

Canberra Region Tourism Leaders Forum

***Productivity Commission
Inquiry into the determinants of regional airfares***

March 2026

Introduction

This submission sets out the *Canberra Region Tourism Leaders Forum's* views and recommendations responding to the Scope set for the Productivity Commission's inquiry into the determinants of regional airfares.

The Forum

The Canberra Region Tourism Leaders Forum (the Forum) is the ACT and region's peak tourism and events industry representative body.

The Forum is a not-for-profit, comprising heads or representatives of the leading tourism, business, sports, arts, cultural, aviation and educational sectors in the ACT and surrounding Canberra Region.

The Leaders Forum's focus is on promoting the value of these sectors to the ACT and region visitor economy and acting as a 'think tank' and policy generator.

This inquiry

The Forum welcomes the Treasurer's request and the Productivity Commission's resulting inquiry into the determinants of regional airfares.

The Forum's aspirations in this field are to:

- Reduce the cost, increase the frequency and reliability of existing services to increase visitor numbers, encourage longer destination stays and visitor spend, in particular for Canberra and region;
- Identify measures to increase efficiency of existing operating arrangements for carriers, airports and related services and facilities;
- Propose policy, regulatory and support measures to achieve these aspirations.

We note these aspirations are in line with stated Federal (*Thrive 2030*) and ACT Government (*T2030 ACT Tourism Strategy*) policy and strategy on tourism development.

We also recognise its importance to national and regional economies but also social outcomes such as equitable access to air transport for regional and remote communities. A specific issue here is Federal and State / Territory aims in the *National Agreement on Closing the Gap* to overcome the inequality experienced by Aboriginal and Torres Strait Islander people; reducing the cost, extending the

range of air services and increasing frequency and reliability is a key means to achieve life outcomes equal to all Australians.

Determinants of regional airfares

The Forum recognises that the determinants of regional airfares are many and diverse. Here we identify a number of the most significant issues against the Scope for this inquiry.

Drivers of demand

Tourism Research Australia data shows the significance of air services for both domestic and international travel. TRA data also shows in recent years a steady decline in holiday length for both domestic and international travel.

For domestic travel air services, particularly for regional destinations (and potential destinations) air travel is often the quickest, easiest but also most expensive means of reaching and returning from their desired destination. For international visitors, air travel can often be seen as the quickest and most effective way of travel.

For the ACT, its government's *T2030 Tourism Strategy* aims to encourage – longer stays, average visitor spend and more visitation. This means that air services, and their cost, frequency and reliability are major contributors to the industry and the economies supported by them.

Barriers to entry or expansion

The Commission will be aware the Australian domestic air services market is one of the most concentrated in the world. For example at Canberra Airport, Qantas Group and Virgin together account for about 98% of all domestic passengers (Qantas Group about 60 – 65% and Virgin about 30 – 38%), with the remainder carried by Link Airways and Fly Pelican. Similar concentration can be established for other regional destinations; such concentration can only dampen competition and reduce incentives for efficiency in operations.

An obvious response is to encourage new entrants. Such a new competitor would, we estimate, need to achieve about 15% of the domestic market to be successful. In turn, this would require access to about the same cut of landing slots at Sydney Airport.

We recognise this would require significant government intervention, likely to be strongly resisted by existing carriers. We also note past history with third-airlines, such as the collapse of Bonza in 2024 and the challenges faced by Rex Airlines.

This experience and barriers outlined above, suggest that without a major government commitment in regulatory reform and financial support, would not succeed. We look forward to the Commission's views on this matter.

Another approach would be further encouragement of greater international airlines services to regional Australia. While not possible for all regional air destinations, where it is suitable, significant benefits, including in increasing competition, may be possible at low cost to government.

Secondary airports, such as Canberra Airport, already have required customs, immigration, bio-security and other necessary services and facilities to receive international visitors. International carriers are clearly interested in exploring such possibilities. For example, Qatar Airways has recently returned to connecting Canberra to Doha and onwards to Melbourne (a welcome addition to air services for domestic travellers too). Fiji Airways connects Canberra to Nadi and on to North America (and vice versa). Virgin has announced direct international flights from Canberra to Bali (and vice versa).

The Federal Government has about 110 such Bilateral Agreements but most are concerned only with the four main gateways – Sydney, Melbourne, Brisbane and Perth. Extending these to secondary airports would assist competition, particularly if agreements limit capacity. Targeted secondary port access incentives in such agreements would also provide a clear signal to airlines and help overcome any barriers to airlines engaging with these secondary gateways.

Such an arrangement could open new markets, and reduce congestion and capacity challenges at the four major gateways, particularly Sydney Airport

Identify policies or regulatory settings contributing to higher fares, reduced service or reduced competition

We here identify several operational issues that impact on regional airfares, frequency and reliability.

