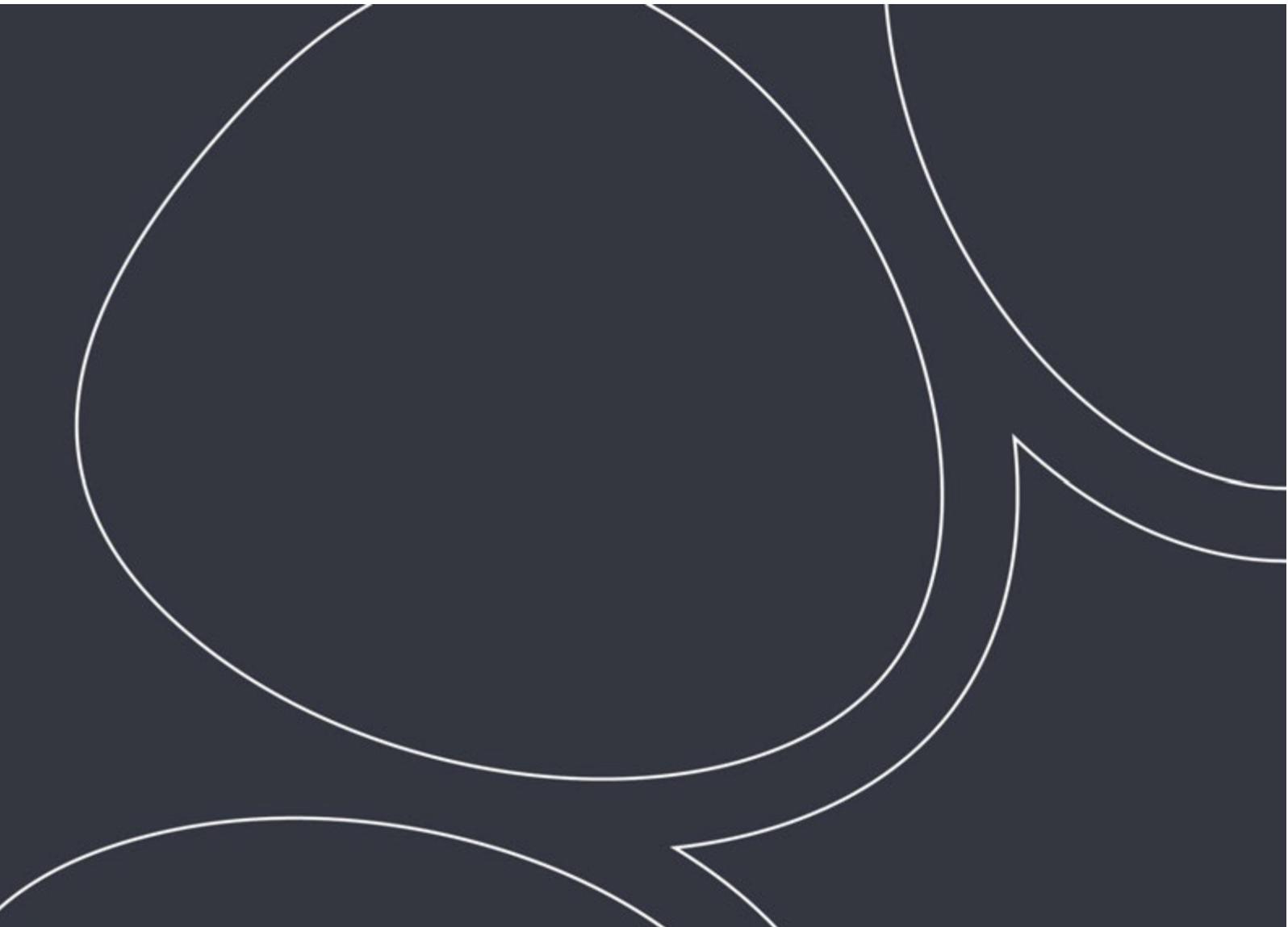


# Productivity Commission Inquiry – Determinants of regional airfares

Northern Territory Government Submission



# Contents

<b>1. Executive Summary</b> .....	<b>3</b>
<b>2. Northern Territory context</b> .....	<b>4</b>
<b>3. Why is regional aviation so important?</b> .....	<b>4</b>
3.1. Aviation supporting productivity .....	5
3.2. Government service delivery dependency .....	7
3.2.1. Corrections, justice and policing.....	7
3.2.2. Health, education, housing and community services .....	7
3.2.3. Emergency response and recovery .....	7
3.3. Supporting Closing the Gap outcomes .....	7
3.4. Alternative transport options - road and rail .....	8
<b>4. How much do fares influence demand for regional air services?</b> .....	<b>8</b>
4.1. Essential travel .....	8
4.2. Tourism and discretionary travel .....	9
4.3. Impact of COVID-19 .....	9
<b>5. What factors influence regional airfares? What characteristics of the regional aviation sector have influenced the level of airfares?</b> .....	<b>9</b>
5.1. Key influences and regional aviation characteristics affecting airfares .....	9
5.1.1. Interstate Northern Territory routes .....	10
5.1.2. Intrastate Northern Territory routes .....	10
5.2. Infrastructure constraints as direct airfare determinants .....	11
5.2.1. Regulatory barriers to entry and expansion.....	11
5.3. Airport fees and landing charges .....	11
5.4. Impact of air freight .....	12
<b>6. Have government policies or regulations made a difference? What could be done to make fares more affordable and to improve access to aviation?</b> .....	<b>13</b>
6.1. Northern Territory Government programs to support aviation connectivity.....	13
6.2. Potential policy responses by the Australian Government .....	14
6.2.1. Australian Government programs .....	14
6.2.2. Regulatory burden and capacity constraints.....	15
6.2.3. Airport assets linked to major industry operations.....	16
6.2.4. Land tenure constraints under the Aboriginal Land Rights Act .....	17
6.2.5. Fare program accessibility and equity .....	17
6.2.6. Oversight of regional airports .....	18
6.2.7. Security charges.....	18

