Determinants of Regional Airfares Inquiry
Productivity Commission
Canberra City ACT 2601

Dear Commissioners

Inquiry into the Determinants of Regional Airfares

Thank you for the opportunity for Airservices Australia (Airservices) to provide a submission to this inquiry.

Airservices role

Airservices is a government-owned organisation established by the *Air Services Act 1995* (the Act). We are a designated corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

Our purpose, as defined in the *Air Services Act 1995*, is to:

Provide facilities and services for the safety, regularity and efficiency of air navigation within Australian-administered airspace. This includes providing air traffic services, aviation rescue fire fighting (ARFF) services, aeronautical information, radio navigation and telecommunications services.

We provide our services from two major operating centres in Melbourne and Brisbane, 29 air traffic control towers and 27 ARFF stations across Australia, with more than 500 remote and regional sites.

Airservices presence in regional Australia

As well as having employees who live and work in the regions in which we provide our services, we also have technical employees who service radars and other regionally based infrastructure, many of whom are required to travel and for which we pay travel and accommodation as we support the regional aviation network.

Airservices has a range of customers and close partners across both airspace and airport operations, and in regional Australia. These are primarily commercial airlines servicing regional areas, some freight services, general aviation operators, sports and recreational aviation operators, military operations and even uncrewed aircraft and air mobility operators, as well as the regional airports and remote or military airfields. Airservices also waives its air navigation and service charges for the Royal Flying Doctor Service and other not-for-profit aeromedical operators. Supporting the growth and sustainability of regional aviation is part of our purpose.

Airservices investment in regional and remote Australia

During the pandemic, the aviation sector significantly scaled back capital investments—such as new aircraft and airport infrastructure—and Airservices was no exception. As a result, many critical assets are now approaching end-of-life within the next five to ten years, requiring substantial upgrades or replacement.

Over the next five years, Airservices will deliver a significant infrastructure and technology upgrade to core air traffic management (i.e. OneSKY) and ARFF services capability. These programs will improve service capability and deliver a range of economic and safety benefits, including for regional and remote areas. Airservices capital investment in regional/remote locations over the upcoming five-year period is estimated at approximately $1.1 billion. This significant spend includes the programs included in Attachment 1.

ARFF services – estimated $770m in regional and remote investment

Over the coming five years, Airservices will invest in capacity to support the significant uplift in forecast aviation sector growth. The ARFF Capability Uplift Program will see approximately $770 million invested in regional Australia. This program will include the introduction of a modern fire fighting vehicle fleet, upgrades or replacements of ARFF stations and new regional training hubs for fire fighters. The program is being delivered in phases with the first phase, which will commence by mid this year, delivering the following regional/remote investment:

- Fire station rebuild – Cairns, Mackay and Rockhampton
- Minor works for tender bays – Gladstone
- Cold drill grounds – Cairns, Mackay, Rockhampton, Gladstone
- Minor hot fire training ground decommissioning – Cairns.

Air traffic management (ATM) – estimated $380m in regional and remote investment

Over the coming five years, Airservices will also invest its terminal navigation service to improve air traffic control at and around regional airports. Enhancements in this service will see more than $100 million invested in regional Australia, including upgrades to several regional control towers and Communication, Navigation and Surveillance (CNS) systems. Key investments include the following:

- Establishment of an aerodrome air traffic control service – Ballina/Byron Gateway Airport
- Tower upgrades – Broome, Rockhampton, Albury, Alice Springs, Hamilton Island (tower rebuild), Karratha, Launceston, Mackay, and Townsville (Instrument Landing System rebuild).

Further initiatives that benefit the entire ATM network will also be made, including to shared assets benefitting airspace, facilities, security and support. A proportional share of this investment (based on remote and regional traffic volumes) equates to a further $280 million. Key investments are the new air traffic management system (OneSKY) and supporting ATM technology, including the Enterprise Network Modernisation Program.

