Determinants of regional airfares Productivity Commission Inquiry

Submission

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Chair's Foreword

Regional aviation is essential to communities like ours. In regional Australia, air travel is not a luxury. It is often the only practical way people can reach specialist health care, education, government services, jobs and wider opportunities. It also keeps regional capitals connected to the smaller communities that rely on them. In a country as large and spread out as Australia, that matters.

That is why this issue is about more than airfares alone. When aviation is the only realistic way to access essential services, affordability and reliability are not just market issues. They are matters of fairness, access and regional equity.

The same applies to the airport infrastructure that supports these services. Regional airports are not just local assets to be assessed on a narrow commercial basis. Regional airports are critical infrastructure that support medical transfers, emergency response, freight, workforce access, disaster recovery and the broader service role regional centres play across their regions.

Yet too often, the cost of maintaining this infrastructure falls back on local government and regional communities, even though the benefits reach far beyond the airport fence. Many regional airports operate in small markets, with limited revenue and rising compliance, security and infrastructure costs. That creates a structural imbalance that is neither fair nor sustainable.

Regional communities are too often left paying twice: once as ratepayers helping sustain airport infrastructure, and again through higher fares, limited services and underinvestment. That does not reflect the national value of regional aviation or the role it plays in keeping communities connected and functional.

If regional air services are essential, then the infrastructure that makes those services possible must also be recognised and funded as essential. Regional airports should be treated as nationally significant infrastructure, with policy and investment settings that reflect their broader public value.

At its core, this is about making sure people in regional Australia are not disadvantaged simply because of where they live.

Yours faithfully,

Mayor Josh Black
Chair, Regional Capitals Australia
Mayor, Dubbo Regional Council

About Regional Capitals Australia

Regional Capitals Australia (RCA) was formed in 2012 to represent the interests of Australia's regional capital cities. Our objective is to ensure these needs are reflected in national policy and funding priorities.

Regional capital cities perform a 'capital city' role within their regions, providing a central point of access to essential services, commerce, employment and education. These services are accessed by local residents as well as those in surrounding towns and rural areas.

Regional capital cities also provide a liveable alternative for people and businesses wishing to escape Australia's congested metropolitan cities. Every year regional capital cities generate $225 billion, or more than 16 per cent of national economic activity.

All RCA members have a growth agenda and stand ready to ensure a growing Australia means a stronger and more equitable regional Australia.

The Regional Airports Financial Sustainability Survey 2026

Regional Capitals Australia partnered with the Australian Airports Association to develop the *Regional Airports Financial Sustainability Survey 2026*.

The survey results provide an important evidence base for this submission, while not representing a whole-of-sector census.

Conducted by consulting firm ACIL Allen the survey was in the field from 6 February to 3 March 2026 and received 41 responses. The sample includes a mix of airport types and geographies, comprising 21 inner regional, 10 outer regional, 5 remote and 5 very remote airports, and spanning unknown/no size data (8), small (9), moderate (10), large (10) and very large (4) airports.

As such, the survey should be understood as a substantial and diverse sample of regional airport operators rather than a complete picture of the entire sector, but it nonetheless offers a credible snapshot of the financial and operating conditions facing regional airports across Australia.

Chapter 1: Airport fees and charges in regional Australia

Regional airports and regional air travel are essential community assets and services.

Airports support regular passenger transport, but that is only one part of the task, the asset also supports freight movement, health access, emergency and disaster response and the broader functioning of regional economies.

Cost structures are shaped by the same core infrastructure, staffing and compliance requirements as larger airports, but regional airports operate in thinner markets, with a narrower revenue base, and with a broader public service role that is not always fully chargeable.

Regional airports play a significant role within Australia's aviation network. In 2025, regional airports handled approximately **25.6 million passenger movements,** representing around **16 per cent of the national domestic aviation passenger task**, and in many parts of the country provide the only practical transport connection to major service centres.

Despite this scale and importance, the financial and operating environment for regional airports is significantly more constrained than for metropolitan airports. These structural conditions contribute to higher per-passenger costs, which flow through the regional aviation system and influence airfare outcomes.

