AUSTRALIAN
AIRPORTS
ASSOCIATION

PRODUCTIVITY COMMISSION

INQUIRY INTO REGIONAL AIRFARES SUBMISSION

AUSTRALIAN AIRPORTS ASSOCIATION (AAA)

CONTENTS

ACKNOWLEDGEMENT OF COUNTRY

The AAA respectfully acknowledges the enduring connection of the Traditional Owners to the lands and waters across Australia.

We extend our respect to the wisdom and guidance of elders, both past and present. In sharing our narratives, we recognise that the Aboriginal and Torres Strait Islander peoples are the original custodians and storytellers of their ancestral homelands.

Executive summary

Australia's regional aviation system operates within structural economic conditions that differ fundamentally from those observed in metropolitan aviation markets. Thin passenger demand, limited airline competition, smaller aircraft economics, fixed infrastructure and regulatory costs all contribute to higher average costs and airfares on regional routes.

Regional airports play a critical enabling role in sustaining aviation connectivity across this system. The Australian Airports Association (AAA) represents more than 340 airports and aerodromes across Australia who support passenger services, freight movements, emergency response operations and aeromedical retrieval, as well as more than 150 corporate members who supply the infrastructure, services and expertise that enable airports to operate safely and efficiently.

Regional airports were responsible for the movement of around 21 per cent national domestic aviation passenger movements in 2025[1], in addition to significant levels of general aviation activity. For many communities these airports provide the only practical transport connection to major service centres, making reliable air services essential for economic participation, healthcare access and community resilience.

Despite this essential role, many regional airports operate at a financial loss. Initial findings from the Regional Airports Financial Sustainability Survey indicate that more than half of participating airports recorded an operating loss in 2024–25, with a median deficit of $192,000.[2]

Regional airport charges and operating costs

Airport charges are not a primary driver of regional airfares. ACIL Allen identified an average aviation revenue value of $27.36 per passenger across the available sample of regional airports, noting that this figure was skewed by several high-value outliers.[3] This amount compares to an average revenue of about $24 per passenger across the major metropolitan airports in 2024-25.[4] Successive Productivity Commission reviews have similarly concluded that aeronautical charges typically represent only a small proportion of ticket prices and have a limited influence on airfare levels.

Average revenue per passenger is not far above average operating costs of $23.31 per passenger across the relevant sample, leaving few funds to cover ongoing investment costs. This narrow margin between average revenues and operating costs helps explain the median operating deficit observed across the sample of regional airports.

An average operating cost of $23.31 per passenger is greater than the average of about $14.30 per passenger across the major metropolitan airports in 2024-25. This reflects the structural

---

[1] Bureau of Infrastructure and Transport Research Economics (BITRE), *Australian Domestic Aviation Activity December 2025*, 26 February 2026, p.27
[2] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, prepared for the Australian Airports Association and Regional Capitals Australia, March 2026, p.6
[3] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, prepared for the Australian Airports Association and Regional Capitals Australia, March 2026, p.7
[4] Derived from the ACCC 2024-25 Airport Monitoring Report

challenges in providing airport services at regional locations. The infrastructure that supports regional aviation must be maintained regardless of passenger volumes. Many regional aerodromes incur substantial fixed costs associated with runway and taxiway maintenance, airfield lighting, safety inspections, wildlife management, insurance, regulatory compliance and essential staffing.

In terms of regional airport pricing, this means that in practice, while per passenger operating costs at regional airports are on average higher than the large metropolitan airports, airport charges to airlines are often suppressed as they are set well below that associated with cost recovery and commercial viability. Local rate payer contributions are often needed to cover the airport's annual operating deficit.

Regional Airfares and airlines

Airfare outcomes primarily reflect airline network decisions and the underlying economics of regional aviation markets. Regional routes in Australia are typically operated using turboprop aircraft such as the ATR-72 or Dash-8 Q400, which carry around 40-90 passengers,[5] while metropolitan routes are generally served by narrow-body jet aircraft such as the Boeing 737 or Airbus A320 with seating capacities of around 160-180 passengers.[6] This means operating costs must be recovered across far fewer passengers on regional routes. These structural differences mean that unit costs on regional routes are inherently higher, independent of airport charges.

Operating regional airports

Most regional airports are owned and operated by local governments following the transfer of aerodromes from the Commonwealth between 1989 and 1993. These operators often manage critical aviation infrastructure with limited revenue bases while still meeting the same aviation safety and operational requirements as larger airports.

Infrastructure renewal represents one of the most significant long-term challenges facing regional airports. The cost of maintaining and renewing core airfield infrastructure generally cannot be recovered through airport charges to airlines alone. Many runways and airfield assets were constructed decades ago and now require substantial rehabilitation to remain compliant with aviation safety standards. Survey responses indicate that more than half of responding airports have deferred essential capital investment due to limited funding availability. Across the subset of airports that provided replacement cost information, investment undertaken represented only 3.3 per cent of airport replacement cost.[7]

Regulatory obligations also impose significant fixed costs on regional airports. Security screening requirements, cyber security obligations and perimeter security upgrades must often be implemented regardless of passenger volumes.

These structural characteristics demonstrate that regional airfare outcomes are shaped by the broader economics of the aviation system rather than by individual airport pricing decisions.

---

[5] ATR Aircraft, *ATR 72-600 aircraft specifications*; De Havilland Aircraft of Canada, *Dash-8-400 aircraft specifications*
[6] Airbus, *A320 Family aircraft specifications*; Boeing (2024), *737-800 aircraft specifications*.
[7] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026*, p.9

Policy responses focused narrowly on airport charges are therefore unlikely to materially reduce regional airfares.

Regional aviation policies

A more effective policy approach would focus on strengthening the sustainability of the regional aviation system as a whole. This includes ensuring that regional airports have access to stable infrastructure funding, reviewing regulatory cost burdens that disproportionately affect low-volume airports and recognising the essential public infrastructure role performed by regional aviation facilities.

Without a coordinated national policy framework that addresses the structural economics of regional aviation, pressures on airport infrastructure, service stability and connectivity are likely to increase over time. Strengthening the sustainability of regional airport infrastructure will therefore be critical to preserving the connectivity that underpins regional economic development and social wellbeing across Australia.

Key findings

The analysis presented in this submission highlights several key findings relevant to the long-term sustainability of regional aviation networks.

Regional airport infrastructure sustainability

1. Regional airports function as critical enabling infrastructure within the national aviation network and their sustainability warrants stronger recognition within regional aviation policy frameworks.
2. Stable Commonwealth funding mechanisms play an important role in supporting regional and remote airport infrastructure. Programs such as the Regional Airports Program and Remote Airstrip Upgrade Program have supported runway renewal, lighting systems and other essential safety assets, and long-term infrastructure sustainability would benefit from these programs operating on a permanent footing with funding of at least $50 million per annum.
3. Mid-sized regional airports perform important hub functions within the national aviation network but often fall outside existing funding frameworks. Evidence suggests that targeted support for these airports, including a dedicated Mid-Sized Airports Program funded at approximately $25 million per annum, could assist with essential safety and infrastructure projects at key regional hubs.
4. Many council-owned regional airports face a structural mismatch between the public service obligations they carry and the revenue available to fund those obligations, with operating deficits, deferred capital renewal and limited local revenue bases commonly observed.

