Productivity Commission Inquiry into the Determinants of Regional Airfares

Via: www.pc.gov.au/inquiries-and-research/regional-airfares

Dear Commissioners,

Thank you for the opportunity to provide a submission to the Productivity Commission's Inquiry into the Determinants of Regional Airfares.

The Western Australian Local Government Association (WALGA) is an independent, member-based, not-for-profit organisation representing and supporting all Local Governments across WA. Further information is available at About WALGA | WALGA. WALGA's advocacy on aviation matters is guided by endorsed policy positions which emphasise the need for a strategic, equitable and evidence-based approach to aviation and highlight the importance of reliable, affordable and equitable air services.

Western Australia's unique geography, dispersed population and limited transport alternatives make aviation essential for emergency response, community access, economic development and delivery of services.

While the focus of this inquiry is airfares, feedback from regional Local Governments strongly highlights that fares should be considered along with all the factors that contribute to the level of service provided including service availability and reliability. This has not been delivered on some regional routes in Western Australia.

Local Governments that operate regional airports are very sensitive to the fact that airport fees and charges per passenger can be higher at regional airports than at major airports that enjoy significant economies of scale and scope. Despite this, Local Government airport operators are committed to doing everything possible to ensure continuation and expansion of viable air services as they recognise the importance of this to their regions.

Airfares are shaped by a broader aviation system, including the availability and reliability of air services, airport operational and regulatory settings, network viability, and the capacity of Local Government-owned airports to meet regulatory and service demands. As a result, this submission addresses a range of issues that may not appear directly related to airfares at first glance but, in practice, materially influence pricing, service continuity and affordability. These factors are particularly pronounced in regional and remote Western Australia, where limited competition, fragile service networks and essential service obligations amplify their impact on airfare outcomes.

WALGA's engagement with Local Governments, has highlighted a consistent set of challenges affecting regional Western Australia. Issues raised through that consultation, such as opaque airline pricing practices, limited consumer choice, disproportionate aviation security requirements, workforce and resource constraints at Local Government-owned airports, coordination pressures across the aviation system, and the vulnerability of airline networks are also central to the Commission's examination of the determinants of regional airfares. These shared themes reflect a strong and consistent evidence base informed by extensive consultation with regional communities and Local Governments across Western Australia.

Regional Western Australian Local Governments seek:

- Affordable airfares including to regional and remote locations
- Greater transparency and fairness in airline pricing practices, including clearer fare structures, equitable access to lower-cost seats and policy interventions that address affordability impacts on regional and Aboriginal communities, tourism, workforce mobility and broader regional productivity.

- Policy settings that ensure continuity, reliability and affordability of essential regional air services, recognising their critical role in health access, emergency response and Closing the Gap outcomes across remote and regional communities.
- A proportionate, risk-based aviation security and regulatory framework that reflects airport scale and operational context, supported by clear regulatory triggers and realistic implementation timeframes.
- Sustainable and targeted grant funding to support Local Governments in meeting regulatory obligations, maintaining ageing infrastructure and delivering major infrastructure renewal at regional airports.
- Funding arrangements that recognise the dual community and FIFO role of many regional airports and ensure continued eligibility for appropriate government support.
- Improved coordination across governments, regulators and industry to strengthen service planning, reduce duplication and address system-level risks in regional aviation networks.

Through WALGA Western Australian Local Governments have consistently contributed to aviation policy development, including submissions to the Aviation Green Paper and Aviation White Paper. Building on this foundation, this submission seeks to ensure that future aviation policy and regulation deliver equitable, transparent, and reliable air services that meet the needs of regional communities and Local Governments.

Context

Affordable and reliable air services are essential to the prosperity and resilience of regional Western Australia. Aviation enables critical access to health care, including visiting medical practitioners, specialist appointments, maternity and neonatal transfers, and time critical emergency and essential services. For many regional and remote communities, long distances, limited public transport options and road conditions mean that air travel is the only viable or timely transport option. Policy frameworks should recognise regional aviation as essential service infrastructure in remote and regional Western Australia, reflecting its critical role in community access and economic participation.

In this context, regional aviation should be recognised in policy and regulatory settings as essential service infrastructure. Service disruption or withdrawal can have immediate and disproportionate impacts on community wellbeing, workforce stability and regional resilience.

Aviation also underpins economic development. Western Australia's resources sector relies heavily on FIFO workforces, which depend on regular and reliable air services. Regional businesses use aviation for service delivery, workforce mobility and market access, while tourism operators depend on accessible and reasonably priced flights to support visitor activity. Airfare affordability influences workforce attraction and retention, labour mobility and regional migration trends, key factors in local economic development and population sustainability.

Aboriginal communities face disproportionately high travel costs and limited service availability. Given the higher proportion of Aboriginal people living outside the metropolitan area, constrained air access directly affects health outcomes, social and cultural connection and progress toward achieving Closing the Gap objectives.

Local Governments play a central enabling role in regional aviation. Across Western Australia, Local Governments own, manage and maintain approximately 150 airports and airstrips, including 19 that support Regular Passenger Transport (RPT) services. While some secure sufficient revenue to cover operating and capital renewal costs, most depend on financial contributions from ratepayers, State and Federal Government grants. Where needing to be recovered from a relatively small number of passengers, fixed costs including security and regulatory obligations, and infrastructure need support. Staffing shortages and limited internal expertise place growing pressure on Local Governments' capacity to operate compliant, efficient and safe airports.