Other investments benefiting regional and remote aviation

Airservices is also collaborating with Geoscience Australia to deliver the SouthPAN safety-of-life service, which is a satellite-based augmentation system (SBAS) that enhances Global Navigation Satellite System (GNSS) accuracy, integrity, and availability. SouthPAN offers regional and remote aerodromes access to advanced navigation capabilities with no ongoing cost to them, to maintain the infrastructure. This is expected to deliver significant safety and operational benefits.

SouthPAN reduces pilot workload, lowers the risk of missed approaches and weather diversions, and supports safer, runway-aligned procedures. This technology will enhance reliability, improve accessibility in challenging conditions, and strengthen the economic sustainability of regional and remote communities by supporting growth in aviation services.

The Australian Government has committed $1.4 billion over 20 years to implement and sustain SouthPAN.

Airservices financial environment

Airservices is funded through customer charges for its services and by capital raised from debt markets. The Airservices Board sets our prices, after extensive consultation with industry and oversight by the Australian Competition and Consumer Commission (ACCC).

Airservices is currently operating in a very constrained financial environment. We have an ageing asset base requiring significant replacement and upgrade, with capital investment requirements well over several billion dollars over the coming years. At the same time, the organisation is posting material operating losses (circa $200 million per year) and had not implemented a price increase for more than a decade, prior to a 6% increase in August 2025, (which equates to a 24 per cent real reduction in prices since 2015-16).

Concurrently, the aviation sector is entering a period of major infrastructure investment, including runway developments at Perth and Melbourne, Western Sydney International (Nancy Bird Walton) Airport, and associated enabling works. These developments necessitate corresponding investment by Airservices, including air traffic management capability, aviation rescue and fire fighting upgrades, and broader system and staffing readiness.

Airservices is progressing a number of initiatives to improve its financial viability, including negotiating a Long-Term Pricing Agreement (LTPA) with industry which will set a new level of pricing from 2026-27 to 2030-31, to enable cost recovery and investment in capital programs to support aviation industry growth. Airservices has committed to operating efficiently and has removed in excess of $100 million per annum from the cost base.

Airservices industry consultation on the proposed new agreement includes regional aviation operators and peak bodies to ensure their perspectives are well represented. We have engaged with the following regional aviation and representative bodies on future pricing arrangements:

- Regional Aviation Association of Australia (RAAA)
- General Aviation Advisory Network (GAAN)
- Recreational Aviation Australia (RAAus)
- Australian Parachute Federation (APF)
- Australian Business Aviation Association (ABAA)
- Royal Federation of Aero Clubs (RAFAC)
- Airlines for Australia and New Zealand (A4ANZ)
- Australian Parachute Federation.

Following more than 12 months of industry consultation, Airservices submitted its Draft Pricing Notification (DPN) for the LTPA to the ACCC in April 2026.

As detailed in the DPN, the impact of Airservices proposed price changes on regional locations has been considered in the context of affordability. While Airservices is proposing annual increases to its charges that would add around $1.50 per passenger to an average one-way flight (across its international, domestic, and regional and remote market segments), the proposed impact on regional flights is lower at around $1 per passenger[1], if passed on in full by airlines.

For a representative regional economy class airfare between Coffs Harbour and Sydney, Airservices charges represent a relatively small proportion of passenger-related charges. In this example (outlined in detail in Attachment 2), the passenger airfare is approximately $450 (today), with the Airservices component accounting for approximately $15, or 3.3 per cent. By 2030-31, Airservices component rises to $22 or 4.8 per cent, if passed on in full by the airline, indicating that regional airfares remain largely driven by non-Airservices cost components. Airservices contribution continues to have minimal impact on overall airfares. The majority of costs that arise for airlines are from other sources, including surcharges, passenger service charges, safety and security levies, and GST.

Compared to domestic flights, the regional segment attracts a lower absolute per-passenger Airservices charge (Attachment 3). On average, Airservices currently charges around $7 per passenger (in the regional segment) and this charge is forecast to increase to $12 by 2030-31, corresponding to an average annual increase of around $1.00 per year (real terms, 2025-26), if passed on in full by the airline.

Across the domestic and regional market segments, it is regional routes that are expected to experience the lowest relative impacts from Airservices proposed price changes. This reflects the application of comparatively lower percentage-based price changes at smaller airports, noting that similar relative price changes would otherwise result in higher absolute price impacts.

