BROOME INTERNATIONAL AIRPORT

Submission – Determinants of Regional Airfares

Submitted by: Broome International Airport (BIA)

Inquiry: Productivity Commission – Determinants of Regional Airfares

Date: 10 March 2026

Executive Summary

This submission demonstrates that persistently high regional airfares are driven by the structural economics of remote aviation markets, not by airport pricing or inefficiency. The Commission's focus on determinants of regional airfares is best addressed by examining airline competition factors, underlying cost structures, risk allocation and demand volatility.

Limited competition, thin and highly seasonal demand, long distances, and elevated operational risk result in materially higher per-passenger cost of travel than observed on metropolitan routes.

In the Kimberley, aviation is essential economic and social infrastructure. It underpins tourism, workforce mobility, productivity and access to health, education and government services, particularly for remote Aboriginal communities where alternative transport options are limited or unavailable.

Airport charges form a relatively small component of airline operating costs but are critical to funding safety-critical, capital-intensive infrastructure. At BIA, aeronautical charges are determined using transparent, cost-based methodologies and are subject to commercial negotiation with airlines.

Durable outcomes require policy responses, including:

- Optimising airline competition and service quality to encourage competitive fare structures, customer choice and connectivity;
- Reducing structural costs within the regional aviation system, whilst ensuring that all participants (including airports) achieve financially sustainable outcomes;

Broome International Airport Pty Ltd ABN: 99 074 187 732
Suite 6, 2a Brodie Hall Drive, Technology Park, Bentley Western Australia 6102
Telephone (08) 9470 7200 Int +61 8 9470 7200 Fax (08) 9470 5955
www.broomeair.com.au

- Targeting affordability support to essential travel,
- Sharing commercial risk, when appropriate, to support service provision and growth, and
- Maintaining Australia's light-handed approach to airport economic regulation to ensure airport infrastructure is fit-for-purpose and supports regional travel

Aviation policy should be coordinated with broader regional development settings to improve demand certainty and long-term service sustainability.

Productivity Commission Information Requests

1. Why is regional aviation so important

Economic activity, tourism and migration

Regional aviation is essential economic infrastructure for remote Australia. In the Kimberley, BIA functions as the primary aviation gateway, linking the region to Perth and the national aviation network.

Tourism, which is a cornerstone of the regional economy, is heavily dependent on reliable and affordable air access, given the distance from major population centres and the absence of viable alternative transport modes.

Extreme distances, combined with seasonal road inaccessibility during the wet season, mean aviation is the dominant mode of access for visitors, residents, businesses and time-sensitive freight. For Broome, reliable air services support employment across tourism, resources, construction, health, education and government services. When connectivity weakens — through reduced frequency, higher fares or constrained seat availability — tourism demand softens, workforce mobility is constrained and regional economic activity is directly suppressed.

Aviation also influences migration and population stability. Access to regular and reliable air services affects the attractiveness of Broome as a place to live and work, particularly for skilled professionals who must maintain connections with metropolitan centres.

Productivity impacts

Aviation materially improves productivity in remote regions by reducing travel times from days to hours. For Broome-based businesses, aviation enables same-day or short-stay travel for management, technical specialists and professional services. FIFO and DIDO workforces rely on regular air services to access regional projects, particularly in the resources and construction sectors.

Government agencies and service providers also depend on aviation to deliver services efficiently across the Kimberley. Without aviation, activity is deferred, cancelled or undertaken via significantly higher-cost and higher-risk alternatives, such as long-distance road travel or extended staff rotations.

Closing the Gap outcomes

BIA plays a critical role in enabling access to essential services for remote Aboriginal communities across the Kimberley. Aviation is often the only reliable year-round transport mode for accessing health care, education, justice and social services, particularly during the wet season when road access is disrupted or unavailable.

