Productivity Commission, Determinants of regional airfares

Queensland Airports Limited submission

March 2026

# Content

# Queensland Airports Limited – Determinants of Regional Airfares

## 1.0 Executive Summary

Queensland Airports Limited (QAL) is concerned about the long-term affordability and sustainability of regional aviation, which is critical to the social wellbeing and economic prosperity of regional communities and Australia more broadly. Regional airport operators, such as QAL, are facing increasing financial pressure in the form of rising infrastructure, compliance and operating costs, declining population bases in many regions, and a lack of competition in the domestic aviation market

Despite these pressures, QAL endeavours to apply transparent, cost-based pricing models, with airport charges typically accounting for less than ten per cent of an airfare, demonstrating that airport charges are not a primary driver of regional airfare outcomes.

To support a sustainable and affordable regional aviation sector, QAL recommends that the Productivity Commission consider the following actions:

- **Support regional economic growth and diversification** to strengthen demand for regional air services, thereby encouraging improved competition, which will in-turn enhance the long-term sustainability and affordability of regional aviation.

- **Expand Commonwealth funding mechanisms** to provide equitable, long-term infrastructure support for regional airports, including investment in critical aviation, screening and border infrastructure, to address infrastructure deficits, compliance risks and support safety and regional connectivity.

- **Support new entrants to the regional aviation market** by examining barriers to entry, including regulatory requirements, without compromising safety.

- **Extend ACCC monitoring of domestic airlines beyond December 2026** to address ongoing competition concerns, particularly on regional routes dominated by a small number of carriers.

- **Accelerate the adoption of new aviation technologies** by supporting pilot programs and early investment in innovations such as eVTOL aircraft and Sustainable Aviation Fuel.

- **Adopt a more coordinated and nationally consistent approach to regulated and subsidised routes**, including consideration of additional subsidies to reduce fares while maintaining airline incentives to service routes.

## 2.0 Introduction

Thank you for the opportunity to provide input into the Productivity Commission's inquiry into the Determinants of Regional Airfares.

This submission is Queensland Airports Limited's formal response to the Productivity Commission's call for submissions into the Determinants of Regional Airfares. In this submission, QAL has endeavoured to provide as much context as possible in relation to the Productivity Commission's information requests. This submission also provides information that QAL believes provides additional context into the factors that contribute to regional airfares and may warrant further investigation by the Productivity Commission.

## 3.0 Background

QAL is an Australian-owned, Queensland-based company that owns and operates Gold Coast, Townsville, Mount Isa and Longreach airports. QAL is the largest regional airport operator in Australia and welcomed 7.9 million passengers across its ports in FY25.

QAL employs approximately 200 employees directly, however, our airports indirectly enable thousands more jobs across Queensland and northern New South Wales.

As the largest regional airport operator in Australia our airports play a crucial role in supporting economic, social and cultural outcomes across some of Queensland's most geographically isolated areas. This is not limited to the regions where QAL's airports are located but the vast network of remote and indigenous communities that rely on these airports as regional hubs.

Gold Coast Airport is QAL's largest port and is the sixth busiest airport in Australia, facilitating 6 million domestic and international passengers in FY25. Gold Coast Airport's position on the state border means that it services a broad array of local government areas including the Gold Coast, Logan, Tweed and beyond into the Northern Rivers of New South Wales. In 2022, operations at Gold Coast Airport contributed $514 million in Gross Value Added to the local economy.

Townsville Airport is Australia's 11th busiest airport, welcoming 1.6 million visitors annually.  The airport connects 140,000 passengers per month with Australia's capital cities and regions, operating as a crucial gateway for the region's tourism, trade, mining and defence sectors.

Mount Isa and Longreach Airports play a critical role in the regional North Western and Central West Queensland communities in which they operate. In FY25, Mount Isa Airport welcomed more than 235,000 passengers, while Longreach Airport saw 34,000 passengers pass through its terminal. Both Mount Isa and Longreach airports function as critical economic enablers for their local regions, with a high proportion of business-based travel in Mount Isa and a growing tourism focus in Longreach. They

also provide an array of crucial benefits for their communities in terms of access to healthcare, education and emergency services. The vital nature of QAL's airports to their communities is detailed further below.