[1] Analysis assumes the full price increase is passed onto passengers, and is based on real prices (2025/26).

The range of indicative annual impacts associated with the proposed charge changes are outlined in Attachment 3 and summarised below.

- For most regional flights, Airservices proposed price increase is between $0.50 to $1.25 per year (for example, Coffs Harbour—Sydney, Melbourne–Hobart and Sydney–Townsville).
- Some longer interstate flights are associated with higher absolute impacts above $1.25 per year, reflecting higher enroute charges (for example, Darwin–Perth and Cairns–Perth).
- Flights between smaller airports without terminal navigation or ARFF services are associated with lower absolute impacts, as only enroute charges apply (for example, Dubbo–Orange).

Overall, the proposed price changes reflect Airservices commitment to ensuring the aviation network remains safe, efficient and capable of supporting Australia's long-term growth, while keeping resulting impact on regional operators manageable. Although charges are forecast to increase to enable essential investment and long-term financial sustainability, the analysis demonstrates that Airservices fees remain a relatively small component of total airfare costs and that regional routes experience the lowest absolute per-passenger impacts.

With comprehensive consultation across regional aviation stakeholders and a pricing approach that carefully considers affordability, Airservices proposed price changes strike a balanced path—supporting the industry's future needs and our investment across the industry including in regional Australia, while maintaining minimal effects on regional customers and communities.

In summary, Airservices acknowledges we contribute to the determination of regional airfares, however the context of Airservices position and the industry overall is an essential attribute to the picture.

Airservices is actively investing in regional aviation services and is committed to working with government, industry and regional stakeholders to ensure the aviation sector continues to deliver safe, reliable, and sustainable services across all parts of the country.

Airservices is progressing significant infrastructure, technology, and service modernisation investment in regional areas to support ongoing connectivity, enhance operational resilience, and enable long-term growth for the industry.

Thank you for the opportunity to contribute to the inquiry.

Yours sincerely

Rob Sharp
Chief Executive Officer
29 May 2026

Attachment 1: Regional and remote investment by location

Airservices capital investment in regional/remote locations over the upcoming five-year period is estimated at approximately $1.1 billion split between the ARFF Capability Uplift Program ($770 million) and upgrades to assets that support the Terminal Navigation service ($380 million). Further details are provided below.

ARFF – $770 million

Airservices expected regional investment in the ARFF Capability Uplift Program totals approximately $770 million and is outlined below.

- $730m – directly linked to regional and remote locations (refer to Table 1).
    - ARFF station rebuilds – approximately $390 million for new fire station at seven regional/remote locations (Hobart, Cairns, Alice Springs, Mackay, Kalgoorlie, Launceston, Rockhampton).
    - ARFF minor works – approximately $115 million across 12 regional and remote locations in connection with station improvements.
    - ARFF fleet replacement – approximately $225 million across 20 regional/remote locations.

Table 1: Airservices ARFF investment by regional/remote location ($m, real terms 2025/26)

Location	Investment between 2025/26 and 2030/31*
Hobart	67
Cairns	67
Alice Springs	65
Mackay	63
Kalgoorlie	62
Launceston	60
Rockhampton	60
Newman	33
Karratha	29
Port Hedland	29
Hamilton Island	27
Darwin	27
Coffs Harbour	25
Gladstone	24
Ballina	23
Broome	20
Ayers Rock / Uluru	19
Whitsunday Coast	14
Townsville	13
Total	**730**

* Estimates, rounded to nearest $ million.

- $40m – other ARFF services improvements that benefits the whole network, with the regional/remote investment attribution based on traffic volume. This investment is predominately to fund centralised training and maintenance hubs, program management, and technology upgrades.

Terminal Navigation – $380 million

Over the coming five years, Airservices will also invest in its terminal navigation service to directly improve air traffic control at and around regional airports. Investment in this service will see over $100 million invested in regional Australia, including upgrades to several regional control towers and Communication, Navigation and Surveillance (CNS) systems.

