

**LAUNCESTON**  
AIRPORT

# **Submission to the Productivity Commission Inquiry**

## **Determinants of Regional Airfares**

**Launceston Airport**

Submitted by

**Australia Pacific Airports (Launceston) Pty Ltd**

March 2026

# Table of Contents

<b>Chapter 1: Executive Summary</b> .....	<b>6</b>
<b>Chapter 2: Launceston Airport Profile and Regional Context</b> .....	<b>9</b>
2.1 Airport Overview .....	9
2.2 Passenger Traffic.....	10
2.3 Airline Network.....	11
2.4 Catchment Area and Regional Context.....	11
2.5 Freight and Other Aviation Services.....	12
2.6 Economic Contribution.....	13
2.7 Aviation Infrastructure Investment.....	13
<b>Chapter 3: The Critical Importance of Air Connectivity to Northern Tasmania</b> .....	<b>15</b>
3.1 Introduction .....	15
3.2 Economic Contribution to Tasmania.....	16
3.3 Who Uses Launceston Airport and Why .....	17
3.4 Essential Versus Discretionary Travel.....	19
3.5 Limited Transport Alternatives.....	21
3.6 Freight and Non-Passenger Aviation Services.....	21
3.7 Implications for the Commission’s Analysis .....	22
<b>Chapter 4: Understanding Passenger Demand and Fare Dynamics</b> .....	<b>24</b>
4.1 Introduction .....	24
4.2 Passenger Volume Trends .....	25
4.3 Recent Monthly Passenger Trends .....	26
4.4 Current Airline Network and Service Levels.....	27
4.5 Recent Market Dynamics.....	28
4.6 Key Demand Drivers.....	30
4.7 Fare Dynamics and the Role of Travel Subsidies .....	31
4.8 Current and Emerging Demand Risks.....	32
4.9 Implications for the Commission’s Inquiry .....	32
<b>Chapter 5: The Economics of Regional Airport Operations</b> .....	<b>34</b>
5.1 Introduction .....	34
5.2 Cost Structure and Scale Challenges .....	35
5.3 Airport Fees in Context.....	38
5.4 Aviation Capital Investment .....	41
5.5 The Regulatory Framework and Regional Airports .....	42
5.6 Government Support and Investment .....	43
5.7 Implications for the Commission’s Inquiry .....	44
<b>Chapter 6: Competition and Market Structure</b> .....	<b>45</b>
6.1 Current Competitive Landscape .....	46
6.2 Airport Infrastructure and Capacity.....	46
6.3 Barriers to Entry and Expansion.....	47
6.4 Recent Market Dynamics.....	50
6.5 The Role of Freight and Non-Passenger Services.....	52
6.6 Implications for the Commission’s Inquiry .....	52
<b>Chapter 7: Government Policy and Regulatory Settings</b> .....	<b>54</b>
7.1 Federal Government Support.....	54

7.2 State and Government Support.....	56
7.3 Tasmanian Travel Subsidy Schemes.....	56
7.4 Airservices Australia: Pricing and Cost Recovery.....	57
7.5 Security and Regulatory Compliance Costs.....	60
7.6 Policy Assessment: What Works and What Could Be Improved.....	62
7.7 Implications for the Commission’s Inquiry.....	63
<b>Chapter 8: Policy Recommendations.....</b>	<b>64</b>
8.1 A National Regional Aviation Infrastructure Strategy.....	65
8.2 Permanent and Predictable Infrastructure Funding.....	65
8.3 A Mid-Sized Airport Program.....	66
8.4 Dedicated Security Compliance Funding.....	66
8.5 Reform of Airservices Australia Pricing.....	67
8.6 Reallocation of Passenger Movement Charge Revenue.....	68
8.7 Route Attraction and Competition Support.....	68
8.8 Proportionate Regulation for Regional Airports.....	69
<b>Chapter 9: Conclusion.....</b>	<b>71</b>

## Abbreviations and Acronyms

Abbreviation	Full Term
AAF	Aviation Attraction Fund
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
AMC	Australian Maritime College
APAL	Australia Pacific Airports (Launceston) Pty Ltd
APAC	Australia Pacific Airports Corporation Limited
ARFF	Aviation Rescue and Fire Fighting
BHS	Baggage Handling System
BITRE	Bureau of Infrastructure and Transport Research Economics
BNE	Brisbane Airport
BWT	Burnie/Wynyard Airport
CASA	Civil Aviation Safety Authority
CCTV	Closed-Circuit Television
DDA	Disability Discrimination Act
DPO	Devonport Airport
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPBC Act	Environment Protection and Biodiversity Conservation Act 1999
EWIS	Emergency Warning and Intercommunication System
FTE	Full-Time Equivalent
FY	Financial Year
GA	General Aviation
GRP	Gross Regional Product
GSP	Gross State Product
HBA	Hobart Airport
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICT	Information and Communications Technology
LGA	Local Government Area
LGH	Launceston General Hospital
LST	Launceston Airport
MEL	Melbourne Airport
MTOW	Maximum Take-Off Weight
NE	North-East (Tasmania)
NW	North-West (Tasmania)
OLS	Obstacle Limitation Surface
PAX	Passengers
PFAS	Per- and Polyfluoroalkyl Substances

<b>Abbreviation</b>	<b>Full Term</b>
<b>PMC</b>	Passenger Movement Charge
<b>PTAS</b>	Patient Travel Assistance Scheme
<b>RAP</b>	Regional Airports Program
<b>RASS</b>	Remote Air Service Subsidy
<b>RFDS</b>	Royal Flying Doctor Service
<b>RISE</b>	Regional Industrial Structure and Employment (input-output model)
<b>RPT</b>	Regular Public Transport
<b>SE</b>	South-East (Tasmania)
<b>SYD</b>	Sydney Airport
<b>TGE</b>	Team Global Express
<b>TN</b>	Terminal Navigation
<b>TVS</b>	Tasmanian Visitor Survey
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>UTAS</b>	University of Tasmania
<b>VFR</b>	Visiting Friends and Relatives

## CHAPTER 1

# Chapter 1: Executive Summary

---

Launceston Airport welcomes the opportunity to contribute to the Productivity Commission's inquiry into the determinants of regional airfares. As the primary aviation gateway for northern Tasmania, the airport provides a distinctive perspective on the challenges and opportunities facing regional aviation in Australia.

This submission draws on the airport's operational experience serving 1.435 million passengers in FY25, its role enabling \$81.7 million in Gross State Product and 678 jobs across Tasmania<sup>1</sup>, and its direct engagement with the airlines, governments and communities that depend on reliable air connectivity. The evidence presented in this submission addresses each of the Commission's six information requests and offers practical, evidence-based recommendations for reform.

### **The core proposition**

Regional airports are essential infrastructure facing structural economic challenges that are fundamentally different from those of major metropolitan airports. These challenges produce higher per-passenger costs that flow through to airfares, and they cannot be resolved through operational efficiency alone.

Three realities define the economics of regional airport operations:

#### **Scale disadvantages are structural, not operational**

Launceston Airport serves 1.4 million passengers annually. Melbourne Airport serves approximately 37 million. Safety and regulatory compliance obligations apply largely irrespective of passenger volumes. The same screening infrastructure, aerodrome standards, environmental management requirements and emergency planning must be maintained at both airports, but at Launceston those costs are spread across a passenger base roughly one twenty-sixth the size. The result is structurally higher per-passenger costs that no amount of efficiency can overcome.

#### **Airport charges are not the primary driver of regional airfares**

Independent analysis by InterVISTAS shows that airport charges account for only 7.6 per cent of the total cost of a domestic airfare. The airline base fare, reflecting operating costs, profit margins and commercial decisions, comprises 81.2 per cent. Government taxes and fees make up 8.9 per cent. A 10 per cent reduction in airport charges would translate to less than one per cent off the ticket price. Policy interventions focused on the smallest component of the fare will have limited impact on affordability.

#### **Government support is essential and delivers public benefit**

Between FY20 and FY24, Launceston Airport received \$8.07 million in federal and state government grants for capital projects. These programs have funded safety-critical infrastructure, maintained operations during the pandemic and reduced the cost burden that would otherwise have flowed through to passengers. The airport's utilisation of government support reflects market realities, not inefficiency.

---

<sup>1</sup> BDO EconSearch, Launceston Airport Economic Analysis, December 2023.

## Evidence highlights

### Connectivity and economic contribution (Chapters 2 and 3)

Launceston Airport serves a catchment of approximately 267,000 people across northern Tasmania, for whom it is the largest gateway to mainland Australia. The airport's passenger base is almost equally divided between inbound visitors (50.1 per cent) and outbound Tasmanian residents (49.9 per cent), reflecting its dual role as both a tourism gateway and an essential departure point for residents. Independent economic analysis by BDO EconSearch quantifies the airport's total contribution at \$81.7 million to Tasmania's GSP and 678 jobs, with tourists arriving through the airport contributing \$1.3 billion to the state's economy.

### Demand and recovery (Chapter 4)

Passenger volumes have recovered from a COVID-19 low of 541,914 in FY21 to a record 1,435,094 in FY25, exceeding the pre-pandemic baseline (FY19: 1,390,909) by 3.2 per cent. January 2026 set a new all-time monthly record of 160,791 passengers. Three airline groups currently serve five mainland routes, with Melbourne accounting for approximately 61 per cent of passengers. Average load factors of 86.3 per cent indicate that existing capacity is being efficiently utilised. A fifth airline is due to commence operations to Canberra in May 2026.

### Cost structure and financial performance (Chapter 5)

Regional airports face structural scale disadvantages that produce higher per-passenger costs than major metropolitan airports, with safety and regulatory compliance obligations applying largely irrespective of passenger volumes. Operating costs have grown significantly since the COVID-affected FY21, driven by recovery in activity and by compliance obligations that do not scale with throughput. Security costs, determined by Commonwealth regulatory requirements, have increased by more than 300 per cent over the period. The airport invested \$25.98 million in major aviation capital projects between FY21 and FY25, and forecasts capital requirements exceeding \$150 million over the next decade.

### Competition and market structure (Chapter 6)

Infrastructure is not a material barrier to competition at Launceston Airport under current conditions. The airport has not, to our knowledge, denied access to any airline seeking to operate within the airport's operational and safety parameters. The constraints on competition are primarily economic: a year-round narrow-body jet route requires approximately 50,000 passengers per annum to be viable. From May 2026, Link Airways will commence year-round services to Canberra, becoming the fifth carrier at the airport. The service was partially enabled by the Tasmanian Government's Aviation Attraction Fund, demonstrating that targeted government support can convert latent demand into actual connectivity.

### Government policy and regulatory settings (Chapter 7)

Federal and state capital grants have been demonstrably effective at Launceston Airport, co-funding \$8.07 million in safety and capacity infrastructure between FY20 and FY24. However, these grants were secured through ad hoc applications rather than an established program, and airports of Launceston's scale face a funding gap between programs designed for smaller regional airports and the self-sufficiency of major metropolitan airports. Airservices Australia's location-specific pricing imposes Terminal Navigation charges at Launceston that are 2.35 times higher than Melbourne's, and ARFF charges that increased significantly in a single year following the transition to full cost recovery. These charges flow directly through to airline costs and passenger fares. The current differentiated regulatory framework for airport pricing, which affords

regional airports flexibility in how charges are set, is well suited to regional operations and should be preserved.

### **Policy recommendations (Chapter 8)**

Launceston Airport's eight recommendations address the cost drivers that produce higher regional airfares, the infrastructure investment required to maintain safe airports, the regulatory settings that impose disproportionate costs on thin markets, and the competitive dynamics that limit the availability of services:

1. A National Regional Aviation Infrastructure Strategy aligned with the Aviation White Paper<sup>2</sup>.
2. Permanent, predictable funding for the Regional Airports Program, with tiered co-contribution requirements.
3. A Mid-Sized Airport Program for airports that have outgrown regional programs.
4. Dedicated Commonwealth support for security compliance costs.
5. Reform of Airservices Australia's location-specific pricing model.
6. Reallocation of a portion of Passenger Movement Charge revenue to regional aviation.
7. Targeted route attraction programs, building on the Aviation Attraction Fund model.
8. Proportionate regulation for regional airports.

These recommendations are practical, recognise fiscal constraints and are drawn directly from the evidence presented in this submission. Taken together, they would materially improve the policy settings for regional aviation and support the Commission's objective of making fares more affordable and access more equitable for regional Australians.

---

<sup>2</sup> Australia Government, Aviation White Paper: Towards 2050, August 2024.

## CHAPTER 2

## Chapter 2: Launceston Airport Profile and Regional Context

### Key Points

- Launceston Airport (LST) is Tasmania's second-busiest airport and the primary aviation gateway for northern Tasmania, handling a record 1.435 million passengers in FY25.
- Three domestic airline groups connect northern Tasmania to five mainland cities, with Melbourne accounting for approximately 61 per cent of passengers. The airport serves a catchment of approximately 267,000 people across north-east and north-west Tasmania.
- Passenger volumes have recovered from a COVID-19 low of 541,914 in FY21 to surpass the pre-pandemic baseline (FY19: 1,390,909) by 3.2 per cent. January 2026 set a new all-time monthly record of 160,791 passengers.
- The airport contributes \$81.7 million to Tasmania's Gross State Product and supports 678 jobs (Chapter 3). Major project capital expenditure totalled \$25.98 million over FY21 to FY25 (Chapter 5).

### 2.1 Airport Overview

Launceston Airport (IATA: LST) is located 15 kilometres south of Launceston in the municipality of Northern Midlands, Tasmania. Established in approximately 1931, the airport celebrated its 95th anniversary in FY26 and remains one of Australia's oldest passenger airfields. It serves as the primary aviation gateway for northern Tasmania, handling commercial passenger services, dedicated air freight, general aviation, and emergency services including the Royal Flying Doctor Service (RFDS).

The airport is owned and operated by Australia Pacific Airports (Launceston) Pty Ltd (APAL), a subsidiary of Australia Pacific Airports Corporation Limited (APAC), which also operates Melbourne Airport. While this corporate structure provides access to operational expertise and management capability, Launceston Airport operates within a fundamentally different commercial environment to its parent's major metropolitan facility. The scale economics and thin market challenges that characterise regional aviation across Australia are evident at Launceston, and these structural challenges are examined in detail in Chapter 5.

The airport's vision is to be "Australia's favourite regional airport." That ambition reflects both a commitment to service quality and a recognition that regional airports must compete for passenger loyalty and airline partnerships in an environment where connectivity is essential but commercially challenging.

#### Operational snapshot

The airport site occupies 180 hectares and features a single runway with a full-length parallel taxiway. Airside facilities include six domestic aircraft stands, three dedicated freight stands, and 15 general aviation stands. The three-storey terminal complex incorporates four dedicated boarding gates, while a separate terminal houses Sharp Airlines' maintenance facilities, national

reservations centre and departure lounge. Table 2.1 summarises the airport's key operational characteristics.

**Table 2.1: Launceston Airport, Operational Snapshot (FY25)**

Characteristic	Detail
IATA / ICAO Code	LST / YMLT
Location	Evandale, 15 km south of Launceston CBD
Site area	180 hectares
Runway configuration	Single runway with full-length parallel taxiway
Aircraft stands	6 domestic, 3 freight, 15 general aviation
Terminal	Three-storey, 4 boarding gates; separate Sharp Airlines terminal
Owner / Operator	Australia Pacific Airports (Launceston) Pty Ltd
Total passengers (FY25)	1,435,094
Aircraft movements (FY25)	19,446 (12,386 RPT; 7,060 GA/freight/charter)
Average load factor (FY25)	86.3%
Employees	48 airport staff; ~400 on-airport tenant employees
Catchment population	~267,000 (NE Tas: 151,000; NW Tas: 116,000)

Source: APAC Annual Report FY25; APAL operational and financial data.

## 2.2 Passenger Traffic

In financial year 2025, Launceston Airport recorded 1,435,094 passengers, a 0.78 per cent increase on FY24 and the busiest year in the airport's history. This surpasses the last full year pre-COVID (FY19) figure of 1,390,909 by 3.18 per cent, confirming that underlying demand for air services to and from northern Tasmania has not only recovered but grown modestly beyond pre-pandemic levels.

The pandemic's impact on Launceston was severe, with Tasmania's extended border closure driving volumes down to 541,914 in FY21. Recovery was progressive through FY22 and FY23 before volumes effectively reached pre-pandemic levels in FY24. Chapter 4 presents the full recovery trajectory, including seven-year route-level data and an analysis of the impact of the pandemic and its lasting effects on regional aviation market structure as relevant to Launceston.

Melbourne is the primary route, consistently accounting for approximately 61 per cent of total passengers (871,537 in FY25). Sydney contributes around 24 per cent and Brisbane 11 per cent, with seasonal Adelaide and Perth services and regional routes making up the remainder. The full route-level breakdown and monthly data are presented in Chapter 4.

Several milestones in FY25 and the first half of FY26 illustrate the strength of underlying demand. January 2026 set a new all-time monthly record of 160,791 passengers, surpassing the previous record of 159,032 set in January 2025. On 2 January 2025 the airport handled 6,114 travellers, the first day it exceeded 6,000 passengers. This was bettered on 23 January 2026, when 6,868 travellers came through the airport. Winter records were set in both May and June FY25, underpinned by Tourism Tasmania's Off Season and Come Down for Air campaigns.

Total aircraft movements were 19,446 in FY25, comprising 12,386 regular passenger transport (RPT) movements and 7,060 general aviation, freight and charter movements. The decline in

RPT movements from 13,720 in FY24 reflects the industry-wide transition to larger-gauge aircraft, including the introduction of the QantasLink Airbus A220 and the replacement of the Dash-8-300 with the higher-capacity Dash-8-Q400, as well as the loss of Bonza services. The relationship between fewer but larger aircraft, rising load factors and the implications for capacity constraints is examined in Chapter 4.

## 2.3 Airline Network

Launceston Airport supports three domestic airline groups providing RPT services to mainland destinations: the Qantas Group (Qantas, QantasLink and Jetstar), Virgin Australia, and Sharp Airlines. Airlines of Tasmania operates Remote Air Service Subsidy (RASS) services to Cape Barren Island. The full route-by-route network table, including carrier assignments, weekly frequency ranges and seat capacity data, is presented in Chapter 4.

The airport connects northern Tasmania to five mainland cities. Melbourne, Sydney and Brisbane are served year-round by multiple carriers, providing passengers with scheduling choice and fare competition on each corridor. Virgin Australia operates seasonal services to Adelaide (October to April) and Perth (October to March). Sharp Airlines provides vital intra-state services between the Bass Strait islands and northern Tasmania, connecting Flinders Island and King Island communities to essential services on the Tasmanian mainland.

Launceston airport has also recently secured Tasmanian Government Aviation Attraction Funds to support the introduction of a new Launceston-Canberra service from 6 May 2026, operated by Link Airways.

The airport has secured multi-year commercial agreements with its major airline partners. These agreements provide a stable foundation for continued service development and infrastructure investment planning. Chapter 4 sets out the full timeline of recent airline market events.

### Recent market dynamics

The Launceston market has not been immune to the instability affecting Australian regional aviation. Bonza commenced Gold Coast services in November 2023 and a Sunshine Coast route in late March 2024, before the airline's collapse in May 2024 ended these services. The entry and rapid exit reflected airline-level factors examined in Chapter 6, though the experience also illustrates the broader fragility of new services in regional aviation.

In response to market dynamics, the Tasmanian State Government announced the establishment of a \$5 million Aviation Attraction Fund in January 2025, following advocacy by the airport. The fund allocated \$2 million for domestic services and \$3 million for international and is designed to enable Tasmanian airports to respond when opportunities for new services and airline partnerships arise. As of March 2026, the fund website was updated to advise that the domestic component of the AAF has been exhausted.

## 2.4 Catchment Area and Regional Context

Launceston Airport's primary catchment encompasses north-east Tasmania (population approximately 151,000) and north-west Tasmania (approximately 116,000), a combined population of approximately 267,000 people. Most of Tasmania's key tourism destinations are within a 2.5-hour drive of the airport, including Cradle Mountain, the Tamar Valley, the Bay of Fires and Freycinet. Launceston is one of only two Australian cities recognised as a UNESCO City of Gastronomy.

## Tasmania's aviation market

Tasmania's mainland aviation network comprises four airports: Hobart and Launceston serve as the primary gateways for the southern and northern halves of the state respectively, while smaller facilities at Devonport and Burnie/Wynyard provide additional regional connectivity. In 2024-25, Devonport handled 135,732 passengers and Burnie/Wynyard 75,657, compared with 1.435 million through Launceston and approximately 2.8 million through Hobart<sup>3</sup>. The two smaller airports play a useful role for their immediate catchments but operate at a scale that limits route options and frequency. Within a state population of approximately 571,000, the result is a passenger base divided across four airports, with Hobart and Launceston carrying the overwhelming majority of traffic. This structure constrains frequency, aircraft gauge and the commercial viability of new routes at each of the two primary airports, and makes viable operations at the two smaller facilities even more challenging.

