Burnie airport

Burnie Airport Corporation

Public Inquiry — Determinants of regional airfares

Submission from Burnie Airport to the Productivity Commission Inquiry into the determinants of regional airfares

13 March 2026

Executive summary

This submission by the Burnie Airport Corporation addresses the *Productivity Commission Inquiry into the determinants of regional airfares*, focusing on challenges faced by regional aviation in Tasmania, with particular reference to Burnie, King Island and Flinders Island airports.

Key points:

1. **Regional aviation context**: Regional aviation primarily serves non-major airports which are those classified as "Inner Regional," "Outer Regional," "Remote," or "Very Remote" under the Australian Standard Geographical Classification (ASGC) of remoteness. We propose that airports with fewer than 100,000 passenger movements should be the focus of this inquiry.
2. **Tasmanian air travel**: Tasmanians rely heavily on air travel due to limited surface transport options, with residents averaging 3.6 passenger movements annually—double the national average. Burnie Airport, classed as outer regional, serves a resident population with lower travel demand compared to the Tasmanian average, primarily due to competitive fares and service offerings from larger airports like Launceston, which is readily accessible by road transport.
3. **Regulatory impacts**: Updates to Parts 121, 135, and 139 of the Civil Aviation Safety Regulations (CASR) in 2020 and 2021 have significantly increased compliance costs for regional airports and regional air transport operators. These costs are passed on to passengers, contributing to higher airfares and reduced service viability.
4. **Barriers to entry and competition**: Low population density in remote areas is a fundamental barrier to entry for airlines. Market fragmentation and competition between operators can further reduce service viability, especially on thin routes.
5. **Government intervention**: BAC recommends shifting government assistance toward direct support for airport compliance costs rather than relying solely on airline subsidies. This approach would address the contention that airport charges are a significant contributor to high airfares and ensure financial stability for regional airports.

Conclusion: Regulatory changes have increased the cost base for regional aviation, disproportionately impacting smaller airports and air transport operators. Without government intervention, higher airfares and reduced service levels are inevitable, particularly for remote and very remote communities that depend on air travel for essential services. BAC advocates for direct government support to regional airports to improve service viability and affordability.

1. INTRODUCTION

1.1 This submission to the *Productivity Commission Inquiry into the determinants of regional airfares* is made by the Burnie Airport Corporation (BAC) Unit Trust, the owner/operator of Burnie Airport – also known as Wynyard Aerodrome – located in Tasmania.

1.2 The purpose of the trust is to provide sustainable airport infrastructure that supports the commercial, social, tourism and industrial needs of Tasmania's Northwest Coast.[1]

1.3 BAC's objective is to maximise economic benefits and enhance transport services for the region, while delivering appropriate financial returns to it's joint unitholders/stakeholders – the Burnie City Council (BCC) and Australian Regional Airports (ARA).

2. BACKGROUND INFORMATION

2.1 Regional aviation defined

2.1.1 The Bureau of Infrastructure and Transport Research Economics (BITRE) publishes a range of data sets on aviation activity including inbound/outbound passenger movements "for domestic (including regional) air transport". The data set identifies 100 airports/aerodromes where air transport passenger movements – either by airline or air charter – are reported.[2]

2.1.2 Regional aviation is not explicitly defined but it can be inferred from BIRTE publications as referring to passenger air transport services – airline and air charter – to/from and between non-major airports.[3]

2.1.3 Regional airports are those classified as "Inner Regional", "Outer Regional", "Remote" or "Very Remote" under the Australian Standard Geographical Classification (ASGC) remoteness structure, but even then, some significant airports fall within these classifications and should be considered outside the scope of this inquiry.

2.1.4 We submit that the focus of the inquiry should be airports with fewer than 100,000 passenger movements, a distinction that would exclude all but 4 airports with an inner regional classification, 11 airports classified as outer regional, 7 airports classed as remote and 6 airports classed as very remote.

2.1.5 These exclusions are generally airports with high volume tourism traffic or with significant fly-in fly-out (FIFO) workforce activity.

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[1] Burnie Airport Corporation Unit Trust, Trustee Reports for the year ended 30 June 2025.