## 1. Executive summary

The Northern Territory Government welcomes the Productivity Commission's inquiry and emphasises that, in the Northern Territory, aviation is essential economic and social infrastructure.

The Northern Territory's vast distances, dispersed population and limited sealed road network create unique connectivity challenges, which are intensified during the wet season when many communities become inaccessible by road. The Australian Bureau of Statistics' Remoteness Structures classifies the entirety of the Northern Territory as regional or remote. For example, Darwin is classified as Outer Regional Australia, making it the only capital city not classed as a Major City (Hobart is Inner Regional, the others are Major Cities).

In this context, regional aviation is critical to the delivery of healthcare, provision of emergency services, education, and essential goods and services; supports the delivery of social services in remote communities, including child protection and domestic, family and sexual violence responses; and underpins population growth, economic development and liveability.

Aviation is identified as a key enabler in the Northern Territory Government's *Rebuilding the Economy Strategy 2025-2028*. It plays a pivotal role in supporting business activity across the Northern Territory. Reliable air connectivity enables the movement of workers, goods and services across vast distances, facilitating trade and investment in key sectors such as mining, tourism, agriculture and construction.

For many regional and remote businesses, air travel provides the only practical travel option to supply chains, customers, and markets, allowing them to operate efficiently and competitively. Frequent and affordable flights are vital for attracting skilled labour, enabling timely business travel and supporting economic diversification—making aviation an indispensable enabler of business growth and regional prosperity.

Aboriginal Territorians comprise more than 30% of the Northern Territory's population, with nearly 75% living in remote or very remote areas, of which some communities are on islands, where aviation is the only reliable, year-round transport option. Affordable and dependable air services are therefore fundamental to Closing the Gap outcomes. On thin or monopoly regional routes, high airfares disproportionately impact Aboriginal people and low-income households, limiting access to employment, healthcare and essential services. Despite its essential role, regional aviation in the Northern Territory is often priced as a premium product, affecting participation and inclusion.

This submission emphasises that regional airfares in the Northern Territory are driven by structural upstream determinant: aerodrome infrastructure constraints, regulatory compliance settings and thin market dynamics. Without addressing these foundational barriers, airfare interventions alone will not deliver sustained affordability or service reliability.

The Northern Territory Government views this inquiry as a vital opportunity to establish a coherent national framework that recognises regional aviation as essential infrastructure. Policy settings should support sustainable, reliable and affordable air services by addressing structural cost drivers in regional aviation operations, providing stable and predictable funding/subsidies, and aligning national aviation policy with the essential service role of regional air transport. Such reform is essential to ensure Territorians, and all Australians living and working in regional and remote communities, are not disadvantaged by geography and have equitable, year-round access to air connectivity fundamental to quality of life and economic and social participation.

## 2. Northern Territory context

The Northern Territory has a small population of around 264,411 people as at June 2025,<sup>1</sup> dispersed over a large geographic area of 1.3-1.4 million square kilometres. Its two largest population centres (Darwin and Alice Springs) are separated by some 1500 kilometres by road. The Northern Territory's small and transient population, dispersed over large distances, creates connectivity and service delivery challenges, positioning aviation as essential infrastructure rather than discretionary transport.

## 3. Why is regional aviation so important?

Regional aviation in the Northern Territory is an essential transport service and critical enabler of business activity and economic development. During the wet season, when many roads are impassable, aviation is often the only means of emergency and medical evacuation and the primary mode of access to remote communities. It plays a vital role in enabling the delivery of healthcare, education, social services, court services, essential goods and specialist services across communities and businesses in Arnhem Land, Tiwi Islands, Barkly and Central Australia.

Island communities in the Northern Territory critically rely on aviation services for both passenger transport and commercial charters supporting Government and non-government organisation service delivery. For many remote communities, air access provides the only reliable, year-round connection to health services, education, emergency response, food supply chains, policing, justice services and economic participation. During the wet season, many communities become isolated by road for extended periods. Aviation is the only dependable transport link.

The Northern Territory's vast distances, small and dispersed population centres, limited sealed road network and seasonal flooding make aviation indispensable for maintaining reliable access across regions. For example, while the Northern Territory's National highway system is fully sealed, 75% of the road network is unsealed and vulnerable to wet weather, which hinders industry investment, increases freight costs, isolates communities and contributes to the Northern Territory's serious road safety issues.<sup>2</sup>

In this context, air connectivity underpins the viability of businesses and industries throughout the Northern Territory. Reliable and affordable aviation services are essential for workforce mobility, supply chain continuity and timely service delivery - especially in sectors such as mining, energy, construction, tourism and agriculture. Without reliable and affordable air services, many businesses cannot operate efficiently or at all.

