WEST BY NORTH WEST
REGIONAL TOURISM | TASMANIA

Productivity Commission Inquiry into regional airfares

Submission: West by North West Regional Tourism Organisation

About West by North West

West by North West (WxNW) is one of four Regional Tourism Organisations in Tasmania. We are funded by the Tasmanian Government to support and advocate for the visitor economy at a regional level, working collaboratively with industry and all levels of government in delivering the State's 2030 Visitor Economy Strategy.

Our region spans Tasmania's West Coast, North West and King Island, encompassing nine local government areas: West Coast Council; Circular Head Council; King Island Council; Waratah-Wynyard Council; Burnie City Council; Central Coast Council; Devonport City Council; Latrobe Council; and Kentish Council.

WxNW's strategic focus includes industry advocacy, industry and marketing support and product development. Aviation connectivity directly underpins all four pillars.

Executive Summary

This submission is made on behalf of West by North West Regional Tourism, representing the visitor economy and tourism operators of West and North West Tasmania and King Island.

The North West region is served by three small regional airports: Burnie (BWT), Devonport (DPO) and King Island (KNG), each of which plays a critical role in enabling economic participation, workforce mobility and visitor access. These airports serve distinct and non-overlapping catchments across a geographically dispersed region.

The aviation challenges across WXNW tourism region are not uniform. King Island faces route fragility and limited carrier competition; Burnie faces frequency volatility, project-based worker hyper-demand and gateway awareness gaps; and Devonport faces underutilisation and perception barriers, or gateway bias, that presupposes the only entry point to the North, is Launceston.

Regional airports are burdened by a *'regional tax'* in the form of a structural cost inequity where fixed regulatory and operational expenses must be recovered from a much smaller passenger base. This lack of throughput results in airfares and operating costs over 200% higher than those in Launceston and Hobart. This creates a self-perpetuating cycle where increased fare costs deter the very passenger and visitor volumes needed to achieve long-term sustainability for our regional gateways.

Aviation connectivity is the lifeblood of our regional economy. For King Island specifically, air travel serves as an essential, critical link equivalent to the National Highway. Looking ahead, our region is poised for significant growth with an enormous pipeline of energy and mining projects. It is essential that we fortify our regional airports through careful policy and operational reviews to ensure that projected FIFO requirements do not displace residents nor visitors from equitable access to these important regional gateways.

This submission addresses the Committee's Terms of Reference in relation to:
- costs, fees, levies and charges embedded in airfares
- disparities between metropolitan and regional airports
- recovery of federally mandated regulatory and security costs
- competitiveness and service reliability in regional markets
- policy settings that either enable or constrain regional access

1. Northwest Tasmania is structurally disadvantaged

Tasmania is an island state with no road access to or from the mainland. Within our region, Burnie, Devonport and King Island airports operate in low-volume markets with high fixed infrastructure costs and the same regulatory and compliance obligations as metropolitan airports. They simply do not have the economies of scale to dilute those costs.

The cost of these structural realities is applied to regional ticket sales in the form of levies and fees, translating into higher per passenger costs; reducing price competitiveness compared with larger metropolitan gateways. This is not due to inefficiency. It is simply a function of scale.

Routes that were commercially viable prior to COVID-19 are now operating in an environment of significantly increased labour, maintenance and parts costs, particularly for older regional aircraft fleets. These cost pressures hit low-volume markets hardest.

2. Price disparity undermines regional development

While Launceston Airport processed a record 1.46 million passengers in 2025, our three regional airports combined (BWT, DPO, KNG) served a geographically vast and economically critical area with approximately 300,000 passenger movements[1]. This near 5-to-1 disparity reflects structural price settings rather than demand.

Airfares to and from North West Tasmania are materially higher than comparable routes from Launceston. Current market analysis (March-Sep 2026)[2] shows fares from Melbourne

[1] Bureau of Infrastructure and Transport Research Economics (BITRE) Domestic Aviation Activity Annual Publication 2024-25, the West and North West regional airport network.
[2] As at 25 Feb 2026: Price check online for comparative dates and gateways across 6 months

to Launceston sit an on average of $105, By comparison, average fares to Devonport are $231, Burnie $240 and King Island $223, more than double the Launceston fare (see appendix 1).