Airport Fees and Charges

Fast facts

- Regional airports handled **25.6 million domestic RPT passenger movements in 2025 — about 16% of Australia's domestic passenger task.**
- More than half of ACIL Allen surveyed airports recorded an operating loss in 2024–25, with a **median deficit of $192,000** and losses ranging from **$100,000 to $29.5 million**.
- Average operating costs were **$23.31 per passenger**, with **no evidence of economies of scale in operational costs per passenger**.
- **Aviation revenue accounted for 70 per cent of total revenue** in the survey and averaged **$27.36 per passenger** with limited access to non-aeronautical income streams such as retail, parking and property.
- In 2024–25, airports invested $50.9 million in capital works, representing only 3.3 per cent of estimated replacement cost, with many airports reporting deferred infrastructure renewal.
- Security screening costs approximately **$6 to $8 per passenger** with annual operating costs of between **$1 million to $2.5 million**.
- Operating costs are primarily driven by infrastructure and labour, with **depreciation accounting for 34 per cent of total costs and staff costs 19 per cent.**

Cost structure and charges

Regional airport costs are shaped by the basic task of keeping an airport open, safe and compliant. Runway and taxiway maintenance, airfield lighting, safety inspections, wildlife management, insurance, regulatory compliance and essential staffing all remain in place regardless of passenger throughput. These are not discretionary costs; they are the baseline requirements of aviation operations.

The ACIL Allen survey makes the operating picture clear. Average operating cost across the sample was **$23.31 per passenger**, with average aviation revenue of **$27.36 per passenger**. Aviation revenue made up **70 per cent of total revenue**.

The survey found **no evidence of economies of scale in operational costs per passenger** highlight that the core task of operating an airport does not become materially less costly in smaller markets as infrastructure maintenance and compliance requirements remain largely fixed.

Depreciation accounted for **34 per cent** of total operating costs and staff costs **19 per cent**. Beyond that, other cost categories generally aligned within a modest band. These are structural cost drivers associated with infrastructure and workforce requirements, rather than discretionary or avoidable expenditure.

Financial outcomes reflect this cost structure. More than half of surveyed airports with sufficient data were operating at a loss in 2024–25. The median result was a **$192,000 loss**, with deficits ranging up to **$29.5 million**.

Airports achieving the strongest results were generally **Large or Very Large**, reinforcing the extent to which performance is shaped by traffic base and scale. Across the sector, regional airports operate on thin margins rather than broad commercial returns.

Security is a scalable cost

Security requirements are a core component of the cost structure of regional airports and introduce additional fixed costs that are particularly pronounced in smaller markets.

Where passenger screening is required as mandated by the Civil Aviation Safety Authority, airports install and maintain specialist equipment, employ trained staff and comply with ongoing regulatory obligations regardless of passenger numbers. In addition to in-terminal security screening, security measures such as additional perimeter, cyber and regulatory security requirements being layered onto regional airports.

The ACIL Allen results show that most respondents with security screening data reported annual costs of **$1 million to $2.5 million**, with results converging around **$6 to $8 per passenger**. Unlike broader operating costs, security is largely considered a fixed cost and in thinner markets becomes highly visible on a per-passenger basis.

This is one area where the survey does show a scale effect, the cost per passenger falls as passenger numbers rise as evidenced in the Australian Airports Association submission to this inquiry which noted that passenger volumes at major airports can drive average screening costs down to as low as **70 cents per passenger**.

The practical examples are significant. Dubbo Regional Airport has recently incurred approximately $450,000 in CCTV upgrades to meet security expectations. Mandated security and compliance projects at Geraldton Airport are estimated to cost around $215,000, excluding longer-term fencing renewal, and Geraldton has committed approximately $2.1 million in federally mandated security screening equipment funded entirely by council.

RCA has already warned that when funding is not available, airports have limited options: these costs are either passed on through higher airfares or absorbed by councils already under pressure. That is another way in which regional communities are effectively paying twice.

In thin markets, security and compliance settings materially affect route economics and can directly contribute to higher airfares or reduced service levels.

The metropolitan model of aviation is not replicated in regional Australia

Major metropolitan airports operate as diversified commercial enterprises. High passenger volumes support substantial non-aeronautical income from retail, parking, property and other commercial activity. Across the top four airports, non-aeronautical revenue accounts for **45.4 per cent** of total revenue, providing financial flexibility and allowing costs to be distributed across a broader base.

Regional airports generally do not have these opportunities. Retail is modest, parking is limited, and property development opportunities are far narrower. Aviation revenue remains the core source of income and accounts for **70 per cent of total revenue**, leaving non-aviation income at almost 15% lower than metropolitan airports.

Security screening is also less as passenger volumes rise, at major airports more passengers can drive average screening costs down to as low as **70 cents per passenger**.

Capital renewal is the structural pressure beneath day-to-day operations

Long-term infrastructure renewal represents the most significant structural pressure on regional airport finances.

While operating revenue may support day-to-day activities, it is not sufficient to fund the full lifecycle cost of airport infrastructure. Runways, taxiways, lighting systems and terminal facilities require periodic renewal to remain safe and compliant with aviation standards, in many airports across regional Australia these components of the airport are approaching their end of their design life.

