

12 March 2026

Determinants of Regional Airfares Inquiry
Productivity Commission
GPO Box 1428
CANBERRA CITY, ACT 2061

Via email: regional.airfares@pc.gov.au

Dear Commissioners,

RE: Determinants of Regional Airfares Inquiry

Sydney Airport Corporation Limited (**SYD**) appreciates the opportunity to contribute to the Productivity Commission's Inquiry into the Determinants of Regional Airfares. SYD has played an active role in supporting the development of the Federal Government's Aviation White Paper and facilitating the implementation of its key recommendations. Accordingly, SYD welcomes the role that this inquiry will play in addressing the competitiveness, reliability and affordability of Australia's regional aviation network.

The regional aviation sector forms a critical part of the broader national network. Affordable and sustainable air services are critical to regional development – with the connectivity they provide facilitating the provision of goods and services, while underpinning the operations and success of regional businesses (including sectors such as tourism, resources and agriculture).

Recent challenges have demonstrated that rural and remote aviation stands to benefit from new policy approaches and reforms to existing structural and regulatory settings to encourage the proliferation of a more sustainable, reliable and viable sector that maximises its potential contribution to economic and productivity outcomes.

In examining opportunities to improve the performance and productivity of the sector, SYD makes recommendations across the following policy areas:

- Regional pricing, government regulation and policy settings.
- Sustainability and Sustainable Aviation Fuel.
- Airservices Australia.
- Border modernisation.

SYD is committed to delivering the benefits of aviation connectivity to communities across Australia and welcomes the ongoing attention this part of the national aviation sector is receiving from government – including through the Senate Standing Committee on Rural and Regional Affairs' recent inquiry.

We appreciate the Australian Government's commitment to optimising the benefits of regional aviation and examining opportunities to increase economic and productivity outcomes across the economy. SYD looks forward to engaging with the Government on this matter and will continue to advocate for constructive reforms through ongoing and future reviews by the Productivity Commission.

Yours sincerely,

Scott Charlton
Chief Executive Officer

Introduction

SYD is a major generator of aviation capacity to and from regional airports across Australia and is proud of the services it provides to enable connectivity, including an extensive route network during peak hours and low airport charges for regional air services.

Sydney (Kingsford Smith) Airport's (**Sydney Airport**) vital role in the regional aviation network is reflected by its domestic network of 43 destinations (36 of which are non-capital cities, including 20 communities across New South Wales)¹. More than 42.54 million passengers travelled through Sydney Airport in 2025 (up 2.7 per cent on 2024), with regional and domestic traffic growing 2.1 per cent in Q42025 (representing a total of 6.79 million passengers travelling through T2 and T3²). Of these regional passengers, close to 23 per cent transfer to other international and domestic services, highlighting the role a robust regional network plays in linking and supporting the growth of regional, state and national economies.

Airports across Australia are critical pieces of national infrastructure, underpinning connectivity and economic output for cities and the regions. Passenger demand across Australia's airports is forecast to increase rapidly, with 210 million travellers expected annually by 2030 (up 30.6 per cent from FY25)³. SYD's preliminary draft Master Plan projects that by 2045, SYD alone will contribute \$70 billion (up 56 per cent), welcome 72 million passengers (up 75 per cent), handle 1.4 million tonnes of freight (up 133 per cent) and support more than 105,000 direct jobs while creating 1500 new jobs each year⁴.

SYD is making major investments into operational improvements and key infrastructure which are demand-led and represent efficient expenditure which will help deliver downstream benefits to regional aviation and passengers. For example, SYD assumed operations of the transfer facility at T1 International in November 2026 – marking the first stage of a more streamlined and consolidated passenger experience. The SYD transfer has already reduced connection times to domestic and regional flights, improving operational efficiency and enhancing the customer experience.

The importance of a sustainable and long-term regional aviation sector is clear, and SYD has been actively engaged with the Federal Government, airport and airline stakeholders in developing the long-term policy settings which will encourage its long-term success. This includes making a series of recommendations to the Senate's inquiry into regional airfares⁵ and other advocacy for reforms which could enhance the productivity of the sector⁶. SYD welcomed the Government's suite of recommendations in the Aviation White Paper and continues to support the development and implementation of these multi-faceted reforms.

As outlined in this submission, SYD has identified other opportunities for the Government to examine which would help improve outcomes for regional aviation – including reforms to existing regulations which would deliver benefits to operators and passengers, investment in sustainability and Sustainable Aviation Fuel and initiatives which accelerate the modernising of Australia's border.