## Island geography and transport alternatives

Tasmania's island geography and the Bass Strait crossing make aviation essential rather than discretionary for interstate connectivity. Northern Tasmanians seeking to travel to the mainland face limited alternatives: Hobart Airport is an approximately 2 hour and 20 minute drive, and the Spirit of Tasmania ferry involves a multi-hour sea crossing that makes same-day return travel impractical. Chapter 3 examines the implications of this isolation in detail, including the social, medical and economic consequences when air connectivity is constrained.

## Passenger profile

Tourism Tasmania's Tasmanian Visitor Survey (TVS) 2025 reveals that LST serves an almost exactly equal split between visitors arriving in Tasmania (50 per cent of passengers) and Tasmanians departing the state (50 per cent). This balanced profile has direct implications for how fare changes affect demand, explored in detail in Chapter 3 (passenger profile analysis) and Chapter 4 (demand elasticity).

## Economic drivers

Northern Tasmania's economy spans health care and social assistance (anchored by Launceston General Hospital, the region's largest employer), education and training (University of Tasmania, Australian Maritime College), construction, agriculture and forestry, and advanced manufacturing. These sectors generate demand for both inbound business travel and outbound travel by Tasmanians accessing mainland services. The detailed sector analysis is presented in Chapter 3.

## 2.5 Freight and Other Aviation Services

Air freight is a critical function of Launceston Airport, supporting Tasmania's agriculture, aquaculture, seafood and forestry industries. In FY25, the airport supported nearly 2,000 dedicated freight movements, reaching an all-time record. Total maximum take-off weight (MTOW) of freight aircraft increased 22 per cent to 60,643 tonnes, driven primarily by the transition to larger aircraft by Qantas Freight and Team Global Express.<sup>4</sup> The airport's freight capability was further enhanced by the completion of the Taxiway Foxtrot project in December

---

<sup>3</sup> Bureau of Infrastructure and Transport Research Economics (BITRE), Airport Traffic Data, 1985-86 to 2024-25.

<sup>4</sup>Launceston Airport (APAL), operational data. No tonnage data available; MTOW reflects the maximum take-off weight of dedicated freighter aircraft movements.

2025, which expanded capacity for larger freight aircraft. Chapter 3 examines the role of freight in supporting Tasmania’s export economy and presents operator-level activity data.

Beyond freight, Launceston Airport supports approximately 5,000 general aviation landings per annum encompassing aeromedical operations, flight training, charter, defence and miscellaneous itinerant traffic. The RFDS maintains a major base at Launceston, with a new purpose-built facility under development. Chapter 3 discusses the airport’s aeromedical and emergency services role.

## 2.6 Economic Contribution

Independent economic analysis commissioned from BDO EconSearch (December 2023) quantifies Launceston Airport’s contribution to both the regional and state economies. The airport’s operations, capital expenditure and tenant revenue generate a total contribution of \$81.7 million to Tasmania’s Gross State Product and support 678 jobs (645 FTE) when flow-on effects are included.<sup>5</sup> Chapter 3 presents the full BDO analysis, including the detailed direct and flow-on breakdowns for both airport operations and tourism facilitation.

## 2.7 Aviation Infrastructure Investment

Launceston Airport is currently undertaking the most significant program of aviation infrastructure investment in its history. The scale of this program demonstrates both the airport’s commitment to supporting passenger growth and the substantial capital requirements facing regional airports when maintaining safety, security and regulatory compliance.

### Capital expenditure, FY21 to FY25

Table 2.2 summarises major project capital expenditure by financial year. Investment was concentrated heavily in FY24 and FY25, reflecting the airport’s largest terminal expansion and transformation program and the delivery of safety-critical infrastructure including a \$6.0 million security screening enhancement. A detailed project-by-project listing and analysis of the relationship between compliance-driven capital requirements and regional airport viability is provided in Chapter 5.

**Table 2.2: Major Aviation Project Capital Expenditure, FY21 to FY25**

Financial Year	Major Project CapEx
FY21	\$325,429
FY22	\$1,042,960
FY23	\$7,807,574
FY24	\$9,116,697
FY25	\$7,691,213
<b>Total FY21 to FY25</b>	<b>\$25,983,873</b>

Source: Launceston Airport (APAL) asset register. Projects with acquisition value exceeding \$100,000.

A significant proportion of this investment is compliance-driven. Regional airports face the same CASA aerodrome safety standards, Home Affairs security requirements, emergency planning

<sup>5</sup>BDO EconSearch, Launceston Airport Economic Analysis, December 2023.

obligations, airfield lighting specifications and pavement standards as major airports, but must fund them across a far smaller passenger base. Chapter 5 examines this dynamic and its implications for regional airfare affordability.

### **Terminal transformation**

The airport's ongoing terminal expansion is the largest single project ever undertaken at the facility. A new check-in hall and security screening point have been completed, with works continuing in the Departures Hall. The redesign, developed in partnership with a Tasmanian architectural firm, delivers modern passenger amenities while reflecting the Tasmanian brand. New retail and hospitality offerings, including Liv Eat and Gatty's Bar, opened in mid-2025 as part of the airport's strategy of diversifying non-aeronautical revenue.

### **Future capital requirements**

Launceston Airport currently forecasts capital investment exceeding \$150 million over the next decade, including a runway overlay essential to maintaining the structural integrity of the airport's primary operating asset. This forward investment pipeline is subject to scope, timing and regulatory requirements and will also be influenced by market conditions. The funding challenges it presents for a regional airport operating in a thin market are discussed in Chapter 5, alongside the role of government support in enabling critical infrastructure investment (Chapter 7).

## CHAPTER 3

## Chapter 3: The Critical Importance of Air Connectivity to Northern Tasmania

### Chapter Summary

- Launceston Airport contributes \$81.7 million annually to Tasmania's Gross State Product and supports 678 jobs through direct operations and tenant activity. Tourism facilitated through the airport generates a further \$1.3 billion in GSP and supports 11,807 jobs statewide.
- Air connectivity is not discretionary for northern Tasmania. The airport serves a primary catchment of approximately 267,000 people across the north-east and north-west of the state, for whom it is the only practical gateway to mainland Australia.
- Passenger demand is almost equally divided between inbound visitors (50.1 per cent) and outbound Tasmanian residents (49.9 per cent), reflecting the airport's dual role as a tourism gateway and essential departure point for residents. A comparison across all four Tasmanian airports reveals that Launceston has the most balanced visitor-resident profile in the state.
- Almost two-thirds of all north-west Tasmanian residents who fly choose Launceston Airport over their local airports at Devonport and Burnie/Wynyard, demonstrating the regional significance of LST's route network and service frequency.
- Freight operations support Tasmania's export-oriented industries, with dedicated freight aircraft MTOW growing 22 per cent in FY25. The Royal Flying Doctor Service operates a major aeromedical base at the airport, with a \$22 million purpose-built facility under development.

### 3.1 Introduction

For northern Tasmania, air connectivity is not discretionary. It is an essential service that underpins economic activity, enables access to health and social services, connects communities to the rest of Australia, and supports the movement of time-critical freight.

This chapter presents evidence on the critical importance of air connectivity, addressing the Commission's first information request regarding why regional aviation matters. The evidence demonstrates that the economic, social and health outcomes of northern Tasmania are directly and materially dependent on the continued provision of reliable, affordable air services through Launceston Airport.

The analysis draws on three principal sources: independent economic modelling undertaken by BDO EconSearch using the RISE (Regional Industrial Structure and Employment) input-output model; passenger profile data from the Tasmanian Visitor Survey (TVS) 2025 conducted by Tourism Tasmania; and operational data from Launceston Airport. Chapter 2 provides a concise profile of the airport and its operational context. The demand dynamics arising from the patterns described here are analysed further in Chapter 4.

## 3.2 Economic Contribution to Tasmania

Independent economic analysis commissioned by Launceston Airport and undertaken by BDO EconSearch quantifies the airport’s contribution to both the Northern Tasmania and statewide economies. The analysis captures four categories of economic activity: airport operations, capital expenditure, revenue generated by on-airport tenants, and expenditure by tourists who arrive in Tasmania through the airport.

### Direct and flow-on contributions

The combined contribution of airport operations, capital investment and tenant activity generates \$76.1 million in Gross Regional Product (GRP) and supports 637 jobs in Northern Tasmania, including flow-on effects. At the state level, total Gross State Product (GSP) attributable to these activities reaches \$81.7 million, supporting 678 jobs. For every \$1 million of output generated by Launceston Airport and its tenants, approximately 9 jobs are supported in Northern Tasmania through direct and flow-on effects.

Table 3.1 presents the full breakdown of these contributions. The direct contribution encompasses 465 jobs and \$49.3 million in GRP from airport operations, capital expenditure and tenant activity within Northern Tasmania. Flow-on effects through supply chains and employee spending add a further 173 jobs and \$26.8 million in GRP. The total employment multiplier of 8.9 per million dollars of output reflects the airport’s deep integration with the regional economy.

**Table 3.1: Economic contribution of Launceston Airport operations, capital expenditure and tenant activity (FY2023)**

	Output (\$m)	GRP/GSP (\$m)	Employment (jobs)	Employment (FTE)
<b>Northern Tasmania</b>				
Direct combined	71.8	49.3	465	456
Flow-on effects	47.4	26.8	173	153
Total Northern Tasmania	119.2	76.1	637	609
<b>Tasmania</b>				
Direct combined	72.5	49.5	467	459
Flow-on effects	56.7	32.2	211	187
Total Tasmania	129.2	81.7	678	645

Source: BDO EconSearch, Launceston Airport Economic Analysis, December 2023.<sup>6</sup>

### Tourism-enabled economic activity

The economic contribution of tourism facilitated through Launceston Airport extends well beyond the airport’s immediate catchment. Tourists who arrive through Launceston spend not only in Northern Tasmania but travel throughout the state, generating economic activity in communities far from the airport itself.

In Northern Tasmania, tourism facilitated through the airport generates \$321.5 million in direct GRP and \$596.8 million including flow-on effects, supporting 5,448 jobs. At the state level, the tourism contribution is substantially larger: \$657.2 million in direct GSP, rising to \$1,308.3 million

<sup>6</sup>BDO EconSearch, Launceston Airport Economic Analysis, December 2023. RISE input-output model based on FY2023 data.

with flow-on effects, and supporting 11,807 jobs across Tasmania. Table 3.2 presents the full breakdown.

**Table 3.2: Tourism-enabled economic contribution through Launceston Airport (FY2023)**

	Output (\$m)	GRP/GSP (\$m)	Employment (jobs)	Employment (FTE)
<b>Northern Tasmania</b>				
Direct tourism	615.8	321.5	3,724	3,007
Flow-on effects	480.3	275.4	1,723	1,561
Total Northern Tasmania	1,096.0	596.8	5,448	4,567
<b>Tasmania</b>				
Direct tourism	1,264.7	657.2	7,695	6,220
Flow-on effects	1,134.7	651.1	4,112	3,688
Total Tasmania	2,399.4	1,308.3	11,807	9,908

Source: BDO EconSearch, Launceston Airport Economic Analysis, December 2023.<sup>7</sup>

These figures demonstrate that Launceston Airport functions as a critical enabler of economic activity across the entire state. The total tourism-facilitated GSP contribution of \$1.3 billion substantially exceeds the direct operational contribution, illustrating the significant multiplier effect of air connectivity. The viability of air services through Launceston Airport is a matter of statewide economic significance.

### 3.3 Who Uses Launceston Airport and Why

Understanding who uses Launceston Airport, and for what purposes, is central to assessing the importance of air connectivity. The Tasmanian Visitor Survey (TVS) 2025 provides a detailed breakdown of passenger profiles across all four Tasmanian airports, allowing a direct comparison of how each airport serves its community. This data is presented here in full; Chapter 4 draws on it for its analysis of demand dynamics and fare sensitivity by passenger segment.

#### Multi-airport comparison: Tasmania's passenger profile

Table 3.3 presents the TVS 2025 passenger profile across all Tasmanian airports. Several features of this comparison are analytically significant for the Commission's inquiry.

**Table 3.3: Passenger profile by airport, purpose of travel and origin (TVS 2025)**

Airport	Business	Holiday	VFR	Visitors sub-total	Residents	Visitor %	Total
Hobart (HBA)	328,566	903,874	393,345	1,625,785	1,190,709	57.7%	2,816,494
Launceston (LST)	147,916	317,353	246,068	711,336	709,774	50.1%	1,421,110
Devonport (DPO)	27,470	5,853	23,709	57,032	77,996	42.2%	135,028
Burnie (BWT)	16,841	3,313	13,912	34,066	33,272	50.6%	67,338
All Tasmania	520,793	1,230,393	677,034	2,428,219	2,011,751	54.7%	4,439,970

<sup>7</sup>BDO EconSearch, Launceston Airport Economic Analysis, December 2023. RISE input-output model based on FY2023 data and Tourism Tasmania visitor expenditure estimates.

Source: Tourism Tasmania, Tasmanian Visitor Survey (TVS) 2025.<sup>8</sup>

Launceston Airport has the most balanced visitor-resident profile of any Tasmanian airport. Its 50.1 per cent visitor to 49.9 per cent resident split stands in contrast to Hobart, where visitors account for 57.7 per cent of passengers, and to Devonport, where residents make up 57.8 per cent. This balance has direct implications for the Commission’s analysis of fare affordability. A purely tourism-oriented airport serves a market where demand is largely price-elastic and discretionary. An airport with a near-equal resident base serves a market where a substantial share of demand is essential, and deeply intertwined with the cost of living for regional Australians.

The visitor composition also differs. 73 per cent of all inbound holiday travel is via Hobart, reflecting its historical default position as a tourist entry point as the state’s capital, while 26 per cent of holiday travel is via Launceston.

VFR travel is driven by the social reality of Tasmania’s geographic separation from mainland Australia. Maintaining family and social connections across Bass Strait requires air travel, and the cost of that travel affects the frequency of visits, the wellbeing of dispersed families, and the attractiveness of regional Tasmania as a place to live and work.

Devonport and Burnie/Wynyard airports serve materially different passenger profiles. At both, business travel constitutes the largest visitor segment (48.2 per cent at Devonport, 49.4 per cent at Burnie) and holiday visitors are minimal. These airports serve primarily as functional connectors for local business and VFR travel rather than as tourism gateways. Their small scale (135,028 and 67,338 total passengers respectively) reflects the thin market conditions explored further in Chapter 5.

### Where Launceston’s passengers come from

The resident passenger data reveals the extent to which Launceston Airport serves as the primary aviation gateway for all of northern Tasmania, not just the Launceston immediate area. Table 3.4 breaks down the origin of Tasmanian residents using each airport.

**Table 3.4: Tasmanian resident passengers by region of origin and airport (TVS 2025)**

Airport	SE Tas	NE Tas	NW Tas	Total residents	NW share
Hobart (HBA)	1,169,269	12,662	8,777	1,190,709	0.7%
Launceston (LST)	22,447	474,514	212,813	709,774	30.0%
Devonport (DPO)	1,044	842	76,109	77,996	97.6%
Burnie (BWT)	121	308	32,843	33,272	98.7%

Source: Tourism Tasmania, Tasmanian Visitor Survey (TVS) 2025.<sup>9</sup>

North-east Tasmanian residents account for 474,514 of LST’s outbound passengers (66.9 per cent of all residents), reflecting the airport’s role as the natural departure point for the Launceston catchment. But the more striking figure is the north-west. Some 212,813 north-west Tasmanian residents (30.0 per cent of all Tasmanian resident travellers through LST) choose to travel to Launceston Airport rather than use their local airports at Devonport or Burnie/Wynyard.

<sup>8</sup>Tourism Tasmania, Tasmanian Visitor Survey (TVS) 2025.

<sup>9</sup>Tourism Tasmania, Tasmanian Visitor Survey (TVS) 2025. ‘NW share’ refers to the proportion of each airport’s resident passengers originating from north-west Tasmania.

To put this in perspective: of all 330,542 north-west Tasmanian residents who flew from any airport in the TVS survey period, 64.4 per cent chose Launceston. Devonport captured 23.0 per cent and Burnie/Wynyard just 9.9 per cent. The remaining 2.7 per cent used Hobart.

North-west residents are making a choice to drive to Launceston to access the greater frequency, broader route network and more competitive fares available at LST, rather than fly from a closer but more constrained local airport.

#### North-west Tasmania: airport choice and service gravity

Of the 330,542 north-west Tasmanian residents who flew during the TVS 2025 survey period, 212,813 (64.4 per cent) chose Launceston Airport. Devonport Airport captured 76,109 (23.0 per cent) and Burnie/Wynyard captured 32,843 (9.9 per cent).

This pattern demonstrates that LST functions as the aviation anchor for all of northern Tasmania, not just the immediate Launceston area. Any deterioration in Launceston's service levels or fare competitiveness would disproportionately affect north-west residents who have already demonstrated they are willing to travel further for better connectivity.

Conversely, only 22,447 passengers (3.2 per cent of LST outbound residents) originate from south-east Tasmania. This minimal cross-utilisation confirms that Launceston and Hobart airports serve largely distinct catchments, with very limited substitution between the two given the 2 hour 20 minute road connection. For the approximately 267,000 people living in northern Tasmania, Launceston Airport is their airport.

### 3.4 Essential Versus Discretionary Travel

A distinguishing characteristic of regional aviation is the high proportion of travel that is essential rather than discretionary. For residents of northern Tasmania, air travel is required for purposes that cannot readily be deferred, substituted or foregone.

#### Medical and health access

Tasmania's population of approximately 571,000 does not support the full range of specialist medical services available in mainland capitals. Northern Tasmanians requiring specialist treatment, complex diagnostic procedures or tertiary hospital services frequently need to travel to Melbourne. While the Launceston General Hospital (LGH) is the primary health facility for the north of the state and the region's single largest employer, many specialties require referral to mainland providers. For these patients, air connectivity is a precondition for accessing healthcare.

The Tasmanian Government recognises this through its Patient Travel Assistance Scheme (PTAS), which provides financial assistance for patients who must travel to access specialist medical services. For communities on the Bass Strait islands, the Tasmanian Government provides travel subsidies covering 50 to 100 per cent of a standard economy airfare for patients, students and concession card holders who need to access services on the Tasmanian mainland. The operation of these schemes is discussed further in Chapter 7.

Launceston Airport is also a critical hub for the Royal Flying Doctor Service (RFDS), which provides aeromedical services to remote communities across northern Tasmania under a 10-year partnership with the Tasmanian Government. The RFDS is currently undertaking a \$22 million purpose-built facility redevelopment at the airport, supported by state and federal funding. This investment underscores the airport's integral role in the health infrastructure of the region.

## Business connectivity and the regional economy

The northern Tasmanian economy depends on reliable air links for business operations that extend beyond the state. Table 3.5 sets out the major employment sectors and key employers. Each depends on regular air connectivity for activities including supplier relationships, client meetings, workforce movement, professional development and regulatory engagement.

**Table 3.5: Major economic drivers and key employers, Northern Tasmania**

Industry	Workforce share	Key employers and context
Health Care & Social Assistance	19.6%	Launceston General Hospital (LGH), largest employer in the region
Retail Trade	10.8%	Major regional service hub for 150,000+ people in NE Tasmania
Education & Training	9.5%	University of Tasmania (UTAS) Inveresk campus, Australian Maritime College (AMC), TasTAFE
Construction	8.1%	Key growth area; highest output-generating sector in West Tamar LGA
Manufacturing	6.4%	Bell Bay Aluminium (Rio Tinto), South32 (TEMCO), Caterpillar Underground Mining, Haywards Engineering
Agriculture & Forestry	~3.1%	JBS Australia (Longford), Forager Foods, TasFoods, Forico, Sustainable Timber Tasmania; exceeds 10 to 18% in rural LGAs

Source: Launceston Airport; ABS Census data.<sup>10</sup>

UTAS, with its Inveresk campus in Launceston, and the Australian Maritime College are significant research institutions that rely on air connectivity for academic collaboration, student recruitment and institutional governance. Connectivity to Melbourne, Sydney and Brisbane is fundamental to these institutions' capacity to attract staff and students and to maintain research partnerships with mainland universities.

The advanced manufacturing sector at Bell Bay, including Rio Tinto's aluminium smelter and South32's manganese alloy operation, requires regular movement of technical and management personnel. Agriculture and food processing firms, including JBS Australia's Longford export abattoir and Forager Foods at Western Junction, depend on air connectivity both for business travel and, as discussed in Section 3.6, for the time-sensitive freight movements that carry their products to market.

