

TOURISM AUSTRALIA'S SUBMISSION

Summary points

Tourism is an important contributor to the economy

- In the 2024–25 financial year, tourism in Australia contributed a record \$81.1 billion to the national GDP in direct terms, accounting for 2.9% of the total economy.
- Including indirect effects, the total economic contribution is significantly higher, with tourism consumption totalling \$211.1 billion and employing nearly 700,000 people directly.

Aviation is critical to regional tourism

- 44 cents of every tourism dollar spent outside our major cities, highlighting how travel supports local jobs and communities nationwide. For the year ending September 2025, 2.4 million international visitors spent at least one night in regional Australia.
- In many regional communities, tourism employment sometimes comprises six in ten jobs.
- Since the 1990 deregulation of the aviation sector, 12 airlines (mostly low-cost and regional carriers) have exited the Australia market.

Cost is a factor

- While international aviation capacity into major gateways (Sydney, Melbourne, Brisbane, Perth) has largely recovered to near 2019 levels, the cost of regional aviation in Australia has affected the ability of international visitors to disperse into regional Australia.
- BITRE's best discount fares index increased 6 percentage points in the year to February 2026, indicating that the price of the cheapest available seats increased at twice the rate of inflation in the same period.

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Introduction

Tourism Australia (TA) welcomes the opportunity to provide a submission into the Productivity Commission inquiry into the determinants of regional airfares. TA is the national agency responsible for promoting Australia as an international destination for leisure and business events. Aviation is fundamental to this mission.

Tourism Australia's primary focus is attracting international visitors to choose Australia as a holiday or business events destination. Our campaigns are the most visible way that we do this. The second chapter of our global *Come and Say G'Day* campaign is rolling out across 16 markets that supports regional dispersal. Initial market research shows the campaign can affect traveller choice, with 83 per cent considering travel to Australia after seeing the campaign.

Beyond our campaigns, we work closely with stakeholders in the travel distribution chain, including airlines in Australia and overseas. Another essential part of our job is staying connected with the Australian tourism industry – across the year we've met with over 1,000 operators one-on-one and have engaged thousands more through our events.

Aviation Development

Our destination marketing strategy involves working with commercial partners that enable us to engage and convert target customers to book a trip to Australia. In 2024/25, Tourism Australia worked with 200 commercial partners, including 24 airlines across our 16 key international markets. These partners collaborated with us on both campaign activity and trade related events that aims to increase customer reach and conversion through joint marketing efforts.

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In addition to TA's partnership work with airlines, TA's aviation development function works with Australia's airports, airlines, and State and Territory Governments to support and develop sustainable new inbound air capacity. This strategy is focused on three functions:

1. Conducting analysis of international routes into Australia, sharing insights with industry to help them address capacity issues and opportunities with partners.
2. Prioritising potential new routes into Australia from key markets and working in a 'Team Australia' approach to support these with airline marketing partnerships.
3. Leveraging international aviation events where decision makers meet to discuss new aviation routes, including through our 'Team Australia' stands at trade shows including Routes and the Australian Tourism Exchange (ATE).

Through these activities, which recognise that aviation is essential to tourism growth, TA contributes to the competitiveness of Australia as a long-haul destination. TA's partnership programs with airlines and distribution partners do two things: they help underpin the commercial viability of routes to Australia, and they also support the promotion of the breadth and depth of Australia's tourism experiences.

The Importance of International Tourism to the Australian Economy

International tourism is a key segment of Australia's visitor economy, contributing billions annually and supporting hundreds of thousands of jobs across hospitality, transport, and regional communities. Australia's international visitor economy is economically significant, welcoming 8.9 million international visitors last year, a five-year high.¹ Total international trip spend exceeded \$53 billion (up 10 per cent) and combined international and domestic

¹ ABS, Overseas Arrivals and Departures, December 2025.

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overnight spend was over \$150 billion. This supports over 700,000 jobs and 360,000 businesses, many in regional areas.