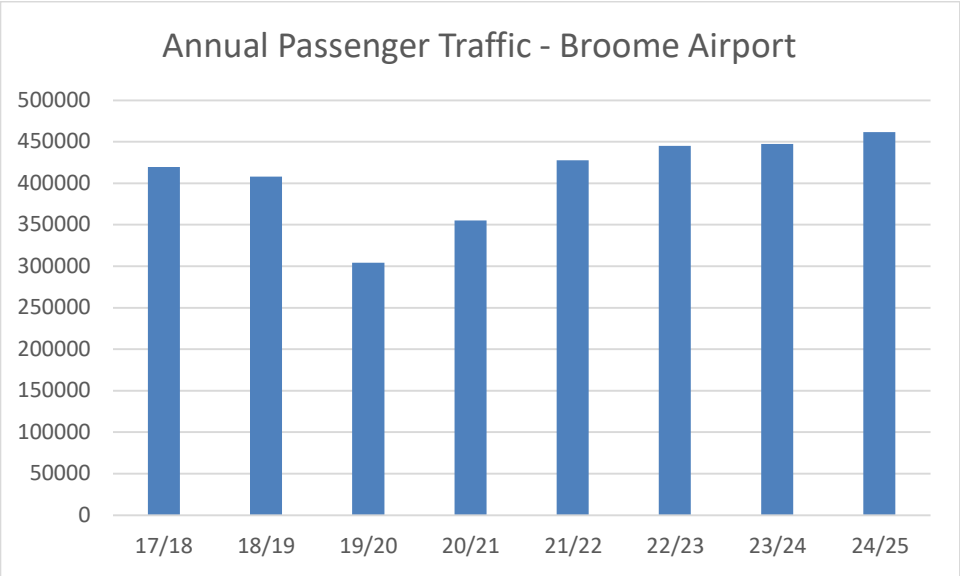
Reduced aviation access — whether through higher fares, reduced services or limited seat availability — directly undermines service continuity and Closing the Gap outcomes. In this context, aviation functions as essential social infrastructure, not discretionary travel.

Substitutability with other transport modes

In the Broome context, substitution with other transport modes is extremely limited. Road travel involves very long distances and is subject to frequent seasonal closures, while there are no viable rail or maritime passenger alternatives. For context, road travel from Broome to Perth can take upwards of 23 hours. As a result, aviation operates as essential public transport rather than a substitute for other modes. This lack of substitutability significantly reduces price sensitivity and increases the social and economic consequences of fare increases.

2. Influence of fares on demand

BROOME INTERNATIONAL AIRPORT

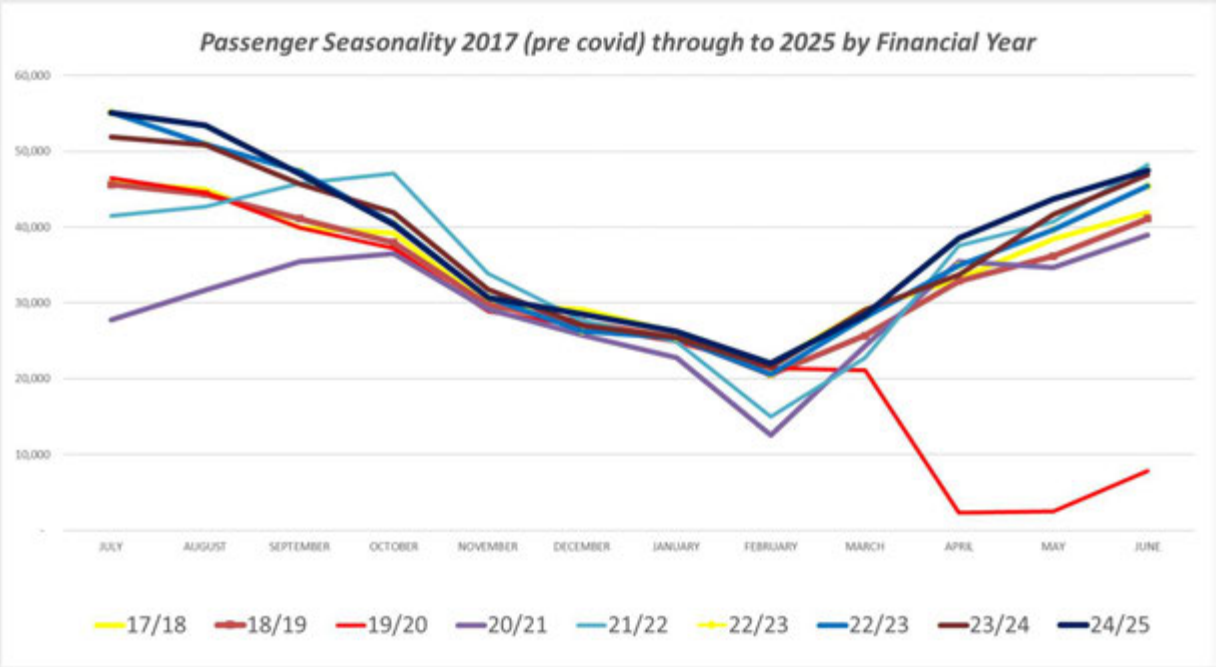


Despite record aggregate passenger volumes post-pandemic, long-run growth in Broome passenger numbers has remained low, indicating that demand is constrained by structural factors, including airline capacity and local factors including accommodation supply. There is a noted accommodation shortage during peak months of July and August, providing a growth inhibitor for the town (and the broader Kimberley) which will not be mitigated unless the shoulder season months (particular Oct/Nov and Mar/Apr) can be utilised.

