can directly undermine planned regional demand-generation strategies, limiting the effectiveness of public and private investment in event development.

Appendix D – Workforce Mobility and Regional Productivity

The North West of Western Australia operates within a structurally constrained labour market characterised by:

- Geographic remoteness.
- Limited population base.
- Seasonal employment peaks.
- Reliance on interstate labour mobility.

Aviation access is a critical enabler of workforce mobility across tourism, hospitality, construction, health, education and government services.

Industry stakeholders report that airfare costs increasingly influence recruitment outcomes. During peak periods, return fares from east coast capitals to Broome and other North West gateways have exceeded $800–$1,200. For rotational or fly-in employees, this materially increases the total cost of employment.

Businesses report several structural impacts:

1. Reduced Labour Pool: Elevated airfare costs deter short-term or seasonal workers from accepting roles.
2. Increased Recruitment Expenditure: Employers often subsidise or fully fund travel, embedding airfare costs into operating budgets.
3. Retention Challenges: Workers may leave positions where travel affordability becomes a burden.
4. Higher Service Delivery Costs: In essential services such as healthcare and education, airfare costs are factored into government-funded workforce models.
5. Reduced Business Scalability: Uncertainty around workforce access constrains expansion and investment decisions.

The economic impact extends beyond tourism. Where airfare costs reduce labour mobility, regional productivity is affected. Businesses may operate below capacity due to staffing shortages, and essential services may incur higher per-capita delivery costs.

Unlike metropolitan labour markets where alternative transport options exist, remote regions depend almost entirely on aviation for workforce movement.

This case study illustrates that airfare settings in thin markets influence not only visitor behaviour but also regional labour mobility, service delivery efficiency and long-term economic sustainability.