## Social connectivity and visiting friends and relatives

VFR travel represents 246,068 inbound visitors to Launceston (34.6 per cent of all visitors) and a substantial, though unquantified, share of outbound resident travel. For an island state separated from mainland Australia by Bass Strait, maintaining family and social connections necessarily involves air travel. The cost and availability of airfares directly affects the frequency with which Tasmanians can visit family on the mainland, and vice versa.

High airfares function as a de facto barrier to social participation for regional Australians in a way that does not affect residents of mainland cities to the same extent. A family in regional Victoria

<sup>10</sup>Launceston Airport (APAL); Australian Bureau of Statistics (ABS), Census data 2021. Workforce shares refer to Northern Tasmania region. Agriculture share is regional average; significantly higher in rural local government areas.

can visit relatives in Melbourne for the cost of petrol and a few hours of driving. A family in Launceston faces a return airfare of several hundred dollars per person.

Where those airfares are unaffordable, visits are deferred or foregone, with consequences for wellbeing, social cohesion and the attractiveness of Tasmania as a place to live and work.

### 3.5 Limited Transport Alternatives

The essential nature of air services to northern Tasmania is reinforced by the absence of viable alternative transport modes for most journey purposes. Tasmania’s island geography and the physical barrier of Bass Strait mean that aviation is the only realistic option for time-sensitive interstate travel.

**Table 3.6: Alternative transport options from Launceston**

Route	Travel time	Practical assessment
Launceston to Hobart Airport (road)	2h 20min	Not a practical substitute; airports serve distinct catchments with minimal cross-utilisation (1.1% of HBA Tasmanian travellers were residents from NE Tasmania)
Launceston to Devonport, then Spirit of Tasmania	1h 15min + 11h sailing	Not viable for time-sensitive travel; suitable only for vehicle-accompanied leisure trips
Launceston to Melbourne (total via ferry)	11+ hours	Compared with 1 hour 15 minutes by air; ferry is not a substitute on any measure of time efficiency

Source: Launceston Airport.<sup>11</sup>

The drive from Launceston to Hobart Airport takes approximately 2 hours and 20 minutes. The TVS data confirms that cross-utilisation between the two airports is minimal: only 3.2 per cent of Tasmanian residents using Launceston originate from south-east Tasmania, and only 1.8 per cent of Hobart’s resident passengers come from the north-east or north-west. The two airports serve substantially separate markets.

The Spirit of Tasmania ferry service operates from Devonport, accessible from Launceston in approximately 1 hour 15 minutes by road. The 11-hour overnight sailing to Melbourne makes the ferry unsuitable for time-sensitive business, medical or emergency travel. The ferry primarily serves leisure travellers transporting vehicles and does not represent a realistic substitute for aviation on any measure of time efficiency. A return journey by ferry consumes at least 22 hours of sailing time; the same journey by air takes approximately 2 hours and 30 minutes gate to gate.

These constraints do not have equivalents for most mainland regional communities. A resident of Albury-Wodonga, Bendigo or Ballarat can drive to Melbourne in 2 to 3 hours and has access to road and rail alternatives for many journey purposes. A resident of Launceston has no land-based alternative for interstate travel. Aviation is the only realistic option for time-sensitive connectivity, and any deterioration in the frequency, reliability or affordability of air services affects the region disproportionately.

### 3.6 Freight and Non-Passenger Aviation Services

Air freight is a growing and economically significant component of Launceston Airport’s operations. Tasmania’s island geography means that air freight is the only viable option for time-

<sup>11</sup>Launceston Airport (APAL).

sensitive exports, and the airport plays a critical role in supporting the state's agriculture, aquaculture and seafood industries.

**Table 3.7: Dedicated freight aircraft activity by operator, Maximum Take-Off Weight (MTOW, tonnes)**

Operator	FY23	FY24	FY25
Team Global Express (TGE)	12,822	12,648	14,706
Qantas Freight	34,756	33,390	44,679
Sharp Airlines	3,094	3,736	1,258
Total	50,672	49,774	60,643

Source: Launceston Airport.<sup>12</sup>

Total freight MTOW increased 22 per cent in FY25, driven primarily by the transition to larger and heavier aircraft by both Team Global Express and Qantas Freight. While detailed tonnage data is not available, the freight task is understood to comprise a significant share of Australia Post and parcel freight, as well as perishable goods including seafood and soft berries that require time-sensitive logistics chains to reach mainland and international markets.

Launceston Airport supported nearly 2,000 dedicated freight movements in FY25, and freight operations are an important and growing component of aeronautical revenue. The freight function underpins the financial viability of the airport's southern apron (Freight and General Aviation Precinct). Recent infrastructure investment, including the Taxiway Foxtrot project completed in December 2025, has expanded the airport's capacity for larger freight aircraft such as the Airbus A321 (Chapter 5).

### Aeromedical and emergency services

In addition to commercial passenger and freight services, Launceston Airport serves as a base for aeromedical and emergency operations. The RFDS aeromedical base (discussed in Section 3.4 above) provides retrieval and transfer services for remote communities, while the Tasmanian Fire Service has recently finalised an agreement for a new dedicated 'high-risk weather season' facility at the airport.

## 3.7 Implications for the Commission's Analysis

The evidence presented in this chapter establishes that air connectivity through Launceston Airport is essential economic and social infrastructure serving a catchment of 267,000 people with limited alternatives. The airport enables \$1.3 billion in statewide tourism GSP, supports nearly 12,000 jobs, provides the sole practical means of interstate connectivity for time-sensitive travel, and serves as a critical freight and aeromedical hub.

Three features of Launceston Airport's circumstances are particularly relevant to the Commission's analysis of regional airfares.

The near-equal split between visitor and resident demand means that airfare affordability affects both the tourism economy and the cost of living for regional Tasmanians. Unlike an airport

<sup>12</sup>Launceston Airport (APAL). No tonnage data available; MTOW reflects the maximum take-off weight of dedicated freighter aircraft movements. FY25 increase driven by transition to larger, heavier aircraft by TGE and Qantas Freight.

serving a predominantly tourism market, fare increases at Launceston impose costs on residents travelling for essential purposes, not just on discretionary leisure visitors.

Launceston Airport's passenger segmentation includes groups such as medical, business and education passengers who require essential travel. Fare increases for these segments do not reduce demand so much as impose real welfare costs on individuals and communities who have no alternative. Chapter 4 examines these demand dynamics in greater detail.

The absence of viable transport alternatives means that any deterioration in air service frequency, reliability or affordability has a direct and disproportionate impact on northern Tasmania compared with mainland regions that enjoy road or rail substitutes. Tasmania's island geography amplifies the consequences of thin market economics in a way that has no direct parallel on the Australian mainland.

These characteristics support a policy framework in which regional air services are recognised as essential delivering significant positive externalities, and in which policy settings are calibrated to sustain reliable and affordable connectivity for communities that depend on it. The economics of providing that connectivity, and the structural challenges that regional airports face in doing so, are the subject of Chapter 5.

## CHAPTER 4

## Chapter 4: Understanding Passenger Demand and Fare Dynamics

### Key Points

- Launceston Airport handled 1.435 million passengers in FY25, its busiest year on record and 3.2 per cent above the 1.391 million in FY19. Underlying demand for northern Tasmanian air connectivity is strong and growing.
- Melbourne is the dominant route, accounting for 60.7 per cent of all passengers in FY25, down from 69.2 per cent in FY19 as Sydney and Brisbane routes have grown more rapidly. This gradual diversification of the route mix is a positive development.
- All three core mainland routes (Melbourne, Sydney, Brisbane) are served by multiple carriers year-round, while seasonal services to Adelaide and Perth provide seasonal connectivity. Total annual seat capacity across mainland routes is approximately 1.7 million.
- Monthly data for the twelve months to January 2026 show total throughput of approximately 1.47 million passengers, with January 2026 recording 160,791 passengers and surpassing the previous record. Pronounced seasonality remains a feature, with winter volumes approximately 35 per cent lower than the summer peak, making Launceston the second most seasonal location of the top 20 airports around the country.
- Load factors reached 86.3 per cent in FY25, a seven percentage point increase on the prior year, indicating that the market is capacity-constrained during peak periods rather than experiencing weak demand. This is further evidenced by lower capacity experienced in FY26 than in either FY23 or FY24 despite achieving record passenger numbers – it is likely that constrained capacity is constraining demand as a result of airline yield management practices.
- As set out in Chapter 3, the passenger base is near-evenly split between visitors and Tasmanian residents, with a substantial share of travel undertaken for essential purposes. This mix means demand is less discretionary than on typical leisure routes, and fare increases impose real costs on communities without proportionately reducing demand.

### 4.1 Introduction

This chapter responds to the Commission’s information request 2, which asks about the main drivers of demand for regional air services and how fares and demand have changed over time, including since the COVID-19 pandemic. It also provides the service level and market structure context that may inform the Commission’s assessment of competition and barriers to entry (information request 4), addressed in detail in Chapter 6.

Several intersecting factors shape passenger demand at Launceston Airport: the economic and demographic characteristics of northern Tasmania, the structure of the airline network, seasonal tourism patterns, the mix of essential and discretionary travel, and the impact of external shocks such as the pandemic and airline market exits. These factors collectively determine both the volume of demand and its sensitivity to fare levels. As established in Chapter 3, a significant

proportion of air travel through Launceston is non-discretionary, with direct implications for fare elasticity.

## 4.2 Passenger Volume Trends

Table 4.1 presents annual passenger volumes by route for the period FY19 to FY25. The data spans the pre-COVID baseline year (FY19), the pandemic trough (FY21) and the subsequent recovery.

**Table 4.1: Annual Passenger Volumes by Route, FY19 to FY25**

Route	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Melbourne	962,363	688,500	286,269	375,710	772,051	854,379	871,537
Sydney	288,999	215,450	138,560	146,519	303,446	339,806	348,250
Brisbane	117,143	89,281	91,981	162,695	163,049	148,317	154,344
Other (inc. regional)	22,404	17,482	25,104	60,697	56,627	81,445	60,963
<b>Total</b>	<b>1,390,909</b>	<b>1,010,713</b>	<b>541,914</b>	<b>745,621</b>	<b>1,295,173</b>	<b>1,423,947</b>	<b>1,435,094</b>

Source: Launceston Airport.<sup>13</sup>

### Pre-COVID baseline and recovery

In FY19, Launceston Airport handled 1,390,909 passengers. Melbourne accounted for 962,363 passengers (69.2 per cent of total volume), followed by Sydney with 288,999 (20.8 per cent) and Brisbane with 117,143 (8.4 per cent). The pandemic drove volumes to 541,914 in FY21 (a 61.0 per cent decline), with recovery commencing in FY22 and accelerating through FY23 and FY24. By FY25 volumes had reached 1,435,094, exceeding the pre-COVID baseline by 3.2 per cent.

The recovery was uneven across routes, revealing a shift in the composition of demand. Melbourne recovered to 90.6 per cent of its FY19 level by FY25, remaining slightly below its pre-pandemic peak. Sydney, by contrast, exceeded its FY19 baseline by 20.5 per cent, and Brisbane by 31.8 per cent. Melbourne's share of total passengers declined from 69.2 per cent in FY19 to 60.7 per cent in FY25, while Sydney's share rose from 20.8 per cent to 24.3 per cent and Brisbane's from 8.4 per cent to 10.8 per cent.

This gradual diversification of the route mix is a positive development. It reduces the airport's dependence on a single corridor and broadens northern Tasmania's connectivity to different mainland markets. The differential recovery rates likely reflect post-pandemic shifts in airline network strategy, capacity allocation decisions by carriers, and changes in the composition of demand, including growth in Queensland-origin leisure travel.

### The 'Other' route category and new entrant fragility

The 'Other (including regional)' category encompasses intrastate services (Sharp Airlines to Flinders Island and King Island, Airlines of Tasmania to Cape Barren Island) and services operated by carriers no longer active at the airport. The sharp increase in FY24 reflects the entry and subsequent collapse of Bonza, which operated Gold Coast and Sunshine Coast services for approximately six months before ceasing operations in May 2024. Chapter 6 examines the Bonza experience and its implications for competition and barriers to entry in detail.

<sup>13</sup>Launceston Airport (APAL).

## 4.3 Recent Monthly Passenger Trends

Table 4.2 presents monthly passenger data by route for the twelve months from February 2025 to January 2026, providing a more granular view of recent demand patterns and seasonal dynamics.

**Table 4.2: Monthly Passenger Volumes by Route, February 2025 to January 2026**

Route	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
MEL	72,707	79,455	73,699	69,200	67,486	73,407	70,114	67,739	76,950	72,503	83,760	90,582
SYD	26,386	34,012	30,722	24,126	22,378	29,782	23,063	26,604	31,453	31,499	37,088	41,109
BNE	11,591	11,377	11,962	10,151	10,258	11,286	10,567	10,879	13,553	12,985	17,418	19,924
Other	8,060	9,509	2,775	1,439	1,247	1,317	1,173	1,449	6,659	8,694	8,416	9,176
<b>Total</b>	<b>118,744</b>	<b>134,353</b>	<b>119,158</b>	<b>104,916</b>	<b>101,369</b>	<b>115,792</b>	<b>104,917</b>	<b>106,671</b>	<b>128,615</b>	<b>125,681</b>	<b>146,682</b>	<b>160,791</b>

Source: Launceston Airport.<sup>14</sup>

### Seasonality

The monthly data reveals a clear seasonal pattern characteristic of markets with a significant tourism component. The twelve-month period from February 2025 to January 2026 produced total throughput of approximately 1,467,689 passengers, suggesting continued growth beyond the FY25 annual figure.

Peak demand occurs during summer. January 2026 recorded 160,791 passengers, surpassing the previous January record of 159,032 set in 2025. The lowest months are May, June, August and September, with total volumes roughly 35 per cent below the December/January peak. This seasonal variation has direct implications for airline capacity deployment and fare dynamics: airlines must balance peak-period revenue against the shortfall during shoulder and off-peak months, and this balancing act influences pricing across the entire year. In addition, time of day can also be very 'peaky', with high mid-morning and late afternoon peaks and quieter times in between. Both of these factors represent a substantial challenge for capital investment, where there needs to be sufficient capacity to service the peaks but limited opportunity to spread the higher costs incurred in servicing the peak.

Tourism Tasmania's investment in off-season marketing through its Off Season and Come Down for Air campaigns has contributed to strengthening demand during traditionally quieter winter months, with winter records set in successive years. Coordinated investment in destination marketing can partially offset seasonal demand troughs, an observation relevant to the Commission's consideration of policy interventions to support regional connectivity.

### Seasonal services and the 'Other' route

The monthly data also illustrate the seasonal nature of Virgin Australia's Adelaide and Perth services (October to March/April), captured in the 'Other' category alongside Sharp Airlines' year-round Flinders Island and King Island services and Airlines of Tasmania's RASS services to Cape Barren Island. The sharp increase in 'Other' from October 2025 aligns with the commencement of these seasonal routes, with volumes dropping in April as Adelaide and Perth services suspend for winter.

<sup>14</sup>Launceston Airport (APAL). Route abbreviations: MEL = Melbourne, SYD = Sydney, BNE = Brisbane. Other includes regional services.

## 4.4 Current Airline Network and Service Levels

An understanding of the airline services operating at Launceston Airport is essential context for the Commission's assessment of both demand dynamics and the competitive environment. Table 4.3 summarises the current route network, carriers and service frequency. Chapter 6 draws on this data for its analysis of competition and market structure.

**Table 4.3: Launceston Airport Route Network and Service Frequency**

Route	Jetstar	Qantas	Virgin Australia	Sharp	Airlines of Tasmania	Link	Freq. (rtn svcs/wk)*
Melbourne	✓	✓	✓				68–82
Sydney	✓	✓	✓				19–36
Brisbane	✓	Seasonal	✓				7–16
Canberra						✓	4 (commencing 6/5/26)
Adelaide			Oct–Apr				3
Perth			Oct–Mar				3
Flinders Is.				✓			7–11
Burnie/King Is.				✓			8–10
Cape Barren Is.					✓		RASS

Source: Launceston Airport.<sup>15</sup>\* Return Services per Week.

### Core mainland routes

Melbourne, Sydney and Brisbane are each served by multiple carriers year-round. Melbourne is the highest-frequency corridor, with 68 to 82 return services per week across Jetstar, Qantas (including QantasLink) and Virgin Australia. This high frequency reflects Melbourne's role as the primary business, medical and connecting hub for northern Tasmanians.

Sydney operates at 19 to 36 return services per week, with frequency varying by season. Both Virgin Australia and Qantas recently introduced double-daily services during the peak six-week December/January window, recognising demand strength on this sector. Extending this uplift beyond the six-week peak window remains a priority for northern Tasmania's connectivity. Brisbane operates at 7 to 16 return services per week, with Jetstar the dominant carrier providing relatively consistent year-round daily frequency.

Link Airways is commencing a year-round service to Canberra from 6 May 2026, underpinned by seed funding from the Tasmanian Government Aviation Attraction Fund.

### Seasonal and regional services

Virgin Australia operates seasonal services to Adelaide (October to April) and Perth (October to March) at three return services per week. While popular with both inbound and outbound

<sup>15</sup>Launceston Airport (APAL). ✓ = year-round service. AoT = Airlines of Tasmania. Qantas Brisbane is a six-week Dec–Jan seasonal operation. RASS = Remote Air Service Subsidy schedule.

travellers during summer, their seasonal nature limits utility for travellers requiring year-round connectivity. Converting these seasonal routes to year-round operation remains a strategic priority for the airport.

Sharp Airlines provides vital intrastate connectivity between northern Tasmania, and the Bass Strait islands, and Airlines of Tasmania operates RASS-funded services to Cape Barren Island. These are lifeline connections for island communities, providing the only regular link to essential services including healthcare, education and commerce.

### Market share and capacity

Based on calendar year 2026 seat capacity data, Jetstar holds the largest share at approximately 46 per cent, followed by Virgin Australia at 38 per cent and Qantas at 14 per cent. Regional carriers account for approximately 1 per cent. Table 4.4 sets out the distribution of annual seat capacity by route.

**Table 4.4: Annual Seat Capacity by Route, FY26**

Route	Annual Seats	Share of Total	Status
Melbourne	1,053,590	62%	Year-round
Sydney	418,285	24%	Year-round
Brisbane	173,994	10%	Year-round
Canberra	14,144	1%	Year-round
Adelaide	30,528	2%	Seasonal (Oct–Apr)
Perth	19,488	1%	Seasonal (Oct–Mar)

Source: Launceston Airport.<sup>16</sup>

Melbourne accounts for 62 per cent of mainland seat capacity, slightly above its 60.7 per cent share of passengers. The difference reflects marginally lower load factors on this highest-frequency corridor compared with the more tightly managed Sydney and Brisbane sectors. Concentration on the Melbourne corridor reflects the fundamental gravity of that market: Melbourne is the closest mainland capital, the primary connecting hub for onward domestic and international travel, a business, education and health service hub and the largest source market for Tasmanian tourism. It also represents a vulnerability, as any disruption to Melbourne services has a disproportionate impact on northern Tasmania’s connectivity.

## 4.5 Recent Market Dynamics

The airline market serving Launceston Airport has experienced significant change since the COVID-19 pandemic. Table 4.5 summarises key events shaping the current market structure. The competitive implications of these events are analysed in Chapter 6.

**Table 4.5: Key Airline Market Events at Launceston Airport, FY22 to FY26**

Period	Event	Impact
FY22–FY23	Post-COVID capacity restoration by Qantas, Jetstar and Virgin Australia, including commencement of new Virgin Australia seasonal	Progressive recovery of frequency and passenger volumes on core routes and growth on new routes

<sup>16</sup>Launceston Airport (APAL). Excludes Sharp Airlines and Airlines of Tasmania regional services.

Period	Event	Impact
	services to Perth and Adelaide and commencement of new Qantas seasonal services to Brisbane.	
Nov 2023	Bonza commences Gold Coast–Launceston (3x weekly)	New low-cost entrant; new route to southeast Queensland leisure market
Mar 2024	Bonza commences Sunshine Coast–Launceston (2x weekly)	Additional Queensland leisure route
May 2024	Bonza collapses and ceases all operations	Loss of both Queensland routes with no replacement service
Oct 2024	QantasLink introduces Airbus A220 and replaces Dash-8-300 with Dash-8-Q400	Step-change in per-aircraft capacity and fuel efficiency
FY25	FY23-27 agreement reached with Qantas Group (back dated)	Supports planning certainty for future growth and service development
Jan 2025	State Government announces Aviation Attraction Fund	New mechanism to support airline attraction and route development
FY26	FY23-27 agreement reached with Virgin Australia (back dated)	Supports planning certainty for future growth and service development
Feb 2026	Link Airways announces Canberra–Launceston (4x weekly) commencing May 2026	New airline and new route to Launceston for the first time since 2024. Established with the support of the Tasmania Government through its Aviation Attraction Fund.