Regulatory and cost pressures

5. Aviation security screening policy settings can impose significant fixed compliance costs on regional airports with low passenger volumes, creating disproportionate financial pressure in thin markets.
6. The cumulative regulatory burden placed on regional airports, including aviation safety, security and compliance obligations, may impose disproportionate costs on low-volume regional airports and warrants careful consideration in policy development.

The role of airports in Australia's national transport system

Australia's airports are vital to the economic and social wellbeing of communities across the country. Airports are critical infrastructure that support the movement of people, goods and services within domestic and international transport networks. In addition to facilitating passenger travel, airports support freight logistics, emergency response operations, defence activities, tourism and regional economic development. The broader airport sector also makes a significant contribution to the national economy, with recent analysis estimating that aviation activity supported by Australia's airports contributes more than $105 billion to national economic output and supports hundreds of thousands of jobs across the economy.[8]

The connectivity provided by the aviation sector is particularly important in regional and remote Australia. Regional airports handled approximately 25.6 million domestic RPT passenger movements in 2025[9], representing around 21 per cent of the national domestic aviation passenger task, and facilitated approximately 430,000 scheduled aircraft movements in FY2025[10], in addition to significant levels of general aviation activity.

In many parts of the country, aviation provides the only practical transport connection between communities and major service centres. Even within south-eastern Australia, where road and rail alternatives exist, travel times and service frequency often mean aviation remains the most viable mode for inter-capital and inter-regional travel within reasonable timeframes.

Different segments of the airport network support distinct but complementary functions within the broader aviation ecosystem. Major international airports serve as gateways that facilitate tourism, international trade and access to global markets for both passengers and freight. Capital city general aviation airports support a wide range of essential aviation activities including aeromedical services, police and emergency operations, flight training and aircraft maintenance.

Regional and remote airports support scheduled passenger services as well as general aviation activities including agricultural aviation, charter operations, pilot training and freight movements. These airports also provide essential operational bases for medical evacuation flights, bushfire suppression aircraft and other emergency response operations.

The ownership structure of Australia's regional airport network reflects the public infrastructure role performed by these facilities. Many regional airports previously owned by the Australian Government were progressively transferred to local government ownership, with full responsibility for their management and financial operation devolved to councils between 1989 and 1993. Under the terms of these transfer arrangements, many councils are required to continue owning and operating these aerodrome facilities unless approval is granted by the Australian Government to close or privatise them. As a result, local governments across

---

[8] Deloitte Access Economics, *Taking Flight: The economic and social contribution of Australia's airports – Australian Airports Association*, November 2023, p.2
[9] BITRE, *Australian Domestic Aviation Activity December 2025*, 26 February 2026, p.27
[10] BITRE, *Airport traffic data 2024-25*

Australia now operate a substantial proportion of the national airport network and carry long-term infrastructure, compliance and capital renewal obligations despite often having limited financial capacity relative to these responsibilities.[11]

Regional airports therefore perform a public infrastructure function within Australia's transport system. Local governments frequently maintain airport operations even where financial returns are limited because aviation connectivity generates broader economic and social benefits for regional communities.

However, maintaining aviation infrastructure imposes significant financial pressures on many local governments. Research undertaken by the Australian Airports Association and other organisations have consistently found that a substantial proportion of regional airports do not generate sufficient revenue to fully cover operating and capital costs.

This position is reinforced by the Productivity Commission's 2019 inquiry into airport economic regulation, which found that many regional airports are unable to cover their operating costs due to low demand for airport services. The Commission concluded that few, if any, regional airports are likely to be exercising market power and noted that airports which cannot cover their operating costs do not have market power, let alone the ability to exercise it. [12] These findings are inconsistent with claims that regional airfare pressures are materially driven by airport charging.

At the same time the condition of many airport assets continues to deteriorate as infrastructure constructed decades ago approaches the end of its design life. Many runways and other airfield infrastructure assets were originally constructed more than seventy years ago and require substantial rehabilitation or reconstruction to remain compliant with modern aviation safety standards. These structural challenges highlight the need for a national policy framework that recognises the essential role of regional aviation infrastructure and supports its long-term sustainability.

---

[11] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, March 2026, p.6
[12] Productivity Commission 2019, *Economic Regulation of Airports, Report no. 92*, 21 June 2019, p.320

Regional aviation market characteristics - Connectivity, services and regional economic role

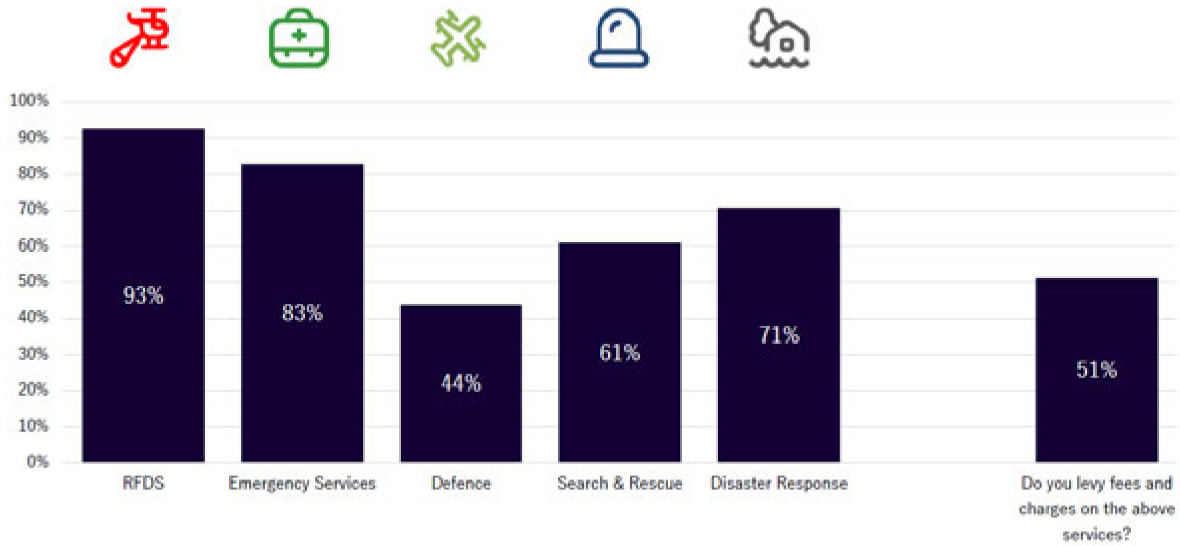
Regional aviation plays a distinctive connectivity and service role within Australia's national transport system, particularly for regional and remote communities. While metropolitan transport systems benefit from multiple modes including road, rail and aviation, regional communities often rely on aviation as the only practical means of accessing major economic and service centres within reasonable travel times. Australia's geographic scale and dispersed population mean that many regional communities are located hundreds or thousands of kilometres from major metropolitan areas. In these circumstances air services provide essential connectivity that cannot easily be replaced by other transport modes.

