



# Submission to the Productivity Commission

## Inquiry into Determinants of Regional Airfares

Submitted by: City of Karratha

Date: 13 March 2026

---

Submission to the Productivity Commission

Inquiry: Determinants of Regional Airfares

Date referred: 27 October 2025

Submissions close: 15 March 2026

Submitted by: City of Karratha

Web: [Karratha.wa.gov.au](http://Karratha.wa.gov.au)

Chief Executive Officer: Virginia Miltrup, City of Karratha

Director Projects and Business: Simon Kot, City of Karratha

Airport Manager: Amol Virkar, City of Karratha

Media Enquiries: Matthew Jewkes, City of Karratha

## EXECUTIVE SUMMARY

The City of Karratha welcomes the opportunity to contribute to this inquiry.

Karratha Airport (KTA) is fully owned by the City of Karratha (the City). The airport is a major business undertaking of the City and operates in accordance with the Western Australia Local Government Act 1995 and supporting regulations. Accommodating in excess of 741,000 passengers in 2025, KTA is Western Australia's second busiest airport by passenger numbers and Regular Public Transport (RPT) aircraft movements. Passenger growth since Covid-19 has been at an average of 14% per annum for the last five years.

Calendar Years	RPT Passengers	Total Passengers
2021	439,046	480,837
2022	512,472	555,129
2023	575,529	623,090
2024	648,966	697,864
2025	741,626	786,151

The airport directly services five towns within a 60-minute driving time as well as a fly-in fly-out workforce. KTA is currently served by a variety of major RPT and mining charter airlines with Perth the primary origin/destination. Since the terminal redevelopment and other improvement projects, the airport has a modern terminal with upgraded airside infrastructure to provide services to the community. Airports are significant contributors to local economies and an essential enabler and catalyser for future growth. KTA is earmarked to be that catalyst to help multiply the growth potential of the region. Like many regional gateways, KTA sustains significant fixed costs to meet federally mandated safety, security and regulatory obligations, while airlines retain mobile assets and pricing discretion.

Regional airfares on core trunk links particularly Karratha–Perth are frequently cited by residents and employers as a constraint on workforce mobility, access to health and education services, and the broader cost of living. The Productivity Commission's inquiry is timely, noting concerns about the cost, frequency and reliability of regional services and the need for policy settings that support a competitive, reliable and affordable regional aviation network.

This submission focuses on KTA and its ability to deliver reliable and affordable services, with particular reference to:

### Relevant Terms of Reference:

- Analysing the determinants of regional airfares and service offerings.
- Identifying the main drivers of demand for regional air services.
- The Role for Government – Practical Interventions that Improve Outcomes.
- Barriers to entry and expansion.
- Policies and Regulatory settings that may contribute to higher regional airfares and reduced service levels.
- Impacts of regional air fares and access to regular and reliable air services.

## Recommendations

The analysis presented in this submission suggests several policy considerations that may support the long-term sustainability of regional aviation networks.

- Airline pricing practices and capacity deployment be the primary focus of any further government intervention aimed at reducing regional airfares.
- Focus intervention on airline market structure rather than airports, where policy responses should explicitly differentiate between airport charges and airline pricing behaviour.
- Measures to encourage additional airline competition and service frequency be prioritised, including incentives for new entrants, expanded aircraft access, and long-term route sustainability initiatives.
- Review regulatory cost impacts on regional airport operations to understand whether elements of the regulatory and compliance framework disproportionately burden regional airport operations.
- Consider introducing a uniform national aviation security levy, applied on a per passenger basis across the entire Australian aviation network, with proceeds used to fund federally mandated security and regulatory requirements.
- Establish a consistent national framework for the transparent disclosure of regional airfare composition, clearly identifying the relative contributions of airport charges, airline costs and government imposts
- Pursue targeted measures to enhance airline competition on regional and remote routes, including incentives for new or returning carriers, support for smaller or regional airlines, and the reduction of structural barriers to entry.
- The Productivity Commission should treat Karratha as a representative case study in assessing the effectiveness and limitations of government intervention in regional aviation markets and use this evidence to inform policy settings that promote fair, transparent and competitive airline behaviour in order to deliver sustained airfare affordability for regional communities.