¹ Bureau of Infrastructure and Transport Research Economics (BITRE), Domestic Aviation Data activity, [Airport traffic data](#) | Bureau of Infrastructure and Transport Research Economics, Dec 2025, see <https://www.bitre.gov.au/>.

² Sydney Airport, [Sydney Airport Traffic and Operational Performance Q4 2025](#), Jan 2026, see <https://www.sydneyairport.com.au/corporate/media/corporate-newsroom/sydney-airport-traffic-and-operational-performance-q4-2025>.

³ Deloitte Access Economics/Australian Airports Association, The economic and social contribution of Australia's airports, Nov 2023, see <https://www.deloitte.com/au/en/services/economics/analysis/taking-flight-economic-social-contribution-australia.html>.

⁴ Sydney Airport, preliminary draft [Master Plan 2045](#), Sept 2025, see <https://www.masterplan2045.com.au/>.

⁵ Sydney Airport, submission to the Senate RRAT Inquiry into Australia's regional aviation sector and ability to deliver reliable and affordable services to rural, regional and remote communities, Jan 2025 see https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/Aviationsector_48/Submissions

⁶ Sydney Airport, submission to the Select Committee on Productivity in Australia, Feb 2025, see https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Productivity_in_Australia/ProductivityinAustralia/Submissions

Summary of Recommendations

Regional pricing, government regulation and policy settings

- **Recommendation 1:** The Australian Government limit future declarations relating to the regional price cap and ACCC price notification regime at Sydney Airport to the provision of aeronautical services and facilities to regional air services that are not covered in commercial agreements between SYD and airlines (as was recommended by the Productivity Commission in its 2019 Inquiry Report (recommendation 7.2)).
- **Recommendation 2:** The Australian Government reconsider the Permanent Regional Service Series (**PRSS**) slots (also known as the 'Regional Ring Fence') to reduce the number of unused and reserved slots at Sydney Airport and consider the contribution for Western Sydney International Airport (**WSI**) in respect of regional travel and the impact of operations at WSI on regional requirements at Sydney Airport.

Sustainability

- **Recommendation 3.1:** The Australian Government set a clearly defined ambition for Australia's low carbon liquid fuel market, including the emissions reduction expected of the aviation industry across the 2035 and 2050 horizons and the expected volumes of SAF required to meet this ambition.
- **Recommendation 3.2:** In consultation with industry stakeholders, that the Australian Government establish an optimal mix of demand-side and supply-side incentive mechanisms for SAF, including a SAF blending mandate, a low-carbon liquid fuel standard, and capital grants.
- **Recommendation 3.3:** The Australian Government provide grants for airports to invest in SAF infrastructure (including blending, storage and distribution facilities), renewable energy systems and electrified ground support equipment.
- **Recommendation 3.4:** The Australian Government fund targeted research, development and demonstration programs for low-emission technologies applicable to airport and aviation operations.
- **Recommendation 3.5:** The Australian Government assist in coordinating state and territory policy development to complement ongoing and future Federal efforts.

Airservices

- **Recommendation 4:** Given the importance of the operations at Sydney Airport to the regional, domestic and international aviation network, Airservices Australia should prioritise resourcing, policy and operational changes required to rectify air traffic controller shortages as a matter of urgency.

Border Modernisation

- **Recommendation 5:** The Australian Government allocate an additional five per cent of annual revenue generated from the Passenger Movement Charge (**PMC**) to airport infrastructure and passenger-flow improvements.

Regional Pricing, Government Regulation and Policy Settings

Regional Price Notification Regime

Since July 2002, regional aeronautical services and facilities at Sydney Airport have been subject to price notification. The most recent declaration made under Part VIIA of the Competition and Consumer Act 2010 (Cth) commenced on 1 July 2023 and remains in force until 30 June 2026 ('the Declaration'). SYD is the only airport in Australia subject to this regime.

Under the price notification regime for regional aeronautical services:

- SYD cannot raise prices or offer new services unless it first notifies the ACCC.
- The ACCC can object to a proposed price increase, based on whether the proposed pricing is determined to be economically efficient.
- If the ACCC objects to a proposed price increase, SYD cannot implement the price increase until 21 days after its notification.
- The ACCC, in considering a notification, must have regard to the Government's policy that the total revenue-weighted percentage increase in prices should not exceed CPI over a three-year period.

Regional air services at Sydney Airport are provided by a range of carriers including Virgin Australia, Qantas Group, Rex and FlyPelican.

The regime, which applies only to SYD, is designed to discourage SYD from increasing its prices in the event of ACCC opposition, as doing so could lead to a formal ACCC pricing inquiry. Since 2002, Sydney Airport has notified the ACCC of proposed changes to its prices or services for regional aeronautical services on only three occasions.