Regional airports support the movement of passengers, but they also perform vital non-commercial public functions. Airports play an important role in regional communities as essential or emergency services facilitators. Across regional airports 93 per cent reported supporting RFDS operations, 83 per cent emergency services, 61 per cent search and rescue, and 71 per cent disaster response, while only 51 per cent reported levying fees and charges on those uses.[13]

In addition to essential and emergency services, regional airports also facilitate pilot training. The survey found that 46 per cent of responding airports supported pilot training in 2024–25.[14]

[13] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, March 2026, p.11
[14] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, March 2026, p.11

Figure 1: Services provided to particular essential and emergency services, per cent responding "Yes"[15]



Source: ACIL Allen, Regional Airports Financial Sustainability Survey 2026

The social benefits of aviation connectivity are therefore closely intertwined with its economic contributions. Reliable air services help maintain regional population stability by enabling residents to maintain connected with metropolitan centres while continuing to live and work in regional communities. When aviation connectivity weakens, regional communities may experience reduced economic opportunity, increased social isolation and diminished access to essential services.

These broader economic and social considerations highlight why regional aviation infrastructure is often maintained even when commercial returns are limited. Regional airports frequently operate as essential public infrastructure rather than profit-maximising commercial enterprises.

Tourism is one of the sectors most directly influenced by aviation connectivity. Many regional tourism destinations rely on air travel to attract visitors, particularly where alternative transport options involve long travel times. The availability of regular air services allows regional tourism operators to reach domestic and international markets and to compete with destinations located closer to major population centres.

Regional aviation also facilitates labour mobility across Australia's dispersed economy. Industries such as mining, agriculture, energy and construction often require workers to travel between metropolitan centres and regional project sites. Aviation services enable this mobility by reducing travel times and providing reliable connections between regions.[16]

---

[15] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, March 2026, p.11
[16] Acumen Aviation, *Why Regional Aircraft Pose Greater Financing Challenges Than Larger Jet*, 2 October 2025

Access to healthcare and education services is another important aspect of regional aviation connectivity. Specialist medical facilities and tertiary education institutions are typically concentrated in major cities or large regional centres. Aviation services allow residents of smaller communities to access these services without relocating permanently, supporting both community wellbeing and regional population stability.

Structural characteristics of regional aviation markets - Thin demand, aircraft economics and market structure

Regional aviation markets exhibit structural characteristics that differ significantly from those observed in high-density metropolitan aviation markets. These characteristics shape the economic environment within which airlines and airports operate and therefore influence airfare outcomes.

A defining characteristic of regional aviation markets is that many routes are thin markets, with limited passenger volumes spread across large distances. Regional communities typically have smaller populations than metropolitan centres and are dispersed across large geographic areas. Passenger demand on many regional routes is therefore limited, with annual passenger volumes often measured in tens of thousands rather than the millions observed on metropolitan trunk routes. The recent Australian Competition & Consumer Commission (ACCC) Airline Monitoring Report supplementary data shows that 58.7% of domestic passengers flew by routes between larger cities for the year ending October 2025, compared to 39.8% between larger city and regional city and merely 1.5% between regional cities.[17]

Demand on regional routes is also often highly variable over time. Passenger volumes may fluctuate significantly due to seasonal tourism patterns, changes in resource sector activity, population movements or broader economic conditions. Because passenger bases are relatively small, even modest changes in demand can materially affect route viability and airline network decisions. This demand volatility increases commercial risk for airlines and can contribute to service frequency changes or route withdrawal in ways that are less common on high-density metropolitan routes.

Low passenger volumes have significant implications for airline operating economics because many aviation costs are fixed or only weakly variable with passenger numbers. Airlines incur a range of costs when operating a flight including fuel consumption, aircraft ownership or leasing costs, crew wages, maintenance obligations and insurance. These costs must be incurred regardless of how many passengers are on board.

When passenger numbers are lower, operating costs must be recovered across fewer passengers, increasing the average cost per traveller. Even when load factors are relatively strong, the limited seating capacity of regional aircraft means that operating costs are distributed across fewer passengers than on metropolitan routes.

[17] Australian Competition & Consumer Commission (ACCC), *Domestic airline competition in Australia – December 2025 – Supplementary data*, 9 December 2025

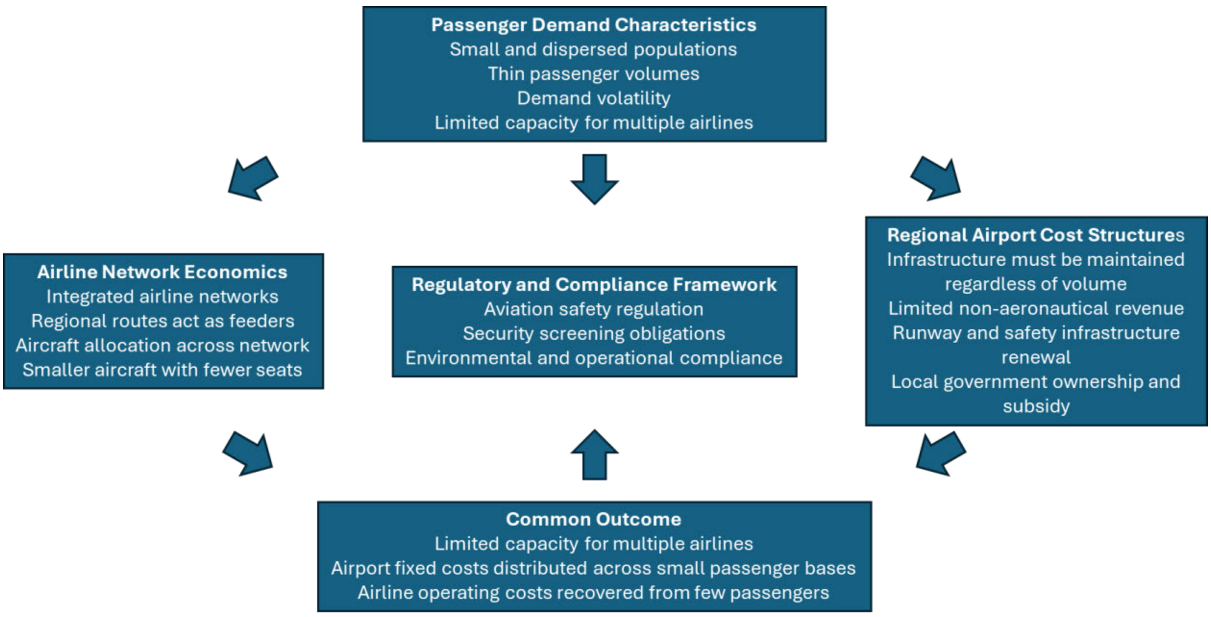
Aircraft size further reinforces these structural dynamics. Regional routes are typically served by turboprop aircraft such as the Dash-8 Q400 or Saab 340, or by small regional jets with seating capacities significantly lower than the narrow-body aircraft used on major trunk routes. These aircraft typically carry between 30[18] and 80[19] passengers, compared with around 160[20]–180[21] seats on metropolitan jet services such as the Boeing 737 or Airbus A320.

