

Submission to the Productivity Commission

Inquiry into Determinants of Regional Airfares

Submitted via: <https://www.pc.gov.au>

To the Productivity Commission,

I am a permanent resident of Karratha, Western Australia, and I write to provide evidence in support of structural reform to the Karratha–Perth airfare market. I submit this in response to the inquiry’s call for public comment ahead of the draft report due November 2026.

1. Karratha Has a Large, Permanent Resident Population With Genuine Travel Needs

The City of Karratha is home to approximately 25,429 permanent residents (REMPAN/ABS data), located 1,535 km north of Perth with no viable alternative transport. As a permanent resident, I — like thousands of others — rely on the Karratha–Perth route not as a matter of choice, but of necessity: to access medical specialists, pursue education, maintain family connections, attend legal proceedings, and participate in professional development.

Karratha Airport is the second-busiest commercial airport in Western Australia, handling over 675,000 passengers annually in peak years. This is not a thin, unprofitable route. The demand exists. The passengers exist. What is absent is affordable access for those who live here.

The inquiry’s own questionnaire data confirms the urgency: Karratha generated the single highest number of responses of any location in Australia (n=110) — a powerful signal of how deeply this community feels the impact of current airfare settings.

2. Airfares Are Structurally and Unjustifiably High

The Karratha–Perth route covers approximately 1,251 km and is served only by Qantas and Virgin Australia. Based on publicly available fare data (FareCompare, Momondo, KAYAK — June 2026):

- Average return fare: AU\$643–\$697
- Peak-period and last-minute fares: regularly AU\$1,400–\$1,729 or higher
- Even under the WA Regional Airfare Zone Cap Scheme (from 1 July 2026): up to AU\$385 per one-way leg at peak — meaning a capped return still costs up to AU\$770

By comparison, the Canberra–Melbourne route (approximately 470 km, less than half the distance, served by three competing airlines including Jetstar) averages AU\$110–\$220 return. On a per-kilometre basis, Karratha–Perth passengers pay roughly three to six times more than travellers on equivalent competitive routes.

An academic study using BITRE domestic airfare data (Australasian Transport Research Forum, 2019) confirmed that Karratha–Perth carries one of the largest

structural fare premiums of any route in Australia — well beyond what distance or operating costs alone would justify.

3. The Root Cause Is FIFO Market Distortion, Not Low Passenger Volumes

Unlike many regional routes where thin demand genuinely raises per-seat costs, the Karratha–Perth route is well-patronised. The problem is not a lack of passengers. The problem is who those passengers are, and how the market is structured around them.

As identified in submissions to this inquiry, Karratha–Perth carries significant FIFO mining volumes. Airlines price to that demand, producing a fare structure aligned with corporate budgets and high-income workers (RDA Pilbara, sub. 112, p. 1). Mining companies and government agencies will pay whatever price is set. As a result:

- Corporate and mining operators pre-purchase large blocks of seats at negotiated contract rates
- This reduces the pool of seats publicly accessible to residents
- Airlines have no commercial incentive to offer lower fares to residents when FIFO demand already fills aircraft at premium prices
- Permanent residents — including pensioners, families with children, students, and healthcare patients — compete for remaining seats at inflated rates

This is not a failure of market economics. It is a predictable outcome of an unregulated duopoly operating alongside a captive industrial client base. The community bears the cost.

4. The Human Cost: Healthcare Delays, Population Loss, and Business Decline

The consequences of unaffordable airfares extend far beyond inconvenience. I urge the Commission to consider the following interconnected harms.

Healthcare access and preventable deterioration

Karratha residents frequently need to travel to Perth to see specialists — not only for confirmed serious conditions, but for general practitioner referrals where the need is precautionary. A specialist review that costs AU\$200 to attend may require a AU\$700–\$1,400 return airfare. For many residents, this price acts as a deterrent.

The risk is not that people choose comfort over cost. The risk is that people delay or forego specialist consultations they genuinely need, because they cannot afford the flight. Conditions that could be caught and treated early instead go unmanaged. By the time they become unavoidable, they are more serious, more expensive to treat, and place greater burden on Karratha's local health services — including the Karratha Health Campus, which already operates under the pressures of a remote facility.

Preventing people from accessing timely specialist care is not only a personal harm. It is a public health and economic inefficiency that ultimately increases costs across the entire health system.

Population retention and workforce stability

Karratha's permanent population already faces significant pressures. As one respondent to the inquiry noted: "We love living in Karratha but the cost of travel and lack of destinations to travel to from here is making us consider moving to Perth" (qr. 44).

Affordable access to Perth is not a luxury for Karratha residents — it is a prerequisite for choosing to build a life here. When the cost of leaving becomes prohibitive, people stop staying. Skilled professionals — teachers, nurses, engineers, tradespeople — weigh up the isolation premium and choose to live closer to family and services instead.

A community that cannot retain its permanent population cannot sustain a functioning local economy. The very workforce that supports Karratha's businesses, schools, hospitals, and services depends on people choosing to stay — and people will only stay if they can afford to leave when they need to.