With respect to Broome, demand is materially influenced by seasonality (tourism high season typically runs from Apr – Oct) and event-driven peaks (school holiday periods), which airlines price dynamically to manage load factors and optimise revenue.

Broome International Airport Pty Ltd ABN: 99 074 187 732
Suite 6, 2a Brodie Hall Drive, Technology Park, Bentley Western Australia 6102
Telephone (08) 9470 7200 Int +61 8 9470 7200 Fax (08) 9470 5955
www.broomeair.com.au

BROOME INTERNATIONAL AIRPORT



The above graph shows the majority of passengers visiting Broome arrive during the peak tourist season months of April through to October, however during the off-peak season during November through to March, there is a material decline in visitation, and as can be seen in the results above, despite the WA Government Regional Airfare Cap operating, there has been no growth during these off-peak months.

This alludes to demand during the off-peak months, and indeed throughout the year for Broome residents, being predominantly necessity-driven rather than discretionary. Travel is often undertaken to access essential services, employment, education, family connections or government services, rather than for purely discretionary purposes.

Airline fares for Broome services are generally high by Australian domestic market standards. High fares tend to affect behaviour by reducing travel frequency, shortening length of stay, delaying trips or shifting costs onto households, businesses and governments. For example, higher fares can reduce tourism length-of-stay or discourage repeat visitation, even where overall visitation remains constrained by capacity.

3. Drivers of regional airfares

Broome airfares reflect a lack of airline competition, demand characteristics that can allow airlines to generate above average yields, and high underlying costs. These factors are commonly observed in Australia's regional aviation market.

Lack of airline competition and choice

Qantas and Virgin Australia make up almost 90% of BIA's annual passenger traffic and are the only operators on the Broome-Perth route (Broome's busiest route). Both airlines are full-service carriers.

Crucially, no low-cost carrier currently operates at BIA. The absence of a low-cost option inevitably means all passengers pay full-service fares, when a significant number of cost-sensitive passengers would undoubtedly choose a low-cost alternative if it were available. For BIA, this demonstrates a direct and obvious link between lack of choice and higher fares, impacting affordability for many travellers.

BIA also offers direct services to Sydney, Melbourne and Darwin (as well as other smaller routes). In each case, these routes are generally operated by a single carrier. There is no direct competition, with a commensurate increase in airline pricing power and fare levels.

Analysis of data from the Australian Government's Department of Infrastructure, Regional Development and Cities provides further insights on this topic. Lowest available fare data for the period from January to December 2025 was analysed for:

- Sydney to Cairns services; and
- Perth to Broome services.

There are valid similarities between these routes – connecting a state capital city with a prominent tourism destination. Both services are broadly similar in length, with Sydney to Cairns at 1,966 kilometres and Perth to Broome at 1,674 kilometres (great circle distance), and are served by narrowbody jet aircraft.

The following observations are made from the data:

- Sydney to Cairns – for 2025, the average available lowest return fare was $312. This equates to Revenue per Available Seat Kilometre (RASK) of approximately 7 cents;
- Perth to Broome – for 2025, the average available lowest return fare was $527. This equates to RASK of 12 cents – approximately 72% higher than Sydney to Cairns.

Whereas Perth-Broome is served only by Qantas and Virgin, Sydney-Cairns is served by Qantas, Virgin and Jetstar. The effect of additional competition - including a low-cost option – is evident on the relative affordability of travel.

Airline economics and thin markets

Major city routes benefit from very large passenger volumes, allowing airlines and airports to spread fixed costs—such as aircraft ownership, crews, airport infrastructure, and regulatory compliance—across millions of passengers each year.

In contrast, it is recognised that regional routes like Broome operate with lower aircraft utilisation and reduced economies of scale (maintenance, staffing, spares, training etc.). In addition, higher volatility in demand can increase commercial risk and encourage higher fares in peak periods.

Conversely, regional routes can offer airlines significant pricing power depending on the competitive landscape (as discussed above) and demand characteristics, including the lack of feasible alternatives to air travel – which are clearly evident for Broome. This is also influenced by the mix of travellers (business, leisure etc.) and economic capacity in that market – in short, the ability to pay.

