Every Queensland **community** deserves to be a liveable one

Determinants of regional airfares

Productivity Commission

March 2026

Web: www.lgaq.asn.au

Twitter: @LGAQ

Linkedin: Local-Government-Association-of-Queensland

Facebook: /LocalGovQld

Instagram: @localgovqld

Contents

About the Local Government Association of Queensland (LGAQ)

The Local Government Association of Queensland (LGAQ) is the peak body for local government in Queensland. It is a not-for-profit association established solely to serve councils and their needs. The LGAQ has been advising, supporting, and representing local councils since 1896, enabling them to improve their operations and strengthen relationships with their communities. The LGAQ does this by connecting councils to people and places; supporting their drive to innovate and improve service delivery through smart services and sustainable solutions; and providing them with the means to achieve community, professional and political excellence.

Determinants of regional airfares

1.0 Executive Summary

The Local Government Association of Queensland (LGAQ) welcomes the opportunity to provide feedback to the Productivity Commission on its inquiry into the determinants of regional airfares (the Inquiry).

Local governments in Queensland own and operate the majority of the state's regional aerodromes, which underpin connectivity, health access, economic participation and social equity across regional, rural, remote and First Nation's communities. Without affordable and reliable air travel, many communities would be left isolated, particularly during periods of flooding or seasonal inaccessibility.

Regional, rural and remote communities face growing challenges in accessing affordable and reliable air services. Communities in places such as Longreach, Mount Isa, Roma, Bamaga and Normanton, routinely face airfare prices that are two to three times higher per kilometre than those in metropolitan areas. These high costs limit participation in essential services, including specialist medical care, education and workforce mobility, and suppress tourism and economic development opportunities.

Key cost drivers include the absence of competition on key routes, low passenger volumes, high per seat operating costs of small aircraft, and significant regulatory and infrastructure costs borne by airport operators.

Of the 81 Civil Aviation and Safety Authority-registered airports and aerodromes across Queensland, 61 are owned and operated by local governments. Yet many regional, rural and remote councils find themselves having to subsidise the operation of their airports and aerodromes through their general rates base, resulting in a system where the communities with the least capacity, pay the highest costs and experience the greatest barriers to access. In many cases, councils also make a deliberate policy choice to keep landing fees and passenger charges below full cost recovery in order to preserve access to air services and to avoid placing further upward pressure on already high fares or the risk of route withdrawal.

This is occurring in the context of an increasingly constrained financial environment for local government. Councils receive just 3 per cent of total taxation revenue nationally yet are expected to maintain aviation infrastructure that is essential to national connectivity and resilience.

Councils cannot continue to shoulder the growing financial and regulatory burden associated with sustaining essential aviation infrastructure and services. This is further evidenced by the LGAQ's Cost Shifting Report[1], which quantifies the impact of cost shifting by other levels of government on to councils and the communities in which they serve.

Across Queensland, councils are responsible for delivering a range of essential services and infrastructure that supports the liveability of their local communities. They do this while navigating a challenging financial environment as evidenced by the 2023 Queensland Audit

[1] LGAQ Cost Shifting Report (2024) – available online here.

Office report into local government financial sustainability, which found 48 out of Queensland's 77 councils are at moderate to high risk of not being financially sustainable[2].

Programs in Queensland including the State Government's Local Fare Scheme[3] and regulated route contracts have helped to reduce cost burdens in select communities. However, significant gaps remain[4].

As such, there is an urgent need for a coordinated national response to improve affordability and service access through expanded fare support, infrastructure funding, and fit for purpose regulation at a national level that recognises the structural limitations of regional aviation markets.

The LGAQ urges the Inquiry to acknowledge that the viability of regional, rural and remote air services relies on sustainable support for the local governments that operate and maintain Queensland's aviation infrastructure. Airports and aerodromes are essential public infrastructure, and require fit-for-purpose policy, funding and regulatory settings that reflect their strategic role in community connectivity, health, safety and economic participation.

It is essential that future aviation policy settings are developed to ensure equitable access to air services, sustainable service delivery and the long-term liveability and resilience of Queensland's regional, rural and remote communities.

1.1 Recommendations

In total, the LGAQ has made six recommendations for consideration of the Committee which are summarised below:

- Recommendation 1: The LGAQ recommends the Federal Government ensures that future aviation policy settings prioritise affordability, continuity of access and service reliability for regional, rural and remote communities, particularly where air services are essential to health care, education, economic participation, disaster response and access including for First Nations communities.
- Recommendation 2: The LGAQ recommends the Federal Government strengthens service standards and obligations for regional air services to improve affordability, reliability and continuity for regional, rural and remote communities, including mechanisms that encourage longer term airline commitments to routes that rely on sustained public investment.
- Recommendation 3: The LGAQ recommends the Federal Government improves monitoring and transparency of airfare pricing and volatility on regional and remote routes, including regular reporting on fare movements, demand segmentation, and the effectiveness of regulated route settings in improving price stability.
- Recommendation 4: The LGAQ recommends the Federal Government reviews and reforms the design and implementation of federally mandated aviation security and regulatory requirements, to ensure they are proportionate, risk based and appropriate for low volume regional airports, including clearer regulatory triggers, realistic implementation timeframes, and targeted support to reduce unnecessary cost burdens and service disruption.
- Recommendation 5: The LGAQ recommends the Federal Government establishes an expanded, more flexible and predictable infrastructure funding framework for council-

[2] QAO Financial Audit report - Local government 2023 (Report 8: 2023-24)
[3] Local Fare Scheme – Airfare subsidy for Cape York, Gulf of Carpentaria and Torres Strait
[4] Long distance air services – Regulated air services

owned regional, rural and remote airports that recognises long term asset renewal needs, revenue capacity and operational requirements of this infrastructure.