[2] https://www.bitre.gov.au/publications/ongoing/airport_traffic_data

[3] https://www.bitre.gov.au/publications/2025/australian-infrastructure-and-transport-statistics-yearbook-2025/aviation

2.2 Australian regional air travel

2.2.1 With the above exclusions applied the BITRE data set provides passenger movements for 4 inner regional airports, 11 outer regional airports, 5 remote airports and 27 very remote airports – just under half of the full data set of airports with passenger air transport services.

2.2.2 The Tasmanian airports included in this focussed data set are Burnie Airport which is classed as outer regional, and both King Island and Flinders Island airports which are classed as very remote.

2.2.3 Both the full and focused data sets can be examined to provide some insights into regional aviation. We will show that the Tasmanian context is particularly relevant in highlighting a number of challenges that confront the regional aviation sector.

2.2.4 In the absence of a demand stimulus from tourism or FIFO aviation activity, the primary driver of air travel demand is the resident population served by an airport.

2.2.5 BITRE statistics show that the average Australian resident travels by air 0.9 times a year, each trip comprising a departure and return and generating 1.8 passenger movements for statistical purposes.

2.2.6 BITRE reported 60.44 million domestic and regional passenger movements in 2024-25, but this raw figure needs to be adjusted for FIFO aviation and domestic/regional flights by international visitors.

2.2.7 FIFO aviation accounts for an estimated 5-6 million annual passenger movements[4], while around 7 million domestic/regional movements are generated by international visitors with multi-city itineraries.[5]

2.2.8 Resident-only travel is therefore around 48 million passenger movements for a population base around 27 million – representing 1.8 movements a year on average as noted earlier.

2.2.9 This makes air travel the second largest mode of long distance travel in Australia after the private car, reflecting the country's size and limited long-distance rail options.

2.2.10 Residents of outer regional, remote and very remote Australia might be expected to have a higher than average need for air travel due to the absence of essential services that can be accessed locally.

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[4] Estimate is not published as a single official figure by BITRE or ABS. It is a *derived* number based on multiple authoritative sources: industry-reported FIFO workforce size, average rotation patterns, and BITRE airport-level movement data for major FIFO hubs.

[5] Tourism Research Australia, International Visitor Survey (IVS) data.

2.2.11 In very remote areas of Australia road transport may not be available at times due to seasonal weather conditions, or year round in the case of an island community such as Tasmania and its Bass Strait Islands.

2.2.12 The focused data set suggests that, as a consequence, the travel demand for outer regional communities is slightly higher than the national average at 2.1 passenger movements a year.

2.2.13 The focussed data set also suggests that for communities in remote and very remote Australia the travel demand is much higher and averages around 5 passenger movements a year.

2.2.14 On face value the somewhat higher average demand implies that regional air services to remote and very remote communities should be viable, but the quantum of demand is still low because of the sparse population base served.

2.3 Tasmanian air travel

2.3.1 Tasmanians make more domestic and regional airline trips than the Australian average. Their travel is primarily outward focussed as the only intrastate services are those providing links to the Bass Strait islands.

2.3.2 BITRE reported that the four mainland Tasmanian airports had 4.45 million passenger movements in 2024-25. In this case the numbers are heavily distorted by an estimated 54% directly attributable to inbound tourism[6], but on the other hand FIFO aviation is relatively insignificant.

2.2.3 Resident travel is therefore estimated as 2.04 million passenger movements for a population base of around 0.57 million, an average of 3.6 passenger movements a year.

2.2.4 This is twice the Australian resident average, and clearly reflects the state's structural reliance on aviation for interstate access.

2.2.5 As noted earlier the focused data set includes 3 Tasmanian airports – Burnie Airport classed as outer regional, and both King Island and Flinders Island airports which are classed as very remote.

2.4 Northwest Tasmania and Bass Strait air travel

2.4.1 Although Devonport Airport – with 135,732 passengers - is excluded from the focussed data set it needs to be considered in the context of this analysis as Devonport and Burnie airports are considered to have significant overlap in their catchment populations and are interdependent as a consequence.