The recent ACIL Allen survey highlighted the scale of this challenge. In 2024–25, **26 of 41** surveyed airports undertook at least one capital works project and total reinvestment reached **$50.9 million**. Yet across airports that provided replacement cost data, that investment represented only **3.3 per cent of replacement cost**.

Of the **34** airports that responded on capital deferrals, **23** reported deferred capital reinvestment requirements, principally because of lack of funding or limited owner capacity to progress the works. Most airports were unable to identify a forward capital works program beyond **one to two years**.

Individual infrastructure upgrades at regional airports can exceed total annual funding programs across the surveyed network. Recent examples include major runway and terminal projects at individual regional airports costing tens of millions of dollars.

That is the deeper infrastructure issue. Regional airports are continuing to operate, maintain and reinvest, but long-term renewal is constrained. Charges contribute to daily operations, but they do not resolve the lifecycle funding task for runways, taxiways, lighting, aprons, terminals and resilience works.

Essential and emergency service obligations add to regional airport costs

Regional airports support a wide range of essential and emergency activities that are not directly tied to passenger revenue. These include medical evacuations, specialist clinical transport, organ transfer, search and rescue, aerial firefighting, disaster response and law enforcement.

Many of these functions sit primarily within state and federal service systems, yet the airport infrastructure that enables them is often owned, maintained and operated by local government.

Survey results show this role is widespread: 93 per cent of responding airports supported RFDS operations, 83 per cent emergency services, 61 per cent search and rescue, 71 per cent disaster response, and 46 per cent pilot training in 2024–25. Yet only 51 per cent of airports reported charging fees for these activities.

This underlines that regional airports carry significant public service obligations, often without full cost recovery, reinforcing their role as essential community infrastructure rather than purely commercial assets.

Closing statement

Regional airports carry a recognisable airport cost base however these assets operate on thin margins. The average aviation revenue per passenger is broadly comparable with the major metropolitan airports, but they do not share the metropolitan commercial model, the same scale, or the same non-aviation revenue base.

At the same time, these facilities service a broader proportion of community need; including health, emergency, freight and resilience functions, and not all of that task is fully chargeable. Regional airports are essential public infrastructure first, and their charging framework sits within that broader role. Policy responses to regional airfares must therefore address these structural conditions.

Chapter 2: The role of aviation in regional Australia

Regional airports handled 25.6 million domestic RPT passenger movements in 2025 — about 16% of Australia's domestic passenger task, it is on this basis that RCA states that regional airports are key to the social and economic functioning of regional Australia.

These airports support the movement of essential workers and freight, enable tourism and trade, and improve access to specialist health, education and professional services that may not be available locally.

For many regional communities, aviation is the only practical means of accessing critical services within reasonable timeframes. As such regional aviation functions as an essential transport link rather than a discretionary service.

Regional capital cities act as service hubs for surrounding communities, providing access to hospitals, higher education, government services and broader economic opportunities. Regional airports are intrinsic to this role, extending the reach of these centres and enabling them to serve wider catchments.

In a country defined by long distances and dispersed populations, aviation reduces remoteness. It allows regional capitals to function as service anchors for surrounding regions and underpins demand for regional air services.

Aviation underpins service delivery especially in healthcare

Fast Facts

- **Regional airports support critical frontline services:** almost all regional airports support additional service from flying doctors services to search and rescue.
- People in rural and remote Australia have **poorer access to primary healthcare**, and the burden of disease in Remote areas is **1.4 times higher** than in Major Cities.
- Nearly **18,500 people** live **more than one hour's drive** from essential primary healthcare services.
- Metropolitan areas have **115.2 GP FTE per 100,000 people**, compared with **68.1** in Remote areas and **70.7** in Very Remote areas. Small rural towns also have **55% fewer health professionals** than metropolitan areas.
- In many parts of Australia, regional airports provide the **only practical transport link** to capital cities or major service centres.

Aviation provides critical access to essential services across regional Australia, including health care, education and government services that are not available locally.

In many regions, it is the only practical means of connecting communities to these services within reasonable timeframes. Access to health care is one of the clearest examples of this role: almost 95 per cent of regional airports surveyed by ACIL Allen serviced the Royal Flying Doctor Service, and almost 85 per cent supported emergency response activity, including critical care.

These services are fundamental to health service delivery as evidence also shows that people in rural and remote areas have poorer access to primary health care, alongside higher rates of hospitalisation, injury and mortality, with the burden of disease in remote areas 1.4 times higher than in capital cities.

In this context, aviation is not simply about moving patients. It underpins the hub-and-spoke model through which regional capitals support surrounding communities, enabling residents to travel for specialist or tertiary care while also allowing clinicians, specialists and outreach services to travel into regional centres and surrounding areas.