- Recommendation 6: The LGAQ recommends the State and Federal Government expand and better target fare relief and subsidy settings for regional Queensland to ensure support extends beyond a small number of regulated services.

Please do not hesitate to contact Jarrod Hellmuth, Lead – Roads and Transport via email: jarrod_hellmuth@lgaq.asn.au, Crystal Baker, Manager – Strategic Policy via email: crystal_baker@lgaq.asn.au or phone 1300 542 700 should you wish to discuss any aspect of this submission.

2.0 Introduction

The LGAQ welcomes the opportunity to provide this submission to the Productivity Commission's inquiry into the determinants of regional airfares.

Queensland's regional aviation network is essential to the functioning and wellbeing of regional, rural and remote communities. As Australia's most decentralised and disaster-prone state, Queensland presents unique challenges that must be considered in aviation policy and pricing.

Air services are not only essential for connecting communities to health care, education, employment and supply chains, but are also critical for disaster response and recovery. In the 2024-25 financial year, nearly 95 per cent of Queensland councils were disaster activated, with aviation often serving as the only reliable means of access during flood or cyclone events. [5]

Local governments own and operate the majority of Queensland's regional, rural and remote airports and aerodromes. This includes significant financial, regulatory and operational responsibilities for this critical infrastructure, which enables the operation of regular passenger transport (RPT) services that are vital to the economic and social wellbeing of their communities.

The Queensland State of the Assets Report published by the LGAQ in 2025 highlights the scale of infrastructure renewal facing local governments. The report identifies that approximately $56 million worth of council owned airport and aerodrome assets are currently rated in poor condition, reflecting a significant backlog of renewal and rehabilitation works. This underscores that many airport pavements, lighting systems, terminals, and associated airside infrastructure are approaching or have exceed their intended useful life, increasing both compliance and future renewal costs for councils. [6]

This submission is consistent with the LGAQ's previous advocacy on regional aviation, including submissions to the Aviation Green Paper in 2023 and the 2022 Senate inquiry into Australia's general aviation industry. Across these submissions, the LGAQ has consistently highlighted the essential role of regional aviation in supporting connectivity, liveability and economic participation in Queensland communities, and has emphasised the need for greater Federal Government support to address the ongoing operational, compliance and infrastructure costs borne by council owned airports and aerodromes.

This submission is framed by the need for the inquiry to identify policy settings that improve the affordability, reliability and accessibility of aviation for Queensland councils and the communities that depend on these services.

2.1 LGAQ Policy Statement and Annual Conference resolutions

The LGAQ is committed to member-driven advocacy and working with member councils to build stronger local governments and more resilient local communities.

The LGAQ Policy Statement[7] is the definitive statement of the collective voice of local government in Queensland and provides several key policy positions of local government that

[5] Queensland Disaster Management Committee Annual Report 2024-25 – available online here.

[6] LGAQ Queensland State of the Assets Report – available online here.

[7] LGAQ Policy Statement 2025 – available online here.

are relevant to the Inquiry. As such, the following submission aligns with the relevant, agreed policy positions of local government as articulated in the LGAQ Policy Statement (Attachment 1).

In addition, two previous LGAQ Annual Conference resolutions (Attachment 2) have been passed by Queensland councils in recent years on matters relating to aviation and connectivity in Queensland.

The LGAQ's feedback as reflected in this submission has also been informed by extensive engagement with local governments through a combination of meetings, discussions and survey responses from councils across Queensland.

3.0 Response to the Inquiry

In preparing this submission, the LGAQ has considered the Terms of Reference provided for the Inquiry which includes a range of factors of relevance to the Inquiry such as:

- 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,
- Identifying the main drivers of demand for regional air services,
- Examining any barriers to entry or expansion for airlines to provide regional services,
- Identifying policies and regulatory settings that may contribute to higher regional airfares, reduced service levels or reduced competition,
- Assessing the role for government and the most efficient forms of government intervention in the market and other policies to improve access, pricing and service outcomes,
- Identifying the impacts of regional air fares and access to regular and reliable air services on regional economies (including tourism and migration), productivity, and improving Closing the Gap outcomes,
- Identifying the extent of competition between different air transport services (regular public air transport and charter) and with other modes of transport (road and rail), and the role of regional air freight in supporting the commercial viability of regional air services, and
- Considering international comparisons and best practices in comparable aviation markets.

A response to the information request questions is provided in this section of the submission and considered with regard to the LGAQ Policy Statement, LGAQ Annual Conference Resolutions, and direct feedback provided by Queensland councils through consultation undertaken by the LGAQ since November 2025, particularly those with communities directly impacted by expensive regional air fares.

The information provided in this submission has been further informed by council case studies, feedback gathered from regional groups of councils and relevant airport stakeholders and service users. It also draws on the analysis of the critical role that local government plays in sustaining the aviation network in Queensland, including that for passenger transport, freight logistics, emergency response and medical retrieval.

The LGAQ welcomes the opportunity to contribute to this important inquiry and to work constructively with the Federal Government and the Productivity Commission to ensure aviation policy settings reflect the lived realities of regional and remote communities. Queensland's unique decentralised geography, highest number of regional, remote and rural airports and reliance on air services for health, safety and connectivity make this engagement particularly vital.