[6] Tourism Tasmania, Tasmanian Visitor Survey (TVS) reports 1.360 million visitors to Tasmania in the year ending September 2025, with 90% arriving by air.

2.4.2 For the past 25 years BITRE has consistently reported a total of around 200,000 passenger movements for Devonport and Burnie, with the split being 135,732 and 75,657 respectively in 2024-25.

2.4.3 While the Spirit of Tasmania accounts for the majority of visitor arrivals to the northwest, Tourism Tasmania estimates that the tourism share of Devonport Airport traffic is typically 15-25% and that the Burnie Airport share is 5-10%.

2.4.4 On this basis resident travel represents around 110,000 and 70,000 passengers for each airport, a total of 180,000 passenger movements for resident population catchments of around 61,500 and 43,000 –annual averages of 1.6 and 1.8 passenger movements, and much lower than the resident Tasmanian average.

2.4.5 If the characteristics of Tasmanian air travel demand are comparable with mainland Australia the expectation would be up to 4.2 resident passenger movements from Devonport and Burnie, which suggests a leakage of at least 330,000 passenger movements a year to Launceston.

2.4.6 This is reasonably consistent with the submission by the Devonport Chamber of Commerce & Industry to the recent Rural and Regional Affairs and Transport (RRAT) Reference Committee Inquiry which stated that an estimated 400,000 Northwest travellers are “lost to Launceston” each year.

2.4.7 This demonstrates the competitive nature of air travel options available from a larger airport where quality road access is available, allowing prospective Devonport and Burnie passengers to take advantage of lower airfares and a wider choice of direct connections, especially for family travel.

2.5 King Island and Flinders Island air travel

2.5.1 BITRE reported 44,405 and 19,429 passenger movements in 2024-25 for King and Flinders islands.

2.5.2 Tourism Tasmania estimates that the tourism share of these movements is 35-45% and 50-65% respectively.

2.5.3 On this basis, air travel for King Island’s 1,600 residents is between 24,400-28,900 movements, or 15-18 movements per person, more than 3 times the national resident average for remote and very remote Australia. This clearly demonstrates the complete dependence air travel where no surface travel options are available, and where only limited basic services are accessible locally.

2.5.4 Similarly, air travel for Flinders Island 1,000 residents is between 6,400-9,400 movements per person, or 6.4-9.4 movements per person and approaching twice the national resident average for remote and very remote Australia.

2.5.5 The lower frequency of travel by Flinders Island residents likely reflects the limited choice of travel options to Melbourne, often requiring a transfer in Launceston, compared with direct Melbourne connections from King Island, together with the higher costs of 2 flight sectors, and this dampening demand for discretionary travel.

2.6 Safety regulation of regional airports/aerodromes

2.5.1 Amendments to Part 139 of the Civil Aviation Safety Regulations (CASR) which took effect from 13 August 2020 have significantly changed the regulatory environment for regional airports and increased their operational cost base.

2.5.2 The former distinction between certified and registered aerodromes has been abolished and the latter have been transitioned to certified aerodrome status – a change from light handed to prescriptive regulation with similar intent to the framework that the Civil Aviation Safety Authority (CASA) applies to the much larger airports.

2.5.3 Previously certified aerodromes retained that status but had to demonstrate ongoing compliance with the more complex and demanding rule set.

2.5.4 The updated rule set mandates that an aerodrome must be certified if there is a published instrument approach procedure that permits aircraft operations under the instrument flight rules (IFR). With very few permitted exceptions, this means that passenger air transport services can only operate at certified aerodromes.