Limited or high-cost air services constrain investment, workforce attraction and population growth, diminishing liveability and reducing the Northern Territory's competitiveness relative to other jurisdictions. Ensuring reliable and affordable air services within the Northern Territory and to major Australian and international cities is therefore essential to realising the Northern Territory's economic potential and supporting its social and regional development.

---

<sup>1</sup> Northern Territory Economy website, *Population*, [Population - Northern Territory Economy](#)

<sup>2</sup> Northern Territory Government Submission, *Australian Government's Inquiry into National Freight And Supply Chain Priorities*, [https://www.infrastructure.gov.au/sites/default/files/migrated/transport/freight/freight-supply-chain-submissions/NT\\_Government.pdf](https://www.infrastructure.gov.au/sites/default/files/migrated/transport/freight/freight-supply-chain-submissions/NT_Government.pdf)

### 3.1. Aviation supporting productivity

Aviation enhances productivity in the Northern Territory by overcoming the tyranny of distance and its economic and social impacts. For example, the Alice Springs-Darwin journey takes around two hours by air compared with 15-16 hours by road. The ability to conduct same-day travel allows for more efficient use of labour and capital, which in turn supports greater regional economic participation by reducing time and distance barriers.

Aviation is also a critical enabler of the Northern Territory's visitor economy with 76% of interstate visitors and approximately 33% of intra-territory visitors arriving by air.<sup>3</sup> Aviation connectivity is vital to attracting visitors to the Northern Territory, enabling travel for leisure, major events, business, conferences, visiting friends and relatives, and employment.

Many of the Northern Territory's largest industries are geographically dispersed and time-critical - they depend on specialist staff, contractors and freight moving swiftly between project sites and communities. Some projects in the Barkly region require a populous workforce during construction stage, which cannot be supported by the local population base. Aviation plays a critical role for these projects to access the workforce it needs by connecting the region with aviation hubs or major workforce source markets, for example, Perth-Alice Springs, and Alice Springs-Tennant Creek.

Mining alone accounted for 24.6% of Northern Territory GSP in 2023-24,<sup>4</sup> and the sector depends heavily on air transport to sustain production, support exploration activities and progress new project development. This is particularly critical for the Northern Territory's substantial undeveloped critical mineral resources, the development of which will be essential to strengthening Australia's critical minerals supply-chain resilience. In this context, aviation is a fundamental input to economic productivity, business continuity and regional development.

#### Case study: development of the Beetaloo Sub-basin

The Beetaloo Sub-basin is recognised as one of the largest and most significant shale gas plays globally, potentially rivalling the Marcellus Shale in the United States with more than 500 trillion cubic feet of discovered and prospective gas resources, according to industry estimates. It has a production potential of 6,000+ terajoules per day and could supply gas to meet national energy security needs.<sup>5</sup> The scale of this development is demonstrated in Map 1 on the following page. Aviation will be critical to enabling this development because the Beetaloo is remote, sparsely populated and lacks dense road or rail networks, yet exploration, appraisal and production phases require intensive, time-sensitive movements of specialist labour, regulators, contractors and equipment.

---

<sup>3</sup> Tourism Research Australia DoTs, YTD September 2025

<sup>4</sup> NT Budget Website, *Industry Outlook – Mining and Manufacturing*, <https://budget.nt.gov.au/industry-outlook/mining-manufacturing>

<sup>5</sup> Territory Gas Website, *Beetaloo Sub-basin*, <https://territorygas.nt.gov.au/onshore/beetaloo-sub-basin>



## 3.2. Government service delivery dependency

Multiple Northern Territory Government agencies are significant consumers of regional air travel, reflecting aviation’s role as essential service delivery infrastructure rather than a discretionary transport mode.

### 3.2.1. Corrections, justice and policing

Adult prison operations rely on air travel into regional locations arising from regional staffing and prisoner populations. Prisoner transfers, particularly between Darwin and Gove and between Alice Springs and Darwin, are considered essential air-based moves to ensure timely, efficient and legally compliant operational mechanisms, and in many cases cannot be delivered by any other mode given the Northern Territory’s jurisdictional and geographic challenges. These same constraints affect Community Corrections and Youth Justice, which otherwise rely primarily on road transport from main airports to communities. For NT Police, regional aviation access underpins frontline policing, emergency response and community safety in remote locations.

### 3.2.2. Health, education, housing and community services

Aviation enables health, education, housing and community services agencies to deliver core functions in remote communities, including asset and tenancy management, community engagement, planning and consultation, and the delivery of essential services. Reliable and affordable air services are fundamental to supporting remote teachers, health professionals and community services staff, and to ensuring equitable access to health, housing and learning opportunities across the Northern Territory.

### 3.2.3. Emergency response and recovery

Aviation in the Northern Territory is also critical public safety infrastructure and a core component of the emergency management, response and recovery continuum.

During the Northern Territory’s high-risk weather season, aviation is often the only viable transport option for affected communities, enabling the rapid deployment of emergency response personnel, including intra-Territory movements for NT Fire and Emergency Service operations and interjurisdictional assistance. Air services underpin community evacuation and subsequent repatriation following large-scale events such as cyclones, floods and bushfires, and are essential for the delivery of critical supplies such as medical goods, food and clean water when road access is cut.