This '*Regional Tax'* forces residents to drive to Launceston to access cheaper fares, suppressing passenger numbers at our regional airports and weakening the commercial case for passenger seat growth. The impact is circular: higher fares reduce demand, which limits frequency and attractiveness; encouraging leakage to larger gateways.

From a tourism perspective, this undermines visitor dispersal. It concentrates visitor flows in the larger centres of Launceston and Hobart and weakens North West Tasmania's competitiveness as a direct destination. Indeed, this is evidenced with the process of searching for "flights to Tasmania" using the Google search engine. We are presented with a long list of flight deals available to Launceston and Hobart.

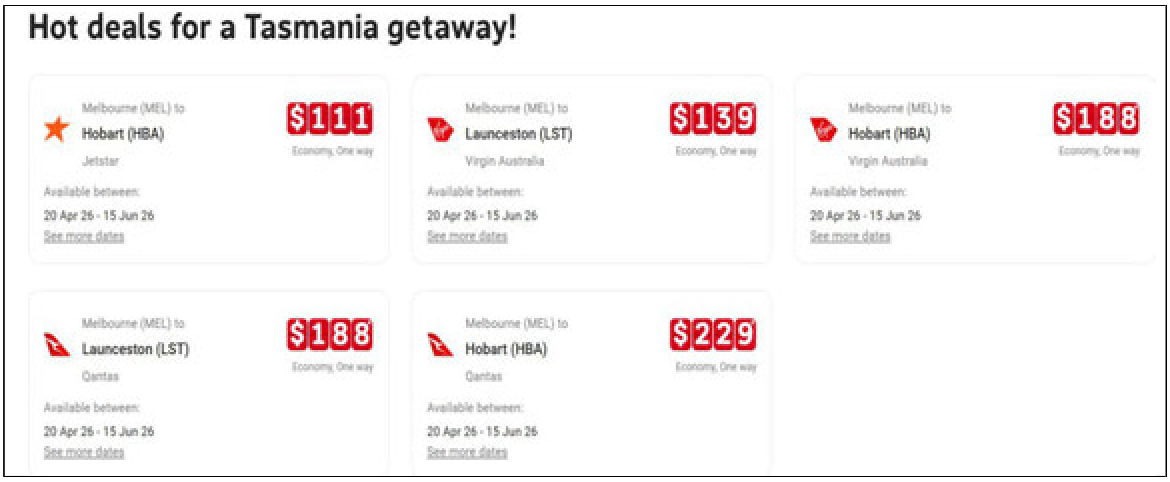

Figure: 1 : Shows a detail from a search conducted on Google search engine 24/2/2026 20.20: Search Term, Flights to Tasmania. This suggests search engine algorithms inherently favour high-volume, heavily discounted routes, creating a self-fulfilling feedback loop where our regional airports are rendered digitally invisible to the national consumer.

Regional dispersal is a national and state objective for our 2030 Visitor Economy Strategy. Our efforts to achieve our regional dispersal targets will be hampered while aviation pricing structures continue to funnel visitors into larger gateways with cheaper flights.

3. Disproportionate costs in regional Australia

Federally mandated safety, security and regulatory obligations are essential and non-negotiable. However, when these costs are recovered primarily on a per-passenger basis at small regional airports, the burden falls disproportionately on travellers from low-volume markets. A passenger departing a small regional airport carries a greater share of fixed regulatory costs than a passenger departing a high-volume metropolitan airport.

For island communities such as King Island, the consequences extend beyond tourism. Residents need to access health services off-island; workforce participation is hampered; family connectivity is stretched and businesses struggle economically.

Aviation in these contexts functions as essential public infrastructure and funding and cost-recovery policies should reflect that.

4. Market awareness issue

Devonport and Burnie operate with a fundamental awareness gap. Many interstate travellers and travel agents do not realise they can fly directly into Tasmania's North West. Even when their itinerary includes Cradle Mountain or the West Coast, they default to Launceston or Hobart.

We are currently brokering a modest $100,000 joint marketing initiative with the airports, Qantas and Tourism Tasmania. This may help increase awareness, but it will not overcome structural pricing disadvantage or limited frequency.