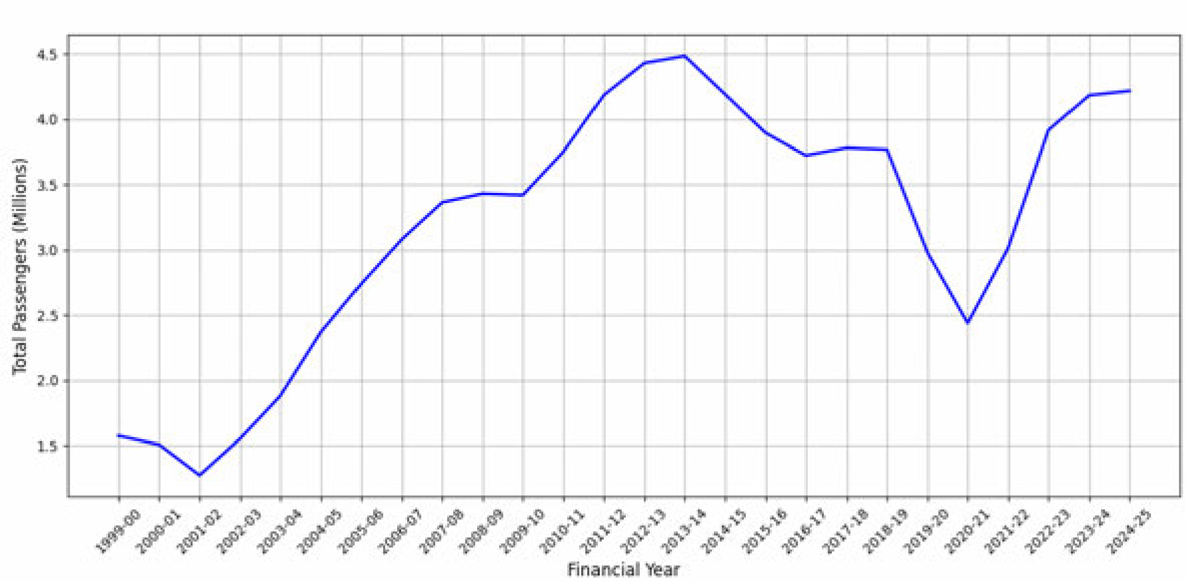
3.1. Importance of regional aviation

Regional aviation delivers a broad range of essential services to Queensland's regional, rural and remote communities. These services underpin access to health care, education, tourism, economic development, freight and emergency response. In Australia's most decentralised and disaster-prone state, vast distances and seasonal weather events frequently isolate communities. Aviation access remains one of the most critical enablers of community resilience, wellbeing and economic participation. Local governments play a central role in facilitating these services by maintaining and operating the infrastructure that makes RPT services possible.

Queensland's smaller regional airports collectively support significant passenger movement each year. This sustained demand reflects not only the essential role of aviation in enabling community wellbeing but also its integration with regional economies, service delivery and the broader transport network.

Data published by the Bureau of Infrastructure and Transport Research Economics (BITRE) provides time series data on RPT services various Australian airports, with over 7,000 revenue passenger movements annually. Figure 3.1 below utilises this information to illustrate total annual passenger movements from 1999 onwards across Queensland's main regional airports. It is noted that the Brisbane, Gold Coast, Sunshine Coast, Cairns and Townsville airports were excluded as they are not considered regional airports but rather major commercial airports, due to their size and extent of connectivity.

Figure 3.1: Total Passenger Movements at Queensland Regional Airports (1999/00 onwards)



Source: BITRE (2026)[8]

The sustained level of passenger activity shown in this data reinforces that regional aviation is a core part of Queensland's transport and service network rather than a discretionary service. It also demonstrates the degree to which regional communities and industries rely on aviation to maintain connections with larger regional centres, capital cities, and essential services.

Regular and reliable air services also make a direct contribution to regional economies. They support tourism, enable investment, assist workforce attraction and retention, and allow local businesses to remain connected to suppliers, customers and specialist services.

Research undertaken by the Australian Housing and Urban Research Institute (AHURI) reinforces the significance of these connections, finding that a key determinant of whether

[8] Bureau of Infrastructure and Transport Research Economics (BITRE), Airport Traffic Data – available here.

people remain in regional areas is their level of air access to metropolitan centres[9]. Affordable and reliable air services are, therefore, essential to population retention, workforce mobility and regional migration.

This is also reflected in the Gladstone region, where aviation is closely tied to economic productivity, liveability and investment attraction. Snapshot data for the region indicates that 67.5 per cent of air travel is for business or FIFO purposes, 19.5 per cent for leisure, 12.6 per cent for visiting friends and relatives, and 5.9 per cent for medical services, with South East Queensland accounting for 68 per cent of all travel. This demonstrates the extent to which reliable and affordable aviation supports major industry operations, workforce mobility, specialist access and broader business connectivity.

For a region such as Gladstone, which hosts nationally significant energy, manufacturing and resources industries, aviation is essential for both economic performance and investment attraction. With Gladstone located approximately 550 kilometres from Brisbane, equating to 6 to 7 hours by road compared with 1 hour by air, aviation enables same day business travel and more efficient access to specialist services. It also plays an important role in supporting regional liveability, maintaining access during floods, cyclones and drought and major infrastructure failures.

This role is particularly visible in tourism dependant regions. For example, Outback Queensland continues to rely on aviation to overcome the tyranny of distance and enable access to destinations such as Longreach, Winton and Birdsville. Tourism and Events Queensland (TEQ) data shows that the Outback Queensland region welcomed a record 373,000 domestic holiday visitors in the year ending 2022, contributing to an annual overnight visitor spend of approximately $780 million in the outback alone.[10] Reliable air services help unlock this visitor economy, supporting regional GDP, local businesses and employment across hospitality, retail and visitor services.

Regional aviation also improves productivity by reducing the time and cost barriers associated with distance. For many industries and service providers, including health, education, construction, resources, local government and community services, aviation makes it possible to deliver services efficiently across dispersed populations. It allows workers, contractors and public servants to travel between remote communities and regional centres in a timeframe that is operationally and economically feasible. This is particularly important in a state such as Queensland, where business, service delivery and workforce mobility often depend on timely access across large and geographically dispersed regions.