Whilst higher unit costs can be a factor for regional services, these routes can also offer airlines the opportunity to generate above average profitability through comparatively high fares – in other words, as high as a requisite percentage of travellers in that regional market can afford – and limited aircraft capacity.

Whilst these dynamics may deliver strong airline profitability on a particular route, it does not mean that travel is affordable for all – with lost economic and social benefit in regional areas.

4. Characteristics of the regional aviation sector

Airlines consistently assess Broome as a desirable destination, however limited airline competition and lack of overall capacity growth in the Australian domestic market presents structural challenges in attracting new services.

Airlines generally seek support from BIA before committing to new services on the route, adding a significant risk element to BIA's pursuit of new opportunities. BIA has always partnered constructively with airlines on these opportunities, including the commitment of significant financial support to help new routes succeed.

The following example illustrates the structural barriers to entry and expansion in remote aviation markets. In late June 2024, Jetstar Asia commenced a new international service into Broome from Singapore. This was a significant moment for the town and the region, allowing the unique Kimberley tourism offering to be opened up to the world. In order to secure this service, BIA's owners were required to significantly support (de-risk) the route for Jetstar Asia, in order to convince them to operate the service. Despite additional support from Tourism WA, the service was cancelled in July 2025, owing to Jetstar Asia's demise.

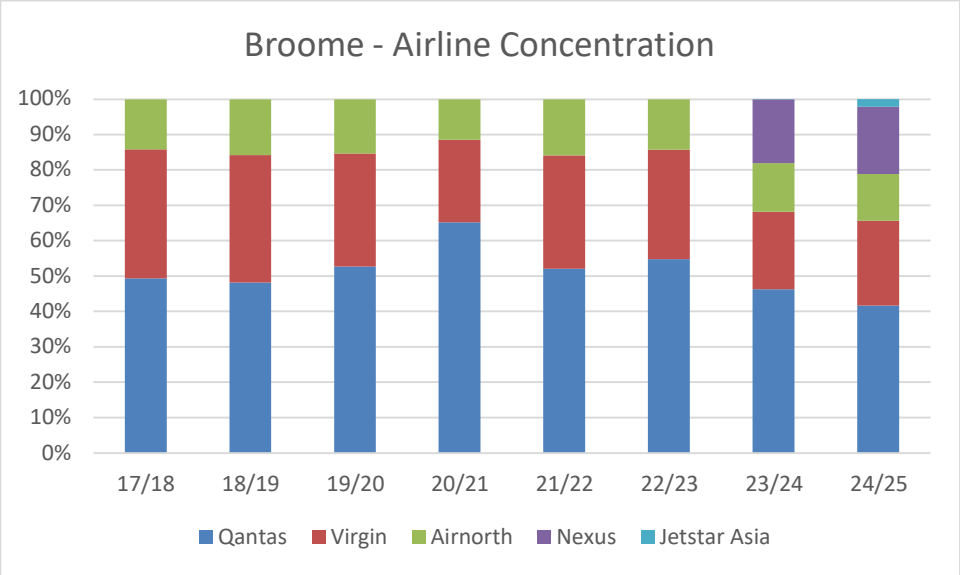
This example shows that:

- Regional airports play an important role in driving regional aviation growth and share significant risk with airlines; and
- Despite best efforts by stakeholders, there is an inherent risk when airlines operate to remote regions on untested routes, with a small population base less able to support an outbound market.

Airline concentration at Broome Airport

The graph below reflects the market concentration of total RPT landings at BIA amongst airlines and reflects the level of concentration inherent on the route, particularly with respect

to Qantas – building on earlier discussion. It is important to note, Airnorth do not compete with Qantas and Virgin on the Broome-Perth service.



The addition of Nexus in 2024 and 2025, whilst welcome in Broome, does not provide a true reflection of the impact the service has had on the market, with low utilisation on both the Inter Regional Flight Network within WA (Geraldton, Port Hedland, Karratha), as well as competition with Airnorth on the Broome/Kununurra route. Nexus have now exited this route, owing to market pressures, and are concentrating on the IRFN service as well as charter work from Broome, servicing the Oil and Gas industry.

Role of non-passenger services

BIA also provides a significant General Aviation precinct – operating throughout the year. Charter and contract services operating through Broome can improve overall aircraft utilisation and support regional economic activity.

BIA's GA precinct enables GA operators to provide:

- Health services, including specialist care, emergency evacuations, and the Royal Flying Doctor Service;

- Education and training, allowing students, teachers and support staff to move between communities and regional centres; and
- Government and justice services that cannot be delivered locally on a full-time basis.

