



An Australian Government Initiative



## RDA SOUTH WEST

# Submission 113 - Regional Development Australia – Southwest - Determinants of regional airfares - Public inquiry

Submission on issues for the Productivity Commission

Date: 31.03.2026

These comments were gathered by RDA South West from a range of stakeholders including the tourism sector and regional airport.

## Regional context

### Outline

The South West Region of Western Australia is the most popular visitor destination in Western Australia outside Perth. Tourism supports 8.6% of all jobs and was worth \$1.7bn (2024). The regional community totals 202,000 people.

Busselton Margaret River Airport is an economic driver which has reached capacity due to limitation of an aging terminal that is not fit for purpose. BMRA operates three times per week direct services to Melbourne and three direct services to Sydney. Throughput is about 190,000 passengers (including FIFO and ad hoc charters).

### 1. Why is regional aviation so important?

**a) What difference access to regular and reliable air services can have on regional economies (including tourism and migration)?**

- The Margaret River Region (MRR) is heavily reliant on tourism, which contributes around \$1.5bn to the regional economy annually.

- Reducing travel time and cost through air travel opens tourism regions to new markets. In the case of the MRR, we are heavily reliant on the Perth drive market, which is more likely to travel during peak holiday periods (i.e. school holidays, weekends). Most tourism and hospitality businesses are reliant on their cash flow positive peak periods to sustain their cash flow negative off-peak periods. Growing the number of interstate and international travellers, that are more likely to travel during off-peak periods, is critical to smoothing seasonal fluctuations, providing conditions for sustainable business operations and regional employment.
- It also enables businesses within the region to connect with business opportunities (i.e. conferences, suppliers, stakeholders, clients) in a time and cost-effective manner.
- Interstate visitors tend to spend more and stay longer than intrastate visitors

**b) How is regional aviation important for improving productivity?**

- See above.

**d) To what extent does air travel substitute or complement other modes of transport (road and rail) or forms of communication in your community?**

- Direct air travel to the MRR complements interstate road travel, and interstate and international air travel through Perth.
- Air travel increases dispersal across the region, complimenting road travel.

**2. How much do fares influence demand for regional air services?**

**a) What are the main drivers of demand for regional air services – including but not limited to fares?**

- Business travel/industry, tourism appeal, travel time/cost savings relative to other options, fares.
- Visiting friends and families, events

**b) How have fares changed over time?**

- Remained competitive since the inception of services, and relative to airfares in general.
- Load factors have remained consistently high.

**c) To what extent have fares and demand changed since the COVID-19 pandemic? (The PC will issue data requests to aviation businesses for detailed demand data for regional routes.)**

- See above.

**3. What factors influence regional airfares?**

**a) What are the key determinants of regional airfares?**

- Demand, cost and incentives/subsidies.

**b) How do these factors contribute to differences between airfares available on regional routes and those available between major cities? (The PC will issue data requests to aviation businesses for detailed data to better understand the composition of fixed and variable costs of providing regional flights, including airport fees and charges.)**

- Costs are higher, and demand isn't as evenly spread for regional areas as it is for cities, requiring regions to rely on subsidies to establish/sustain services.

**4. What characteristics of the regional aviation sector have influenced the level of airfares?**

**a) To what extent is there competition between different air transport services in your region or for your business?**

None in SW

- Great Southern – Albany airport has a regulated route with REX – intrastate only

**b) Are there barriers to entry for new airlines in particular regional areas or across regional Australia generally?**

Yes, terminal facilities at BMRA limit the number of aircraft that can be serviced concurrently.

**c) Are there barriers to expansion for existing airlines in particular regional areas or across regional Australia generally?**

- Terminal facilities are not fit for purpose in our region.

Questions 5 is not applicable to our region

**6. What could be done to make fares more affordable and to improve access to aviation?**

**a) Where should policy or regulatory actions focus?**

- Support regional airports to introduce technologies and efficiencies.
- Control price gouging. It can cost more to travel from Geraldton to Perth than Perth to Canberra for example. That said, Australian aviation prices are very high compared to Europe. There needs to be more competition and less protection of existing service providers.

**b) What international examples of best practice could be useful in the Australian context?**

- The EU's single aviation market allows airlines like Ryanair and easyJet to operate freely across countries, dramatically increasing competition and lowering fares. Australia could expand similar "open skies" agreements in the Asia-Pacific region to bring in more foreign carriers and route competition.
- The US supports regional air services with subsidies while India has price caps on regional flights.

**Submission**

██████████, Director of Regional Development

