An Australian Government Initiative

Regional Development Australia

NSW & ACT

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

Regional Development Australia NSW & ACT Network

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Executive Summary

Between 2019 and 2025, the Coffs Harbour–Sydney airfare increased 289%, from $110 to $428. Over the same period, Sydney–Melbourne increased 36%. This widening gap is not temporary. It reflects structural differences in how costs are recovered, competition operates and services are configured in low-volume regional aviation markets.

Regional Development Australia (RDA) NSW & ACT is a network of 13 regionally based organisations working directly with councils, airports, industry and communities. This submission draws on analysis of specific NSW routes, engagement with regional airport operators and local business intelligence to demonstrate how current settings affect regional connectivity.

The evidence identifies three core problems:

First, regulatory and security costs fall more heavily on regional airports. Council-owned airports serving towns such as Coffs Harbour, Tamworth and Albury must meet the same national safety and security standards as major airports but spread those costs across far fewer passengers. Without permanent cost equalisation, regional councils absorb deficits and the burden flows through to airline charges and ticket prices.

Second, reduced competition does not self-correct in smaller markets. When Rex withdrew from the Albury–Sydney route in 2024, weekly services fell by more than 21% in two years. When Link Airways ceased the Narrabri–Sydney direct service in 2025, no replacement operator emerged. Higher fares alone do not attract new entrants where passenger volumes cannot sustain multiple carriers.

Third, declining frequency undermines route usefulness even where services nominally continue. In Tamworth, Armidale and Broken Hill, passenger numbers fell alongside sharp reductions in weekly flights. When flight times no longer allow same-day return travel for business or health appointments, routes stop working in practice.

These are not isolated inconveniences. In the Riverina, approximately 5,000 annual flight seats support health professional travel. In Mildura–Wentworth, 48% of businesses rely on air travel and half have experienced material cost increases linked to aviation constraints. In centres supporting Renewable Energy Zone development, aviation underpins workforce movement and project delivery. For patients accessing specialist care, small businesses maintaining interstate relationships or visiting medical professionals, reliable air services are essential connectivity, not discretionary travel.

The impacts accumulate over time: delayed business investment, higher service delivery costs, reduced workforce mobility and disproportionate burdens on geographically isolated communities where road and rail involve five or more hours of travel each way.

Recommendations

RDA NSW & ACT recommends proportionate measures to address structural inequity:

1. **Review how security and compliance costs are recovered in regional airports.** National standards must apply everywhere, but current settings may place heavier per-passenger burdens on lower-volume airports than intended.
2. **Recognise when routes support essential services.** Policy should consider whether aviation underpins health access and workforce mobility, not just whether passenger thresholds are met.
3. **Update support programs to reflect current regional pressures.** Service stress is not confined to very remote communities. Larger regional hubs also experience reduced frequency and rising cost pressures.
4. **Support competition where it can realistically exist.** In single-carrier markets, the priority should be maintaining usable frequency and practical flight timing.
5. **Provide stable infrastructure funding for regional airports.** Predictable support reduces pressure to increase airport charges and helps maintain service continuity.

The Productivity Commission's assessment should consider how cost recovery frameworks, competition depth and service configuration affect low-volume regional routes in practice. In many NSW communities, aviation functions as enabling infrastructure rather than discretionary transport. The objective is not to remove commercial risk, but to ensure policy settings do not unintentionally accelerate service decline where essential regional connectivity depends on aviation.

Addressing the Terms of Reference (1-7)

1. Analysing the determinants of regional airfares and service offerings, and the composition of factors that contribute to differences between airfares available on regional routes and those available between major cities, including airport fees and charges

Regional airfare outcomes in NSW are shaped by a combination of market structure, cost allocation settings and service configuration. They cannot be explained by fuel prices or inflation alone.

1.1 NSW & ACT regional evidence

RDA NSW & ACT analysis of BITRE data (2019–2025) shows a widening gap between selected NSW regional routes and major city corridors.

