



Submission to the Productivity Commission

Inquiry into the Determinants of Regional Airfares



Introduction

Aviation is not simply a convenience to regional Australia, it is a critical transport link that allows regional communities to remain connected to the broader national economy. For many regional residents and businesses, reliable air services provide the most practical means of maintaining professional, economic and social connections with major urban centres.

Approximately one third of Australians live outside capital cities, and aviation plays an important role in linking those communities to services, employment and economic opportunities (Australian Bureau of Statistics, 2025; Productivity Commission, 2025).

Despite this importance, the current system is constrained by several structural challenges that affect both affordability and reliability. From the perspective of regional communities and businesses, three issues stand out as particularly significant:

- structural barriers that make it difficult for alternative regional airlines to establish sustainable operations,
- market concentration within the aviation sector,
- reliability and cancellation rates affecting regional routes.

Austin Tourist Park is a regional accommodation provider located in Tamworth in the New England North West region of New South Wales. While our park hosts travellers from across Australia and overseas, our submission is informed by our experience as regional business operators who regularly travel to Sydney for meetings, workshops and professional engagements.

The following recommendations are offered to assist the Productivity Commission in identifying policy approaches that may improve reliability, competition and access for regional travellers.

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Recommendations

Based on the issues outlined in this submission, there are areas that, with improvements, would help ensure that regional communities have dependable access to major cities and national markets.

1. Review Airport Slot Allocation At Major Airports

Access to runway slots at major airports, such as Sydney Airport, play a critical role in determining whether regional routes can operate viable schedules. The Productivity Commission should examine whether current slot allocation arrangements favour incumbent airlines and limit opportunities for new entrants to establish regional services.

2. Improve Transparency And Accountability For Airline Reliability

Reliability is particularly important on regional routes where services may operate only once or twice per day. Publishing clearer route level reliability data and strengthening consumer protections when flights are cancelled or significantly delayed would improve transparency and accountability for regional passengers.

3. Reduce Structural Barriers For Regional Airline Entrants

Structural barriers including airport slot access, terminal availability, ground handling arrangements and network advantages can make it difficult for new airlines to establish sustainable regional services. Addressing these barriers could encourage greater competition and improve outcomes for regional travellers.

4. Examine The Role Of Loyalty Programs In Shaping Competition

Large airline loyalty programs influence consumer behaviour by encouraging passengers to remain within particular airline networks. The Commission should consider the extent to which loyalty programs affect competition in regional aviation.

5. Consider Increasing Capacity On High Demand Regional Routes

Where airport infrastructure allows, increasing aircraft capacity on peak regional services may improve operational efficiency and reduce cost per passenger. Airports such as Tamworth Airport have infrastructure capable of supporting larger aircraft under appropriate conditions, which may allow greater flexibility in meeting passenger demand.

Structural Barriers to Competition in Regional Aviation

The Australian aviation market has seen several disruptions involving regional and emerging airlines in recent years, including the entry and collapse of Bonza, and the financial difficulties experienced by Rex. These developments highlight the challenges associated with establishing and sustaining competitive airline services in the Australian aviation market.

While airline failures can occur for many reasons, structural features of the aviation sector may contribute to these outcomes. Regional airlines face a range of operating costs including aircraft leasing, aviation fuel, maintenance requirements, airport charges and ground handling services. These costs can be significant even before passenger demand is considered.

Market Concentration In The Domestic Aviation Market

Australia's domestic aviation market is highly concentrated. The Qantas Group operates services through Qantas, QantasLink and Jetstar and has historically held the largest share of the domestic aviation market. Estimates suggest the Qantas Group accounts for roughly sixty percent of Australia's domestic aviation market (Australian Competition and Consumer Commission, 2025).

Following the collapse of Bonza and the reduction of Rex's intercity operations, the domestic aviation sector has effectively become a duopoly dominated by the Qantas Group and Virgin Australia. Together these two airline groups carry more than ninety eight percent of domestic passengers in recent periods (Australian Competition and Consumer Commission, 2025).

Within this structure QantasLink plays a particularly significant role in regional aviation. QantasLink operates more than two thousand flights each week to over sixty metropolitan, regional and remote destinations across Australia (Qantas, 2024). This concentration of market power can make it difficult for new airlines to establish sustainable regional services.

Airport Slot Access At Major Airports

Access to runway slots at major airports play an important role in determining whether a route can operate successfully. Sydney Airport is the busiest domestic aviation hub in Australia and handles more than twenty five million domestic passengers each year (Sydney Airport Corporation, 2024). Access to runway slots at peak times is therefore extremely valuable for airlines seeking to operate commercially viable services.

Airlines that already hold substantial slot portfolios benefit from long established access to favourable arrival and departure times. New entrants attempting to establish regional services struggle to secure equivalent slots, without which, it becomes difficult to offer schedules that allow passengers to travel for same day meetings or connect efficiently with other flights.

Network Scale Advantages Of Incumbent Carriers

Large airline groups are able to operate integrated route networks in which profitable routes can support less profitable ones. This flexibility allows large carriers to maintain services across a wide network of destinations.