Health outcomes in regional areas are also underpinned by access to a skilled workforce, and with smaller rural towns having 55 per cent fewer health professionals than metropolitan areas, ensuring regional communities can connect to health professionals and broader services is essential.

Reliable regional air links help regional communities attract locum, visiting specialist and outreach services that would otherwise be much harder to sustain, particularly where the local workforce base is thin.

Regional airports improve both **patient access** and **provider access** and support residents to travel out for specialist or tertiary treatment, but also helps clinicians, specialists and other providers travel into regional service hubs and from there into smaller communities.

Aviation strengthens the capacity of regional capitals to function as health service anchors for wider regions. The same service-hub logic applies to education and other essential services.

Specialist education and training are often concentrated in metropolitan centres and larger regional cities, and aviation connectivity allows students, educators and service providers to maintain practical links across distance without requiring permanent relocation.

In this way, aviation functions as an essential service rather than a discretionary transport option: higher airfares or reduced service availability can create significant barriers to accessing health care, education and other essential services for regional communities.

Aviation underpins emergency and disaster response and community resilience

Regional airports also perform a frontline resilience function. The ACIL Allen evidence shows that this role is already embedded in the regional airport network with 71 per cent of airports hosting a disaster response and 61 per cent search and rescue, yet only 51 per cent reported levying fees and charges on those activities.

That evidence is important because it shows that emergency and resilience functions are not occasional or incidental. They are mainstream activity across the sector. Airports are not simply available for emergency use if required; they are already part of a national systems that support medical retrieval, disaster logistics, emergency deployment and recovery operations.

This role is becoming more important as disaster events become more frequent and more severe, the Commonwealth Disaster Assist data shows that there have been 58 events nationally since 2024, many of these occurred in regional Australia.

When floods, fires, cyclones or severe weather isolate communities or damage road networks, regional airports provide the platform for emergency access, relief and recovery. A regional airport's role in a national disaster operations should therefore be recognised as a key enabler of disaster response and by extension infrastructure of national importance.

Aviation supports economic activity, jobs and tourism

Fast Facts

- Regional Australia accounts for **46% of national tourism expenditure** totalling **$107 billion** per annum or **4.1% of regional GDP**, compared with **2.7%** in capital cities.
- Regional tourism supports **534,000 jobs** and more than **100,000 tourism-related businesses**.
- **57 cents of every visitor dollar** is spent in regional communities.
- By 2050, investment across the renewable energy system could support **up to 1.35 million jobs**, including **1.22 million construction jobs** with many projected to be FIFO roles.

Regional aviation supports economic activity across a range of sectors, including tourism as well as the resourcing of mining, agriculture and construction. It enables businesses to access markets, move workers and maintain operations across geographically dispersed regions.

Many industries rely on timely and reliable air connections to access specialised expertise, support project delivery and maintain workforce mobility, particularly where skills are not locally available. This includes fly-in, fly-out (FIFO) and other mobile workforce arrangements. Aviation supports national productivity, nation building and employment across regional Australia.

Australia's undertakes the nation building task of transitioning to renewable energy, a mobile workforce will be required over the next few decades. Around **26,000 people currently work** in **solar, wind and storage**, but this is expected to grow to **85,000 workers by 2030**.

By 2050, investment across the energy system could support **up to 1.35 million jobs**, including **1.22 million construction jobs** and **129,600 ongoing operations and maintenance roles**. Because many construction jobs only last **one to two years**, it is expected that a component of this workforce will be FIFO and will need a strong regional aviation network and effective airports to connect them to work and home. These figures do not include traditional mining and other construction roles that are also supporting a FIFO workforce.

Tourism objectives also highlights the importance of reliable and affordable airfares. The visitor economy is a critical driver of national and regional economic activity, with regional Australia accounting for **46 per cent of national tourism expenditure**, supporting around **534,000 tourism-related jobs** and more than **100,000 tourism-related businesses**.

This impact is broader than conventional holiday travel alone; **visiting friends and relatives**, **business**, and **education** are also distinct visitor-economy travel purposes.

Regional air access underpins not only leisure tourism, but family connection, repeat visitation, business activity and access to services. It is also why high and volatile domestic airfares have broader consequences than reduced holiday demand alone. This can reduce event attendance, fly-

drive travel and visiting friends and relatives travel, weakening both economic activity and social connection in regional communities.

Closing Statement

Aviation is not a discretionary service in regional Australia; it is fundamental national infrastructure. It is what enables regional capitals to perform their role as service hubs, connecting communities to health care, education, government services, emergency response and essential workers across vast distances. For many communities, aviation is the only practical link to critical services within reasonable timeframes, making it central to national service delivery, social equity and community resilience.