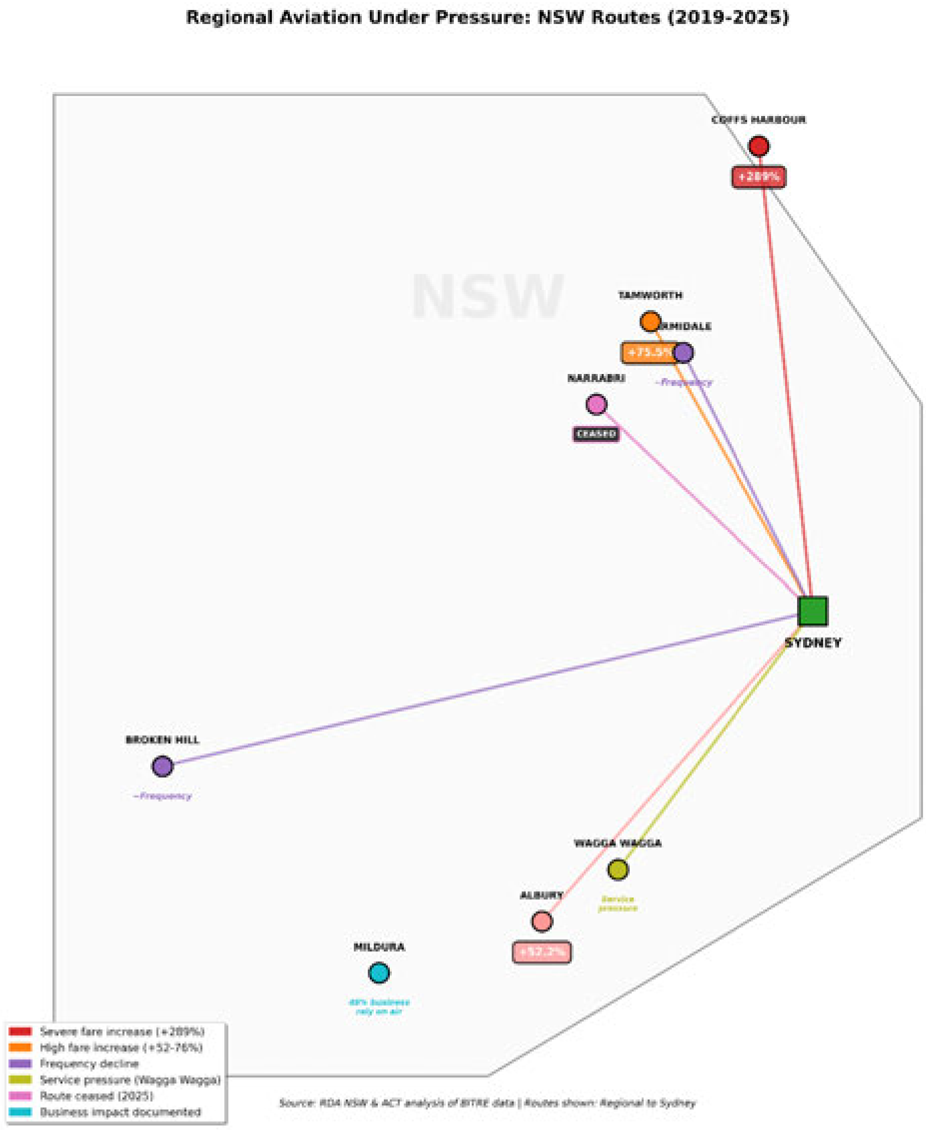
Between 2019 and 2025:

- Coffs Harbour–Sydney increased from $109.90 to $428 (+289%)
- Tamworth–Sydney increased from $270.02 to $474 (+75.5%)
- Albury–Sydney increased from $268 to $408 (+52.2%)

Over the same period, Sydney–Melbourne increased by 35.9%.