Because operating costs must be recovered across far fewer passengers, the average cost per traveller on regional routes is inherently higher than on high-density metropolitan routes.

These structural differences in demand and aircraft size mean that even efficient operations and strong load factors cannot fully offset the higher per-passenger costs associated with thin regional markets.

Regional airfare outcomes are shaped by the interaction of multiple structural factors within the aviation system rather than by the behaviour of any single participant. Figure 2 illustrates the principal structural drivers of regional airfare outcomes.

Figure 2: Flow chart illustrating the principal structural drivers of regional airfares



Airfares on regional routes reflect the interaction of these factors. Because passenger demand is thinner and aircraft capacity smaller, airline operating costs must be recovered across fewer passengers.

---

[18] Regional Express Holdings Limited, Rex Fleet
[19] Qantas Airways Limited, Dash 8 and seat map
[20] Qantas Airways Limited, Boeing 737 and seat map
[21] Qantas Airways Limited, Airbus A320 and seat map

At the same time, airport infrastructure and regulatory compliance costs must be maintained regardless of passenger volumes. These structural characteristics mean that regional airfare outcomes cannot be understood by examining any single cost component in isolation.

Demand thinness also affects the level of competition that can be sustained within regional aviation markets. Many regional routes cannot support multiple airline operators while maintaining commercially viable load factors. Where passenger demand is insufficient to sustain multiple operators, routes are typically served by a single airline.

In these circumstances airfare outcomes reflect the economics of operating aircraft on thin routes rather than direct price competition between airlines. The presence of a single operator on a route does not necessarily indicate a lack of competition in the broader aviation market, but rather reflects the structural limitations imposed by passenger demand. The PC highlighted in its 2019 report that many regional airports are serviced by, at most, a single regular public transport airline and have relatively few passengers each year.[22] According to the ACCC, 89 routes were served by only one airline group in October 2025 and 69 were served by two. None were served by three or more airlines groups.[23]

Regional airports may also face an imbalance in bargaining power when negotiating with airlines. The Productivity Commission has previously observed that airlines can hold significant countervailing power at regional airports where they are the sole regular public transport operator or carry the majority of passengers. In these circumstances airports often have limited ability to negotiate commercial terms because maintaining air services is critical for community connectivity and airlines retain the ability to redeploy aircraft across their broader network.[24]

---

[22] Productivity Commission 2019, *Economic Regulation of Airports, Report no. 92*, 21 June 2019, p.320
[23] ACCC, *Domestic airline competition in Australia – December 2025 - Supplementary data*, 9 December 2025
[24] Productivity Commission 2019, *Economic Regulation of Airports, Report no. 92*, 21 June 2019, pp.107-109, 320

Regional connectivity, service stability and route risk

The sustainability of regional aviation connectivity depends not only on the cost structures faced by airlines and airports but also on the stability of airline service provision over time. Regional aviation markets are inherently more vulnerable to service volatility than metropolitan markets because passenger demand is thinner and routes are often served by a single airline operator.

When demand weakens or operating costs increase, airlines may adjust service frequencies, deploy smaller aircraft or withdraw services entirely. These decisions are rarely driven by airport cost structures alone but rather reflect broader network optimisation considerations including aircraft availability, crew rostering requirements and the relative profitability of alternative routes within the airline's network.

The withdrawal of aviation services from regional communities can produce cascading economic effects. Reduced connectivity can affect business travel, tourism activity and the ability of regional industries to attract investment. Communities may also experience diminished access to essential services including healthcare and education. In some cases, businesses may relocate to areas with better transport connectivity, reducing local economic activity.

Governments already intervene in some parts of Australia where regional aviation markets are too thin to sustain reliable commercial services. For example, the Western Australian Government operates a regulated air route scheme that caps fares and guarantees minimum service levels on a number of regional routes[25], while the Queensland Government provides subsidies to support essential air services to remote communities.[26] These arrangements recognise that aviation connectivity generates broader economic and social benefits that may not be fully reflected in airline revenues alone. Consideration could be given to whether similar policy approaches may be appropriate in other parts of Australia where communities face persistent risks of service withdrawal.

These dynamics highlight the importance of maintaining a stable and resilient regional aviation network. While airlines must ultimately make commercial decisions about route viability, the broader economic benefits generated by regional aviation connectivity often extend beyond the direct revenues earned by airlines or airports. This creates a policy challenge in balancing market outcomes with the broader economic and social benefits associated with maintaining regional aviation services.

---

[25] Department of transport and Major Infrastructure of Government of Western Australia, *Air services in Western Australia*, 21 October 2025
[26] Queensland Government, *Community engagement takes flight across Queensland to help improve regional air services*, 21 November 2025

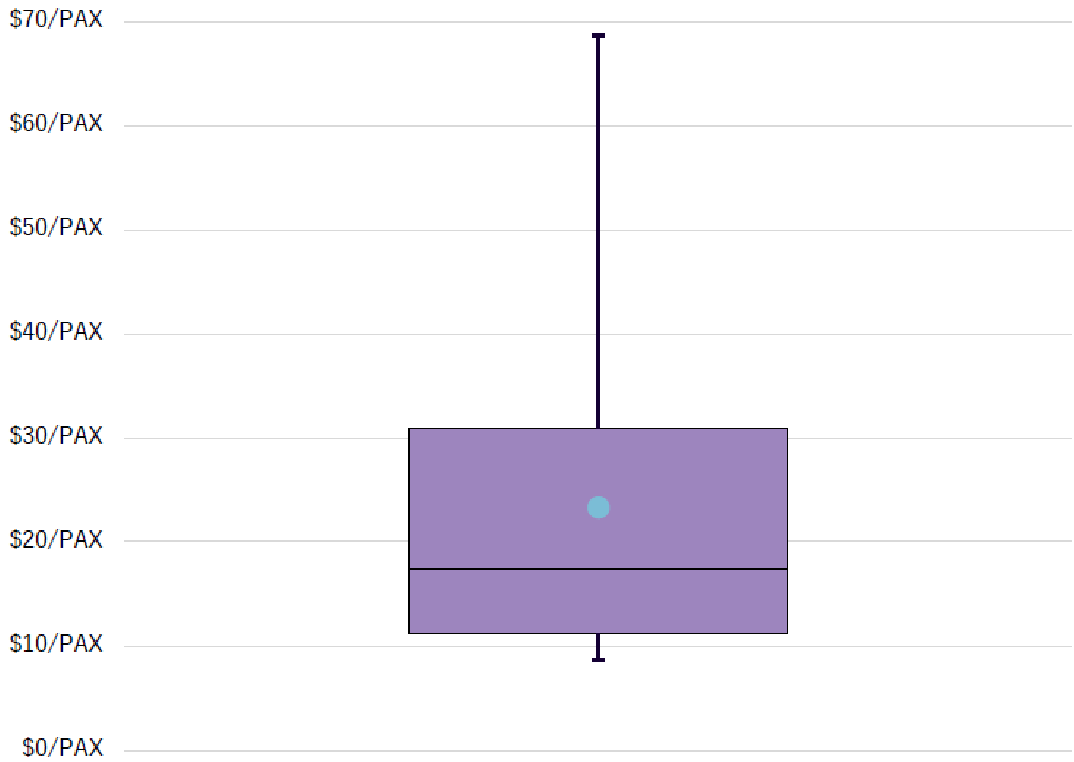
Regional airport costs and revenue

Operating costs

Operating costs for regional airports include a range of essential expenditures that must be incurred regardless of passenger throughput. These costs include runway and taxiway maintenance, airfield lighting systems, safety inspections, wildlife management programs, regulatory compliance reporting, insurance and essential staffing. Many of these costs are mandated by national aviation safety regulations and therefore cannot be reduced when passenger numbers decline.

