

# *Regional Aviation Association of Australia (RAAA)*

Submission to the Productivity Commission Inquiry into  
the Determinants of Regional Airfares - March 2026



# Introduction

The Regional Aviation Association of Australia (RAAA) welcomes the opportunity to provide a submission to the Productivity Commission (PC) Inquiry into the Determinants of Regional Airfares.

Regional aviation is critical to the Australian economy. Regional aviation communities across Australia rely on the aviation industry to connect them with the rest of the country. The vast size of our continent means that many reliable aviation services are the only way to connect people for business, medical, education and family travel.

The regional aviation sector is also a key enabler to the mining, oil and gas, construction, manufacturing, and higher education industries. More than 60,000 Australians work more than 350km from their usual place of residence, with many workers in the mining, oil and gas industries working in very remote areas.

However, the current operating environment for the regional aviation sector continues to be extremely challenging. Many regional aviation businesses are operating on the financial edge with limited profitability.

By their very nature, a regional airline operation does not enjoy the same scale of revenue afforded by larger domestic airlines due to the size of the air route network, the smaller aircraft being operated, the smaller numbers of passengers carried, and the variability of passenger demand. The ability for a regional operator to absorb any cost increase is therefore minimal. Any small increase in their operating cost base can mean a regional route moves from a modest profit to break even, or even a loss-making operation, very quickly.

When operating costs go up regional airline operators have no choice but to pass on the increase to the passengers through an airfare price increase. In some cases, they have had to make a difficult and reluctant decision and cancel the service as it has become unsustainable.

Recent examples like the administration and sale of Rex Airlines to an overseas buyer required significant financial input, including hundreds of millions of dollars in financial support from the federal government. This highlights that no regional operator is immune, no matter how large or small. Everyone is operating on the edge of financial viability with razor thin margins.

The RAAA firmly believes there must be a well-considered range of policy reforms by government and its aviation agencies to ensure the regional aviation sector can survive and the essential air services provided by RAAA members are not put at further risk. Importantly that regional aviation services can be maintained and expanded at a price point that is both affordable for the public but is sustainable for the regional airlines and their supporting businesses in the future.

The ongoing financial challenges of the regional aviation sector are driven by several influential determinants that impact the cost of regional airfares. These include:

- increasing airport charges
- fuel price volatility and availability
- ongoing labour shortages and rising staff costs including wage pressures
- new legislative requirements like passenger screening security
- regulatory charges and delays in service delivery
- increased air navigation and air traffic control charges
- unavailability of aircraft spare parts and ongoing supply chain issues
- foreign currency exchange rates and the variability of the Australian dollar value.

While a change in one or multiple factors may help ameliorate the present situation, the cost burden for regional operators has reached an extremely challenging point and, in some cases, some regional aviation businesses may not be sustainable in the future.

The RAAA is working proactively with regional airlines and aviation businesses on real solutions.

The RAAA is urging the federal government to establish a new Regional Aviation Investment Fund (RAIF) to provide dedicated funding for a range of regional aviation support initiatives. The Regional Aviation Investment Fund will provide real pathways for the regional aviation in Australia to maintain, invest, and grow air services across Australia. The fund will provide a means to ensure that regional airfares are affordable, and vital regional connectivity is maintained today, tomorrow, next year and every year that follows.

The RAAA proposes that the Regional Aviation Investment Fund should be funded by redirecting a modest percentage of the revenue collected through existing aviation charges like the Passenger Movement Charge (PMC) - it will not require the introduction of a new charge or levy. Currently half of the over \$1.1 Billion in revenue collected through the PMC goes into consolidated government revenue and is not used for border security as intended, or other aviation related purposes.

The Regional Aviation Investment Fund would provide a reliable and affordable funding stream generated through aviation business activity and could be accessed by all regional aviation operators to assist with investment, and to offset rising costs that are impacting regional airfare prices.