These increases significantly exceed CPI over the same period (approximately 20%). The difference between metropolitan and regional fare growth is therefore growing.

At the same time, several NSW regional airports experienced partial passenger recovery following COVID, yet flight frequency did not return to pre-pandemic levels. In some centres, fewer weekly services now operate despite stabilising demand. When frequency declines but fixed costs remain, those costs are recovered across fewer seats per service. This places upward pressure on fares. The figure below visually presents the aforementioned changes in fares and flight numbers.



The withdrawal of competing carriers also reduces competition and can lead to fewer services and reduced flexibility without necessarily attracting new entry.

These are structural shifts, not temporary fluctuations.

1.2 Market structure and competition depth

Some NSW regional routes operate as single-carrier markets. Where only one airline operates, there is limited competitive pressure on pricing or frequency decisions.

Unlike major city corridors, smaller regional routes often do not have enough passenger volume to sustain multiple operators over time. When a carrier exits, as occurred in 2025 on the Link Airways Narrabri–Sydney route, there is no immediate replacement, and connectivity can be lost entirely.

Higher fares on low-volume regional routes do not necessarily attract a second operator, because the underlying passenger base may be insufficient to sustain one.

1.3 Scale effects in low-volume regional routes

Regional routes typically involve:

- smaller aircraft
- lower daily frequency
- less schedule redundancy.

Fixed operating costs are therefore spread across fewer passengers. On a high-volume metropolitan route, those same costs are diluted across many more seats.

This is not inefficiency - it reflects scale.

1.4 Airport fees, security and regulatory cost recovery

Regional airports must meet the same national safety and security standards as major airports. However, the cost impact differs depending on passenger throughput.

The Australian Airports Association's evidence indicates that CASA-related regulatory costs account for approximately 12% of expenditure at some regional airports, compared with around 4% at major airports.

Security screening requirements involve both capital and ongoing operating costs. In lower-volume airports, those operating costs fall across fewer passengers, increasing the per-passenger burden. Without a permanent equalisation mechanism, the costs are recovered through passenger charges, airline agreements or council funding.

In practical terms, regional ratepayers are helping fund nationally mandated aviation obligations for what is considered an essential service, unlike their metropolitan counterparts.

1.5 Movement-based charging structures and gateway access

Airservices Australia charges are generally applied per aircraft movement rather than per passenger.

On metropolitan routes using larger aircraft, the per-seat impact is relatively small. On regional routes using smaller aircraft, the same per-movement charge translates to a higher per-seat cost.

For NSW routes reliant on Sydney access, slot timing affects whether a service works in practice. If flights do not allow same-day return travel, demand weakens and per-seat costs rise. As regional airport operators observe, even where fares remain unchanged, flight timing can determine the practical value of a route.

1.6 Implications for the Productivity Commission

The evidence from NSW indicates that regional airfare differences are driven primarily by structural characteristics of low-volume regional routes, compared to major domestic trunk routes, including:

- limited competition depth
- fixed regulatory and security cost allocation in smaller airports
- movement-based charging impacts on small aircraft
- gateway slot constraints affecting service usefulness.

These factors interact. They are not isolated cost components.

A comprehensive assessment of regional airfare determinants should therefore consider market structure, scale effects, cost recovery settings and service configuration together, rather than examining fare levels in isolation.

2. Identifying the main drivers of demand for regional air services

Demand for regional air services in NSW and the ACT is driven largely by essential services, workforce mobility and time-sensitive travel rather than discretionary leisure travel.

2.1 Essential service access

A significant portion of regional aviation demand is driven by access to services that are not available locally.

> *"In the Riverina, approximately 5,000 annual flight seats are associated with health professional travel."*

In the Murray, reduced flight frequency and limited departure times are already affecting health service delivery, visiting medical staff have no option but to stay overnight where same-day return travel was previously possible. This increases costs for health providers and reduces service efficiency.