## Karratha Airport's Role in a Regional Context

Regional airports are a critical part of Australia's domestic network. Evidence commonly cited in the regional airports policy discourse indicates that approximately 40 per cent of domestic aviation passengers travel through regional airports, reflecting the scale of regional reliance on aviation connectivity. In Western Australia, the "tyranny of distance" means that alternatives to air travel like road and rail are often impractical, unsafe, and time-consuming, leaving aviation as the only viable means of reliable, timely, and equitable access to essential services, employment, and economic participation.

KTA plays a critical role in supporting the economic, social, and strategic functioning of the Pilbara region and northern Western Australia. As the primary aviation gateway for one of Australia's most significant resource producing regions, the airport underpins fly-in fly-out (FIFO) workforce movements, access to essential health and government services, business

connectivity, and community travel. Given the vast distances, extreme climate, and limited viability of road and rail alternatives, air travel is not discretionary but an essential service for the region. Passenger demand on the Karratha–Perth route is heavily influenced by resource sector activity and workforce scheduling rather than tourism, resulting in peak period concentration and limited airline competition, factors that materially affect fare levels. In this context, KTA’s scale, cost base, and infrastructure are calibrated to meet safety, regulatory, and operational requirements in a remote environment, yet airfare outcomes are predominantly driven by airline market structure and capacity decisions rather than airport charges. The airport therefore represents a clear case study of how structural and geographic factors inherent to regional Australia influence airfares, independent of airport ownership or pricing practices.

## Regional Airfares and Service Offerings

The Inquiry’s Terms of Reference appropriately recognise that airfares are the outcome of a complex system involving airlines, airports, fuel suppliers, maintenance providers, supply chains, and regulators. From an airport operator’s perspective, however, regional airfares on routes such as Karratha–Perth are driven overwhelmingly by airline controlled and market driven factors. These include airline fleet economics and utilisation (such as aircraft type, turnaround times and network scheduling), the underlying demand profile shaped by FIFO workforce peaks, school holidays and event driven surges, the competitive dynamics of a two-carrier market with limited contestability, and broader supply constraints, including aircraft availability and crew resourcing.

KTA is a critical community asset that supports FIFO operations, health and emergency services, tourism and local residents. It is therefore essential to clearly distinguish between the airfare set by airlines and the aeronautical charges levied by the airport. At Karratha, the one-way charge imposed by the airport is approximately \$32.13 per departing passenger seat, regardless of the ticket price paid by the passenger. This charge represents a small and fixed component of the total fare. Whether a passenger secures a discounted promotional fare or pays a significantly higher last-minute fare, the airport’s per-seat revenue remains unchanged. Against an estimated median one-way fare of approximately \$800, the airport component represents around 4 per cent of the total airfare.

Aeronautical revenue at Karratha Airport is used to fund the safe and compliant operation of the airport, including essential maintenance, regulatory compliance, and infrastructure upgrades. Whilst KTA operates at a surplus, it differs fundamentally from privately owned airports in that any return on investment is reinvested through the City into community outcomes aimed at improving regional liveability. The City’s strategic priority for Karratha Airport is to enhance connectivity by increasing the airport’s capacity to accommodate larger aircraft and by progressing international services to Asia. This would deliver broader economic benefits, including improved movement of people and freight intra-regionally, inter-regionally and internationally.

This analysis demonstrates that fluctuations and increases in regional airfares are not driven by airport charges. Rather, airfare levels are primarily determined by airline commercial decisions, including yield management, demand-based pricing, corporate and bulk contracting arrangements, aircraft allocation, cost structures and competitive conditions. Importantly, as ticket prices rise, the additional revenue flows almost entirely to airlines, not to the airport. The airport’s revenue per departing passenger does not increase in line with higher fares. In practical

terms, when airfares escalate, KTA does not receive a proportional financial benefit; the incremental revenue generated by higher ticket prices is retained by the airlines.

## Government Intervention and Regional Airfare Affordability

The cost of air travel between Karratha and Perth remains a significant concern for residents, businesses and the broader Pilbara community. Despite a flight time of approximately two hours, airfares on this route have historically been disproportionately high. Prior to the introduction of the Western Australian Government's Regional Airfare Zone Cap (RAZC) Scheme in mid-2022, travellers frequently faced one-way fares in excess of \$1,000, well above those observed on metropolitan routes of comparable distance. These elevated fares created material barriers to accessibility, reduced affordability for families, constrained workforce mobility, and increased the cost of doing business in the region. For a strategically important regional centre that underpins nationally significant resource industries and services a large residential population, affordable and reliable air connectivity is essential rather than discretionary.