For many remote Aboriginal communities, aviation is the only reliable year-round transport mode, particularly during wet seasons when roads are impassable. Without aviation, service delivery becomes intermittent, delayed, or impossible—directly undermining Closing the Gap objectives in health, education, employment and justice.

BIA also hosts Australian Border Force, who conduct year border surveillance work on behalf of Department of Home Affairs, providing crucial support to Australia's coastal defence network.

It is important to note however, that Charter/GA services and cost recoverability cannot materially offset RPT economics. These GA services can also limit scheduling flexibility and capacity for regular passenger services, particularly during peak demand periods.

Airport charges and cost recovery at BIA

The Terms of Reference for this inquiry examine the determinants of regional airfares, including the costs faced by airlines operating regional services.

Airport charges represent one component of airline operating costs.

This section outlines BIA's approach to determining aeronautical charges, the role of commercial negotiation with airlines, the importance of aeronautical charges in supporting capital investment and long-term infrastructure planning, and the structural characteristics of costs at regional airports.

BIA's Aeronautical Charges

BIA charges airlines operating Regular Passenger Transport (RPT) services in accordance with the Conditions of Use published on the airport's website. Separate commercial air services agreements have been agreed with BIA's 2 major airline customers.

BIA's aeronautical charges comprise:

- a Passenger Facilitation Charge (PFC), applied to all embarking and disembarking passengers on scheduled RPT services (excluding transit passengers); and
- a Security Screening Charge applied to all embarking passengers using the security restricted area.

These charges relate to aeronautical services provided by BIA to airline operators. Aeronautical services include the infrastructure and facilities necessary to support civil aviation operations at the airport, including:

- Runways, taxiways, aprons and airside roads
- Airfield lighting and associated airside infrastructure
- Landside access roads and lighting servicing the terminal and airside areas
- Passenger processing areas within the terminal
- Security screening and other aviation regulatory compliance obligations.

Determination of Aeronautical Charges

Aeronautical charges at BIA (excluding security screening charges) are determined using a Building Block Methodology (BBM), a widely used economic framework for infrastructure pricing.

Under this approach, BIA's allowable aeronautical revenue requirement is calculated by combining:

- Efficient operating and maintenance expenditure;
- Depreciation of aeronautical assets; and
- A return on capital invested in aeronautical infrastructure based on an appropriate weighted average cost of capital (WACC).

Consistent with the Australian Government's longstanding Aeronautical Pricing Principles, this approach ensures that aeronautical charges reflect the efficient costs of providing aviation infrastructure while allowing BIA to recover the long-term costs associated with operating and maintaining those assets.

The BBM framework is supported by an Activity-Based Costing (ABC) model which identifies and allocates costs associated with providing aeronautical services.

Under this approach, operating costs are assigned to specific airport activities — such as airside operations, terminal services, security screening and regulatory compliance — based on the resources consumed in delivering those activities. This enables costs to be allocated between aeronautical and non-aeronautical services using transparent and objective cost drivers rather than broad estimates.

The use of an activity-based cost model enhances the transparency and legitimacy of cost allocation and provides confidence that aeronautical charges reflect the actual cost of services provided to airlines.

The BBM revenue requirement is then allocated across airline passengers and expressed as a per-passenger charge.

BIA's use of a passenger-based charge, rather than a Maximum Take-Off Weight (MTOW) charge, shares demand risk between the airport and airlines by linking airport revenue to actual passenger volumes. This approach has been accepted by airlines operating at BIA.

In relation to government-mandated security screening, BIA's security charge per embarking passenger is adjusted annually to reflect actual security costs and passenger volumes, with any reconciliation incorporated into the following year's charges.

Role of Airport Charges in Airline Cost Structures

Airport charges represent one component of the cost base faced by airlines operating regional services.

Industry evidence generally indicates that airport charges typically account for around 4 to 10 per cent of total airline operating costs, although this can vary depending on airline type and route characteristics.

Major airline cost drivers include fuel, aircraft ownership or leasing costs, labour costs and maintenance.

As discussed earlier, airfares are not determined solely by underlying costs. Airlines generally set fares using commercial pricing and yield management systems to maximise profit based on demand conditions, competition on routes and network strategy.

While airport charges contribute to airline operating costs, they represent only one of several factors influencing the level of regional airfares.