Patients travelling from regional centres for specialist procedures in Melbourne or Sydney also rely on viable air services. Where fares rise significantly or frequency declines, the burden of travel increases in both time and cost.

In these regions, demand for air services is tied directly to the delivery of essential health and community services. It is not discretionary.

2.2 Workforce mobility and infrastructure-linked demand

Regional aviation demand is increasingly linked to workforce movement associated with nationally significant projects.

Airports such as Albury, Armidale, Dubbo and Wagga Wagga, serve as gateways to Renewable Energy Zones in Central West Orana, New England and Southwest NSW.

Construction and infrastructure delivery phases involve substantial workforce flows over multi-year periods. Where flight frequency, capacity or timing does not align with workforce requirements, employers face higher costs and less efficient deployment.

This project-linked demand reinforces that aviation in regional NSW supports broader economic development objectives.

2.3 Business travel and regional economic participation

Business reliance on aviation remains strong in regional centres.

As airfare levels have increased and service reliability has declined, businesses have reported delayed investment decisions and reduced opportunity. For firms operating across state borders - particularly in the Mildura–Wentworth region, aviation supports inter-jurisdictional engagement that cannot be easily substituted by road travel.

By road, Mildura to Melbourne takes approximately six hours and Mildura to Adelaide approximately four hours. For time-sensitive business engagement, this is not a viable same-day alternative.

2.4 Schedule timing and frequency as demand drivers

Demand in regional markets is highly sensitive to flight timing and frequency.

In several NSW centres, passenger recovery following COVID has not been matched by restored frequency.

For example:

- Wagga Wagga recorded growth of approximately 5,000 passengers yet operates fewer weekly flights than in prior years.
- Tamworth and Armidale experienced both passenger and frequency declines, reducing flexibility and same-day travel viability.

When early-morning departures or late-afternoon return services are withdrawn, business and health-related travel can become impractical. In these situations, demand is often suppressed rather than lost, people still need to travel, but the service no longer meets their needs.

This can have serious consequences, including residents delaying or forgoing essential medical care, or choosing to drive long distances when fatigued, increasing their risk of a motor vehicle accident.

2.5 Geographic isolation and limited modal substitution

In geographically isolated centres such as Broken Hill and Mildura, transport alternatives involve extended travel times and limited frequency.

From Broken Hill, travel to Adelaide by road exceeds five hours, and to Sydney more than twelve hours. Rail services are limited.

Where road and rail alternatives impose significant time penalties, aviation demand becomes less elastic. The service becomes essential connectivity rather than optional travel.

2.6 Implications for the Productivity Commission

RDA NSW & ACT evidence indicates that demand for regional air services is driven by:

- essential health and specialist access
- workforce mobility, including infrastructure and energy projects
- business and inter-jurisdictional engagement
- tourism exposure
- schedule suitability and reliability
- geographic isolation and limited practical transport alternatives.

Regional aviation demand is therefore structurally different from metropolitan leisure markets.

In low-volume regional routes, reduced frequency or unsuitable schedules can convert viable demand into suppressed demand, with broader productivity and service delivery consequences.

For the Commission's analysis, understanding airfare determinants requires consideration of how demand composition and service configuration influence realised passenger volumes.

3. Examining any barriers to entry or expansion for airlines to provide regional services

Barriers to entry and expansion on NSW regional routes are shaped less by regulation alone and more by the practical realities of passenger volume, cost exposure and service reliability.

3.1 Limited passenger volume on smaller regional routes

Many NSW regional routes operate with relatively small passenger numbers compared to capital city corridors. This limits the ability of airlines to spread operating costs and reduces revenue certainty.

Recent RDA NSW and ACT examples illustrate how fragile some routes can be:

- Tamworth recorded a 15% decline in passenger numbers alongside 30 fewer weekly flights.
- Armidale recorded a 21% decline in passengers and 44 fewer weekly services.
- Broken Hill recorded a 14% decline in passengers and 17 fewer weekly services.