Source: Launceston Airport.<sup>17</sup>

### Aircraft movements and capacity trends

Aircraft movement data provides an additional lens on market dynamics. Table 4.6 presents movements by type for FY24 and FY25.

**Table 4.6: Aircraft Movements by Type, FY24 and FY25**

Movement Type	FY24	FY25	Change
Regular public transport (RPT)	13,720	12,386	–10%
General aviation / freight / charter	6,516	7,060	+8%
<b>Total</b>	<b>20,236</b>	<b>19,446</b>	<b>–4%</b>

Source: Launceston Airport.<sup>18</sup>

The divergence between RPT movements (down 10 per cent) and passenger volumes (up 0.8 per cent) in FY25 is a significant observation. Fewer flights carried more passengers. This reflects the industry-wide shift toward fewer but larger aircraft, with carriers deploying higher-capacity equipment (the A220 replacing the Boeing 717, for example) and achieving higher load factors. Average load factors at Launceston Airport reached 86.3 per cent in FY25, a seven percentage point increase on the prior year.

While this efficiency improvement benefits airline economics, it also signals that the market is approaching capacity constraints during peak periods. Aircraft operating near full means fewer

<sup>17</sup> Launceston Airport (APAL).

<sup>18</sup> Launceston Airport (APAL). Full dataset only available from FY24.

options for passengers if a preferred flight is unavailable, less scheduling flexibility, and potentially higher fares when seats are scarce.

Larger, heavier aircraft also present a challenge for airfield infrastructure that was designed in the 1960s to handle smaller, lighter aircraft, as well as for terminal capacity with an increase to the peakiness of the demand profile.

General aviation, freight and charter movements grew 8 per cent, reflecting the expanding role of freight operations at the airport. The transition to larger aircraft by operators including Team Global Express and Qantas Freight drove a 22 per cent increase in freighter MTOW in FY25 (detailed in Chapter 3, Section 3.6).

## 4.6 Key Demand Drivers

Understanding who travels through Launceston Airport and why is essential to assessing how fares influence demand. Chapter 3 (Section 3.3) presents the full passenger profile based on the Tasmanian Visitor Survey (TVS) 2025, including a comparison with other Tasmanian airports. This section draws on that analysis to examine the fare sensitivity implications of the demand mix.

### Tourism

Tourism is the single largest economic driver of demand at Launceston Airport, generating substantial regional economic benefits (quantified in Chapter 3, Section 3.2). Northern Tasmania's tourism proposition spans Cradle Mountain, the Tamar Valley wine region, the Bay of Fires, and Launceston's recognition as a UNESCO City of Gastronomy. Major events including the Supercars Championship at Symmons Plains, Festivale, Agfest and the Junction Arts Festival generate periodic demand spikes visible in the monthly data.

The tourism segment is the most fare-sensitive component of the passenger base. Higher fares directly dampen inbound visitor numbers, reducing tourism expenditure that supports the broader regional economy. Fare affordability is therefore not merely a consumer issue; it is a determinant of regional economic performance.

### Business and institutional travel

Business travel generates consistent demand throughout the year and is less sensitive to seasonal patterns. The major employment sectors driving business travel are set out in Chapter 3, Table 3.5. These sectors generate regular travel to Melbourne and Sydney for meetings, conferences, procurement and professional development.

Business demand is generally less fare-sensitive than leisure demand but highly frequency-sensitive. Business travellers need the ability to travel for same-day or short-stay meetings, making schedule reliability and the availability of morning and evening services more important than the absolute fare level. The Commission should consider that policies supporting increased frequency on core routes may have a greater impact on regional economic productivity than policies focused solely on fare levels.

### Medical travel

Access to specialist medical services unavailable in Tasmania is a critical driver of demand, particularly on the Melbourne route (Chapter 3, Section 3.4). Patients requiring specialist treatment, surgery or ongoing clinical management have no practical alternative to air travel. Higher fares do not reduce the need for medical travel; they impose an additional financial

burden on individuals already managing health challenges. The Commission should consider the implications of fare levels for health access in its analysis.

### **Visiting friends and relatives**

The VFR segment represents 17.3 per cent of total passengers (Chapter 3, Table 3.3) and is driven by personal and family connections between Tasmania and the mainland. Demand is sustained throughout the year, with some concentration around school holidays and public holiday periods. VFR travel is moderately fare-sensitive: travellers adjust the frequency and timing of visits in response to fare levels, but the underlying need for family connection persists. Over time, persistently high fares may discourage interstate migration to Tasmania and weaken the personal connections that sustain VFR demand.

### **Seasonal patterns and marketing interventions**

As the monthly data in Section 4.3 demonstrates, demand follows a pronounced seasonal pattern driven primarily by the tourism cycle. Summer is strongest for leisure, followed by autumn, spring and winter. VFR follows a similar but less pronounced seasonal pattern.

Tourism Tasmania's investment in off-season marketing has demonstrated that targeted destination campaigns can partially offset seasonal demand troughs. The success of the Off Season and Come Down for Air campaigns in driving new winter passenger records illustrates how coordinated government and industry effort can strengthen the demand base and improve year-round service viability. The Commission may wish to consider how such initiatives interact with fare levels and service frequency in sustaining regional connectivity.

## **4.7 Fare Dynamics and the Role of Travel Subsidies**

Launceston Airport does not set or have visibility over individual airfares, which are a function of airline pricing, yield management and competitive dynamics. The airport does, however, observe fare-related effects on demand through passenger volume trends and stakeholder feedback, and is aware of the role that Tasmanian Government travel subsidies play in supporting demand.

### **Airport charges and airfares**

Independent analysis undertaken by InterVISTAS indicates that airport charges account for only 7.6 per cent of the overall cost of a typical domestic airfare.<sup>19</sup> The base airfare (representing airline operating costs, profit margins and commercial decisions) accounts for 81.2 per cent, with government taxes and ancillary airline charges making up the remainder. A 10 per cent reduction in airport charges would translate to less than a 1 per cent reduction in the total ticket price. Chapter 5 examines fare composition and airport cost structures in detail.

The key observation for this chapter is that passenger demand at Launceston is primarily influenced by airline fare levels and service availability, not by the airport charges component of the ticket price.

### **Tasmanian travel subsidies**

Several Tasmanian Government subsidy schemes affect demand at Launceston Airport, although available data does not permit precise quantification of their demand impact. The key schemes include subsidies for Bass Strait island residents, covering school students and teaching staff, concession card holders, and patients requiring access to specialist medical

---

<sup>19</sup>InterVISTAS, Airport Charges and Airfares in Australia, April 2025; Launceston Airport (APAL).

services. The value of subsidies ranges from 50 to 100 per cent of a standard economy fare depending on the scheme, and eligibility is restricted to services between the Bass Strait islands and mainland Tasmania. Chapter 7 examines these schemes and their effectiveness.

## 4.8 Current and Emerging Demand Risks

The demand environment described in this chapter is not static. Several external factors are converging to create a more uncertain outlook for regional passenger volumes, with direct implications for Launceston Airport and the broader economy.

Escalating global conflict, particularly in the Gulf, has driven a sharp increase in oil and jet fuel prices, materially raising airline operating costs and placing upward pressure on airfares across both international and domestic markets.

For a regional market such as Launceston, rising fuel costs are likely to heighten passenger fare sensitivity, particularly among discretionary leisure travellers. Higher ticket prices and fuel surcharges dampen demand and can soften load factors on routes where seasonal variability already creates commercial pressure. Airlines may respond through capacity rationalisation on marginal regional routes, where limited competition already contributes to higher baseline fares.

Conversely, rising international airfares and longer safe-route travel times could drive some substitution toward domestic travel. This may, however, be partially offset by broader cost-of-living pressures and elevated domestic fares, limiting net gains for regional destinations.

Increased road fuel costs may also suppress outbound demand from catchments such as North West Tasmania, where passengers face longer drive times to access Launceston Airport. Higher ground transport costs reduce the effective catchment area and further constrain the passenger base available to support services.

Overall, the combined impact of airfare inflation, reduced affordability and higher ground transport costs is expected to create a more fragile demand environment, with heightened volatility in both inbound and outbound passenger flows. For an airport operating in a thin market with limited route diversity, these compounding pressures underscore the vulnerability of regional demand and reinforce the case for the policy interventions outlined in Chapter 9.

## 4.9 Implications for the Commission's Inquiry

The demand and service level data presented in this chapter yield several observations directly relevant to the Commission's inquiry.

Launceston Airport's recovery to above pre-COVID passenger levels demonstrates strong underlying demand for northern Tasmanian air connectivity, grounded in the essential nature of much travel combined with a growing tourism proposition. The balanced visitor/resident profile and the significant share of non-holiday travel (Chapter 3) mean that demand is less discretionary, and therefore less price-elastic, than at airports serving predominantly leisure markets. Fare increases impose real welfare costs on communities without proportionately reducing demand.

Load factors of 86.3 per cent and record passenger numbers despite reduced aircraft movements indicate that the market is constrained by airline capacity allocation rather than insufficient demand. Policies encouraging additional capacity deployment would benefit passengers through increased competition and lower fares, and support the broader regional economy.

Melbourne's passenger share has declined from 69.2 per cent in FY19 to 60.7 per cent in FY25 as Sydney and Brisbane routes have grown more rapidly. This gradual diversification is positive but should not mask the continued concentration of the network on a single corridor. The Bonza experience demonstrates that new entrants in regional markets are vulnerable to network-wide commercial risks, and that route success alone does not guarantee service continuity. Policy settings that reduce barriers for new entrants should be complemented by recognition that thin markets require targeted support (Chapter 6).

Pronounced seasonality creates challenges for year-round service viability and fare affordability. Evidence from Tourism Tasmania's marketing campaigns shows that targeted investment can partially offset seasonal demand troughs. Airport charges represent only 7.6 per cent of the total airfare (Chapter 5). Policies aimed at improving fare affordability will be most effective if they address the dominant components of airfare costs, particularly airline operating costs and government taxes.

The data and analysis in this chapter establish the demand context for the more detailed examination of cost structures (Chapter 5), competition and barriers (Chapter 6), and government policy settings (Chapter 7) that follow.

## CHAPTER 5

## Chapter 5: The Economics of Regional Airport Operations

### Key Points

- Regional airports face structural scale disadvantages that produce higher per-passenger costs than major metropolitan airports. Safety and regulatory compliance obligations apply largely irrespective of passenger volumes, creating a disproportionate cost burden for airports in thinner markets.
- Non-aeronautical revenue at Launceston Airport is constrained by the airport's regional location and limited commercial catchment.
- Independent analysis by InterVISTAS shows that airport charges account for only 7.6 per cent of the total cost of a typical domestic airfare. The airline base fare, reflecting operating costs, profit margins and commercial decisions, comprises 81.2 per cent. A 10 per cent reduction in airport charges would translate to less than one per cent off the ticket price.
- Between FY21 and FY25 the airport invested \$25.98 million in major capital projects, including \$6.0 million in security screening infrastructure. Capital requirements forecast to exceed \$150 million over the next decade, including a major runway overlay, are forecast to maintain safe operations and accommodate passenger growth.
- The current differentiated regulatory framework, which affords regional airports flexibility in how charges are set and recovered, is well suited to the realities of thin market operations. Extending major airport pricing frameworks into regional markets would not reflect the lumpy investment cycles, limited non-aeronautical revenue and structural scale differences that characterise regional airport economics.

### 5.1 Introduction

This chapter presents evidence on the cost structure, revenue composition and financial performance of Launceston Airport. It addresses the Commission's information requests regarding factors that influence regional airfares (Information Request 3) and characteristics of the regional aviation sector that shape airfare outcomes (Information Request 4).

The central argument is straightforward. Regional airports cannot achieve the economies of scale available to major metropolitan airports. Fixed costs that are mandated by national safety and security regulation must be spread across a smaller passenger base, producing structurally higher per-passenger costs. These costs reflect the economics of serving regional communities, not operational inefficiency.

Launceston Airport operates within these constraints while managing a significant and growing asset base, meeting nationally mandated compliance obligations, and investing in infrastructure to support northern Tasmania's continued connectivity. The economic contribution this infrastructure enables is quantified in Chapter 3. The financial evidence presented here should be read alongside that analysis.

The data in this chapter draws primarily from Launceston Airport's financial records for FY21 to FY25. Where appropriate, LST's position is benchmarked against broader industry data and the financial performance of other regional airports.

## 5.2 Cost Structure and Scale Challenges

### The fundamental scale disadvantage

Airport operations are characterised by high fixed costs and significant regulatory overhead. For airports handling tens of millions of passengers, these fixed costs dilute across a large user base, producing low per-passenger unit costs. Regional airports serving smaller populations cannot achieve this dilution. The result is structurally higher cost per passenger that is largely unavoidable given the size of the market served.

At 1.435 million passengers in FY25 (Chapter 4), Launceston Airport's throughput remains a fraction of what major capital city airports process. Melbourne Airport handles approximately 37 million passengers annually. The difference is not merely quantitative; it fundamentally shapes the cost structure and revenue potential of every regional airport.

### Operating cost composition

Total operating expenses at Launceston Airport have grown significantly since the COVID-affected FY21, increasing by approximately 166 per cent over the four years to FY25. The composition of this growth underscores the fixed and regulatory-driven nature of regional airport cost structures.

Security costs, which are largely determined by Commonwealth regulatory requirements rather than airport management decisions, have increased by more than 300 per cent over the period and now represent the single largest area of cost growth. Staff costs, the largest individual cost category, have more than doubled as the airport restored workforce capacity to support recovered passenger volumes. Maintenance expenditure has nearly tripled, reflecting the unavoidable reality that ageing infrastructure requires sustained investment regardless of passenger throughput. Services and utilities costs have risen by approximately 93 per cent, broadly tracking inflation and increased operational activity.

Across all categories, the pattern is consistent: regional airport costs are driven predominantly by regulatory obligations, safety requirements, and infrastructure upkeep rather than by discretionary spending, and these costs do not scale proportionally with passenger volumes.

### Cost drivers and the regional scale challenge

Launceston Airport's cost base reflects a mix of fixed and variable expenditure. Staff costs, supply costs, administration costs and security represent the principal cost categories, with security costs recovered from airlines on a pass-through basis and other operating costs recovered through passenger charges paid by airlines under aeronautical agreements.

Three factors drive the level and growth of operating costs at the airport. First, passenger volume influences variable costs including cleaning, utilities consumption and some staffing. Second, regulatory and compliance requirements across security, environmental management and risk management impose obligations that must be met regardless of throughput. Third, infrastructure renewal and remediation across the terminal and airside facilities requires ongoing expenditure to maintain safe and functional operations. Of these three drivers, only the first is genuinely volume-sensitive. The second and third impose costs that are largely fixed in nature, creating a structural mismatch between the cost base and the revenue available to fund it at regional

passenger volumes. It is also anticipated that costs will continue to rise as a result of a range of government mandated initiatives including the establishment of the Aviation Industry Ombuds Scheme and aviation-specific transport disability standards. While these initiatives are necessary and welcomed by industry, it bears mentioning that they will result in costs that will be borne by airports and airlines and will flow through to consumers.

Several characteristics of regional airport markets compound this challenge. Regional airports serve a relatively tight passenger catchment defined by the population and economic activity of the region in which they operate. Launceston Airport's catchment of approximately 267,000 people across northern Tasmania (Chapter 2) is small by national standards, and there is limited capacity to grow the addressable market through route development or airline attraction in the way that capital city airports can. Regional airports also carry a higher proportion of leisure and visiting-friends-and-relatives traffic relative to business travel (Chapter 3), making the passenger base more price-sensitive and limiting the yield per passenger that airlines can achieve. These demand-side constraints, combined with a disproportionate fixed cost and regulatory compliance cost base relative to passenger volumes, produce the structural economics described in this chapter.

### **Staff costs are the largest single expense and are largely fixed**

Direct staff costs represent approximately one-third of total operating expenses and constitute the single largest cost category. Many airport functions are outsourced or contracted either by APAL (such as cleaning and some maintenance) or by airlines (such as baggage handling), meaning the direct staffing figure understates the true labour cost of airport operations. Airport operations require minimum staffing levels for safety, compliance and operational functions regardless of how many passengers move through the terminal. Aerodrome reporting officers, airfield maintenance personnel, security management staff and operations controllers must be rostered continuously. Some positions can flex with activity levels, but the core staffing requirement is effectively a fixed cost that does not shrink proportionally as volumes decline.

The COVID-19 period illustrated this rigidity clearly. In FY21, passenger numbers fell sharply, yet staff costs still represented a significant share of total expenditure as the airport needed to maintain airfield operations, comply with CASA regulations, manage security and keep the terminal operational for the services that continued to fly. Between FY21 and FY25, staff costs more than doubled as volumes recovered, but the substantial base level of expenditure required during the pandemic low demonstrates that a large portion of the staffing cost base is fixed regardless of throughput. The increase in staff costs has been driven primarily by the restoration of operational capacity, wage inflation and the need to resource expanded security and compliance requirements rather than by discretionary hiring.

### **Security costs have grown significantly and are structurally fixed**

Security costs have increased more than fourfold, from \$1.1 million in FY21 to \$4.6 million in FY25. Two factors drive this increase: the expansion of screening operations and the termination of some Commonwealth support programs. These costs stem from federally mandated requirements under the Aviation Transport Security Act 2004 and associated regulations. They are not within the airport's discretion to reduce.

Launceston Airport recovers security screening operating costs from airlines on a cost pass-through basis, reconciled annually against actual costs incurred. For FY26, this recharge is forecast at approximately \$7.30 to \$8.00 per departing passenger, understood to be very cost-competitive compared with other regional airports. At some smaller facilities, security screening

costs have reached as high as \$80 per passenger, with corresponding reductions in passenger numbers as travellers seek alternatives.

### Services, utilities and maintenance reflect ongoing asset obligations

Services and utilities costs of \$3.4 million and maintenance costs of \$935,000 in FY25 reflect the airport's obligation to maintain airfield infrastructure to standards mandated by the Civil Aviation Safety Authority (CASA). Runway pavement maintenance, airfield lighting, drainage systems, wildlife hazard management and terminal building systems all require regular expenditure driven by asset condition and regulatory standards rather than by passenger volumes. A runway requires the same standard of maintenance whether it accommodates 100 flights per week or 10.

#### The scale challenge in practice

Consider security screening. The same infrastructure, trained personnel and equipment must operate to national standards whether 500,000 or 1.4 million passengers pass through Launceston Airport in a given year. Capital costs for screening equipment exceed \$6 million. At Melbourne Airport, serving 37 million passengers, that cost is spread across a vastly larger base. The per-passenger cost disadvantage is structural. No amount of operational efficiency at Launceston can overcome it.

### Costs that do not scale with volume

A defining feature of regional airport economics is the range of costs that do not reduce proportionally when passenger volumes decline and cannot be avoided regardless of the size of the airport. The Commission should consider these cost categories in assessing the relationship between airport operating costs and regional airfares.

#### *Infrastructure that must be provided and maintained regardless of scale*

All airports are required to provide and maintain minimum standards of infrastructure irrespective of their location or size. These requirements encompass terminals and passenger processing facilities, security screening infrastructure, cybersecurity reporting and resilience, airside assets including runways, aprons, taxiways and lighting systems, landside infrastructure including car parks, forecourts and road networks, and wayfinding and signage. While some infrastructure costs are recovered through airline passenger charges or commercial agreements, the total cost base is amortised over a significantly lower passenger base at regional airports, producing higher per-passenger infrastructure costs that are a function of market size rather than operational inefficiency.

Beyond these core physical assets, regional airports incur ongoing expenditure on technology investment to maintain operational systems, booking and flight information displays, security monitoring and communications infrastructure. Occupancy costs including council rates and land tax are payable regardless of how many passengers use the airport in a given year. These costs are genuinely fixed and bear no relationship to demand.

#### *Regulatory and compliance obligations*

Regional airports are required to meet the same safety, aviation security, airport operational, public infrastructure and airspace protection regulatory requirements as major airports. Some are also considered critical infrastructure and have additional obligations relating to risk management, cyber resilience and incident reporting. The breadth of these obligations is not widely understood outside the aviation sector, and the Commission's inquiry provides an opportunity to document them. The compliance framework applying to Launceston Airport includes:

- Aerodrome facilities and operational management under the Part 139 Manual of Standards (Aerodromes), the Airports Act 1996 and associated control of on-airport activities requirements.
- Drug and alcohol management and safety management system requirements under the Civil Aviation Safety Regulations 1998.
- Airport security and passenger screening under the Aviation Transport Security Act 2004 and associated regulations.
- Critical infrastructure risk management, cyber resilience and mandatory incident reporting under the Security of Critical Infrastructure Act 2018, including Critical Infrastructure Risk Management Program obligations.
- Emergency management requirements under the Emergency Management Act.
- Building operation and occupation requirements under the Building Code of Australia and the Airports Act.
- Environmental management in accordance with the Airport Environment Strategy, including adherence to the Airports Act, the Airports (Environment Protection) Regulations, the Environment Protection and Biodiversity Conservation Act 1999, the PFAS National Environmental Management Plan, National Environment Protection Measures, Australian Standards for bulk storage of fuels and other hazardous chemicals, the Industrial Chemicals Environmental Management Standard, and the Air Navigation Regulations governing aircraft noise and emissions.
- Protection of airspace under the Airports (Protection of Airspace) Regulations 1996.
- State regulations pertaining to the use of firearms, local planning and statutory requirements, and biosecurity management specific to Tasmania.

