

## Submission to the Productivity Commission

### **Inquiry into the Determinants of Regional Airfares**

Submitted by: Murray Regional Tourism (MRT)

Date: [TBC]

## **1. Introduction**

Murray Regional Tourism (MRT) welcomes the opportunity to contribute to the Productivity Commission's inquiry into the determinants of regional airfares.

The Murray region spans a vast geographic area across Victoria and New South Wales, incorporating dispersed communities, strong interstate visitor flows, and a tourism economy significantly influenced by the accessibility, cost and reliability of regional aviation. The Commission's Issues Paper recognises the essential role regional air services play in connecting people, supporting local economies, and enabling regional development.

Despite demonstrable demand, regional aviation continues to face structural challenges — including disproportionately high per-kilometre fares, limited competition, and the financial vulnerability of council-owned airports. These challenges directly constrain the Murray's visitor economy, workforce mobility and broader economic resilience.

MRT strongly supports reforms that improve the affordability, competitiveness and long-term sustainability of regional aviation.

## **2. Why Regional Aviation is Critical for the Murray Region**

### **2.1 High-Value Visitors and Regional Dispersal**

Visitors arriving by air are among the highest-yield travellers to the Murray region. They are more likely to utilise hire vehicles and local transport services, stay longer, and spend more per trip than self-drive markets. This aligns directly with the Commission's interest in aviation's contribution to productivity and regional economic performance.

The entry of Bonza illustrated the strength of underlying demand. Despite being a new low-cost entrant, Bonza delivered significant passenger volumes into Murray gateways, stimulating dispersal into communities heavily reliant on visitor markets. Its collapse highlights both the fragility of new entrants in a concentrated market and the structural barriers facing regional route expansion.

Bonza carried approximately 100,000 passengers into Murray airports during its first 12 months of operations, demonstrating latent demand and the immediate uplift that additional capacity can generate (source: airport passenger data – available on request).

### **2.2 Aviation as an Enabler of Regional Productivity**

Regional aviation underpins:

- Workforce mobility
- Business travel and investment attraction
- Tourism demand and dispersal
- Accessibility for service providers and remote workers
- Visiting friends and relatives markets

Businesses in regional centres face elevated operating risk due to distance from major markets. Supply chain costs are higher, workforce recruitment can be constrained by connectivity, and many firms are disproportionately dependent on tourism and events revenue. Competitive and reliable air services therefore underpin business resilience, capital investment and employment growth.

### **2.3 Dependence on Local Government Airport Infrastructure**

All airports servicing the Murray region are owned and operated by local councils. Local governments carry the financial responsibility for maintaining runways, lighting systems, safety compliance, security screening and terminal infrastructure.

Local communities and ratepayers therefore shoulder the primary financial burden of operating and maintaining airport infrastructure. However, the economic benefits — tourism, business events, investment attraction and essential travel — extend well beyond individual council boundaries, often across state borders (notably in the Albury–Wodonga and Mildura catchments). In effect, local ratepayers underwrite infrastructure that delivers benefits to a much broader cross-border regional economy.

As the Commission notes, many regional airports operate at a loss due to lower passenger volumes and higher per-customer operating costs. Passenger throughput remains the only practical mechanism to reduce per-passenger costs, yet this depends on airlines committing to sustainable, competitively priced services.

## **3. How High Airfares Constrain the Visitor and Events Economy**

The cost of flying to regional Australia can be materially higher per kilometre than travel between major capital cities, as illustrated in the Commission’s fare comparisons. These disparities undermine regional competitiveness in both the visitor and events markets.

In repeated fare searches, MRT has observed instances where return fares to international leisure destinations (such as Bali or Bangkok) have been cheaper than domestic journeys to regional airports such as Mildura or Albury on comparable dates. MRT can provide time-stamped fare snapshots replicating the Commission’s \$/km method to substantiate these comparisons.

Such pricing outcomes are inconsistent with tourism market expectations and weaken the competitiveness of regional destinations.

### **3.1 Events, Conferences and Group Travel**

Reasonably priced and predictable airfares are essential for attracting:

- Business events and conferences
- State and national sporting competitions
- Cultural festivals and touring productions
- Corporate meetings and incentive travel
- Education, training and sector forums

Regional destinations are frequently excluded from consideration due to airfare costs, which can exceed the event registration fee itself.

When fares fall within reasonable and stable pricing bands:

- Event organisers are more willing to select regional locations
- Delegate participation increases
- Sporting teams and cultural groups can participate without prohibitive logistics budgets
- Airports experience more balanced, shoulder-season demand
- Councils secure stronger returns on airport infrastructure investment

Affordable aviation is therefore not merely a transport issue — it is foundational to regional competitiveness in the national events market.

### **3.2 Flow-On Effects Across the Visitor Economy**

Events generate high-yield visitation across accommodation, dining, retail, transport and attractions. They also create repeat visitation through destination exposure.

Without affordable air access, regional communities risk losing:

- Major conference bids
- Corporate retreats
- Multi-day sporting carnivals
- Touring productions and festivals
- Education and training programs

The opportunity cost is significant and compounds over time.