Commercial Negotiations

BIA successfully negotiated commercial agreements on aeronautical charges and other conditions of use with Qantas, Virgin Australia and Network Aviation in 2021, and is currently seeking to negotiate new agreements with these airlines for the next pricing period. While the terms of these agreements are commercial-in-confidence, they include review mechanisms that reflect changes in passenger volumes and capital investment requirements.

These agreements demonstrate that aeronautical pricing outcomes are determined through commercial negotiation between the airport and airline operators, rather than unilateral price setting by the airport.

The ability of BIA to negotiate both price and non-price terms with airlines is an important feature of the commercial framework within which regional airports operate. Negotiated outcomes allow airports and airlines to align aeronautical charges, service levels, infrastructure investment and operational arrangements in a manner that supports sustainable airline operations and regional connectivity.

In the context of this inquiry, the capacity for airports and airlines to reach commercially negotiated agreements provides an important mechanism for balancing airline viability, airport cost recovery and the long-term connectivity needs of regional communities.

Airport Charges, Capital Investment and Long-Term Planning

Aeronautical charges at BIA play an important role in supporting the capital investment required to maintain safe, compliant and efficient aviation infrastructure over the long term.

Regional airports operate highly capital-intensive assets including runways, taxiways, aprons, terminal facilities, security screening infrastructure and airfield lighting systems. These assets require ongoing maintenance, renewal and periodic upgrade in order to meet regulatory safety requirements and support reliable airline operations.

Revenue from aeronautical charges is essential in funding these investments and supports prudent long-term infrastructure planning, including asset replacement cycles and capacity upgrades required to accommodate future aviation demand.

Broome International Airport Pty Ltd ABN: 99 074 187 732
Suite 6, 2a Brodie Hall Drive, Technology Park, Bentley Western Australia 6102
Telephone (08) 9470 7200 Int +61 8 9470 7200 Fax (08) 9470 5955
www.broomeair.com.au

It is also important that airport shareholders receive an appropriate return on the capital invested in aeronautical infrastructure, commensurate with the risk of investing in that asset. Providing a reasonable return supports continued investment in airport assets and ensures that airports are able to fund the infrastructure required to maintain safe and reliable regional air services.

Case Study: Price Cap Regulation of Major Airports (1997–2001)

During the period of price-cap regulation applied to major Australian airports between 1997 and 2001, the ability of airport operators to earn a commercial return on aeronautical infrastructure was constrained. The price regulation included a price cap which was applied to major Australian airports and expressed in the form of a CPI-x formula, where aeronautical prices were capped each year by this formula.

In the case of Perth Airport, "x" was set at 5.5% for each of the 5-years between 1997-2002. As CPI was lower than 5.5% for any year of that period, Perth Airport was required to reduce its aeronautical charges each year by 2-3%.

This weakened incentives for discretionary capital investment and resulted in some infrastructure upgrades being deferred. Subsequent reviews by the Productivity Commission noted that restrictive price-cap regulation risked discouraging efficient investment in airport infrastructure.

This experience contributed to the policy shift toward the current framework based on commercial negotiation between airports and airlines, supported by regulatory monitoring.

Airport Cost Structure

The cost structure of BIA, like most regional airports, is characterised by a high proportion of fixed costs associated with maintaining essential aviation infrastructure and meeting regulatory obligations.

Significant expenditure is required to operate and maintain runways, taxiways, aprons, terminal facilities, security screening systems, safety management systems and airfield lighting, regardless of passenger volumes.

Examples of such expenditure (which can be operating or capital) include:

- Runway, taxiway and apron pavement maintenance and periodic resurfacing (BIA completed a resurfacing of the runway in 2013 costing approximately $13m, and an upgrade to the RPT Apron completed in 2025 costing approximately $5m)
- Airfield drainage systems;
- Airfield movement area lighting systems;
- Maintenance and upgrade of passenger terminal fixtures and fittings;
- Aviation safety management systems;
- Regulatory compliance – CASA;
- Security screening;
- Utility upgrades – power, water, telecommunications;
- Airside hazard management;
- Emergency response capability and exercises;
- Statutory fees – rates, taxes, levies;
- Insurance; and
- Administration overheads

As a result, many airport costs do not vary significantly with traffic levels. In regional markets with relatively low passenger volumes, these fixed costs must be recovered across a smaller number of airline movements and passengers. This can result in fluctuating per-passenger aeronautical charges even where the airport is operating on an efficient cost-recovery basis.

This structural characteristic is common across regional aviation infrastructure and reflects the need to maintain safe and compliant facilities irrespective of traffic scale.