## 3.3. Supporting Closing the Gap outcomes

Regional aviation is also critical to Closing the Gap outcomes because most Aboriginal Territorians live in remote or very remote areas that rely on air services. Approximately 30.8% of the population is Aboriginal and of whom nearly 75% live outside of the greater Darwin area.<sup>6</sup>

In many of these communities, long distances, impassable roads in the wet season and a lack of viable alternative transport options means aviation supports the only reliable year-round access to essential

---

<sup>6</sup> Northern Territory Economy website, *Population*, [Population - Northern Territory Economy](#)

services, such as hospital transfers, primary health care, education, employment, child protection and domestic, family and sexual violence services, essential goods and broader government services.

Reliable aviation access underpins healthcare delivery, education participation, justice services and economic engagement in remote Aboriginal communities. Aviation is a foundational enabler of Closing the Gap outcomes.

### 3.4. Alternative transport options - road and rail

In the Northern Territory, air travel both complements and, in many cases, substitutes for road and rail, reflecting the Northern Territory's geography, climate and dispersed settlement pattern:

- while road and rail freight remain essential for bulk goods, rail plays a limited role in day-to-day connectivity in the Northern Territory. The Adelaide-Darwin rail corridor parallels the Stuart Highway and functions as a strategic freight route linking the Northern Territory to southern markets, which are subject to flood closure risks. Passenger services are limited to the Ghan, which operates as a long-distance, tourism-focused service.
- with 1% of the nation's population and 17.5% of its landmass, delivering an efficient and reliable road network to serve industry and communities across small towns, rural communities and remote areas in the Northern Territory is particularly challenging.<sup>7</sup>

## 4. How much do fares influence demand for regional air services?

In the Northern Territory, demand for regional air services is shaped by distance, remoteness, and the absence of viable transport alternatives. For many remote communities, the existence, frequency, and reliability of services matter more than price, as aviation functions as an essential service with few substitutes. Demand is therefore less price-responsive than in more densely populated jurisdictions or in areas where alternative modes of transport are available.

It is noted that several submissions to this inquiry have highlighted that affordability concerns are compounded by service reliability and frequency. Cancellations, delays and limited backup capacity increase the effective cost of travel through additional accommodation, missed work, rescheduled appointments and lost productivity. In thin markets such as the Northern Territory, unreliable services can impose costs that exceed the ticket price itself, particularly for essential travel.

### 4.1. Essential travel

High airfares do not remove the need for essential travel - such as accessing healthcare, attending emergency incident response and court proceedings, accessing child protection services and domestic, family and sexual violence supports, attending funerals, accessing education, specialist support and government services, or undertaking critical work - instead they transfer costs onto households, community

---

<sup>7</sup> Northern Territory Government Submission, *Australian Government's Inquiry into National Freight And Supply Chain Priorities*, [https://www.infrastructure.gov.au/sites/default/files/migrated/transport/freight/freight-supply-chain-submissions/NT\\_Government.pdf](https://www.infrastructure.gov.au/sites/default/files/migrated/transport/freight/freight-supply-chain-submissions/NT_Government.pdf)

organisations and government. For many remote residents, particularly those on low incomes, high fares add to cost-of-living pressures or eliminate the ability to access essential services.

The Northern Territory's highly mobile population reinforces this dynamic. Net interstate migration is highly volatile and tends to detract from Northern Territory population growth. In 2023-24, the Northern Territory's population had greater interstate mobility than any other jurisdiction, with an interstate migration rate of about 12.4% per annum, compared with about 2% to 3% across most states.<sup>8</sup> The Northern Territory has a workforce marked by high churn, FIFO patterns, and short-term postings across defence, mining, energy, construction, health, education and government sectors. This results in recurring, time-sensitive demand that is largely non-discretionary and essential to economic functioning and service delivery.

## 4.2. Tourism and discretionary travel

In contrast, discretionary travel, including family visits, tourism and business development, is more sensitive to price and service competitiveness. Persistently high fares can suppress leisure and tourism markets, limiting regional economic activity and the viability of local operators. Tourism demand tends to respond to changes in fare levels, schedules, and competing destinations; where prices approach or exceed those of comparable destinations, potential visitors may travel elsewhere. However, geographic isolation moderates this price sensitivity because most visitors must fly, meaning route availability and reliability remain critical determinants of travel decisions. From a Territorian resident perspective, the cost and availability of aviation services directly impact liveability considerations. A negative view will detract from the Northern Territory's population growth objectives, creating a barrier to its broader economic development agenda.

## 4.3. Impact of COVID-19

COVID-19 caused a collapse in Northern Territory passenger demand, followed by a recovery phase where demand returned faster than airline capacity. This meant high demand was being served by constrained supply, resulting in higher airfares and consistently full flights. While this is gradually easing as airlines restore capacity towards pre-pandemic levels, average fares per kilometre on regional and remote routes remain elevated relative to major routes.

# 5. What factors influence regional airfares? What characteristics of the regional aviation sector have influenced the level of airfares?

## 5.1. Key influences and regional aviation characteristics affecting airfares

Regional airfares in the Northern Territory are driven by small markets, thin and seasonal demand, long distances and high fixed and regulatory costs per passenger. Airlines face high unit costs for aircraft, crew, maintenance, fuel and ground handling, which are harder to spread over low passenger volumes and infrequent services. Limited or no competition on many routes weakens price discipline, and a high share of essential travel demand can sustain higher fare levels. Seasonality also means airlines need to price in a way

---

<sup>8</sup> Northern Territory Economy website, *Population*, [Population - Northern Territory Economy](#)

where peak season revenues offset losses incurred during the low season to ensure viable economics from an annualised perspective. Similarly, the inelastic nature of essential travel mean airlines are less motivated to lower airfares to stimulate demand.