2.5.5 The operator of a certified aerodrome – whether previously certified or registered – is required to:

- appoint appropriately qualified personnel to the roles of accountable manager, reporting officers, and works safety officers and ensure that aerodrome personnel meet prescribed training and qualification requirements
- maintain an aerodrome manual that documents procedures identified in the Part 139 Manual of Standards (MOS)
- maintain a safety management system (SMS) or risk management plan including hazard reporting, risk assessments, and safety assurance
- maintain a wildlife hazard management plan (WHMP) to minimise the risks of wildlife strike damage to aircraft
- monitor and maintain airspace free of hazardous objects in the vicinity of the aerodrome, and accurately report details of temporary obstacles
- provide validated data required for aircraft performance calculations and timely notification of any changes
- maintain runway/taxiway/apron pavements, lighting, markers/markings, and other aerodrome facilities in a serviceable condition, safe for aircraft operations

- regularly inspect the condition/operation of aerodrome facilities during air transport operations
- monitor, assess and report the runway surface condition for each third of an operational runway in accordance with international practice using the Global Reporting Format (GRF)
- arrange the conduct of detailed annual technical inspections and annual manual validations
- maintain emergency plans/procedures, in conjunction with state and local emergency responders, to ensure preparedness for an aviation accident/incident at the aerodrome.

2.5.6 Where the airport operator has a policy of full cost recovery, the overhead costs imposed by the updated Part 139 of the CASR, will be passed on to the users – aircraft operators and air transport passengers – through landing fees and/or passenger service fees, the latter often referred to erroneously as a "passenger head tax".

2.5.7 Where the aerodrome is owned/operated by a state government entity or a local government authority (LGA) there may be a case for only partial recovery, with the shortfall justified as a subsidy that recognises the wider community benefit of the aerodrome. Nevertheless this misrepresents the economic costs of airport operation.

2.5.8 Where the owner/operator is corporatised there will be a commercial imperative to recover the overhead costs and provide an appropriate financial return to the shareholders.

2.5.9 The principle of user charging is long established in Australia as air travel has been regarded as largely a question of consumer choice, where an alternative surface transport mode is generally assumed to be available.

2.5.10 For now we simply note that an alternative surface transport mode is not readily available for intrastate travel between mainland Tasmania and King/Flinders Island, or for connectivity to mainland Australia.

2.5.11 Cost-recovery is nevertheless a long standing contentious issue for air transport service providers who argue a common perception that airport charges are predominantly responsible for higher airfares.

2.6 Safety regulation of regional air transport operators

2.6.1 Providers of regional air transport passenger services – whether airline or air charter - are subject to Parts 121 and 135 of the CASR, updated rule sets which commenced on 2 December 2021.

2.6.2 Part 121 applies to operations of larger aircraft with more than 9 seats or maximum take-off weight (MTOW) greater than 8,618 kg. This category includes

turboprop aircraft such as the 70 seat Dash-8 Q400, the 33-34 seat Saab 340, and the 19 seat Metroliner which are utilised respectively by QantasLink, Rex and Sharp in regional services to/from and within Tasmania.

2.6.3 Part 135 applies to operations of smaller aircraft with up to 9 passenger seats and MTOW up to 8,618 kg. This category includes aircraft like the 9 seat Piper Chieftain operated by King Island Airlines.

2.6.4 Part 121 was introduced to modernise airline-level safety standards, replace legacy rules, align with international airline practices, provide consistent and prescriptive rules for multi-crew IFR-capable aircraft, and address safety gaps identifiable in older air charter/airline distinctions.

2.6.5 It reflects the operational complexity and risk profile of larger aircraft carrying more passengers. It represents the highest level of operational regulation for aircraft below the jet-transport category, and implies significant increase in overhead costs for ongoing compliance.

2.6.6 Part 135 of the CASR was introduced to regulate the low capacity sector where accident data had shown a significant safety gap between air charter and airline operations. While the requirements are less onerous than Part 121, they nevertheless represent significant increase in compliance costs for the sector.

2.6.7 Because air transport operations will be predominantly conducted under the IFR they will inevitably service certified aerodromes.

2.6.8 The costs for which the aerodrome operator seeks recovery will form part of the final seat cost determined by the air transport operator, and the airfares that need to be set as a consequence.

2.6.9 While we anticipate submissions by air transport operators will deal with the specific impacts in more detail, we note that the increased regulatory cost overhead means a higher seat cost for each aircraft operation, and that these costs will be disproportionately higher for operators of smaller aircraft and also for the smaller air transport service providers.