Every one of these obligations applies to Launceston Airport in the same way it applies to Melbourne Airport. The cost of compliance does not scale with passenger volume. The airport must maintain an Airport Environment Strategy, conduct regular emergency exercises, meet Part 139 aerodrome standards, operate passenger screening to national requirements and manage PFAS remediation obligations whether it handles 500,000 passengers or 1.4 million. At Melbourne Airport, these compliance costs are spread across 37 million passengers. At Launceston, the same regulatory architecture is funded by a passenger base roughly one twenty-sixth of that size.

These obligations deliver a public good for the national aviation system. They ensure the safety of all passengers and the integrity of Australia's aviation network. The cost of delivering these public goods, however, falls disproportionately on regional airports and the communities they serve. Recent analysis by the Australian Airports Association of FY24 financial data found that 17 of 35 regional airports reported operational deficits, with smaller airports particularly vulnerable. Launceston Airport, while one of the larger regional facilities, operates within the same market dynamics.

#### *Airservices Australia charges*

Terminal Navigation and Aviation Rescue and Fire Fighting charges are recovered on a location-specific basis. Per-movement charges at regional airports are substantially higher than at major airports (Chapter 7).

### **5.3 Airport Fees in Context**

## Airport charges as a proportion of airfares

A finding central to the Commission’s inquiry is that airport charges represent only a small fraction of the total cost of a domestic airfare. Independent analysis by InterVISTAS demonstrates that aeronautical charges account for only 7.6 per cent of the overall cost of a typical domestic ticket.<sup>20</sup> The airline base fare, representing operating costs including fuel, crew wages, aircraft lease and maintenance, corporate overheads, network costs and profit margins, comprises 81.2 per cent. Government taxes and fees account for 8.9 per cent, and ancillary airline charges 2.3 per cent.

The policy implication is direct. A 10 per cent reduction in airport charges would translate to less than a one per cent reduction in the total ticket price paid by passengers if it were passed on by airlines. Given airlines typically price primarily to demand conditions rather than on a cost-plus pass-through of input costs, reductions in airport charges may not be fully reflected in retail fares in all circumstances. Measures that address the dominant cost components of airfares, particularly airline operating costs and network efficiency, would produce a materially greater impact on affordability. Policy interventions focused disproportionately on the smallest component of the fare risk being misallocated.

A reduction in aeronautical charges could also render critical infrastructure investment unviable, compromising the airport’s ability to maintain and develop its assets to cater for passenger growth. The Commission should weigh the modest consumer saving against the potential loss of investment certainty for regional airport infrastructure.

### Putting airport charges in perspective

If a return airfare from Launceston to Melbourne costs a passenger \$300, airport charges at both ends account for approximately \$23. The airline base fare, covering fuel, crew, aircraft and overheads, accounts for approximately \$244. A policy that halved airport charges would save the passenger around \$11 per return trip. A 10 per cent improvement in airline operating efficiency would save approximately \$24.

The fees that airports charge airlines are negotiated commercially and are treated as commercial in confidence by both parties. The discussion that follows draws on published charges, which some airports (including Launceston) proactively make available for non-contracted carriers.

## Launceston Airport published charges

Launceston Airport’s published charges for FY26 are set out in Table 5.1. These rates apply to non-contracted carriers and provide a transparent basis for comparison with other airports that publish equivalent schedules.

**Table 5.1: Launceston Airport Published Charges, FY26**

Charge	FY26 Published Rate
Passenger Services Charge	\$14.30
Security Screening	\$8.00

Source: Launceston Airport (APAL), published schedule of charges, FY26.

<sup>20</sup>InterVISTAS, Airport Charges and Airfares in Australia, April 2025; Launceston Airport (APAL).

## Published charges benchmarking

Table 5.2 benchmarks Launceston Airport's published charges against those of other Tasmanian airports and interstate airports with comparable passenger volumes. The comparison is limited to published charges for non-contracted carriers, as fees negotiated with contracted airlines are commercial in confidence across the industry.

An important caveat applies to any comparison of published airport charges. Each airport's charges are determined by its own cost base, asset profile, capital investment cycle, regulatory settings and commercial arrangements. Airports do not price to a market benchmark, and differences in published charges between airports reflect differences in these underlying inputs rather than differences in pricing philosophy or efficiency. Published charges for non-contracted carriers may also include varying risk adjustments that differ from the negotiated rates paid by airlines operating under long-term aeronautical facilities agreements. Table 5.2 is included to provide the Commission with context on where Launceston Airport's published charges sit relative to other airports that publish equivalent schedules, not to suggest that charges across airports should converge or are directly comparable.

**Table 5.2: Published Charges Benchmarking – Tasmanian and Interstate Comparator Airports**

Airport	Passenger Service Charge*	Var vs Launceston	Security Screening*	Var vs Launceston
<b>Tasmanian Airports</b>				
<b>Launceston Airport</b>	<b>\$14.30</b>	–	<b>\$8.00</b>	–
Hobart Airport	\$16.76	+17.2%	\$8.33	+4.1%
Devonport Airport	Not published	–	Not published	–
Burnie Airport	Not published	–	N/A	–
Flinders Island Airport	Not published	–	N/A	–
King Island Airport	\$8.70	–39.2%	N/A	–
<b>Interstate Comparator Airports</b>				
Newcastle Airport	\$13.50 <sup>1</sup>	–5.6%	\$7.47	–6.6%
Sunshine Coast Airport	\$45.06	+215.1%	\$7.15	–10.6%
Townsville Airport	\$15.39	+7.6%	\$5.78	–27.8%
Darwin Airport	\$52.17	+264.8%	\$16.81	+110.1%

\* Fees charged to airlines are not available publicly as they are commercial in confidence; however, some airports (including Launceston) do proactively publish charges for non-contracted carriers.

# Newcastle Airport passenger services charge is published as a combined passenger facilitation and security charge; the figure shown has been separated based on available information.

Source: Published schedules of charges from each airport, FY26 where available. N/A indicates the airport does not provide the relevant service or charge.

Launceston Airport's published passenger services charge of \$14.30 is 17 per cent lower than Hobart Airport (\$16.76) and substantially below the charges published by Sunshine Coast Airport (\$45.06) and Darwin Airport (\$52.17). Among interstate comparators, only Newcastle Airport (\$13.50) publishes a lower passenger services charge. Launceston's security screening charge of \$8.00 is broadly competitive with other airports that publish this charge, sitting below Hobart (\$8.33) and well below Darwin (\$16.81).

Several Tasmanian regional airports (Devonport, Burnie and Flinders Island) do not publish their charges. King Island Airport publishes a lower passenger services charge (\$8.70) but does not provide security screening services. The smaller Tasmanian airports generally serve substantially fewer passengers and face different cost structures.

Within the limitations of published charge comparisons, Launceston Airport's charges sit in the lower range of airports that publish equivalent schedules. The airport's published charges reflect its underlying cost base and a pricing approach oriented toward supporting affordable regional air services, consistent with the scale economics described earlier in this chapter.

## 5.4 Aviation Capital Investment

### Aviation capital investment profile

Between FY21 and FY25, Launceston Airport invested \$25.98 million in major aviation capital projects (those exceeding \$100,000 in acquisition value). Investment was concentrated heavily in FY24, reflecting delivery of the security screening enhancement program, the single most significant infrastructure investment in the airport's recent history.

**Table 5.3: Major Aviation Capital Project Investment by Financial Year**

Financial Year	CapEx	Key Projects
FY21	\$325,429	Terminal smoke fan rectification (\$214K), office redevelopment (\$111K)
FY22	\$1,042,959	CISCO network equipment (\$298K), security screening enhancement and check-in hall expansion (\$289K), Sharp Airlines apron (\$125K), perimeter security fencing (\$56K), EWIS and PA system upgrade (\$51K)
FY23	\$7,807,574	Security screening relocation and check-in hall expansion (\$4.4M), approach lighting replacement (\$705K), CCTV and access control (\$458K), airfield security fencing (\$438K), ICT server replacement (\$336K), EWIS/PA system upgrade (\$319K), terminal check-in technology (\$260K)
FY24	\$9,116,697	Security screening relocation and check-in hall expansion (\$2.7M), terminal check-in technology (\$1.6M), taxiway slab replacement (\$726K), terminal roof replacement (\$609K), security screening equipment (\$458K), BHS code rewrite (\$353K), apron link road reconstruction (\$292K)
FY25	\$7,691,213	Departure gate expansion (\$1.1M), terminal toilet upgrades/DDA compliance (\$871K), seating replacement (\$855K), apron link road reconstruction (\$681K), ground servicing equipment storage (\$617K), sweeper replacement (\$465K), airfield lighting upgrade (\$373K), fire main replacement (\$296K)
<b>Total FY21–FY25</b>	<b>\$25,983,873</b>	

Source: Launceston Airport (APAL) Asset Register.<sup>21</sup>

The FY24 concentration reflects the delivery of multiple compliance-driven projects simultaneously. Each project listed in Table 5.3 delivers safety or regulatory compliance outcomes mandated by Commonwealth agencies. In FY25, the airport completed apron link road repairs, terminal roof replacement, taxiway slab replacement and the second phase of security screening enhancements. These are not discretionary investments. They represent the minimum

<sup>21</sup>Launceston Airport (APAL) Asset Register. Includes projects with acquisition value exceeding \$100,000.

expenditure necessary to maintain safe, compliant and functional airport infrastructure for northern Tasmania.

The largest single forward commitment is a runway overlay essential to maintaining the structural integrity of the airport's primary operating asset. Additional planned investment includes continued terminal development, and ongoing asset lifecycle replacement across the estate. The capital requirements facing Launceston Airport are estimated to exceed \$150 million over the next decade.

## 5.5 The Regulatory Framework and Regional Airports

### The current approach supports regional airport viability

Australia's regulatory framework for airport pricing distinguishes between the four major monitored airports (Sydney, Melbourne, Brisbane and Perth), which are subject to price and level of service monitoring by the ACCC, and the remainder of Australian airports, which operate under a lighter-touch regime that affords greater flexibility in how charges are set and recovered. This differentiated approach recognises that airports operate in fundamentally different market conditions depending on their scale, competitive environment and revenue base. Launceston Airport supports the continuation of this flexible framework and considers it well suited to the realities of regional airport operations.

The Productivity Commission's 2019 inquiry into the economic regulation of airports<sup>22</sup> assessed the pricing practices of the four monitored airports using a building block approach, which compares aeronautical revenue against an efficient cost base including a return on invested capital. That methodology serves a clear purpose for airports processing tens of millions of passengers annually, where market power concerns are legitimate and the commercial characteristics of the business support detailed cost assessment against benchmark returns.

Regional airports operate in a different environment where flexibility of approach is essential for three reasons.

**Investment cycles are lumpy, not smooth.** Major airports invest continuously across diversified asset portfolios. Regional airports face concentrated investment periods where a single project can represent a multiple of annual revenue. Launceston Airport's security screening enhancement alone cost \$6.0 million, and the forecast runway overlay will dwarf annual aeronautical revenue. A rigid cost recovery model applied to these lumpy investment cycles would produce sharp, disruptive fare increases in the years investment occurs and artificially lower charges in intervening years. The current flexibility allows airports and airlines to negotiate charge paths that smooth cost recovery over time, maintaining fare stability for passengers while still funding essential infrastructure.

**Commercial returns are secondary to service continuity.** For major airports, earning a commercial return on invested capital is a reasonable regulatory expectation. For regional airports, the primary objective is maintaining safe, reliable connectivity for the communities they serve. Launceston Airport's forecast capital requirements of \$150 million over the next decade, if assessed against a strict commercial return benchmark, would imply aeronautical charges that would suppress demand and undermine the very connectivity the investment is designed to support. The current framework allows regional airports to price aeronautical charges at levels that balance cost recovery with the objective of keeping air services accessible and affordable,

---

<sup>22</sup> Productivity Commission, Economic Regulation of Airports, Inquiry Report No. 92, 2019.

without being measured against rate-of-return benchmarks designed for a fundamentally different operating context.

**Revenue structures differ materially.** Under the dual-till framework applied to monitored major airports, aeronautical and non-aeronautical revenue streams are assessed separately.

Aeronautical charges are set to recover aeronautical costs, and non-aeronautical revenue does not cross-subsidise those charges. The framework functions effectively for airports with the scale and commercial diversity to sustain both revenue streams independently. Regional airports operate in a fundamentally different position. Launceston Airport's non-aeronautical revenue is constrained by the size of its commercial catchment, and the airport's overall financial capacity depends more heavily on aeronautical charges to fund infrastructure investment and ongoing operations. This is not an argument for cross-subsidisation between revenue streams. Rather, it reflects the reality that a regional airport's overall financial sustainability is more fragile when both revenue streams are constrained, and that applying the same dual-till analytical lens used for major airports would produce misleading conclusions about pricing conduct.

Launceston Airport's view is that the existing differentiated regulatory framework serves regional communities well. It provides flexibility for airports and airlines to agree commercial terms that reflect the specific circumstances of each market, while the competitive discipline of airline choice and the transparency of published charges act as natural constraints on pricing.

### **Airservices Australia cost recovery**

Airservices Australia charges for Terminal Navigation services and Aviation Rescue and Fire Fighting (ARFF) services are recovered on a location-specific basis. Per-movement charges at regional airports are substantially higher than at major airports, reflecting the fixed nature of the service provision and the lower volume base across which costs are recovered. This pricing structure directly increases the cost of operating air services to regional destinations, and airlines pass this cost through to passengers in the form of higher fares. Chapter 7 examines the Airservices cost allocation methodology and presents Launceston Airport's recommendations for reform.

## **5.6 Government Support and Investment**

Government support has played a material role in enabling Launceston Airport to undertake critical infrastructure investments that serve both the airport and the broader community. Between FY21 and FY24, the airport received approximately \$8.1 million in capital project grants from Commonwealth and Tasmanian Government sources, directed principally to security screening and check-in hall infrastructure and the Virgin Cargo Facility. The airport received a further \$1.94 million in COVID-19 screening cost reimbursements during FY22 (Chapter 7). The definitive listing of all grants received is presented in Chapter 7, Table 7.1.

Three features of this investment model are worth the Commission's attention.

1. Co-investment is standard: government grants typically require matching contributions from the airport, drawing in private investment rather than replacing it.
2. Support is directed to public benefit outcomes delivering safety, compliance and economic development returns for the broader community.
3. Support has been sporadic rather than programmatic: timing and availability of grant funding has been inconsistent, making long-term capital planning difficult. There is currently no targeted Commonwealth funding beyond this financial year for regional airport infrastructure. Chapter 7 addresses this gap in its policy recommendations.

In FY24, the year of heaviest grant receipts, capital grants represented roughly 11 per cent of total revenue. The airport's dependence on government investment varies year to year, but the underlying reality is consistent: regional airports cannot fully fund nationally mandated infrastructure from their own revenue base alone. Launceston Airport's view is that this support reflects market realities, not inefficiency. Government support supplements rather than substitutes for the airport's own investment and commercial efforts.

## 5.7 Implications for the Commission's Inquiry

The evidence in this chapter demonstrates that Launceston Airport operates within economic constraints that are characteristic of regional airport operations across Australia.

Airport charges are a minor component of airfares. At 7.6 per cent of the total domestic airfare, aeronautical charges are not a primary driver of what passengers pay. Policy interventions focused on this component will have limited impact on affordability. The dominant cost factors sit with airlines and government imposts.

Scale disadvantages are structural, not operational. Higher per-passenger costs at regional airports reflect the fundamental economics of spreading fixed costs across a smaller user base. Safety and compliance costs mandated by CASA and Home Affairs are largely invariant to volume. These costs cannot be managed away.

Non-aeronautical revenue potential is constrained. Regional airports cannot replicate the commercial revenue models of major airports. Under the dual-till framework, non-aeronautical revenue does not cross-subsidise aeronautical charges at any airport. The difference is that major airports have the scale to keep aeronautical unit costs low and the commercial diversity to support overall business sustainability independently. Regional airports lack both advantages, and the limited non-aeronautical revenue base leaves fewer resources to fund capital investment, absorb cost pressures and maintain service standards without increasing the charges recovered from airlines and passengers.

Capital requirements are significant and ongoing. Launceston Airport forecasts capital investment exceeding \$150 million over the next decade, including a runway overlay and continued terminal development. Without government co-investment, maintaining safe and functional infrastructure while keeping charges affordable will be increasingly difficult.

Government support delivers public benefit and is well directed. Grants received have funded safety, security and economic development outcomes, with the airport providing substantial co-investment in every case. Support reflects the public good characteristics of regional aviation infrastructure. The current regulatory framework, which affords regional airports flexibility in pricing and commercial negotiation, is well calibrated to these dynamics and should be preserved. The Commission's recommendations should guard against policy settings that would exacerbate financial pressures on regional airports or reduce their capacity to invest in the infrastructure that underpins affordable and reliable air services. Chapter 7 sets out specific policy proposals drawing on the evidence presented here and in preceding chapters.

## CHAPTER 6

## Chapter 6: Competition and Market Structure

### Key Points

- Three airline groups serve Launceston Airport on mainland routes: Qantas (including QantasLink), Jetstar and Virgin Australia, with Sharp Airlines providing intra-state Bass Strait Island services. Jetstar holds the largest seat share at 46 per cent, followed by Virgin Australia at 38 per cent and Qantas at 14 per cent.
- No material infrastructure barriers to competition exist under current conditions. The airport operates within its physical capacity. The airport has not, to our knowledge, denied access to any airline seeking to operate within the airport's operational and safety parameters. There is no slot system and no coordination requirement on aircraft movements.
- Economic barriers are the binding constraint on competition. A year-round route using narrow-body jet aircraft requires approximately 50,000 passengers per annum to be commercially viable. Routes below 100,000 passengers face inherent incumbent advantages that deter new entrants.
- Bonza's collapse in May 2024 ended Gold Coast and Sunshine Coast routes that had been performing well at Launceston. The airline's failure reflected company-level factors including an untested distribution model, a small fleet with no operating cost advantage and an unsustainable spread of services across too many thin markets simultaneously. The routes themselves demonstrated that demand exists for direct leisure connections from northern Tasmania.
- From May 2026, Link Airways will commence year-round services from Launceston to Canberra, becoming the fifth carrier at the airport. The service, enabled by the Tasmanian Government's Aviation Attraction Fund in partnership with Launceston and Canberra Airports, demonstrates that targeted government support can convert latent demand into actual connectivity for regional communities.
- Freight operations and belly-hold cargo contribute to the broader commercial viability of airport operations and support the economics of passenger routes that might otherwise be marginal (Chapter 3).

The Productivity Commission's issues paper identifies competition between air transport services and barriers to entry as key areas of inquiry.<sup>23</sup> For Launceston Airport, these questions have clear answers: the airport has physical capacity to accommodate additional airlines and services, and no infrastructure-related barrier to entry exists. The constraints on competition are economic, driven by market size, route viability thresholds and the structural challenges of sustaining services in thin markets.

This chapter sets out the current competitive landscape at Launceston Airport, examines the airport's infrastructure capacity, assesses the nature of barriers to entry, and considers recent market dynamics including the entry and exit of carriers. It also addresses the role of freight in supporting the airport's broader commercial viability. Where data is referenced from earlier chapters, cross-references are provided.

<sup>23</sup>Productivity Commission, Determinants of Regional Airfares, Issues Paper, November 2025.

## 6.1 Current Competitive Landscape

Three domestic airline groups provide regular passenger transport services from Launceston Airport to mainland Australian cities, collectively offering approximately 1.70 million seats across five routes in FY26.<sup>24</sup> Sharp Airlines provides intra-state services connecting Bass Strait Island communities with the Tasmanian mainland. The route network, service frequency and seat capacity distribution are set out in Chapter 4 (Tables 4.3 and 4.4).

From May 2026, the competitive landscape will expand further with the commencement of Link Airways services from Launceston to Canberra. Link Airways will become the fifth carrier operating at Launceston Airport, providing a year-round service four times per week using SAAB 340B aircraft. The service was enabled by the Tasmanian Government's Aviation Attraction Fund in partnership with Launceston and Canberra Airports, and passengers will be able to earn Velocity Frequent Flyer Points under Link Airways' codeshare partnership with Virgin Australia. The addition of a new carrier and a new direct destination that has not previously been served from Launceston is a significant development for northern Tasmania's connectivity.