By contrast, major city routes benefit from large volumes, multiple competitors, less severe seasonality and larger aircraft, which lower average costs and enable discounting. Australian Government Department of Treasury analysis shows routes with more competitors have lower prices per kilometre, and new entry commonly reduces fares by around 10-20%. The analysis also shows that, in real terms, average fare per kilometre falls as more airlines operate on a route: about \$0.40 per kilometre under a monopoly, \$0.28 dollars under duopoly and \$0.19 dollars with three airlines.<sup>9</sup>

### 5.1.1. Interstate Northern Territory routes

On interstate routes from Darwin and Alice Springs, capacity closely tracks tourism cycles, with additional seats in the peak season (April to October) and reductions in the shoulder, summer (November to March). This volatility makes it hard to sustain year-round services at commercially viable load factors and raises barriers for new entrants, which must scale quickly to compete on both frequency and price, requiring significant capital investment and risk tolerance.

This is evident on Northern Territory interstate routes, where airlines have repeatedly adjusted, deferred or withdrawn services since 2020:

- Virgin Australia suspended its Sydney–Darwin service in early 2023, though has announced a seasonal return from 2026.
- Virgin Australia chose not to proceed with a planned Adelaide–Darwin service for 2023-2025.
- Jetstar withdrew its Cairns–Darwin service in late 2024 citing demand constraints.
- Qantas reduced Adelaide–Alice Springs frequencies in low-demand periods during 2024-25 and will not be resuming seasonal Darwin–Canberra services in 2026.
- Qantas suspended its Perth–Alice Springs route in mid-2022 (now served by Airnorth via the Northern Territory’s aviation attraction program).

These withdrawals reflect the commercial challenges of serving thin, seasonal markets. They also demonstrate that carriers actively reassess their commitment to regional routes, particularly during demand downturns.

### 5.1.2. Intrastate Northern Territory routes

Barriers for new entrants are even higher on intrastate routes, which combine low demand, long distances, wet-season disruption risks, availability of the right type of aircraft fleet and a high share of essential travel. Even where entry is technically feasible, maintaining viable load factors over time is difficult without external support or long-term contracts. Additionally, these routes typically cannot support more than one carrier so there is no competitive tension to drive down prices. Moreover, if lowering airfares do not result in commensurate higher demand, it could further negate a route’s profitability, leading to potential route

---

<sup>9</sup> Australian Government Department of Treasury, *How competition impacts prices: The Australian aviation sector*, [https://treasury.gov.au/sites/default/files/2024-09/p2024-553588\\_0.pdf](https://treasury.gov.au/sites/default/files/2024-09/p2024-553588_0.pdf)

suspensions. Qantas previously operated Darwin-Yulara, Cairns-Alice Springs (now served by Airnorth via the Northern Territory's aviation attraction fund) and Alice Springs-Yulara routes, however, withdrew due to one or more factors listed above. Similarly, Virgin Australia previously served the Darwin-Alice Springs route alongside of Qantas, and eventually decided the market was unable to sustain two airlines.

There are un-serviced routes in the Northern Territory, for example Darwin-Yulara. The Northern Territory views cabotage as one potential policy option to secure additional routes where a domestic partner cannot be found. Cabotage should be considered on the merits of any proposal, that is on a case-by-case basis.

## 5.2. Infrastructure constraints as direct airfare determinants

The Northern Territory Government maintains approximately 68 strategic aerodromes that underpin access to remote communities. These facilities support aeromedical retrieval, emergency evacuations, essential freight, community mobility and government service delivery.

Many remote aerodromes in the Northern Territory were designed many decades ago for smaller, older-generation aircraft. Runways are often too narrow or not sufficiently strengthened to accommodate larger, modern aircraft without significant capital upgrades.

This creates a structural constraint on the aviation market:

- airlines are restricted to smaller aircraft types
- smaller aircraft have lower passenger and freight capacity
- unit operating costs per seat and per tonne are higher
- limited competition exists on thin routes.

These cost structures are embedded in airfare pricing. In remote markets with limited elasticity, airlines cannot absorb infrastructure inefficiencies. Costs are passed directly to passengers and freight users.

Infrastructure limitations are therefore a direct determinant of regional airfare levels. Unless aerodrome capability improves, airlines will remain constrained to higher-cost operating models in remote Northern Territory markets.

### 5.2.1. Regulatory barriers to entry and expansion

Transitional grandfathering arrangements under Civil Aviation Safety Authority (CASA) have prevented immediate aerodrome closures. However, any upgrade to accommodate larger aircraft triggers full contemporary compliance requirements. For small operators and remote communities, this represents a capital barrier that prevents infrastructure improvement and locks in elevated aircraft operation costs. This creates a structural impediment to competition and service improvement.

## 5.3. Airport fees and landing charges

Landing fees at Darwin and Alice Springs airports materially affect charter operators and general aviation. These costs flow through to agencies and industry users via the Northern Territory Government.

It is noted that Darwin Airport increased General Landing Charges (GLCs) from 1 July 2025, reportedly more than doubling these fees, affecting the broader general aviation sector. In cases where the aviation operators and the airport have not negotiated a contracted rate, aviation operators have likely passed increased airport charges on to customers through higher fees and airfares. For remote communities where air travel is an

essential service, higher airfares reduce accessibility and increase cost-of-living and service delivery pressures.