A key investment is the establishment of an aerodrome air traffic control service at Ballina/Byron Gateway Airport from early 2026/27 to support substantial traffic growth since 2019, largely driven by the regional tourism boom during the COVID pandemic. Other regional and remote investments include tower upgrades at airports in Broome, Rockhampton, Albury, Alice Springs, Hamilton Island (tower rebuild), Karratha, Launceston, Mackay, and Townsville (Instrument Landing System rebuild).

Further initiatives that benefit the entire Air Traffic Management (ATM) network, include upgrades to shared assets benefitting airspace, facilities, security and support. A proportional share of this investment (based on remote and regional traffic volumes) equates to $280 million. Key investments include the new air traffic management system (OneSKY) and supporting ATM technology, including the Enterprise Network Modernisation Program.

Attachment 2: Airservices charges in the context of a regional airfare

Figure 1 and Figure 2 presents the composition of a representative regional return economy class airfare between a representative regional flight – Coffs Harbour and Sydney – today and in 2030-31, respectively.

For this representative regional return journey, Airservices charges represent a relatively small proportion of passenger-related charges. In this example, the passenger airfare is approximately $460, with the Airservices component accounting for approximately $15, or 3.3 per cent. The majority of costs arise from other sources, including passenger service charges, safety and security charges and GST. The Airservices component comprises air traffic management (i.e. enroute navigation and terminal navigation) and ARFF services, each representing between one and two per cent of the total airfare. This demonstrates that Airservices charges form a relatively minor share of total passenger-facing costs.

Figure 1: Airfare composition 2026/27: Coffs Harbour - Sydney (Return, Economy Class)

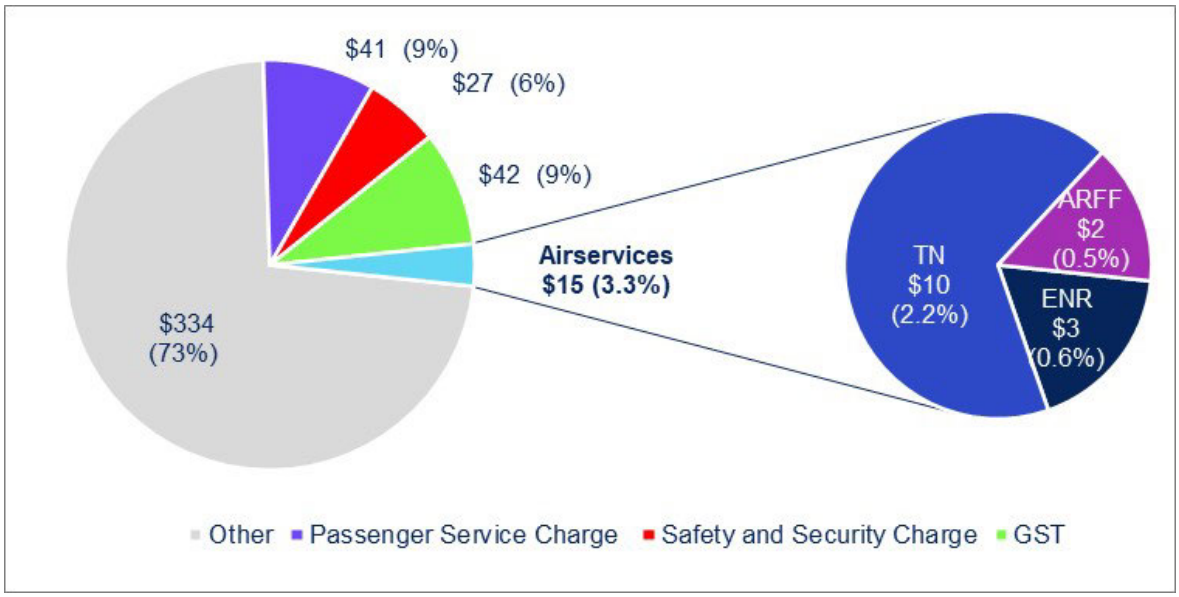
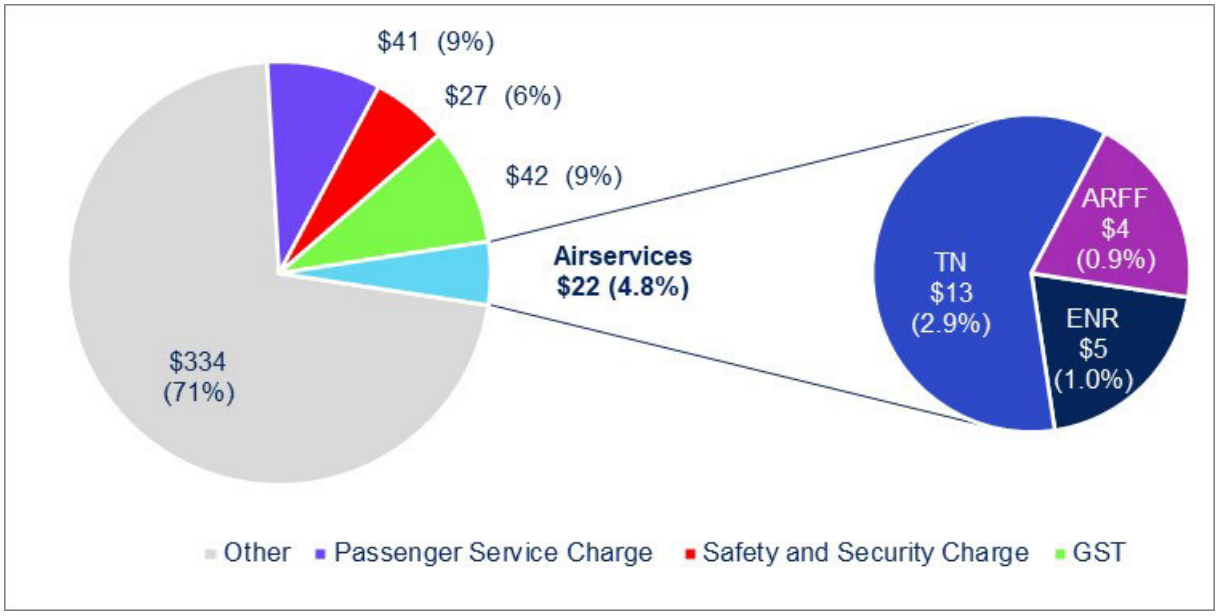