The Importance of Regional Tourism

Regional tourism delivers significant economic, social and environmental benefits across the entire country.

A significant share of domestic and international visitor nights are spent in regional destinations, supporting local employment and infrastructure. In many regional communities, tourism employment sometimes comprises as many as six in ten jobs. Regional tourism is also a cultural and social asset as well as a vital economic imperative for balanced national growth.

Currently, 25 per cent of all international inbound visitors contribute to regional economies by staying at least one night outside of capital cities. The highest rates of regional dispersal are demonstrated by visitors from key long-haul markets: Germany (42 per cent), Italy (39 per cent), France (37 per cent), the UK (37 per cent), and Canada (36 per cent).²

Visitors to regional areas typically stay longer and spend more, creating multiplier effects for local economies. Forty-four cents of every tourism dollar is spent in regional areas directly injecting funds into local economies and creating opportunities that might not otherwise exist. This is particularly important for our Indigenous communities, many of which may have limited economic opportunities on country.

The Importance of Aviation to Regional Dispersal

Australia's vast geography makes aviation essential for connecting international visitors to

² Tourism Research Australia (TRA), International Visitor Summary (IVS), Year ended September 2025

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regional destinations. Affordable and reliable air services enable itineraries that include iconic regional experiences such as the Great Barrier Reef, the Kimberley, and the Red Centre.

When imagining a future holiday in Australia, 60 per cent of travellers said they would use internal flights to get around Australia. We know that Australia's aviation landscapes influence how international travellers book a holiday. According to our Consumer Demand Project Research, travellers say that cost/value for money, and convenience are the biggest influences when it comes to travel at a destination (CDP Feb 2025). Without strong aviation links, regional Australia is unable to take advantage of all economic benefits tourism has to offer.

Market conditions impacting airfares

Aviation pricing is impacted by a complex interplay of factors, however the fundamental drivers of price relate to levels of supply and demand, operational input costs including jet fuel prices, as well as the existence of competition in the market.

Market competition in Australia has affected airfares across Australia. Since the 1990 deregulation of the aviation sector, 12 airlines (mostly low-cost and regional carriers) have exited the Australia market. There is a strong link between the degree of competition and airfares, with increases in the number of airlines on a route resulting in significant reduction in airfares, a recent Treasury study noted that “...*increasing competition lowers price growth, and that even the mere threat of competition can lower airfares*”.³

³ Treasury (Australian Government), How competition impacts prices: The Australian aviation sector, 26 August 2024.

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While the latest headline indices show the trend in average revenue per passenger (ACCC airline data) and average real air fares (BITRE online advertised fare data) were at relatively subdued levels in 2025, averages often mask variability in airfares that consumers themselves see at the time of booking.

The relatively recent advent of dynamic pricing models also adjusts fares in real-time based on levels of demand and other data, which can surge airfares in periods of high demand.

Seasonally, 'regional' airfares appear to have been at elevated levels in recent history, as has the availability of the cheapest or 'best discount' airfares, which are important considerations for leisure travellers. BITRE's best discount fares index increased 6 percentage points in the year to February 2026, suggesting that the price of the cheapest available seats almost increased faster than inflation in the same period.

However, the BITRE data reveals the real cost of airfares has decreased over the past thirty years, likely due to growth in the sector, improvements in aircraft efficiency, larger numbers of passengers per flight, and gains from economies of scale.

Treasury's 2024 econometric analysis on detailed flight data found that the presence of an additional airline on a route reduces airfares by between 5 to 10 per cent and that *"the impact of increased competition is likely to be particularly strong for tourism and there are likely to be large spillover effects. ...Australians mostly travel for tourism or to visit family and friends and they spend more on each of accommodation, food, and retail than transport. More airline competition will flow on to these other sectors."*⁴ In addition, other micro-trends observed by TA using International Air Transport Association (IATA) data included spikes in

⁴ Treasury (Australian Government), How competition impacts prices: The Australian aviation sector, 26 August 2024.