Market concentration. As noted above, current policy settings do not sufficiently consider market concentration, very limited competition and the effects of these on airfares, reliability and frequency.

Sydney Airport slot operations. For the ACT and much of eastern Australia, Sydney Airport remains the key determinant of air movements; about four of each ten aircraft in Australia pass through Sydney each day. Efficiencies or lack thereof impact significantly on air movements in NSW regions and the ACT, but much more widely as well. While reforms introduced in 2024 establish a competitive

tender process for slots and other competition-enhancing mechanisms, more can be done.

A key one would be to amend the existing 80:20 rule; that is, allowing an airline to retain a slot though it does not utilise it 20% of the time. Lowering the 20% to 10 or 5% would increase efficiency and support more competition for scarce slots at this critical airport.

Role for government and most efficient forms of government intervention

As will be clear from the other sections of this submission, the Forum believes there is a clear argument for an enhanced role for government intervention in several determinants of regional airfares.

Government policy is to encourage visitation to regional areas for economic reasons. The Government has also made clear it wishes greater (and more affordable) access to air travel for regional and remote residents, particularly Indigenous Australians for social, health access and equity reasons. But, as identified in this submission significant issues remain, issues we believe are amenable to government intervention at comparatively low economic and political cost.

Impacts of regional airfares and access to regular and reliable air services on regional economies

Tourism is a very significant part of Australia's regional economies. For the ACT 4.5 million visitors arrived in the year to September 2025, generating \$3.1 billion in expenditure across accommodation, hospitality, retail, attraction and transport sectors. Tourism related businesses account for one in eight ACT businesses (4,804 businesses), and one in every 13 workers (22,200 direct and indirect jobs). These Canberra figures are only part of the issue in that Canberra is the hub for the south-eastern region of NSW and a gateway for visitors dispersing out into the surrounding region.

Identify the extent of competition

See above under 'Barriers to entry or expansion'.

A further issue for Commission consideration should be the components of airfares. Airfares comprise airport charges, airline charges and government fees and taxes. While airport charges are relatively stable, following some growth during the privatisation phase of airport evolution, airline charges continue to grow. Partly this is due to external factors such as the price of fuel, government and airport

fees, part of it is the imposition of ever widening and costly ancillary charges on passengers. These may include fees for seat selection, baggage, etc. While 'optional' many passengers regard these as unavoidable, adding to the cost of air travel.

International comparisons and best practice

We note other nations with similar geographic challenges for transport invest significantly more in supporting regional air services to establish, grow and sustain tourism and other sectors in regional economies.

We understand the fiscal challenges currently faced by the government. However, we believe that the measures identified here can increase productivity, further support growth and diversification of regional economies and support the social (including Closing the Gap) objectives identified in government policy.

Current and recent initiatives show low ambition

The Forum recognises current programs and initiatives engaging with the challenges identified above; however, we believe these show little ambition in both policy development or tackling operational inefficiencies.

We note the *Senate Rural and Regional Affairs and Transport Reference Committee* into Australian aviation and welcome this exercise as another (though one-off) opportunity to identify and develop possible responses to issues such as identified here. Of course, there have been similar inquiries, and Government statements, in past years without seemingly addressing these issues. To take one example – increased access to regional airports for foreign airlines: the *2009 Aviation White Paper*, (released by then Minister for Infrastructure Hon Anthony Albanese) noted '...the Government will encourage international airlines to increase services to our secondary international gateways. Australia will offer foreign airlines unlimited access to secondary gateway markets...'. The *2024 Aviation White* paper contained no such ambition.

We also note a useful on-going initiative - the *ACCC's quarterly domestic airline monitoring program*.

However, we believe neither one-off nor existing continuing programs are sufficient to monitor existing operating issues and identify and develop effective responses to the issues identified here and new ones as they arise.

We believe further continuing efforts are needed. This could be either a re-purposing / strengthening an existing body or program, such the ACCC program,

more regular reviews by a body such as the Productivity Commission, or establishing a new body,

Recommendations

The Forum recommends the Commission:

- Note the above analysis;
- Pursue means and pathways to increase domestic air service competition, including again examining the viability of a new domestic carrier but also allowing and support increased international airline services to regional destinations;
- Address the operating arrangement barriers to greater use of existing airports (especially Sydney);
- Investigate improved monitoring, analysing and proposing policy, regulatory and support measures to increase competition, reduce barriers and encourage growth in domestic and international air services to regional Australia. This could be enhancing the roles and powers of existing monitoring processes or establishing a new organisation specifically tasked.

Further information

The Leaders Forum welcomes the opportunity to provide additional information, or to be involved in further consultation for this inquiry.

Contact

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