These figures show that even moderate changes in passenger numbers can result in significant reductions in service frequency.

On smaller routes, there is less margin for error.

3.2 Risk of single-carrier markets

Some NSW regional routes are served by a single airline. Where only one carrier operates, there is no competitive buffer if that airline withdraws.

The cessation of the Link Airways Narrabri–Sydney direct service in 2025 demonstrates this risk. When the direct route ceased:

- Travellers were faced with a 100 km drive to Moree
- or indirect routing via Brisbane
- return fares now exceed $1,000 via Brisbane routing.

Note - Air Pelican provides a weekly direct service to Sydney at a much cheaper rate, however this is not suitable for time sensitive, same day travel.

The withdrawal of Rex from the Albury–Sydney route in July 2024 provides a further example of how competition loss affects service levels. Scheduled sectors fell from 2,441 in 2023 to 1,918 in 2025, a reduction of 523 services, or more than 21% in two years.

While the route continues to operate, the loss of a competing carrier has resulted in fewer services and reduced flexibility for travellers. In a regional setting, there is no alternative airline to absorb this capacity loss.

3.3 Fixed operating and compliance costs

Airlines operating on smaller regional routes face many of the same regulatory and safety requirements as on major routes. These requirements are essential, but the cost impact per passenger is greater when aircraft are smaller and services less frequent.

Where airport charges increase to recover security or compliance costs, airlines must factor this into route economics. On low-volume routes, small changes in cost can determine whether a service remains viable.

3.4 Airport infrastructure and timing constraints

Infrastructure constraints can also limit expansion.

Some regional airports require ongoing investment to accommodate larger aircraft or increased frequency. For example, workforce movements associated with the Humelink West infrastructure project were redirected from Wagga Wagga to Albury due to limited capacity to accommodate larger aircraft and terminal and amenity constraints.

Where funding is uncertain, airlines may be reluctant to scale services.

In addition, access to suitable arrival and departure times at Sydney Airport affects route usefulness. If flight times do not allow same-day return travel, demand may weaken, reducing the attractiveness of expansion.

3.5 Geographic isolation and limited practical alternatives

In centres such as Broken Hill and Mildura, road and rail involve long travel times and limited frequency. While this reduces competition from other modes, it also means airlines cannot rely on high volumes of discretionary travel to support expansion.

Where air travel is essential rather than optional, passenger numbers may be steady but still insufficient to support multiple operators.

3.6 Implications for the Productivity Commission

RDA NSW & ACT evidence indicates that barriers to entry and expansion on regional routes arise from:

- relatively small passenger bases
- single-carrier exposure
- high fixed operating and compliance costs relative to volume
- infrastructure and timing constraints
- limited practical alternatives by road or rail.

For regional routes, the key barrier is not simply fare level, it is whether there is enough sustained demand to support more than one operator over time.

4. Identifying policies and regulatory settings that may contribute to higher regional airfares, reduced service levels or reduced competition

National aviation policy settings apply consistently across Australia. However, the way costs are recovered, and obligations are structured can affect regional routes differently from major city corridors.

In NSW, the impact of regulatory and policy settings is most visible in how fixed costs are recovered in lower-volume airports and how that flows through to airlines and passengers.

4.1 Security screening and ongoing operating costs

Regional airports required to provide security screening must meet the same national standards as major airports. These standards are essential and not in question.

The issue in regional NSW is the ongoing cost of operating those systems.

At a North Coast Airport, management has advised RDA NSW & ACT that the ongoing cost of staffing and maintaining security screening represents a significant fixed expense in a market with far lower passenger numbers than capital city airports. While capital upgrades have received support in the past, day-to-day operating and compliance costs remain the airport's responsibility. With limited commercial revenue to offset these expenses, the council ultimately absorbs shortfalls, and these pressures flow through to airline charges and ticket prices.