Smaller airlines attempting to compete on individual routes may not have the same ability to absorb fluctuations in demand or temporary financial losses. This difference in network scale creates a structural advantage for incumbent carriers.

Loyalty Programs And Customer Lock-In

The competitive position of dominant airline groups is further strengthened by loyalty programs and the offers from those programs. The Qantas Frequent Flyer program has more than fifteen million members and represents one of the largest loyalty programs in Australia (Qantas, 2024). For many travellers the ability to earn and redeem loyalty points is an important factor influencing airline choice.

Corporate travel policies frequently encourage travellers to use airlines associated with loyalty programs. This reinforces the market position of incumbent carriers and makes it difficult for smaller airlines to attract sufficient passenger volumes to operate viable services.

Even when competing airlines offer lower fares, passengers may still choose airlines that allow them to accumulate loyalty benefits or maintain status privileges. These network advantages create significant barriers for smaller airlines attempting to compete on regional routes.

Cost Structures And Operational Barriers

Regional airlines face a range of operating costs including airport charges, ground handling services, aircraft leasing costs, maintenance requirements and aviation fuel. Operating from major airports can significantly increase these costs, particularly where airlines must pay higher landing charges, terminal usage fees and ground handling expenses.

Large airline groups are able to spread these costs across extensive networks and higher passenger volumes, reducing the average cost per passenger. Smaller or emerging airlines typically operate fewer aircraft and fewer routes, meaning fixed costs must be recovered from a smaller passenger base, increasing costs to operate.

Established airlines may also benefit from long standing commercial relationships with airports and service providers that influence access to facilities such as terminal gates, aircraft parking areas and ground handling services. New entrants may find it difficult to secure similar arrangements on competitive terms.

Aircraft utilisation also plays an important role in airline economics. Larger airlines can schedule aircraft across multiple routes each day, ensuring aircraft spend more time flying and less time on the ground. Smaller airlines operating limited networks may struggle to achieve the same level of utilisation.

These structural factors create a market environment that is challenging for any new regional airlines to enter the market and sustain operations in the longer term. High market concentration, restricted access to airport slots, the network advantages of incumbent carriers and the influence of large loyalty programs all contribute to a competitive landscape that favours established airlines.

When these factors are combined with the already high operating costs associated with aviation, the barriers facing smaller regional carriers become significant. Understanding how these structural barriers interact is therefore critical to understanding the determinants of regional airfares and the reliability of services available to regional communities.

Aircraft Type And Its Impact On Regional Aviation

Aircraft type can also influence both the economics and passenger experience of regional aviation. Many regional routes in Australia are served by turboprop aircraft such as the Dash 8 Q400 which are operated by the QantasLink brand. These aircraft are designed for shorter regional routes and airports with smaller runways, and can carry around seventy passengers. (Qantas, 2024).

Turboprop aircraft can offer certain operational advantages, including less fuel consumption on shorter routes and are capable of operating from smaller airports with shorter runways. These characteristics make them suitable for many regional routes where passenger demand may be relatively modest.

However turboprop aircraft also have limitations compared with jet aircraft. They typically fly at lower cruising speeds and lower altitudes which can result in longer travel times. They can also experience greater turbulence due to their operating altitude.

Jet aircraft such as the Boeing 737 or Airbus A320 typically carry between 150 and 180 passengers and operate at higher cruising speeds. These aircraft can transport more passengers per flight and potentially reduce the cost per seat where sufficient demand exists (Bureau of Infrastructure and Transport Research Economics, 2025).

Tamworth Airport provides an interesting example in this context. The airport has a runway of approximately 2,200 metres, making it capable of accommodating jet aircraft such as the Boeing 737 or Airbus A320 under appropriate operating conditions (Tamworth Regional Council, 2024). Despite this capability regular services between Tamworth and Sydney are typically operated using turboprop aircraft such as the Dash 8. This limits the number of passengers who can be transported on each flight. This can equate to passenger competition on the early morning and late night flights, which equates to a high price per ticket.

Reliability And Cancellations In Regional Aviation

Reliability of domestic aviation services remains an important concern for regional travellers and businesses. According to data published by the Bureau of Infrastructure and Transport Research Economics, the long term average on time departure rate for domestic flights in Australia is approximately 81.6 percent while the long term average on time arrival rate is approximately 80.5 percent (Bureau of Infrastructure and Transport Research Economics, 2025).

Recent performance has fallen below these long term averages. For example, in January 2026 only 78.9 percent of flights departed on time and 78.4 percent arrived on time across all Australian airlines (Bureau of Infrastructure and Transport Research Economics, 2025). While this difference may appear relatively small at a national level, it represents a meaningful decline in reliability for passengers who depend on aviation to meet business commitments, medical appointments or connecting flights.

Cancellation rates also remain a concern. The long term cancellation rate for domestic flights in Australia is approximately 2.2 percent. In recent reporting periods QantasLink recorded cancellation rates of around 3.3 percent, which was among the highest reported by major airlines (Bureau of Infrastructure and Transport Research Economics, 2025). Even small changes in cancellation rates can have disproportionate impacts on regional communities.