Figure 2 illustrates that by 2030-31, the same regional example continues to be shaped by non-Airservices components, all of which are conservatively assumed to increase in line with the Consumer Price Index (CPI). The 2030-31 regional example highlights that Airservices contribution does not materially influence overall airfare levels and remains a minor element within a cost structure largely determined by airport, government and airline pricing decisions.

Figure 2: Airfare composition 2030/31: Coffs Harbour - Sydney (Return, Economy Class)



Assumptions for analysis in Figure 1 and Figure 2:

- Airservices charges are in real 2025/26 terms
- Airservices charges include GST.
- Assumes a passenger load factor of 85%.
- Assumes airlines pass on Airservices charges in full.
- Charges have been rounded.
- Charges for the example routes are based on a return flight.
- Aircraft type for example routes taken from current published airline schedules.
- Domestic ticket prices: return discount economy, per ITA Airfare Search, for travel in March 2026 and booked in October 2025.

Attachment 3: Airservices charges on a per passenger basis

Indicative pricing impacts calculated on a per passenger basis are set out in Figure 3 and Figure 4. Within these charts, the 'averages' (shown in shaded bars) are calculated across all passenger flights within each segment, providing a high-level indication of relative price impacts. The specific route examples (shown in solid bars) provide additional context for each market segment. The percentage figures shown for each example represent the proportion of the Airservices charge relative to a representative economy airfare for that route. As airfares vary significantly across routes, seasons, and booking conditions, the figures presented should be regarded as illustrative only.

Figure 3 shows the estimated per passenger charge in 2025/26 and 2030/31 across domestic and regional and remote segments, while Figure 4 extends the analysis to illustrate the average annual impact of Airservices proposed price changes on airfares.

