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Dr Catherine de Fontenay
Commissioner
Productivity Commission
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Dear Commissioner

**SUBMISSION TO THE PRODUCTIVITY COMMISSION - INQUIRY INTO
THE DETERMINANTS OF REGIONAL AIRFARES - MILDURA RURAL CITY
COUNCIL**

Please find the following submission from Mildura Rural City Council regarding regional airfares. Council welcomes the opportunity to contribute to this important discussion and reiterates the critical role that fair, reliable and accessible air services play in supporting the social and economic wellbeing of our community.

As one of Victoria's key regional centres, Mildura relies on air connectivity for business, tourism, health access, government services and community mobility. Ensuring competitive pricing and sustainable service levels is essential for regional equity and long-term growth.

Should you require any further detail, please do not hesitate to contact Craig Copley, Economic Development Project Officer on or via email

Yours sincerely

MARTIN HAWSON
CHIEF EXECUTIVE OFFICER

MH/ps/cc

MILDURA RURAL CITY COUNCIL'S SUBMISSION TO THE PRODUCTIVITY COMMISSION - INQUIRY INTO THE DETERMINANTS OF REGIONAL AIRFARES

Executive Summary

Mildura is a strategically important tri-state regional hub, serving communities across north-west Victoria, south-west New South Wales and eastern South Australia. Our region relies heavily on aviation to maintain essential access to health care, education, business services, tourism, specialist expertise and emergency response. Aviation is also fundamental in supporting our expanding fly-in fly-out (FIFO) and technical workforce associated with major mineral sands and renewable-energy developments exasperated by the lack of housing and accommodation available.

For our community, air service access is not discretionary, it is deemed an essential service supported by critical infrastructure. The absence of passenger rail, combined with lengthy and often impractical coach travel timeframes, leaves aviation as the only reliable and efficient mode of transport capable of connecting Mildura to capital cities and specialist services. Ensuring regional airfares remain both affordable and predictable is therefore essential to the social and economic wellbeing of our region.

1. The Importance of Regional Aviation to Mildura

The Productivity Commission notes regional aviation's importance to health, productivity and mobility. This is especially true for Mildura's tri-state catchment (north-west Victoria, south-west NSW and eastern SA).

Air connectivity allows Mildura to attract and retain skilled professionals who would otherwise struggle to service the region in a practical way. Specialists in fields such as health, engineering, agriculture, construction and renewable energy depend on the option to fly in and out within workable timeframes. This access strengthens local industry performance, supports the continuity of essential services and gives Mildura the ability to take part in national economic activity despite its distance from major centres. Mildura not only receives a steady flow of visiting professionals but also sends a significant number of specialised service providers to other regions, particularly in the agricultural services sector.

There is growing anecdotal evidence high regional airfares place a heavier burden on First Nations communities in Mildura, where Aboriginal and Torres

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Strait Islander people make up 4.59% of the local population. These costs reduce participation in cultural obligations such as traditional owner business and sorry business, and the effect is intensified by kinship responsibilities that often require travel at short notice.

Many First Nations peoples with cultural ties to Mildura are unable to return for important cultural practices because of the price of flights. Residents of Mildura who maintain cultural connections to other Country face the same financial barriers, limiting ability to meet cultural, family and community responsibilities.

Mildura is the fifth most disadvantaged local government area in Victoria, reflected in a SEIFA score of 940. Median weekly incomes sit 13% below the Victorian average at \$694 compared with \$803. In this context, the cost of airfares places a disproportionate pressure on regional residents and reduces fair access to essential travel.

High and volatile airfares create a material risk for major economic development projects planned for the region. Mildura's emerging industrial growth, particularly in mineral sands mining and large-scale renewable energy, depends on reliable and reasonably priced air services for FIFO, specialist and technical workforces.

The proposed mineral sands mining project, with an expected workforce of about 400 people, is projected to contribute \$587 million to the local economy. Its delivery relies on predictable and affordable air connectivity to attract and retain skilled labour, support the timely mobilisation of specialist contractors and maintain operational continuity.

A similar reliance is evident in the solar and battery installation south of Nowingi. This project is expected to require 350 to 400 workers during construction and represents an estimated \$949 million economic contribution to the Mildura region. Its scale and technical demands require frequent inbound travel by engineers, technicians and construction specialists. Without realistic and competitive airfares, attracting and keeping the necessary workforce becomes markedly more difficult, placing project timelines, investment confidence and long-term regional benefits at risk.

