



Determinants of Regional Airfares

Productivity Commission Call for Submission

13 March 2026



Determinants of regional airfares inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601, Australia

To whom it may concern,

Tamworth Regional Council welcomes the Productivity Commission's inquiry into determinants of regional airfares. For Tamworth, reliable and competitively priced air services are essential for our economic growth and social infrastructure. When fares are high or volatile, Tamworth businesses face a 'distance tax', patients defer care, visitors stay away, and we struggle to attract and retain the skilled workers our industries and hospital require.

Our Recommended Areas of Review:

Guaranteed Connectivity Framework | Underwrite minimum frequency standards on priority regional trunk routes (including SYD-TMW), with performance-based funding and transparent reporting.

Integrated Regional Transport Planning | Align rail/road investments with aviation to ensure realistic alternatives | Utilise Australia wide demographic data to develop recommendations for airline planning | Ensure regional services can access commercially viable peak slots at major airports to maximise same-day returns and interline connections.

Transparent Fare Monitoring | Minimum quarterly public reporting of route-level regional fare indices (average, lowest, and dispersion) and load factors to inform policy and consumer choice.

Competition Regulation | A time bound second-carrier entry support package (risk-sharing for 24 months, marketing support, and access facilitation at hubs) to restore competition on regional trunk routes.

Regards

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The Tamworth Region

Tamworth is the regional centre of the New England Northwest (NENW), an area with a total population exceeding 185,000 (2021 ABS). with Tamworth itself having evolved into a vibrant and diversified community of over 65,000 residents in the Local Government Area.

Tamworth's diverse economic base, with strong agriculture, manufacturing, and services industries, makes its economy naturally resilient. Complementing its economic strength, Tamworth excels in many liveability aspects, including housing affordability, healthcare, education, sports, arts, leisure facilities and the world-renowned Tamworth Country Music Festival. Capitalising on these strengths, Tamworth itself aims to grow to 100,000 residents by 2041.

Tamworth Aviation

Tamworth enjoys a rich history of aviation excellence and is home to major aviation training schools and aviation businesses with sub 1 hour flight times to either Sydney or Brisbane. Tamworth Regional Airport is owned and operated by Tamworth Regional Council and is one of the best equipped in regional Australia with significant capacity to grow and develop. Its parallel sealed runways, extensive sealed taxiway network, its Instrument Landing System, Airservices Australia control tower and its ample controlled and uncontrolled airspace with designated training areas, plus its significant air movement approvals makes it the leading address for pilot training.

It is also a key contributor to the economic prosperity of the city and region, highlighting the size and scope of the aviation industry in Tamworth's backyard.

Why Competitive Fares Matter to Tamworth

Industry

Tamworth's economy is anchored by Food Processing/Manufacturing, Construction, Health and Agriculture. The Tamworth Region contributes over 11% (\$1 billion) of NSW's Food Exports including approximately 20% of NSW's international exports (NIEIR 2025). The scale at which these facilities operate require extensive support services, housing and transport. Executive travel, specialist technicians and supply-chain coordination rely on same-day return trips to Sydney/Brisbane or onward international connections. Elevated fares suppress trip frequency, reduce investment attractiveness and travel is either shifted to slower modes or cancelled, directly reducing productivity.

The New England region is undergoing one of Australia's largest regional infrastructure investments through the development of the New England Renewable Energy Zone, which will deliver major new transmission, generation, and storage projects. Workforce demand is expected to peak at over 7,000 workers in the early 2030s, with Tamworth positioned as a key logistics and accommodation hub, hosting around 1000 construction workers at peak. The majority of this workforce will come from outside the region, therefore reliable transport—particularly aviation—is essential to support specialist contractors, project managers, and regulators travelling from major cities. As a central hub between multiple REZs, Tamworth's connectivity will play a critical role in enabling timely delivery of nationally significant renewable energy infrastructure.

Healthcare

Tamworth operates as part of the Hunter New England Local Health district as a major health centre including Tamworth Base Hospital as the only Principal Referral Hospital in the region. It is the largest health facility outside the Sydney-Wollongong-Newcastle metropolitan areas. Specialist outreach, locum coverage and non-emergency patient transfers depend on affordable, reliable air links. High fares reduce flexibility and can delay care, particularly for lower-income patients and carers.