Across the regional and remote, Airservices currently charges an average of $7 per passenger and this charge is proposed to increase to $12 by 2030/31 (Figure 3), corresponding to an average annual increase of $0.90 per year (Figure 4), if passed on in full by airlines.

As a representative regional/remote segment example, the per passenger charge on a Coffs Harbour–Sydney route operated by a Saab 340 turboprop, is proposed to increase from approximately $8 to $11 per sector over the next five years, equivalent to an increase of around $0.70 per year (in real terms). This corresponds to an increase in Airservices share of a representative economy airfare for that flight from 3.3 per cent to 4.8 per cent, or around 0.3 per cent per year.

Figure 3: Airservices $ per passenger and % share of airfares for 2026/27 and 2030/31 (real, 2025/26)

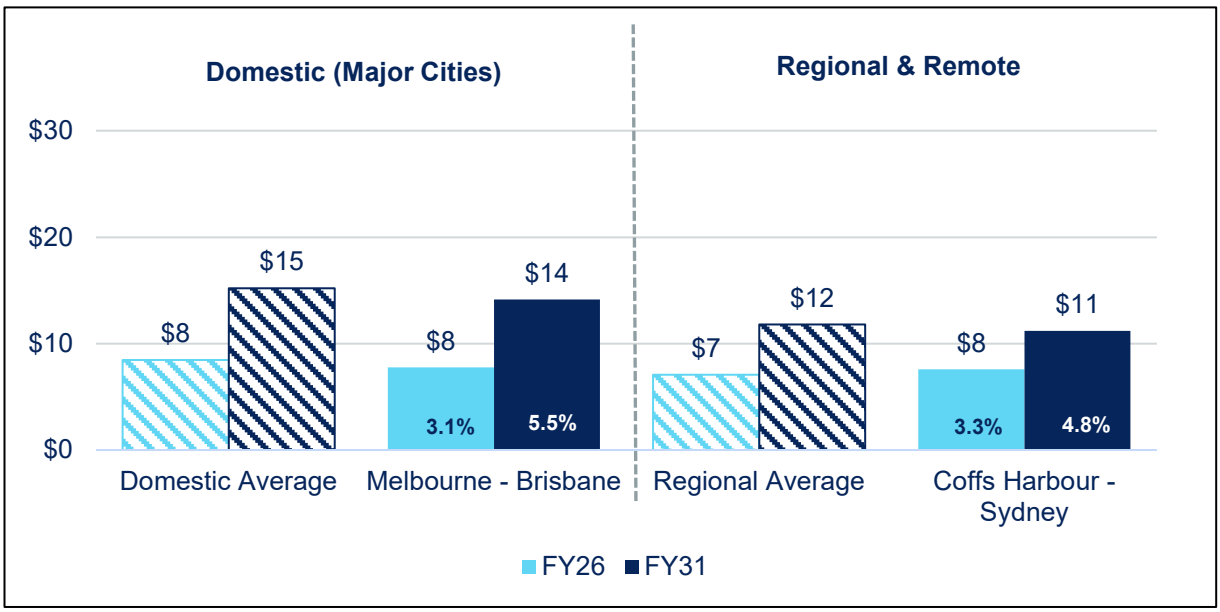
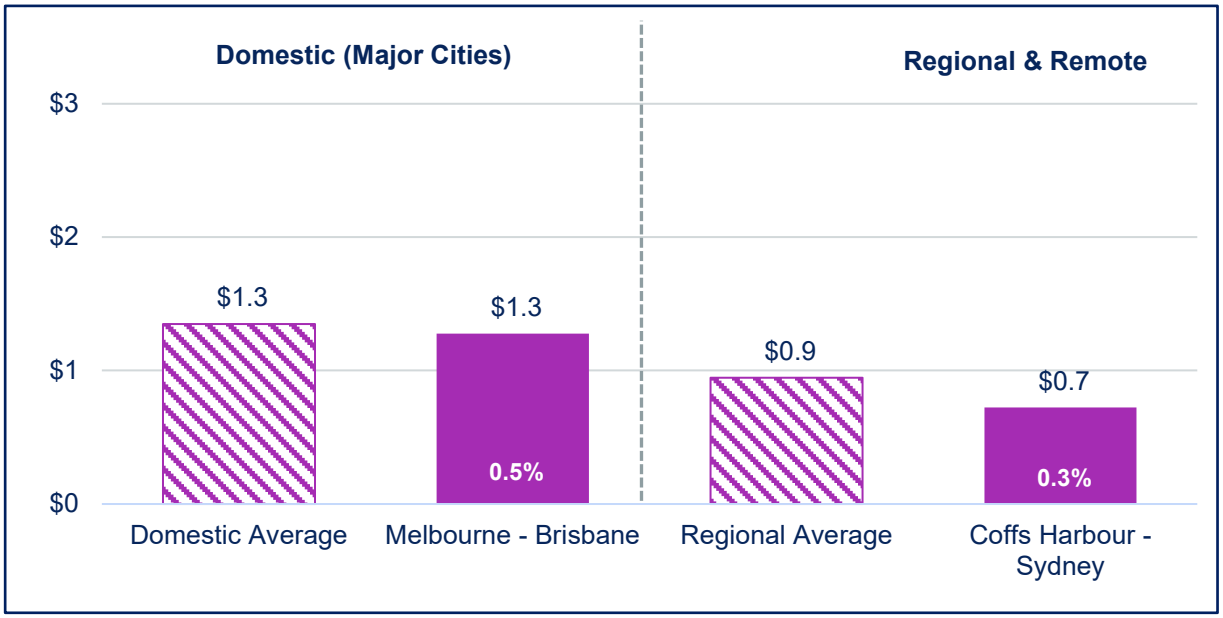