In metropolitan markets passengers often have multiple airlines and multiple flights available on a given route each day. When a cancellation occurs travellers may be able to rebook on another airline or later flight with relatively minor disruption.

Regional routes operate under very different conditions. Many regional services operate only once or twice per day and are frequently served by a single airline. When a cancellation occurs passengers may have no practical alternative travel option until the following day. This can result in missed meetings, missed connections to international flights, cancelled events or significant additional travel costs.

The reliability of aviation services therefore has a greater impact on regional travellers than on travellers in major cities. Improving reliability on regional routes would provide meaningful benefits for businesses, government agencies and community members who rely on aviation to maintain connections with capital cities.

Example Of Regional Travel Disruption

In November last year we were scheduled to fly from Tamworth to Sydney in order to attend meetings that evening, followed by a workshop the following two days. Approximately one hour before the scheduled departure time we received a text message from QantasLink advising that the flight had been cancelled. This cancellation occurred despite the aircraft reportedly being fully booked.

We had meetings scheduled in Sydney that evening and could not simply delay the trip. As there were no suitable alternative flights available we were forced to make alternative travel arrangements at very short notice.

We drove approximately four hours from Tamworth to Wyong where we left our car with friends. From there we caught a train into Sydney in order to make our commitments.

The disruption did not end there. It took approximately three weeks to obtain a refund from the airline and the refund was issued in two separate payments despite the ticket originally being purchased as a single transaction.

For many regional travellers cancellations like these can mean missed meetings, missed medical appointments or significant additional travel costs.

Importance Of Aviation For Regional Communities

Aviation plays an important role in supporting the economic and social wellbeing of regional communities across Australia. Reliable air services enable regional residents and businesses to remain connected to major cities where specialist medical appointments, meetings, workshops and more are often held. For many regional communities aviation is an essential transport link that supports participation in the national economy.

For regional businesses, aviation allows participation in meetings, training programs, industry conferences and government consultations that are often held in capital cities. Without reliable aviation connections these activities become significantly more difficult and time consuming. While some regional businesses may be able to drive to larger centres, the distances involved can be considerable and the time required can make participation impractical.

The ability to travel to major cities within a single day is particularly important. Regional business owners, professionals and community leaders often rely on early morning flights to reach capital cities and evening flights to return home the same day. When services are delayed or cancelled this can result in missed meetings, lost business opportunities and additional costs associated with overnight accommodation and alternative travel arrangements.

In our own experience travelling from Tamworth to Sydney, aviation provides the most practical means of maintaining professional connections. While it is sometimes possible to drive several hours to reach a different transport option, it is not always feasible. Nor is that kind of option available to everyone.

In the example described earlier in this submission we were able to drive approximately four hours to Wyong and continue our journey by train after a flight cancellation. Many regional travellers do not have this option. Not everyone has the ability to undertake a lengthy drive at short notice or leave a vehicle with friends or family near a metropolitan centre.

For many residents of regional Australia there may be no practical alternative to aviation when flights are cancelled. Public transport options between regional areas and major cities are limited, and where available, they may be slow. Long distance driving may not be feasible for people with work commitments, health considerations or family responsibilities.

Aviation also supports access to essential services, including specialist medical appointments, education opportunities or other professional services that may not be available locally. Reliable aviation therefore plays an important role in supporting health, education and social outcomes for regional communities.

In addition to these practical considerations aviation contributes to regional economic development. Reliable air connections help regional communities attract investment, support tourism activity and enable businesses to engage with broader national and international markets.

Cities such as Tamworth demonstrate the importance of aviation in supporting regional activity. The city hosts major events including the Tamworth Country Music Festival and Hats Off to Country, which attract visitors from across Australia and internationally. Aviation connections enable performers, media crews, visitors and event organisers to access the region efficiently.

Reliable and affordable aviation therefore supports not only tourism but the broader economic and social connectivity of regional communities. Ensuring that regional communities have access to dependable and reasonably priced air services is an important component of supporting regional development across Australia.

Conclusion

Regional aviation plays a critical role in connecting Australia's regional communities with capital cities and national markets. For many regional residents and businesses, reliable air services provide the most practical means of connecting to professional, economic and social opportunities within major urban centres.

However structural challenges within the aviation sector are contributing to high fares, severely limited competition and reliability concerns on many regional routes. A highly concentrated duopolistic market presents structural barriers to entry for new airlines. The addition of operational constraints within the aviation system also influence the availability and quality of regional air services.

For regional communities these challenges are not simply matters of convenience. Reliable aviation services allow regional businesses to participate in the national economy, enable communities to access essential services they don't have locally, and support the broader development of regional Australia. When regional aviation services are unreliable or unaffordable, the impacts are felt directly by regional communities that depend on those aviation services to remain connected.

Addressing these challenges would improve affordability, strengthen competition and enhance reliability for regional travellers. In doing so, it would support regional businesses, improve access to services and strengthen the economic and social connectivity of communities across regional Australia.

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