12 March 2026

Chair
Productivity Commission
Inquiry into the Determinants of Regional Airfares
GPO Box 1428
Canberra ACT 2601

Dear Chair

Bega Valley Shire Council submission – Determinants of Regional Airfares (Merimbula Airport focus)

Bega Valley Shire Council (BVSC) welcomes the opportunity to contribute to the Commission's inquiry. This submission has not been endorsed at a Council meeting by our elected officials. Merimbula Airport is the Far South Coast's aviation gateway, supporting regular passenger transport to Sydney and Melbourne, air freight, and extensive aeromedical and emergency operations. Council has adopted the Merimbula Airport Master Plan 2043, which sets a staged pathway to strengthen safety, capacity, reliability and resilience on a tightly constrained site that has no feasible relocation alternative.

Since the arrival of a second Regular Public Transport (RPT) carrier in 2021, BVSC has observed reductions in some through-fares (i.e. itineraries through Sydney and Melbourne) however, thin-route economics continue to prevent affordable fares. The master plan and recent State/Commonwealth funding for Runway Stage 2 underscore the importance of capacity-led reliability locally, while national reforms to Sydney Kingsford Smith Airport's access regime must be monitored to ensure practical peak-period access for regional services is preserved.

Day-to-day operational costs at Merimbula Airport are recovered predominantly through passenger service charges and landing fees. In contrast, major lifecycle renewals and upgrades (runways, taxiways, aprons, terminal/parking, safeguarding and resilience) would produce a negative business case if Council were required to recover them solely from a thin regional passenger base — a structural issue dating to the 1990s transfer of airports from the Commonwealth to local government without durable lifecycle funding or airport development frameworks.

We welcome the Commission's inquiry and are available to discuss the matter further as needed.

Yours sincerely

Anthony McMahon
Chief Executive Officer

Bega Valley Shire Council submission

Inquiry into the Determinants of Regional Airfares

Focus: Merimbula Airport (MIM) and the Far South Coast (NSW)

Executive summary

Merimbula Airport is essential infrastructure for the Far South Coast of New South Wales, enabling RPT services to Sydney and Melbourne, routine air freight, and aeromedical and emergency operations.

A second RPT carrier has improved RPT choice and reliability; and BVSC has observed reductions in some through-fares (e.g. Merimbula – Sydney/Melbourne onward). However, the fares to Sydney and Melbourne exceed those across greater distances with higher passenger numbers (e.g. between Sydney and Ballina). Local capacity (runway capacity, apron parking, terminal/ground-transport/parking) and capital-city gateway access (Sydney Permanent Regional Service Series (PRSS) slots; business-critical timings) jointly determine passenger movement numbers thereby shaping fare outcomes.

Sydney Kingsford Smith Airport's PRSS slots reforms should be monitored to ensure practical regional access continues. [2-6]

The 1990s transition of regional airport ownership from the Commonwealth Government to local owners occurred without funding sources for essential asset evolution and renewal. Operating costs are recovered from passenger and landing fees; however, lifecycle capex and infrastructure development would drive a negative business case if recovered solely from a thin passenger base. The Merimbula Airport Master Plan 2043 sets a staged pathway for infrastructure development and renewal, however the capital outlay to deliver the plan requires Commonwealth and State Government funding delivered in a manner that is realistic and timely. A predictable, multi-year lifecycle program is required.[7]

1. Context and demand drivers

Merimbula is the principal RPT gateway for the Far South Coast of New South Wales, supporting two airlines to Sydney and currently one to Melbourne, regular freight, charter/flight training, GA, and extensive aeromedical/emergency use. Small-gauge fleets and limited capital-city slots lead to seat scarcity and higher observed fares.

Since 2021, a second carrier has improved fare availability and reduced some through-fares via Sydney/Melbourne, particularly off-peak; in peaks, capacity remains binding.[1]

The Master Plan 2043 sets out a staged pathway to essential infrastructure capacity enhancement that will service a broader range of passenger airline aircraft.[1]

2. Determinants of airfares and capacity constraints

Local (Merimbula) capacity

It is essential that the airside and landside infrastructure at Merimbula Airport be expanded if passenger airline services are to be retained and for fares to become more comparable to similar services. The runway length and strength and the number and size of apron parking must facilitate existing and changing passenger aircraft fleets. The terminal must service growing passenger numbers and changing security requirements. The landside access and car parking must also evolve to service larger passenger numbers. These all require funding sources, most of which cannot be funded from airport operations while the annual passenger numbers are below 250,000. Until passenger numbers grow to those levels, there will not be an option to sell the airport to the private sector. Consequently, there is a dependency on Commonwealth and State Government funding for asset renewal and development. Without these improvements, passenger numbers will not increase, and fares will not be reduced.