ACIL Allen found average operational costs of $23.31 per passenger across the relevant sample, with more than half falling between approximately $10 and $30 per passenger.[27] The analysis found no evidence of economies of scale in operational costs per passenger, with no relationship between airport size and operational costs per passenger. An average operating cost of $23.31 per passenger is greater than the average of about $14.26 per passenger across Sydney, Melbourne, Brisbane and Perth airports in 2024-25.[28]

Figure 3: Operational Costs per Passenger (N=20), $/PAX, 2024-25[29]

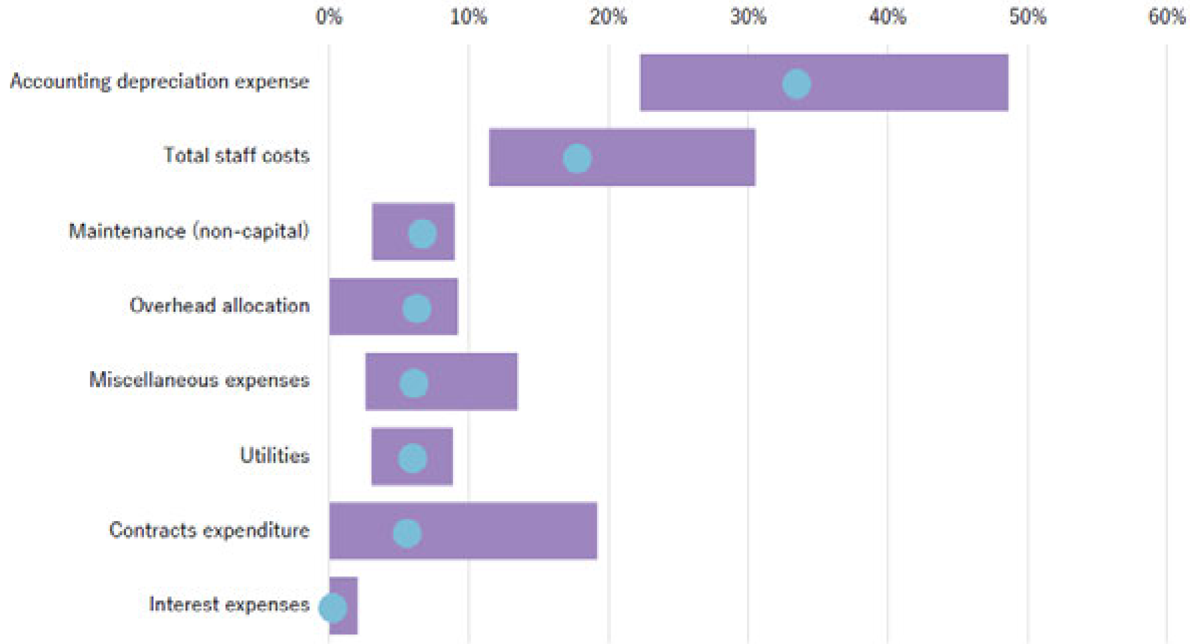


Source: ACIL Allen, Regional Airports Financial Sustainability Survey 2026

[27] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, prepared for the Australian Airports Association and Regional Capitals Australia, March 2026, p.7
[28] ACCC, *Airport monitoring report 2024-25 - Supplementary database*, 5 March 2026
[29] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, March 2026, p.7

The composition of these costs is also significant. Depreciation accounted for a median 34 per cent of total operating costs across the survey sample, while staff costs accounted for a median 19 per cent, making them the two largest cost categories. This indicates that airport financial pressures are strongly driven by the capital-intensive characterises of airport infrastructure and labour requirements, rather than discretionary or avoidable expenditure.

Figure 4: Airport Operational Costs, Share of Total vs Trimmed Median Range, % of Total OPEX[30]



Source: ACIL Allen, Regional Airports Financial Sustainability Survey 2026

Airport pricing and revenue

Regional airports operate under financial structures that differ significantly from those of major metropolitan airports. Large capital city airports typically operate as diversified commercial enterprises with substantial non-aeronautical revenue streams derived from retail concessions, property development, car parking operations and other commercial activities. These airports benefit from high passenger volumes that support a wide range of commercial services and generate significant revenue from sources beyond aeronautical charges. Non-aeronautical revenues accounted for 45.4% of the total airport revenue for the top four airports.[31]

In addition, Sydney, Melbourne, Brisbane and Perth airport operate under the 'light-handed' economic regulatory arrangements, with airport pricing and profitability monitored on a 'dual till'

---

[30] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, March 2026, p.8

basis. The Aeronautical Pricing Principles also explicitly recognise the need for prices to generate sufficient revenues to at least cover efficient costs, including a return on the investments undertaken.

By contrast, regional airports generally serve much smaller passenger volumes and therefore have limited, if any, opportunities to generate substantial non-aeronautical income. Retail concessions are typically modest in scale and may consist only of small cafes or convenience outlets. Car parking revenue is often limited because passengers may be dropped off by family members or use short-term parking facilities rather than long-stay parking. Property development opportunities are also limited in many regional areas due to lower levels of commercial demand.

Aviation revenue remained the core source of revenue, accounting for 70 per cent of total revenue in the survey, and ACIL Allen identified an average aviation revenue value of $27.36 per passenger across the available sample, noting that this figure was skewed by several high-value outliers.[32] This revenue per passenger is comparable with the average revenue of $23.98 for Sydney, Melbourne, Brisbane and Perth airports in 2024-25.[33]

Airport pricing and ongoing investment

Regional airports face significant challenges in funding major infrastructure upgrades because day-to-day operating costs are largely recovered through passenger service charges and landing fees. In contrast, major lifecycle renewals and upgrades (runways, taxiways, aprons, terminal/parking, safeguarding and resilience) generally require investment well beyond what can be supported by existing passenger volumes. This reflects a structural issue dating to the 1990s transfer of airports from the Commonwealth to local government without durable long-term lifecycle funding or airport development frameworks.

This broader pattern is consistent with Productivity Commission analysis showing that many regional airports are unable to recover their operating costs and rely on local government or other public support to fund operations, maintenance and upgrades.[34] In practice, these deficits are typically absorbed by the local government authority that owns the airport in recognition of the broader economic and social benefits generated by aviation connectivity.