Just as importantly, regional aviation is a nation-building asset. It underpins disaster response, supports workforce mobility, enables tourism and investment, and strengthens the economic capacity of regional Australia to contribute to national growth. If regional communities are to remain connected, productive and resilient, aviation must be recognised and supported not simply as transport infrastructure, but as critical infrastructure of national importance.

Chapter 3: Market structure, competition and airfare dynamics

Regional airfare outcomes are shaped by the structural conditions of regional aviation markets, but they cannot be understood through thin market dynamics alone. Compared with metropolitan routes, regional markets are smaller, more concentrated and more vulnerable to service disruption.

Passenger volumes are lower, demand is more dispersed, and the fixed costs of operating services must be recovered across fewer travellers. These conditions matter because they affect competition, service frequency and route viability. However, they do not fully explain the scale of airfare increases that have occurred on some routes, particularly where competition is weak, unstable or absent. Regional airports handled approximately 25.6 million domestic RPT passenger movements in 2025, representing around 16 per cent of the national domestic aviation passenger task. That is a substantial share of the aviation network, but it is spread across thinner and more dispersed markets than those served by metropolitan aviation. In many parts of regional Australia, those services provide the only practical connection to capital cities and major service centres.

Fast Facts

- Regional airports handled **25.6 million domestic RPT passenger movements in 2025 — about 16% of Australia's domestic passenger task;**
- The average ticket price per kilometre is **52 per cent higher** for flights involving regional airports than for flights between two capital cities; and
- ACCC data cited in this submission indicated in October 2025, **89 regional routes were served by a single airline group, 69 by two, and none by three or more operators**.

Thin markets shape route economics, but they are not the whole explanation

Regional aviation markets operate under fundamentally different conditions to high-volume metropolitan routes. Many serve relatively small catchments, have lower passenger throughput and are highly sensitive to changes in airline strategy or service levels. That means the scope for sustained competition is often limited from the outset.

Airline evidence to a recent Senate inquiry into regional aviation supports this broader structural point. Qantas advised the committee that regional operations have a higher-cost operating profile than mainline services, reflecting the underlying economics of operating in thin markets. In its evidence, Qantas indicated that turboprop operations are significantly more expensive on a per-seat basis than larger jet aircraft because operating expenses must be recovered across fewer passengers while still meeting the same broad requirements for fuel, engineering, maintenance, airport charges and regulatory compliance.

That evidence is important and should be recognised. Regional aviation is more expensive to operate than dense metropolitan aviation, and thin markets can create genuine cost pressures, however regional service that exist in competitive markets are delivered at materially lower price points. This

means that where fares have risen sharply in markets with limited competition, thinness alone cannot is not the problem.

Competition is limited, fragile and often ineffective in practice

Australia's domestic aviation sector is highly concentrated, with the Qantas Group and Virgin Australia accounting for the majority of passenger movements across the country, in regional areas Rex has also traditionally served routes that were not supported by larger carriers.

The ACCC data highlighted that in October 2025, 89 regional routes were served by a single airline, 69 by two, and none by three or more operators. In regional markets, competition is therefore often absent, fragile or narrow in practice.

Even where more than one operator is present, that does not always translate into materially better connectivity outcomes for communities. In some markets, competing services are scheduled at similar times on key routes, meaning nominal competition does not necessarily improve frequency, spread of service or practical access. As a result, a route may appear competitive on paper while still offering limited practical benefit to regional users.

The ACIL Allen survey reinforces this broader picture from the airport side. Regional airports identified the following as common features of the operating context:

- Thin markets with passenger volumes insufficient to sustain competition;
- High airline market power relative to airport size;
- Limited competition with only one RPT carrier at most times;
- Monopoly routes with no viable alternative carrier; and
- No effective air services competition due to geographic isolation.

Airports also reported reduced capacity to attract new airline entrants and greater reliance on government support to maintain services. These findings suggest that limited competition is not an isolated issue affecting only a small number of routes; it is a persistent structural feature of regional aviation.

The pricing outcomes point to more than cost alone

According to the 52 per cent higher for flights involving regional airports than for flights between two capital cities. Since 2019, return fares on routes linking regional capitals to their nearest capital city have risen sharply, including Albury–Sydney, up 43 per cent to $378, Kalgoorlie–Perth, up 49 per cent to $608, and Karratha–Perth, up 34 per cent to $857. Multiple routes now exceed price points that place regular air travel beyond the reach of many households and small businesses.