Visitor Economy

The Tamworth Country Music Festival has just celebrated its 54th year and has been identified as a Foundation Event for NSW in recognition of its importance to NSW's identity. When fares spike, visitors are forced to divert to cheaper gateways or cancel, dampening spend across accommodation, hospitality and the creative industries. Affordable fares expand our event catchment and length of stay.

Community Connection and Inclusion

Affordable fares enable family travel for emergencies and bereavement, cultural participation and sustained ties for First Nations communities over large distances. Without reasonably priced air options, people either forgo travel or face long, unsafe drives.

Aviation

Tamworth is home to the largest Non-Military Flight Training Facility in Australia. A prominent international airline utilises the facility to train its pilots for their international operations. Stakeholder feedback indicates the final domestic leg to Tamworth can exceed the cost of international sectors – this is a deterrent to future investment and talent attraction. Further Investment and growth in Australia's aviation and international business development will rely on a reasonable regional aviation cost structure.

Evidence on Fares and Access

Price vs Distance

SYD-TMW ranks third amongst the most expensive short-haul routes in Australia, indicating a sustained price premium relative to distance. Top 5 Australian domestic routes for 2025*:

- Sydney to Canberra \$1.85/km
- Adelaide to Port Lincoln \$1.47/km
- **Sydney to Tamworth \$1.38/km**
- Sydney to Dubbo \$1.30/km
- Cairns to Townsville \$1.21/km

**Pricing and distance data sourced from Bureau of Infrastructure, Transport, Regional Development, Communications, Sport and Arts (BITRE, 2026)*

Pricing Trends

As shown in figures 1 and 2 below, the 12-month rolling average price of SYD-TMW has risen the fastest since COVID and is now the most expensive of peer NSW regional routes – Albury, Wagga Wagga, Dubbo, Armidale.

When Sydney to Tamworth is compared to major metro routes in Figure 3, the data is clear – Tamworth Air Travel is incomparably expensive to major metro travel in both a steady increase in cost as well as total cost.

Figure 4 shows comparative fares from Newcastle airport (NTL) to Brisbane, Melbourne and the Gold Coast. Given the fare discrepancies, frequency or lack of direct connection between Tamworth and these cities residents may choose to drive to Newcastle (~3.5 hours) and then catch a flight to their final destination.

**Data sourced from Bureau of Infrastructure, Transport, Regional Development, Communications, Sport and Arts (BITRE, 2026)*

