



NSW Farmers submission to
the Productivity Commission Inquiry into
the determinants of regional airfares

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NSW Farmers
Level 4, 154 Pacific Highway
St Leonards NSW 2065

T: (02) 9478 1000

W: www.nswfarmers.org.au | E: emailus@nswfarmers.org.au
@nswfarmers  nswfarmers

For further information about this submission, please contact:
Samuel Miller | Principal Economist

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About NSW Farmers

NSW Farmers is Australia's largest state farming organisation and advocates for issues such as the environment, biosecurity, water, animal welfare, economics, trade, workforce, and rural affairs. Agriculture is crucial, employing more than 75,000 people in NSW and the ACT, and contributing more than \$24 billion to the economy.

Our goal is to reach \$30 billion in output by 2030 by supporting stronger farming businesses. We ensure genuine farmer voices shape policies, and we provide specialist advice, along with valuable member benefits.

Executive summary

NSW Farmers welcomes the opportunity to provide a submission to the Productivity Commissions investigation in the determinants of regional airfares. Regional air services are critical for regional communities as they provide essential connectivity, enabling residents to access health care, education, and business opportunities that may not be available locally. Reliable air links help sustain local economies by supporting tourism, facilitating the movement of agricultural goods, and attracting investment to regional areas. Moreover, these services are vital during emergencies, ensuring swift transport for medical evacuations or disaster relief. Without regional air services, many communities would face isolation, limiting their growth and reducing their quality of life. The accessibility offered by aviation is a key factor in the social and economic wellbeing of regional Australia.

Several factors influence regional airfares in Australia, impacting the affordability and accessibility of flights for regional communities. Key determinants include operational costs such as fuel prices, aircraft maintenance, and staffing expenses, which tend to be higher for smaller regional routes. Additionally, demand and competition play a crucial role – limited passenger numbers and fewer airlines servicing regional areas often result in less competitive pricing and higher fares. Government policies, airport fees, and infrastructure investment also affect pricing and flight availability. With

This submission identifies three key areas that the Productivity Commission should investigate in its initial report. These are the impact of:

- Slot allocation and utilisation on the competitive market structure of regional airline operators.
- A reliance on intermittent competitive grant funding to keep airport facilities well-maintained and functional.
- Government intervention in the regional airline market, including financial assistance and different levels of ownership and control. As well as the extent to which some airline services should be considered natural monopolies.

Recommendations

NSW Farmers recommends that the Productivity Commission investigate:

1. How the tactical utilisation of regional slots at Sydney Kingsford Smith Airport may be restricting competition and market entry for domestic regional flight services.
2. How funding for regional airports can be reformed to ensure that infrastructure, operations and facilities are run and maintained to provide efficient services to passengers and airline operators.
3. The feasibility of a public ownership model for a regional air service.

The importance of regional aviation

Regional aviation is extremely important people living and working outside of metropolitan areas. Using population data from the Australian Bureau of Statistics, and regional aviation statistics from the Bureau of Infrastructure and Transport Economics, there are only 1.8 domestic passenger trips per capita connecting Major Cities, 2.6 passenger trips per capita connecting Inner and Outer regional centres and other Major Cities, and 10.7 passenger trips per capita connecting Remote and Very Remote areas.

However, between 2022-23 and 2024-25 the number of flights servicing Inner and Outer regional routes has fallen by 8 percent from the pre-COVID average of 2.9 passenger trips per capita. The impact on regional economies has been crippling, as communities rely on those flights to access services either in other larger regional centres or cities, such as medical, government, legal, financial, and recreational services that are not available in their locality.

Fly-in-fly-out services are now fundamental to the economic functioning of regional areas and the time saved travelling by air compared to road or rail is often the deciding factor in whether a particular venture or exchange is competitive or profitable. For example, doctors, specialists and allied medical professionals now rarely live in the communities they serve and without those services more people are forced to make long journeys to access critical care. In addition, without those kinds of services, towns struggle to attract permanent residents and staff, forcing businesses to scale back operations and further diminishing the local economy.