Importantly the Regional Aviation Investment Fund would give regional aviation operators financial resources that could be used to offset costs that in turn would lead to affordable regional airfares. Examples of the benefits could include:

- **low-interest loans, grants, or government-backed guarantees to enable regional airlines and operators to source affordable finance to acquire new, efficient, and reliable aircraft suited to regional conditions and operations**
- **ensure the ongoing operational viability of the existing aircraft fleet through aircraft sustainability maintenance and other operational improvement opportunities**
- **ensure regulated and proportional airport charging schemes**
- **support the targeted expansion of regional routes leading to increased productivity and employment**
- **fund investment in aviation training and support for apprenticeships and cadetships in regional airlines**
- **subsidise and support the sector to meet the rising cost pressures caused by increases in airport pricing, air navigation charges and government regulatory fees and charges.**

# About the RAAA and the regional aviation sector

The RAAA is a not-for-profit organisation formed in 1981 to represent, promote, and protect the combined interests of its regional aviation member organisations across Australia.

Airline members include Airnorth, Alliance, Link Airways, Marooomba, Nexus, QantasLink, Rex, Sharp Airlines, Skippers, Skytrans and Virgin Australia Regional Airlines (VARA). Other non-airline members include engineering and flight training organisations, airports, finance, fuel and insurance companies and government aviation entities. RAAA's members operate successful, and in most cases, profitable businesses providing employment and economic sustainability within regional and remote areas of Australia.

The RAAA has 130 member organisations who directly employ over 15,000 people. On an annual basis, the RAAA's Air Operator Certificate (AOC) members jointly turnover more than \$1.5 billion, carry more than six million passengers and move over 30 million kilograms of freight. Our regional airport members also provide and manage critical infrastructure across Australia.

The RAAA's members provide vital connectivity services between regional communities and city centres which enable those living in regional and remote locations to access important services such as healthcare and education. They also facilitate the delivery of services to regional communities including emergency medical or disaster relief services, transport of Fly-In-Fly-Out (FIFO) workers and the delivery of freight and mail. Given the geography of Australia and the proportion of Australians residing in remote or regional locations, the regional aviation sector is essential to ensuring Australians can access the services they need.

Australian aviation is made up of many small and medium sized businesses, many who serve regional aviation specifically:

- 2281 have less than 19 employees
- 107 have between 19 and 199 employees.
- 23 have more than 200 staff [1]

Keeping these small and medium sized businesses viable and profitable is hard work, especially in regional and remote Australia. Margins are thin and return on capital hard-earned.

In quantifying how critical the situation has become it is also important to note that 41 percent of domestic passengers in Australia travel through regional airports each year, yet there are fewer regional airlines today than there were 20 years ago, even with 55 percent of aviation workers based in regional and remote areas.[2]

Despite the challenges, the people who own, manage and work in regional and remote aviation understand how important their services are to their local communities, and they are committed to keep flying. Many also live within, and are an integral part of, the communities they serve.



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[1] Aviation Skills Industry 2024 Workforce Plan, Industry Skills Australia, p11

## How do we improve regional aviation and reduce regional airfares?

The regional aviation industry knows the challenges and risks ahead and is ready to tackle them. However, we need support to ensure success and, just like all sectors in the economy, we are looking to government to provide the right policy settings.

The RAAA members believe that government and all political parties can make commitments to address these key issues. A bi-partisan commitment to a Regional Aviation Investment Fund would deliver a multitude of benefits across the sector and for the Australian community.

The Regional Aviation Investment Fund would:

- Provide economic support to regional and remote aviation businesses to foster greater investment in the sector and improve productivity.
- Do more to address shortages of skilled aviation personnel.
- Provide greater monitoring (and if needed regulation) of airport fees and charges.
- Remove unnecessary regulatory and cost burdens and ensure government aviation agencies are resourced to provide efficient and cost-effective services and,
- Avoid one-size-fits-all government policies that place extra financial and administrative pressures on regional and remote operations.