Elements from the 2013-2033 Merimbula Airport Master Plan have been developed triggering the introduction of a second passenger airline service. Water and fire services have been upgraded. The terminal has been extended. The runway has been upgraded, and starter extensions have added to the available take-off length. Finally, a new general aviation precinct is reducing pressure on the main apron, enabling greater availability of the apron to passenger airline aircraft. These improvements have been delivered with the assistance of six Commonwealth and State funding grants and Council's own funds.

The Merimbula Airport Master Plan 2043 identifies the additional elements that are essential to the retention of both passenger airlines and adaptation to their existing and changing fleets. Commonwealth and State Government and Council funding is enabling delivery of the first element in the plan – the addition of the final 80m of runway take length. The rest of the plan will require a similar approach as will renewal of the runway pavement scheduled for 2030.

Capital-city gateway access

Sydney Kingsford Smith Airport PRSS slots: Start of day access and end of day departure in Sydney is essential to viable air services from Merimbula. This requires peak hour landing and departure slots at Sydney Kingsford Smith Airport and timely ground transport to the Sydney CBD. Reforms to modernise and increase transparency of the PRSS appear rationale and unlikely to compromise essential access to the Sydney CBD. BVSC supports annual/biennial monitoring of the implementation with published regional access scorecards, and adjustments if regional peak-period access deteriorates.[5-6]

Melbourne: Continued monitoring of regional access to Melbourne airports is needed as capacity evolves.[6]

3. Airport charges, OPEX vs CAPEX and the 1990s transfer legacy

Airport charges are a small component of total airfare. Merimbula's operating costs are primarily recovered via passenger and landing fees.

However major lifecycle renewals (runways/taxiways/aprons, terminal/parking, safeguarding/resilience) cannot be sustainably funded from the existing passenger numbers. This structural shortfall stems from the 1990s transfer of aerodromes from the Commonwealth to local government without a durable lifecycle and infrastructure development funding framework — an issue recognised by regional stakeholders. A predictable capital program that Council can align to its master plan staging would support the retention of existing airline services and their expansion over time – which is the path way to fares that are feasible.[7]

4. Barriers to entry/expansion; competition with other modes

Airport capability is the barrier to airline entry and the expansion of all services. The final extension of the runway currently underway needs to be succeeded by apron parking bay expansion, terminal expansion and landside access and car parking expansion. Together these lift the airport capability, increase the passenger numbers able to be serviced and bring about the economies of scale that delivery fare competitiveness.

Council has had some experience with achieving the requisite approval for the runway extension, and had that not been achieved it would also be raising the impact of NSW State Government planning policies in this submission. It is worth noting that all other works in the master plan can be delivered via a Review of Environmental Factors that is readily achieved.

There is no rail now or every likely to service the region. Road transport is not a practical substitute for same-day business and medical travel or emergency services support. Freight and charter air services complement RPT economics but cannot replace affordable passenger airline services. [1]

5. Role for Government and efficient interventions

- Deliver master plan capacity: Access to funding regimes that are realistic and timely would ensure efficient implementation of the master plan which would in turn lift passenger numbers and create a more competitive fare environment. Realistic funding regimes require recognition of all the costs required for infrastructure delivery (planning, approvals, design and construction), flexible co-funding requirements (e.g. removal of the limit on co-funding where other levels of government are co-funders) and reliable timing (coordination with other funding sources requires certainty in the timing of funding round announcements. [2,1]

- Assure capital-city access: Implement annual/biennial PRSS reviews with regional access scorecards; continue monitoring access to Melbourne airports. If regional services are ever directed to alternative Sydney basin airports, surface connectivity must still permit 09:00 CBD arrival and post-17:00 departures, consistent with SEATS guidance. [5-7]

- Fix lifecycle funding (1990s legacy): Establish a multi-year Regional Airport Sustainability & Renewal Program, funding design-to-delivery across airside and landside where justified (runway/ taxiway/ apron strengthening, terminal throughput, parking and ground transport, safeguarding, climate resilience, nav aids/lighting, backup power). Allow co-funding with States and limited retrospectivity so shovel-ready projects are not stranded. [7]

- Proportionate regulation: Adopt risk-based security and MOS 139 settings and streamlined approvals for minor safety-critical works to avoid disproportionate cost pass-through to fares — consistent with broader airport-sector submissions. [8]

- Targeted, contestable thin-route tools: Use minimum frequency/capacity guarantees, resident/community fare buckets, and second-carrier incentives — transparent, time-limited, and data-triggered — to stabilise two-carrier competition without market distortion. [8]

6. Conclusion

Merimbula Airport's high fares are due to the number of passenger movements, which in turn are principally a capacity and access challenge across the whole journey: local constraints (runway performance, apron/Taxiway C, terminal/parking) and capital-city gateway access (PRSS/slots) shape supply and reliability on a thin market. The second carrier has improved choice and reduced some through-fares, but fares will not change markedly without an increase in passenger movement numbers. Delivering the Master Plan 2043 infrastructure program, safeguarding practical Sydney/Melbourne access, and ensuring lifecycle funding will materially improve competition, reliability and affordability for the Far South Coast. [1-7]

References

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