2.7 Aviation security regulation

2.7.1 Aviation security regulation of airports adopts a multi-tier structure, with threshold for screening of passengers, baggage and freight carried on board the aircraft being determined by 2 separate criteria – where the largest aircraft providing air transport passenger services has 40 seats or more, and the total number of annual departing passengers is more than 30,000.

2.7.2 The outer regional airports in the focussed data set are currently Tier 3 security category airports, but a number of these airports have been advised that on review by the Department of Home Affairs (DHA) they may now meet the

thresholds to be categorised as a Tier 2 airport and will be required to introduce full security screening.

2.7.3 The capital costs of transitioning from a Tier 3 to Tier 2 security category have been identified as $24-29 in the case of Burnie Airport, with ongoing annual operating costs in the order of $2.5 million.

2.8 Impacts on charging

2.8.1 The combined impacts of Parts 121, 135 and 139 of the CASR are a significant increase in overhead costs for regional aviation participants and, for both aircraft and airport operators, these logically must be recovered from the passengers using the air transport services provided at the airport.

2.8.2 This is reasonable, and also a long standing principle, as the demand for air travel – whether for personal, business, holiday or other purpose – is determined by local factors and demographics.

2.8.3 On the other hand, aviation security is aimed at safeguarding larger capacity aircraft and the wider aviation network from unlawful interference, two factors that argue against airport specific cost recovery.

2.8.4 We note current policy that these costs be recovered on a location specific basis, and that if extended in principle to Burnie Airport, the additional cost-recovery would be $170 for each Qantas departing passenger.

2.8.5 This policy is subject to separate consideration and recommendation in due course by the RRAT Inquiry which has been asked to consider the merits of funding aviation security by a national levy.

3 TERMS OF REFERENCE

3.1 Analysing the determinants of regional airfares and service offerings, and the composition of factors that contribute to differences between airfare available on regional routes and those available between major cities, including airport fees and charges

3.1.1 Air transport service providers – airlines and air charter operators – will determine their base fare by apportioning the overhead costs of aircraft operation to the number of seats available on the aircraft or, more likely, to the numbers of seats likely to be sold – the anticipated load factor - for a route segment.

3.1.2 Airlines and charter operators are best placed to identify their specific overheads, but these will include a provision for amortisation of aircraft capital or lease costs, pilots and cabin crew, aircraft maintenance, fuel, provision for flight diversion/disruption and the like.

3.1.3 The oncosts passed on by the origin/destination airport operators will be added and usually identified separately in the airfare paid. For the majority of airports in the focussed data set these will be the overhead costs of compliance with Part 139 of the CASR and general operating costs. These charges may include a profit margin if the airport is operated as a business entity.

3.1.4 Where aviation security screening is mandated the operating cost of that service may also be recovered - but without profit margin – and will be identified as a further separate cost in the airfare paid.

3.1.5 The overhead costs attributable to Part 139 compliance increased substantially for airports in the focussed data set with the introduction of updated requirements effective from August 2020.

3.1.6 While the requirements are to some extent “scaled” the annual compliance costs for a typical remote and very remote airport will be at least $350,000 even with a minimal once a week service frequency.

3.1.7 These costs rise incrementally with service frequency and may increase to around $500,000 with a daily air transport service.

3.1.8 Costs will be somewhat higher at an outer regional airport with daily services and where these are spread throughout the day from an early morning departure to a late evening or night arrival.

3.1.9 In such cases the annual compliance costs will be at least $1.4-1.5 million. In the Burnie Airport case this represents around $19 to be cost recovered from each passenger.

3.1.10 This is passed on directly to the air transport passenger as a component of the airfare.

3.1.11 Unless there is government policy intervention the service offerings available at an airport are completely determined by the air transport providers, which are best placed to address this factor. From the resident perspective, a direct service to the destination city is preferable to multiple flight sectors, but the latter may be necessary for the service provider to optimise the aircraft load factor. Multiple sectors may be a deterrent to discretionary travel as noted in the case of Flinders Island.

3.1.12 At remote and very remote airports the air transport services will normally be provided by smaller - Part 135 of the CASR - aircraft with a maximum of 9 passenger seats (or MTOW not more than 8,618kg).