5. King Island 'thin market' vulnerability

The King Island–Melbourne route is commercially fragile and subject to outright market failure. In the current cost environment, it does not stand on its own without support, facing a deficit of approximately $803,000 per annum, with forward projections exceeding $1.02 million by 2028-29.[1] These costs are driven by mandatory CASA compliance, safety obligations, remote-area operating costs and the limited scale of a small rating base. This level of fiscal burden is impossible for the island's approximately 1,600 residents to fund.

There is limited evidence of new entrant interest in servicing these thin markets. High compliance costs, small passenger bases, fleet constraints and limited freight backhaul make entry to the market for a new carrier unattractive.

Seasonal charter operations further complicate the competitive environment through 'cream skimming' high value seasonal visitors. On King Island in particular, peak season charter services target high value leisure segments such as golf travelers. These operators are not subject to the same full year service obligations as regular public transport operators. This creates seasonal demand distortion, where peak revenue is cannibalised across several charter operators, leaving the year-round community and connectivity obligations with the scheduled carrier.

The King Island-Melbourne route is at risk of being serviced by only one carrier exposing communities to potential price volatility, reduced frequency, schedule changes and, ultimately, the risk of full withdrawal.

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[1] King Island Council- Annual Plan Budget 2025-26

The tourism industry is particularly vulnerable to service contraction. Direct access from Melbourne is a critical demand driver for King Island's visitor economy. The sectoral output for tourism on King Island is estimated to be $22-$28m[2]. The visitor economy as at 2021 employed 6.26% of people in King Island.[3] The island is experiencing unprecedented investment in high yield golfing markets, due to the growing awareness of the world class golfing experiences available on the island. Most notably, King Island has Australia's premier course, Cape Wickham. There is a $35M development underway developing the Ocean Dunes course, including increased accommodation both in size and quality. Direct access to Melbourne flights for these investors is critical to support project delivery, and ongoing operations. The loss of the direct Melbourne to King Island route would have disproportionate economic consequences relative to passenger numbers alone.

Without policy settings, that recognise the structural fragility of these markets, service withdrawals will continue to undermine regional dispersal objectives, eroding tourism developer and investment confidence.

6. Service frequency and reliability matter as much as price

Competitiveness is not determined by fare alone. Frequency, schedule alignment and reliability are critical for business travel, conference and event attraction, major project workforce movement and high-yield leisure visitation.

Where services are reduced in frequency, even if total seat capacity remains similar, destination attractiveness declines. Fewer options mean less flexibility and increased risk for leisure visitors, business travelers and operators alike.

The West and North West regions are entering a period of major economic activity, including significant renewable energy investment and mining developments that will require significant workforce mobility. The designation of the North West Coast of Tasmania as a Regional Economic Zone (REZ) as part of the Federal and State government's focus on renewable energy transition targets, highlights an inevitable capacity squeeze within the BWT and DPO airports specifically with significant FIFO workforce volumes expected over the next two years as projects ramp up. This capacity squeeze will directly impact the visitor economy, as supply and demand limit availability of affordable tickets for the leisure traveler.

Inadequate regional aviation capacity is therefore a direct productivity bottleneck to the national energy transition and will likely completely displace the regional leisure visitor through these gateways. Aviation operations must enable growth, not constrain it.

[2] King Island Council (2025). King Island Airport, Business Case – Community Service Obligation.
[3] REMPLAN community profile (2026, February 24): King Island Demographic and Community Insights | Industries, Work | REMPLAN.

7. Short-term programs do not solve structural issues

Competitive route attraction funds and short-term grants have value, however, they do not address the underlying structural imbalance between metropolitan and regional cost environments.

Long-term reform should consider:

- More equitable recovery of Federally mandated security and regulatory costs to ensure costs at regional airports do not exceed metropolitan averages. Security is a national issue; it should therefore be considered as a national cost recovery not regional. The current ‘user pays’ system creates enormous disadvantage and inequity for regional communities.

- Investigation into an ‘Essential Service’ regulatory framework for carriers on vulnerable island routes from seasonal charter 'cream-skimming'. Similar processes have been undertaken in protecting vulnerable intrastate routes in Queensland (fare capping) and WA (zone capping). We are asking that a similar interstate fare regulation (Melbourne to KI) model be explored.

- Treat aviation access in isolated regions such as islands, as essential public infrastructure with equivalent federal funding mechanisms to the National Highway network.

