



District Council of Grant

owner and operator of the Mount Gambier Regional Airport

Productivity Commission Inquiry Submission

The Determinants of Regional Airfares in Australia

Introduction

The District Council of Grant welcomes the opportunity to provide input to the Productivity Commission's inquiry into the determinants of regional airfares to help the Commission to make policy recommendations to support a competitive, reliable and affordable regional aviation network.

As owner and operator of the Mount Gambier Regional Airport [**Airport Code:** MGB, YMTG], Council is committed to advocating for safe, reliable and equitable aviation services for the local population from the Limestone Coast and nearby regional communities who access the airport from Western Victoria.

The Mount Gambier Regional Airport is a major gateway to South Australia's Southeast, and Western Victoria. It is located at Wandilo South Australia, on the Riddoch Highway, a 10-minute drive north of South Australia's second largest regional city- Mount Gambier, in the Australian federal electorate (Division) of **Barker**.

Up to 80,000 passengers per year fly in or out of the Mount Gambier Regional Airport. The Airport is serviced by Regional Express Airlines (REX) which provides regular return passenger services on the Mount Gambier/Adelaide and Mount Gambier/Melbourne routes; and QantasLink which services the Mount Gambier/Adelaide route only.

In 2025, with assistance of Australian Federal Government grant funds, Council installed a fully compliant "Changing Places" facility, enhancing the airport's accessibility and inclusivity. It is the only commercial airport servicing the Limestone Coast region of South Australia, and just a short tourist drive from world renown sinkholes, Australia's award-winning Coonawarra Wine Region and the UNESCO World Heritage Naracoorte Caves.

Forestry production and related secondary industries of logging, milling and production of paper along with dairy, beef and sheep enterprises are major economic and employment generating activities in the region. The Port MacDonnell fishing industry, particularly the rock lobster industry, is also a significant factor in the economy of the area. These industries may present future opportunities to grow local exports via the airport; with identified growth potential for high-yield short shelf-life products to be air-freighted, subject to pricing structures.

Features such as the spectacular coastline, natural and built heritage, including Canunda National Park; Lake Bonney (SE); and Little Blue Lake, make the area popular as a growing tourist destination and a recreational playground for local, national and international visitors.

While there is significant scope to grow tourism and freight opportunities to and from the region, The Mount Gambier Regional Airport is primarily a community asset that delivers significant social, health, medical, education, economic and disaster-resilience benefits to the region.

Responding to the Terms of Reference

Aligned with the Information that would help the inquiry

As outlined on pages 13-14 of the Productivity Commissions' Issues Paper

TOR 1: Determinants of Regional Airfares & Service Offerings
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What factors influence regional airfares?

a) What are the key determinants of regional airfares?

b) How do these factors contribute to differences between airfares available on regional routes and those available between major cities?

a. Key determinants of regional airfares and regularity of service appear to include cost of fuel, availability of aircraft and qualified flight crew and the opportunity cost of putting aircraft on an alternate route that provides greater financial returns.

Supply (of crew and aircraft), passenger demand (based on population catchment) and competition on routes are also factors.

b. Higher fuel costs, slimmer profit margins and softer demand on regional routes appear to lead to higher per-kilometre ticket prices. Furthermore, where competition for regional aircraft is experienced, a route with slimmer profit margins will be less reliably serviced than one with higher profit margins.

What characteristics of the regional aviation sector have influenced the level of airfares?

a) To what extent is there competition between different air transport services in your region or for your business?

a. Up to 80,000 passengers per year fly in or out of the Mount Gambier Regional Airport. The Airport is serviced by Regional Express Airlines (REX) which provides regular return passenger services on the Mount Gambier/Adelaide and Mount Gambier/Melbourne routes; and QantasLink which services the Mount Gambier/Adelaide route only.