Together, these projects account for more than \$1.5 billion in potential economic value. Affordable and reliable air services are therefore not only a matter of social equity but a core requirement for enabling Mildura's major

project pipeline, supporting regional productivity and sustaining long-term economic growth.

2. Surface transport constraints (no rail; long bus journeys)

Mildura has no passenger rail service, and public transport options are limited and slow. Long-distance coach travel takes between 9 and 11 hours to reach Melbourne, and between 11 and 12 hours to reach Adelaide, even though Adelaide is only about 400 kilometres away. These conditions reduce the practicality of road-based alternatives for residents and businesses.

Local organisations also report many employers restrict or discourage staff from long-distance driving because of safety risks and the loss of productivity on high-risk or extreme-weather days. For this reason, aviation is not a discretionary mode for Mildura. It is the only practical way to reach essential medical, education, government and business services within workable timeframes. This reflects the Commission's observation that access to alternative transport varies widely across regional Australia.

Because Mildura depends so heavily on aviation, the strength of its aeromedical and diversion capability is essential. The region's favourable climate, including fewer fog related disruptions than many alternative diversion airports, makes Mildura a preferred and strategically important diversion aerodrome. This increases the need to maintain the main runway to a high standard.

Extreme heat, dust, and heavy holiday traffic can make long-distance road travel unsafe, which further limits the viability of land-based transport. For many residents, aviation remains the only practical, safe and reliable way to access essential services in a timely manner.

3. How Fares Influence Demand

For Mildura families, students, carers and lower income residents, fare levels often determine whether travel is possible at all, with many delaying medical, education or family-related trips when prices rise. Business and FIFO demand tends to be relatively price inelastic but highly sensitive to schedule reliability, while leisure and visiting friends and relatives (VFR) travel is particularly price sensitive. Regional fares remain higher and more volatile on a per kilometre basis than capital city routes, which suppresses tourism and events activity and reflects the findings of the Productivity Commission.

A practical approach would be to introduce targeted affordability measures such as resident fare support, medical and student concessions, and off-peak incentives for leisure travel. These options reflect the state-level schemes identified by the Productivity Commission in Western Australia, Queensland, the Northern Territory and Tasmania.

4. Core Structural Issue

High Renewal Obligations with Limited Revenue Capacity

Mildura Airport manages low passenger volumes alongside significant mandatory and recurring infrastructure renewal requirements. These include runway pavement works, airfield ground lighting, security screening and ongoing regulatory compliance.

The main runway pavement is currently assessed as being in fair condition. Its deterioration has been accelerated by earlier Boeing 737 operations, contributing to a higher risk of foreign object debris and increased resourcing needs to manage safety.

The preferred, delivery ready solution is a full length and full-width asphalt overlay of Runway 09/27. The scope includes:

- shoulder and RESA works
- airfield ground lighting
- grooving
- line marking

The works are planned to be undertaken at night to limit disruption to regular passenger transport services. The total project cost is \$19.864 million, as outlined in our rPPP grant application. A further maintenance overlay, estimated at about \$15.8 million, is expected at roughly 15-year intervals.

Without Commonwealth support the project is not financially viable. Airport reserves were significantly reduced during the COVID period, and the airport has limited capacity to recover additional costs through airlines without affecting fares. This creates upward pressure on per passenger charges at a time when affordability and service reliability are already constrained.

Improved Aircraft Economics

The proposed runway upgrade would allow unrestricted Boeing 737 and Airbus A320 operations. This increases seats per movement and improves aircraft economics. The business case cost benefit analysis shows a benefit cost ratio of 1.84, supported by gains from avoided patch-repair cycles, increased regional spending and time savings. It is one of the few available levers that can structurally reduce cost per passenger on thin regional routes.

Operational and Emergency Resilience

In addition to economic benefits, the upgrade strengthens emergency, Defence and diversion capability. It ensures Mildura can continue to receive larger narrow-body aircraft without operational restrictions in contingency events, which is critical given the airport's established role as a preferred diversion option in the region.

5. Determinants of Airfares: Mildura's Cost Pressures

Essential Nature of Air Connectivity

Mildura has no passenger rail services, and public transport alternatives are limited to lengthy coach travel to Adelaide or Melbourne. Stakeholders repeatedly highlight the time, reliability and safety challenges associated with long distance road travel. For residents, businesses and service providers, aviation remains the only practical and efficient form of transport for business, health, education, government and leisure travel. This reflects the Commission's finding that access to alternative transport varies considerably across regional Australia.

