



An Australian Government Initiative



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**Re: Determinants of regional airfares**

Regional Development Australia Southern NSW & ACT (RDASNA) welcomes the opportunity to contribute to the Inquiry into the Determinants of Regional Airfares.

RDASNA is part of a national network of 50 Regional Development Australia committees and works in partnership with all levels of government, industry and community to strengthen economic resilience and regional productivity. We facilitate regional collaboration, communication and advocacy across a highly integrated cross-border economy encompassing the Australian Capital Territory and nine New South Wales local government areas: Bega Valley, Eurobodalla, Goulburn Mulwaree, Hilltops, Queanbeyan–Palerang, Snowy Monaro, Upper Lachlan, Wingecarribee and Yass Valley.

This submission addresses the key themes outlined in the inquiry's information requests from a regional development perspective, including the economic importance of regional aviation, the determinants of regional airfares, the structural characteristics of regional aviation markets and the policy settings affecting service provision and affordability.

For many regional communities, aviation connectivity supports access to essential services, workforce mobility and participation in national markets, with reasonably accessible airfares playing an important role in maintaining that connectivity.

The submission uses the Canberra–Sydney corridor as an analytical reference point because it is one of Australia's monitored aviation routes, enabling comparison between high-frequency capital city services and thinner regional markets within the same integrated cross-border economic geography.

RDASNA appreciates the opportunity to contribute to this examination of regional airfare determinants and welcomes continued engagement with the Commonwealth to strengthen transparency, comparability and evidence-based policy calibration across Australia's regional aviation system, supporting reliable aviation connectivity for regional communities and industries.

Kind regards,

Olivia West  
CEO

## Regional Context

The aviation system of Southern NSW and the ACT comprises a high-frequency capital corridor and several smaller regional airports operating at comparatively low passenger volumes. These conditions reflect the characteristics of thin regional aviation markets, where passenger demand is distributed across smaller communities and services are typically operated with smaller aircraft and limited carrier presence. This submission uses the Canberra–Sydney route as an analytical reference case due to the availability of detailed monitored fare, yield and utilisation data, providing a useful benchmark for examining aviation cost and utilisation dynamics that also influence thinner regional routes.

In Southern NSW and the ACT, aviation functions as an essential component of regional infrastructure rather than solely discretionary transport, supporting economic participation and service access across widely distributed communities. It supports access to specialist health services, facilitates workforce mobility across expansive distances, enhances emergency management capabilities and enables time-sensitive business and government travel that contributes to regional productivity. Aviation connectivity also links regional industries and tourism businesses to domestic and international markets, supporting access to coastal, alpine and rural areas across Southern NSW. These connections are particularly important for export-oriented industries, time-sensitive freight and visitor economies that depend on efficient access to national and international transport networks.

Smaller airports such as Merimbula and Moruya play an important economic and social role within this system. They provide critical air access for surrounding coastal communities and support the regional visitor economy along the South Coast. These services enable residents to access employment opportunities, specialist healthcare, including fly-in medical professionals and other essential services, while allowing visitors to reach tourism destinations separated from major population centres by significant travel distances.

Snowy Mountains Airport previously accommodated scheduled passenger services linking the Snowy Mountains region to Sydney; however, there are currently no Regular Public Transport (RPT) services operating. Consequently, residents and visitors now rely on Canberra Airport as the nearest commercial aviation gateway before travelling by road to destinations within the Snowy Mountains region, illustrating the hub dependency characteristic of many regional aviation markets.

For many Southern NSW communities, participation in national aviation networks depends on fares through Canberra Airport remaining reasonably accessible, enabling residents to reach essential services, employment centres and broader transport connections.

Aviation services also support tourism flows into the region, contributing to seasonal demand variability across regional routes. These services operate in low-volume market conditions characterised by lower passenger throughput and limited carrier presence. Collectively, these facilities illustrate the distributed yet highly centralised structure of the regional aviation system, with Canberra Airport functioning as the primary commercial aviation gateway for the region. The airport also plays an emerging role as a regional air freight gateway, providing producers across Southern NSW with access to international logistics networks and supporting time-sensitive agricultural, premium food and manufacturing exports.