During that period, Sydney Airport's charges for regional aeronautical services have not increased, even by CPI. The clear result is that prices for regional services have fallen substantially in real terms, by around 45%.⁷

The unintended consequences of the regime

SYD supports regional airlines and acknowledges the importance of the existing network of regional air services to communities across NSW. SYD also recognises the Government's strong commitment to maintaining access for regional communities into Sydney Airport. Indeed, many regional passengers upon arrival at Sydney Airport go on to use domestic or international services.

SYD considers that the existing price notification regime gives rise to significant unintended consequences. It prevents or deters the implementation of arrangements agreed commercially between SYD and providers of regional air services, which contain commercially sensitive information and are desired by regional airlines.

This consequence flows from the public nature of the ACCC's assessment of notifications.⁸ The process is time-consuming, costly, and likely to require the disclosure of information that would otherwise be confidential. While it may be possible to maintain confidentiality over certain information, this ability is unlikely to extend to any proposed price changes.⁹

⁷ CPI values are from Australian Bureau of Statistics.

⁸ In addition to the requirements under the CCA, in its *Statement of regulatory approach to assessing price notifications*, the ACCC describes its suggested process for assessing a notification as including pre-lodgement, lodgement of a draft notification, the issuing of an issues paper, the ACCC's consideration of submissions, the lodgement of a formal notification and the ACCC reaching a decision: ACCC, *Statement of regulatory approach to assessing price notifications under Part VIIA of the Competition and Consumer Act 2010*, March 2017, pp 8-10. See <https://www.accc.gov.au/system/files/Statement%20of%20regulatory%20approach%20to%20assessing%20price%20notifications%20under%20...pdf>.

⁹ ACCC, *Statement of regulatory approach to assessing price notifications under Part VIIA of the Competition and Consumer Act 2010* (March 2017) p 18, see

The notification requirements under the current regime deter regional air service providers from giving effect to new and innovative arrangements with SYD. SYD is the only airport in Australia required to operate in these circumstances. This is particularly so when the agreements contain commercially sensitive information that the regional air service providers may not wish to be known by their competitors, or airports may not wish to be known by their competitor airports. Ultimately this acts as a barrier to developing new or better product offerings for regional passengers and ultimately lowers productivity. It also means domestic and international passengers are effectively cross-subsidising regional services.

In addition, the scope of charges notifiable under the regime are broad and subject to different interpretations. Examples of aeronautical services and facilities that could be caught by the Declaration (but may not have been intended by the legislature in its initial drafting), include:

- increases in quality of aeronautical services and facilities.
- charges for Aviation Security Identification Cards (ASICs) and access cards for staff or an airline that provides regional air service.
- licensing charges for staff and vehicle airside driving used by an airline that provides regional air services.

SYD submits that the very significant cost and effort associated with a price notification to the ACCC (with no guarantee of success) results in unnecessary red-tape and wasted productivity, particularly if SYD and regional airlines can reach a commercially negotiated and agreed outcome.

SYD also suggests that the price notification regime be reviewed in the light of the scheduled opening of WSI in late 2026. If the regime continues to apply to SYD only there is a significant risk of additional inefficient and distortionary outcomes if materially different regional pricing or access arrangements apply across the two Sydney airports. If SYD remains subject to the price notification regime while WSI is not, regional carriers may continue to favour SYD, primarily because it is cheaper to access, rather than because it represents the most efficient use of airport infrastructure or best aligns with regional passenger demand.

SYD submits that the price notification regime acts as a barrier to developing new or better product offerings for regional passengers. Indeed, the regime has the potential to impede fair and reasonable commercial arrangements and ultimately lowers productivity. It also means domestic and international passengers are effectively cross-subsidising regional services.

Proposed reform

Ultimately, SYD wants to deliver to regional carriers the same flexible and bespoke agreements that have been reached with international and domestic carriers, while affording regional carriers confidentiality. In 2019, the Productivity Commission recommended limiting the scope of the price notification regime to services provided outside of commercial agreements. In response, the ACCC submitted that:

*“The proposed modifications appear reasonable given that they could potentially provide more flexibility in the airport’s ability to ... facilitate commercial negotiation between Sydney Airport and airlines that supply regional air services at Sydney. They are unlikely to result in a weakening of the protection of regional services as airlines that do not have a commercial agreement with the airport will continue to be charged notified prices. It is also envisaged that notified prices will also provide an anchor point for prices negotiated between airlines and the airport.”*¹⁰

SYD submits that the Productivity Commission’s reform recommendations in 2019 were clear and practical and are well overdue for implementation. Principles of competitive neutrality and productivity support reforming regional pricing arrangements in line with the Productivity Commission’s 2019 recommendations. This would allow for confidential, negotiated innovative commercial agreements, with little impact on regional passengers.