Figure 4: Average annual change: Airservices $ per passenger and % share of airfares (real, 2025/26)



Assumptions for analysis in Figure 3 and Figure 4:

- FY26 refers to 2025/26; FY31 refers to 2030/31.
- Prices for FY26 and FY31 are applied to current traffic volume (all passenger flights above 5.7 tonnes MTOW).
- Airservices charges are in real FY26 terms.
- Airservices charges include GST.
- Number of passengers estimated based on 85% passenger load factor[1] and total seat capacity for each airframe as per CAPA fleet database[2]
- "Regional & Remote" is based on airport definition as per BITRE.[3]
- Relative price impacts on airfares assume airlines pass on Airservices charges in full. All other prices remain unchanged in real terms.
- Domestic ticket prices based on a one-way economy, for travel in March 2026 and booked in October 2025 (as per airline website).
- Charges have been rounded.

The domestic, regional and remote market segments are expected to experience the lowest relative impacts from Airservices proposed price changes. This reflects the application of comparatively lower percentage-based price changes at smaller airports, noting that similar relative price changes would otherwise result in higher absolute impacts, given existing unit price levels.

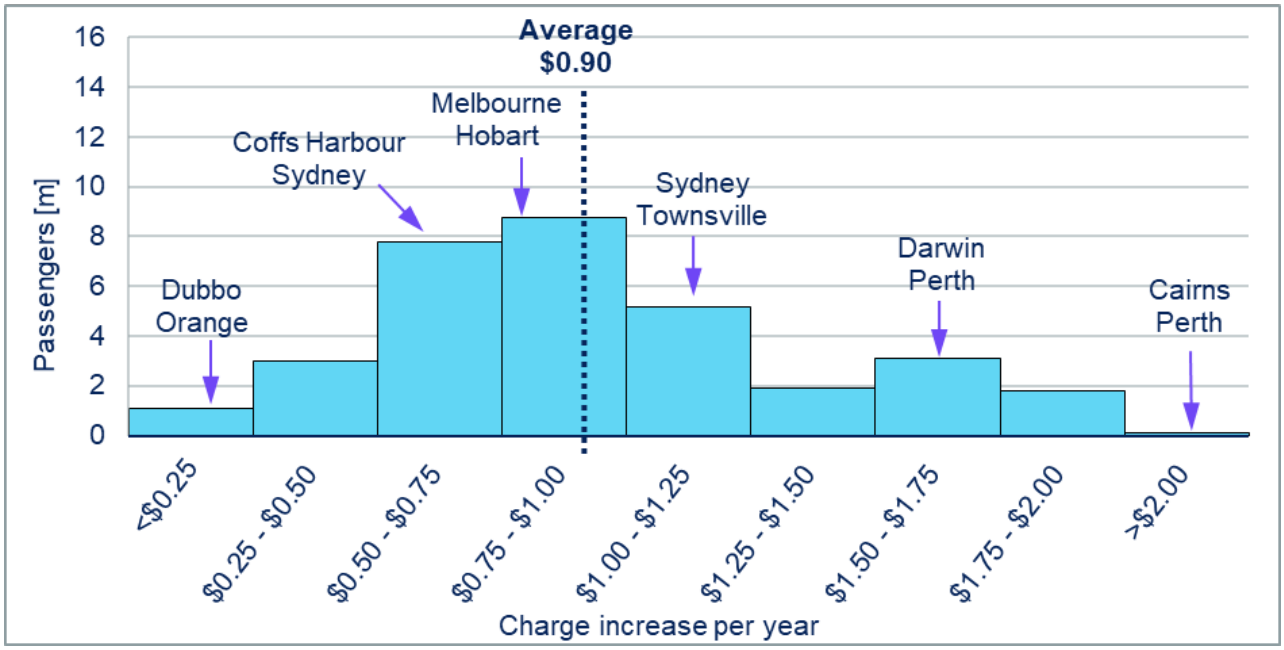
[1] IATA, *IATA reports the 2025 average load factor for Asia Pacific at 84%,* 9 December 2025.
[2] https://centreforaviation.com/data/fleet (subscription required)
[3] Airservices uses the ABS Australian Statistical Geography Standard (ASGS) definition as per BITRE with '*Domestic* (*Major Cities)'* covering sectors between two airports located in Major Cities and '*Regional & Remote'* covering sectors where at least one airport is either in *Inner Regional, Outer Regional, Remote, or Very Remote.* https://www.bitre.gov.au/publications/ongoing/domestic-aviation-activity-cities-and-regions

Attachment 4: Regional price changes – distribution of impacts on a per passenger basis

Figure 5 illustrates the range of indicative annual impacts associated with the proposed charge changes.