The Productivity Commission's 2019 review of airport economic regulation similarly observed that low passenger demand at many regional airports constrains their ability to recover operating costs through airport charges. The Commission noted that:

---

[32] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, prepared for the Australian Airports Association and Regional Capitals Australia, March 2026, p.7

[33] ACCC, *Airport monitoring report 2024-25* - Supplementary database, 5 March 2026

[34] Productivity Commission 2019, *Economic Regulation of Airports, Report no. 92*, 21 June 2019, pp. 96-97

> *Many regional airports do not have sufficient demand for airport services to cover the costs of running the airport. Regional airports with costs higher than what users are willing to pay do not have market power.*

This finding reinforces the broader evidence presented in this submission that financial pressures at regional airports primarily reflect structural demand constraints rather than the exercise of market power.

Infrastructure sustainability and capital renewal

Aviation infrastructure assets such as runways, taxiways, lighting systems and navigation aids have long operational lifespans but require periodic renewal and maintenance to remain safe and compliant with aviation safety standards. The cost of renewing and maintaining core aviation infrastructure is one of the most significant structural pressures affecting the financial sustainability of regional airports.

Runways are the most critical airport assets, enabling aircraft movements and underpinning airport revenue. Maintaining runway integrity is therefore the highest operational priority for airports and a core driver of airport infrastructure investment. This is supported by the investment in runway pavement and subsurface accounted for more than half of the overall investment reported in 2024-25.[35] This need also limits airports' ability to invest capital in other areas, such as terminal building and hangars. Recent survey evidence confirms the scale of the capital renewal challenge.

Figure 5: Reported Asset Investment, by Investment Type and Airport Zone, $m, 2024-25[36]

	Inner Regional (N=21)	Outer Regional (N=10)	Remote (N=5)	Very Remote (N=5)
Runway pavement and subsurface	$2.58m	$23.28m	$0.05m	$1.09m
Taxiway and other pavement structures	$6.75m	$3.27m	$0.00m	$0.00m
Tarmac grading	$0.01m	$0.00m	$0.00m	$0.00m
Terminal building and fit out	$1.01m	$0.23m	$1.31m	$0.00m
Hangars and other outbuildings	$0.04m	$0.55m	$0.00m	$0.00m
Linemarking, lighting, fencing	$0.48m	$2.04m	$0.15m	$0.00m
Miscellaneous capital expenditure	$1.49m	$2.62m	$3.95m	$0.00m

Source: ACIL Allen, Regional Airports Financial Sustainability Survey 2026

In 2024–25, 26 of 41 responding airports reported undertaking at least one capital works project, with total reported investment of $50.9 million. However, across the sample where replacement cost values were available, this represented only 3.3 per cent of airport replacement cost. Of the

[35] ACIL Allen, Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack, March 2026, p.9
[36] ACIL Allen, Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack, March 2026, p.9

34 airports that answered the relevant question, 23 reported deferred capital reinvestment requirements, principally because funding was unavailable or owners were unable to progress the works. Most airports were also unable to identify a forward capital works program beyond one to two years.[37]

Respondents self-rated overall asset condition at an average of 3.17 on a five-point scale[38], broadly indicating assets in fair condition. This suggests that current asset condition is being preserved partly through constrained operating and maintenance decisions rather than through a fully funded long-term renewal pipeline.[39]

For many local governments these costs significantly exceed available municipal infrastructure budgets. Regional councils must balance airport infrastructure requirements against competing priorities including road maintenance, water infrastructure and community services. As a result, regional airports frequently rely on Commonwealth or state government infrastructure programs to fund major capital works.

This evidence underscores the importance of stable and adequately scaled Commonwealth infrastructure support. In its 2026–27 Federal Budget Submission, the Australian Airports Association called for the Regional Airports Program and Remote Airstrip Upgrade Program to be placed on a permanent footing with at least $50 million per annum in ongoing funding. The AAA has also called for a dedicated $25 million per annum Mid-Sized Airports Program to support essential safety and infrastructure projects at eligible airports that perform an important regional hub function within the national aviation network. These proposals are directly relevant to the issues examined in this inquiry because they respond to the infrastructure renewal pressures, deferred capital works and limited local revenue bases that shape the economics of regional aviation.

The consequences of deferred infrastructure investment can be significant. Deteriorating runway conditions may lead to operational restrictions such as payload limitations or restrictions on aircraft types that can safely operate at the airport. In extreme cases infrastructure degradation could threaten the continuation of aviation services altogether. These infrastructure sustainability challenges illustrate the importance of long-term planning and stable funding arrangements for regional airport infrastructure.

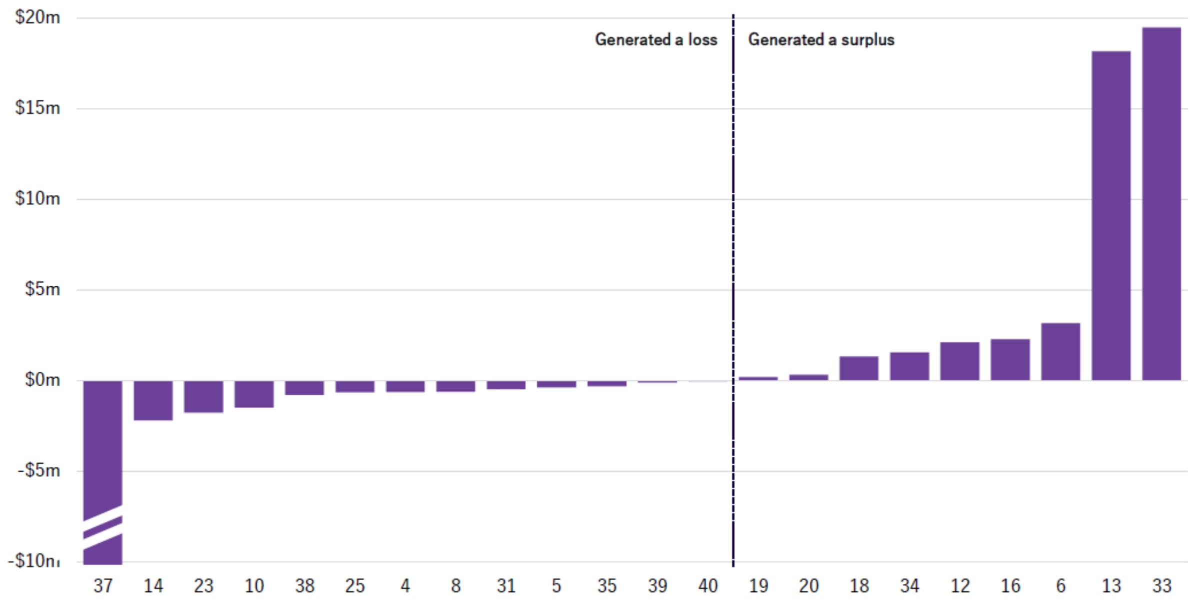
Case study: Financial sustainability of council-owned airports

The financial experience of council-owned airports illustrates the broader challenges associated with maintaining aviation infrastructure in regional Australia.