All three year-round routes are served by multiple carriers, providing passengers with a degree of choice on timing, fare class and loyalty program. The Melbourne and Sydney routes each have three competing airlines, while Brisbane is served by Jetstar (as the dominant carrier with approximately daily service), Virgin Australia (with frequency varying by season from two to six services per week) and Qantas (operating a six-week peak-season window over December and January).

The Adelaide and Perth routes are operated solely by Virgin Australia on a seasonal basis. While these routes have proven popular during summer months, their seasonality and limited frequency reduce their utility for time-sensitive travellers.

### Market concentration

Jetstar holds the largest share of seat capacity at 46 per cent, followed by Virgin Australia at 38 per cent and Qantas (including QantasLink) at 14 per cent. Regional services account for the remaining 1 per cent. This distribution reflects the market's orientation toward leisure and visiting-friends-and-relatives travel, where low-cost carrier pricing is a primary consideration for passengers.

The Qantas Group (Qantas and Jetstar combined) holds approximately 60 per cent of total seat capacity. This level of concentration is typical of Australian domestic aviation generally and is not unique to Launceston. The Productivity Commission and ACCC have documented similar patterns across the broader domestic network.

Average load factors of 86.3 per cent in FY25 indicate that existing capacity is being efficiently utilised.<sup>25</sup> As discussed in Chapter 4, this suggests the market could absorb additional frequency or capacity on core routes where aircraft availability permits.

## 6.2 Airport Infrastructure and Capacity

A threshold question for any assessment of competition in regional aviation is whether airport infrastructure presents a barrier to new entrants. At Launceston Airport, available evidence suggests the airport has sufficient capacity to accommodate additional services, and access is

<sup>24</sup>Launceston Airport (APAL), Network Summary Data, February 2026. Excludes Sharp Airlines regional services to Flinders Island and King Island and Airlines of Tasmania RASS services to Cape Barren Island.

<sup>25</sup>Australia Pacific Airports Corporation (APAC), Annual Report FY25, p. 74.

not a material constraint for airlines seeking to operate within the airport’s operational and safety parameters.

**Table 6.1: Launceston Airport Infrastructure Capacity Assessment**

Capacity Element	Current Provision	Assessment
Terminal gates	4 gates	Sufficient for current operations with scope for additional scheduling. Approval has recently been granted for the development of a fifth gate.
Aircraft parking stands	6 RPT bays (Code B to Code C; Bay 6A available for Code D)	Bays 1 to 5 utilised during peak periods
Runway capacity	Designed for limited Code D aircraft operations	Pavement concession required for most Code C operations based on weight and tyre pressures
Annual movements	Approximately 22,000 per annum	Other single-runway airports accommodate more than double this volume
Slot system	None	No coordination or restraint on aircraft movements
Airline access denials	None on record	No airline has ever been denied access to Launceston Airport

Source: Launceston Airport (APAL), infrastructure capacity assessment, March 2026.<sup>26</sup>

Launceston Airport does not operate a slot allocation system. There is no coordination requirement on aircraft movements, and the airport currently accommodates approximately 22,000 movements per annum. Other airports with single-runway operations safely handle more than double this volume. The absence of a slot system and the available physical capacity mean that a new entrant could commence services at Launceston without facing the access constraints that exist at congested capital city airports.

To APAL’s knowledge, no airline has ever been denied access to Launceston Airport. The only access restrictions that apply relate to aircraft type compatibility, where aircraft exceeding the size or weight limits of the airport’s movement areas cannot be safely accommodated. These are standard safety-driven limitations common to all regional airports and do not represent a competitive barrier.

#### Launceston Airport’s Position on Access

Launceston Airport has capacity to accommodate additional airlines and services. Infrastructure is not a barrier to competition at this airport. The airport actively seeks new entrants and route development, and would welcome any airline that can sustain commercially viable services.

### 6.3 Barriers to Entry and Expansion

The Commission’s issues paper asks whether there are barriers to entry or expansion for airlines in regional areas. Launceston Airport’s experience demonstrates a clear distinction between infrastructure barriers (which do not exist at this airport) and economic barriers (which are the binding constraint on competition).

<sup>26</sup>Launceston Airport (APAL), Infrastructure Capacity Assessment, March 2026.

### Infrastructure barriers: absent

As set out in Section 6.2, Launceston Airport has sufficient terminal gates, parking stands and runway capacity to support additional services. There is no slot system, no access coordination requirement and no history of access being denied to any airline. Future growth requirements are forecast and planned, with infrastructure investment recovered through aeronautical facilities agreements negotiated with airlines.

The airport does not impose curfew restrictions. Operations are available throughout the day, though heavy fog, extreme wind and occasional frost can cause delays or diversions consistent with weather conditions in northern Tasmania. The airport is physically constrained by the proximity of the runway and associated infrastructure to the terminal, which can create obstacle limitation surface incursions. These are operational characteristics rather than competitive barriers.

### Economic barriers: the binding constraint

The primary barriers to airline entry at Launceston are economic. The airport’s assessment, based on operational experience and airline engagement, indicates that a year-round route operating three return services per week using an Airbus A320 or Boeing 737-800 requires a minimum of approximately 50,000 passengers per annum to be commercially viable.<sup>27</sup> For smaller aircraft such as the 34-seat SAAB 340B, the equivalent threshold is approximately 9,000 passengers per annum. These thresholds are subject to variation based on aircraft size, frequency, market seasonality profile and airline cost structures.

Putting these thresholds in context against Launceston’s actual route volumes is instructive. The Melbourne route, with over one million annual seats, is the only route that comfortably exceeds the scale required to support three competing carriers operating narrow-body jets. The Sydney route at approximately 418,000 seats can sustain multiple carriers, as can Brisbane at 174,000 seats, though with less margin. Adelaide and Perth, at roughly 30,500 and 19,500 seats respectively, sit below the threshold at which a second carrier could viably enter. An important qualification applies to these two routes: actual passenger demand between northern Tasmania and Adelaide or Perth is substantially larger than available seat capacity suggests. Because both routes operate seasonally and on limited frequencies, they do not meet the travel needs of many potential passengers, whether because of the wrong days, inconvenient departure times, or the absence of services during winter months. A significant share of this unmet demand is redirected through indirect routing via Melbourne, adding cost and travel time for passengers while obscuring the true size of the underlying market from route-level capacity data.

**Table 6.2: Barriers to Entry Assessment**

Assessment Area	Launceston Airport Position
Infrastructure capacity	Sufficient infrastructure to meet current demand. Future growth requirements are forecast and planned, with funding recovered under aeronautical facilities agreements with airlines.
Capacity constraints limiting competition	No current capacity constraints that would limit competition.
Minimum viable market size (narrow-body jet, year-round, 3x weekly)	Approximately 50,000 passengers per annum for an A320 or B737-800 route. Approximately 9,000 passengers per annum for a 34-seat turboprop. Thresholds vary with aircraft size, frequency and seasonal profile.

<sup>27</sup>Launceston Airport (APAL), Barriers to Entry Assessment, March 2026. Minimum viable market size estimates assume standard airline cost structures and reasonable load factor targets.

Assessment Area	Launceston Airport Position
Incumbent advantages	Incumbent carrier presence deters competitors on routes with fewer than 100,000 passengers per annum, where the market cannot sustain profitable operations for two carriers.
Operating constraints	No curfew. Weather-related delays (fog, wind, frost) are operational factors. Physical constraints from runway-terminal proximity can cause OLS incursions.

Source: Launceston Airport barriers assessment, March 2026.<sup>28</sup>

### Incumbent advantages in thin markets

On routes with fewer than 100,000 passengers per annum, established carriers hold inherent advantages that deter new entry. An incumbent airline has an established customer base, brand recognition, loyalty program integration and schedule familiarity that a new entrant must overcome. In a market where total demand may only support one carrier at a commercially viable load factor, the risk of entry is substantial: a new entrant must win sufficient market share from the incumbent while both airlines operate at lower load factors during the competitive period.

This dynamic is not unique to Launceston and is a well-documented feature of thin regional aviation markets across Australia and internationally. The Commission’s issues paper recognises that barriers to entry include high fixed costs relative to travel volume, and Launceston Airport’s experience confirms that market size rather than airport-imposed constraints is the major limiting factor.

### Demonstrated airline interest

Airline interest in additional Launceston services has been a consistent feature of the airport’s route development work. Jetstar has expressed interest in both Gold Coast to Launceston and Sunshine Coast to Launceston services but has been unable to proceed under current market and operational constraints. Jetstar has also indicated interest in Adelaide to Launceston as a contingency if Virgin Australia were unable to continue servicing the route.

The most significant recent development is the conversion of long-standing interest in a Launceston to Canberra service into an actual scheduled operation. Qantas had previously expressed interest in a Canberra route but was unable to proceed. In 2026, Link Airways announced it would commence year-round services from Launceston to Canberra from 6 May 2026, operating four return services per week using SAAB 340B aircraft. The service was enabled by the Tasmanian Government’s Aviation Attraction Fund in partnership with Launceston and Canberra Airports, and will be the first time Link Airways has operated from Launceston. Passengers will benefit from connectivity to Virgin Australia’s broader network through the airlines’ codeshare partnership.

The Canberra route demonstrates an important dynamic for the Commission’s consideration. Latent demand for the route had been identified by multiple airlines over several years, but market economics alone were insufficient to convert that interest into an operating service. Targeted government support through the Aviation Attraction Fund provided the risk mitigation necessary to bridge the gap between airline interest and route commencement. For its part, the airport ensured that terminal gates, ground handling arrangements and aeronautical pricing

<sup>28</sup> Launceston Airport (APAL).

posed no obstacle to the new service. This is a model that merits the Commission's attention as an example of effective policy intervention in thin markets.

The broader pattern confirms that airlines see commercial potential in Launceston services. What has been lacking on routes beyond the three core corridors is the combination of aircraft availability, risk tolerance and economic conditions required for services to proceed without government support. Launceston also competes against regional airports across the country for a limited pool of available aircraft and crew, many of which are backed by aviation attraction schemes with higher funding levels. In this environment, the presence of demand alone is not enough; the airport must also offer a competitive commercial proposition relative to other destinations vying for the same airline capacity.

## 6.4 Recent Market Dynamics

The period since COVID-19 has produced significant upheaval in Australian domestic aviation. Launceston Airport's experience over the past three years illustrates both the dynamism of regional aviation markets and the fragility of new services in thin market conditions.

### **The Bonza experience: new entry and the importance of airline-level factors**

Bonza commenced services to Launceston in November 2023, launching a Gold Coast to Launceston route operating three times per week. The airline subsequently added a Sunshine Coast to Launceston service in late March 2024. However, Bonza entered voluntary administration in late April 2024 and ceased all operations. The Launceston services operated for approximately six months before the airline's collapse.

Bonza's failure warrants careful analysis by the Commission because it illustrates that airline collapses in regional markets are not necessarily evidence of insufficient demand. The Launceston routes were performing well and generating passenger traffic on corridors that had not previously been served. The collapse was driven by factors internal to the airline's business model and strategy, not by a lack of demand at Launceston. Bonza advised that forward sales and yields for both the Launceston-Sunshine Coast and Launceston-Gold Coast routes were amongst the strongest performers across the Bonza network.

Commentary in the public domain and broader industry analysis has pointed to a range of company-level factors that may have contributed to Bonza's failure. These factors have been described as including the challenges of operating with a small fleet (with limited resilience if an aircraft becomes unavailable), a distribution approach that differed from conventional channels, and network design choices across multiple thin markets. The Commission may wish to consider the extent to which airline-level business model, scale and capital factors can determine service continuity in regional markets, independent of the underlying demand on any particular route.

These structural challenges at the airline level were compounded by the broader competitive environment of Australian domestic aviation. Australia's population scale offers a far smaller market than the environments in which low-cost and ultra-low-cost carriers have succeeded overseas. European budget carriers like easyJet and Ryanair operate across populations exceeding 450 million people and more than 30 cities with populations over one million. They also benefit from extensive networks of secondary airports that Australian carriers cannot access. After more than a year of operation across its full network, Bonza had achieved an overall market share of only approximately 2 per cent.

The lesson for the Commission is not that thin regional markets cannot support new services. The Launceston routes demonstrated the opposite. The lesson is that airline viability depends on

factors well beyond the economics of any individual route, including fleet strategy, distribution approach, network design and access to sufficient capital. Airport-side barriers played no role in Bonza's failure at Launceston. The airport provided infrastructure, commercial terms and active support for the route launches. Demand existed and passengers were flying.

For northern Tasmanian travellers, the Gold Coast and Sunshine Coast routes represented new direct connections to Queensland leisure destinations that had not previously existed. Their loss when Bonza collapsed removed connectivity that the community had only recently gained. No replacement carrier has entered these routes, and they remain among the airport's route development priorities.

### **Fleet renewal and capacity changes**

More constructive developments have occurred within the existing carrier base. QantasLink's introduction of the Airbus A220 and replacement of the Dash-8-300 with the larger Dash-8-Q400 (Chapter 4, Table 4.5) are significant for the economics of regional routes.<sup>29</sup> Larger, more fuel-efficient aircraft spread fixed operating costs across more seats, potentially improving both airline profitability and fare outcomes for passengers. The A220 also improves the passenger experience, helping Launceston compete for discretionary travel against alternative destinations.

### **Airline agreements and service stability**

Launceston Airport has commercial agreements in place with both major airline groups, covering the Qantas Group (Qantas, QantasLink and Jetstar) and Virgin Australia (Chapter 4, Table 4.5). Successor agreements will be negotiated. The current arrangements provide both parties with certainty for investment and service planning across the existing period .

Virgin Australia's resumption of seasonal Perth and Adelaide services has driven strong passenger growth over summer months. Converting these seasonal routes to year-round services would strengthen northern Tasmania's connectivity and reduce the community's dependence on a narrow window of direct access to South Australia and Western Australia and reduce time-consuming and expensive connections via other airports.

### **The Aviation Attraction Fund**

In January 2025, the Tasmanian Government announced the establishment of a \$5 million Aviation Attraction Fund to support the state's ability to attract new airline services. This initiative recognises that in a competitive environment where regional airports across Australia are pursuing new routes, government support can help offset the commercial risk that airlines face when entering thin markets.

The fund has already delivered a tangible outcome at Launceston. In 2026, the Aviation Attraction Fund enabled the commencement of Link Airways services from Launceston to Canberra, a route that had been the subject of airline interest for several years but had not proceeded on a purely commercial basis. Link Airways will become the fifth carrier at Launceston Airport, operating four return services per week year-round from 6 May 2026. This service will utilise Link Airways' 34 seat Saab 340B Plus aircraft. The service provides northern Tasmania with its first direct connection to the national capital and strengthens the airport's route network beyond the traditional Melbourne, Sydney and Brisbane corridors.

The effectiveness of the Aviation Attraction Fund in converting the Canberra route from aspiration to reality contrasts with the continued absence of replacement services on the Gold Coast and Sunshine Coast corridors lost when Bonza collapsed. Targeted government support

---

<sup>29</sup>Australia Pacific Airports Corporation (APAC), Annual Report FY25, pp. 74–75.

can make the difference between routes that airlines consider potentially viable and routes that actually operate. As at March 2026, the Aviation Attraction Fund website indicates the domestic allocation is fully committed. Continued availability of route attraction funding is important to maintain competitiveness for new services, particularly given the intensity of national competition for limited airline fleet and crew resources.

## 6.5 The Role of Freight and Non-Passenger Services

The Commission's terms of reference ask about the role of regional air freight in supporting the commercial viability of regional air services. At Launceston Airport, dedicated freight operations make a meaningful contribution to airport revenue and are essential for Tasmania's export-oriented primary industries. The operational scale and recent growth of freight activity are detailed in Chapter 3, Section 3.6.

Beyond dedicated freight services, belly-hold cargo on passenger aircraft contributes to route economics. For airlines, the ability to carry freight on passenger services provides incremental revenue that can improve the commercial viability of routes that might otherwise be marginal on passenger revenue alone. This cross-subsidy effect is particularly relevant for thinner routes where passenger demand alone may not cover all operating costs.

Non-passenger operations including freight, aeromedical services (Chapter 3) and general aviation activity also contribute to the airport's overall revenue base, spreading compliance, infrastructure and maintenance costs across a broader range of airport users.<sup>30</sup> The presence of these activities reinforces the airport's role as multi-purpose critical infrastructure serving northern Tasmania.

## 6.6 Implications for the Commission's Inquiry

Launceston Airport's competitive landscape and market structure carry several implications for the Commission's analysis of regional airfares.

**Market size, not infrastructure, determines competition.** The airport has demonstrated that it has the physical capacity, access arrangements and commercial willingness to accommodate additional airlines. The constraints on competition are economic, driven by route-level demand thresholds that are largely outside the airport's control. Policy responses focused on airport access or slot reform would not improve competition at Launceston.

**New entry requires viable airline models, not just viable routes.** Bonza's experience at Launceston demonstrates that route-level demand can exist while an airline still fails for reasons unrelated to the market it serves. The Commission should distinguish between route viability and airline viability when assessing barriers to competition in regional markets. Policies aimed at encouraging competition should focus on supporting the economics of individual routes rather than assuming that airline failure necessarily reflects insufficient demand.

**Concentration reflects market fundamentals, not anti-competitive conduct.** The Qantas Group's combined 60 per cent seat share at Launceston reflects the structural reality of Australian domestic aviation rather than any airport-facilitated barrier. All three core routes are served by multiple carriers, and passengers benefit from competition on timing, fare class and service quality.

---

<sup>30</sup>Launceston Airport, Submission to the Senate Rural and Regional Affairs and Transport References Committee Inquiry into the State of Australia's Aviation Sector, February 2026.

**Freight supports the broader aviation ecosystem.** The airport's record freight activity and investment in freight infrastructure contribute to the overall commercial viability of airport operations, helping to spread fixed costs and supporting route economics through belly-hold cargo revenue.

**Government route attraction support has proven effective and must be sustained.** The Tasmanian Government's Aviation Attraction Fund has already delivered a new Launceston to Canberra service through Link Airways, converting years of airline interest into an actual year-round scheduled operation. However, the domestic component of the fund is now fully expended, and without renewal or an alternative mechanism, Launceston Airport's ability to compete nationally for new services will be significantly weakened.

Launceston Airport's view is that the Commission should distinguish clearly between infrastructure-constrained and economically-constrained regional airports in its analysis. For airports like Launceston, where infrastructure capacity exists and access is open, the policy focus should be on measures that support route viability and reduce the commercial risk of entry, rather than on access or regulatory reform.

## CHAPTER 7

# Chapter 7: Government Policy and Regulatory Settings

## Key Points

- Federal and state government support has enabled Launceston Airport to maintain infrastructure and service viability. Between FY20 and FY24, the airport received \$8.07 million in federal and state government grants for capital projects (including a \$2.81 million federal security screening grant in FY20) and a further \$1.94 million in COVID-19 screening cost reimbursements.
- Federal capital grants have co-funded critical safety and capacity investments at Launceston Airport that would not have been commercially viable without government support. The Regional Airports Program (RAP) is an important mechanism for smaller regional airports, but airports of Launceston's scale face a funding gap between RAP eligibility and major airport self-sufficiency, reinforcing the case for a dedicated mid-sized airport program.
- Airservices Australia's location-specific cost recovery model for Terminal Navigation and ARFF charges imposes substantially higher per-landing costs on regional airports than on major capital city airports. Under the Statutory Charging Determination effective 1 August 2025, the combined charge for a single Boeing 737-800 landing at Launceston is \$2,132, more than three times the equivalent charge at major capital city airports, contributing directly to higher regional airfares.
- Security compliance costs have grown from \$1.1 million in FY21 to \$4.6 million in FY25 (Chapter 5), driven by expanded screening requirements and the termination of dedicated Commonwealth screening support. The cost burden is passed through to airlines and passengers on a near cost-neutral basis for the airport (Table 7.7).
- Launceston Airport is supportive of Tasmanian Government travel subsidy schemes that enable more Australians to access air travel. Any measures that reduce cost barriers for travellers support demand, connectivity and the viability of regional air services.

The policy and regulatory settings within which regional airports operate are central to understanding the determinants of regional airfares. Government programs directly affect an airport's ability to invest in safety-critical infrastructure, while regulatory cost structures flow through to airline charges and, in turn, to the fares paid by passengers.

This chapter examines the federal and state government support that Launceston Airport has received, evaluates the effectiveness of key programs, and identifies regulatory settings that contribute to higher costs for regional aviation. It responds directly to the Commission's Information Request 5: Have government policies or regulations made a difference?