- Most regional and remote flights fall within a range of approximately $0.50 to $1.25 per year (for example, Coffs Harbour—Sydney, Melbourne–Hobart and Sydney–Townsville).
- Some longer interstate flights are associated with higher absolute impacts above $1.25 per year, reflecting higher enroute charges (for example, Darwin–Perth and Cairns–Perth).
- Flights between smaller airports without terminal navigation or ARFF services are associated with lower absolute impacts, as only enroute charges apply (for example, Dubbo–Orange).

Figure 5: Distribution of average annual Airservices regional/remote flight charge increase per passenger between 2025/26 and 2030/31 (real, 2025/26)



Note: The labels show examples of routes for different price increases.

Assumptions for analysis in Figure 5:

- Prices for 2025/26 and 2030/31 are applied to current traffic volume (all passenger flights above 5.7 tonnes MTOW).
- Airservices charges are in real FY26 terms.
- Airservices charges include GST.
- Number of passengers estimated based on 85% passenger load factor[4] and total seat capacity for each airframe as per CAPA fleet database. [5]
- Charges have been rounded.
- Charges are averaged across routes in both directions; for example, MEL–HBA and HBA–MEL are treated as a single combined route.
- "Regional & Remote" is based on airport definition as per BITRE. [6]

[4] IATA, *IATA reports the 2025 average load factor for Asia Pacific at 84%.* Available here: https://www.iata.org/en/pressroom/2026-releases/2026-01-29-02/

[5] https://centreforaviation.com/data/fleet (subscription required)

[6] Airservices uses the ABS Australian Statistical Geography Standard (ASGS) definition as per BITRE with '*Domestic* (*Major Cities)'* covering sectors between two airports located in Major Cities and '*Regional & Remote'* covering sectors where at least one airport is either in *Inner Regional, Outer Regional, Remote, or Very Remote.* https://www.bitre.gov.au/publications/ongoing/domestic-aviation-activity-cities-and-regions