However, route-specific fare data for these markets are not published with the same level of detail as monitored corridors. Publicly available utilisation and financial reports, alongside insights from local councils and airport operators, provide useful indications of structural and operational characteristics but do not offer the same level of analytical transparency available for monitored routes.

The following analysis examines the principal determinants influencing regional airfare outcomes, including market structure, capacity utilisation, yield behaviour, service reliability and cumulative aviation cost allocation across the aviation service chain.

## Market Structure and Concentration

Australian Competition and Consumer Commission (ACCC) monitoring indicates that the Qantas Group maintains a market share exceeding 70 per cent on the Canberra–Sydney corridor. Although multiple carriers operate on this route, the corridor remains comparatively concentrated relative to major east coast trunk markets.

For small airports in Southern NSW, carrier concentration is typically higher. Data from Merimbula’s 2023 passenger split indicates that a single carrier accounts for approximately three-quarters of passenger traffic, illustrating the concentration patterns commonly observed in lower-volume regional aviation markets across Australia. Moruya currently operates with a sole-carrier provision for its regular public transport services.

These patterns largely reflect structural characteristics of regional aviation markets. In lower-volume markets with limited passenger demand, the scale required to support multiple competing operators is not always present. Airlines must allocate aircraft and crew across their broader network, and smaller regional routes may therefore support fewer carriers while still maintaining essential connectivity.

In thin markets characterised by limited carrier presence and lower service frequency, barriers to competitive entry are typically higher. Structural characteristics such as limited passenger volumes, high fixed operating costs, fleet deployment considerations and network scheduling constraints can reduce the commercial viability of additional carriers entering regional routes. As a result, lower-volume aviation markets may sustain fewer competing operators while still providing essential connectivity for regional communities.

Market structure and concentration influence airline capacity decisions, pricing strategies and the availability of alternative travel options across both monitored and non-monitored regional routes.

## Capacity Utilisation and Load Factors

Capacity utilisation is a key determinant of airline operating economics and therefore of airfare outcomes across regional aviation markets.

BITRE data indicates that the Canberra–Sydney route recorded a load factor of 63.2 per cent in 2024, materially below the national average load factor of 81.5 per cent for regular public transport services.

ACCC monitoring shows that load factors on the route have declined from approximately 71 per cent prior to 2020 to around 64 per cent in 2024–25. Over the same period, seat capacity on the route increased relative to passenger growth.

Lower utilisation, combined with restored or expanded capacity and sustained service frequency, distributes operating costs across a larger number of available seats and can place downward pressure on revenue per seat.

In thin regional aviation markets, where passenger volumes are comparatively modest and service frequency remains important for connectivity, utilisation dynamics can have a proportionally greater influence on fare outcomes than in higher-volume trunk routes.

Load-factor differentials relative to national averages influence airline yield strategies, capacity discipline and fare outcomes on short-haul regional routes.

## Yield and Fare Outcomes on Monitored Routes

ACCC monitoring reveals that the average nominal revenue per passenger on the Canberra–Sydney route increased from approximately \$149 before COVID-19 to around \$181 during 2024–25. In real terms, revenue per passenger also grew over the same period, indicating a sustained increase in yield on the route.

Revenue per passenger kilometre on the Canberra–Sydney route remains among the highest of monitored domestic routes in Australia.

These findings reflect the economics of short stage-length services. Short-haul routes typically exhibit higher revenue per passenger kilometre because many operating costs, including aircraft utilisation, crew, ground handling and airport movements, are incurred on a per-sector basis and therefore distributed across shorter flying distances.

In addition to stage-length economics, regional aviation markets often operate under thin-market conditions characterised by comparatively modest passenger volumes and limited carrier presence. Under these conditions, airlines must balance service frequency, connectivity requirements and route viability, which in turn influences yield outcomes.

Observed fare and yield outcomes on monitored regional routes are influenced by route economics, stage-length characteristics and market structure rather than solely by fuel or broader inflationary pressures.

## Service Reliability and Effective Travel Cost

Airfare outcomes are influenced not only by ticket pricing structures but also by service reliability and network resilience, which shape the practical accessibility of regional air services and the effective cost of travel.