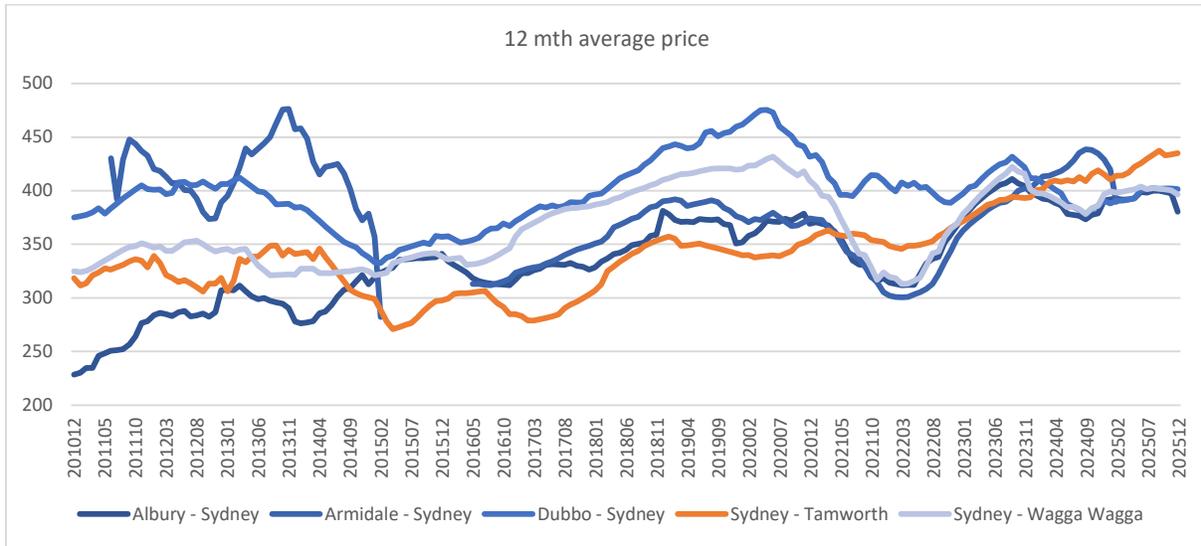


Figure 1 12mth Rolling Average SYD - Regional Airfare Comparison*

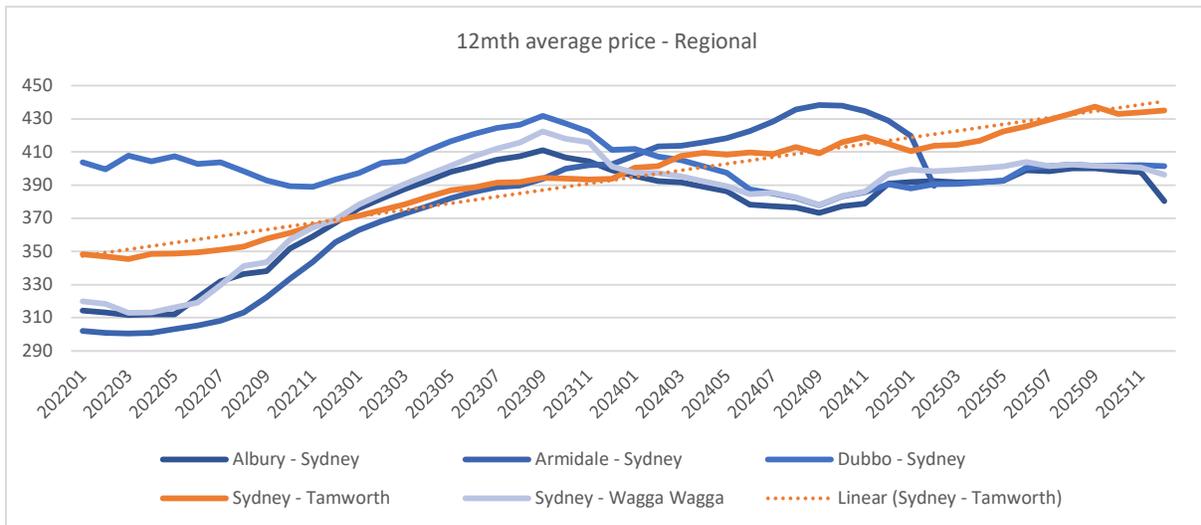


Figure 2 12mth Rolling Average Post-Covid*

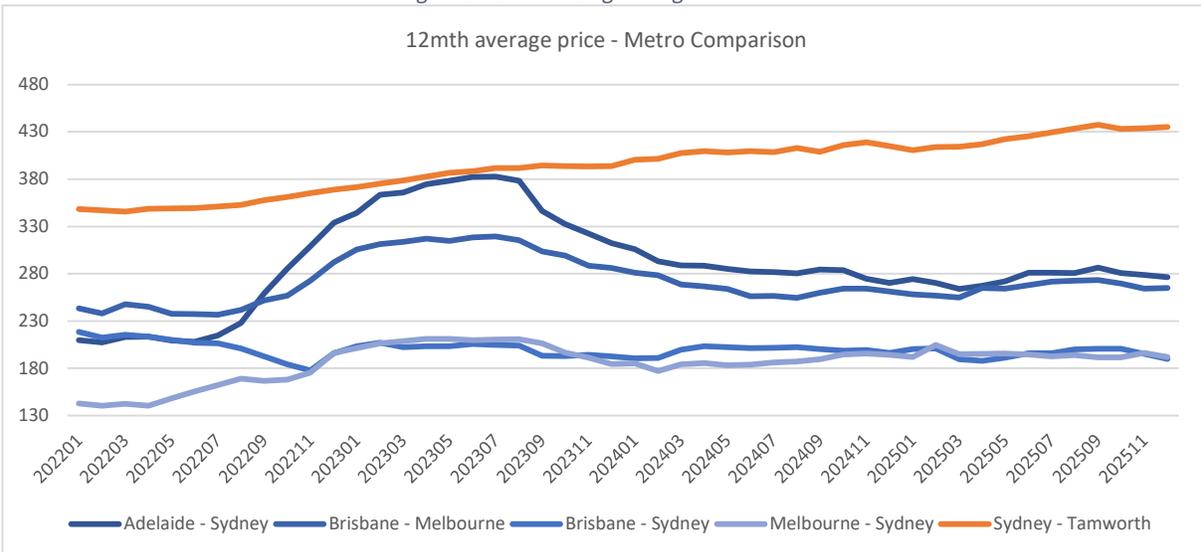


Figure 3 12mth Rolling average Metro Comparison*

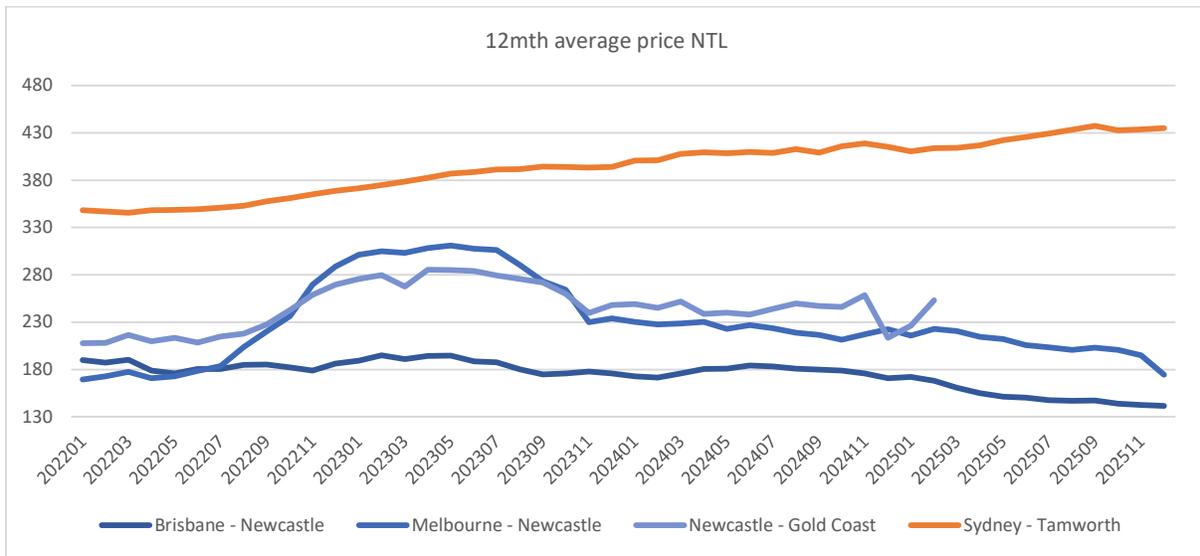


Figure 4 12mth Rolling average NTL routes Comparison*

Alternate Transport

Indicative comparison between Tamworth to Sydney Transport Modes 2025

Mode	Daily Freq	Price	Basis	Time	Return same day?
Flying	3-4	\$250-\$600	per person	1h15	Yes
Train	1	\$50-115	per person	6h10	No
Car	Variable	\$58-\$86*	per car	5h	Yes

*Fuel cost only - assumes 400km at 8-12L/100km \$1.80/L

The above table shows an indicative comparison between modes of transport.

- The price of airfares can vary significantly due to multiple factors with one of the only reliable ways of obtaining a low price being to purchase well in advance and only at nonpeak times i.e. outside school holidays and weekends
- NSW TrainLink also has a variable pricing model with lower prices only available well in advance and at non-peak times.
- Travelling by car is also variable based on the vehicle, fuel prices, maintenance etc. But given that owning a car is often a necessary “sunk cost” of living in a regional area these costs are assumed to be borne elsewhere.