# Greater monitoring and oversight of aviation charges

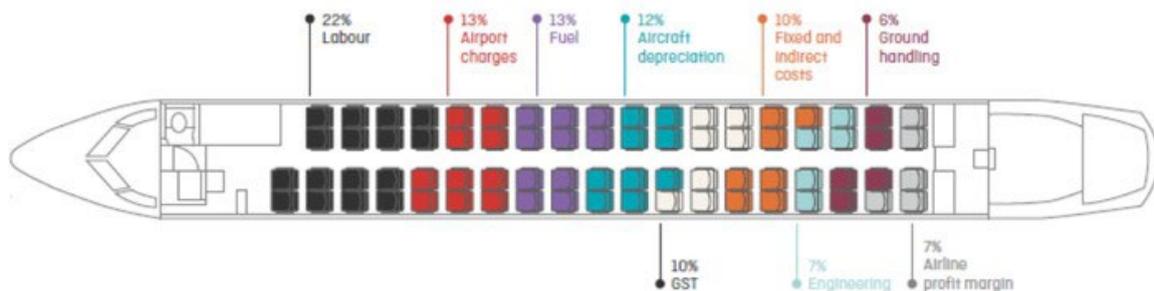
The cost of running a regional airline or charter operation continues to challenge all operators due to the economics of scale. Regional aviation is required to pay more due to the size of the aircraft and frequency of operations. Particularly, the fees and charges levied for passenger service charges and security screening costs.

An example of the challenge can be seen in Darwin Airport's 114 per cent increase in landing fees introduced in July 2025. The change and increase in fees mean that Darwin now has the highest landing charges of any Australian capital city airport. Additionally, they also introduced new tiered pricing depending on the type of operation being undertaken (e.g., government versus non-government work) and cumbersome audit requirements on operators, including flying schools.

As a comparison, Darwin Airport aircraft landing charge is \$77.71 per tonne Maximum Take-off Weight (MTOW) compared to Melbourne Airport at \$30.12 per tonne MTOW and Sydney Airport at \$17.00 per tonne MTOW. Airport landing charges and fees impact the total cost of an airfare. For example, the passenger service charge at Sydney airport is around \$11.00 per passenger whilst the passenger service charge at Darwin airport is over \$20.00 per passenger.

When the total fixed costs are added up, airport charges now account for the same cost of the fuel for the flight. As can be seen in Figure 1. The profit margin in FY23 for a regional airline flight was around 7% or less if the flight is fully sold. This has been further reduced over the last couple of years. Unfortunately for many marginal regional air routes there is no profit margin, and operators often rely on state and federal Government subsidies where they exist to at least break-even. The only other option is not to fly!

Figure 1: Economics of a Turboprop Airfare



Based on FY23 Qantas Group turboprop operations, and includes crew accommodation, transport, catering, marketing, IT costs, property and other expenses.

Industry data published by the International Air Transport Association (IATA) in 2025 shows that for airlines overseas the airports charges are lower, contributing only 7 per cent to the cost of an airfare as opposed to the 13 per cent in Australia.

The RAAA supports the Aviation White Paper initiatives to ensure that airport charges and aviation security pricing are open and transparent. Government must ensure that the fees and charges levied by airports for landing fees, passenger service charges and security screening are reasonable and affordable.

The Australian Consumer and Competition Commission (ACCC) enforce compliance through the Competition and Consumer Act 2010 and monitor airport pricing at Brisbane, Melbourne, Perth, and Sydney airports. The current Ministerial Direction for the ACCC will expire in December 2026. The ACCC has publicly stated that "the ACCC considers that the current monitoring regime is an insufficient deterrent to prevent major airports from exercising their market power over airlines".[3]

The ACCC believe an extension of their role is necessary for ongoing market insight and that continued monitoring will enhance transparency and help identify market conduct issues. An expanded role would also support understanding of how the aviation sector serves rural and regional communities.