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airfares during school holidays, public holidays, sporting and special events, as well as generally higher airfares for routes with limited frequencies or only one carrier.

Treasury's 2025 price elasticities report notes that *“routes serving major leisure destinations, such as Cairns (CNS), Coffs Harbour (CFS) and Hamilton Island (HTI), exhibit more elastic demand, suggesting that discretionary travel is particularly sensitive to price changes. Conversely, routes dominated by business travel, such as Sydney (SYD) to Canberra (CBR) for Qantas and routes between Australia's major business cities...show lower price sensitivity, reinforcing the expectation that business travellers have more inelastic demand.”*⁵

Other influencing factors can include route popularity, inflation, staff shortages, airport and aircraft shortages, seasonality, aircraft type, and booking classes.

Tourism Australia's remit

Tourism Australia works with partners globally to promote Australia but also encourage dispersal around Australia. Two Tourism Australia initiatives aim to assist consumers access lower airfares.

The first relates to air pass products that connect international flight itineraries with domestic flights. These air pass products are an important product to help visitors disperse across the country at a discounted rate. In 2025/26, TA partnered with Qantas on a joint campaign to promote their Explorer Pass in India, UK, USA, Canada, and Japan, where visitors can save up to 30 per cent off their domestic flights when purchased in conjunction with an international flight. TA will continue to explore opportunities with other carries to

⁵ Treasury (Australian Government), Asymmetries and habit formation in price elasticities in the Australian aviation sector, 12 November 2025

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encourage the uptick of air pass products with carries such as Qatar Airways, Virgin Australia, Singapore Airlines, and United Airlines.

The second relates to our successful Aussie Specialist Program (ASP). Tourism Australia's ASP is a global online training platform that assists international travel agents to sell Australia. The ASP has been running for over 30 years and has a total of 37,000 travel agents across the world. TA educates our agents via face to face and online communication channels on a variety of matters including airline campaigns, new routes and air passes. New aviation training materials are being developed and will provide an overview of aviation access into Australia as well as around Australia. These materials will be made region specific for agents based in Asia, UK/Europe and North America/New Zealand and are planned to be released in 2026.

Industry feedback

Through our industry engagement program in Australia, as well as our networks throughout the travel distribution system offshore, we receive feedback on how the dynamics of Australia's aviation sector affects the booking and travel behaviour of international visitors.

Generally speaking, while international aviation capacity into major gateways (Sydney, Melbourne, Brisbane, Perth) has largely recovered to near 2019 levels, the cost of regional aviation in Australia has affected the ability of international visitors to disperse into regional Australia.

Our partners report that it is often cheaper for an international visitor to fly from Sydney to New Zealand or Bali than to fly to a regional Australian destination like Broome, Uluru, or the Whitsundays. Other regional locations that are perceived to be expensive by the travel industry are Alice Springs, Broome, Canberra, Hobart, Uluru, Kangaroo Island, and Darwin. In

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some regions, demand from the resources sector competes with tourism for seats, pricing leisure travellers out of the market during peak seasons.

To ensure a destination is offered by travel agents or tour operators, our partners tell us that they need to have confidence about the reliability of air services, especially where whole itineraries are planned around a single flight on a specific day. Unreliable air services can lead our partners to opting out of selling particular regional destinations.

In terms of the business events segment, many large incentive and association groups avoid locations where there may be aviation capacity and pricing risks which can prevent big groups from getting seats on flights. Relatedly, business events groups often seek to secure seats a few years out, and Australian airlines can not commit to capacity and pricing that far in advance.

Conclusion

Reliable and affordable regional aviation is essential to ensure Australia and more specifically regional Australia remains competitive as a destination and that tourism benefits continue to flow to regional communities.

Tourism Australia welcomes the opportunity to contribute to this inquiry. Aviation is a vital enabler of tourism growth, regional development, and economic resilience.