In the context of the above it can be summarised that while flying is the most efficient mode of transport, in terms of time, its cost difference to other modes of transport is so great as to be almost incomparable. This price gap widens if a group travels together with NSW TrainLink offering \$1 child tickets and sharing of driving costs.

Competition Effect

The TMW-SYD route was serviced by both Qantas and Virgin prior to March 2020 (COVID) when Virgin terminated the route. At that time annual PAX on the route were approximately 170,000 (130k QF, 40k VA). Today a single carrier approaches 130-140k PAX with materially higher fares and reduced capacity

The 12-month average *cheapest* return ticket in Jan 2020 TMW-SYD was \$330 (escalated to 2026 \$), in Jan 2026 it was \$436 or a 41% increase. Comparing Capacity to Cost we can see that 40,000 (24%) less passengers a year are able to fly from Sydney to Tamworth, but a single airline is making over 40% more revenue than they were when there was competition. The lack of competition on routes means that Airlines are free to maximise their Profit against yield without external moderation.

Determinants of Regional Airfares

The decision to fly is determined as a balance between cost, reliability, availability and timing. Long distance journeys need to occur for numerous reasons but given the current ecosystem, the default for many in Tamworth is to drive. This in turn reduces the demand for air travel and increases the price in a detrimentally positive feedback route.

Market Structure and Competition

- Lack of competition is consistent with higher yields and lower overall passenger volumes compared to the dual-carrier era
- Current Load factors indicate strong demand at current prices – contrasted with previous fares and volumes show that demand from a different market may also be strong at a different price point

Barriers to Entry

New entrants face demand risk where communities have shifted to road/rail after cancellations or price spikes. Restoring confidence requires reliable schedules, peak-period access at hubs and surety of pricing. With significant distances to travel there is no last-minute alternative if a flight is cancelled or significantly delayed so people with a defined need for travel will avoid the potentially risky proposition of a cancelled flight.

Freight and Post

RPT Services are currently charged on a variable Passenger only basis. Freight/mail carried on these services currently attract no airport charge. Introducing fair freight cost recovery may provide additional coverage of fixed costs associated with running Tamworth Airport. These could then be used to invest in facilities and potentially reduce costs to passenger airlines.

Recommendations

Guaranteed Connectivity Framework

The connectivity of Regional Australia via air should not be wholly at the decision of Airline profit margins.

Action | Underwrite minimum frequency standards on priority regional trunk routes (including SYD–TMW), with performance-based funding and transparent reporting.

Integrated Regional Transport Planning

The Federal Government is uniquely placed to lead the identification of opportunities for aviation routes based on population growth movement and demographics.

Action | Align rail/road investments with aviation to ensure realistic alternatives, while recognising that air is the only same-day option for many Tamworth use cases

Public supported modes of transport like Rail are not sufficiently frequent or reliable to serve as a replacement for aviation connection.

Action | Utilise Australia wide demographic data to develop recommendations for airline planning.

Action | Ensure regional services can access commercially viable peak slots at major airports to maximise same-day returns and interline connections.



Transparent Fare Monitoring

Current publicly available fare data only shows the cheapest discount fare and doesn't reflect real world pricing.

Action | Minimum quarterly public reporting of route-level regional fare indices (average, lowest, and dispersion) and load factors to inform policy and consumer choice.

Competition Regulation

When competitors are active on a route then airfares improve. The Australian aviation industry does not sufficiently incentivise or support alternate airlines against the current Monopoly or Duopoly providers.

Action | A time bound second-carrier entry support package (risk-sharing for 24 months, marketing support, and access facilitation at hubs) to restore competition on regional trunk routes.

Competitive regional airfares are a precondition for growth, inclusion and liveability in Tamworth. Restoring competition, guaranteeing baseline connectivity, ensuring peak-period access at hubs, publishing transparent fare and access metrics, and aligning airport and freight cost recovery will reduce the effective 'distance tax', improve health and workforce outcomes and strengthen the visitor economy.