Local business competitiveness

High airfares increase the cost of doing business in Karratha. Local businesses face higher overheads when staff travel, when suppliers visit, when owners attend training, and when clients consider whether to travel here at all. This competitive disadvantage is structural and cumulative. It does not appear on any airline's balance sheet, but it is borne every day by the businesses and families of this community.

5. The Untapped Opportunity: Tourism and the Pilbara's Natural and Cultural Heritage

The case for lower airfares is not only about reducing harm — it is also about unlocking genuine economic opportunity that is currently being suppressed by pricing.

The Pilbara region offers extraordinary natural landscapes and irreplaceable Indigenous cultural heritage, including Murujuga (the Burrup Peninsula), home to one of the world's largest collections of ancient rock art with over one million petroglyphs estimated to be up to 40,000 years old. The region also includes Karijini National Park, Millstream Chichester National Park, Hearson's Cove, and the historic township of Cossack. These are world-class tourism assets that most Australians have never had the opportunity to visit — not because they are uninterested, but because the cost of getting here is prohibitive.

High airfares are the single biggest structural barrier to tourism growth in the Pilbara. Visitors who might otherwise choose Karratha for a long weekend or an extended nature experience instead fly to Bali, Queenstown or Southeast Asia — destinations that are, in many cases, cheaper to reach from Perth than Karratha is. This is not a hypothetical: the inquiry itself heard that travellers frequently divert to short-haul international destinations perceived as offering better value (TTF, sub. 1, p. 5).

Lower off-peak fares in particular represent a direct, low-cost mechanism to grow tourism visitation. Off-peak periods — when FIFO demand is lower and aircraft would otherwise fly with empty seats — are precisely when tourism visitors could fill

that capacity, generate local spending, and support hospitality and retail businesses that currently operate well below their potential.

The Zone Cap increase cannot be justified while off-peak fares remain unchanged

The WA Regional Airfare Zone Cap Scheme has just increased its peak-period cap to AU\$385 per one-way leg (from 1 July 2026). The stated rationale for peak-period pricing is that demand is higher and capacity is constrained. If this logic is accepted, then the inverse must also apply: in off-peak periods, when FIFO demand drops and seats go unfilled, there is no justification for maintaining the same high general fares. Off-peak fares should fall — not remain at elevated levels simply because the airline can charge them unchallenged.

The current situation — where peak caps rise and off-peak prices remain stubbornly high — is not a market responding to demand. It is a duopoly extracting maximum revenue from a captive population at every point in the calendar. Genuine off-peak discounting would serve residents, attract tourists, fill otherwise-empty seats, and generate economic activity in Karratha — all at no cost to government.

The Commission should recommend that any regulated or subsidised fare framework for routes like Karratha–Perth include a requirement for meaningful, publicly disclosed off-peak pricing that reflects actual demand conditions, not a fixed premium applied year-round.

6. The Zone Cap Scheme Is Necessary but Insufficient

The WA Regional Airfare Zone Cap Scheme is a welcome intervention, and its continuation is strongly supported. However, the Commission should note its critical limitations:

- The cap applies only to return bookings — residents who cannot afford a full return fare at once are excluded
- The cap increased again from 1 July 2026, despite ongoing affordability pressure on residents
- There is no cap on one-way fares, which frequently exceed AU\$800 at peak
- There is no requirement for airlines to guarantee a minimum number or proportion of seats at the capped rate
- FIFO block-bookings can consume available capacity, leaving no capped seats accessible in practice

A price cap with no guaranteed seat availability is a cap that can be rendered meaningless by market structure.

7. Policy Recommendations

I respectfully urge the Commission to recommend the following:

- a) **Mandatory transparency:** Require airlines on FIFO-heavy routes to publicly disclose the proportion of seats allocated to contracted corporate use versus seats available to the general public on each flight. Without this data, regulators cannot determine whether residents have genuine access to capped fares, or whether block-bookings systematically foreclose that access.

- b) **Minimum resident seat guarantee:** Mandate a minimum proportion of seats on Karratha–Perth flights to be available for purchase by verified regional residents at capped fares, not subject to prior FIFO block-booking.
 - c) **Extension of the Zone Cap Scheme** to cover one-way bookings, removing the return-only restriction that excludes the most financially vulnerable residents.
 - d) **Mandated off-peak pricing disclosure:** Require airlines to demonstrate that off-peak fares genuinely reflect reduced demand conditions, and that any increase to peak-period caps is accompanied by a corresponding reduction in off-peak pricing.
 - e) **Community Service Obligation consideration:** Investigate whether a formal CSO arrangement is warranted on the Karratha–Perth route, recognising its essential-service character for the resident population beyond its commercial FIFO function.
 - f) **Barrier-to-entry reduction:** Explore measures to encourage a third airline operator onto this route, including slot access, airport incentive frameworks, and review of gate arrangements at Perth Airport.
-

Karratha contributes approximately AU\$8.76 billion to the national economy each year. The people who live and work here to sustain that contribution deserve to be treated as more than passengers of last resort on their own regional airline route. Affordable airfares are not a subsidy request — they are the foundation of a functioning, sustainable community, and a gateway to one of Australia’s most remarkable and undervisited regions.

I thank the Commission for this inquiry and for the opportunity to contribute. I am available to provide further information or to speak at a public hearing.

Yours sincerely,

Benny Ben