The importance of aviation is even more pronounced for Aboriginal and Torres Strait Islander communities. In Cape York Peninsula and Torres Strait, for example, air services are often essential for accessing specialist health care, secondary and tertiary education, and government services, while also maintaining family and cultural connections. As such, aviation plays a practical and necessary role in supporting Closing the Gap outcomes across health, education, social participation and employment.

In many of these remote and First Nations communities, air travel does not merely compliment other transport modes but substitutes them entirely, particularly during wet weather seasons

[9] Australian Housing and Urban Research Institute (2025), AHURU Final Report No. 438: Inquiry into projecting Australia's urban and regional futures: population dynamics, regional mobility and planning, responses – available here.

[10] Tourism and Events Queensland, Outback Queensland Regional Snapshot 2022 – available here.

where road access is impeded. This is clearly illustrated by the experience of Cook Shire Council and the operation of Cooktown Airport (Case Study 1).

Case Study 1 – Cook Shire Council and Cooktown Airport

Cook Shire Council provides a clear example of the critical role local governments play and the challenges they face in owning and operating regional aviation infrastructure. Cooktown airport is owned and operated by council and serves as a key gateway to the Cape York Peninsula, supporting RPT services, charter operations, freight movements and essential aeromedical access.

The airport underpins access to healthcare, including RFDS operations, and enables government service delivery across a large and geographically remote region. Road access to Cooktown and surrounding communities is frequently disrupted by seasonal weather events, flooding and cyclones, reinforcing aviation as the only reliable year-round transport option for residents, visitors and service providers. For many First Nations communities across Cape York, sustained aviation access is critical to improving health outcomes and supporting service delivery consistent with national Closing the Gap priorities.

In addition to its social and service delivery role, Cooktown Airport is a vital enabler of the region's tourism economy. Aviation access support seasonal visitation, major events and local businesses, which are critical to economic development in a remote setting. At the same time, Cook Shire Council must meet ongoing regulatory, safety and asset management obligations for the airport, despite low and variable passenger volumes and a limited local revenue base.

In the 2024/25 financial year, Cooktown Airport generated $505,228.09 in revenue whilst requiring $809,381.29 in expenditure. This resulted in a net loss of $304,153.20, borne by a small council with a limited rate base, yet the airport must continue to operate because of its essential role in supporting community access, public safety and regional connectivity.

This example highlights the broader policy challenge for regional aviation in Queensland. Many regional airports and aerodromes operate at a financial loss, but remain indispensable to community wellbeing, economic participation and social equity. Current policy settings do not adequately recognise or support the foundational role these airports play as essential regional infrastructure.

Despite ongoing financial pressures associated with operating airport infrastructure in a remote environment, Cook Shire Council continues to support these services because they are critical for access to their communities and neighbouring First Nations communities across Cape York.

The continued operation of these airports is essential to ensuring connectivity for health, education, essential goods and community life, even where services are not commercially viable.

For many Queensland communities, air access is an essential service which directly underpins liveability, resilience and participation in social and economic life. Policy settings must therefore reflect the reality that regional aviation supports far more than passenger movements alone and ensures communities are not further disadvantaged by distance, isolation or disruption.

- Recommendation 1: The LGAQ recommends the Federal Government ensures that future aviation policy settings prioritise affordability, continuity of access and service reliability for regional, rural and remote communities, particularly where air services are essential to health care, education, economic participation, disaster response and access including for First Nations communities.

3.2. Influence of fares on aviation demand

Access to affordable air travel remains one of the most significant issues affecting regional, rural and remote Queensland communities. Where communities are separated by large distances, limited road access or seasonal disruption, the cost of flying has a direct bearing on whether people can participate fully in economic and social life.

The main drivers of demand for regional air services extend beyond fare levels alone. Demand is shaped by the following factors:

- Availability and quality of alternative transport
- Frequency and reliability of flights
- The need to access essential services
- Presence of major industries such as mining or tourism
- Need to maintain connection with metropolitan centres and family networks

In Queensland, demand is particularly strong where aviation supports specialist health travel, workforce mobility, government service delivery and travel to remote communities that cannot be accesses efficiently by road or rail.

Whilst fares are not the only factor influencing demand, they are one of the most significant. High airfares can suppress discretionary travel such as tourism, family visits and social travel, and some forms of business activity. In contrast, essential travel such as medical appointments, work obligations or urgent family matters, demand often persists despite high prices, but at much greater financial and social costs. This means that fare levels influence demand in different ways depending on the purpose of travel. In many regional, rural and remote communities, high prices do not eliminate the need to travel but they reduce the frequency of

Case Study 2 – Gladstone Regional Council

Gladstone Regional Council's experience highlights the extent to which fare levels can directly influence demand for regional air services. In Gladstone, regional air travel is particularly price sensitive for leisure and personal travel, and where lower cost fares have been trialled, local uptake has been strong.

Community survey data provided by council indicates that 99 per cent of respondents who required air services had flown from Rockhampton Airport, located 100 kilometres from Gladstone, in the previous 12 months, with 68 per cent identifying flight prices as the primary reason. Notably, 50 per cent of those surveyed were travelling to destinations already directly served by Gladstone, indicating that high fares, rather than route availability, are a key driver of passenger leakage.

This highlights the extent to which airfare affordability can influence local demand, reduce the viability of regional services and shift travel onto alternative airports and transport modes.

travel, increase hardship, shift costs onto households, employers and councils. Case Study 2 below demonstrates some of these challenges.

This dynamic is increasingly important in Queensland where regional aviation markets are often characterised by low passenger volumes, limited competition and high operating costs. In thin regional markets, where there are fewer passengers over which to spread fixed costs, the effect of airport charges, aircraft operating costs and route specific commercial decisions is more pronounced. As a result, even relatively short regional journeys can become prohibitively expensive for residents and businesses.