The RAZC Scheme represents a targeted form of government intervention designed to address affordability failures in regional aviation markets. Since its commencement in July 2022, more than 677,000 capped airfares have been flown as at December 2025, demonstrating strong take-up across regional Western Australia. Notably, Karratha is the single largest beneficiary of the Scheme, accounting for approximately 25 per cent of total usage. This level of participation provides clear empirical evidence that when fares are materially lower, transparent and consistently available, demand responds strongly. From a policy perspective, Karratha illustrates that high historical airfares were suppressing travel rather than reflecting weak demand, and that affordability interventions can materially improve access and utilisation.

From 1 July 2026, airlines operating the Karratha–Perth route will apply differentiated price caps under the Scheme, with a low-demand cap of \$299 (unchanged) and a high-demand cap of \$385 one-way. While the Scheme continues to provide important relief for eligible residents, its structure and implementation limitations are also instructive for the Inquiry. Access to capped fares is constrained by eligibility rules, booking conditions, seat availability and demand based triggers. During peak periods or short-notice travel when the need for connectivity is often most acute many residents are unable to secure the lower capped fare and instead face the higher cap. In addition, the Scheme is limited to eligible regional residents, meaning families based in Perth, non-resident workers, visitors and many businesses are excluded entirely and remain exposed to significantly higher market fares.

The cumulative impact of persistently high airfares, combined with constrained access to capped fares, continues to place pressure on the Karratha community and local economy. These conditions affect population retention, workforce attraction, tourism viability, business costs and equitable access to health, education and other essential services. Importantly, the Karratha experience demonstrates that while government intervention through fare caps can mitigate affordability outcomes for a defined cohort, it does not address the underlying structural determinants of regional airfares. Sustainable improvements in affordability will ultimately require attention to airline pricing practices, route competition, market contestability and capacity settings, rather than a focus on airport charges or ownership models.

The City encourages the Committee to consider policy and practical measures that directly improve affordability and reliability for regional communities. These could include measures to

strengthen competition, improve transparency in fare composition, and ensure that regional fare schemes deliver meaningful access to affordable travel. In Karratha, regional fare arrangements can provide relief in some circumstances but are often limited by seat availability, booking conditions, and restrictions that reduce their real world accessibility particularly for urgent travel such as medical appointments or family emergencies. The City supports reforms to policies that ensure regional airfare are reduced below \$299 to help achieve their intended purpose and deliver broad, consistent benefits to residents.

## **Barriers to Entry and Expansion**

KTA's experience demonstrates that barriers to entry and expansion at regional airports are structural, enduring, and closely linked to broader conditions within Australia's aviation market. A key constraint is the availability and suitability of aircraft. The pool of modern aircraft offering an appropriate product and capable of operating efficiently on routes such as Karratha–Perth is limited. Where such aircraft are available, they are typically deployed on more product conscious east coast networks, where fares may be lower but competitive pressures are higher, reducing the incentive and capacity for airlines to allocate suitable aircraft to regional Western Australian routes. This limits airlines' ability to introduce new services, increase frequencies or trial competitive entry without displacing capacity from other routes. Workforce constraints further compound these challenges, with ongoing shortages of qualified pilots, engineers and licensed technicians constraining airlines' operational flexibility.

Commercial risk on structurally thin regional routes also remains a significant barrier. While demand on the Karratha–Perth route is strong during FIFO changeovers, peak periods and school holidays, it is unidirectional on certain days like Monday and Friday across the week.

The Commission's Terms of Reference appropriately recognise the importance of assessing barriers to entry and the role of policy and regulatory settings in shaping regional airfare outcomes and service availability. The Karratha Airport experience demonstrates that airfare levels and service constraints are not the result of isolated factors, but rather the cumulative effect of aircraft and labour supply limitations, commercial risk exposure, and regulatory cost structures. Addressing these barriers will be critical to improving competition, service resilience and affordability in regional aviation markets.