Reliable aviation connectivity plays an important role in regional liveability and economic participation. Aviation connectivity supports access to specialist healthcare, enables workforce mobility and facilitates tourism flows to regional destinations. Where services become unreliable, infrequent or unaffordable, the impacts extend beyond travel behaviour to affect labour market participation, health access and the competitiveness of regional industries and visitor economies.

BITRE route-level performance data for 2024–25 indicates that the Canberra–Sydney corridor recorded the highest cancellation rate among monitored domestic routes at 5.7 per cent. The reciprocal Sydney–Canberra route recorded a cancellation rate of 5.1 per cent over the same period. These routes operate with high service frequency and multiple carriers.

This demonstrates that measurable service variability exists even in comparatively deep markets characterised by multiple operators, high service frequency and substitution options.

Thinner regional markets often operate with limited carrier presence or sole-carrier provision, lower service frequency and smaller aircraft capacity. Service frequency is an important determinant of both airfare outcomes and effective travel cost in regional aviation markets. Lower daily frequencies reduce substitution options and increase traveller exposure to schedule disruption. Under these conditions, cancellation exposure can have a proportionally greater impact due to reduced same-day substitution options and constrained re-accommodation capacity.

As a result, effective travel cost encompasses not only ticket price but also reliability exposure, schedule risk and the availability of alternative travel options. Variability in service reliability interacts with market structure and service frequency to influence realised travel costs and airfare outcomes. These dynamics can also affect regional visitor flows, as tourism markets are particularly sensitive to schedule reliability, travel time certainty and overall trip cost.

Road travel is typically the primary modal transport alternative to aviation on many regional routes. However, the substantial travel times involved on longer regional corridors, together with variable road conditions and the need to access time-sensitive services or employment centres, can limit the extent to which surface transport acts as a close substitute for air travel. For example, the road journey between Sydney and Merimbula generally exceeds five and a half hours, while the journey from Moruya to Sydney exceeds four hours.

In markets with relatively low passenger volumes and limited daily service frequencies, disruptions to a single service can significantly reduce available daily capacity. When flight frequency is limited, the cancellation of a scheduled service may remove practical same-day travel alternatives. In the Snowy Mountains region, where scheduled passenger services are currently unavailable from Snowy Mountains Airport, many travellers must

first travel by road to Canberra Airport to access commercial air services, further increasing travel time in the event of aviation disruptions.

## Aviation Cost Stack and Infrastructure Allocation

Airfare outcomes are influenced by the cumulative aviation cost stack across the aviation service chain, including airport aeronautical charges, Airservices Australia pricing, regulatory compliance costs and infrastructure maintenance obligations.

Published aeronautical charge schedules indicate that smaller regional airports often apply per-passenger or per-tonne charging structures, for example, \$16 per paying passenger at Merimbula Airport, while larger airports typically apply per-tonne landing and recovery charges, for example, \$42.89 per MTOW tonne plus a taxiway recovery charge at Canberra Airport for domestic prior-notice movements.

These charging structures reflect different operating environments. However, in thin markets operating smaller aircraft with lower load factors, fixed per-movement or per-tonne charges are distributed across relatively low passenger volumes. This structural characteristic increases per-passenger cost sensitivity when demand fluctuates.

Public reporting further illustrates the operating profile of regional airport facilities. Bega Valley Shire Council financial reporting indicates that Merimbula Airport operated at a near break-even position in 2023–24, with \$1.585 million in income against \$1.592 million in expenditure, and a projected net operating deficit of approximately \$182,000 in 2024–25. Operating expenditure remains comparatively fixed relative to passenger throughput levels.

Regional airports are required to maintain compliance with national safety, security and infrastructure standards irrespective of passenger volume. As a result, a significant proportion of operating costs are effectively fixed, meaning that cost recovery mechanisms applied per movement or per passenger are distributed across relatively small passenger bases. These obligations do not scale proportionately with passenger throughput, which can amplify per-passenger cost implications in low-volume markets compared with higher-volume metropolitan airports.

In addition, Airservices Australia implemented a weighted average price increase of approximately 6 per cent in 2025. While the direct per-passenger impact of such changes may be modest, cumulative increases across the aviation service chain may be proportionally more material in thin regional markets where fixed costs are distributed across smaller passenger bases.

Airport charging structures, regulatory compliance requirements and aviation service pricing interact with aircraft size, service frequency and load factors to shape the baseline cost environment in which airline pricing decisions occur.