<https://www.accc.gov.au/system/files/Statement%20of%20regulatory%20approach%20to%20assessing%20price%20notifications%20under%20...pdf>

¹⁰ Productivity Commission Inquiry into the Economic Regulation of Airports ACCC submission in response to the draft inquiry report March 2019, see

<https://www.accc.gov.au/system/files/ACCC%20supplementary%20submission%20to%20the%20Productivity%20Commission%27s%20Inquiry%20into%20the%20Economic%20Regulation%20of%20Airports%20-%202029%20March%202019.pdf>

Recommendation 1:

As was recommended by the Productivity Commission in its 2019 Inquiry Report (recommendation 7.2)¹¹, SYD submits that the Australian Government limit future declarations relating to the regional price cap and price notification regime at Sydney Airport to aeronautical services and facilities that are not covered in commercial agreements between SYD and airlines.

Sydney Airport's Regional Ring Fence

SYD welcomes the recent changes to the *Sydney Airport Demand Management Act 1997 (Cth)*, *Sydney Airport Demand Management Regulations 2025* and the *Sydney Airport Slot Management Scheme 2025*. However, SYD submits that there remains substantial inefficiency and productivity losses associated with slots reserved but not used during peak periods.

Even after recent reforms, 16 regional slots remain reserved in the peak even though there is no regional demand for them, in addition to 32 Rex protected slots.

These unused slots are currently unable to be allocated to the domestic and international flights for which there is demand and which would generate significant tourism and economic benefits for NSW and the broader Australian economy. This is particularly notable given that around 25 per cent of Sydney's peak slots are currently allocated to regional services.

In addition to the foregone productivity, the ongoing presence of a significant number of unused reserved regional slots suggests that the practical use and scheduling of these slots may not align with the operational needs of regional carriers, particularly regarding the time of day and schedule consistency.

SYD submits that the Permanent Regional Service Series (PRSS) slots (also known as the 'Regional Ring Fence'), introduced in 1988, is no longer fit for purpose, particularly in light of the opening of WSI.

As set out above, SYD is concerned that the protection of regional slots at Sydney Airport together with the price notification regime, both which currently only apply to SYD, may disincentivise regional services from operating at WSI, which would not benefit regional passengers.

This concern is heightened by the reliance on historic baseline assessments for slot allocation under the Sydney Airport Slot Management Framework, meaning that regional airlines may tactically try and utilise Sydney Airport rather than WSI to maintain historic slot precedence. There also remain ongoing concerns that competitive neutrality may be undermined if WSI is not subject to the same regulatory standards.

In addition, SYD considers the definition of "regional service" under the *Sydney Airport Slot Management Scheme 2025 (Cth)*, which applies to protected regional slots and is used in determining the PRSS, is outdated in the light of current market conditions.

A "regional service" is currently defined as a flight that:

- takes off from Sydney Airport and, without landing anywhere else first, lands at another airport within New South Wales (other than Sydney West Airport); or
- lands at Sydney Airport and, without landing anywhere else first, took off from another airport within New South Wales (other than Sydney West Airport).

¹¹ Productivity Commission Inquiry into the Economic Regulation of Airports ACCC submission in response to the draft inquiry report March 2019, see <https://www.accc.gov.au/system/files/ACCC%20supplementary%20submission%20to%20the%20Productivity%20Commission%27s%20Inquiry%20into%20the%20Economic%20Regulation%20of%20Airports%20-%2029%20March%202019.pdf>.

As market and demographic changes have evolved since the scheme was established, particular routes could be perceived as no longer satisfying the criteria of a 'regional service'. With certain flights no longer requiring the protection of the regional ring fence to remain viable, their continued inclusion would be counter to the scheme's intent to safeguard regional NSW's access to Sydney Airport, while simultaneously preventing the potential release of peak slots at Sydney Airport (which could increase passenger movements and their associated productivity benefits).

For example, across the ten largest Sydney regional routes, business travel now accounts for approximately 55 to 69 per cent of passenger demand. Ballina/Byron Bay and Port Macquarie are notable exceptions as leisure travel is the dominant purpose of travel. Ballina/Byron Bay is the largest and most commercially successful regional route, served by all major airlines operating approximately 10 daily services and carrying nearly 465,000 passengers annually, with a very strong load factor of 87 per cent (compared to 72 per cent for rest of regional travel). These flights do not need regional ring fence protection to remain viable. In practical terms, these services compete directly with other higher-frequency domestic leisure routes, such as Sydney–Coolangatta.