3.1.13 Service frequency will be determined by local demand as the objective will be to operate with the highest practicable load factor. Ironically, a poor service

frequency may further adversely affect demand and further reduce the service offering.

3.1.14 Without subsidy the airfare charged – to recover operating costs on a per seat basis – may well be high enough to act as a disincentive except for essential travel, such as accessing medical services and education.

3.1.15 Airfares available on routes connecting remote and very remote airports either directly or indirectly with a larger service centre, will be significantly higher on a per seat or seat kilometre basis than those available on major routes because of simple market economics.

3.2 Identifying the main drivers of demand for regional air services

3.2.1 Demand drivers are location specific and need to be identified on a case-by-case basis. Ayers Rock tourism is readily identifiable. Tourism is also a significant driver of air travel demand in Tasmania but with primary focus (benefit) on Hobart and Launceston.

3.2.2 As we have noted FIFO aviation is a significant determinant of demand for a number of outer regional, remote and very remote airports - primarily in Western Australia and Queensland – with some airports being purpose built to service the specific demand. FIFO aviation is currently not significant in Tasmania.

3.2.3 Where the driver is primarily the resident population, as in Burnie, the potential passenger movements can be estimated by reference to the base population, and the likelihood of travel as indicated by the relevant BITRE data set.

3.2.4 The location of other airports and their potential catchment overlap also need to be considered as well as the relative attractiveness of the air fares and service offerings available from a larger airport within relatively easy driving distance.

3.2.5 We have noted the catchment overlap for Burnie and Devonport airports where travellers may choose between the two airports on the basis of advertised timetables, even where fares are similar, or bypass both airports by road to access the lower airfares and wider service offerings from Launceston.

3.2.6 We have noted the very high resident travel demand for King and Flinders Island due to reliance on air transport services for almost all external travel.

3.3 Examining any barriers to entry or expansion for airlines to provide regional services

3.3.1 As airports become more remote, the catchment population will decrease, with the low population itself being the fundamental barrier to entry, without some form of government funding being available to provide an essential service.

3.4 Identifying policies and regulatory settings that may contribute to higher regional airfares, reduced service levels or reduced competition

3.4.1 Part 139 regulatory compliance is a far higher cost burden since the 2020 update of the CASRs, with the majority of outer regional, remote and very remote airports now required to meet the full rule set for a certified aerodrome rather than the light handed regulatory requirements for their former registered aerodrome status.

3.4.2 This adds significantly to the operating cost overheads which either must be absorbed by the airport operator or passed on though cost-recovery mechanisms to the regional air transport operators and their passengers.

3.4.3 The overhead costs of operation for a Part 121 or Part 135 passenger service have also increased with the update to the CASRs which took effect in December 2021. The more rigorous requirements for pilot training and qualification, scheduled maintenance, and the like are reflected in a higher seat cost for each operating aircraft and, generally speaking, the smaller the aircraft the higher the seat cost, which in turn determines the required airfare.

3.4.4 Regulatory settings tend to extol the benefits of competition without thought for the market characteristics. In other words there may be circumstances where reduced competition or reduced service levels are beneficial – or even the optimal outcome – particularly in the context of a remote or very remote airport.

3.4.5 As an example, Rex rationalised its services to northwest Tasmania by triangulating a Burnie-Melbourne and Melbourne-Burnie service daily through King Island. This increased service frequency between Burnie and King Island and provided a competitive lower cost airfare because of the lower seat cost compared with the incumbent service provider Sharp Airlines.

3.4.6 The initiative simply reduced Sharp's market share and made their operation less economically viable. Rex appears to have been motivated by the need for increased short term utilisation of its aircraft with no real intention – or aircraft availability – to sustain or improve the service in the long term.

3.4.7 The market fragmentation that resulted means that Sharp may conceivably be motivated to withdraw its aircraft without some form of government financial support, when their operation was previously profitable.

3.5 Assessing the role for government and the most efficient forms of government intervention in the market and other policies to improve access, pricing and service outcomes

3.5.1 Government assistance will inevitably be required on thin routes over the long distances that characterise remote and very remote Australia, and where there is a dependency on air travel for basic amenity.