---

[37] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, March 2026, p.9
[38] Respondents were asked to self-rate their airport's asset condition on a scale of 1-5 where 1 was very poor and 5 was excellent
[39] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, March 2026, p.9

Figure 7: Net Income, by Airport (deidentified), $m, 2024-25 financial year (N=22)[40]



Source: ACIL Allen, Regional Airports Financial Sustainability Survey 2026

Consistent with the broader survey results, airports achieving the strongest financial outcomes were generally those classified as Large or Very Large, reinforcing the extent to which financial performance is shaped by scale and traffic base.[41] Survey results also indicate that the median financial result among airports providing sufficient data was a loss of $192,000 in 2024–25, with more than half of respondents recording a deficit, ranging from $100,000 to several million dollars.[42]

Evidence provided to the Senate Rural and Regional Affairs and Transport Committee by Mildura Airport indicated that the airport recorded total revenue of $7.4 million and operating expenses of $7.8 million in 2024–25, resulting in a net operating loss of approximately $388,000. The airport also reported borrowings of approximately $7.5 million associated with capital works required to maintain aviation infrastructure.[43]

As a result, regional airports frequently rely on government infrastructure programs to maintain safe and compliant aviation facilities. These funding arrangements reflect the recognition that regional airports perform a public infrastructure function rather than operating purely as commercial enterprises.

---

[40] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, March 2026, p.6
[41] Airport size categories are defined by ACIL Allen based on passenger throughput or aircraft movements: Small (<30,000 passengers or <1,000 landings), Moderate (<200,000 passengers or <2,000 landings), Large (<500,000 passengers or <15,000 landings) and Very Large (above these thresholds)
[42] ACIL Allen, *Regional Airports Financial Sustainability Survey 2026: Initial Summary Results Pack*, March 2026, p.6
[43] Rural and Regional Affairs and Transport References Committee (2025), *State of Australia's aviation sector and its ability to deliver reliable aviation services*, Senate Hansard, evidence from Mildura Airport, 28 November 2025.

Security and regulatory cost allocation

Aviation security obligations represent another structural cost pressure affecting regional aviation markets. Security screening requirements are established through national regulatory frameworks designed to protect the safety of the travelling public. These obligations require airports serving certain aircraft types to provide passenger and baggage screening services. The cost of providing these services is largely fixed regardless of passenger numbers. Screening equipment must be installed and maintained, trained personnel must be employed and regulatory compliance procedures must be followed even when passenger volumes are relatively small.

Screening costs at regional airports are just one of many security-related regulatory burdens placed on regional airports that meet the thresholds set by the Department for Home Affairs. When airports meet the thresholds for the number of passengers and types of aircraft operating from a regional airport, they become subject to extremely costly mandatory screening requirements for passengers. While the equipment may not be quite as sophisticated or as expensive as major airports, the sheer volume passengers can drive the average cost passed on to passengers down to as low as 70c per passenger.[44] These are economies of scale well beyond regional airports.

A report by Department of Infrastructure, Transport, Regional Development and Communications which examined the financial impacts of security screening at six regional airports highlighted the crippling nature of these regulatory costs on regional airports, passengers and airlines. For Whyalla Airport, the report found that the cost impacts security screening requirements could add over $50 to the cost of a ticket on a per passenger, a 35% increase to the price of tickets.[45]

When the screening costs came into effect, Rex Airlines withdrew from Whyalla Airport, leaving behind a Qantas monopoly. The combined effect resulted in a 40% decline in passenger volumes[46], further increasing the cost-per passenger imposts. Annual passenger numbers on the Whyalla route in 2018-19 were 77,734, which has now declined to just 43,415 annually in 2024-25[47].

Evidence to the Senate Rural and Regional Affairs and Transport Committee indicated that security screening costs at Mildura Airport equate to approximately $15 per departing passenger due to the fixed staffing and infrastructure requirements that must be maintained regardless of passenger throughput.[48] These costs arise because the airport must maintain full screening

[44] The SE Voice, *Airport security cost concern*, 3 June 2025
[45] Department of Infrastructure, Transport, Regional Development and Communications, *Passenger security screening enhancements – case studies on financial impacts at six regional airports*, May 2020, pp.21-22
[46] ABC News, *Renewed calls for federal funding to help save Whyalla Airport*, 4 April 2024
[47] BITRE, *Airport traffic data 2024-25*
[48] Rural and Regional Affairs and Transport References Committee (2025), *State of Australia's aviation sector and its ability to deliver reliable aviation services*, Senate Hansard, evidence from Mildura Airport, 28 November 2025

infrastructure and trained staff despite processing a relatively modest number of passengers each year.

A similar pattern is observed at Launceston Airport, where screening costs is eight dollars per departing passenger.[49] These examples demonstrate how fixed regulatory costs can produce higher per-passenger costs when passenger throughput is limited.

Mount Gambier Airport reported in 2025 that its analysis of the cost impacts of introducing mandatory security screening would cost as much as $90 per passenger.[50] This could make it unaffordable for some patients flying for treatment, even with reimbursement from the Patient Assessment Transport Scheme.

Similarly, Burnie Airport recently advised a Senate committee that its reclassification from Tier 3 to Tier 2 would result in costs of between $24 million and $29 million. The figure has not included an estimated $2.5 million ongoing security screening costs and a large portion of the figure related to the regulatory imposition of the security tier reclassification.[51] There will also be expenses for items such as improved perimeter security requirements such as toughened fencing and security cameras and other related systems.

The regulatory related security burdens being imposed on regional airports extend beyond the considerable ongoing costs of security screening, day-to-day security requirements and ongoing maintenance and staffing costs. In early September 2025, the Secretary for Home Affairs directed Designated, Tier 1 and Tier 2 airports (the latter mostly council owned) to deliver perimeter security upgrades.

AAA data shows that the average regional airport has a perimeter of eight kilometres in length, this has been an unplanned and therefore unbudgeted for expense. Airports have been expected to improve security camera surveillance, upgrade fencelines, install lighting, employ additional security staff, increase the frequency of security patrols, install additional access point controls among many other measures. It is likely for many airports will have no choice but to try and recoup through their limited cost-recovery mechanisms.

The security expectations and costs significantly impacting regional airports are continually being compounded by ongoing regulatory reform. In the coming 12 to 36 months, regional airports will have substantial new costs arising from the development and implementation of the regulations underpinning the Transport Security Amendment (Security of Australia's Transport Sector) Act 2025 (TSA Act).

---

[49] Launceston Airport, *Schedule of Aeronautical Fees*
[50] The SE Voice, *Airport security cost concern*, 3 June 2025
[51] ABC New, *Security screening at Burnie Airport could drive airlines away, airport boss warns*, 24 February 2026

From March 27, 2026, all regional airports will be required to make mandatory reports related to any cyber security breaches. In addition to new reporting requirements, the Department of Home Affairs is proposing that regional airports be expected to meet the Australian Signals Directorate's Maturity Level Two of the Essential Eight. Even across the Commonwealth Government, only around 22 per cent of entities reported achieving Essential Eight Maturity Level Two in 2025, highlighting the level of capability required to meet this standard.[52] This is a standard typically applied to large enterprises and requires a degree of IT sophistication, infrastructure and costs that are well outside the reach of most regional airports. Without much greater support from government, regional airport sustainability is under threat from the burden of regulatory expectations.