The RAAA fully supports the ACCC's view that their responsibility should be expanded and recommends they should monitor all airports that have more than one million passenger movements per year. This would see greater charging transparency at the top 20 Australian airports and ensure industry and the community have full oversight of the charges that are levied by the airports. It would also ensure that any price proposal is fully explained, consulted, and understood by industry and the community before they can be implemented. This in turn will ensure greater transparency around the cost of airfares.

The ACCC's industry monitoring is welcomed as it increases transparency and helps deter anti-competitive behaviour. It allows the ACCC to respond more quickly to competition or consumer issues where any inappropriate market conduct is identified. Monitoring also strengthens future policy advice and decision making.

## Remove unnecessary burdens

Aviation is quite heavily regulated and is capital intensive. The public expect nothing less than the highest possible safety and service standards when they fly and that is what every air operator strives for every day.

However, safety regulations should not impose unnecessary burdens like cost. Government and regulators must avoid creating red tape that ties up businesses in ever tighter knots that lead to higher airfares. The Aviation White Paper calls on the Civil Aviation Safety Authority (CASA) to prioritise changes that reduce regulatory burdens. [4] However, the current funding model for CASA does not provide adequate funding to cover the expanding workload and their service delivery for industry continues to suffer.

At the same time, federal aviation agencies such as CASA and Airservices Australia are clearly not as efficient and cost effective as they should be. Resources are either inadequate or sometimes incorrectly allocated. Staff at both CASA and Airservices are top heavy with administrators and light on the technical and operational people who deliver services and are responsible for safety.

CASA can take months to deliver a straightforward service required to be provided under the safety regulations due to a lack of qualified staff.

Whilst there has been recent improvement, Airservices Australia continues to be challenged by service restrictions often due to lack of staff availability, particularly in Sydney. The aviation industry still pays for these services despite the shortcomings, and the community pays with reduced services and lost time. In the last few months recent reductions in air traffic control services at Sydney Airport cost Australian operators millions of dollars due to the resulting flight cancellations and delays. Sydney Airport is the hub for all Australian aviation and any delay at Sydney impacts all airlines including regional airlines and rural and remote communities too.

When government aviation agencies are unable to provide timely and comprehensive services to the aviation industry it hits business bottom lines and is reflected in the higher cost of regional airfares.

(4) Aviation White Paper 2024, p117

The government can support the regional aviation sector and help lower regional airfares down by:

- Immediate federal government action to ensure aviation agencies have the right level of financial and human resources.
- Re-balancing the staffing levels at CASA and Airservices Australia to ensure more jobs are allocated to the technical and operational people who deliver vital operational aviation services, rather than administrative roles that do not add value to industry or the community.
- Taking action to make regulatory requirements less complex and onerous, with a particular focus on flight crew licensing and LAME licensing.
- Taking action to ensure that regional operators only complete regulatory requirements that maintain and enhance aviation safety and not those that are purely of an administrative nature only.



## Investment in the regional sector

It is no secret that the regional aviation fleet is not flushed with new aircraft. There are a range of factors at play, including cost and the availability of suitable replacements.

Many smaller aircraft used on regional and remote routes today do not have like-for-like replacements and operators are faced with difficult decisions about the future of their fleet. Aircraft can be kept flying safely with careful and thorough maintenance, however over time the cost of spare parts and labour becomes a financial weight on business that is then reflected in airfare price increases.

At the same time, a new aircraft will cost millions of dollars and may not be an ideal replacement. Many businesses want to invest but cannot afford to invest in newer aircraft or technologies because they cannot source affordable finance. This is in part due to the sector being viewed as too high a risk for medium-to-long-term finance lenders. Substantial capital investment is required to replace existing aircraft. For example, a used SAAB 340 or Bombardier Dash 200 would cost USD\$2M to \$3M, a new ATR 42 would cost over USD\$20M and single isle regional jets are significantly higher again.