SYD reiterates that applying these targeted regulatory measures to Sydney Airport alone, may disincentivise regional services from operating at WSI. This market distortion which would not benefit regional air travel and raises concerns that competitive neutrality will be undermined if WSI is not subject to the same regulatory standards as Sydney Airport.

Recommendation 2:

The Australian Government reconsider the PRSS (Regional Ring Fence), to reduce the number of unused and reserved slots at Sydney Airport and consider the impact of WSI on regional requirements at Sydney Airport. This should include evaluating whether the same number of protected regional slots are required WSI.

Sustainability

Australia's aviation industry has accelerated its efforts to decarbonise operations and ensure sustainability is embedded in future commercial and operational decision making.

As recognised by the Australian Government, Sustainable Aviation Fuel (**SAF**) is the primary pathway for aviation to credibly decarbonise in the medium to long term¹². SAF is an alternative fuel made from non-petroleum feedstocks, including non-palm waste oils and forestry waste. It is chemically similar to traditional fossil jet fuel but has resulted in an 80 per cent lifecycle carbon emission saving in some instances.¹³ Australia is well placed to become a significant global producer of SAF and other renewable fuels. However, production of local SAF is dependent on the timely development and introduction of clear government policy to establish a domestic market and catalyse private sector investment in refining capacity.

A domestic SAF industry will bring significant economic benefits to Australia, in addition to its decarbonisation benefits. Critically, given the importance of biogenic feedstocks in Australia's future SAF production mix, regional Australia stands to reap notable productivity and economic gains through the scaling of local renewable fuels production and refining capacity. Modelling commissioned by Regional Economic Development, found that biogenic SAF is expected to constitute 52 per cent¹⁴ of all aviation fuel in Australia by 2050.

SYD has an established commitment to achieving sustainability outcomes. In May 2021, SYD announced its commitment to achieve net zero by 2030 for emissions under its operational control. SYD also remains committed to achieving carbon neutral certification under the Airport Carbon Accreditation program by 2025 and maintains a focus on investigating and progression options to address Scope 3 emissions in line with current commitments.

Case Study: SYD SAF Import

In May 2025, SYD partnered with Qantas and Ampol to import 1.7 million litres of SAF – the largest commercial import of SAF into Australia.

The unblended SAF (derived from used cooking oil feedstock) was imported to Ampol's facility at Kurnell and blended with conventional aviation fuel before testing and certification. The SAF was then distributed through SYD's fuel supply chain and used on flights departing from Sydney Airport over the following weeks.

Once blended at a ratio of approximately 18 per cent, the fuel was able to power the equivalent of 900 flights from Sydney to Auckland on narrow-body aircraft and reduced the resulting carbon emissions associated with those flights by an estimated 3400 tonnes (when assessed across the fuel's lifecycle, i.e., from production to use).

This import demonstrated:

- SYD's existing capability to use current fuel and distribution infrastructure to successfully handle SAF – including blending, testing/certification, and supply chain distribution.
- Demand among Australian airlines, airports and fuel producers for SAF.
- Growing momentum behind establishing a domestic SAF industry in Australia, including demand from large corporates for direct emissions reduction levers to address their Scope 3 emissions.

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¹² Australian Government, *Aviation Green Paper: Maximising aviation's contribution to Net Zero*, Sept 2023, see <https://www.infrastructure.gov.au/department/media/publications/aviation-green-paper-towards-2050>.

¹³ *What is sustainable aviation fuel (SAF) and why is it important? | News and views | Air bp*, see <https://www.bp.com/en/global/air-bp/news-and-views/Views/what-is-sustainable-aviation-fuel-saf-and-why-is-it-important.html>.

¹⁴ NSW Office of Regional Economic Development, *SAF Regional Prospectus*, March 2024, see <https://cdn.revolutionise.com.au/cups/bioenergy/files/tbgwdlqr2bgc9nw.pdf>.

¹⁵ Qantas Group, *Australia's largest import of SAF lands in SYD*, May 2025, see <https://www.qantas.com/agencyconnect/au/en/agency-news/agency-news-may-25/australias-largest-import-of-sustainable-aviation-fuel-lands-in-sydney.html>.

SYD policy engagement and advocacy

SYD has been committed to ongoing advocacy and awareness of SAF with the Federal and NSW State Governments, promoting the productivity, economic and decarbonisation benefits that could be realised. SYD has also actively collaborated with partners across the SAF supply chain – particularly those focussed on the regional opportunity, including Qantas, GrainCorp, IFM and Ampol.