By comparison, rail and road modes of transport are imperfect substitutes for air travel. Depending on the distance, travel times may be a several hours longer. Taking into account the need for rest stops, and the need to avoid travelling at dusk, travelling by road can stretch out a journey by days. Similarly, many regional communities are only serviced by rail every few days. This can turn what could be a day return trip from a regional town to city for a single critical appointment into a week-long expedition that not only costs time, but food, accommodation, and fuel.

Prices and demand for regional air services

As outlined in the section **the importance of regional aviation**, for businesses the only travel option is often by air as road and rail take too much time out of operating the business to be worthwhile. Therefore, demand for aviation services is highly inelastic, that is, if price changes then demand changes to a lesser degree. The result is that regional airline operators, in the absence of meaningful competition, have been able to charge higher prices for fewer or lower quality services. See Box 1 for a case study of Griffith, NSW where airline services have declined and costs have increased dramatically, even in a town with a strongly growing economy.



Box 1: Griffith Case Study

Feedback from members of NSW Farmers has identified Griffith as an example of where declining services have led to higher prices. Members relate that prior to 2019 Griffith had two morning and evening flights between Griffith and Sydney, enabling commuters to travel to Sydney in the morning and return the same day. Travel by road would mean a 6.5 hour drive each way leaving early in the morning and an overnight stay in Sydney.

Currently, Griffith is only serviced by one 34-seat plane that is often booked a week out of departure. Members report flights to Sydney costing \$200 one-way prior to 2019, compared to now when the same flight can cost between \$400-\$700. Return flights to Griffith now leave Sydney at 2:30pm, which is not useful for most business travellers or those needing specialist services. As such, even those who do fly are now often forced to bear the cost of an overnight stay.

Griffith is not a minor town. It is the major centre for the Griffith and West Murrumbidgee SA3 area supporting a population of 50,000. Business numbers in the area have grown from 7,500 in 2020 to 8,100 in 2024, with a total turnover of approximately \$6.44 billion in 2024 (compared to \$5.26 billion in 2020). 15 percent of the workforce are employed in agriculture, supporting a range of value-adding wineries, feedlots, meat processing, rice, cotton ginning, and horticulture. The total farmgate value of agricultural production in that SA3 was \$2.02 billion in 2020-21¹. That in turn supports the workforce in manufacturing (16 percent), and tourism and household driven demand in accommodation and food services (5.1 percent) and Retail trade (8.7 percent)². Demand for aviation services has also spiked in relation to the development of the nearby Renewable Energy Zone, which is highly reliant on fly-in-fly-out workers.

Factors influencing regional airfares

In addition to demand factors, the fleet structure of regional airlines has changed over time. As outlined in the figures below, while the number of flights and sectors serviced in regional Australia has declined over time, the number of seats and distance travelled per flight has increased. The overall picture is one of fewer larger aircraft servicing fewer towns and providing fewer short trips in favour of larger ones.

It is likely that the trends outlined above are an attempt by aviation providers to consolidate flights into more fuel and labour-efficient planes carrying larger volumes of passengers on routes with greater demand. The result is that people in regional areas must pay more per trip, and are underserved in areas with less total demand. An example of a recent experience, typical of NSW Farmers members and employees is outlined in Box 2.

¹ ABARES (2021)

Australian Agricultural Census 2020–21 visualisations – SA2.