It is well known that newer aircraft are more fuel efficient – up to 25 percent - and this can significantly reduce costs and lift productivity. The Aviation White Paper says fleet renewal will be a source of future productivity growth for Australian aviation.[5]

Regional and remote operators who want to undertake fleet renewal are caught in a financial bind, with limited ability to recover new costs and low rates of return on current investments. They want to take advantage of the longer-term benefits of fleet renewal but face steep commercial headwinds.

In many sectors of the Australian economy governments recognise business investment challenges and provide support to allow timely investment to begin. The resource and mining sectors are prime examples where governments provide direct funding for nationally important projects, underwrite loans, provide loan guarantees, and grant tax relief. All of these could be funded through a new industry support fund like the Regional Aviation Investment Fund. Utilising funds obtained through existing aviation activity in support of future aviation activity.

Regional and remote aviation is an industry of national significance that enables other sectors to flourish, such as mining and agriculture. It is time for an even playing field, where government support for aviation is seen as just as important as support for other key sectors.

Similar policies have been adopted by other nations where aviation operators can get government backing to invest in aircraft fleet renewals. The government can support the regional aviation sector and keep regional airfares down through:

- Government recognition that regional aviation is an industry of national significance essential to communities and major business sectors.
- A financial support package through a Regional Aviation Investment Fund that provides long term certainty to regional and remote aviation businesses ready to invest in large ticket initiatives such as fleet renewal.
- Decisions on the best type of support package, including direct financial investment, loan underwriting, loan guarantees, concessional finance, or grants.
- Examination of taxation incentives for operators to invest in aircraft fleet renewals
- Access to existing revenue streams, like the Passenger Movement Charge (PMC), which currently go back into consolidated revenue and do not benefit the industry from which they were generated.

## We need more skilled people

Aviation does not exist without a highly trained and committed workforce. Nationally, there is a workforce of more than 71,000 people, which is forecast to need to grow by more than 20 percent over the next 10 years.[6]

Already there is a shortage of pilots, flight instructors, aircraft maintenance engineers, and air traffic controllers.[7] This shortage hits hardest in regional and remote areas, where there are challenges in attracting staff and sometimes different skill needs. A lack of aircraft maintenance personnel is a serious problem right now. When staff can be sourced it is often at a premium price with continual upward pressure on wages due to the regional location involved or the financial strength of the larger operators.

The Aviation White Paper published by the federal government in 2024 sets out actions to begin addressing this issue.[8] The RAAA supports initiatives to streamline training and accreditation for licensed aircraft maintenance engineers (LAMEs), although more still needs to be done. It is important there is additional action to support pilot training and that all operations, from the large airlines through to regional and remote services, play their part in training the pilots the industry needs.

Given the years it takes to train pilots and engineers, even with quick action it will take a long time to end the current skills shortages.



(6) Aviation Skills Industry 2024 Workforce Plan, Industry Skills Australia, p10

(7) Aviation White Paper 2024, p78

(8) Aviation White Paper 2024, p73-74

# One size does not fit all

Several government policies with well-intentioned goals have the risk of unintended and negative consequences for the regional aviation sector and their passengers. These include new legislation, initiatives for passengers (aviation consumers) and changes in industrial relations legislation.

The key point is that in aviation, one size policies do not fit all operations. Legislation or other requirements primarily aimed at addressing issues identified with large air operations may not be suitable for smaller regional and remote operators.

Proposals to address consumer concerns about flight delays and cancellations have been primarily based on passenger experience with the large airlines. RAAA members understand the frustration felt by passengers when flights do not run to time, but we need to be careful that responses to these concerns do not result in further passenger pain and increased airfare prices. There are already a range of suitable consumer protection provisions in place, and the implementation of new and expanded consumer protections will come at an additional cost to airline operators. These cost increases will be passed onto the travelling public through further ticket price increases.

Regional and remote operators do their utmost to ensure flights run to schedule, however many factors such as weather and air traffic congestion at the major city airports can cause delays. With small aircraft fleets and limited personnel, the impact of these factors is amplified in smaller operations.