Mildura Airport processed 236,285 passengers in 2019, the last full year before the COVID pandemic, illustrating the level of reliance on air services prior to current growth pressures. Passenger numbers have since recovered more slowly and now average about 190,000 per year.

The airport's essential role is further shown by nearly 1,200 emergency service movements between January 2024 and February 2025, including about 67 aeromedical flights each month. Regular diversions and emergency landings also occur because of Mildura's favourable operating conditions, making a resilient main runway critical.

Impact of Slower Passenger Recovery

The slower return of passenger volumes since COVID affects the wider community. Lower demand reduces flight frequency, increases fare volatility and limits the ability of residents to plan essential travel with confidence. These constraints compound the economic and operational pressures faced by the airport and strengthen the case for targeted support to maintain essential runway infrastructure and safeguard regional connectivity.

Cost per km comparisons misstate regional cost drivers

For short regional sectors, most costs arise from take-off and landing cycles, safety and compliance requirements, and ground-based systems, making cost per kilometres flown a weak indicator of actual operating cost. Mildura's runway upgrade is required regardless of route length. What matters is passenger volume, as this determines how fixed costs are distributed on a per passenger basis. This reflects the Commission's interest in improving understanding of cost composition in regional aviation.

Gauge/weight restrictions and unit economics

Current pavement limitations require weight restricted narrow body operations, which increases cost per available seat kilometre and reduces fare competitiveness. Airlines have indicated a preference for aircraft operating at weights up to about 97,000 kilograms. The proposed upgrade would allow unrestricted Boeing 737 and Airbus A320 operations, improving unit economics and supporting more competitive fare structures.

6. Improving Affordability & Access

Community members would benefit from measures such as resident fare support, medical concessions and fair off peak pricing, helping ensure that essential travel is not limited to those able to absorb high and unpredictable fares. Targeted affordability measures can assist residents, medical travellers, students and off-peak leisure passengers, reducing inequity while supporting stable and sustainable demand.

A practical option would be to establish a Regional Leisure Growth Trial for Mildura, combining tourism marketing with targeted, time limited fare support to stimulate demand and improve access for local travellers.

7. Enabling Capacity, Competition and Sustainable Route Development

Barriers to Competition and Capacity

High fixed operating costs, current runway limitations and limited aircraft flexibility all constrain new airline entrants and restrict the ability of existing carriers to expand services on Mildura's key routes. Mildura Council supports the development of a national Regional Route Development Framework to guide and prioritise the introduction of new or expanded regional air services.

Time-Limited Seat Support (Risk Reduction)

A declining, performance-based incentive over a period of six to 24 months would help reduce start-up risk for airlines trialling new or expanded routes. This form of temporary seat support assists carriers during the critical early phase when load factors are still developing.

Time-Limited Marketing Support (Demand Acceleration)

A jointly funded promotional program, delivered over six to twelve months, could build early awareness and stimulate price sensitive leisure and VFR demand. This targeted approach supports route establishment while avoiding the need for ongoing subsidy.

Long-Term Outcomes

The proposed runway upgrade provides the structural foundation for lower costs by enabling larger and more efficient aircraft and improving schedule stability. When combined with time limited seat support and marketing assistance during the establishment phase, new or expanded routes can reach sustainable load factors more quickly. This supports lower average fares without the need for continued intervention.

The same capacity uplift strengthens Mildura's diversion and emergency response capability, ensuring the airport can safely receive larger narrow body aircraft during contingencies and with fewer weather-related disruptions than many alternative locations.

8. Policy & Regulatory Settings

Security and Regulatory Cost Pressures

Regional airports face disproportionate security and regulatory cost burdens. Escalating aviation security requirements and broader compliance obligations are often aligned with metropolitan-level standards, despite far lower passenger volumes. This results in significantly higher per-passenger costs for airports such as Mildura.

MRCC supports a scalable, risk-based approach to security and regulatory settings. Opportunities for pooled procurement and ongoing operational funding assistance would help ensure that mandated systems remain sustainable. Right-sized, risk-proportionate support would also protect Mildura's role as a preferred diversion and emergency aerodrome, while allowing unavoidable regulatory costs to be managed and passed through to end users in a fair and transparent way.

Sustainable Aviation Fuel (SAF): Regional Opportunity

Sustainable Aviation Fuel offers a practical path to decarbonise aviation while improving the resilience and long-term affordability of regional air services. Mildura is well placed to lead a regional SAF ecosystem by drawing on local agricultural residues as feedstock and by serving as a refuelling point for intrastate and interstate operations.