<https://www.agriculture.gov.au/abares/aclump/land-use/agriculture-census-dashboards-sa2>

² Australian Bureau of Statistics (2026) Region summary: Griffith - Murrumbidgee (West)

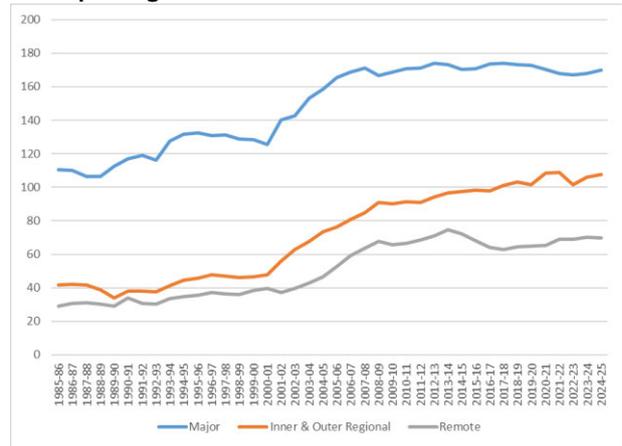
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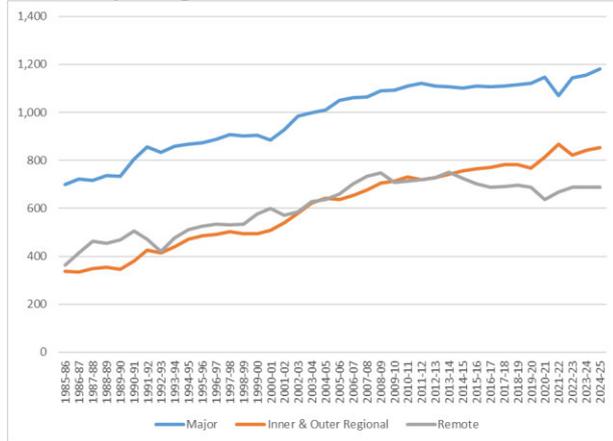
Number of Flights



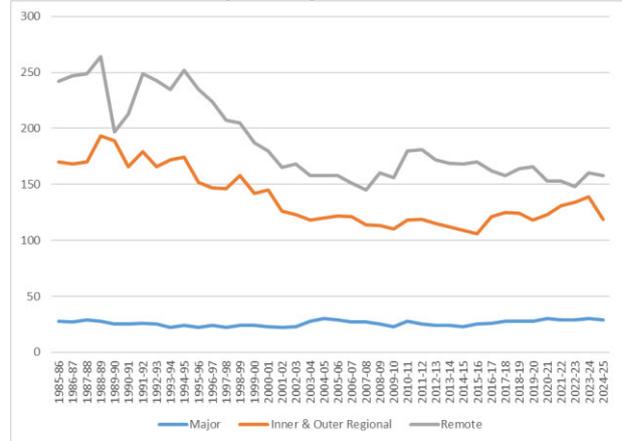
Seats per Flight



Distance per Flight



Number of Sectors (Routes)



Box 1: Parkes Case Study

NSW Farmers elected member representatives and staff regularly travel to regional areas for the purposes of providing information, services, and support to local farmers. For example, NSW Farmers often runs workshops for farmers on topics such as workplace relations, native vegetation, natural disasters and drought and business planning. Without these services many farmers would be unable to access critical information on new regulations and available government support.

For a recent event, elected members and staff were required to visit Parkes for a one-day event. However, the only flight back the following day is in the morning at 10:45am, meaning that it would be necessary to stay two nights instead of one. Alternatively, it was decided that they would fly into and out of Dubbo, driving 1 hour 20 minutes to Parkes instead. The increased reliance on Dubbo as a fly-in-fly-out centre has clearly increased pressure on the town, with only one accommodation provider not booked out on that day.

The lack of regional aviation services to towns limits the ability for businesses like NSW Farmers, as well as Government agencies, to cost effectively provide services to farmers across the state. These services are crucial to building farm productivity, ensuring compliance with emerging regulations, and assisting farmers in responding to natural disasters extreme weather conditions.



Market structure of the regional aviation sector

Airline Operators

Concentration in the regional aviation sector typically means that a small number of airlines dominate most of the available routes, often resulting in limited competition. When only one or two carriers operate flights to and from regional centres, there is little incentive for them to keep fares low or to improve the frequency and reliability of their services. The ACCC has consistently found that the presence of multiple airlines leads to materially lower fares, while exit leads to rapid price increases. For examples, when Rex entered several intercity routes, the average airfare per passenger declined by 15 percent³.