These outcomes are difficult to explain by thin market characteristics alone. Thin routes do involve higher unit costs, but the fact that services were previously delivered at materially lower fares suggests that recent pricing outcomes are also being shaped by competition settings and market concentration. Put differently, thin markets may explain why regional aviation is inherently more

expensive than metropolitan aviation, but they do not fully explain why some fares have escalated so sharply over time.

That is the key distinction for this inquiry. The policy challenge is not simply that regional routes are thin. It is that thin routes are operating within a concentrated and often weakly contested market structure, and that combination can produce airfare outcomes that are higher, more volatile and less responsive to competitive discipline than would be expected from cost pressures alone.

Airport-side evidence confirms structural pressure, but not a complete explanation

The airport-side evidence is equally important. Across the ACIL Allen survey, average operating costs were $23.31 per passenger and average aviation revenue was $27.36 per passenger, with aviation revenue accounting for 70 per cent of total revenue. More than half of surveyed airports with sufficient financial data were operating at a loss in 2024–25, with a median financial result of a $192,000 loss. The survey also found no evidence of economies of scale in operational costs per passenger.

Depreciation and staff costs were the two largest cost components, accounting for a median 34 per cent and 19 per cent respectively.

These findings matter because they show that regional aviation operates in an environment of limited financial headroom across the airport network. The basic costs of keeping an airport open, safe and compliant remain in place regardless of passenger throughput, and many regional airports lack the non-aeronautical revenue streams available to metropolitan airports. That is a real structural pressure in the system.

However, this evidence should not be overstated. The ACIL Allen findings confirm that regional aviation faces genuine structural cost pressures. They do not establish that the scale of recent fare increases is simply a neutral reflection of those costs. Rather, the evidence suggests that thin market economics and weak competition are interacting in ways that amplify airfare outcomes for regional communities.

Service instability compounds poor market outcomes

These market conditions also make regional services particularly vulnerable to disruption. Where competition is already limited, the loss of a route or operator can have immediate consequences for communities. This has been evident in recent airline failures and service withdrawals, including the administrations of Bonza and Rex and the cessation of routes such as Albury–Melbourne and Wagga Wagga–Melbourne in 2026. For affected communities, the loss of a direct route is not a marginal change in travel preference. It means longer, more expensive and less practical journeys for essential travel, business activity and service access.

The consequences are broader than passenger convenience. In regional Australia, air services support access to specialist health care, education, government services, workforce mobility and commercial opportunity. Where markets are already thin, service instability can quickly reduce effective access and undermine confidence in aviation as a dependable transport option. This is why airfare outcomes cannot be separated from questions of route continuity, competition and system resilience.

Implications for airfare policy

Regional airfare outcomes must therefore be understood in the context of constrained supply as well as constrained demand. Passenger numbers are lower and more dispersed, route economics are more fragile, and the cost base is harder to dilute. At the same time, much regional travel is not discretionary. People travel for health care, work, education, business, family and access to services that are not available locally. In these circumstances, travellers are often less able to defer travel or substitute easily to another mode, even when fares are high.

That means policy cannot treat high regional airfares as either a stand-alone pricing issue or an inevitable consequence of geography. Thin markets are real, but they are not a complete explanation. The evidence points instead to an interaction between thin demand, fragile route economics and limited competition. If governments want more reliable, affordable and resilient regional air services, policy settings need to recognise both sides of that equation.

In these circumstances, targeted affordability or route-support mechanisms could be triggered where airfares rise rapidly on thin regional routes, particularly where competition is limited or absent. This is relevant to recent experience in New South Wales, where fare increases have been especially sharp, including rises of more than 200 per cent on Coffs Harbour and more than 55 per cent on Armidale since 2019.

The Western Australian Regional Airfare Zone Cap scheme provides one practical example of how intervention can improve affordability where long distances and limited alternative transport options leave communities exposed to high fares. There is also precedent for short-term route support where market conditions cannot sustain essential connectivity, including the Commonwealth's COVID-era Regional Airline Network Support program.

Any such measures should be targeted and proportionate, applied only in clearly defined circumstances of rapid fare escalation, limited competition.

Closing statement

Regional airfares should not be viewed simply as the unavoidable outcome of thin markets. Smaller passenger volumes and higher per-seat operating costs are part of the picture, but they do not fully explain the scale of fare increases now being observed on some routes, particularly where competition is weak, unstable or absent. Market concentration and limited competitive pressure are central to understanding regional airfare outcomes.

Improving affordability therefore requires more than expecting competition to emerge naturally, but it also requires more than accepting high fares as the inevitable consequence of regional geography. A more effective policy response must recognise the structural realities of thin markets while also addressing the competition settings and system pressures that are worsening fare outcomes for regional communities.