## 4.0 The role of regional airports

### 4.1 Supporting regional communities

It is important to emphasise that regional airports are crucial social and productivity infrastructure that play an integral role in connecting Australia. Air travel across regional Australia is not discretionary and is typically the most practical and often only manner of accessing a particular region.

In a country as vast and isolated as Australia, regional airports are essential to the sustainability of the communities they service. These airports underpin the Australian economy providing services such as FIFO mining and connections for workers in the agriculture sector. In addition, they also ensure service delivery for their communities, providing regional populations with access to healthcare, education, justice and government services.

Furthermore, for regional communities to continue to evolve and grow it is imperative that they maintain access to key economic drivers and opportunities to diversify their local economies. Examples of this across QAL's ports include Longreach Airport which continues to help Longreach sustain and grow its burgeoning outback tourism sector and Mount Isa Airport's integral role in supporting Australia's mining sector, as well as iconic tourism events like the Mount Isa Rodeo. Airports play a critical role in providing opportunities for economic diversification and growth – something that that is essential to the long-term sustainability of these communities.

Given Northern Australia's challenging and highly variable climate, air travel can be the only way to access certain areas – particularly during natural disasters. Over the last twelve months, Townsville, Longreach and Mount Isa airports all played an integral role in supporting regions that were experiencing severe flooding events.

### *General Aviation*

Regional airports also play a key role in supporting a thriving General Aviation (GA) industry which is critical to the long-term sustainability of Australia's aviation industry. A healthy aviation sector relies on a highly skilled and well-trained workforce. GA is the entry point for commercial aviation personnel, providing a training pathway for pilots and maintenance workers.

Without a healthy and resilient GA workforce, Australia's commercial aviation industry would be forced to rely on imported labour rather than qualified and professional talent with locally acquired skills and competencies. Smaller regional airports play a critical role in providing infrastructure for small aircraft and flight training schools.

GA also performs an essential role providing services such as charter flights, aeromedical and emergency services, all key lifelines for rural communities that rely on aviation services.

***Closing the Gap***

Australia will be unable to meet the Closing the Gap targets without regional airports and air travel that is accessible. QAL's own airports service regional hubs which interconnect with a vast network of isolated indigenous communities. Achieving the Closing the Gap outcomes is contingent on access to health, education, justice and employment services.

For example, indigenous communities from Doomadgee, Mornington Island, Normanton, Windorah and Burketown all rely on Mount Isa airport for access to services. Communities like Mornington Island are not accessible by road and rely almost exclusively on air travel. It should also be noted that the Mount Isa community is also reliant on outsourcing specialist healthcare services to Brisbane and Townsville. It is common for patients to be transported by the Royal Flying Doctor Services (RFDS) to Brisbane for medical treatment and then be transported through Mount Isa Airport on their way back home.

This is a clear example that regional airports, regardless of whether they are privately or council owned, must be supported as essential social and productivity infrastructure – and not viewed merely as commercial assets.

## 5.0 Aviation environment

Australia's domestic aviation market is highly concentrated, with the Qantas Group and Virgin Australia together accounting for around 95 per cent of market share, and Qantas holding a dominant position of approximately 60–65 per cent. This market structure was again recognised by the ACCC in its *May 2025 Airline Competition in Australia* report. QAL strongly supports the continued funding of the ACCC's airline monitoring role, recognising the importance of transparency and oversight in fostering a healthy, resilient aviation sector for regional Australia.

While airline competition remains a consistent challenge across regional markets, QAL works constructively with airlines, industry and government to support sustainable air services that deliver long-term benefits for local communities.

### 5.1 Our airports

***Gold Coast Airport***

Gold Coast Airport operates in a highly competitive environment being situated approximately 100 kilometres from Brisbane Airport, whose proximity, size and

status ensure we compete heavily on airport charges, frequency of service and customer experience. Ballina Byron Gateway Airport, Sunshine Coast Airport and Toowoomba Wellcamp Airport also operate within a 300 km radius, rendering South-East Queensland and Northern New South Wales the most competitive airport market in Australia.

This competitive catchment has led the Productivity Commission in its inquiry into the Economic Regulation of Airports[1] to find that Gold Coast Airport does not have market power, and is therefore not subject to the ACCC's price monitoring regime which requires Sydney, Melbourne, Brisbane and Perth airports to submit information annually on their prices, costs and profits for aeronautical services and car parking. Gold Coast Airport does voluntarily publish quality of service information and complaint handling procedures, which is also submitted to the Department of Infrastructure, Transport, Communications, Sport and the Arts on a quarterly basis. QAL recognises that this Commission is primarily focused on regional and remote airfares and the factors that influence them. As such, we do not consider that Gold Coast Airport – Australia's sixth largest airport – to operate under the same market conditions that affect airfare pricing, as the other three airports in the QAL portfolio.