The reduced competition also affects service quality. With fewer airlines vying for customers, there is less motivation to maintain high standards in areas such as punctuality, customer service, and onboard amenities. Furthermore, regional communities can become vulnerable to sudden changes in service levels if an airline decides to reduce capacity or withdraw from a route altogether. These impacts are especially significant in regional areas, where reliable air connectivity is essential for access to services, business development, and community wellbeing. This exact scenario played out with the collapse of the Bonza and Rex Airlines in 2024, leaving customers around regional NSW competing for fewer flights on the remaining Airlines, or outright stranded.

Regional Airports

Between 1986 and 1991, most regional airports were ‘privatised’ by gifting them to local councils through the Aerodrome Local Ownership Program (ALOP) that shifted to the burden of maintaining regional aviation infrastructure from the Federal Government to councils. The ALOP has had several unintended consequences, with airlines arguing that they are underserved and overcharged by locally-owned airport monopolies, customers reporting poor services, and the local councils themselves drowning in a growing financial burden as infrastructure ages, costs for compliance, insurance, and security multiply, and labour shortages bite⁴. Approximately 60 percent of regional airports now operate at a loss, placing a significant burden on local ratepayers to make-up the difference⁵.

The result has been that between 1984 and 2008 the number of regional airports serviced by airlines fell from 278 to 138 in 2008⁶. The risk is that if further regional airports become unusable due to rising costs and an infrastructure backlog, this will force demand to further consolidate to fewer remaining airports, pushing prices up further, and forcing more passengers to make long multi-day journeys.

³ Australian Airports Association. 2024. ACCC report shows competition vacuum in domestic airline market.

⁴ Bower, D., Jones, G., Bowrey, G., Smark, C. 2020. SURVIVAL OF THE FITTEST? CHALLENGES TO REGIONAL AVIATION AND REGIONAL COMMUNITIES FROM THE PRIVATISATION OF AUSTRALIA’S AIRPORTS. Australasian Journal of Regional Studies. Vol 26(1).

⁵ Inside Local Government News. 2024. Regional Capitals call for funding to address ageing airport infrastructure. <https://insidelocalgovernment.com.au/regional-capitals-call-for-funding-to-address-ageing-airport-infrastructure/>

⁶ Bower, D., Jones, G., Bowrey, G., Smark, C. 2020.



Government policies

Demand Management

The Sydney Airport Demand Management Act 1997 provides for the Protected Regional Service Slot Series (PRSS) that improves access to regional services during peak periods, including when PRSS slots are exhausted. NSW Farmers considers that the PRSS is a critical factor allowing regional airlines to operate, and that it should continue⁷.

However, the *Sydney Airport Domestic Slot Audit* report found that challenges with crew availability and aircraft reliability impacted the ability for airlines to operate all their held slots on Regional (NSW) routes, slot utilisation fell. The report notes that “The excess capacity of slots during these off-peak times, combined with the ability to retime and reacquire them inside peak times, undermines the competitive fairness that the regulatory framework is designed to protect. This, in turn, may have broader implications for new entrants trying to establish themselves in a market dominated by established players with significant slot holdings. The system in place during the audit period inadvertently favours incumbents, as they can retain their strategic positions by constantly maintaining and improving their slot portfolio.”⁸

The Productivity Commission should therefore carefully consider how the use or potential anti-competitive misuse of slots designated for regional flights is impacting availability and prices.

Regional Airport Funding

In the 2024-25 Budget, the Federal Government announced that the Regional Airports Program would be extended for another three years, at the cost of \$40 million in competitive grants. NSW Farmers supports the Government taking steps to maintain regional airports as critical gateways for those communities⁹. However, NSW Farmers is concerned that an intermittent competitive grant program is not the most efficient way to maintain infrastructure with a use-life of decades. As 60% of airports are running at an operational loss, it may be the case that competitive funding is allocated to where infrastructure has degraded to critical levels after many years of neglect and at great cost, as opposed to ensuring that regular annual maintenance is undertaken to extend the life of the asset as long as possible.

