

Canberra Region Joint Organisation's regional submission to the Australian Productivity Commission's inquiry into the determinants of regional airfares

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This input is from the Canberra Region Joint Organisation which comprises the following members:

- Canberra Airport
- ACT Government
- Wagga Wagga Regional Council, NSW
- Bega Valley Shire Council, NSW
- Snowy Monaro Regional Council, NSW
- Eurobodalla Shire Council, NSW
- Goulburn Mulwaree Council, NSW
- Snowy Valleys Council, NSW
- Queanbeyan Palerang Regional Council, NSW
- Yass Valley Council, NSW
- Upper Lachlan Shire Council, NSW
- Hilltops Council, NSW
- Wingecarribee Shire Council, NSW

Executive Summary

The Canberra Region Joint Organisation (CRJO) represents councils and regional stakeholders across the ACT and southern New South Wales. The region includes Canberra Airport as a major regional gateway as well as smaller council-owned airports such as Merimbula, Moruya, Cooma and Wagga Wagga. Together these airports form an interconnected aviation system supporting tourism, business travel, healthcare access, emergency response and regional economic development.

Evidence from across the region indicates that regional airfares are driven by several structural factors including airline market concentration, thin passenger volumes on regional routes, constrained access to Sydney Airport slots and the absence of a sustainable lifecycle funding model for council-owned airports.

Analysis undertaken by Canberra Airport in January 2026 demonstrates significant airfare volatility linked to predictable parliamentary sitting week demand. On major routes to Canberra, fares increased by up to 96 percent compared with equivalent flights during non-sitting weeks. This evidence suggests airlines possess significant pricing power in constrained regional markets.

Fly-in, fly-out (FIFO) workers associated with major industries beyond Australian parliamentarians and government workers also influence airfares and access to seats on commercial flights, as can be seen in Cooma where Snowy Hydro workers dominate use of flights.

CRJO submits that improving regional airfare outcomes requires coordinated reform addressing competition, slot access, infrastructure funding and transparency in airline pricing behaviour.

1. Why Regional Aviation Is Important

Regional aviation plays a critical role in economic development and connectivity across the Canberra region and surrounding communities in southern New South Wales. The region encompasses the national capital alongside coastal, alpine and inland communities where air transport often provides the only practical same-day connection to major cities.

Canberra Airport performs a dual function in Australia's aviation system. As the national capital, it supports federal government operations, diplomatic engagement and high-value business travel. At the same time, it is the principal aviation gateway for southern NSW communities stretching from the NSW Sapphire Coast and Snowy Mountains through the Southern Tablelands and Riverina regions.

Canberra Airport is the only curfew-free airport between Brisbane and Melbourne. This status strengthens national network resilience by accommodating diversions from Sydney, supporting emergency medical evacuations and enabling time-critical domestic and international services. Its economic contribution to the region is substantial and extends well beyond the ACT.

Air services in the broader NSW region surrounding the ACT support business travel, tourism, access to government services, medical treatment, culture and recreation and higher education. For communities on the far south coast and Snowy Mountains, road travel to Sydney or Melbourne can exceed six hours and no passenger rail services operate. Regional airports such as Merimbula and Moruya therefore provide essential connectivity for residents and businesses.

Aviation services also support emergency response operations including aeromedical evacuations, disaster recovery logistics and firefighting coordination. The reliability and affordability of these services therefore has direct implications for community resilience and regional productivity.

Business travel in and out of the broader Canberra region includes that of Australian Government parliamentarians and workers, ACT Government ministers and workers and workers for major industries located in the region such as the energy industry with Snowy Hydro and Transgrid's HumeLink project being current examples. Regional airports also support visiting medical personnel to provide local services in the region and vice versa, supports community accessing general medical and specialist care only available in major cities.

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2. How Fares Influence Demand

Demand for regional air services is influenced by several factors including airfare levels, service frequency, reliability and connectivity with hub airports. In thin regional markets, airfare levels can significantly influence discretionary travel such as tourism and visiting friends and relatives.

Evidence from Moruya Airport demonstrates the sensitivity of demand to increased seat supply. When additional flight capacity was introduced prior to the COVID-19 pandemic, flexible fares declined by approximately 25 percent and passenger numbers increased by around 15 percent. This indicates that modest increases in competition or seat supply can materially improve affordability and stimulate demand.

3. Determinants of Regional Airfares

High regional airfares remain a defining concern. From a gateway perspective, concentrated airline market power contributes to disproportionately high base fares on regional routes. From a smaller regional airport perspective, affordability is inseparable from passenger volume.