### Townsville Airport

Townsville Airport is a critical transport and freight hub for the North Queensland Region.

QAL operates Townsville Airport in conjunction with the Department of Defence (DoD) under a joint user agreement with QAL leasing 81 hectares for civil aviation. The DoD's operational responsibilities in relation to Townsville Airport, include Operation of Air Traffic Control services, maintenance of the Joint User Area (such as the airfield, runway and associated taxiway systems), as well as defence estate base planning and development. QAL remains responsible for maintaining and updating property and infrastructure within the Townsville Airport Pty Ltd's (TAPL) leased area.

Freight is a critical component of Townsville Airport's operations, with 6,000 tonnes of freight travelling through the airport in 2022 alone. In addition to freight connections to other capital cities, Townsville also facilitates the delivery of goods to towns such as Mount Isa, Cloncurry and Moranbah.

Townsville Airport previously operated international services to Bali and Papua New Guinea. However, international operations ceased in 2018 and the return of international services to Townsville is a priority for QAL and the broader Townsville North Queensland community, as outlined in the 2023 Townsville Airport Master Plan.

In 2024, the Federal Minister for Infrastructure, Transport, Regional Development and Local Government granted approval to the 2023 Townsville Airport Master Plan which has been developed to help the region support the ongoing growth of the

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[1] Economic Regulation of Airports, Productivity Commission Inquiry Report, No. 92, 21 June 2019

Townsville region and ensure the airport can continue to facilitate economic growth and social inclusion across North Queensland.

As with Gold Coast Airport, the Townsville aviation market is primarily served by the Qantas Group and Virgin Australia. In 2024, nearly one in two passengers departing the airport were travelling to Brisbane and 50 per cent of travellers through Townsville Airport were business travellers.

Demand is strongly underpinned by the frequency of business travel, which when coupled with the substantial market share of the Qantas Group and Virgin Australia and the influence of airline loyalty schemes, can contribute to higher airfares. This can be felt most acutely by local travellers, who typically have less capacity to absorb higher prices than business travellers.

The Townsville North Queensland community briefly benefited from the entry of new airline Bonza, which introduced direct services to the following destinations: Toowoomba, the Sunshine Coast, Rockhampton and the Gold Coast. These additional services expanded travel options and placed downward pressure on airfares. However, Bonza's exit from the market in 2024 reduced competition across several regional routes, leading to higher pricing and an overall reduction in access, as new connections – many of which were in high demand – were withdrawn altogether.

Analysis by the Australian Airports Association (AAA) following Bonza's withdrawal indicated that airfares almost immediately increased on routes previously served by the Qantas Group, Virgin Australia and Bonza, including a reported increase of up to 108 per cent on the Newcastle–Sunshine Coast route.

### *Mount Isa Airport*

Qantas (including QantasLink) dominates flights through Mount Isa Airport (≈82 per cent), followed by Rex (≈9 per cent) and Virgin (≈8 per cent) with any remaining share comprised of smaller operators and charter services.

With approximately 60% per cent of passengers travelling for FIFO mining purposes and costs largely covered by employers or under contracting arrangements, demand at Mount Isa Airport is heavily weighted toward corporate travel. This can distort fare availability, with local residents often facing higher prices and fewer discounted options.

Due to the high and consistent portion of business-based travel, prices for air travel are inelastic and underpin airline yields. This significantly restricts both the availability and affordability of airfares for locals. As a result, it is not unusual for locals in these communities to opt to drive long distances on dangerous roads instead of a paying for an airfare. Others may have no travel option – including people without access to a vehicle or those unable to travel by road due to medical reasons – leaving them effectively isolated when air services are unavailable. This has obvious broad safety and productivity implications for the region.

QAL acknowledges and welcomes the various schemes that airlines have in the place to discount return airfares for local residents. However, QAL believes there is an opportunity for airlines to do more to improve the visibility and awareness of these offers, as feedback from our regional airports teams indicate that many local residents are unaware that reduced airfare options exist.  QAL actively supports this framework by providing discounted landing fees for airlines, which in turn help make resident fares more affordable.