4.2 Regulatory compliance costs

Regional airports must comply with the same national safety framework as major airports. Maintaining safety systems, compliance reporting and operational standards involves fixed costs regardless of passenger numbers. In lower-volume NSW airports, these costs represent a larger share of total expenditure, increasing per-passenger cost exposure compared with high-volume metropolitan routes. This reflects scale, not inefficiency.

4.3 Airservices charging arrangements

Airservices Australia charges are generally applied per aircraft movement rather than per passenger.

On larger aircraft serving capital city routes, that cost is spread across many seats. On smaller aircraft operating on regional routes, such as those serving Coffs Harbour, Tamworth or Armidale, the same per-movement charge results in a higher cost per passenger.

For low-volume regional routes, this structure adds to existing scale disadvantages.

4.4 Interaction with competition and service levels

In metropolitan markets, strong competition can limit the extent to which higher operating costs are passed through to passengers.

In smaller NSW regional markets, particularly those served by a single carrier, airlines have limited ability to absorb additional cost pressures. Where airport charges increase to recover compliance or security costs, airlines must factor this into route decisions.

The result may not always appear as a sharp fare increase. It may instead appear as:

- reduced weekly frequency
- less convenient flight times
- withdrawal of marginal services.

This pattern has been observed across several NSW regional routes in recent years.

4.5 Gateway airport access and timing

Access to suitable arrival and departure times at Sydney Airport also influences regional service viability.

Airport operators in regional NSW have reported to RDA NSW & ACT that when flight times do not allow same-day return travel for business or health appointments, demand weakens. Lower load factors then affect route economics.

For regional communities, flight timing is not a minor operational issue, it directly affects whether the service is usable.

4.6 Implications for the Productivity Commission

RDA NSW & ACT evidence indicates that current policy and regulatory settings contribute to regional airfare and service outcomes in the following ways:

- fixed security and compliance costs have a greater per-passenger impact at airports such as Coffs Harbour and other council-owned regional facilities
- movement-based Airservices charges increase per-seat exposure on smaller aircraft
- regional councils absorb operating deficits where aeronautical revenue is insufficient
- timing constraints at major gateways affect route usefulness and demand.

The issue is not the existence of national standards. It is how ongoing costs are distributed across a system where passenger volumes vary significantly.

A review of how security and compliance costs are recovered in lower-volume regional airports would help ensure that national standards do not produce unintended regional cost pressures.

5. Assessing the role for government and the most efficient forms of government intervention

Government already plays a role in regional aviation through safety regulation, infrastructure funding and targeted route support. The question for this inquiry is not whether government should be involved, but how involvement can be proportionate and effective in smaller regional markets.

RDA NSW & ACT evidence suggests that intervention is most relevant where essential connectivity and service access are at risk.

5.1 Where intervention is most justified

Aviation in many NSW communities supports essential services rather than discretionary travel.

In the Riverina, thousands of annual seats are associated with health professional travel. In the Murray, reduced flight frequency and less suitable departure times have increased the cost and complexity of maintaining specialist and visiting medical services.

In Mildura–Wentworth, Business Chamber survey evidence indicates that 48% of businesses rely on air travel. More than half of those relate to tourism activity. As fares have increased and service options narrowed, businesses have reported delayed expansion and reduced opportunities.

In these circumstances, aviation is not simply a commercial service. It underpins health access, workforce mobility and regional economic participation.

Intervention is most defensible where loss of service would materially affect those outcomes.

5.2 Early signals of service decline

RDA NSW & ACT examples demonstrate that service reduction often occurs gradually before a route fails entirely.

"When Rex withdrew from Albury–Sydney in 2024, weekly services fell by more than 21% in two years."

In Albury, following the 2024 withdrawal of Rex, service frequency on the Sydney route reduced, narrowing flexibility for travellers. The route remains operational, but with fewer practical options than previously available.

In Tamworth, Armidale and Broken Hill, passenger declines were accompanied by reduced weekly services.