Chapter 4 - Improving the funding framework for regional airports

Regional airports are asked to deliver a nationally significant task through a funding model that is no longer fit for purpose.

Regional airports support essential connectivity, emergency response, freight, specialist health access, workforce mobility and the wider service role of regional capitals, yet the infrastructure that enables those outcomes is still too often treated as a narrow local responsibility. The result is a system under visible strain: airports operating with limited financial headroom, long-term reinvestment lagging behind need, and critical infrastructure increasingly exposed to deferred renewal, rising compliance obligations and fragmented funding pathways.

This is not a marginal funding issue. It is a national infrastructure challenge. Regional airports form part of the enabling architecture that allows regional Australia to function and, through that, supports national productivity, resilience, service delivery and economic participation. State and Federal Governments already rely on these assets to perform that role, but the institutional settings have not kept pace with the task.

Fast facts

- More than half of surveyed airports in the ACIL Allen survey identified a 2024–25 loss with the median loss being $192,000.
- Average operating costs across the ACIL Allen survey were $23.31 per passenger, against average aviation revenue of $27.36 per passenger.
- Aviation revenue made up 70 per cent of total revenue, while depreciation accounted for a median 34 per cent of operating costs.
- In 2024–25, total reinvestment across the survey sample was $50.9 million, equal to just 3.3 per cent of replacement cost for airports that provided the data.

The current model is failing the long-term infrastructure task

The central problem in regional aviation is not simply that regional airports face cost pressures, it is that the current funding architecture does not match the task regional airports are expected to perform.

Regional airports are long-life, infrastructure-heavy assets that must remain safe, compliant and operational regardless of market size. Runways, taxiways, lighting, aprons, fencing, terminals and safety systems require ongoing maintenance and periodic renewal, while security, regulatory and resilience expectations continue to grow.

Yet these obligations are being carried in thin markets, with narrow revenue bases and limited capacity to generate the surpluses needed for sustained reinvestment, by the one level of government that cannot afford to sustain these losses.

Airports are continuing to operate and invest, but the level of reinvestment is not keeping pace with the scale of the asset task. Across the ACIL Allen survey sample, average operating costs were $23.31 per passenger and average aviation revenue was $27.36 per passenger, yet more than half of airports with sufficient financial data recorded an operating loss in 2024–25, with a median deficit of $192,000. Aviation revenue accounted for 70 per cent of total revenue, while depreciation represented a median 34 per cent of operating costs.

In 2024–25, total reinvestment across the sample was $50.9 million, equal to just 3.3 per cent of replacement cost for airports that provided the relevant data, and 23 respondents reported deferred capital investment requirements.

These are not the indicators of a resilient infrastructure system, but warning signs of a network being asked to do more than its funding base can sustain. This is also a system managing constraint and deferring renewal on assets the nation already relies upon.

The reform problem is institutional, not conceptual

National infrastructure policy has recognised the importance of regional centres, enabling infrastructure and place-based investment.

The 2021 Australian Infrastructure Plan adopted a place-based approach and recognises smaller cities and regional centres as hubs servicing broader catchments, while also identifying the need to strengthen those centres through prioritised enabling infrastructure.

The gap is that the assessment and funding model remains fragmented and continues to privilege large, discrete metropolitan projects. In regional Australia, productivity-enabling infrastructure is more often delivered through in consistent grant opportunities that do not allow asset owners the ability to plan for renewal as required.

The policy failure is no longer one of recognition. It is one of implementation. The national intent is there, but the operating architecture still does not allow regional airport infrastructure to be assessed, prioritised and funded in a way that reflects how value is actually created for the nation.

Regional airports should be assessed as network infrastructure

Australia has more than 200 regional airports, many owned and operated by local governments. Individually, regional airports may appear modest in capital value. Collectively, regional airports underpin fly-in fly-out workforce mobility, access to tertiary health and specialist services, high-value agricultural and resource exports, tourism economies and the wider functioning of regional capitals as service hubs.

The value of regional airports does not sit neatly within a single local catchment or a single project appraisal. The value is realised across labour markets, supply chains, service systems and regional economies.

Regional airport upgrades should not continue to be assessed solely as isolated local works. Regional airport upgrades should be recognised as components of a broader network of nationally significant enabling infrastructure.

A network-based assessment approach would better capture economies of scale, reduce duplicated business case costs, quantify cumulative productivity gains more effectively and recognise spill over benefits across regions. It would also better reflect the reality that the productivity effects of infrastructure materialise systemically, not project by project.