## Thin-Market Amplification and Evidence Gaps

Airfare dynamics do not operate independently in smaller regional aviation markets. Instead, thin-market conditions can amplify the proportional impact of otherwise routine aviation cost, utilisation and reliability dynamics.

Regional airports in Southern NSW are structurally dependent on hub connectivity to Sydney, which provides the primary gateway to the national aviation network. Passenger volumes at these airports remain modest relative to metropolitan gateways.

Airport reporting indicates that Merimbula handled approximately 58,381 Regular Public Transport (RPT) passengers in 2024, with annual volumes generally fluctuating between approximately 55,000 and 62,000 passengers over the past decade. Moruya recorded approximately 19,000 passengers in 2024–25. These figures illustrate the relatively small scale of scheduled aviation activity typical of thin regional markets, where passenger throughput remains broadly stable over time.

At this scale, several structural features interact simultaneously, including limited carrier presence, lower service frequency, smaller aircraft capacity, movement-based charging structures and fixed regulatory compliance obligations. Turboprop aircraft operations, such as Dash-8 Q400 and Saab 340 services operating on South Coast routes, further shape operating economics. In some regional markets, air freight movements can also contribute to route viability by supplementing passenger revenue, although the scale of freight activity varies across smaller regional airports.

These characteristics mean that variations in load factor, service frequency, cost allocation or reliability can have a proportionally larger per-passenger effect than in higher-volume markets. Turboprop operating economics differ structurally from narrow-body jet operations, with higher per-seat costs at lower load factors.

Low-volume markets are therefore more sensitive to capacity decisions, yield recovery strategies, cumulative cost increases, sole-carrier dependency and seasonal demand variability. This sensitivity does not necessarily indicate structural dysfunction. Rather, it reflects the economic realities of operating scheduled air services in low-volume regional environments.

However, publicly available route-level fare and yield data for smaller regional airports are not published with the same level of granularity as monitored trunk routes. While airport operators and local governments often hold detailed operational data, equivalent national publication of route-level indicators for smaller regional markets remains limited, which constrains analytical comparability between larger and smaller markets.

Without consistent transparency across both monitored and non-monitored routes, assessing the relative contribution of utilisation, cost allocation, market structure and reliability factors to airfare outcomes remains constrained.

These conditions highlight the value of more consistent monitoring frameworks across both monitored and non-monitored routes to improve transparency, analytical comparability and evidence-based policy development within the regional aviation system.

## Transparency and Monitoring Framework

Current public reporting provides detailed fare, yield and utilisation data for selected monitored routes, such as Canberra–Sydney, through ACCC competition monitoring and BITRE aviation reporting. However, equivalent route-level indicators for smaller regional airports are not routinely published with comparable granularity.

This difference in reporting scope limits analytical comparability between monitored trunk corridors and thinner regional routes. In the absence of consistent publication of indicators such as average fares, revenue per passenger kilometre, load factors, capacity deployment and cancellation rates, it becomes difficult to isolate the relative contributions of utilisation, market structure, cost allocation and reliability factors to airfare outcomes in smaller markets.

A more consistent monitoring framework across both monitored and non-monitored regional routes would improve transparency without altering commercial pricing autonomy. Enhanced reporting would strengthen the evidence base available to assess airfare determinants across the full regional aviation system.

Without broader monitoring coverage, policy analysis risks being disproportionately shaped by the performance characteristics of high-volume corridors rather than the structural conditions affecting thin regional aviation markets.

These structural dynamics highlight the importance of policy responses that recognise the unique operating conditions of thin regional aviation markets while maintaining the commercial flexibility required for airlines to sustain regional connectivity.

## Policy Approaches to Thin Regional Aviation Markets

Many aviation systems recognise that thin regional aviation markets can experience structural constraints that limit the commercial sustainability of air services. In response, governments in several jurisdictions have implemented targeted policy mechanisms to maintain essential connectivity between regional communities and major population centres.

Examples include Public Service Obligation (PSO) routes within the European Union and the Essential Air Service (EAS) program in the United States, which provide structured support to maintain aviation access for smaller communities where commercial service provision alone may not sustain regular operations.