TOR 2: Demand Drivers for Regional Air Services
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How much do fares influence demand for regional air services?

a) *What are the main drivers of demand for regional air services – including but not limited to fares?*

c) *To what extent have fares and demand changed since the COVID-19 pandemic?*

a. Anecdotally, some of the main factors that influence demand for air services in the Southern Limestone Coast area surrounding the Mount Gambier Regional Airport, include:

- price of airfares
- cost and duration of alternate travel modes
- compatibility of flight schedules (timing and/or connecting flight times)
- reliability of flights (e.g. previous experience of flights delayed or cancelled due to fog or mechanical issues / aircraft redirected to other more profit-making routes, can impact the choice to fly, particularly when attending urgent or important time-sensitive events such as essential medical/specialist appointments, important business meetings and/or graduation/wedding celebrations, etc)

2c. During the peak of the COVID-19 pandemic, when passenger numbers declined significantly, District Council of Grant (the owners and operators of the Mount Gambier Regional Airport) and its ratepayers made substantial financial contributions to ensure essential air services could continue for the community. As at March 2026, passenger numbers have only recently returned to pre-pandemic levels, after Council covering \$1.5million in lost revenue due to the pandemic disruption.

TOR 3: Barriers to Entry/Expansion for Regional Airlines

What characteristics of the regional aviation sector have influenced the level of airfares?

b) Are there barriers to entry for new airlines in particular regional areas or across regional Australia generally?

c) Are there barriers to expansion for existing airlines in particular regional areas or across regional Australia generally?

b./c. Barriers to entry or expansion into regional areas may include limited access to right-sized aircraft to access regional airport runways (which may be shorter than required and/or require strengthening for larger aircraft) and (potentially) reduced capacity, or seasonal demands in the catchment areas of regional airports.

TOR 4: Policies & Regulatory Settings Contributing to Higher Fares or Reduced Competition
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Have government policies or regulations made a difference?

a) How do policies and regulatory settings – affecting airlines, airports, or other services – influence regional airfares, service levels or competition?

a. Grant funding for regional airports assists to support ongoing maintenance and renewal. Council acknowledges and values the state and federal grant funding that has supported airport taxiway maintenance and the recent airport terminal upgrade at Mount Gambier Regional Airport.

However, it is highlighted that this funding generally requires matching funds, and furthermore, additional regulation (such as the introduction of passenger security screening) will **significantly increase** the legislated costs of running airport operations.

TOR 5: Role for Government & Efficient Interventions

Have government policies or regulations made a difference?

b) What roles have governments played and what have been the most efficient forms of policy or regulatory intervention to improve access, pricing and service outcomes?

b. Since 2019, the Australian Government has provided \$100 million in grant funding for regional airports to help address funding shortfalls for regional airports. This funding has delivered safer runways, taxiways and other safety upgrades such as fencing and lighting. This funding has helped to reduce cost pressures of airport ownership on local governments. Council acknowledges the Australian Government's grant funding for airport taxiway upgrades, the accessible changing places facility, and aerial firefighting capacity (via The Disaster Ready Fund) at the Mount Gambier Regional Airport.

Commercial passenger services, while only one component of the Airport operations, remain the primary source of income that goes some way to maintaining the airport's financial sustainability. Currently Council's small rate-base of 5,790 rateable properties (out of 6,167 total properties) shoulders the bulk of the costs of maintaining the airport. The costs of maintaining runways, meeting regulatory requirements and implementing airport screening are substantial, and Council is actively exploring suitable additional revenue streams that are compatible with existing airport land uses.

Recovering the **Rex debt** is essential to strengthening the financial sustainability of the Mount Gambier Regional Airport and ensuring continued access to critical air services for communities across the Southern Limestone Coast, Mount Gambier, and surrounding districts, the dedicated funding opportunity is a step in the right direction. Maintaining reliable air transport is essential for community health, regional connectivity, and economic stability. Targeted grant funding will help safeguard this critical infrastructure, protect essential air links, and support the ongoing social and economic vitality of the region.

The Mount Gambier Regional Airport is owned and operated by the District Council of Grant. Council's core income from the Airport is generated via a per passenger head tax on regular passenger transport flights. This head tax represents only a small proportion of the fare paid by travellers, and Council must subsidise the remaining operational costs through general rates revenue.