Local government is carrying a national burden

The current model of airport operations and maintenance places a great burden on local government. Large metropolitan infrastructure projects are typically sponsored and advanced by state governments with established business-case capability. Regional projects, by contrast, often rely on local government to initiate and justify complex proposals for assets with nationally significant economic and service implications.

In aviation, that leaves councils carrying ageing assets, rising safety and security obligations, and renewal burdens that extend well beyond what a local revenue base can sustainably support. That imbalance is at the core of the present challenge. The airport may be locally owned, but the task the airport performs is much wider. Regional airports support Commonwealth-regulated aviation activity, state and federal emergency systems, regional labour mobility, health access and broader national productivity.

Yet the cost burden still falls disproportionately on local owners. A local government revenue base cannot be expected to carry, in any durable way, the capital, compliance and renewal burden of infrastructure that is nationally enabling in function and increasingly critical in practice.

A stronger framework should support long-term renewal and network capability

This is why the reform task should be understood as productivity reform as much as infrastructure reform. Enabling infrastructure expands labour market access, strengthens export capacity, reduces logistics constraints, supports decentralised growth and improves resilience.

Underinvestment in regional enabling infrastructure therefore carries both a productivity cost and a structural cost to the wider economy. In the case of regional airports, under-renewal affects not only asset condition but the capacity of regional Australia to support workforce movement, service access, emergency operations, exports and future growth.

Regional airports should be assessed and funded in the same way major road and rail infrastructure is assessed: through a national lens that recognises network value, long-term need and national significance. The current project-by-project approach is too fragmented for assets that function as part of an interconnected national system.

The ability to have this assessed the Infrastructure Australia gateway is key and the federal government should establish a framework that can identified regional airport upgrades as required (rather than we the grant round opens), develops a clear funding pipeline and invests in airport capability as nationally significant infrastructure essential to productivity, resilience and regional service access.

Closing statement

The current airport funding framework is no longer adequate to the task regional airports are being asked to perform. It leaves nationally significant infrastructure operating with limited financial resilience, pushes long-term renewal behind need, and relies too heavily on local government to carry obligations that serve a much broader national purpose.

Regional airports should now be recognised and funded as part of a network of productivity-enabling national infrastructure. Until the assessment and funding model is restructured to reflect that reality, governments will continue to rely on regional airports for nationally significant outcomes while failing to provide a framework capable of sustaining them.

Recommendations for Policy and Funding

These recommendations respond to the evidence set out in this submission and reflect the need for both immediate action and longer-term structural reform.

Together, the recommendations are intended to improve affordability, reliability and route stability across regional aviation, while also addressing the underlying funding and regulatory settings that are placing unsustainable pressure on regional airports and the communities they serve.

In doing so, the recommendations recognise that regional aviation is an essential service in many parts of Australia, and that the airport infrastructure supporting it should be treated as nationally significant enabling infrastructure rather than a narrow local responsibility.

Policy Area	Recommendation
Regional Airports Sustainability	**Establish a recurrent Regional Airports Sustainability Fund** to support urgent capital renewal, address deferred maintenance and close critical infrastructure gaps at regional airports, particularly where asset condition, limited financial headroom and constrained local government capacity are placing essential connectivity at risk.
Security and Regulatory Settings	**Review and reform security screening and related regulatory requirements at regional airports** to ensure that: • settings are proportionate to risk; • compliance obligations do not impose disproportionate costs on thin regional markets; and • the cost of nationally required security functions is shared more equitably rather than falling primarily on regional communities and local government.
Affordability Mechanisms	**Introduce targeted affordability mechanisms (funding or caps) for thin and monopoly regional routes** to ensure airfares remain reasonable and accessible, particularly where: • routes have limited or no competition; • fares have risen rapidly or remained persistently high; and • 3) distance from a major capital city or service centre makes travel by road impractical.

Long Term Reform

Policy Area	Recommendation
National Framework for Regional Aviation	**Develop a coordinated national framework for regional aviation and regional airport investment that:** • recognises regional airports collectively as nationally significant enabling infrastructure; • reflects their role in workforce mobility, health and service access, emergency response, freight, tourism and export industries; and • assesses investment needs on a network basis rather than as isolated local projects.
Sustainable Funding Pathways	**Establish entrenched (legislated), long-term funding pathways for regional airports that:** • support strategic asset renewal at a network level; • provides clearer support for ongoing security and compliance obligations, and • removes reliance on fragmented, short-term and competitive grant programs that do not match the long-life nature of airport infrastructure.
Network Resilience and Route Stability	**Establish policy mechanisms to protect essential regional air connectivity during periods of airline restructuring, market exit or prolonged disruption**, including support for route continuity where regional communities would otherwise lose practical access to essential services, workforce connections and major service centres.

For more information

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