These examples suggest that market stress can appear as reduced frequency and less convenient flight times before full withdrawal occurs.

Government programs that respond only after complete route failure may miss opportunities to stabilise services earlier.

5.3 Existing mechanisms and their limits

Existing schemes such as the Remote Air Services Subsidy (RASS), the Airservices Australia Enroute Charges Payment Scheme and regulated route frameworks provide targeted support in specific circumstances.

However, these mechanisms do not fully address the pattern of service vulnerability evident across parts of regional NSW. Recent experience in centres such as Albury, Tamworth and Coffs Harbour indicates that connectivity pressures are not limited to very remote locations or routes subject to formal regulation. In a number of regional markets, the issue is not complete service absence, but progressive deterioration in service utility through reduced frequency, less suitable scheduling, higher per-passenger cost exposure and limited competitive discipline.

This points to a gap between the types of markets current programs are designed to support and the conditions now affecting many regional communities. Eligibility settings based primarily on remoteness, population size or narrow program criteria may not capture routes and airports that remain operational, but are becoming less reliable, less practical and more expensive to use.

For these markets, the relevant policy question is not whether government should replace commercial aviation, but whether existing settings adequately respond where market outcomes no longer support reasonable levels of essential connectivity. Where air services underpin health access, workforce mobility, business participation and regional service delivery, targeted intervention may be warranted before full route failure occurs.

5.4 Principles for proportionate intervention

Based on regional NSW intelligence, efficient government involvement should:

- focus on routes where aviation supports essential health and workforce access
- recognise the impact of reduced frequency, not just full route loss
- consider how ongoing security and compliance costs affect council-owned regional airports
- preserve competition where viable, rather than displacing it
- respond where market outcomes no longer sustain reasonable, usable connectivity in essential regional corridors.

Intervention should aim to maintain usable connectivity, including suitable flight timing and reasonable frequency, rather than simply preserving nominal route existence.

5.5 Implications for the Productivity Commission

NSW regional evidence indicates that the role for government is most appropriate where:

- service withdrawal would materially affect health access or workforce mobility
- reduced frequency undermines the practical usefulness of a route
- cost recovery settings create disproportionate pressure in lower-volume airports
- single-carrier exposure leaves communities vulnerable to abrupt connectivity loss

The objective should not be to remove commercial risk from regional aviation. It should be to ensure that policy settings do not unintentionally accelerate service decline in routes that underpin essential regional connectivity.

Carefully targeted, proportionate intervention, particularly where essential services depend on aviation, can support long-term regional productivity without distorting competitive markets.

6. Identifying the impacts of regional air fares and access to regular and reliable air services on regional economies, productivity and related outcomes

In regional NSW, airfare levels and service reliability affect more than individual travel decisions. They influence business costs, workforce mobility, investment confidence and equitable access to services.

The impacts are often gradual rather than immediate but accumulate over time.

6.1 Business costs and investment decisions

Evidence from the Mildura–Wentworth region provides a clear example of how aviation settings influence regional economies.

Survey results from the Mildura and Wentworth Chamber of Commerce & Industry show that:

Impact Category	Percentage of Businesses	Key Finding
Delayed expansion or investment	21%	One in five businesses put growth on hold
Reduced business opportunities	35%	More than one-third missing opportunities
Material increase in operating costs	50%	Half experiencing higher costs
Regular air travel dependency (monthly or more)	48%	Nearly half rely on aviation
Weekly air travel dependency	13%	One in eight use air services weekly
Tourism-related air travel	>50% of air users	Aviation critical for tourism sector

For businesses maintaining interstate relationships, particularly in border communities such as Mildura–Wentworth, aviation supports regular engagement with Melbourne, Sydney and Adelaide. Where fares rise sharply or frequency declines, the cost of maintaining those connections increases.

Over time, this affects competitiveness and investment decisions.