- Proactive policy mechanisms to protect tourism seat capacity on regional routes facing sudden ‘hyper-demand’ from FIFO renewable and mining infrastructure projects.

- Greater transparency in airfare cost components requiring airlines to publish the exact breakdown of taxes, airport charges, and base fares to allow for the monitoring of monopolistic pricing on thin routes.

Without structural reform, regional communities and regional visitors remain vulnerable to service reductions and ongoing price disparity.

Conclusion

Our region's visitor economy, tourism industry jobs and broader regional prosperity, depend on reliable and reasonably priced aviation services.

Current cost settings contribute to persistent disparities between metropolitan and regional gateways effectively creating a *'regional tax'* on the West and North West communities in Tasmania. These disparities suppress demand, limit growth and undermine our visitor economy strategies for growth focused on regional dispersal.

Equitable aviation access is not simply a transport issue. For regions like ours, it underpins economic participation, community resilience, development and our long-term prosperity.

We encourage exploration of both novel and tested reform that recognises the structural realities of regional and island aviation markets and provides long-term certainty for the communities and visitors that depend on them.

Submitted by:

Chair WXNW Regional Tourism

West by North West Regional Tourism

Appendix 1

Analysis of fares by all carriers across a set of six random dates and days during March – September 2026.

Fares - one way departing Fri 13 Mar 2026						
Route	QANTAS	Jetstar	Virgin	Sharp	REX	AVE
MEL-LST	$ 165	$ 127	$ 86	n/a	$ 125	$ 126
MEL-DEV	$ 284	n/a	n/a	n/a	$ 224	$ 254
MEL-BWT	$ 384	n/a	n/a	n/a	$ 224	$ 304
MEL-KNS	n/a	n/a	n/a	$ 271	$ 263	$ 267

Fares - one way departing Thu 9 Apr 2026						
	QANTAS	Jetstar	Virgin	Sharp	REX	AVE
MEL-LST	$ 165	$ 72	$ 86	n/a	$ 114	$ 109
MEL-DEV	$ 215	n/a	n/a	n/a	$ 224	$ 220
MEL-BWT	$ 215	n/a	n/a	n/a	$ 224	$ 220
MEL-KNS	n/a	n/a	n/a	$ 220	$ 223	$ 222

Fares - one way departing Tue 16 Jun 2026						
	QANTAS	Jetstar	Virgin	Sharp	REX	AVE
MEL-LST	$ 165	$ 55	$ 70	n/a	$ 90	$ 95
MEL-DEV	$ 284	n/a	n/a	n/a	$ 223	$ 254
MEL-BWT	$ 295	n/a	n/a	n/a	$ 223	$ 259
MEL-KNS	n/a	n/a	n/a	n/a	$ 213	$ 213

Fares - one way departing Wed 22 Jul 2026						
	QANTAS	Jetstar	Virgin	Sharp	REX	AVE
MEL-LST	$ 166	$ 55	$ 70	n/a	$ 125	$ 104
MEL-DEV	$ 215	n/a	n/a	n/a	$ 223	$ 219
MEL-BWT	$ 215	n/a	n/a	n/a	$ 223	$ 219
MEL-KNS	n/a	n/a	n/a	n/a	$ 213	$ 213

Fares - one way departing Sat 15 Aug 2026						
	QANTAS	Jetstar	Virgin	Sharp	REX	AVE
MEL-LST	$ 166	$ 45	$ 70	n/a	$ 90	$ 93
MEL-DEV	$ 215	n/a	n/a	n/a	$ 223	$ 219
MEL-BWT	$ 215	n/a	n/a	n/a	$ 223	$ 219
MEL-KNS	n/a	n/a	n/a	n/a	$ 213	$ 213

Fares - one way departing Mon 14 Sep 2026						
	QANTAS	Jetstar	Virgin	Sharp	REX	AVE
MEL-LST	$ 166	$ 45	$ 70	n/a	$ 125	$ 102
MEL-DEV	$ 215	n/a	n/a	n/a	$ 223	$ 219
MEL-BWT	$ 215	n/a	n/a	n/a	$ 223	$ 219
MEL-KNS	n/a	n/a	n/a	n/a	$ 213	$ 213

Average fare price across all 6 departure dates

MEL-LST	$105
MEL-DEV	$231
MEL-BWT	$240
MEL-KNS	$223