BITRE data indicates that lowest priced return airfares on some regional routes have risen by up to 237 per cent since 2010.[11] Routes connecting Brisbane with major regional centres, including Roma, Gladstone, Proserpine and Moranbah, have experienced substantial fare increases exceeding 40 per cent in recent years.[12] These increases are significant as they have occurred in markets where aviation is not discretionary but essential in maintaining access to employment, healthcare, education, and family connections.

More recent data from the Airline Competition and Consumer Commission (ACCC) has found that while air fares on capital routes dropped in price by around 12 per cent between 2019 and 2024, regional airfares increased more than 25 per cent in the same period.[13] Many return flights from rural, remote, and regional towns frequently exceed $1200, which is comparable to (or in some cases, more than) the cost of international travel and exceedingly expensive for locals needing to travel for work, education or medical treatment.

The post pandemic period has also highlighted the fragility of demand and service continuity around regional aviation. During and after COVID-19, many regional routes experienced service disruptions, reduced frequencies and changes in aircraft deployment. In some cases, this reduced availability has increased priced volatility and constrained consumer choice. Where only one operator remains on a route, or where airlines have reduced capacity, residents and businesses face not only higher prices but less certainty about whether flights will operate when needed. This instability has had a compounding effect on demand, reducing confidence among residents, business owners and service providers who rely on predictable air access.

A further compounding factor influencing demand is the lack of certainty and continuity of regional air services. Airlines are not generally subject to long term service obligations on regional routes, meaning communities and local governments can face abrupt service reductions, schedule changes, or route withdrawals where significant public investment has been made in the airport infrastructure. This instability undermines affordability outcomes by limiting consumer choice, increasing price volatility and reducing confidence for communities which rely

- Recommendation 2: The LGAQ recommends the Federal Government strengthens service standards and obligations for regional air services to improve affordability, reliability and continuity for regional, rural and remote communities, including mechanisms that encourage longer term airline commitments to routes that rely on sustained public investment.

High fares also influence transport choice in ways that may create broader risks. Where flights are unaffordable, some residents choose to drive long distances to larger recreational centres

[11] BITRE domestic discount airfares – Brisbane to Rockhampton – available here.
[12] BITRE domestic discount airfares – available here.
[13] Domestic airline competition in Australia, ACCC – available here.

in order to access cheaper fares. In rural and remote Queensland, this can mean hours of additional road travel and heightened exposure to driver fatigue and road safety risks.

This is reinforced by recent survey data from the Gladstone region, which found that 84 per cent of respondents had chosen to drive or use alternative transport to destinations they would otherwise have considered flying to, with flight prices cited as the primary reason. This demonstrates that fare levels are not only affecting travel costs, but are actively suppressing aviation demand and shifting travel onto less efficient, and in some cases, less safe alternatives.

Air fares have a significant influence over demand for regional air services, however this impact is uneven. For discretionary travel, high prices can suppress demand and constrain tourism, business or family travel. For essential travel, demand remains but the burden is transferred to households, employers, councils and communities. Future policy settings must therefore not only focus on maintaining services but also on ensuring those services are genuinely affordable to the communities that depend on them, consistent with Recommendation 1 and the need to prioritise affordability and continuity of access for regional, rural and remote communities

3.3. Determinants of regional airfares

Regional airfares are shaped by a combination of structural cost pressures, market conditions and pricing behaviour. In Queensland, these factors interact more acutely on regional, rural and remote routes than they do on major cities which results in fares that are often priced higher and are more volatile. The key determinants include passenger volume, route distance, aircraft type, airport operating costs, market competition, airline pricing strategies, and the broader cost of maintaining aviation infrastructure in low volume settings.

A fundamental driver of higher regional fares is the lower passenger base available to support services. Major city routes benefit from high demand, multiple day services, and larger aircraft, allowing airlines and airports to spread fixed costs across a greater number of passengers. In contrast, regional routes operate with fewer services, smaller aircraft and lower load factors. The cost of operating each flight must be recovered across a much smaller passenger base, increasing the cost per seat and ultimately the fare available to passengers.

Airport costs also contribute to airfare outcomes, particularly in regional, rural and remote areas where infrastructure costs must still be maintained to regulated standards regardless of passenger throughput. Council owned airports and aerodromes are required to meet ongoing safety, security and compliance obligations even where traffic volumes are low and revenue is limited. In these circumstances, councils must make difficult decisions about the extent to which costs can be recovered through fees and charges without further undermining affordability or risking service withdrawal.

For a medium-sized council-owned regional airport typically applies a relatively higher per passenger charge on charter operations (approximately $30-$40 per movement) along with a weight-based landing fee (approximately $15-$20 per tonne of maximum aircraft weight). This pricing approach allows partial recovery of costs whilst continuing to rely on council subsidy to remain operational.

Comparatively, small rural or remote council-owned aerodromes face a fundamentally different cost recovery environment. These facilities may maintain very low landing charges (below $10 per tonne) and may only levy passenger service fees on larger aircraft above a defined weight threshold or may waive them entirely for light aircraft[14]. This does not reflect lower operating costs, but a deliberate policy choice by councils to preserve access to air services where higher charges would risk route withdrawal or make services unaffordable.

The level of competition on a route is another major determinant of airfare pricing. Where multiple airlines operate, there is generally more downward pressure on fares and more scope for discounting. On many regional Queensland routes, however, competition is minimal or absent all together. The reduced passenger demand, long distance and constrained commercial return make many routes unattractive for multiple operators. In those circumstances, airline pricing is influenced by both cost recovery and the absence of competitive pressure. This is one of the reasons regional routes often do not experience the same fare reductions as seen on major metropolitan markets.