Specific factors affecting Broome Airport Costs

Apart from the general airport cost characteristics mentioned above, BIA has more specific factors which affect its operating and capital costs.

- **Seasonality of travel**
  Broome's predominantly tourist passengers visit during a relatively narrow window between April to October due to more favourable weather during these months in Broome.

  Seasonal fluctuations in passenger numbers nonetheless require the airport to maintain operational capability throughout the year, even when traffic levels are lower.

During peak tourism periods, additional operating resources may be required to manage higher passenger throughput, while during off-peak periods some operating costs remain largely fixed.

In the case of casual labour, in peak seasonal periods, labour costs in particular can be much higher due to the relative scarcity of available labour in these periods. The ability to bring in additional staff quickly to meet surging demand is necessary in peak periods whereas low season may necessitate the removal of staff during quieter periods – creating a difficult work environment with respect to recruitment and staff retention.

Seasonality also affects infrastructure planning. Airport infrastructure—including runways, aprons, terminals and security screening facilities—must be sized to accommodate peak passenger demand, even if those levels occur for only part of the year.

This means that capital investment decisions are driven by peak capacity requirements rather than average utilisation levels.

For regional tourism destinations such as Broome, this can result in infrastructure that experiences periods of lower utilisation outside peak travel seasons while still requiring ongoing maintenance and asset management.

- **Geographic Remoteness**
  Broome's geographic remoteness has a material impact on both the operating and capital costs of BIA.

  Remote locations typically face higher input costs due to limited local supply chains, higher freight and transport costs, and the need to source specialist equipment, materials and technical expertise from distant metropolitan centres. Maintenance activities, infrastructure repairs and capital works often require the mobilisation of contractors, equipment and spare parts over long distances, which increases both cost and project complexity.

  Labour costs can also be higher in remote locations, as airports may need to attract and retain skilled personnel in a smaller labour market, sometimes requiring additional training, travel or accommodation arrangements.

Remoteness can also affect capital investment costs. Construction materials, specialist aviation equipment and infrastructure components often need to be transported long distances to site, increasing project costs compared with airports located closer to major supply centres. In addition, smaller regional airports typically deliver capital projects on a smaller scale, limiting the ability to capture economies of scale that may be available at larger metropolitan airports.

These factors mean that regional airports in remote locations such as Broome often face structurally higher operating and capital costs while serving relatively smaller passenger markets.

- **Climate**

  Broome's tropical climate also influences the operating and capital costs of BIA.

  Broome experiences high temperatures, intense ultraviolet exposure, heavy seasonal rainfall and periodic cyclonic weather. These environmental conditions can accelerate the wear and deterioration of airport infrastructure, including runway and taxiway pavements, airfield lighting systems, terminal buildings and electrical equipment.

  As a result, airports in tropical climates may require more frequent maintenance, inspection and asset renewal than facilities located in milder environments, increasing operating expenditure.

  Seasonal wet season conditions and extreme weather events can also affect operational requirements. Airports must maintain infrastructure resilience and operational readiness to manage heavy rainfall, stormwater management and potential cyclone impacts, which can increase both maintenance requirements and preparedness costs.

  In terms of capital investment, infrastructure at airports in tropical regions may need to be designed and constructed to higher resilience standards to withstand climatic conditions such as heavy rainfall, flooding and cyclone risk. This can increase upfront capital costs compared with airports located in more temperate climates.

Summary – Implications for Regional Airfares

In summary, aeronautical charges at BIA are determined using transparent cost-based methodologies and are subject to commercial negotiation with airline operators.

These charges support the provision and long-term maintenance of essential aviation infrastructure in a regional environment characterised by high fixed costs and relatively low passenger volumes.

While airport charges contribute to airline operating costs, they represent only one component of the broader cost structure influencing airfares. Airline pricing decisions are ultimately driven by a range of factors including demand, aircraft utilisation, fuel costs and competitive dynamics.

5. Have government policies or regulations made a difference?

Government interventions have improved affordability and connectivity in specific circumstances, including on routes serving Broome, particularly through subsidies and fare caps. These programs can provide important short-term relief for essential travel.

However, experience indicates that:

- Short-term or uncertain programs reduce effectiveness and airline participation
- Fare caps alone do not address service frequency, reliability or capacity constraints
- Limited seat availability can restrict practical access to capped fares

Light-handed economic regulation and commercial negotiation between airports and airlines have supported ongoing infrastructure investment and service continuity in the Broome market.