Elevated airfares also in effect "crowd out" new and emerging industries. For example, despite potential for increased tourism in Mount Isa via air, high airfares are a major barrier for tourism operators looking to attract visitors to the region. To supplement emerging regional tourism markets in places such as Mount Isa it will be essential ensure prospective tourists have choice as to how they will visit a region. Queensland has a number of established "drive tourism" routes across the Outback. Improved access via air will only bolster this, providing a diversity of choice in terms of how visitors undertake their journey and experience the Outback - which in turn will support greater visitation and ultimately regional economic benefit.

***Longreach Airport***

Longreach Airport was acquired from Longreach Regional Council as part of a 99-year-lease arrangement in 2012. It has a daily QantasLink Brisbane to Longreach service, and a twice-weekly REX Airlines Townsville to Longreach service.

Longreach airport plays an integral role in providing education, healthcare and emergency services for the region. The critical nature of Longreach Airport to the Central Western Queensland region was highlighted in April 2025, when the region experienced one of its most significant flooding disasters in decades. During the floods, entire communities across western Queensland were isolated as widespread rainfall inundated roads, cut off supply routes and damaged homes, farms and vital infrastructure. Longreach Airport itself remained operational, and played a pivotal role in the disaster response, serving as a hub for aircraft movements supporting relief efforts. The disaster response highlighted the critical nature of Longreach Airport's strategic location and operational capacity to support remote areas of Queensland, reinforcing its importance not only as a transport link but as an essential lifeline for the Queensland outback during times of crisis.

Longreach's tourism sector is growing with attractions such as the Stockman's Hall of Fame, Qantas Founders Museum and natural attractions. However, supporting the region's growing tourism sector is highly dependent on accessible and affordable air travel.

## 6.0 The current system

### 6.1 Working with airlines

QAL values its relationships with airline partners and always prioritises a transparent approach, adhering to the Aeronautical Pricing Principles when setting access charges for aeronautical infrastructure and conducting pricing negotiations.

QAL uses the building block methodology (BBM) when approaching airport charge discussions with airlines. The BBM is a model that sets out to "build up" an airport's expected long-term capital and operational costs. Airport charges are then based on the capital and operating costs of delivering, maintaining and investing in new infrastructure that is not only needed to ensure service delivery and maintain safety but required as part of QAL's leasing arrangement with the Federal Government.

The standard airport charge rate is reviewed annually and is based on the need to efficiently invest in airport infrastructure to accommodate growth and meet safety standards. Unlike airfares themselves, these charges do not fluctuate and are based on a clear and transparent methodology.

For larger carriers, specific commercial-in-confidence agreements are established following extensive negotiations, with QAL adhering to the BBM approach. These commercial agreements are typically in place for as long as 10 years providing clarity and certainty - QAL has long-term agreements with both of Australia's major domestic carriers (Qantas Group and Virgin Australia).

In addition, these charges are often heavily discounted for the provision of new or expanded capacity and locked-in for several years to support the introduction of new services and provide an element of 'risk sharing' between airports and airlines.

### 6.2 The impact of airport charges

It should be noted at the outset that airport charges comprise only a small proportion of an airfare and their overall impact on airfare affordability is limited. An in-depth 2025 report produced by InterVISTAS and commissioned by the AAA provides greater detail on the impact of airport charges on airfares in Australia. The report analysed the impact of airport charges relative to the all-in airfare, which includes the various components of an airfare, namely the base fare, ancillary airline charges, government taxes and fees, and airport charges.

The report found that airport charges represent 7.6% of all-in average airfare for one way travel. The airport charges are a higher proportion of the all-in domestic airfare as charges by Australian airports apply at both ends of the flight, whereas they apply to only one end on international flights. Whereas Australian airport charges represent just 2.5% of all-in average international airfares for one-way travel.

The full list of airport charges for all four of QAL's airports are publicly available on each airport's website and are summarised below.