Council's ability to generate revenue from the Airport is limited to the passenger head tax. During the peak of the COVID-19 pandemic, when passenger numbers declined significantly, Council and its ratepayers made substantial financial contributions to ensure essential air services could continue for the community. Passenger numbers have only recently returned to pre-pandemic levels, after \$1.5million in lost revenue due to the pandemic disruption.

The outstanding **REX debt** is worth \$179,459.91 (ex GST) which is 1.59% of Council's General Rates revenue. The cashflow impacts of this shortfall, and the associated foregone interest, continue to restrict Council's capacity to deliver works and services that support community wellbeing and local development. Without external grant funding, including support to recover the outstanding **Rex debt**, any operational loss incurred by the Airport becomes a direct cost to ratepayers. With an estimated population of 9,140 residents (as of 30 June 2024) and approximately 5,790 rateable properties, it is challenging and inequitable for this small ratepayer base to shoulder the financial burden of debt associated with a privately owned company whose services support a catchment far beyond the District Council of Grant area.

Airport Screening in Focus

While early adopting regional airports received federal assistance to transition to mandatory screening, airports reaching the threshold more recently, such as Mount Gambier Regional Airport, were not eligible for similar support. Furthermore, Council is concerned that government funding typically targets capital works rather than supporting ongoing operational costs, most notably the continuing expenses to be encountered from the future implementation of regulated airport passenger screening. The initial infrastructure investment is only the beginning, with considerable ongoing costs for maintenance, compliance and security staffing hours to operate the infrastructure.

Council recognises that airport screening is important in the national interest but remains concerned that the current aviation system places a disproportionate financial burden on regional passengers, making travel unaffordable. This is despite screening supporting **national** security measures which primarily protect assets concentrated in capital-city airports and other more densely populated crowded places.

Further resilience for all regional airports could be achieved through a uniform national security levy.

A \$1 ticket levy applied to every domestic passenger trip in Australia (BITRE indicates 59,504,136 domestic passenger trips in 2024-2025 financial year) could yield around \$59.5million. A pool of funding of this scale distributed across Australia's regional airports could assist to support the capital investment and ongoing operational costs of airport screening to protect safety in the system for the national interest.

Federal regulatory processes often overlook regional operational realities and may impose significant costs without assessing local viability. As an example, the (discontinued) grant program to assist regional airports fund the introduction of airport screening, only provided funds for the **capital** cost of screening, rather than the ongoing operational costs, which far exceed the upfront capital cost.

As an example, the introduction of airport screening at Mount Gambier Regional Airport would require an investment of \$1.5 million in capital costs, versus the estimated ongoing operational costs of \$365,000 (if only screening QantasLink flights) up to \$1.37million per year (if smaller Rex flights were also screened).

[Figures based on approximately 35,000 departing passengers per year and assuming the passenger threshold cap anomaly is reviewed in order that all passengers (passengers on both Rex and QantasLink flights) are screened (not just those on flights which reach the screening threshold).]

This would result in:

- Unaffordable ticket prices
- QantasLink potentially exiting the route
- Reduced Competition
- Likely further increases to ticket prices

6. What could be done to make fares more affordable and to improve access to aviation?

- a) Where should policy or regulatory actions focus?
- b) What international examples of best practice could be useful in the Australian context?

Regulation

The Australian Government has a role in ensuring that all people, including people with disability and people living in regional and remote areas, can access aviation services.

Current fees and levies do not fully offset the capital and operational costs imposed by federal legislation, disadvantaging regional airports. The per-passenger head tax applied to commercial passenger services, remains Council's primary source of income that goes some way to maintaining the airport's financial sustainability.

The impact of the costs of regional screening on the ongoing operating costs at the Mount Gambier Regional Airport, if implemented, increases operating costs by 174per cent, which far exceeds the current operating costs at the airport.

However, if Council was to increase the Passenger Head Tax collected in attempt to cover the costs of screening via a direct user-pays approach, Council would collect from the airlines up to an additional \$90 per passenger. It is unlikely that the airline will absorb this cost into their operations, and thus, it is probable that the airlines would pass on the full amount to passengers via an increased ticket price. On the Mount Gambier to Adelaide route, where the average return ticket price of \$200 is already around \$90 more than tickets for passengers

flying on the Adelaide to Melbourne trunk route, an additional \$90 on ticket price is considered unreasonable.