Airfare volatility is also affected by airline revenue management practices. Airlines actively price seats according to demand, booking patterns, seasonality and passenger type in order to maximise route yield. On regional routes, where some travel is essential and demand is relatively inelastic, these strategies can produce sharp fare increases during peak periods or on sectors with stronger demand. This is particularly evident where FIFO travel, business travel or urgent medical and family travel create strong directional demand. In those markets, fares may rise significantly in one direction or at certain times of week in order to offset weaker demand elsewhere in the schedule.

Taken together, these factors demonstrate that affordable and reliable aviation cannot be left entirely to market forces, and that government has an important role in ensuring policy, funding and regulatory settings support the long term viability of essential air services and the infrastructure that underpins them.

- Recommendation 3: The LGAQ recommends the Federal Government improves monitoring and transparency of airfare pricing and volatility on regional and remote routes, including regular reporting on fare movements, demand segmentation, and the effectiveness of regulated route settings in improving price stability.

3.4. Competition and barriers to regional aviation

In many parts of regional, rural and remote Queensland, there is little or no effective competition between airlines. This lack of competitive pressure can contribute to higher fares, greater fare volatility and reduced service choice for communities. The Aviation White Paper[15] notes that many regional routes are now served by a single operator, and that fares are generally higher where fewer airlines operate.

There are also significant barriers to entry for new airlines in regional markets. These include limited passenger demand, long route distances, a shortage of suitable aircraft and crew, operational constraints at smaller airports, and the commercial risk of entering reduced markets with uncertain returns. For councils, these barriers are often visible through the difficulty of attracting new services where there is clear community need. In remote and low volume markets, the challenge is that the underlying economics of the route are often not strong enough to sustain multiple carriers.

[14] Avdata summary of airport charge rates – available here.
[15] Aviation White Paper Towards 2050 – Available here.

Similar barriers affect the expansion of existing airlines. Even where demand increases, airlines may face limitations related to aircraft availability, workforce shortages, airport operating constraints or the economics of adding frequency on routes that remain marginal. This means that communities can experience prolonged periods of limited service or reduced schedule flexibility despite local demand being strong enough to justify improvement. In this environment, abrupt service changes or route withdrawals can occur despite sustained public investment in the aviation infrastructure that supports those services.

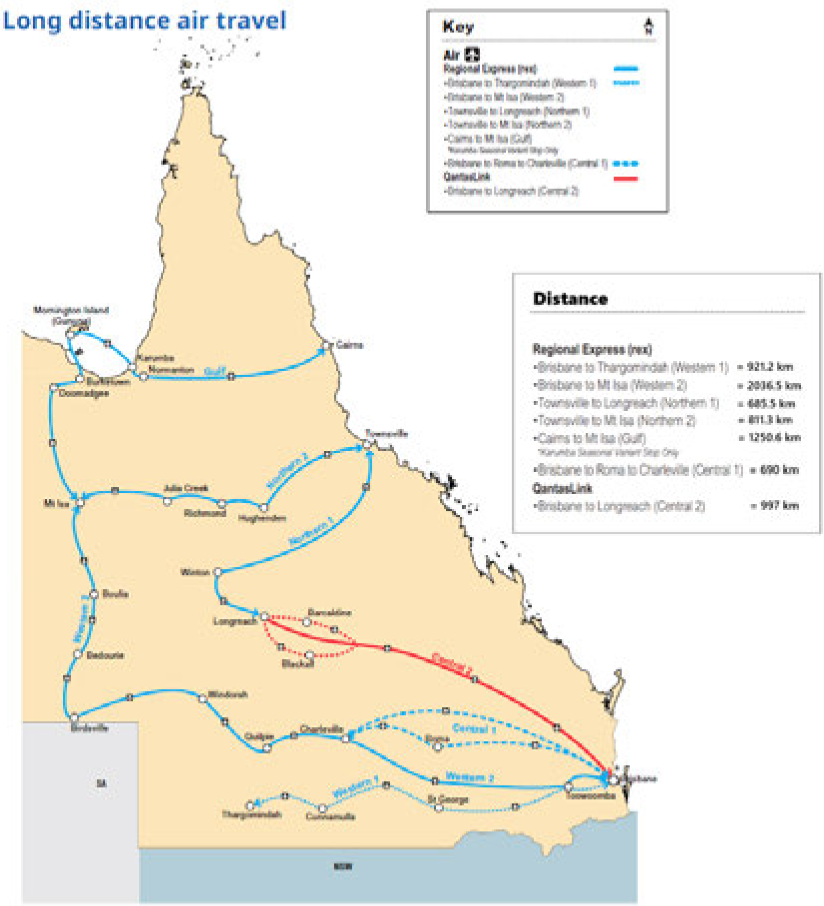
For local government, these characteristics reinforce that airfare outcomes are shaped by the structure and fragility of regional aviation markets. In many cases, the limited scale of regional demand means that competition alone cannot be relied upon to deliver affordable and reliable outcomes. This further highlights the importance of targeted policy settings and public support to sustain access in communities where aviation remains essential, as reflected in Recommendation 1 above.

3.5. Impact of government policies or regulation

Government policies and regulatory settings have made an important difference to regional aviation in Queensland, particularly in routes which are not economically viable. In the absence of intervention, a number of regional, rural and remote communities would have faced reduced or lost air access all together. Queensland's regulated long distance air service contracts and the Local Fare Scheme are clear examples of policy measures that have helped preserve connectivity and reduce the burden of high fares in some communities.

In recognition of the limited commercial viability of many low volume regional routes, the State Government has established a range of subsidised and regulated air services to maintain minimum levels of access throughout Queensland, shown in Figure 3.2. While these arrangements play an important role in preserving connectivity, they highlight the broader structural challenges facing regional aviation markets where affordability and service continuity cannot be delivered by market forces alone.