Concentrating SAF production and uplift in Mildura would shorten supply chains, reduce road transport costs for fuel distribution and improve turn time economics for airlines operating regional routes. These efficiencies can support more stable and competitive fare structures.

Policy Settings to Enable Regional SAF

To unlock this opportunity and ensure regional communities benefit from the transition, the following policy settings are proposed for the Commission's consideration:

Regional SAF Enablement

Create a targeted program to support pre-FEED studies, permitting processes and offtake frameworks for SAF production in regional hubs such as Mildura, with a focus on agricultural residue pathways and local value capture.

Incentivised Uplift at Origin

Introduce time-limited incentives for airlines to uplift SAF at airports adjacent to production sites. This would recognise reduced road haulage costs and support scale efficiencies that can be reflected in fare structures.

Right-Sized Infrastructure Support

Provide capital co-funding for fuel storage, blending and quality-assurance infrastructure at priority regional airports. This ensures safe and efficient adoption of SAF without disproportionate per-passenger cost impacts.

Transparent Pass-Through

Encourage voluntary disclosure or guidance noting how realised SAF supply-chain efficiencies, such as avoided trucking and improved scheduling, are reflected in fares on thin regional routes.

9. Key Priorities for Mildura

1. Maintain Affordable, Reliable and Equitable Access to Air Services

Aviation is Mildura's only practical transport option for accessing essential medical, education, government and business services. High fares disproportionately affect lower-income households, Aboriginal communities, students, carers and those with urgent cultural or medical travel needs. Targeted affordability measures, such as resident support, medical and student concessions and fair off-peak pricing, are needed to ensure equitable access and stable demand.

2. Secure Commonwealth Support for Critical Runway Renewal

The main runway requires a full-length, full-width asphalt overlay to maintain safe operations and avoid escalating maintenance costs. The upgrade enables unrestricted B737/A320 operations, lowers structural cost per seat, reduces long-term repair cycles and protects Mildura's airport from cost pressures that would otherwise push fares higher. Without external funding, the project is not financially feasible and would impose additional costs on passengers.

3. Strengthen Capacity, Competition and Sustainable Route Development

Runway limitations, high fixed costs and limited aircraft flexibility restrict new entrants and constrain growth on Mildura's core routes. A national Regional Route Development Framework, combined with time limited seat support and marketing programs, would reduce start-up risk for airlines, accelerate route sustainability and support more competitive fare structures. These measures are essential to maintain regular, reliable and affordable air services for the region.

4. Protect Mildura's Emergency, Aeromedical and Diversion Capabilities

Mildura plays a strategic operational role across three states, with high levels of aeromedical movements, emergency flights and weather-related diversions. Maintaining runway integrity, ensuring strong ground-based systems and avoiding disproportionate regulatory burdens are essential to preserving the airport's ability to support emergency services, Defence

operations and contingency landings. This capability is central to community safety across a wide catchment.

5. Establish Scalable, Region Appropriate Policy Settings Including SAF Development

Security and regulatory obligations designed for metropolitan airports impose disproportionate costs on low volume regional airports. Mildura supports a risk-based model, pooled procurement and ongoing OPEX assistance. At the same time, Mildura is well placed to anchor a regional Sustainable Aviation Fuel ecosystem using local agricultural residues. Enabling policy settings such as SAF feasibility support, uplift incentives and right sized fuel infrastructure would strengthen long-term resilience, affordability and decarbonisation pathways for regional air services.

Conclusion

Mildura is a tri-state regional centre whose social wellbeing, economic productivity and emergency resilience depend on reliable, affordable and sustainable aviation. With no passenger rail, lengthy coach travel, and significant distances to capital cities, aviation is essential rather than optional for residents, visitors and industry.

However, high regulatory costs, infrastructure renewal pressures, slow passenger recovery, and limited competition threaten the affordability and reliability of Mildura's air services. A Commonwealth partnership is therefore critical to Mildura particularly for runway renewal support, risk-based regulatory reform, targeted fare affordability measures, and mechanisms that enable regional route development.

By securing these settings, Mildura can ensure stable and competitive airfares, strengthened emergency and diversion capability, and a more resilient regional aviation ecosystem. These steps are central to unlocking major industrial investment, supporting local jobs, improving social equity and maintaining the essential connectivity that underpins the region's long-term prosperity.

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