Furthermore, where many passengers have an option to drive instead of flying, a ticket price increase on this scale would directly impact on the demand for and viability of regional flights and potentially lead to flight cancellations and undermine the viability of the service. Australians need regional air services that provide a reliable service at an accessible price.

Regulation (such as the introduction of passenger screening triggered by reaching passenger thresholds) will **significantly increase** the legislated costs of running airport operations at the Mount Gambier Regional Airport.

This would result in:

- Unaffordable ticket prices
- QantasLink potentially exiting the route
- Reduced Competition
- Likely further increases to ticket prices for the remaining airline servicing the route

Further resilience for all regional airports could be achieved through a uniform national security screening levy applied to all domestic flights across the nation. (As noted above) a \$1 ticket levy applied to every domestic passenger trip in Australia (BITRE indicates 59,504,136 domestic passenger trips in 2024-2025 financial year) could yield around \$59.5million. A pool of funding of this scale distributed across Australia's regional airports could assist to support the capital investment and ongoing operational costs of airport screening to protect safety in the system for the national interest.

TOR 6: Impacts on Regional Economies, Productivity & Closing the Gap

Why is regional aviation so important?

a) What difference access to regular and reliable air services can have on regional economies (including tourism and migration)?

b) How is regional aviation important for improving productivity?

d) To what extent does air travel substitute or complement other modes of transport (road and rail) or forms of communication in your community?

a. Regular and reliable air services play a vital role in supporting the health, social, and economic needs of the region. Air services facilitate education, family connections, and civic participation, and provide essential access to medical specialists, both allowing locum doctors to travel into the region and consumers/patients to fly to capital city specialist appointments.

The presence of a local regional airport (and the onward connections provided through the airport) is often a positive promotion point when attracting skilled migration. This is vital in an area where industry is experiencing skills shortages which curb the economic potential of the region.

Air connectivity is the backbone of economic participation and community wellbeing across the region, any disruption to air services poses significant risks. Regular and reliable air

services assist to reduce social isolation and help ensure that vulnerable groups, including older people, low-income households, and medically dependent residents, retain fair and reliable mobility. It will also bolster regional economic confidence, ensuring businesses, tourism operators, government agencies, and industry partners maintain the connectivity needed for regional growth.

National Security & Defence Capability:

Regional airports can be activated rapidly to support national defence or emergency mobilisation, with far less disruption than converting capital-city airports, for this reason it is prudent to ensure that regional airports are maintained to a high standard should the need arise.

b. In simple terms, the absence of regional aviation in this area, makes a 1-2 hour (one-way journey) become a journey of five hours or more, and increases the amount of traffic on the highway, which potentially creates congestion which delays freight transport, and potentially leads to further consequences such as an increased road toll.

d. The Mount Gambier Regional Airport bridges the large distance between the closest major cities, reducing the five hours of driving time to a one-hour flight. The alternate car journey is along a highway competing with heavy vehicles including log trucks and other road trains.

On routes such as those served by the Mount Gambier Regional Airport, many passengers have an option to drive instead of flying, however this has the unintended consequence of creating additional vehicle traffic on National and State Highways, with a likely consequence of seeing an increased road toll. The National Road Safety Strategy identifies that –

Fifty-five per cent of road crash deaths occur in regional areas of Australia. The rate of road crash deaths is 9.6 per 100,000 people in regional Australia, compared with 2.2 per 100,000 in major cities.

Thus, people living in regional areas are disproportionately more impacted by the road toll. The continuation of regular commercial air transport ensures that residents of Mount Gambier and the surrounding region, remain connected to the major cities by air, providing a convenient travel option to reach the nearest capital cities (Adelaide and Melbourne).

As with many regional areas, the area is not serviced by rail, while bus or coach journeys are long and not always practical for several reasons. For those who don't drive and/or may not be in good health, travelling by public transport (Bus/ Coach) is not a suitable option as this takes even longer than travelling by private car. It is noted that the V-Line Coach is available from Mount Gambier into regional Victoria and connects to rail heading into Melbourne, however similar affordably priced multi-modal options do not exist when traveling from Mount Gambier to Adelaide.