Figure 3.2: Regulated Queensland Air Service Routes



Source: State Government.[16]

Federal Government programs have also made a meaningful difference for eligible residents in Cape York, the Torres Strait and select Gulf communities by reducing the effective costs of travel on routes where aviation is often the only practical means of accessing family, essential services and opportunities outside of the local area.

Programs such as the Remote Airstrip Upgrade Program (RAUP), the Regional Airports Program (RAP), the Remote Air Services Subsidy Scheme (RASS) and the Airservices Australia Enroute Charges Payment Scheme (Enroute), have all helped reduce barriers to access or improve the viability of settings in remote and low volume settings. These forms of intervention have been particularly important where councils have limited ability to fund safety and compliance upgrades from their own revenue bases.

It is evident that policy intervention does make a difference, particularly where it is targeted toward clear market failure, essential service access and remote community need. However, the effectiveness of these measures is constrained where support is narrow, short term, or not aligned with underlying cost pressures being absorbed by councils and communities.

[16] State Government Long Distance Air Services – available here.

3.6. Opportunities to improve affordability and access

Improving affordability and access in regional aviation will require policy intervention that goes beyond preserving minimum service levels. Data provided in this submission demonstrates that high regional airfares are driven by a combination of reduced passenger demand, limited competition, rising compliance and infrastructure costs, and funding settings that have not kept pace with the realities of operating essential aviation infrastructure in regional, rural and remote Queensland. Addressing these pressures will require governments to focus on the parts of the system where intervention can have the greatest practical effect on fare outcomes and service continuity.

A key priority is reducing the disproportionate regulatory and compliance burden carried by low volume regional airports. Federally mandated aviation security and regulatory requirements can impose substantial fixed costs on council owned airports regardless of passenger throughput. These costs are primarily borne by councils, airlines and passengers in the markets least able to absorb them. More proportionate, risk based and fit for purpose regulatory settings would help reduce avoidable cost pressures, particularly in regional, rural and remote airports and aerodromes.

This issue is particularly evident in relation to security screening requirements. A case study of four regional airports across Australia (Rockhampton, Wagga Wagga, Geraldton, and Whyalla) found that security costs increased from 13 per cent to 40 per cent, with average costs to increase more than $400,000 per year.[17] For low volume airports, these costs translate into extremely high per passenger charges.

One airport identified that the additional screening costs would equate to over $51 per passenger, and that passing these costs on to airlines had the potential to increase ticket prices by up to 35 per cent. These outcomes directly undermine affordability and place pressure on already marginal regional routes. This reinforces the need to ensure regulatory obligations are commensurate with the scale, risk profile, and operating environment of each airport rather than applying settings designed for much larger facilities.

- Recommendation 4: The LGAQ recommends the Federal Government reviews and reforms the design and implementation of federally mandated aviation security and regulatory requirements to ensure they are proportionate, risk based and appropriate for low volume regional airports, including clearer regulatory triggers, realistic implementation timeframes, and targeted support to reduce unnecessary cost burdens and service disruption.

[17] DITRDC: Passenger security screening enhancements – available here.

A significant challenge shared across many Queensland councils is the cost associated with infrastructure funding as shown in Case Study 3 below.

Case Study 3 – North Queensland councils

Several aerodromes were studied in North Queensland to assess potential upgrades and what could be done to reduce costs or enhance traffic and revenues. The potential projects assessed highlight the challenge facing local governments in maintaining and upgrading regional aerodrome assets. These projects demonstrate that while runway, taxiway and apron works are essential to maintaining safety, compliance, and service continuity, the financial return generated by these investments is insufficient to offset their full cost.

The cost of major aerodrome pavement renewal works has been estimated as $3.2 million and $1.9 million for two councils. These projects involve resealing and rehabilitation of critical aviation infrastructure including runways, taxiways and apron pavements to ensure ongoing compliance with regulatory standards and to maintain operational capability for existing aircraft types.

In both cases, councils have assessed their ability to generate sufficient revenue from airport operations to fund these upgrades and associated ongoing operational costs. The analysis demonstrates that revenue derived from landing fees, passenger charges and other airport related income is not sufficient to cover either the capital cost of infrastructure renewal or the cumulative operating losses incurred over that time. This reflects the reality that many regional airports operate at an ongoing deficit due to low passenger volumes, limited commercial flight availability and fixed regulatory and maintenance costs.

Even where aerodrome upgrades result in improved operational efficiency or enhanced service capability, financial modelling undertaken by councils indicate that the payback period for these investments can extend to 10 to 15 years longer, if profitability is achievable. This timeframe exceeds typical asset renewal cycles and places significant strain on councils with limited rate bases and competing infrastructure priorities.

These examples illustrate that aerodrome infrastructure renewal is not a commercially driven investment for most regional councils, but necessary expenditure to maintain essential community access, safety and service continuity. Without sustained external funding support and policy settings that recognise the limited revenue generating capacity of regional aerodromes, councils face increasing difficulty in meeting the growing infrastructure renewal task while continuing to deliver other essential services.

Current grant programs remain important, but they do not provide the long term certainty to manage runway renewals, lighting, security infrastructure, pavement maintenance and other core operational requirements across the life of the asset. A stronger funding framework would reduce the extent to which councils are forced to recover costs through airport fees and charges or absorb deficits through general rates bases, which in turn would relieve on of the cost pressures contributing to higher regional airfares.

- Recommendation 5: The LGAQ recommends the Federal Government establishes an expanded, more flexible and predictable infrastructure funding framework for council-owned regional, rural and remote airports that recognises long term asset renewal needs, revenue capacity and operational requirements of this infrastructure.