## 7.1 Federal Government Support

### Federal capital grants

The Commonwealth has provided capital grant funding to Launceston Airport through the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the

Arts. These grants have supported security screening infrastructure as part of a broader terminal modernisation program delivered in partnership with the Tasmanian Government.

Between FY20 and FY24, Launceston Airport received \$5.17 million in federal capital grants. A \$2.81 million grant was provided in FY20 to assist with the acquisition of security screening equipment, recognising that this federally mandated requirement represents a significant capital outlay for regional airports. A further \$2.36 million was received across FY23 and FY24 for the Security Screening and Check-in Hall Expansion, co-funded alongside Tasmanian Government contributions.

These grants were essential to delivering the airport’s largest terminal investment in its history. Without federal and state co-funding, the project would not have proceeded in its current form, and Launceston Airport would have faced the choice of either deferring critical safety upgrades or passing the full cost through to airlines and passengers in a market where airfares are already a concern.

**Table 7.1: Federal Government Capital Grants Received by Launceston Airport (FY20–FY24)**

Financial Year	Funding Body	Project	Amount (excl GST)
FY20	Dept of Infrastructure	Security Screening Equipment	\$2,810,000
FY23	Dept of Infrastructure	Security Screening & Check-in Hall Expansion	\$500,000
FY24	Dept of Infrastructure	Security Screening & Check-in Hall (multiple claims)	\$1,860,044
		<b>Total Capital Grants (FY20–FY24)</b>	<b>\$5,170,044</b>

### COVID-19 screening cost reimbursements

During FY22, the Department of Infrastructure reimbursed Launceston Airport \$1.94 million for COVID-19 health screening costs incurred at the airport. These costs were mandated by public health directives and were incurred across a period when passenger volumes remained well below pre-pandemic levels. The reimbursement recognised that pandemic screening obligations served a national public health objective and should not fall solely on airport operators. This support was effective, time-limited and well-targeted.

**Table 7.2: COVID-19 Screen Reimbursement Received by Launceston Airport**

Financial Year	Funding Body	Project	Amount (excl GST)
FY22	Dept of Infrastructure	COVID-19 Screening Reimbursements (11 claims)	\$1,942,295
		<b>Total COVID-19 Support</b>	<b>\$1,942,295</b>

Source: Launceston Airport (APAL) Financial Records. The \$8.07 million capital grants total comprises the FY20 federal security screening grant (\$2.81M) plus FY23–FY24 federal and state grants (\$5.26M) as individually listed above.<sup>31</sup>

<sup>31</sup>Launceston Airport (APAL) Financial Records. Amounts exclude GST unless otherwise stated. The \$8.07 million capital grants total comprises the FY20 federal security screening grant (\$2.81M) plus FY23–FY24 federal and state grants (\$5.26M) as individually listed in Table 7.1.

## 7.2 State and Government Support

The Tasmanian Government has provided \$2.9 million in capital grants to Launceston Airport across FY23 and FY24, administered through the Department of State Growth. These grants have co-funded two projects of strategic importance to northern Tasmania: the Security Screening and Check-in Hall Expansion (\$1.3 million from the state) and the Virgin Australia Cargo Facility (\$1.6 million from the state).

The state's investment in the cargo facility reflects a recognition that freight connectivity supports the broader Tasmanian economy. Time-critical agricultural exports, pharmaceutical supplies and e-commerce logistics all depend on reliable air freight infrastructure, and the cargo facility has strengthened Launceston Airport's role as a distribution point for northern Tasmania.

The Tasmanian Government's willingness to co-fund capital projects alongside the Commonwealth has been an important enabler. The partnership model, where federal, state and airport operator funding is pooled, has delivered infrastructure outcomes that none of the parties could have achieved independently. Launceston Airport values this collaborative approach and encourages its continuation.

**Table 7.3: Tasmanian Government Capital Grants to Launceston Airport (FY23–FY24)**

Financial Year	Funding Body	Project	Amount (excl GST)
FY23	Dept of State Growth	Security Screening & Check-in Hall Expansion	\$500,000
FY23	Dept of State Growth	Virgin Cargo Facility	\$500,000
FY24	Dept of State Growth	Virgin Cargo Facility (two payments)	\$1,100,000
FY24	Dept of State Growth	Security Screening & Check-in Hall Expansion	\$800,000
		<b>Total Tasmanian Government Grants</b>	<b>\$2,900,000</b>

Source: Launceston Airport (APAL) Financial Records.<sup>32</sup>

## 7.3 Tasmanian Travel Subsidy Schemes

The preceding sections address government support directed to airport infrastructure. This section turns to demand-side measures: the Tasmanian Government travel subsidy schemes that influence fare affordability and passenger volumes on routes served by Launceston Airport. While these programs sit outside the airport's direct operations, their effect on demand is relevant to the Commission's assessment of government policy effectiveness.

The Productivity Commission's issues paper notes that Tasmanian subsidies cover school students and teaching staff, concession card holders, and patients requiring access to specialist medical services, with travel subsidies for certain services restricted to the Bass Strait islands.

As a private airport operator, APAL does not have direct visibility of the detailed design, uptake or expenditure associated with these schemes. The airport does not administer the subsidies, does not receive the funding and does not hold data on the number of passengers who benefit

<sup>32</sup>Launceston Airport (APAL) Financial Records.

from them at Launceston Airport. The subsidies flow to passengers or airlines and do not appear in APAL’s revenue or cost base.

Launceston Airport is supportive of any measures that reduce cost barriers to air travel and enable more Australians to access air services. Subsidies that lower the effective fare paid by passengers have the potential to support demand on routes that might otherwise be marginal, sustain airline frequency and improve social equity for Tasmanians who depend on air travel for medical care, education or family connection.

More broadly, state-based travel subsidies address a symptom (high fares) rather than the underlying cause (the structural cost disadvantages of thin regional markets). Subsidies play an important complementary role alongside supply-side measures such as infrastructure investment, regulatory reform and competition policy. The most effective policy mix will combine demand-side support that puts downward pressure on the fares passengers actually pay with supply-side reforms that address the cost drivers airlines face in serving regional routes.

## 7.4 Airservices Australia: Pricing and Cost Recovery

Airservices Australia provides terminal navigation (TN) and aviation rescue firefighting (ARFF) services at controlled aerodromes across Australia. These services are funded through regulated charges levied on airlines, calculated by reference to aircraft weight and recovered from passengers through airfares. The pricing structure used by Airservices has a direct and measurable impact on the cost of serving regional airports.

On 22 July 2025, the Airservices Australia Board made a new Statutory Charging Determination under Division 3 of Part 5 of the Air Services Act 1995, effective from 1 August 2025. This Determination replaced the previous contractual arrangements dated 1 July 2022 and sets the current charges for terminal navigation, ARFF and enroute navigation services at all controlled aerodromes in Australia. The analysis in this section draws directly from the schedules to that Determination.<sup>33</sup>

### Location-specific cost recovery

Airservices’ TN and ARFF charges are recovered on a location-specific basis. The Statutory Charging Determination establishes a separate per-tonne rate for each controlled aerodrome, and the charge payable for each landing is calculated by multiplying that rate by the aircraft’s Chargeable Weight. The per-tonne rates vary substantially between locations. As the tables below demonstrate, the rates at regional airports are consistently and materially higher than those at capital city airports serving larger volumes of traffic

The TN charge at each location is calculated as a per-tonne rate multiplied by the aircraft’s Chargeable Weight. Table 7.4 presents the current TN rates at selected locations, drawn directly from Schedule 1 of the Statutory Charging Determination. All charges are inclusive of GST.

**Table 7.4: Airservices Australia Terminal Navigation Charges, Selected Locations (\$/tonne, inc. GST, from 1 August 2025)**

Location	\$/tonne
Melbourne	\$5.85

<sup>33</sup>Airservices Australia, Statutory Charging Determination: Services and Facilities, dated 22 July 2025, effective 1 August 2025. Made by the Airservices Australia Board under Division 3 of Part 5 of the Air Services Act 1995.

Location	\$/tonne
Sydney	\$6.04
Brisbane	\$6.64
Hobart	\$9.10
Gold Coast	\$9.14
Canberra	\$12.56
Cairns	\$13.12
Sunshine Coast	\$13.36
<b>Launceston</b>	<b>\$13.77</b>

Source: Airservices Australia, Statutory Charging Determination, Schedule 1, effective 1 August 2025.<sup>34</sup>

Launceston's TN rate of \$13.77 per tonne is more than double the rates charged at the major capital city airports of Sydney (\$6.04), and Brisbane (\$6.64), and is 1.5 times higher than Hobart's rate of \$9.10. To illustrate the practical impact, consider a Boeing 737-800, the workhorse aircraft on domestic trunk routes to and from Launceston, which has a Chargeable Weight of 77.81 tonnes under Schedule 5 of the Determination. The TN charge for a single landing of that aircraft at Launceston is \$1,071 (\$13.77 x 77.81 tonnes), compared with \$470 at Sydney (\$6.04 x 77.81 tonnes) and \$708 at Hobart (\$9.10 x 77.81 tonnes). Even within Tasmania, Launceston's TN charge is \$363 higher per landing than Hobart's for the same aircraft receiving the same category of service.

### ARFF charges: a pronounced regional disadvantage

The disparity is even more pronounced for ARFF charges, which are calculated by reference to both Chargeable Weight and Aircraft Category. Table 7.5 presents the ARFF rates at selected locations for Category 7 aircraft, which encompasses the Boeing 737 and Airbus A320 families that operate on trunk domestic routes to and from Launceston. Category 6 aircraft (smaller regional turboprops) attract a uniform national rate of \$2.46 per tonne regardless of location.

**Table 7.5: Airservices Australia ARFF Charges, Category 7 Aircraft, Selected Locations (\$/tonne, inc. GST, from 1 August 2025)**

Location	\$/tonne (Cat 7)
Melbourne	\$2.67
Sydney	\$2.63
Brisbane	\$2.72
Gold Coast	\$4.02
Cairns	\$3.91
Canberra	\$7.72
Hobart	\$8.50

<sup>34</sup>Airservices Australia, Statutory Charging Determination, Schedule 1: Terminal Navigation Charges, Table 1. Rates are per tonne of Chargeable Weight as defined in paragraph 12.2 of the Determination. All charges inclusive of GST.

Location	\$/tonne (Cat 7)
Launceston	\$13.64

Source: Airservices Australia, Statutory Charging Determination, Schedule 2, effective 1 August 2025.<sup>35</sup>

Launceston's ARFF rate for Category 7 aircraft is \$13.64 per tonne, which places it among the highest-charged locations in the country. For a Boeing 737-800 landing, the ARFF charge at Launceston is \$1,061 (\$13.64 x 77.81 tonnes), compared with \$661 at Hobart (\$8.50 x 77.81 tonnes) and approximately \$205 to \$212 at the major capital city airports. Within Tasmania alone, the ARFF charge at Launceston is \$400 higher per landing than at Hobart.

### Combined impact on route economics

Table 7.6 brings together the TN and ARFF charges to show the combined per-landing cost for a Boeing 737-800 at each location. The combined charge is the sum that an airline pays to Airservices each time it lands at that airport.

**Table 7.6: Combined TN and ARFF Charges per Landing, Boeing 737-800 (77.81 tonnes, Category 7, inc. GST)**

Location	TN Charge	ARFF Charge	Combined
Melbourne	\$455	\$208	\$663
Sydney	\$470	\$205	\$675
Brisbane	\$517	\$212	\$729
Hobart	\$708	\$661	\$1,369
Canberra	\$977	\$601	\$1,578
<b>Launceston</b>	<b>\$1,071</b>	<b>\$1,061</b>	<b>\$2,132</b>

Source: Launceston Airport calculations based on Airservices Australia, Statutory Charging Determination, Schedules 1, 2 and 5, effective 1 August 2025. Boeing 737-800 Chargeable Weight of 77.81 tonnes per Schedule 5.

The combined Airservices charge for a single Boeing 737-800 landing at Launceston is \$2,132. This is more than three times the equivalent charge at the major capital city airports and \$764 higher per landing than at Hobart (\$1,369). For an airline operating four daily return services between Launceston and a capital city destination (approximately 1,460 landings per year at the Launceston end), the higher charges at Launceston represent a material recurring cost that flows directly through to airline operating expenses and contributes to the regional airfare premium identified by the Commission.

Enroute navigation charges add a further layer of cost. Under Schedule 3 of the Determination, the enroute charge for aircraft of 20 tonnes or more is calculated at \$4.04 per unit of Chargeable Distance divided by 100 and multiplied by the square root of Chargeable Weight. The Bass Strait crossing adds enroute distance to every flight serving Launceston, compounding the cost disadvantage relative to comparable mainland regional routes.

These charges also factor into airline route development decisions. When carriers assess whether to launch or expand services to a regional destination, the Airservices cost differential

<sup>35</sup>Airservices Australia, Statutory Charging Determination, Schedule 2: Aviation Rescue and Fire Fighting Charges, Table 1. Rates are per tonne of Chargeable Weight, differentiated by Aircraft Category. All charges inclusive of GST.

materially alters the revenue threshold at which a route becomes viable. In thin markets where viability margins are already narrow, this cost penalty, which is outside the airport's control, can weigh against a regional destination when airlines are allocating new capacity.

### **The case for government intervention**

Location-specific cost recovery is a legitimate approach to pricing regulated services, and Launceston Airport does not suggest that Airservices should change the way it allocates costs across its network. The per-tonne rates set out in the Statutory Charging Determination reflect the cost of delivering TN and ARFF services at each location, and the principle that users of a service should fund the cost of providing it is sound. The difficulty is that this principle, applied without adjustment, produces per-landing charges at regional airports that are multiples of those at high-volume capital city airports, and this differential flows directly into the fares paid by regional passengers.

The Commonwealth already recognises that Airservices charges can act as a barrier to regional connectivity. The Enroute Charges Payment Scheme reimburses enroute navigation charges for airlines providing commercial passenger or aeromedical services to regional and remote locations, on the basis that these services generate broader economic and social benefits that justify government support. The same logic applies to TN and ARFF charges at regional airports. The cost differential demonstrated in the tables above is not a product of inefficiency at Launceston or any other regional airport; it is an unavoidable consequence of providing mandated safety services at locations with lower traffic volumes. Where the community benefits of maintaining those services extend beyond the passengers who use them, there is a strong case for government to fund the gap between what location-specific cost recovery produces and what regional routes can sustainably absorb.

The Commission should consider whether an extension of the Enroute Charges Payment Scheme, or a comparable mechanism funded through Commonwealth appropriation, could be applied to TN and ARFF charges at regional airports that meet defined criteria, such as airports below a specified passenger threshold that provide essential connectivity to their regions. At \$2,132 per landing for a standard narrowbody aircraft, Launceston's combined Airservices charges represent a significant and recurring cost that feeds directly into the fares paid by passengers travelling to and from northern Tasmania. A government-funded offset, even a partial one, would reduce airline input costs on regional routes without distorting the cost signals that Airservices' location-specific model is designed to provide.

## **7.5 Security and Regulatory Compliance Costs**

Regional airports face the same federally mandated security and safety obligations as major metropolitan airports, but lack the passenger volumes to smooth out these costs. The result is a structurally higher per-passenger compliance burden that contributes directly to the cost base flowing through to regional airfares.

### **The security cost pass-through**

Chapter 5 includes detail on the trajectory of Launceston Airport's security costs, which have grown from \$1.1 million in FY21 to \$4.6 million in FY25. Security costs have grown at more than five times the rate of passenger growth over this period, driven by expanded screening requirements, equipment upgrades and increased personnel costs. The full cost trajectory and its position within the airport's broader operating cost structure are presented in Chapter 5.

Table 7.7 presents the security revenue and cost breakdown that is unique to this chapter's regulatory analysis, showing the pass-through mechanism that transfers these costs from the airport to airlines and passengers.

**Table 7.7: Launceston Airport Security Revenue and Cost Breakdown (FY21–FY25)**

	FY21	FY22	FY23	FY24	FY25
Security Revenue (\$'000)	\$1,532	\$2,386	\$2,861	\$3,766	\$4,626
Security Costs (\$'000)	\$1,134	\$1,676	\$2,646	\$3,626	\$4,579
Net Security (\$'000)	\$398	\$710	\$215	\$140	\$47
Security Cost per PAX	\$4.41	\$4.66	\$4.14	\$5.17	\$6.43
Departing PAX ('000)	257	360	639	702	712
PAX ('000)	542	746	1,295	1,424	1,435

Source: Launceston Airport (APAL) Financial Records.<sup>36</sup>

The net security position (revenue less costs) has narrowed from \$398,000 in FY21 to \$47,000 in FY25, confirming that the pass-through mechanism operates close to cost neutrality for the airport. The cost burden is effectively borne by airlines and passed through to passengers in airfares. For FY26, the forecast security screening charge is approximately \$7.30 to \$8.00 per departing passenger, understood to be cost-competitive compared with other regional airports.

### The termination of Commonwealth screening support

The Commonwealth previously provided dedicated funding to support airport security screening, recognising that these obligations serve national security objectives and should not fall disproportionately on regional operators. The termination of this dedicated support has shifted the full cost onto airports, airlines and passengers.

Launceston Airport received a \$2.81 million federal grant in FY20 for security screening equipment (Table 7.1), which was a welcome and effective intervention. However, there is currently no ongoing, dedicated Commonwealth program to support the capital or operating costs of security screening at regional airports. The equipment will require replacement and upgrade over time, and these costs will need to be funded from operating revenue or future grant programs if available.

The disparity between the national policy objective served by airport security and the local cost burden borne by regional communities is a structural inequity. Larger airports can spread screening costs across millions of passengers, resulting in a per-passenger charge that is modest relative to the total fare. At smaller regional airports, the same fixed infrastructure and personnel costs are divided among far fewer passengers, producing per-passenger charges that represent a material portion of the ticket price.

### Broader regulatory compliance obligations

Beyond security screening, Launceston Airport incurs costs to comply with CASA aerodrome safety standards, Department of Home Affairs security regulations, and a range of environmental, workplace health and safety, and emergency management requirements. Chapter 5 (Section 5.2) provides a comprehensive listing of the regulatory framework that applies

<sup>36</sup>Launceston Airport (APAL) Financial Records. Security revenue includes pass-through charges to airlines. Per-PAX cost calculated on departing passengers.

to regional airport operations, including obligations under Part 139, the Aviation Transport Security Act, the Environment Protection and Biodiversity Conservation Act (EPBC Act), the PFAS National Environmental Management Plan and state-specific requirements.

A substantial proportion of the \$25.98 million capital investment program detailed in Chapter 5 (Table 5.3) is compliance-driven. The fixed nature of these obligations means that per-passenger compliance costs at Launceston Airport will always be higher than at a capital city airport handling ten or twenty times the passenger volume. The Commission should consider whether the current allocation of compliance costs between the Commonwealth and regional airport operators is proportionate and sustainable.

## 7.6 Policy Assessment: What Works and What Could Be Improved

Drawing on Launceston Airport's experience across the policy areas examined in this chapter, a number of clear themes emerge regarding the effectiveness of current government settings and the opportunities for reform.

### What works

Targeted federal and state capital grants have delivered measurable outcomes at Launceston Airport. The co-funding model, where Commonwealth, state and airport operator contributions are pooled, aligns incentives, ensures that projects meet genuine operational needs, and reduces the cost burden that would otherwise flow through to airfares. The partnership between federal and state governments on the Security Screening and Check-in Hall Expansion is a tangible example of effective multi-level government cooperation.

Time-limited pandemic support was well-designed and well-targeted. The COVID-19 screening reimbursements addressed a specific, temporary cost that arose from public health directives, and the funding was delivered in a timely manner when the airport sector was under acute financial pressure.

The Airservices Australia Enroute Charges Payment Scheme, which reimburses enroute navigation charges for airlines serving regional and remote locations, recognises that connectivity to regional Australia generates broader economic and social benefits that justify government support. Launceston Airport supports the continuation and potential expansion of this scheme.

### What could be improved

#### Predictability of federal grant programs

Federal infrastructure funding for regional airports, including the RAP, is episodic, making it difficult for airports to plan multi-year capital programs. A shift to permanent, recurring appropriations would enable airports to sequence investments more efficiently and would improve the overall quality of infrastructure outcomes.

#### Co-contribution requirements

The standard 50 per cent co-contribution requirement does not account for differences in financial capacity between airports. Tiered co-contribution models, where the matching ratio reflects airport revenue or passenger throughput, would ensure that available funding reaches the locations where infrastructure needs are greatest.

#### Airservices cost recovery for regional locations

Full location-specific cost recovery for TN and ARFF services produces per-landing charges at regional airports that are multiples of those at capital city airports. The Commonwealth already subsidises enroute charges for regional services through the Enroute Charges Payment Scheme. Extending this principle to TN and ARFF charges at qualifying regional airports, funded through government appropriation, would directly reduce a material airline input cost and improve fare affordability without distorting Airservices' cost recovery model.