[52] Australian Signals Directorate, *Progress ongoing to improve the Australian Government's cyber resilience*, Australian Cyber Security Centre, 12 February 2026

Policy Considerations for Regional Aviation Sustainability

The analysis presented in this submission indicates that regional airfare outcomes reflect structural characteristics embedded within aviation markets rather than the behaviour of any single participant within the aviation system. Thin passenger demand, limited airline competition, aircraft operating economics and regulatory compliance obligations all contribute to higher per-passenger costs on regional routes.

The Productivity Commission's 2019 review is particularly relevant to regional airfare debates. It concluded that many regional airports are unable to cover their operating costs and that few, if any, regional airports are likely to be exercising market power. It further found that regional airports which cannot cover their operating costs do not have market power, let alone the ability to exercise it. [53] These findings are inconsistent with claims that regional airfare pressures are materially driven by airport charging.

Addressing regional airfare concerns therefore requires policy responses that recognise the systemic nature of the aviation network. There still exists no overarching national framework or strategy to secure a sustainable future for the sector and the regional communities it services.

Focusing on individual cost components such as airport charges is unlikely to materially change airfare outcomes because these costs represent only a small proportion of the total airfare paid by passengers. In its 2019 Review, the PC considers the relationship between aeronautical charges and the financial ticket price is not direct.[54] It also quoted in the report that Qantas acknowledges that increasing aeronautical charges would not lead to higher ticket prices.[55]

A more effective approach involves strengthening the sustainability of the regional aviation system as a whole. Ensuring that regional airports have access to stable infrastructure funding arrangements would support the maintenance of safe and efficient aviation infrastructure while reducing financial pressure on local governments that operate airports.

Consideration could be given to the distribution of regulatory compliance costs across the aviation system. Where fixed regulatory costs such as security screening obligations are distributed across very small passenger bases, the resulting per-passenger costs may become disproportionate. Exploring alternative funding mechanisms for these obligations could help reduce cost pressures on regional aviation markets. Effective responses should prioritise the actual structural drivers of regional airfare outcomes, including airline network economics, route sustainability, airport infrastructure capability and the fixed cost burden of regulatory compliance in thin markets.

---

[53] Productivity Commission 2019, *Economic Regulation of Airports, Report no. 92*, 21 June 2019, p.320
[54] Productivity Commission 2019, *Economic Regulation of Airports, Report no. 92*, 21 June 2019, p.92
[55] Productivity Commission 2019, *Economic Regulation of Airports, Report no. 92*, 21 June 2019, p.305

One simple mechanism, or approach that the government's regulators should consider applying and show clear linkages to in the development of their regulatory policy is the government's Regulator Management Guide 128, which is hosted on the Department of Finance website.[56] It forms a part of the Australian Government's Resource Management Framework but is rarely referenced or acknowledged by federal regulators but could greatly assist in keeping the regulatory burden on airports to a minimum if implemented. Its three overarching principles are: a) continuous improvement and building trust, b) risk based and data driven decision-making, and c) collaboration and engagement.

If implemented, it would give regulated entities like airports greater confidence in the decision-making process and help avoid unnecessary red tape. This would help avoid unnecessary cost burdens and systemic inefficiencies that are difficult to overcome once they become embedded practice. A good example of a government agency that explicitly acknowledges RMG 128, implements and reports against its principles is Comcare.[57] Comcare's Corporate Plan 2024-2025 contains revised performance measures and targets for 2024–25 that consider linkages to the three principles of best practice.[58]

Improved transparency around the economics of regional aviation could also support more informed policy development. Collecting and analysing data on passenger demand, operating costs and infrastructure investment needs would provide policymakers with a clearer understanding of the factors influencing regional airfare outcomes.

[56] Department of Finance, Regulator Performance (RMG 128), 18 November 2025
[57] Comcare, Regulator Performance Guidance, 13 January 2025
[58] Comcare, Corporate Plan 2024-25

Conclusion

Regional aviation plays a vital role in sustaining economic activity, social connectivity and access to essential services across Australia's regional and remote communities. In a country characterised by vast distances and dispersed populations, aviation provides essential connectivity that enables communities to participate in national economic and social life. Reliable air connectivity supports tourism industries, enables labour mobility, connects regional businesses to metropolitan markets and allows residents of regional communities to access healthcare, education and government services that may not be available locally.

The evidence presented in this submission demonstrates that regional airfare outcomes are shaped primarily by the structural characteristics of regional aviation markets. Thin passenger demand, smaller aircraft economics, airline network decisions and the fixed costs associated with airport infrastructure and regulatory compliance all contribute to higher average costs per passenger on regional routes.

Regional airports play a critical enabling role within the aviation system by providing the infrastructure required for airlines to operate services. However, most regional airports operate within highly constrained financial environments. Passenger volumes are limited, opportunities to generate non-aeronautical revenue are modest, and many airports rely on local government support to sustain operations. Recent survey evidence indicates that more than half of participating regional airports recorded an operating loss in 2024–25, highlighting the structural financial pressures facing the sector.

Infrastructure renewal represents one of the most significant long-term challenges facing regional airports. Runways, lighting systems and safety infrastructure require ongoing maintenance and periodic replacement to meet national aviation safety standards. Survey responses indicate that many airports have deferred essential capital investment due to funding constraints, despite the long asset lifecycles associated with aviation infrastructure.

Regulatory obligations add further complexity to the economics of regional aviation. Security screening and other compliance requirements are largely fixed in nature and must be implemented across much smaller passenger volumes than faced by metropolitan airports. When distributed across small passenger volumes, these costs can contribute to higher per-passenger costs in regional aviation markets.

These structural characteristics demonstrate that regional airfare outcomes cannot be fully understood by focusing on individual cost components such as airport charges. Successive Productivity Commission inquiries have consistently found that airport charges represent only a small proportion of total airfares and that many regional airports lack the market power to materially influence airfare outcomes.

For policymakers, the central challenge is therefore to ensure that the regional aviation system remains sustainable while recognising the economic realities associated with operating services in thin markets. Strengthening the sustainability of regional airport infrastructure will be critical to maintaining reliable connectivity for regional communities.

Maintaining safe, efficient and financially sustainable regional aviation infrastructure will help ensure that regional communities remain connected to national markets, services and opportunities. Supporting the long-term sustainability of regional airports is therefore fundamental to preserving the connectivity that underpins regional economic development and social wellbeing across Australia.

About the AAA

The Australian Airports Association (AAA) has connected Australian airports for over 40 years, representing more than 340 airports and aerodromes across the country, from major international gateways to regional and remote community airstrips, alongside more than 150 corporate members. We advocate for policies that support infrastructure investment, operational excellence and equitable access for people and communities.

For further information, please contact:
Sybilla Grady
Senior Manager, Policy and Research

AUSTRALIAN
AIRPORTS
ASSOCIATION

AUSTRALIAN AIRPORTS ASSOCIATION (AAA)
Level 1, 55 Blackall Street, Barton ACT 2600

P: 02 6230 1110
E: info@airports.asn.au
W: www.airports.asn.au