In December 2023, the LGAQ made a submission to the Federal Government on the Aviation Green Paper highlighting the high cost associated with regional airfares as an economic and equity issue. This submission also emphasised the importance of greater consideration at the federal level to address market failures in RPT services for regional, rural and remote communities. [18]

These cost pressures continue to be experienced throughout Queensland communities, highlighting the need for greater attention to affordability measures and service settings on the routes facing the greatest structural disadvantage. Existing interventions such as regulated routes and resident subsidy schemes have demonstrated that targeted support can reduce the burden of high fares, but the greater action is required if affordability improvements are to extend beyond a relatively small number of services. This requires focus being given to communities where aviation substitutes road or rail access.

Queensland councils have consistently highlighted the importance of engaging directly with affected communities when designing or reviewing fare relief, subsidy settings and regulated route arrangements. Local governments are often best placed to understand how fare costs, route frequency and booking conditions affect local communities. Consultation is therefore critical to ensuring support mechanisms are appropriately targeted, responsive to actual travel needs and capable of improving affordability outcomes.

- Recommendation 6: The LGAQ recommends the State and Federal Government expand and better target fare relief and subsidy settings for regional Queensland to ensure support extends beyond a small number of regulated services.

[18] LGAQ Submission – Aviation Green Paper – available here.

4.0 Conclusion

Queensland councils have made it clear that aviation access is directly linked to liveability, workforce attraction and retention, health care, tourism and regional economic productivity. In a decentralised and disaster-prone state such as Queensland, regional aviation is essential to maintaining community access, resilience, and economic participation, particularly in areas where distance, limited transport alternatives and seasonal isolation make air services vital.

Feedback from councils to the LGAQ, consistently highlights that current policy, regulatory and funding settings are not delivering equitable outcomes across regional aviation markets. While government intervention has helped to preserve access on some routes, these measures have generally not kept pace with increasing costs, affordability pressures and structural constraints facing regional, rural and remote Queensland. Councils continue to bear significant infrastructure, compliance and operational costs, while communities experience high fare prices, limited competition and uncertainty in service continuity.

These pressures create gaps which local governments cannot absorb. Without reform, there will continue to be growing trade offs for local communities between sustaining aviation infrastructure and delivering other essential community services, increasing the risk of reduced operational capacity, increasing costs and weaker service continuity across the regional network.

The LGAQ supports an approach to aviation policy that is practical, proportionate and responsive to the realities of regional, rural and remote Queensland. This includes policy settings that improve affordability and reliability for communities, proportionate and risk-based requirements for low volume airports, and more flexible and predictable funding arrangements that reflect the long-term public value of council owned airports and aerodromes.

Taken together, the recommendations contained in this submission would help improve affordability, strengthen continuity of access, and better align aviation policy with the essential role regional air services play in supporting community wellbeing, economic participation and resilience across Queensland.

The LGAQ looks forward to continued engagement with the Productivity Commission and the Federal Government on the matters raised within this submission, and on the policy reforms needed to support equitable access, sustainable service delivery and the long-term resilience of regional, rural and remote communities.

Attachment 1 – LGAQ Policy Statement

The LGAQ Policy Statement[19] is a definitive statement of the collective voice of local government in Queensland. The relevant policy positions of local government in the context of the Inquiry are as follows:

8.3 Aviation

8.3.1 Regional Services

- 8.3.1.1 Local government calls on the State Government to increase funding provided for regulated long-distance air services to ensure continued connectivity for rural, remote and First Nations communities.
- 8.3.1.2 Airline licensing policies should take account of the decentralised population in Queensland to ensure that rural residents are not disadvantaged by cost and inadequate service levels.
- 8.3.1.3 The State and Federal Government should guarantee regional airline networks be protected in the conditions of sale of major airports, ensuring access is maintained and regional airlines are not squeezed out by higher costs.
- 8.3.1.4 The Federal Government should adequately subsidise regional and subregional airports and associated services as a community service obligation, with an emphasis on rural and remote areas.
- 8.3.1.5 The State Government should continue to support subsidised air fares for residents of remote and discrete First Nations communities to travel to the nearest regional centre.

8.3.2 Airports and Aviation

- 8.3.2.1 Councils within proximity of a strategic major airport have a right to have direct input into the operations of that airport, to ensure appropriate transport and amenity is provided for local communities, while minimising environmental impacts.

8.8 Economic Development

- 8.8.1 Local government recognises business retention and expansion as a core component of local government economic development activities, running programs to help existing businesses survive economic difficulties and assisting with expansions that create new jobs.
- 8.8.5 Local government is a legitimate partner with State and Federal governments in facilitating sustainable economic and regional development. Local government does this through its role as purchaser, property owner/developer, regional leader, infrastructure provider, economic policy and community advocate, regulator and business development facilitator.

8.9 Regional Development

- 8.9.12 Regional Queensland underpins the State's economy through a diverse industry base including agriculture, resources and tourism and seeks to be supported by appropriate levels of service and infrastructure.
- 8.9.15 Development and investment in regional Queensland will occur through coordinated programs by Federal, State and local governments. Private sector investment in facilities and infrastructure in regional Queensland is crucial and should be encouraged by all spheres of government.

[19] LGAQ Policy Statement 2025 – available online here

Attachment 2 - LGAQ Annual Conference Resolutions

In the context of the Inquiry, the following resolutions, passed by Queensland councils at previous LGAQ Annual Conferences, are relevant:

Resolution 64 (2025) – Strengthening council engagement in the review of regulated air service contracts in Queensland

> The LGAQ calls on the State Government to ensure the scheduled review of regulated air service contracts in Queensland is undertaken with early, comprehensive and contemporary engagement. This should include affected communities, councils, regional industries, service users, and other stakeholders, with genuine opportunities to shape the scope of the review and raise key concerns. This review should also be more extensive and future focused than previous efforts, supporting economic growth, and equitable airline services for regional, rural and remote Queenslanders.

Resolution 41 (2024) – Increased funding for regulated long distance air services

> The LGAQ calls on the State Government to increase funding for regulated long distance air services for rural, remote and First Nations communities.