NSW Farmers considers that there is a two-way relationship between airport availability and condition, and flight availability and cost. Regional airport operators cannot invest in new or upgraded facilities without demand for flights, and airline operators cannot invest in new aircraft and crew without efficiently-run ground facilities.

The Productivity Commission should therefore investigate how funding for regional airports can be reformed to ensure that infrastructure, operations and facilities are run and maintained to provide efficient services to passengers and airline operators.

⁷ NSW Policy 3882 – 10AC – The NSW Farmers Association seeks to abolish peak period surcharges and give regional airlines priority access to Kingsford Smith Airport.

1570 – 10AC – The NSW Farmers Association seeks to ensure that the Federal Government maintains ring-fencing of regional slots which guarantees regional access to Sydney Airport at existing levels.

⁸ To70 Aviation. 2024. Sydney Airport Domestic Slot Audit, v1.1. Report for the Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

<https://www.infrastructure.gov.au/sites/default/files/documents/sydney-airport-domestic-slot-audit-report-november-2024.pdf>

⁹ 3881 – 10AC – The NSW Farmers Association seeks to gain further assistance to regional communities in the form of funds for major repairs and maintenance projects to selected regional airports, such as resealing runways which is beyond the means of smaller communities and the aviation industry.



Airline Competition

The decline or lack of regional air services poses significant challenges for communities across rural Australia. The collapse and subsequent acquisition of the Rex Group airline by US-based enterprise Air T with the assistance of the Commonwealth Government exposes the vulnerability of regional areas to failures driven by unsustainable operating conditions. Regional communities were severely affected by the loss of Rex services, with ticket prices increasing as demand surged for remaining carriers, and local airport operators left out of pocket for millions of dollars in unpaid fees¹⁰.

While the resolution of Rex airline services under Air T is welcome, it is clear that the deal was only possible with significant support by the Commonwealth Government (which was Rex Group's biggest creditor) through a debt restructuring agreement that effectively sees the government become a shareholder by carrying \$90 million in debt forward under a profit-sharing arrangement, and another \$60 million in credit extended to bring more aircraft into service. Also welcome is the guarantee that no aircraft can be sold without the Government's permission and that services across regional Australia will continue¹¹.

However, in order to avoid a repeat of the disruptions caused by Rex's collapse in 2025, the Productivity Commission should consider what additional steps are necessary to guarantee the ongoing provision of regional air services, including the possibility of formalising the government's role in supporting those services through a joint Public-Private Partnership or wholly owned Public Enterprise¹². These investigations should take into account the extent to which regional airlines, or specific routes, should be considered natural monopolies that can be most efficiently delivered as public or subsidised goods.

Recommendations:

That the Productivity Commission investigate:

1. How the tactical utilisation of regional slots at Sydney Kingsford Smith Airport may be restricting competition and market entry for domestic regional flight services.
2. How funding for regional airports can be reformed to ensure that infrastructure, operations and facilities are run and maintained to provide efficient services to passengers and airline operators.
3. The feasibility of a public ownership model for a regional air service.

¹⁰ RDA Riverina. 2026. Funding Now Available for Regional and Remote Airports Impacted by Rex Voluntary Administration. <https://rdariverina.org.au/news/2026/2/24/funding-now-available-for-regional-and-remote-airports-impacted-by-rex-voluntary-administration>

¹¹ Australian Aviation. 2025. Government looks to keep a firm hand on Rex in Air T deal.

<https://australianaviation.com.au/2025/11/government-looks-to-keep-a-firm-hand-on-rex-in-air-t-deal/>

¹² 5044 – 25AC

NSWF advocates that the federal government actively explores the feasibility of a public ownership model for a regional air service.