Determinants of Regional Airfares and Key Challenges

Structural Cost Drivers

Regional airfares reflect a combination of high fixed operating costs, long distances between communities, relatively low passenger volumes and constrained demand patterns. Remote operations face higher costs associated with fuel availability, aircraft maintenance, workforce shortages and supply chains. Ageing airport infrastructure increases maintenance and compliance costs. The size and geography of Western Australia limit opportunities for competition and increase the cost of service delivery.

Airline Pricing Practices and Market Structure

Fare structures on regional routes can be complex and opaque, with limited availability of lower-fare classes and steep price escalation close to travel dates. Many routes operate with a single carrier, reducing competitive pressure and limiting consumer choice. Local Government airport charges represent only a small proportion of total airfare costs and do not account for the high prices experienced by many regional residents and businesses.

On routes supporting major resource projects, a substantial share of seat capacity may be allocated to contracted FIFO operations. In thin markets, this can limit the availability of publicly accessible seats and lower-fare classes for regional residents and essential travel. Policy responses should consider capacity allocation to ensure equitable access for communities.

Aviation Security and Regulatory Requirements

Aviation security requirements are frequently designed for larger airports but applied uniformly across airports of all sizes. Compliance requires significant investment in screening equipment, terminal upgrades, fencing, and workforce capacity. For example, following the Avalon Airport breach, the review of fencing requirements highlighted the increasing scope and cost of security obligation. Ambiguous regulatory triggers and short implementation timeframes create further challenges for small, remote and low-volume airports. Outdated screening equipment and the need for specialised staffing add to operational pressures, with security costs largely fixed and therefore representing a proportionally higher burden when spread across a small number of passengers.

Funding and Resource Constraints for Local Government Airports

While many Local Government airports recover day-to-day operational costs, most lack the capital reserves needed to fund major infrastructure renewal, safety upgrades or security-related investments. Airports that support both FIFO and community services may face eligibility limitations within existing funding programs, despite their essential role in providing regional access.

Service Reliability and Route Vulnerability

Regional air services are vulnerable to sudden reductions or route withdrawal. Thin markets and single-carrier routes create ongoing risks for communities reliant on aviation for essential services, health access and economic participation. Fragility within airline networks contributes to service disruptions, limited capacity and reduced certainty for travellers and businesses. Such disruptions also impact tourism operators, workforce mobility and broader regional productivity.

Policy Settings and Government's Role

Policy frameworks should recognise regional aviation as essential service infrastructure in remote and regional Western Australia, guiding proportionate regulation, targeted funding, and intervention where market failure threatens access.

WALGA recommends that the enquiry consider the following initiatives:

Improve Transparency and Oversight of Airline Pricing

- Continue the ACCC oversight of airline pricing and performance beyond 2026 and extend this to unregulated (lightly regulated) regional services including to Kalgoorlie, Geraldton, Exmouth, Karratha, Onslow, Newman, Paraburdoo, Broome and Kununurra. The quarterly reports should provide clear information and trends on performance, capacity, prices, costs, profits and consumer complaints. This will provide increased visibility of fare structures and pricing practices on regional routes.
- Support initiatives that encourage more competitive markets for intrastate and interstate services.
- Promote equitable access to lower-fare classes for regional residents.
- Ensure transparency measures recognise the commercial sensitivity of Local Government airport operations and reflect diverse operating contexts.

Adopt Proportionate, Risk-Based Aviation Security Settings

- Ensure aviation security requirements reflect passenger volumes, airport scale and local risk profiles.
- Provide clear regulatory guidance and realistic implementation timeframes for new security requirements.
- Support regional airports to upgrade or replace outdated security screening equipment.

Provide Targeted, Sustainable Funding for Regional Airports

- Provide funding to support security compliance, regulatory obligations and asset renewal.
- Review funding program criteria and guidelines so that airports supporting community access and FIFO activity are eligible for support.
- Recognise the essential service role of Local Government airports in regional and remote communities.

Support Essential and Vulnerable Regional Air Routes

- Strengthen oversight of market performance to improve service continuity on vulnerable routes.
- Target intervention where market failure undermines access to essential services or limits economic participation.

Improve Coordination Across Governments, Regulators and Industry

- Align policy, regulatory and funding frameworks to reduce duplication and strengthen long-term planning.
- Enhance collaboration between governments, airlines, regulators and Local Governments as key airport operators.
- Review State and Federal Government policies in relation to the operation and approval of private airfields particularly servicing the resource industry, to ensure that they complement, enhance and contribute to the betterment of local communities,

Conclusion

Regional aviation is essential to the liveability, productivity and resilience of Western Australia's communities. Strengthening policy settings should focus on improving transparency and oversight of airline pricing and market performance, adopting proportionate and risk-based aviation security requirements, and providing targeted and sustainable funding to support the long-term viability of regional airports. Policy frameworks should also recognise the essential service role of regional aviation, support the continuity of vulnerable routes where market failure occurs, and improve coordination between governments, regulators, industry and Local Governments as key airport owners and operators. Addressing the determinants of regional airfares requires coordinated action that recognises the unique operating environment of regional and remote Western Australia, supports the sustainability of Local Government-owned airports and ensures communities have access to affordable and reliable air services.

WALGA welcomes the opportunity to work with the Productivity Commission and all levels of government to strengthen regional aviation policy, improve affordability outcomes and support equitable access to essential services for regional, rural and remote communities.

We would welcome further engagement with the Committee. Should you wish to discuss any of the points identified further, please contact Ian Duncan, Executive Manager, Infrastructure at

Yours faithfully

Nick Sloan
Chief Executive Officer