**Queensland Airports Limited – Regional Airport Charges**

*(Townsville, Mount Isa and Longreach – Effective 1 July 2025 – 30 June 2026, excluding GST)*

**1. Domestic Passenger Charges**

*(Per arriving and per departing passenger unless otherwise noted)*

| Charge Type | Townsville Airport | Mount Isa Airport | Longreach Airport |
|---|---|---|---|
| Terminal Usage | $8.16 | $9.95 | $17.02 |
| Aeronautical Charge | $7.10 | $16.64 | $27.75 |
| Security Screening | $5.78 | $9.69 | N/A |
| CUTE (Departing only) | $0.15 | N/A | N/A |

**Note:** Security screening charges reflect government-mandated screening requirements and may vary depending on regulatory changes and passenger volumes.

**2. Aircraft Parking Charges**

| Charge Type | Townsville Airport | Mount Isa Airport | Longreach Airport |
|---|---|---|---|
| Parking (per 1,000 kg MTOW per day) | $12.37 | $7.75 | N/A |

Airport charges are typically broken down into three main categories:
- Terminal charges for the provision of terminal facilities and services
- Aeronautical charges for the provision of runway, taxiway and apron facilities and supporting airfield services
- Security and screening charges

QAL's BBM approach provides a clear and transparent methodology for how airport charges are established across each of QAL's ports. This is always linked to capital and operational costs associated with maintaining and delivering key airport infrastructure to support sustainable growth.

It is critical to note that investing in and developing airport infrastructure to support growth is not just a commercial choice but a condition of QAL's lease with the Commonwealth as an Airport Lessee Company (ALC).

Typically, QAL discounts airport charges to support the development of new or expanded routes with charges locked in for several years to support the introduction of these routes, promote competition and greater risk sharing between airports and airlines.

It is also worth noting that airports only receive an airport charge after a flight has been taken, despite the airline typically collecting the airfare well in advance of the flights. If a ticket is not used, the airline retains the airfare, while the airport does not recover its passenger-based charges, representing a lost source of revenue.

Finally, it's important to note that federally leased airports, including Gold Coast, Townsville and Mount Isa Airports have lease terms that stipulate that the lessee must supply services to air transport operators, meaning that airports must provide access to airlines even without any pricing agreement in place.

In some instances, this can result in the non-payment or short-payment (when not every component of the charge is agreed to by an airline) of charges. In these instances, there are limited avenues for airport operators to be compensated.

**6.3 Cost of airport infrastructure**

The cost of renewing and developing infrastructure across QAL's entire portfolio is increasing. These challenges are particularly acute across QAL's regional ports where access to labour, materials and equipment is limited. The regulatory requirements to maintain fit for purpose, safe infrastructure remains consistent at every airport, however, the cost of this maintenance increases the more remote the location.

The prospective cost of the forecast runway overlay at Longreach Airport highlights this challenge, and to deliver the project would require significant increases to airport charges to the airlines.

To improve the affordability and deliverability of future airstrip upgrades, QAL has also repeatedly applied for funding as part of the Remote Airstrip Upgrade Program (RAUP) but been unsuccessful with this funding allocated nearly exclusively to Council owned airports. Throughout this process, QAL has not received any detail as to why its applications were unsuccessful. This is despite the critical role Longreach Airport plays in supporting Outback communities, which was clearly demonstrated during the April 2025 flooding event.

QAL urges the Federal Government to expand future iterations of its RAUP, and to not prioritise Council owned airports, but all airports where there is a clear need for critical infrastructure to be subsidised to support regional communities.

The escalating cost of servicing and renewing regional airport infrastructure is a major concern for QAL. At Longreach Airport, for example, the future capital investment required to resurface the runway is substantial, and meeting these costs will necessitate a significant increase in airport charges. This in turn will have major

impacts on the willingness of airlines to fly to Longreach, the affordability of airfares, and access to key services and economic opportunities for the Longreach community. The scale of this infrastructure investment, and how it is funded, remains an ongoing challenge and is a critical factor in the long-term sustainability of the airport and QAL's capacity to continue funding essential regional aviation infrastructure.

## 6.4 Regulated Routes

Across Australia, state governments participate in regulated air route schemes to ensure essential air connectivity is maintained where market conditions would not otherwise support sustainable services.

In Queensland, the State Government regulates certain routes, either through subsidies, tendered routes or formal regulation. The Queensland Government's Regulated Routes Framework is central to maintaining essential air services where the route may not be commercially viable.

While these regulated routes are welcome and provide benefits for regional communities, these schemes are limited in their effectiveness as they are not operated at a broad enough scale to materially impact market rates.