The introduction overseas of so-called 'delay and pay' schemes have flowed on to higher passenger fares or reduced services. There are good lessons to be learned from the Canadian experience where aviation consumer protection scheme has had detrimental impact on their aviation industry. This will be even worse in smaller air operations in Australia. The RAAA believes new policies and legislation on aviation consumer protection rights must recognise the unique circumstances and role of regional and remote operators. The costs of establishing and operating the ombuds scheme should be borne by government and not be another cost impost to be borne by all of industry.

Additionally, the application of recent industrial relations legislation changes as one-size-fits-all also poses risks to the viability of regional and remote aviation operations. It is simply not realistic for small and medium-sized aviation businesses to match employee pay and conditions offered by the large airlines. Any expectation that this is possible raises false hopes for the workforce and any attempt by the aviation unions to force regional and remote operations to match large business industrial conditions will further threaten the sector's financial viability. At the very least, airfares will increase, and some operations will be forced to close.

The government can support the regional aviation sector and keep regional airfares down by:

- A statement of recognition by government that regional and remote aviation operations have unique circumstances and must be given appropriate policy and legislative consideration.
- The new Aviation Consumer Protections Charter must consider the type of airline operation, their operational capacity and the locations being serviced, which may mean some operators are exempt.
- The new Aviation Disability Access legislation must consider the type of airline operation, their operational capacity and the locations being served, which may mean some operators are exempt.
- The application of industrial relations legislation must be fair to both employees and employers to ensure that regional aviation businesses can remain viable.

# Conclusion

Regional aviation is well recognised as a vital part of the Australian community. As a key enabler for regional and remote communities to access health care, education, business and family connections, regional aviation is, and must continue to be, a key focus for all governments across Australia.

The current operating environment for the regional aviation sector continues to be extremely challenging. Many regional aviation businesses are operating on the financial edge with limited profitability. The ongoing viability and profitability of the regional aviation sector continues to be challenged by rising costs and operational challenges that are passed onto the travelling public through increased airfares.

There must be a well-considered range of policy reforms by government and its aviation agencies to ensure the regional aviation sector can survive and the essential air services provided by RAAA members are not put at further risk.

By their very nature, a regional airline operation does not enjoy the same scale of revenue afforded by a larger domestic airline due to the size of the route network, the smaller aircraft being operated, the smaller numbers of passengers carried and the unreliability of passenger demand. The ability for a regional operator to absorb any cost increase is minimal. Any small increase in the cost base can mean a regional route moves from a break-even to loss-making basis instantly.

When costs go up a regional operator has no choice but to eventually pass on the increase to the passenger through the price of airfares or they may even have to make the hard decision and cancel the service.

The RAAA urges the federal government to implement a new Regional Aviation Investment Fund that would provide a reliable and affordable investment funding stream that could be accessed by all regional operators. The Regional Aviation Investment Fund could be established by redirecting some of the existing funds collected through the Passenger Movement Charge (PMC) into the new fund. The Regional Aviation Investment Fund will give regional operators access to:

- **low-interest loans, grants, or government-backed guarantees to enable regional airlines to acquire new, efficient, and reliable aircraft suited to regional conditions.**
- **ensure the ongoing operational viability of the existing aircraft fleet through sustainability maintenance and operational opportunities**
- **fund investment in aviation training and support for apprenticeships and cadetships in regional airlines**
- **subsidise and support the sector to meet the rising cost pressures caused by increases in airport pricing, air navigation charges, and government regulatory fees and charges**

Taking aviation for granted will cost the national economy billions in lost regional business and productivity. It will deny people who live outside the major cities the right to connect quickly and easily with their family, friends, and workplaces.

However, the hardworking people who are involved in regional and remote aviation are always optimistic. They are passionate people who are passionate about aviation and the services they provide to their own communities. They love what they do, and they are committed to keep on doing it.

We thank the Productivity Commission for their consideration of our submission and would welcome an opportunity to discuss our submission further.



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