6.2 Workforce attraction and service delivery

Reliable air services support the attraction and retention of skilled professionals in regional communities.

When flights no longer allow same-day travel, additional time and accommodation costs arise, and with few alternative services available, the cost of delivering health care, professional services and project work increases.

6.3 Geographic isolation and limited practical alternatives

In geographically isolated centres such as Broken Hill and Mildura, road and rail alternatives involve long travel times and limited frequency.

Where other transport options are impractical for time-sensitive travel, higher airfares or reduced services have a disproportionate impact.

For patients accessing specialist care, small businesses maintaining interstate relationships or regional families managing essential travel, aviation is often the only realistic option.

6.4 Broader regional development outcomes

Regional aviation supports:

- health workforce sustainability
- infrastructure and energy project delivery
- tourism competitiveness
- regional economic diversification.

When service reliability declines or fares increase significantly, these objectives become more difficult to achieve.

The impact may not appear in a single indicator. It emerges over time in reduced investment, higher operating costs and slower regional growth.

6.5 Implications for the Productivity Commission

RDA NSW & ACT evidence indicates that the impact of regional airfares and service reliability includes:

- higher operating costs for regional businesses
- delayed investment and reduced opportunity
- increased cost and complexity in delivering services
- reduced workforce mobility
- disproportionate effects in geographically isolated communities

In many NSW regions, aviation functions as enabling infrastructure.

An assessment of regional airfare settings should therefore consider broader economic and service delivery consequences, not price movements alone.

7. Identifying the extent of competition between air services and with other modes of transport, including the role of regional air freight

Competition from road and rail varies by geography but is often limited in practical terms. In centres such as Broken Hill and Mildura, driving involves long travel times and rail services are infrequent. For time-sensitive travel, including business, health and government appointments, road and rail are not realistic substitutes. Where alternatives involve five or more hours of travel each way, aviation becomes essential rather than optional.

Charter services generally complement rather than compete with regular passenger services. While charter operations support specific industries, they do not provide the publicly accessible, price-transparent and frequent services required for routine business and community travel.

In isolated locations such as Lord Howe Island, aviation is the sole mode of passenger and time-sensitive freight access. In these settings, air services function as core connectivity infrastructure rather than a competitive transport market. This illustrates that, in parts of regional NSW, the question is not how much competition exists, but how essential connectivity is maintained.

Summary Statement

RDA NSW & ACT evidence presented across the Terms of Reference demonstrates that regional airfare outcomes in NSW are shaped by the practical realities of lower passenger volumes, limited competition and the way ongoing regulatory and security costs are recovered in smaller airports.

Demand in regional markets is driven largely by essential services, workforce mobility and time-sensitive travel. When frequency declines or flight times no longer support same-day travel, viable demand can fall away even where underlying need remains.

Higher fares alone do not attract additional operators to smaller regional routes. In many cases, reduced competition or carrier exit leads to lasting reductions in service levels without automatic market correction.

The impacts extend beyond individual travellers. RDA NSW & ACT evidence shows increased business costs, delayed investment and higher service delivery expenses where reliable air access declines. In geographically isolated communities, road and rail alternatives are often impractical.

For the Commission, this suggests that assessment of regional airfare settings should consider how scale, competition depth, cost recovery arrangements and service timing work together in lower-volume markets. In many NSW communities, aviation functions as enabling infrastructure rather than discretionary transport.

The Commission should consider targeted policy reform where current market and regulatory settings are not delivering reasonable, usable connectivity in regional NSW. This includes reviewing how fixed regulatory and security costs are recovered, whether existing support programs adequately reflect current regional service pressures, and whether limited, proportionate intervention may be needed to sustain essential routes in persistently thin markets.

The RDA NSW & ACT Network welcomes further engagement with the Productivity Commission and would be pleased to provide additional regional insight to support its final recommendations.

Anna Guillan AM
Chair, RDA NSW & ACT Committee
Chair, RDA Sydney