## **Policies and Regulatory Settings That May Contribute to Higher Regional Airfares and Reduced Service Levels**

While regulatory and security frameworks are essential to ensuring safety and system integrity, compliance obligations often impose fixed costs that are proportionally higher for regional airports and services. These costs do not scale with passenger volumes and can act as a disincentive to new entry or marginal service expansion. The competitiveness of the aviation sector in servicing regional, rural and remote communities is a critical issue, as these communities are often reliant on a small number of carriers operating a limited range of routes. In many regional markets, including routes servicing Karratha, the aviation sector can operate with limited competition due to high barriers to entry, constrained aircraft availability, and commercial prioritisation of higher volume metropolitan routes. This lack of competition can contribute to sustained high fares, reduced choice for consumers, limited flexibility in travel times, and

reduced service responsiveness to local community needs. Where airlines face little competitive pressure, there is an increased risk that pricing outcomes and service levels will be driven primarily by commercial optimisation rather than by the broader economic and social importance of regional connectivity.

The implications of reducing or withdrawing aviation services in regional and remote communities are significant and extend well beyond inconvenience. For communities such as Karratha, air services are essential infrastructure that support access to health services, specialist medical appointments, education, family connection, and government services that are often unavailable locally. Reduced services can lead to increased isolation, higher costs of travel through alternative routes, longer travel times, and diminished access to essential supports, particularly for vulnerable community members. These impacts are often felt most acutely by residents who need to travel at short notice, where fare levels can escalate sharply and seat availability becomes limited.

From an economic perspective, reductions in aviation services can constrain workforce mobility, impact recruitment and retention, and increase costs for local employers, including small businesses and essential service providers. In resource based regions such as the Pilbara, aviation connectivity underpins the movement of workers, contractors, and specialist services, and supports broader supply chains. Any reduction in route frequency or capacity can disrupt business continuity, reduce productivity, and weaken regional economic resilience. It can also affect tourism and regional visitation, reducing the attractiveness of the region for investment and diversification. Service reductions also have longer-term impacts on regional liveability and population stability. If air travel becomes unreliable, excessively expensive, or difficult to access, regional communities can become less attractive places to live and raise families. This can contribute to population decline, reduced community confidence, and increased pressure on local governments and service providers.

The City proposes that the recovery of federally mandated security and regulatory costs be made more equitable across the national aviation sector. The City considers that a more equitable approach would involve reforming the way mandated costs are funded so that regional airports are not structurally disadvantaged simply due to scale and location. Options could include a uniform national levy to fund baseline security and regulatory requirements, direct Commonwealth contributions for mandated compliance infrastructure, or a consistent cost-sharing model that reflects the national public benefit of maintaining a safe and regulated aviation network. Such measures would improve financial equity, reduce pressure on regional airports to recover mandated costs through local charges, and support the sustainability of essential air services. Importantly, equitable cost recovery would also strengthen regional connectivity by reducing the risk that compliance burdens contribute to service reductions, fare pressures, or deferred infrastructure investment in rural and remote communities.

## Conclusion

Airports are critical economic enablers that support both the Australian and State economies by facilitating trade, workforce mobility, tourism and investment. The Australian Government should therefore play an active role in supporting the growth, sustainability and long-term viability of regional airports such as Karratha, recognising their essential contribution to national productivity and regional development.

KTA also supports greater transparency and national benchmarking across the aviation sector to more clearly identify the underlying drivers of regional airfares. Enhanced and consistent reporting on airport charges, government-imposed costs, and airline-controlled pricing components would provide policymakers and communities with a more accurate understanding of where cost pressures originate and where reform is most effectively directed. Importantly, KTA's fixed one-way passenger charge of \$32.13 per seat unchanged regardless of ticket price demonstrates that airport charges are stable and are not the primary driver of airfare volatility or elevated fare outcomes on regional routes.

KTA's and the City submit that the challenges associated with regional airfares and access to regular, reliable air services are structural in nature and have far reaching economic and social consequences for regional Australia. In the Pilbara, aviation is not an optional mode of transport but a critical enabler of economic productivity, workforce mobility, service delivery, tourism development and social equity. Persistently high airfares, limited competition and constrained service availability undermine regional growth, exacerbate cost-of-living pressures, and weaken the long-term sustainability of regional communities.

Addressing these challenges requires a coordinated policy response that recognises the essential role of regional airports and aviation services in supporting national productivity, economic resilience and Closing the Gap outcomes. KTA and the City urge the Productivity Commission to consider targeted reforms that improve market contestability, strengthen regional connectivity, and ensure that regulatory and investment frameworks reflect the unique circumstances of regional and remote aviation markets. Ensuring access to affordable and reliable air services is fundamental to sustaining strong regional economies, delivering equitable outcomes for regional and Aboriginal communities, and supporting Australia's broader economic and social objectives.

The City welcomes further engagement with the Committee.