Aside from airport charges, the high security classifications mandated by the Australian Government for Darwin and Alice Springs airports mean these airports are subject to comprehensive security screening requirements and compliance rates. As the cost for these requirements are spread across a relatively low passenger volume, the unit cost for each passenger is higher compared to high volume airports like Sydney or Melbourne.

From an international travel perspective, all passengers departing Australia pays a government-mandated AUD70 Passenger Movement Charge. In the context of Darwin where there is a high volume of price-sensitive travel to Bali, this charge makes up a large portion of the airfare.

Airport and government-mandated pricing settings have broader economic and social implications for the Northern Territory, particularly critical for remote and essential service access where alternatives do not exist.

## 5.4. Impact of air freight

In the Northern Territory, freight is a supporting but not usually decisive commercial driver for regional passenger services. Belly-hold freight on passenger flights provides an important secondary revenue stream that helps offset high fixed costs on routes operated primarily for passenger demand, particularly where a large share of lower-deck capacity is not required for baggage. However, in remote and intrastate markets, freight volumes are typically small, irregular and specialised, reflecting the Northern Territory's dispersed population and limited industrial base, and rarely have the scale or consistency to sustain services on their own.

At the same time, charter, freighter and belly-hold freight connectivity (including transshipment via aerodromes) are critical for service delivery to remote communities, especially during wet-season disruptions. These freight operations underpin food security and perishable supply chains, medical and pharmaceutical distribution, emergency response, mining and industry logistics, and general retail and consumer goods.

Dedicated freighter operations in the Northern Territory face additional barriers, including strong seasonality, substitution to road, rail or sea, and price competition from abundant freight capacity at major interstate gateways such as Brisbane and Sydney. Nonetheless, on many thin and remote routes the incremental revenue from freight is directly linked to the viability of passenger services; without this contribution, some passenger-only services would not be commercially sustainable, even though freight is not the dominant driver of airlines' network decisions.

The scale of the Northern Territory's freight market remains insufficient to sustain dedicated air freight delivery at commercial scale. By contrast, Tasmania benefits from support from the Australian Government through the Tasmanian Freight Equalisation Scheme, which provides financial assistance to eligible businesses to offset the additional cost of shipping goods across the Bass Strait. The Tasmanian arrangements demonstrate how, in geographically isolated jurisdictions where road or rail transport is not a realistic substitute, targeted freight intervention measures are warranted to address structural cost disadvantages, support industry development and maintain competitive access to freight networks.

## 6. Have government policies or regulations made a difference? What could be done to make fares more affordable and to improve access to aviation?

The Northern Territory and Australian governments have played important roles in regional aviation outcomes in the Northern Territory as regulators, funders, service purchasers and partners with industry. The effectiveness of these roles has varied, reflecting differences in policy design, coordination and recognition of the Northern Territory's unique operating environment. In practice, targeted route attraction programs for interstate and international routes have proven to be the most effective initiatives. Contracted essential air services is negotiated to address the distinct needs of Territorians and remote communities where aviation is critical for access to healthcare and essential goods and services that underpin Closing the Gap objectives.

### 6.1. Northern Territory Government programs to support aviation connectivity

The Northern Territory Government's *Rebuilding the Economy Strategy 2025-2028* places 'Connecting the Territory' as a key strategic priority in unlocking development, reducing business costs and supporting delivery of critical government services. A strategic initiative under this priority is to increase interstate and international flight options.

The Northern Territory Government delivers targeted programs to support aviation connectivity, including initiatives that address service gaps and the distinct needs of remote communities where air services are essential to economic participation, service delivery and Closing the Gap outcomes. Northern Territory Government programs include:

- An aviation attraction fund to focus on securing additional aviation connectivity with other Australian states and territories, and international routes, with a longer-term objective of retaining new and existing routes. The fund has helped secure services that might otherwise be commercially marginal, by providing support to airlines to establish or expand priority routes that align with Northern Territory economic, tourism and social objectives.
- The Centre-run Air Service contract with Airnorth provides three return services per week from Darwin to Alice Springs via Katherine and Tennant Creek, underpinning essential connectivity between key communities. Airfares are not regulated under this contract, like in Western Australia for certain intrastate routes, therefore limiting government leverage over airfare pricing.
- Co-operative marketing partnerships with airlines and airline agnostic partners such as Webjet and Skyscanner to support visitation to the NT and enhance the sustainability of services.

Collectively, these programs aim to improve the Northern Territory's aviation connectivity, choice and competition for international and interstate air services, while ensuring access to essential air transport for regional and remote communities.

## 6.2. Potential policy responses by the Australian Government

National policy and regulatory settings should focus on the structural drivers of regional airfares. These should explicitly recognise regional aviation as essential economic and social infrastructure in northern Australia, rather than a purely commercial transport service. This should include recognising the needs of remote and regional communities, including Aboriginal communities that are particularly reliant on aviation for year-round access.

### Northern Territory recommendation

It is recommended that the Australian Government establish a coherent national framework that recognises regional aviation as essential infrastructure. Policy settings should support sustainable, reliable and affordable air services by addressing structural cost drivers in regional aviation operations, providing stable and predictable funding/subsidies, and aligning national aviation policy with the essential service role of regional air transport.