3.1 Airline market concentration and pricing behaviour

Australia’s domestic aviation market remains highly concentrated. On many routes serving Canberra and regional NSW, two airline groups carry the majority of passengers. In markets with limited competition and predictable demand surges, airlines are able to implement substantial fare increases.

Analysis undertaken by Canberra Airport in January 2026 examined airfares on major routes to Canberra between 22 February and 15 March 2026. The analysis compared fares on the Sunday evening before parliamentary sitting weeks with equivalent flights during non-sitting weeks.

Sydney – Canberra airfare comparison

Airline	22 Feb	1 Mar	8 Mar	15 Mar
Qantas	\$273	\$481	\$481	\$312
Virgin	\$268	\$430	\$338	\$271

Brisbane – Canberra airfare comparison

Airline	22 Feb	1 Mar	8 Mar	15 Mar
Qantas	\$354	\$693	\$587	\$354
Virgin	\$332	\$445	\$209	\$209

The analysis shows substantial fare escalation aligned with predictable parliamentary travel demand. On the Sydney–Canberra route fares increased by approximately 76 percent for Qantas and 60 percent for Virgin. On the Brisbane–Canberra route fares increased by up to 96 percent for Qantas and 34 percent for Virgin.

These increases significantly exceed typical seasonal demand fluctuations and indicate strong pricing power in markets with limited competition.

Likewise, regional airfares, and indeed access to passenger seats on commercial flights, are affected by take up of seats by fly-in, fly-out (FIFO) workers paid for by private employers as can be seen in Cooma where Snowy Hydro workers dominate use of flights.

3.2 Thin route economics

Regional routes operate with small aircraft and relatively low passenger volumes compared with metropolitan routes. For example Moruya Airport handles approximately 20,000–22,000 passengers annually and individual flights may carry between five and twenty-five passengers. Small aircraft reduce economies of scale and increase the cost per seat, contributing to higher baseline fares.

Even at the larger Canberra Airport, Australia’s domestic aviation market remains highly concentrated. In Canberra, two major airline groups carry the overwhelming majority of passengers. The collapse of new entrants in recent years demonstrates the fragility of competition in regional markets.

Structural decisions by major airlines, including consolidation of crew bases, may not immediately remove services but can affect reliability, schedule recovery and operational resilience. Regional communities experience these impacts most acutely when cancellations or reduced frequency disrupt access to essential services.

3.3 Infrastructure capacity

Airport infrastructure also shapes regional airfare outcomes. Runway length, apron capacity and terminal throughput determine the type of aircraft that can operate and the number of services that can be accommodated. Infrastructure constraints therefore directly limit seat supply and airline competition.

The Merimbula Airport Master Plan 2043 identifies several upgrades required to support future airline fleets and expand passenger capacity. Without these improvements passenger numbers cannot increase and fare competitiveness remains limited.

3.4 Lifecycle funding for council airports

A long-standing structural issue in regional aviation is the transfer of airports from Commonwealth ownership to local governments during the 1990s without a sustainable lifecycle capital funding model. Councils can generally recover operating costs through passenger charges and landing fees, but major renewals such as runway rehabilitation, taxiway upgrades and terminal expansion often exceed the financial capacity of small regional rate bases.

3.5 Sydney Airport slot access

Sydney Airport remains the primary hub for many regional routes. Access to peak-period slots is essential to enable same-day travel for business and medical appointments. Loss of commercially viable slots would reduce passenger demand and threaten the viability of regional services.

4. Policy Recommendations

CRJO recommends the Productivity Commission consider the following policy responses:

- Establish a multi-year Regional Airport Sustainability and Renewal Program to support infrastructure lifecycle investment.
- Protect regional slot access at Sydney Airport and other constrained hubs.
- Encourage competition on thin routes through targeted and time-limited support mechanisms. Competition policy must protect both major regional gateways and smaller airports that rely on stable network connections.
- Improve transparency around airline pricing behaviour in concentrated markets.
- Ensure regulatory changes do not impose disproportionate compliance costs on regional airports.

Conclusion

Regional aviation in the Canberra region operates as an interconnected system linking the national capital and Sydney with smaller communities across southern NSW. High airfares arise from a combination of structural factors including market concentration, thin route economics, infrastructure constraints and hub access limitations. Addressing these issues through coordinated national policy reform would significantly improve affordability, reliability and connectivity for regional communities.