SYD actively advocates and engages in technical dialogue with Federal and State governments for the adoption of policy frameworks to support growth in the use of SAF. This has included contributing to and supporting:

- the Department of Infrastructure and Transport's 'Unlocking Australia's Low Carbon Liquid Fuel Opportunity', recommending policy options to scale a domestic SAF industry.
- the Department of Infrastructure and Transport's 'Aviation White Paper', outlining the critical role that SAF will play in Australia's aviation sector to 2050.
- the Department of Infrastructure and Transport's consultation into the Cleaner Fuels Program, providing input into the key design principles and framework for the program and how to drive production of Low Carbon Liquid Fuels production in Australia.
- as a member of the Commonwealth Jet Zero Council, working with key stakeholders across the aviation sector and its supply chain to assess policy options for SAF – including SAF accounting regimes and their relationship with airports and associated Scope 3 emissions.
- the development of the Airports Council International (ACI) Net Zero by 2050 long-term carbon goal for member airports.
- the World Economic Forum's 'Clean Skies for Tomorrow' ambition statement (as a signatory), targeting to achieve 10 per cent SAF usage globally by 2030.

SYD will continue to engage with key policymakers and formal consultations across State and Federal agencies as future design elements of SAF policy frameworks progress.

Regional productivity opportunities

SYD, as the largest airport in NSW, which also handles approximately 40 per cent of Australia's aviation fuel uplift¹⁶, sees the significant opportunity which could be derived from local production of SAF. SYD is supportive of the NSW Renewable Fuels Strategy and the Government's efforts to pursue the development of local production and refining capacity in the state, leveraging the abundant supplies of canola and agricultural waste for feedstocks.

With a competitive advantage in terms of biogenic feedstock supply (including canola and agricultural waste), NSW has significant opportunity for regions to benefit economically from the development of a local SAF industry. NSW is home to approximately 22 per cent of Australia's biogenic feedstock suitable for SAF production, which Regional Economic Development has estimated will be valued at \$4.8 billion in NSW by 2050¹⁷.

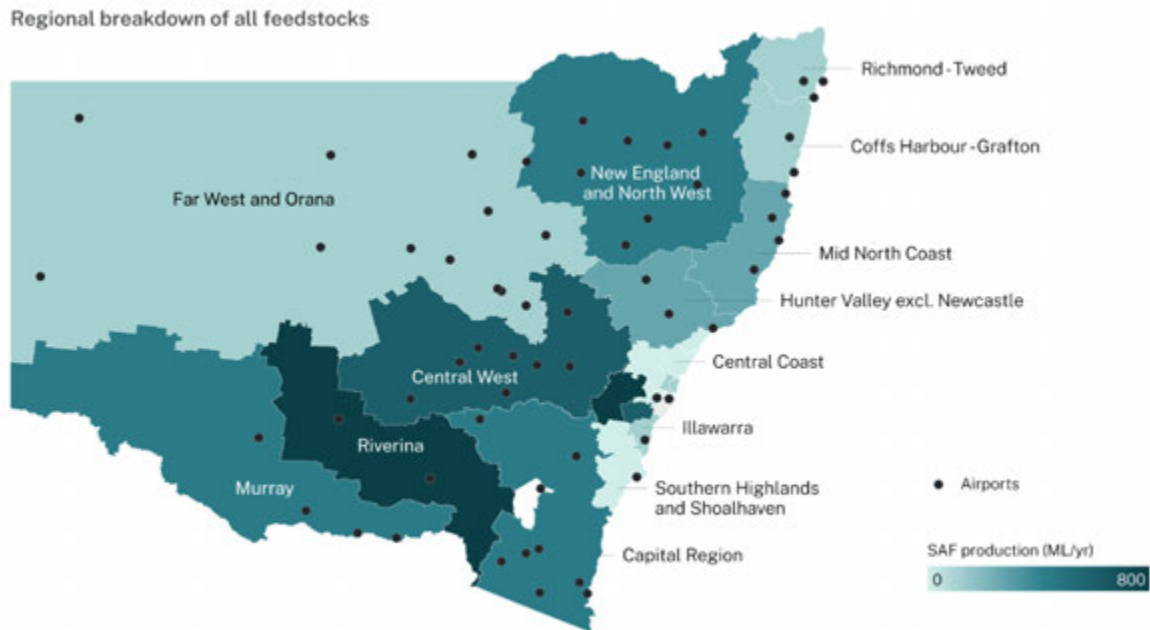
NSW is projected to need between 4000 and 4300ML of SAF per year by 2050¹⁸. The rural and remote industries are positioned to pursue new productivity gains through:

- large volumes of feedstock in strategic regional areas and metropolitan/municipal waste that can potentially be combined to service Sydney Airport, WSI and/or export through key ports in NSW.
- utilising SYD's position as Australia's busiest airport which uses the majority of NSW aviation fuel consumption, along with the commencement of operations at WSI in 2026.
- large pool of highly qualified workforce with transferrable skills for the SAF supply chain in the existing and future workforce.