### 6.2.1. Australian Government programs

The Northern Territory supports Australian Government programs such as the Remote Airstrip Upgrade Program (RAUP) and the Regional Airports Program (RAP); however, current design settings limit their effectiveness.

The RAUP focuses primarily on discrete community upgrades and imposes a \$4 million project cap. This is insufficient for major runway strengthening and expansion projects required to accommodate modern aircraft.

The RAP is effectively limited to greater Darwin facilities and excludes key regional gateways such as Alice Springs, Tennant Creek, Ayers Rock Airport and Gove. These regional airports support interstate flights, mining operations, tourism and strategic industry activity, yet several fall outside eligibility settings or receive limited support due to private ownership structures. This creates a funding gap between small community airstrips and capital city airports. Strategic regional gateways are left without appropriate infrastructure support despite their national economic role.

The Australian Government also provides the Tasmanian Freight Equalisation Scheme to provide Tasmanian industries with equal opportunities to compete in other markets, recognising that, unlike some other jurisdictions, Tasmanian businesses don't have the option of transporting goods interstate by road or rail. In the Northern Territory freight costs are higher than in any other jurisdiction due to distance and low freight volumes, with these higher costs flowing through to regional airfares, essential goods prices, and overall business competitiveness. Establishing a similar freight equalisation scheme for the Northern Territory would help ensure Northern Territory businesses and communities are not disadvantaged by unavoidable distance and logistics constraints.

### Northern Territory recommendation

The Northern Territory recommends:

- The Australian Government consider reforming and expanding the RAUP and RAP to:
  - remove restrictive project caps where strategic upgrades are required
  - include key regional gateway airports currently excluded
  - support industry-enabling aviation infrastructure.

- The Australian Government establish a freight equalisation initiative, similar to the Tasmanian scheme, to offset the Northern Territory's structural freight cost disadvantages and support regional industry growth and equitable market access.

### 6.2.2. Regulatory burden and capacity constraints

The Northern Territory invests approximately \$7 million annually in safety-related works to maintain its 68 aerodromes. This funding supports minimum operational standards only; it does not address full lifecycle renewal, regulatory upgrades or structural expansion requirements. Remote aerodromes are not commercially viable assets; they operate in markets characterised by low passenger volumes, limited non-aeronautical revenue, high fixed compliance costs and extreme climatic conditions that accelerate asset deterioration.

Without sustained public funding, many would close. The consequences would be immediate: loss of medevac capability, disrupted freight supply, reduced access to essential services and prolonged wet-season isolation, thus impacting the Australian Government's Closing the Gap outcomes.

Remote aerodromes must comply with CASA Part 139 (Aerodromes) Manual of Standards 2019. While safety must remain paramount, the regulatory framework applies standards comparable to larger regional airports without sufficient recognition of remote workforce and operating realities. Remote communities face:

- severe shortages of qualified aerodrome reporting officers and maintenance personnel
- staff turnover often within 6 to 12 months
- ongoing recruitment and retraining costs
- limited local training pipelines.

Compliance in remote settings is materially more expensive than in metropolitan or major regional environments. These costs are absorbed by government or embedded into operational charges, which ultimately influence airfares.

Access to safe, well-maintained regional airfields and airports is also vital for emergency operations. Where Australian Government funding does not meet maintenance needs, these costs will be recovered through higher regional airfares, placing further pressure on communities that already depend on aviation as an essential service. Policy settings focused solely on affordability or competition risk undermining emergency response capability if continuity, reliability, surge capacity and recovery needs are not explicitly recognised as core objectives of regional aviation frameworks

#### **Northern Territory recommendation**

The Northern Territory recommends:

- The Australian Government establish a Northern Territory Remote Aerodrome Modernisation Program with dedicated five-year funding to bring all strategic remote aerodromes to contemporary CASA standards.
- The Australian Government recognise remote aerodromes as essential national service infrastructure and provide both capital and recurrent compliance funding.

### 6.2.3. Airport assets linked to major industry operations

Airports established as part of defence and mining lease operations can become a significant economic asset for the local community and broader region. Continued access and use of these essential transport assets can be vulnerable to changes in these industries.

The Australian Government owns airport infrastructure in Katherine, managing the Katherine (Tindal) Airport as a joint-user facility with RAAF Base Tindal. While the Katherine Town Council manages the civilian terminal under lease, its access and use is highly dependent on the Australian Government, which controls the runway, taxiways and overall aviation security, safety and regulatory compliance.

In Katherine, increased Defence activity and planned upgrades at RAAF Base Tindal have the potential to constrain or displace civilian aviation operations at the shared airstrip. If civilian access were materially reduced, a standalone civil aerodrome may be required to maintain connectivity for Katherine and surrounding communities. The cost of planning, constructing and operating such infrastructure would be substantial. Current Australian Government aviation funding mechanisms are not configured to support projects of this scale in regional areas. This represents a strategic connectivity risk that warrants national attention.

Darwin International Airport operates as a joint-user facility, privately managed but sharing airfield infrastructure with the Australian Department of Defence. The civil aviation infrastructure is therefore scaled and configured to meet Defence operational requirements rather than the needs of the local market. As a result, the costs of operating, maintaining and accessing this nationally significant Defence-related infrastructure are embedded in airport charges and airfares, and are ultimately borne by Northern Territory residents, businesses and visitors, despite Defence infrastructure being an Australian Government responsibility.