Additionally, given these routes are regulated by the Queensland government they are only available on intrastate routes which also limits their usefulness for consumers. While Queensland's regulated routes framework is state based, QAL believes there is value in the Federal Government investigating avenues to expand and harmonise the various state regulated/subsidised routes to improve consistency and bolster the overall impact of the various schemes.

## 6.5 Other factors

### *Staffing*

Airports require a wide array of staff to ensure they function appropriately. This includes everything from terminal security to Aerodrome Reporting Officers to hospitality and cleaning staff. The more remote the area, the more challenging it is to find suitable staff. This can result in staff shortages or employees being paid a premium. This represents another cost that regional airport operators like QAL must factor into their operations.

### *Freight*

QAL also notes the Productivity Commission's information request relating to the impact of non-passenger services, such as freight, on supporting the viability of routes. As previously noted, freight forms an essential component of Townsville Airport's activity and facilitates essential freight services to regional centres including Mount Isa, Cloncurry and Moranbah.

However, QAL's overall experience is that the impact of freight on route reliability for passenger services to our regional ports is minimal. Typically, the passenger planes servicing these routes do not have significant freight capacity. As such, freight does not appear to materially reduce airfares. However, in specific instances, freight may determine if a route remains operational if it is being sustained by increasingly narrow margins.

### *Government policy and regulatory reform*

The aviation sector is undergoing a period of intense regulatory reform. While much of this reform is welcome and will improve the long-term sustainability of the sector and outcomes for consumers, it does increase uncertainty, compliance obligations and associated costs for airports and our partners.

The release of the *Aviation White Paper – Towards 2050* has initiated a tranche of regulatory changes such as the creation of a new Aviation Consumer Ombuds Scheme and aviation specific accessibility standards. While this reform is ongoing, it does represent additional complexity and cost in terms of compliance, administration and infrastructure investment for airports and airlines. A considered and thoughtfully managed approach to these regulatory changes is required, recognising that they are widely expected to increase costs for airports and airlines, which will likely be passed onto passengers through higher airfares.

Both governments and the aviation sector continue to build their understanding of the scale and impacts of per- and polyfluoroalkyl substances (PFAS) contamination. Airports were affected as a result of the historic and widespread use of PFAS-containing firefighting foams by the Commonwealth Government's aviation fire service. The Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts is currently undertaking PFAS investigations at 25 airports across Australia, including three QAL airports - Gold Coast, Townsville and Mount Isa.

Once the outcomes of these investigations are released, QAL, along with other ALCs, will require sustained government support to ensure responsibility for managing - and, where necessary, remediating - PFAS contamination is appropriately assigned to the polluter, Airservices Australia, rather than airport operators. If ALCs are required to assume responsibility for PFAS management, this could create significant development constraints and increased compliance obligations, with potential impacts on investment and future airport development. The costs associated with managing PFAS for development projects may ultimately be passed through to passengers in the form of higher airfares.

### *Cabotage*

Cabotage refers to the right of foreign airlines to operate domestic air services within Australia. The Australian Government currently permits cabotage only in exceptional circumstances, with the primary exception being New Zealand. Under the Single

Aviation Market (SAM) arrangement, New Zealand carriers are permitted to operate domestic services in Australia, and Australian airlines are afforded reciprocal rights in New Zealand.

While there may be some benefits of opening up cabotage arrangements on specific domestic routes it is crucial that any decision to relax cabotage arrangements be carefully considered from a national interest perspective. International airlines can have lower pay and different conditions for their workers which could unfairly compromise Australia's local aviation sector.

From a regional aviation perspective, the majority of international airlines (excluding Air New Zealand) are not suited to fly to smaller, regional airports as their planes are too large for regional market dynamic or available airport infrastructure.

QAL strongly supports measures to improve competition in the domestic airline sector, however, cabotage should only be considered in specific, limited instances when there is no other capacity available from domestic airlines.

## 7.0 The way forward

### 7.1 Recommendations

As highlighted throughout this submission, QAL is concerned with both the long-term affordability and sustainability of regional aviation. The regional aviation sector is intrinsic to the social wellbeing and economic prosperity not only of our regions but of Australia as a whole.

Regional airport operators are operating on increasingly constrained margins with growing infrastructure deficits across regional airports. Despite this QAL approaches pricing negotiations with airlines using a clearly defined and transparent pricing model that demonstrates the ongoing capital and operational costs associated with delivering infrastructure and running an airport. This results in airport charges only forming a small component of an airfare – typically less than 8 per cent as per the previously mentioned AAA report produced by InterVISTAS.