¹⁶ Sydney Airport, *Sustainable Aviation Fuel lands at Sydney Airport*, May 2025, see <https://www.sydneyairport.com.au/corporate/media/corporate-newsroom/australias-largest-import-of-sustainable-aviation-fuel-lands-in-sydney>.

¹⁷ NSW Office of Regional Economic Development, *SAF Regional Prospectus*, March 2024, see https://www.investregional.nsw.gov.au/sites/default/files/publications/2024-07/Sustainable-Aviation-Fuel-Prospectus_1.pdf.

¹⁸ Ibid.



* Note: Competition for feedstocks, across multiple fuel types, will be a factor in determining the volume of SAF produced.

Figure 1: NSW SAF development opportunities (NSW Department of Primary Industries and Regional Development)¹⁹

Recommendation 3:

SYD encourages the Productivity Commission to examine the economic and employment benefits that could be derived from the development of a domestic SAF industry in Australia.

SYD recommends the Australian Government:

1. set a clearly defined ambition for Australia's low carbon liquid fuel market, including the emissions reduction expected of the aviation industry across the 2035 and 2050 horizons and the expected volumes of SAF required to meet this ambition.
2. establish an optimal mix of demand-side and supply-side incentive mechanisms for SAF, including a SAF blending mandate, a low-carbon liquid fuel standard, and capital grants.
3. provide grants for airports to invest in SAF infrastructure (including blending, storage and distribution facilities), renewable energy systems, and electrified ground support equipment.
4. fund targeted research, development and demonstration programs for low-emission technologies applicable to airport and aviation operations.
5. assist in coordinating state and territory policy development to complement Federal efforts.

¹⁹ NSW Office of Regional Economic Development, SAF Regional Prospectus, March 2024, see <https://cdn.revolutionise.com.au/cups/bioenergy/files/tbgwdlqr2bgc9nw.pdf>.

Airservices Australia

The resilience of air traffic management services provided by Airservices Australia (Airservices) is an important factor affecting airline and airport operations, including regional air services. Staffing challenges and operational constraints impact airlines and passengers, particularly where services operate with limited frequency and have inadequate flexibility to recover promptly from disruption. These impacts affect service reliability and connectivity for regional communities and constrains SYD's ability to implement strategic projects.

Over recent years, Sydney Airport and other airports have experienced significant problems with ongoing resourcing issues with Airservices. A significant proportion of delays and/or cancellations of flights at Sydney Airport are a direct result of these resourcing challenges. This causes disruption to the Sydney, international and national aviation networks, including regional services.

It has been acknowledged by Airservices that staffing issues such as short notice absences of air traffic controllers at Sydney Airport have directly led to ground delay programs, and widespread flight delays and cancellations because there is limited spare capacity to cover unplanned leave.²⁰ For example, in January 2024 when two controllers called in sick at Sydney Tower, this triggered cascading delays across the national network. During January 2024, about one-in-every-eight aircraft delays were directly attributable to Airservices' staffing constraints.²¹

Airservices explained that training new controllers takes around two years and, while recruitment is ongoing, workforce levels have not fully returned to pre-pandemic operational resilience - leaving towers reliant on overtime and contingency staffing procedures.²²

Given Sydney Airport's role as a major hub for regional aviation and the importance of regional services to the broader network, it is important that resourcing and operational capability at Sydney Airport is prioritised by Airservices. Constraints at Sydney Airport can have wider network impacts and are therefore relevant to the Productivity Commission's consideration of barriers to efficient service provision and productivity in regional aviation markets.

Recommendation 4:

Given the importance of the operations at Sydney Airport to Australia's domestic and international aviation network, Airservices Australia should prioritise resourcing, policy and operational changes required to rectify air traffic controller shortages as a matter of urgency.

²⁰Senate Standing Committees on Rural and Regional Affairs and Transport, see https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/AircraftNoise47/Report/Chapter_6_-_Regulation_and_administration.

²¹ Ibid.

²²https://www.aph.gov.au/Parliamentary_Business/Hansard/Hansard_Display?bid=committees%2Festimate%2F27704%2F&sid=0003.