This cost imbalance is neither equitable nor sustainable and has economy-wide implications, as higher aviation charges flow through to freight and passenger prices, increasing the cost of living and doing business, weakening the Northern Territory's ability to attract and retain essential workers and undermining efforts under the Northern Australia agenda to build a stable population base. Affordable, reliable air connectivity from Darwin is essential to sustaining workforce stability, supply chain resilience and Defence readiness. The costs of Defence-driven aviation infrastructure should be recognised and funded as a national responsibility, rather than passed onto Northern Territory residents and businesses.

The Northern Territory also has several remote communities that are facing uncertainty on the future operations of regional airports as mining operations close (such as Jabiru and the Gove Peninsula). This can impact business confidence at a critical time when economies are needing to attract population and investment to support the economic post-mining transition. For example, Jabiru Airport is currently owned by a mining company, with the associated mine lease nearing its end and obligations for site remediation meaning the airport is scheduled for closure by October 2026. The local community has expressed a strong interest in retaining the airport, recognising its importance for connectivity, service delivery and economic and regional development.

### **Northern Territory recommendation**

The Northern Territory recommends:

- The Australian Government’s ongoing investment in this strategically important defence precinct, including to support upgrades to airport infrastructure, is crucial to supporting the defence and broader economic ambitions of this region.
- The Australian Government ensure aviation infrastructure reform is integrated with Defence planning, northern Australia policy and regional development strategies to protect long-term civilian connectivity.
- The Australian Government is a key partner in supporting complex negotiations in securing land tenure, asset transfer and the continued operation of critical transport infrastructure, including airports.

### **6.2.4. Land tenure constraints under the Aboriginal Land Rights Act**

A significant structural barrier to upgrading remote aerodromes in the Northern Territory is land tenure complexity under the *Aboriginal Land Rights (Northern Territory) Act 1976*. Many aerodromes are located on Aboriginal land. Lease arrangements, consent processes and tenure limitations can delay or restrict runway extensions, safety area expansion and compliance upgrades.

Without secure and flexible tenure arrangements:

- capital funding cannot be deployed effectively
- infrastructure expansion may be delayed
- regulatory compliance upgrades may be constrained.

If the Australian Government is committed to improving regional air access and supporting Closing the Gap outcomes, tenure reform must accompany infrastructure funding.

### **Northern Territory recommendation**

The Northern Territory recommends:

- The Australian Government lead a coordinated process under the *Aboriginal Land Rights (NT) Act 1976* to:
  - streamline leasing and tenure arrangements for aviation infrastructure
  - remove barriers to runway extension and safety upgrades
  - align aviation reform with Closing the Gap priorities.

### **6.2.5. Fare program accessibility and equity**

Programs that support access to air travel should be designed with a focus on accessibility and equity, particularly for remote and very remote communities. Programs that rely on narrow eligibility criteria, rigid route coverage or administrative requirements such as proof of address, identification or online access can unintentionally exclude those most reliant on aviation, including Aboriginal Territorians.

### **Northern Territory recommendation**

The Australian Government consider more inclusive eligibility settings, flexible route coverage and delivery mechanisms that account for limited digital access. This would improve the effectiveness of affordability measures and help ensure that policy intent translates into on-the-ground access to essential air services.

## 6.2.6. Oversight of regional airports

While major airports are subject to light-handed oversight, most regional and remote airports sit outside these regimes, resulting in wide variation in charging practices. The Australian Competition and Consumer Commission (ACCC) has noted airline concerns about Darwin Airport more than doubling its landing fees since July 2025.<sup>10</sup> Several submissions to this inquiry also call for greater transparency around the drivers of regional airfares, including clearer disclosure of the relative contribution of airport charges and costs, fuel and other regulated inputs.

It is noted that Darwin Airport is a designated joint-user airport: a Joint User Deed between the Department of Defence and the civil airport operator governs shared use of the runways and associated infrastructure. Major runway upgrades initiated by the Department of Defence should be funded by Defence and not recovered through higher aeronautical charges, to avoid Defence-driven costs being passed through to airlines and, ultimately, Northern Territory passengers and businesses.

### **Northern Territory recommendation**

The Northern Territory supports greater transparency, benchmarking and predictability in airport charging, combined with complementary Australian Government funding to support essential airport operations.

## 6.2.7. Security charges

Enhanced aviation security requirements have delivered important national safety benefits by strengthening the integrity of Australia's air transport network. However, the associated fixed and operational costs have a disproportionately greater impact on regional airports due to these incremental costs being amortised across small passenger volumes travelling through regional airports. The continuing escalation of these costs places pressure on regional carriers and travellers, increasing the risk of reduced service frequency, higher airfares/lower affordability, or the loss of essential connectivity for regional communities.

### **Northern Territory recommendation**

The Northern Territory considers that a more proportionate and sustainable policy approach is needed - for example, implementing a policy where government-mandated costs are calculated at a national level, then spreading the cost recovery across all passengers (at a national level) who used government-mandated facilities. This may marginally increase the unit cost recovery at major airports; however, substantially lower the average charge for regional travellers.

---

<sup>10</sup> Australian Competition and Consumer Commission Submission, *Senate Committee inquiry State of Australia's aviation sector and its ability to deliver reliable and affordable services to rural, regional and remote communities*, [State of Australia's aviation sector and its ability to deliver reliable and affordable services to rural, regional and remote communities – Parliament of Australia](#)