Pressures on regional airports continue to grow - increasing costs of infrastructure development, maintenance, compliance and general operations, paired with a declining population (customer base) in many regional areas, mean that airport charges at their current levels are unable to cover the costs of maintaining aeronautical assets.

This highlights the need for the Productivity Commission to consider a range of options to provide support for regional airport operators, namely:

**Government support into regional areas to stimulate economic growth and diversification –** Ultimately a local airport will reflect the community which it services. As local economies grow or shrink, so too does the frequency and

availability of flights, which in turn impacts affordability via economies of scale and competition. To ensure a sustainable long term regional aviation sector it is imperative that regional towns and communities are supported and enabled to grow. As highlighted in this submission the affordability and availability of regional airfares can be a barrier to this by "crowding out" emerging industries or simply making visiting these areas challenging and cost prohibitive.

**Ensuring that the ACCC continues to monitor airlines –** Currently, the ACCC monitoring of domestic airlines is set to cease in December 2026. The monitoring program has been in place since June 2020 due to widespread concerns around the lack of competition among Australian airlines. Recent events and the loss of Bonza have reinforced this with some regional routes where the Qantas Group and Virgin dominate experiencing price spikes. QAL believes that it is critical for the ACCC to continue to monitor the prices, costs and profits of domestic airlines on an ongoing basis.

**Expanding Federal government funding mechanisms and subsidies for airports–** As highlighted in this submission, private operators of regional airports are often not included as part of government airport funding programs. This is despite privately owned regional airports facing extreme challenges reconciling the cost of infrastructure provision by levying fair and affordable airport charges.

Updating and investing in infrastructure is a non-negotiable term of an ALC's leasing arrangements and is crucial to maintaining safety. Additionally, airport operators are grappling with growing regulatory and compliance pressures with emerging issues such as PFAS forming a significant long-term risk. To ensure the sustainability of regional airports, it is imperative to examine options of sustainable and long-term funding support for both private and council owned airports that are facing growing infrastructure deficits. Immediate options could include expanding programs such as the Regional Airports Upgrade Program to private entities. Should market demand dictate, the Commonwealth is also encouraged to invest in updated screening and border infrastructure for non-gateway international airports, to encourage dispersal of tourism to regional Australia per the Commonwealth's THRIVE 2030 strategy.

**Accelerate the diversity of air travel –** Aviation is by its nature an expensive endeavour. However, as technology continues to grow there are a range of options for aviation to become cheaper and more efficient. This includes the use of technology such as electronic vertical take-off and landing (eVTOL) aircraft and Sustainable Aviation Fuel (SAF). As is often the case with new technology there are "first mover" disadvantages and cost barriers during establishment. Government could play a role by coordinating and investing in pilot programs for new technologies.

**A more holistic approach to regulated routes –** Regulated or subsidised aviation routes are an important and welcome policy intervention that has allowed specific routes to endure and ensure regional communities remain connected. However, as these routes are state based, their overall effectiveness is limited. As such, QAL believes there is an opportunity for Federal Government to investigate options to expand and harmonise regulated route programs across Australia.

Additionally, airfares along regulated routes are the result of an established agreement with an airline and and are akin to airfares being capped at a designated amount.  Despite this, these fares can still be cost-prohibitive – especially for locals. The Productivity Commission could consider options to further support these routes via subsidies that essentially lower the "capped" airfares while still incentivising an airline to service a route.

**Support the delivery of new entrants into regional air travel market –** The increase in airfares following the exit of Bonza highlighted the risk around a lack of competition across Australia's regional aviation market. The Productivity Commission should investigate the barriers to entry for new airlines looking to provide services into Australia's regional aviation market. This could include examining options to relax regulatory requirements where it does not compromise safety or government backed loans and grants for aircraft and aviation infrastructure.

However, as highlighted in this submission, cabotage arrangements should only be considered in specific, isolated circumstances to protect the integrity and profitability of our local aviation industry.

**7.2 Next steps**

QAL again thanks the Productivity Commission for the opportunity to provide input into its review on the Determinants of Regional Airfares. Should the Commission have any questions or would like further detail on the items raised in this submission then please do not hesitate to reach out to Queensland Airports Limited