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Determinants of Regional Airfares Inquiry
Productivity Commission
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Dear Commissioners

I welcome the opportunity to provide a submission to the Productivity Commission as part of its review into the determinants of regional airfares in Australia and policy settings required to support a competitive, reliable and affordable regional aviation network.

The Northern Territory represents one of the clearest examples in Australia of how aviation markets interact with remoteness, small populations and socio-economic disadvantage. For many communities in the Territory, aviation is not simply a transport option, it is the primary means of accessing healthcare, education, government services and economic opportunity.

As a result, regional aviation policy has direct consequences not only for regional productivity but also for equity, service access and the achievement of national priorities such as Closing the Gap.

In many parts of Australia, regional aviation exists alongside road and rail alternatives. In the Northern Territory, this is frequently not the case.

Many communities are separated by vast distances and seasonal road access. During the wet season, road transport to some communities can be cut off for extended periods. In these circumstances aviation effectively becomes the Territory's primary transport infrastructure.

For many Territorians, particularly those living in remote Aboriginal communities, air travel is necessary to access:

- specialist medical treatment;
- hospital care and emergency services;
- education and training opportunities;

- government services;
- employment opportunities; and
- family and cultural obligations.

For these residents, air travel is not discretionary or tourism related. It is essential for access to services and opportunities that are readily available to other Australians within their own town or region.

The Commission's terms of reference seek to analyse the determinants of regional airfares and the factors contributing to differences between regional routes and major city routes.

The Northern Territory provides striking examples of these disparities.

The following are recent examples of airfares for short regional routes within the Territory. Many of these routes are shorter than, or comparable in distance to, the Sydney–Melbourne route:

Recent fares include:

- Darwin – Milingimbi (Return): \$1,300
- Gunbalanya – Darwin (One Way): \$1,965
- Darwin – Palumpa (One Way): \$1,035
- Nhulunbuy – Darwin (One Way): \$1,080
- Groote Eylandt – Darwin (One Way): \$1,015

By comparison, flights between Sydney and Melbourne, a distance of roughly 700 kilometres, can regularly be purchased for well under \$200 during competitive fare periods.

The disparity becomes even more striking when the socio-economic circumstances of passengers are considered. Many of the people who require access to these regional flights are among the poorest and most disadvantaged in the country, including residents of remote Aboriginal communities.

These flights are frequently required for:

- urgent medical treatment;
- specialist healthcare appointments;
- family emergencies;
- funerals and cultural obligations; and
- administrative or legal matters.

In some circumstances, access to these flights can literally mean the difference between receiving life-saving treatment and going without.

Concerns about short regional flights costing thousands of dollars ends up meaning that some Territorians are effectively priced out of accessing essential services, underscoring serious equity concerns.

Affordable aviation access is directly relevant to national, state and territory commitments to improving outcomes for Aboriginal and Torres Strait Islander Australians. More than 30 per cent of the entire NT population are Aboriginal, with some three quarters of all Aboriginal Territorians living in remote or very remote areas.

Many of these Territorians are among the most disadvantaged Australians, experiencing overcrowding, higher rates of chronic disease, complex mental health and wellbeing needs and lower life expectancy. Despite the substantial health needs in remote Northern Territory (NT) communities, access to essential health services remains significantly lower than in other parts of Australia. High transport costs add to the cost of nutritious food in these communities, further compounding poor health outcomes.

Without reliable and affordable aviation access, many broader policy efforts aimed at improving outcomes in remote communities, with health just one example, will struggle to succeed.

In this sense, aviation affordability should be viewed not only as a transport policy issue, but also as a key enabling factor for Closing the Gap outcomes.

The Commission's inquiry seeks to identify the determinants of regional airfares and the factors contributing to differences between regional routes and major city routes.

In the Northern Territory context, several structural factors contribute to higher operating costs, including:

- small passenger markets;
- long distances between communities;
- reliance on smaller aircraft with fewer seats;
- high operating and maintenance costs for remote aviation infrastructure; and
- limited competition on many routes.

These factors are legitimate cost drivers. However, they do not fully explain the extreme pricing outcomes seen on some regional routes.

Greater transparency around the cost structures across the aviation supply chain, including airlines, airports, fuel suppliers and regulators would assist policymakers and communities to better understand where cost pressures are emerging.

The Commission has also been asked to examine barriers to entry or expansion for airlines providing regional services.

Many remote routes in the Northern Territory are serviced by a single operator or a very limited number of carriers. This lack of competition reduces downward pressure on fares and limits consumer choice.

Potential barriers to entry may include:

- high fixed costs of operating remote aviation services;

- infrastructure limitations at smaller airstrips;
- thin markets with unpredictable passenger demand; and
- regulatory complexity.

Understanding these barriers will be critical to identifying whether policy settings could better support new entrants or alternative service models.

High regional airfares have broader consequences for regional economies and productivity across the Northern Territory.

These impacts include:

- Reduced workforce mobility. High travel costs make it harder for workers to move between communities and employment centres, limiting labour market flexibility.
- Constraints on tourism. Many remote parts of the Northern Territory have significant tourism potential. High aviation costs reduce the competitiveness of these destinations and limit visitor numbers.
- Reduced service access. Essential service providers, including healthcare professionals and teachers, also face high travel costs when servicing remote communities.
- Social isolation. High airfares restrict the ability of families to maintain connections across large distances, contributing to social isolation in remote communities

Given the essential role aviation plays in remote regions such as the Northern Territory, there is a strong case for examining whether existing policy frameworks adequately recognise aviation as critical infrastructure rather than purely a commercial service.

In comparable jurisdictions internationally, including Canada and parts of Scandinavia, governments recognise remote aviation services as essential connectivity infrastructure and provide structured support mechanisms where market forces alone cannot deliver affordable outcomes.

Recommendations

To support a more competitive, reliable and affordable regional aviation network, the Productivity Commission may wish to consider the following policy measures:

1. Improve transparency in regional airfare pricing. Governments should work with airlines and airports to improve transparency around the cost components that determine regional airfares, including airport charges, fuel costs and operational inputs.
2. Review competition settings on regional routes. The Commission should examine whether regulatory settings, market concentration or infrastructure barriers are limiting competition on regional routes and identify reforms that may support new entrants.
3. Examine targeted support mechanisms for essential remote air services. Where market forces alone cannot deliver affordable services, governments should

consider structured support models similar to those used internationally for essential air services in remote regions.

4. Invest in regional aviation infrastructure. Improving infrastructure at remote airstrips and regional airports may reduce operating costs and improve service reliability.

5. Recognise aviation as critical infrastructure for remote Australia. Policy frameworks should acknowledge that aviation plays a fundamentally different role in remote regions than it does in metropolitan markets.

Regional aviation is fundamental to economic participation, service access and social cohesion in the Northern Territory.

The airfare examples outlined above demonstrate that the current cost of regional aviation can impose extraordinary financial burdens on some of the most disadvantaged Australians, often at times of medical need or personal crisis.

Addressing the determinants of regional airfares is therefore not only an economic issue but also a matter of national equity and fairness.

For many remote communities in the Northern Territory, aviation is not a convenience. It is a lifeline.

Thank you for the opportunity to provide this submission.

Yours sincerely

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