Within Australia, governments at both Commonwealth and state levels operate a range of programs supporting regional aviation connectivity and infrastructure capacity. These include initiatives such as the Commonwealth Remote Air Services Subsidy (RASS) program, the Australian Government Regional Airports Program, and state-based route development initiatives including the NSW Regional Aviation Take-Off Fund, which provides time-limited support to stimulate new or expanded regional aviation routes.

While the policy context and scale of intervention vary across jurisdictions, these approaches demonstrate that governments sometimes utilise targeted policy tools to address structural connectivity challenges in lower-volume regional aviation markets.

These approaches reflect recognition that aviation connectivity performs a critical economic and social function for regional communities, particularly in geographically large countries where alternative transport options may be limited.

## Recommendations

The following recommendations are offered from a regional development perspective, drawing on the operating conditions observed across aviation markets serving Southern NSW and the ACT.

Recognising the structural characteristics of thin regional aviation markets and the importance of reliable aviation connectivity for regional communities, industries and visitor economies, RDASNA recommends that the Australian Government consider the following measures:

1. **Expand route-level aviation monitoring** to include a defined set of thin regional corridors serving smaller regional airports, addressing the current evidence gap between monitored trunk routes and lower-volume regional markets.
2. **Improve consistency of public aviation data reporting** across monitored and non-monitored routes, including the publication of indicators such as average fares, revenue per passenger kilometre, load factors, capacity deployment, cancellation rates and service frequency.
3. **Review cumulative aviation cost allocation across the aviation service chain**, including airport aeronautical charges, Airservices Australia pricing and regulatory compliance cost recovery, to improve transparency of cost stacking in low-volume regional markets.
4. **Ensure policy assessments reflect the structural characteristics of regional aviation markets**, including load factor differentials, stage-length economics and thin-market operating conditions.
5. **Recognise cross-border functional economic geographies** when assessing aviation service resilience, connectivity dependencies and infrastructure impacts within the national aviation network.
6. **Examine the applicability of targeted regional aviation support mechanisms used in other aviation systems**, including route support programs, regional service obligation frameworks, or airport infrastructure support, in markets where thin demand conditions limit the sustainable provision of air services.

These measures would strengthen transparency, improve policy calibration and support evidence-based assessment of regional airfare determinants while maintaining commercial pricing autonomy.

## Conclusion

RDASNA supports the Productivity Commission's examination of the determinants of regional airfares. The evidence presented in this submission indicates that airfare outcomes in Southern NSW and the ACT are shaped by a combination of factors including capacity utilisation, yield dynamics on short stage-length routes, market structure, service reliability and the cumulative aviation cost environment across the aviation service chain. These factors influence not only airfare outcomes but also service frequency, aircraft deployment and network connectivity, which together determine how accessible aviation services are for regional communities.

These dynamics operate differently in thin regional markets than they do on high-frequency metropolitan corridors. In lower-volume environments, load factor variability, movement-based charging structures, limited carrier presence and reliability fluctuations can have a proportionally greater effect on both pricing outcomes and the effective cost of travel.

For regional communities across Southern NSW, aviation connectivity supports far more than discretionary travel. It enables access to specialist healthcare, allows businesses and workers to participate in national markets and supports visitor economies that underpin many local communities. For these communities, maintaining reasonably accessible airfares is an important factor in ensuring that aviation connectivity remains practically usable for residents as well as visitors. In regions where travel distances are large and transport alternatives are limited, reliable aviation services play a practical role in enabling economic participation and community wellbeing.

International experience demonstrates that governments sometimes adopt targeted policy approaches to maintain aviation connectivity in thin regional markets where commercial operating conditions are challenging. While these approaches vary across jurisdictions, they recognise that regional aviation networks often operate under structural conditions that differ markedly from high-volume metropolitan routes.

Improving transparency across both monitored and non-monitored regional routes would strengthen the national evidence base available to assess airfare determinants and regional aviation conditions. More consistent publication of indicators such as fares, load factors, capacity deployment and service reliability would allow a clearer understanding of how thin-market dynamics influence airfare outcomes across Australia's regional aviation system.

RDASNA welcomes continued engagement with the Commonwealth to ensure that national aviation policy settings recognise the operating realities of regional markets and support reliable and accessible air connectivity for communities across Southern NSW and regional Australia.