## **4. Current Market Dynamics and Structural Challenges**

### **4.1 Concentration and Fragile Competition**

The withdrawal of carriers from regional routes, instability among regional operators, and the collapse of new entrants illustrate a highly concentrated market structure with fragile competition dynamics.

When a carrier exits a route, communities often have no immediate alternative. This imbalance reduces negotiating leverage for councils and airports and limits downward pressure on fares.

### **4.2 Barriers to Entry and Expansion**

Key barriers identified by the Commission include:

- Limited access to landing slots at major airports
- Strong incumbent market power
- High fixed operating costs relative to demand
- Distribution disadvantages for smaller airlines

These structural barriers inhibit durable competition on regional routes.

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## **5. MRT's Policy Recommendations**

MRT proposes reforms designed to improve contestability, visibility and long-term route sustainability.

### **5.1 Priority Slot Allocation for Regional Routes**

MRT recommends that the Commonwealth undertake an independent review of slot allocation settings at major constrained airports — particularly Sydney and Melbourne — to assess whether current arrangements adequately support regional connectivity objectives.

The review should examine:

- Whether existing regional slot protections are sufficient to ensure durable access for regional services;
- The extent to which slot allocation practices may unintentionally favour trunk-route profitability over regional access;
- Mechanisms to improve transparency and guard against strategic slot utilisation that disadvantages regional services;
- Whether a defined allocation or ring-fenced pool for regional routes would improve contestability without distorting broader network efficiency.

The objective of such a review would not be to impose blanket reallocation, but to determine whether current frameworks optimally balance network efficiency with regional economic access.

Improving certainty of access to peak-period slots — where demonstrable market demand exists — would strengthen route viability, support new entrants, and reduce structural barriers to competition.

## 5.2 Improved Distribution and Interline Integration

Routes such as Mildura–Melbourne and Albury–Sydney experience reduced consumer visibility and booking confidence where regional services are not fully integrated into broader airline distribution systems.

While not a traditional regulatory barrier, limited interline and through-ticketing arrangements can reduce effective connectivity and diminish the competitiveness of regional routes.

MRT recommends consideration of:

- Improved access for eligible regional airline inventory within major airline booking platforms;
- Expanded interline and baggage agreements between trunk carriers and regional operators;
- Through-fare capability enabling passengers to book a complete domestic or international journey on a single ticket.

For example, a passenger travelling from Mildura to an international destination could benefit from the ability to purchase a single through fare that includes a Rex-operated regional sector connecting to a Jetstar international service, with baggage checked through to the final destination.

Similarly, a smaller operator such as Sharp Airlines operating a regional leg (for example, Brisbane–Sydney–Wagga) could participate in through-ticketing arrangements so that passengers can book the entire journey under one itinerary, rather than managing multiple separate bookings.

Greater integration would improve consumer confidence, reduce booking complexity, and increase the practical attractiveness of regional services — particularly for business travellers and international passengers who prioritise seamless connectivity.

Improved distribution frameworks would support stronger load factors, enhance route viability, and improve regional access without requiring significant structural intervention in the aviation market.

If improvements to slot access and distribution frameworks are insufficient to address persistent market gaps, a more structured intervention may warrant examination. In such circumstances, government should assess

whether an alternative regional service model could provide a stable and economically efficient solution where traditional market competition has repeatedly proven fragile.

### **5.3 Federally Supported Regional Airline Model**

MRT proposes consideration of a Federally underwritten regional carrier model that:

- Is owned collectively by participating regional councils
- Operates under independent, professional aviation governance
- Receives guaranteed access to priority slots
- Distributes tickets through major airline platforms where those airlines do not operate

International precedents demonstrate that structured public-interest models can sustain essential regional connectivity.

**Risk mitigation:** Any government-supported carrier should operate under commercially disciplined governance, transparent subsidy reporting, time-limited support with sunset provisions, and targeted intervention only where clear market failure exists.

## **6. Broader Impacts of Reform**

### **6.1 Affordability and Equity**

Reducing structural fare disparities will improve accessibility for residents, businesses, visitors and event organisers.

### **6.2 Regional Economic Strength**

Air connectivity supports tourism growth, workforce mobility, investment attraction and service delivery — all central to regional productivity objectives.

Tourism is the Murray region's second largest employer, accounting for approximately 20% of regional jobs (MRT Destination Management Plan). Improving aviation affordability would strengthen this employment base and support growth in visitor expenditure.

### **6.3 Sustainability of Council-Owned Airports**

Improved route certainty and passenger volumes will reduce per-passenger costs and enhance the long-term financial sustainability of council-owned airports.

## **7. Conclusion**

Regional aviation is essential infrastructure for the Murray region. It supports tourism, events, labour mobility, business resilience and cross-border connectivity.

The current market structure places regional communities at a structural disadvantage and constrains growth in the visitor and events economy.

MRT urges the Commission to consider reforms that:

- Strengthen slot access for regional routes
- Improve distribution and integration of regional carriers
- Explore structured public-interest regional airline models

These reforms would unlock regional economic potential, improve tourism dispersal, and enhance fairness and sustainability within Australia's aviation system.

MRT will also encourage its council partners to consider lodging submissions to ensure the local government perspective on airport cost-recovery and community equity is clearly represented.

Murray Regional Tourism appreciates the opportunity to contribute and welcomes further engagement as the inquiry progresses.