Border Modernisation

SYD plays a vital role in the regional aviation network and in facilitating Australia's broader air connectivity. With an average of 23 per cent of regional passengers transferring to other international and domestic services at SYD, improving processes and technology at the border will ultimately lead to improved productivity and an enhanced passenger experience for rural and remote communities.

Capital city airports act as hubs for onward regional air services, playing a significant role in dispersing travellers across the country. This is critical for Australia's tourism economy, where growing numbers of domestic and international passengers disperse into regional destinations.

Tourism Research Australia reports that regional Australia accounts for 46% of national tourism expenditure (\$107 billion) and supports 534,000 tourism jobs²³. More than 100,000 tourism-related businesses operate in regional areas, with 57 cents of every visitor dollar spent in these²⁴. These figures underscore the economic and social importance of Australia's regional aviation industry and the role that a modern, efficient border can have in facilitating continued growth in a key sector of the national economy.

SYD's investment in border efficiency improvements and passenger experience

SYD maintains a strong relationship with the Department of Home Affairs and the Australian Border Force (ABF), working closely on operations that are critical to our mutual responsibilities. ABF manages significant responsibilities every day, and SYD acknowledges the challenges inherent in balancing the facilitation of travel with the protection of Australia's borders.

SYD seeks to ensure that this collaboration continues to be grounded in transparency and a shared commitment to managing risk effectively, while maintaining the safe and seamless movement of passengers through Sydney Airport. Over the next decade, SYD expects the current system of manual passport checks to evolve into a fully digital ecosystem incorporating self-service kiosks, biometric e-gates, and predictive passenger flows. This will create a frictionless process for travellers and deliver significant productivity and efficiency gains.

Globally, airports are increasingly deploying facial recognition, document readers, and artificial intelligence to pre-screen passengers. SYD envisages a future where identity verification occurs before boarding, through digital travel credentials or in-home enrolment, enabling passengers to walk through biometric e-gates on arrival without delay. Countries that invest in these innovations will reap substantial benefits. Greater efficiency at the border translates into more flights, increased tourism, expanded trade, and ultimately more jobs and economic growth.

SYD's preliminary draft Master Plan 2045²⁵ forecasts a future in which it welcomes 72 million passengers annually, contribute \$70 billion to the economy, and support more than 105,000 direct jobs. The airports sector is united in its desire to modernise and digitise border processes, yet Australia lags many economies that have embraced biometrics, digital processing, one-stop security, and cross-border cooperation.

²³ Transport Tourism Forum, [Tourism contribution to productivity submission](https://assets.pc.gov.au/2026-01/sub001-regional-airfares.pdf?VersionId=1UiULC6.Edx6q5EP2I3JFds_eGOXMxTS), Dec 2025, see https://assets.pc.gov.au/2026-01/sub001-regional-airfares.pdf?VersionId=1UiULC6.Edx6q5EP2I3JFds_eGOXMxTS.

²⁴ Australian Regional Tourism, [Thrive 2030: The re-imagined visitor economy](https://regionaltourism.com.au/resources/thrive-2030/), Jan 2025, see <https://regionaltourism.com.au/resources/thrive-2030/>.

²⁵ Sydney Airport, preliminary draft [Master Plan 2045](https://www.masterplan2045.com.au/), Sept 2025, see <https://www.masterplan2045.com.au/>.

SYD encourages the Government to examine priority areas for reform that deliver a more modern, efficient and future-ready border processing system that aligns with global best practice. If successful, Australia could reap significant productivity and economic benefits that flow from a more efficient border – including for rural and regional communities.

Passenger Movement Charge

The introduction of these services and operational improvements will require ongoing funding and investment from the Government, including through revenue generated from the Passenger Movement Charge (**PMC**) levied by the Government. SYD supports strong border protection and biosecurity measures. However, the intent of the PMC has changed over time, with revenue generated no longer exclusively targeted at recovering the cost of delivering border services (including customs, immigration, and quarantine processing) and issuing short-term visas.

Since its introduction, the PMC has increased significantly, with further rises likely in FY26. Rather than using the PMC as a general revenue-raising tool without clear hypothecation for border protection funding, SYD encourages the Government to consider full reinvestment of monies collected from the PMC into the provision of border services at current and emerging Australian airports.

SYD, in line with other key airport and airline stakeholders' recommendations, proposes that an additional five per cent of annual PMC revenue is allocated specifically to initiatives and infrastructure to address airport infrastructure and passenger-flow improvements. This approach would enable passengers, airlines and airports to benefit from PMC-derived funding while improving procurement processes and ensuring that border modernisation keeps pace with global standards.

Recommendation 5:

The Australian Government allocate an additional five per cent of annual revenue generated from the PMC to airport infrastructure and passenger-flow improvements.