In regional areas it is not an option to catch a taxi or ride-share service. As an example, a taxi fare from Yahl (near Mount Gambier) to Adelaide is a trip of around 450-500km (one-way), and likely costs hundreds of dollars (\$600+). It is very expensive and generally not practical.

It is yet to be seen how the increasing price of fuel (for cars) impacts on consumer choices. If fuel price continues to be an issue and airlines switch to electric aircraft air travel could be more budget-friendly (assuming the initial purchase price of the new aircraft does not increase the cost of flights).

TOR 7: Competition Between RPT, Charter & Other Modes; Role of Air Freight

a) To what extent is there competition between different air transport services in your region or for your business?

a. Up to 80,000 passengers per year fly in or out of the Mount Gambier Regional Airport. The Airport is serviced by Regional Express Airlines (REX) which provides regular return passenger services on the Mount Gambier/Adelaide and Mount Gambier/Melbourne routes; and QantasLink which services the Mount Gambier/Adelaide route only.

TOR 8: International Comparisons & Best Practice

The Mount Gambier to Adelaide and Mount Gambier to Melbourne routes serviced from the Mount Gambier Regional Airport, are relatively short, meaning that a comparatively lengthy amount of the flight involves the aircraft climbing to gain altitude and then preparing for landing, with limited 'cruising' time. International examples from comparable markets in Canada, New Zealand, and Scotland suggest that fleet right-sizing, and/or selecting aircraft specific to the needs of a particular route could generate savings.

Fleet right-sizing incentives could assist transition from older aircraft stock and/or encourage new entrants. Right-sizing to new and more efficient aircraft may also assist towards meeting broader Government net-zero objectives.

Conclusion

Although airports are not traditionally a core responsibility of Local Government, the District Council of Grant has stepped forward to maintain the Mount Gambier Regional Airport as an essential regional service. Council's ongoing commitment to the Airport reflects a shared dedication to reliable regional connectivity and complements broader federal initiatives to strengthen and support Australia's regions.

The District Council of Grant is seeking a screening charge (or adjust additional levies or charges to include a \$1 screening charge) on all domestic flights across Australia to support an equitable and consistent approach to screening in the National interest. Screening is a National Security Measure, and all commercial flights should be screened regardless of passenger capacity. The impact of protecting Australia from unsavoury and terrorist activities should not be unfairly shouldered by regional passengers.

The District Council of Grant continue to request support for the following:

- Security Screening full funding supplied by the Federal Government
- Continued support for regional air transport
- Continued funding for regional airport infrastructure and upgrade works particularly given the increasing size of aircraft servicing regional air transport.

Continued support for regional air transport

Regional airlines carry tens of thousands of passengers to and from regional communities each week, allowing residents to visit loved ones and attend important health, medical, business, family, education, tourism and emergency services appointments and needs. Air connectivity is a lifeline for regional communities, and it is vital governments and industry strive toward delivering better services and airfares for these residents.

The number one medium to long-term concern for regional airports is asset and infrastructure maintenance. We urge the Government to support a sustainable and long-term Regional Airports Program (RAP) grant program that supports and upgrades essential, safety-critical aeronautical infrastructure at regional and remote airports. The current RAP criteria that fully funds projects worth under \$300,000 should also be maintained.

Other opportunities to optimise flight affordability and service levels include:

- State-Level Operational Support for isolated airports in South Australia, like the Western Australia and Queensland models.
- Shared funding for compliance costs (security screening, CASA obligations) and major infrastructure renewal.
- Fare Subsidy or Minimum Service Guarantees to address affordability and equity for regional communities.
- Policy Frameworks to Protect Regional Aviation Jobs, preventing further erosion of local capability.
- Continued funding for regional airport infrastructure and upgrade works particularly given the increasing size of aircraft servicing regional air transport.



District Council of Grant

Owner and Operator of Mount Gambier Regional Airport

Contact:

Mr Gary Button

Acting Chief Executive Officer