### **Dedicated security compliance funding**

There is no ongoing Commonwealth program to support the capital or operating costs of security screening at regional airports, despite these obligations serving national policy objectives. A permanent funding stream, potentially supported by a reallocation of Passenger Movement Charge revenue, would address a structural inequity in the current framework.

### **A mid-sized airport program**

Launceston Airport, handling over 1.4 million passengers annually, has outgrown some existing regional programs but does not have the commercial revenue base of major metropolitan airports. A dedicated mid-sized airport program would address this funding gap and support airports that serve as critical connectivity points for their regions.

Sporadic grant cycles, one-size-fits-all co-contribution requirements, the absence of government support to offset Airservices charges at regional airports, and the absence of dedicated security compliance funding all contribute to higher costs for regional airports. Through the chain from airport charges to airline costs to passenger fares, these policy settings contribute to higher regional airfares. The Commission has an opportunity to recommend reforms in each of these areas that would materially improve affordability and access for regional Australians.

## **7.7 Implications for the Commission's Inquiry**

The Commission's Information Request 5 asks whether government policies or regulations have made a difference to regional airfares, service levels and competition. On the basis of Launceston Airport's experience, the answer is clearly yes, in both directions.

Where government support has been provided through targeted capital grants and pandemic reimbursements, it has enabled investment that would not otherwise have occurred, maintained service viability during a period of acute stress, and reduced the cost burden that would otherwise have flowed through to passengers. These programs have been effective and represent good value for taxpayers.

Where regulatory settings impose location-specific cost recovery, particularly Airservices TN and ARFF pricing, the resulting charges contribute to the structural cost disadvantages that produce higher regional airfares. Where Commonwealth compliance obligations are not matched by Commonwealth funding support, a similar dynamic applies. These cost burdens are not beyond the reach of policy intervention, and the Commission is well placed to recommend government-funded mechanisms that address them.

The evidence in this chapter supports five reform priorities: permanent and predictable federal infrastructure funding, tiered co-contribution requirements, government-funded relief from Airservices TN and ARFF charges at regional airports, dedicated security compliance funding for regional airports, and a mid-sized airport program to address the funding gap between major airport commercial viability and small airport grant eligibility. Chapter 9 develops these into specific policy recommendations.

## CHAPTER 8

## Chapter 8: Policy Recommendations

### Summary of Recommendations

- Develop a National Regional Aviation Infrastructure Strategy aligned with the Aviation White Paper.
- Establish permanent, predictable funding for the Regional Airports Program with reformed co-contribution requirements reflecting the financial capacity of different airport operators.
- Create a Mid-Sized Airport Program to address the funding gap for airports that have outgrown regional programs but lack the commercial revenue base of major metropolitan airports.
- Provide dedicated Commonwealth support for security compliance costs at regional airports.
- Reform Airservices Australia's location-specific cost recovery model to reduce the disproportionate pricing burden on regional airports.
- Direct a portion of Passenger Movement Charge revenue towards regional aviation infrastructure, security compliance and measures that support the affordability of air services.
- Support targeted route attraction programs, building on the demonstrated effectiveness of the Tasmanian Government's Aviation Attraction Fund.
- Ensure new regulatory obligations apply proportionate requirements to regional airports and preserve the flexibility of the current differentiated regulatory framework.

The Commission's Information Request 6 asks what could be done to make fares more affordable and to improve access to aviation, and where policy or regulatory actions should focus. This chapter sets out eight recommendations drawn directly from the evidence presented in Chapters 2 through 7 of this submission.

Launceston Airport's recommendations are grounded in a core proposition: regional airfares are high because the costs of providing air services to regional communities are structurally higher than for services between major cities. Airport charges account for only 7.6 per cent of the total domestic airfare (Chapter 5). The dominant cost components sit with airlines (81.2 per cent) and government taxes and fees (8.9 per cent). Effective policy responses must address the full spectrum of cost drivers rather than focusing disproportionately on the smallest element.

The recommendations that follow are practical, recognise fiscal constraints, and draw on Launceston Airport's direct experience operating in a thin regional market. Each recommendation identifies the problem it addresses, the evidence base from this submission, and the expected outcome if adopted.

## 8.1 A National Regional Aviation Infrastructure Strategy

### Recommendation 1

**Develop a National Regional Aviation Infrastructure Strategy aligned with the Aviation White Paper to provide coordinated planning, shared learning and effective targeting of government support across Commonwealth, state and local governments.**

The strategy should recognise airports as essential public transport infrastructure and provide clarity on how governments will work together to ensure sustainable service delivery. It should strengthen Infrastructure Australia's capacity with dedicated aviation infrastructure expertise.

Regional airport planning and investment currently occurs in a fragmented manner. Individual operators make decisions based on local circumstances and available resources, without a national framework to coordinate investment priorities, share operational learnings or align government support across the three levels of government. The Aviation White Paper provides a strategic context, but no dedicated implementation mechanism exists for regional airport infrastructure.

Launceston Airport's experience illustrates both the benefits and limitations of the current approach. The airport has secured \$8.07 million in government grants across federal and state sources (Chapter 7, Table 7.1) and invested \$25.98 million in capital projects over FY21 to FY25 (Chapter 5, Table 5.3). These investments were effective but were pursued through individual grant applications without the benefit of a coordinated national framework. A national strategy would enable airports to plan with greater confidence, allow governments to target support where it will deliver the greatest connectivity benefit, and avoid duplication of effort across jurisdictions.

## 8.2 Permanent and Predictable Infrastructure Funding

### Recommendation 2

**Establish permanent, predictable funding for the Regional Airports Program and Remote Airstrip Upgrade Program with reformed co-contribution requirements that reflect the financial capacity of different airport operators.**

Tiered co-contribution models, where the matching ratio reflects airport revenue or passenger throughput, would ensure available funding reaches the locations where infrastructure needs are greatest. Funding rounds should be scheduled on a regular, published timetable to enable multi-year capital planning.

Federal capital grants have been demonstrably effective at Launceston Airport. Commonwealth funding, combined with state contributions, co-funded the delivery of a \$6.0 million security screening enhancement and a terminal expansion that has increased processing capacity and ensured compliance with evolving Department of Home Affairs requirements (Chapter 7, Section 7.1). The co-funding model aligns incentives between government and airport operators and ensures projects meet genuine operational needs.

The RAP applies this co-funding model for eligible regional airports and is an important mechanism for smaller airports with limited revenue bases. While Launceston Airport is not eligible for the RAP, we support the continuation and strengthening of the program as a sector-wide initiative. Two structural features of the program warrant the Commission's attention. First, funding rounds are sporadic and unpredictable. Airports cannot commit to multi-year investment programs when grant availability is uncertain from one year to the next. Permanent, scheduled funding would allow airports to sequence investments more efficiently.

Second, the standard 50 per cent co-contribution requirement does not account for differences in financial capacity. Airports with the greatest infrastructure needs are often those least able to fund the matching share. A tiered model, where smaller airports contribute a lower percentage and larger airports contribute proportionally more, would direct funding to where it delivers the highest marginal benefit. The Australian Airports Association's finding that 17 of 35 regional airports reported operational deficits in FY24 (Chapter 5) underscores the financial constraints facing the sector.

For airports of Launceston's scale, the challenge is compounded by a funding gap between RAP eligibility and major airport self-sufficiency. Launceston Airport forecasts capital requirements exceeding \$150 million over the next decade (Chapter 5), including a major runway overlay, yet may not meet the criteria for programs designed for smaller airports. Recommendation 3 addresses this gap directly.

### 8.3 A Mid-Sized Airport Program

#### Recommendation 3

**Create a Mid-Sized Airport Program to address the funding gap for airports that have outgrown regional programs but lack the commercial revenue base of major metropolitan airports.**

This program would support airports handling between approximately 500,000 and 5 million passengers annually, which serve as critical connectivity points for their regions but face capital requirements that outstrip their commercial capacity.

Launceston Airport, handling over 1.4 million passengers annually has outgrown some elements of existing regional support programs. At the same time, the airport does not have the commercial revenue base of major metropolitan airports, which generate hundreds of millions in non-aeronautical income from retail, property and ground transport operations. Non-aeronautical revenue at Launceston is structurally constrained by the airport's regional location and limited commercial catchment.

This creates a funding gap. The airport's capital requirements are substantial and growing, driven by compliance obligations that apply irrespective of scale (Chapter 5, Section 5.2) and the need to maintain ageing airside infrastructure. A dedicated mid-sized airport program would recognise that airports in this category serve as essential connectivity hubs for their regions and warrant targeted support that reflects their scale and strategic importance.

### 8.4 Dedicated Security Compliance Funding

#### Recommendation 4

**Provide dedicated, ongoing Commonwealth support for security compliance costs at regional airports through a permanent funding program that recognises federally mandated obligations serve national policy objectives.**

Funding should cover both capital costs (screening equipment acquisition and replacement) and a contribution to the operating costs of screening at airports below a defined passenger threshold, potentially supported by a reallocation of Passenger Movement Charge revenue (Recommendation 6).

Security compliance costs at Launceston Airport have grown from \$1.1 million in FY21 to \$4.6 million in FY25 (Chapter 5), an increase driven by expanded screening requirements, equipment

upgrades and increased personnel costs. Table 7.7 in Chapter 7 shows that the airport passes these costs through to airlines on a cost-neutral basis. The burden falls ultimately on passengers through higher airfares.

The termination of dedicated Commonwealth screening support has shifted the full cost of a nationally mandated obligation onto regional airport operators and passengers. Launceston Airport received a \$2.81 million federal grant in FY20 for screening equipment (Chapter 7, Table 7.1), but no ongoing program exists to support replacement cycles or operating costs. At some smaller regional airports, screening costs have reached \$80 or more per passenger, with corresponding reductions in passenger numbers.

The principle that nationally mandated security obligations should attract government funding is well established in Australian policy. At every commercial airport in Australia, the Commonwealth funds customs processing, immigration clearance and biosecurity screening through the Australian Border Force and the Department of Agriculture, Fisheries and Forestry. These functions serve national policy objectives and are delivered at government expense. Counter-terrorism policing at major airports is similarly funded through the Australian Federal Police's Commonwealth appropriation.

The Commonwealth's own response during the COVID-19 pandemic reinforced this principle: when mandatory health screening was introduced at airports as a public health measure, the associated costs were funded by the Commonwealth rather than passed through to airports and passengers.

Aviation security screening stands as an exception: a nationally mandated obligation, imposed to serve national security objectives, where the full cost has been shifted to airport operators and their passengers. Both Canada and the United States fund aviation security screening through dedicated federal entities (the Canadian Air Transport Security Authority and the Transportation Security Administration respectively), recognising that these obligations serve national rather than local interests. Australia's approach places regional communities at a particular disadvantage, as smaller airports lack the passenger base to absorb screening costs without material impacts on airfare affordability.

Security screening is a compliance obligation imposed by the Commonwealth to serve national security objectives. The cost of meeting this obligation should not fall disproportionately on regional communities that lack the passenger volumes to absorb it efficiently. A permanent funding stream would address this structural inequity and directly reduce a cost input that flows through to regional airfares.

## 8.5 Reform of Airservices Australia Pricing

### Recommendation 5

**Reform Airservices Australia's location-specific cost recovery model for Terminal Navigation and Aviation Rescue and Fire Fighting charges to reduce the disproportionate pricing burden on regional airports.**

Alternative approaches should be considered, including capped regional charges with the differential funded from general revenue, or a tiered pricing model that limits per-landing charges at airports below a defined movement threshold.

Under the Statutory Charging Determination effective 1 August 2025, the combined Airservices charge for a single Boeing 737-800 landing at Launceston is \$2,132, more than three times the equivalent charge at Melbourne (\$663) and \$764 higher per landing than Hobart (\$1,369)

(Chapter 7, Tables 7.4 to 7.6). The ARFF disparity is particularly acute: \$1,061 per landing at Launceston compared with approximately \$208 at Melbourne, a factor of more than five. For an airline operating daily return services on a Launceston route, this differential represents a material recurring annual cost that flows directly through to passengers and alters the revenue threshold at which new regional routes become commercially viable.

Full location-specific cost recovery is a policy choice, not an economic inevitability. Terminal navigation and fire-fighting services serve the national aviation network. Alternative pricing models that recognise the public benefit of maintaining these services at regional airports would directly reduce airline operating costs on regional routes and contribute to lower fares for regional passengers. The Commission is well placed to assess the trade-offs between cost-reflective pricing and the broader connectivity objectives of regional aviation policy.

## 8.6 Reallocation of Passenger Movement Charge Revenue

### Recommendation 6

**Direct a portion of Passenger Movement Charge revenue towards regional aviation infrastructure, security compliance costs and measures that support the sustainability and affordability of air services.**

This would create a direct link between revenue collected from travellers and investment in infrastructure and services that facilitate their journeys, without requiring new taxes or charges on passengers.

The Passenger Movement Charge currently contributes over \$1.3 billion per year to federal revenues. Minimal investment from this revenue source is directed to improving the passenger journey or supporting aviation infrastructure, particularly at regional airports where the infrastructure serving those passengers is most constrained.

A reallocation of a defined proportion of PMC revenue to regional aviation would provide a sustainable funding base for several of the priorities identified in this submission: infrastructure investment (Recommendation 2), security compliance support (Recommendation 4), reduction of Airservices TN and ARFF charges (Recommendation 5) and targeted route attraction programs (Recommendation 7). This approach would not require new charges on passengers and would recognise that regional connectivity is a national priority warranting investment from revenues already collected from the travelling public.

## 8.7 Route Attraction and Competition Support

### Recommendation 7

**Support targeted route attraction programs that reduce the commercial risk airlines face when entering thin regional markets, building on the demonstrated effectiveness of the Tasmanian Government's Aviation Attraction Fund.**

Programs should be structured as time-limited partnerships between governments, airports and airlines, with clear performance criteria and sunset provisions, to bridge the gap between latent demand and commercially sustainable services.

Chapter 6 presents evidence that the primary barriers to competition at Launceston Airport are economic, not infrastructure-related. The airport has capacity to accommodate additional airlines and services, and no carrier has ever been denied access. The constraints are market size and

the commercial risk of entering thin routes where demand may not support profitable operations during the establishment period.

The Tasmanian Government's Aviation Attraction Fund has already demonstrated that targeted government support can convert latent demand into actual connectivity. The fund enabled the commencement of Link Airways services from Launceston to Canberra in May 2026, a route that had been the subject of airline interest for several years but had not proceeded on a purely commercial basis (Chapter 6, Section 6.3). Link Airways will become the fifth carrier at Launceston Airport, providing a year-round service four times per week and giving northern Tasmania its first direct connection to the national capital.

This model merits the Commission's attention. Route attraction programs address the specific market failure that prevents airlines from entering thin regional routes despite identified demand. They are time-limited, reducing the risk of creating long-term subsidy dependence. They require commitment from all parties, with airports providing infrastructure access and airlines committing to sustained service. And they deliver measurable outcomes in the form of new routes, additional competition and improved connectivity for regional communities.

The Commission should consider whether a national route attraction program, potentially funded from the PMC revenue reallocation proposed in Recommendation 6, would complement existing state-level initiatives and support the Government's objective of improving regional airfare affordability through competition.

## 8.8 Proportionate Regulation for Regional Airports

### Recommendation 8

**Ensure new regulatory obligations apply proportionate requirements to regional airports, including a passenger number threshold for entry to the Aviation Ombuds Scheme, and preserve the flexibility of the current differentiated regulatory framework that allows regional airports to negotiate commercial terms suited to their market conditions.**

A threshold of one million passengers annually for the Aviation Ombuds Scheme would provide regulatory certainty while ensuring proportionate obligations. If no threshold is adopted, scaled obligations, shared regional compliance models or exemptions linked to operational capacity should be considered.

Chapter 5 (Section 5.2) documents the breadth of regulatory and compliance obligations already applying to regional airports, spanning aerodrome safety under Part 139, security screening under the Aviation Transport Security Act, environmental management under the EPBC Act and PFAS National Environmental Management Plan, emergency management, building codes and airspace protection. Every one of these obligations applies to Launceston Airport in the same way it applies to Melbourne Airport, despite a passenger base roughly one twenty-sixth the size.

Launceston Airport supports the current differentiated regulatory framework for airport pricing, which distinguishes between the four major monitored airports and the remainder of the aviation network. As Chapter 5 (Section 5.5) explains, this flexibility is essential for regional airports because investment cycles are lumpy rather than smooth, commercial returns are secondary to service continuity, and revenue structures differ materially from major airports. Extending the building block pricing model or formal prices monitoring to regional airports would impose analytical frameworks that do not reflect regional operating realities and could produce perverse outcomes for fare affordability.

New regulatory obligations should be assessed against a principle of proportionality. Smaller regional airports operate with limited staffing focused on safety, compliance and maintenance. Diverting resources into additional administrative structures inevitably compromises core operations. The Department of Home Affairs already applies a proportionate approach by providing exemptions for smaller regional and remote airports, and this principle should be extended to new regulatory instruments including the Aviation Ombuds Scheme.

**CHAPTER 9**

## Chapter 9: Conclusion

---

Launceston Airport's submission to this inquiry has presented evidence across seven substantive chapters addressing each of the Commission's six information requests. The evidence draws on the airport's financial records, operational data, independent economic analysis and direct experience operating as the primary aviation gateway for a regional catchment of 267,000 people in an island state with limited transport alternatives.

The core finding is straightforward. Regional airfares are higher than capital city fares because the costs of providing air services to regional communities are structurally higher. Airport charges represent only 7.6 per cent of the total domestic airfare. The dominant cost components are airline operating costs (81.2 per cent) and government taxes and fees (8.9 per cent). Effective policy responses to regional airfare affordability must address the full spectrum of cost drivers, not focus disproportionately on the smallest element.

### What the evidence shows

Launceston Airport contributes \$81.7 million to Tasmania's Gross State Product and supports 678 jobs. Tourists arriving through the airport contribute \$1.3 billion to the state's economy. For the 267,000 people living in northern Tasmania, the airport is not discretionary infrastructure. It is the sole practical means of time-sensitive interstate connectivity, access to specialist medical care, and participation in the broader national economy.

Passenger demand is strong. FY25 was the busiest year in the airport's history, with 1,435,094 passengers exceeding the pre-pandemic baseline by 3.2 per cent. Load factors of 86.3 per cent confirm that existing capacity is being efficiently utilised. The commencement of Link Airways services to Canberra in May 2026 will bring a fifth carrier to the airport and establish northern Tasmania's first direct connection to the national capital.

The financial evidence demonstrates that regional airports face a structural cost disadvantage that is a function of scale, not efficiency. Safety and regulatory compliance obligations under Part 139, the Aviation Transport Security Act, the EPBC Act and a comprehensive framework of environmental, emergency management and airspace protection requirements apply to Launceston Airport in the same way they apply to mainland major airports, despite a significantly smaller passenger base. Security costs alone have grown from \$1.1 million in FY21 to \$4.6 million in FY25.

Competition at Launceston is constrained by market economics, not by airport infrastructure. The airport has capacity to accommodate additional services, does not require a slot management system and has never denied access to any airline. The binding constraints are route-level demand thresholds and the commercial risk of entering thin markets. Where government support has been provided to bridge this gap, as with the Aviation Attraction Fund that enabled the Canberra service, it has proven effective.

Government policy has made a material difference, in both directions. Targeted capital grants totalling \$8.07 million have enabled safety-critical investment that would not otherwise have occurred. Conversely, Airservices Australia's location-specific pricing imposes a combined Terminal Navigation and ARFF charge of \$2,132 per Boeing 737-800 landing at Launceston, more than three times the equivalent charge at Melbourne (\$663). These regulatory cost structures contribute directly to higher regional airfares.

## **What Launceston Airport asks of the Commission**

The eight recommendations in Chapter 8 are drawn from the evidence presented throughout this submission. They address infrastructure funding, security compliance costs, Airservices pricing, route attraction, regulatory proportionality and the preservation of a flexible regulatory framework for regional airports. Each recommendation targets a specific, identified problem with a practical, proportionate response.

The economics of thin regional markets are a product of geography, population distribution and market structure. Policy cannot change the fact that northern Tasmania has 267,000 people rather than 5 million, or that Bass Strait separates the state from the mainland. What policy can change is whether the regulatory and funding settings within which regional airports operate compound those cost disadvantages or help to manage them.

Three principles should guide the Commission's recommendations. First, where governments mandate compliance obligations that serve national objectives, the cost of meeting those obligations should be shared equitably rather than falling disproportionately on regional communities. Second, where pricing structures for nationally provided services penalise low-volume locations, alternative models should be considered that reflect the public benefit of maintaining connectivity across the national network. Third, where targeted support has been demonstrated to work, as it has through federal capital co-funding and the Aviation Attraction Fund, it should be maintained and strengthened on a permanent, predictable basis.