6. What could be done to make fares more affordable and to improve access to aviation

Improving affordability and access to aviation in Broome requires targeted policy action that addresses the airline competitive landscape, passenger choice and structural cost drivers.

Recommendation 1 – Encourage airline competition and diversification of offerings

Policies should encourage a sustainable long-term increase in airline competition in the Australian domestic market. This could include:

- Ensuring sufficient access for new entrants to slots at major Australian airports;

- Consideration of temporary start-up support programs for new airlines commencing services on unserved / underserved regional routes; and
- Consideration of government-backed financing or guarantees for new airline fleet investment.

Recommendation 2 - Reducing structural costs

Policies should focus on lowering the cost of providing aviation services, whilst ensuring that all participants in the aviation supply chain (including airports) achieve sustainable financial outcomes based on efficient costs.

The most effective levers include:

- Capital co-funding (including expansion of airport grant funding) for regional airport infrastructure, particularly for safety, security, and service level/compliance-driven investments that do not generate commercial returns but must still be recovered from passengers; and
- Greater recognition of scale in regulatory settings, acknowledging that applying metropolitan-scale compliance requirements to small regional airports increases per-passenger costs.

These measures reduce aeronautical charges over the long term and flow through to fares in a more sustainable way than price caps or mandated discounts.

Recommendation 3 - Risk-sharing to support service provision and growth

Governments can improve access by reducing the commercial risk faced by airlines and airports when operating or expanding regional services.

More effective mechanisms include:

- Time-limited route underwriting or minimum revenue guarantees for new or marginal services;
- Transitional support following airline exits or fleet changes; and
- Support for shoulder-season capacity to smooth extreme seasonality.

Evidence from Broome and other regional markets shows that airlines respond more positively to risk reduction than to fare controls, particularly where aircraft and crew resources are constrained.

Recommendation 4 - Targeted support for essential travel

Where affordability concerns relate to essential travel—such as access to health services, education, and government services—policy responses should be directly targeted to those users, rather than applied across the entire market.

This can include:

- Targeted resident or essential-purpose subsidies;
- Means-tested support mechanisms; and
- Vouchers or rebates tied to specific travel needs.

Such approaches improve access without distorting airline pricing signals or discouraging capacity provision.

Recommendation 5 - Coordinated regional development and aviation policy

Aviation access cannot be improved in isolation. Policies affecting:

- Tourism investment;
- Accommodation supply;
- Workforce availability; and
- Regional health and service delivery models

all materially influence aviation demand and airline willingness to commit capacity and airport appetite for corresponding growth investment.

Broome accommodation and workforce constraints highlighted above directly limit the effectiveness of aviation interventions. Improved coordination across these policy areas would increase demand certainty and improve service sustainability.

Recommendation 6 - Maintaining light-handed economic regulation

Australia's light-handed approach to airport pricing regulation has supported continued investment in regional airports.

Re-introducing blunt price controls or moving away from the longstanding dual till principle risks:

- Deterring infrastructure investment;
- Reducing service reliability; and
- Increasing long-term costs.

Policy efforts are better directed toward complementary measures—such as infrastructure funding and proportional regulation—rather than direct price regulation or distortion of the existing dual till framework for airport charges.

Conclusion

The evidence presented demonstrates that regional airfares are a symptom of airline competitive dynamics, structural costs, scale and risk characteristics inherent to remote aviation, not a failure of airport pricing or market conduct.

In Broome, aviation is not discretionary travel — it is essential economic and social infrastructure that enables tourism, productivity, workforce mobility and access to services across the Kimberley.

While government interventions can improve affordability in specific circumstances, policies should primarily focus on aviation market dynamics and underlying cost drivers to enact meaningful change – fostering the environment where airlines, airports and other industry participants can drive growth. Poorly targeted and blunt interventions risk undermining investment, service reliability and long-term connectivity.

BIA submits that sustainable improvements in affordability and access will be achieved by increasing airline competition, lowering underlying costs, sharing risk and supporting essential travel. Policy settings should continue to support commercial negotiation,

proportional regulation and targeted government investment that recognises the unique economics of remote aviation.

BIA welcomes the Productivity Commission's inquiry and encourages policy outcomes that recognise aviation as essential infrastructure for remote Australia and deliver durable, equitable access for regional communities.

Broome International Airport Pty Ltd ABN: 99 074 187 732
Suite 6, 2a Brodie Hall Drive, Technology Park, Bentley Western Australia 6102
Telephone (08) 9470 7200 Int +61 8 9470 7200 Fax (08) 9470 5955
www.broomeair.com.au