3.5.2 Financial assistance has traditionally been directed at the air service provider (airline or air charter) but consideration should be given to providing direct financial support to the airports which is linked to their compliance costs.

3.5.3 This would have the benefit of dealing directly with the air service provider's long held contention that airport cost-recovery is the most significant component of an airfare.

3.5.4 Such direct assistance would also ensure direct financial support to the relevant airport rather than reliance on eventual payment of airport charges by the airline or air charter operator.

3.6 identifying the effects of regional airfares and access to regular and reliable air services on regional economies (including tourism and migration), productivity, and improving Closing the Gap outcomes

3.6.1 We make no comment on this term of reference.

3.7 Identifying the extent of competition between different air transport services (regular public transport and charter) and with other modes of transport (road and rail), and the role of regional air freight in supporting the commercial viability of regional air services

3.7.1 This term of reference alludes to the differences that previously existed between two distinct modes of air transport – regular public transport (RPT)[7] and air charter - where passenger transport services could be provided in ostensibly equivalent aircraft types but with the applicable regulatory environment being radically different – and some would say, with a lower threshold of passenger safety in the air charter operation.

3.7.2 These differences have now been addressed in the new Part 121 and Part 135 rule sets introduced in December 2021, the former applying to operations in larger aircraft with more that 9 passenger seats or MTOW greater than 8,618kg, and the latter to smaller aircraft with a maximum of 9 seats and MTOW no more than 8,618kg.

[7] While the term RPT remains in use, the updated CASR now refers to passenger air transport operations, which we have preferred to use throughout his submission.

3.7.3 While the updated rules mean that both airline and air charter operators within a category now face the same operating costs overheads, the Part 135 rule set is less stringent, and creates the possibility of a lower cost Part 135 operator having a comparative cost advantage over a Part 121 operator – whether airline or air charter.

3.7.4 It may be necessary for government policy settings to recognise that intervention is required where a Part 121 operator is servicing a route with pronounced seasonal characteristics and adopting a pricing strategy based on average annual load expectations, yet a Part 135 operator participates only during the peak demand period. In the Tasmanian context, this may be relevant in regard to King Island golf tourism.

3.7.5 In general terms, the Part 135 operator is probably more suited to servicing very thin routes and may also need protection from competition lest the competing operators are then unable to provide a reliable service frequency because of market fragmentation.

3.8 Considering international comparisons and best practices in comparable aviation markets

3.8.1 We are unable to comment knowledgeably on this term of reference.

4 CONCLUSION

4.1 In our submission we have highlighted that changes in Parts 121, 135 and 139 of the CASR introduced in 2020 and 2021 have increased the cost base for regional aviation, and that the accepted mechanism for recovery of those overheads places an upward pressure on regional airfares, potentially reducing service viability for outer regional, remote and very remote airports.

4.2 These impacts are especially acute where demand is driven primarily by resident populations as is the case in northwest Tasmania and Bass Strait island communities.

4.3 While tourism and FIFO aviation inflates published passenger numbers resident travel remains structurally dependent on aviation. For remote and very remote communities air services are an essential service, supporting access to health, education, and economic development.

4.4 Regional airports must now meet full certified aerodrome requirements, significantly increasing compliance cost overheads which must be recovered from air transport service providers and their passengers. The passenger base at the typical remote or very remote airport translates to a relatively high cost per passenger if the airport objective is full cost recovery.

4.5 2021 regulatory updates also increased compliance costs for air transport operators, which translates to a higher overhead cost per available seat, and disproportionately so in smaller aircraft typically utilised in servicing these airports.

4.6 Small markets with low frequency services cannot achieve economies of scale, making higher airfares unavoidable without government intervention.

4.7 BAC recommends shifting assistance toward direct support for airport compliance costs, rather than reliance solely on airline subsidies, where the airport is then reliant on eventual payment of airport charges by the airline or air charter operator, and faces possible default of payment.

4.8 The Burnie Airport Corporation thanks the Committee for this opportunity to provide our input on these matters which are of critical importance to regional air transport providers and to the operators of outer regional, remote and very remote aerodromes.