Australian Government
Productivity Commission

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Determinants of regional airfares

Interim report





This is an interim report prepared for further public consultation and input. The PC will finalise its report after these processes have taken place.

November 2026

Acknowledgment of Country



The Productivity Commission acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to their Cultures, Country and Elders past and present.

About us

The PC is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long-term interest of the Australian community.

The PC's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

For more information visit our website: www.pc.gov.au.

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Opportunity for comment

The PC thanks all participants for their contribution to this inquiry and now seeks additional input for the final report.

You are invited to examine this interim report and comment on it by written submission or brief comment to the PC, preferably in an electronic format, by **22 December 2026**.

Feedback can also be provided by appearing at a public hearing. Proposed dates of public hearings are outlined below. You can register your interest to appear at or observe the public hearings on the inquiry website: www.pc.gov.au/airfares.

Public hearing dates and venues

Date	Location
Friday 27 November 2026	Online
Monday 30 November 2026	Online
Wednesday 2 December 2026	Online

The PC will prepare its final report after considering the evidence provided in further submissions and public hearings, and after undertaking further analysis. The final report is due to be delivered to the Australian Government by 27 April 2027.

Commissioners

For the purposes of this inquiry and interim report, in accordance with section 40 of the *Productivity Commission Act 1998* the powers of the PC have been exercised by:

- Catherine de Fontenay, Commissioner
- Martin Stokie, Commissioner

Terms of reference

I, the Hon Jim Chalmers, Treasurer, pursuant to parts 2 and 3 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission ("the Commission") undertake an inquiry into the determinants of regional airfares.

Background

Concerns have been raised through the Aviation White Paper development process about the cost, frequency and reliability of regional air services in Australia.

Australia's aviation network serves a very large geographic area, and regional airports carry around 40 per cent of all domestic passengers. Given the smaller markets served, regional air routes generally have fewer airlines servicing them and less competition than routes between major cities. State and territory governments have in place a variety of arrangements to support intra-state aviation in their jurisdictions.

Recognising the importance of air services to regional development, more accessible regional airfares could help unlock economic activity and productivity in regional Australia. This includes improving the provision of goods and services for regional Australia, increasing demand for tourism, improving Closing the Gap outcomes and supporting regional migration.

Scope of the inquiry

The Commission will conduct a review of the determinants of regional airfares in Australia and make recommendations on policy settings to support a competitive, reliable and affordable regional aviation network.

For the purposes of this inquiry, the term 'regional' encompasses passenger flights to or from areas outside Australia's major cities (i.e. regional, rural and remote areas).

In undertaking the inquiry, the Commission should holistically consider a range of factors, including but not limited to:

- analysing the determinants of regional airfares and service offerings, and the composition of factors that contribute to differences between airfares available on regional routes and those available between major cities, including airport fees and charges
- identifying the main drivers of demand for regional air services
- examining any barriers to entry or expansion for airlines to provide regional services
- identifying policies and regulatory settings that may contribute to higher regional airfares, reduced service levels or reduced competition
- assessing the role for government and the most efficient forms of government intervention in the market and other policies to improve access, pricing and service outcomes
- identifying the impacts of regional airfares and access to regular and reliable air services on regional economies (including tourism and migration), productivity, and improving Closing the Gap outcomes;
- identifying the extent of competition between different air transport services (regular public air transport and charter) and with other modes of transport (road and rail), and the role of regional air freight in supporting the commercial viability of regional air services, and

- considering international comparisons and best practices in comparable aviation markets.

In undertaking the inquiry, the Commission should consider all entities which affect regional aviation, including airlines, airports, aircraft maintenance, aircraft part suppliers, fuel suppliers, supply chains, regulators and any other entities which contribute to costs and other determinants of airfares.

Process

The Commission is to undertake a public consultation process including holding public hearings, inviting public submissions and releasing a draft report to the public.

The Commission should consult with a broad range of stakeholders, including the Commonwealth, state, territory and local governments, airlines, airports, relevant aviation industry and tourism operators, regional communities and businesses, including First Nations peoples.

The Commission should have regard to previous inquiries in relation to the economic regulation of airports and the Australian Competition and Consumer Commission's domestic airline monitoring.

The final report should be provided within 18 months of the receipt of these terms of reference.

The Hon Dr Jim Chalmers MP
Treasurer

[Received 27 October 2025]

Disclosure of interests

The *Productivity Commission Act 1998* (Cth) specifies that where Commissioners have or acquire interests, pecuniary or otherwise, that could conflict with the proper performance of their functions they must disclose those interests.

The Commissioners working on this inquiry have no interests requiring disclosure.

Acknowledgments

The Commissioners express their gratitude to the many individuals and organisations who have taken the time to contribute to this inquiry, including those who participated in visits, provided public submissions and completed our questionnaire. We also thank Dr Aaron Barkley for his advice on econometric modelling and data analysis, and the Australian Competition and Consumer Commission, the Bureau of Infrastructure and Transport Research Economics, Tourism Research Australia and numerous airlines for providing, or facilitating access to, confidential data used in this inquiry.

The Commissioners also wish to express their appreciation to the staff who worked on the interim report – Assistant Commissioner Catie Bradbear, who leads the inquiry, and other team members including Cristy Alevizos, Ariun-Erdene Bayarjargal, Matthew Forbes, Ruby King, Aaron Korczak-Krzeczowski, Anna Law, Hudan Nuch, Nicholas Sladden, Samantha Thomas, Danielle Venn, Daniel Viljoen, and Aditi Das and Yvette Goss for project support.

AI disclosure

This report was prepared using the assistance of AI tools for purposes of general research, drafting, note taking, coding and editing. All AI-generated outputs were reviewed for accuracy and quality. PC staff remain fully responsible for research tasks and published outputs.

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Executive summary

Key points

- **There is no single regional aviation market. Regional aviation serves diverse communities with different travel needs, levels of demand and degrees of reliance on air services. These differences shape airfares, service levels and the impacts on people, businesses and local economies.**
  - Many regional and remote routes have limited demand, with half carrying less than 15,000 passengers a year, operating 10 flights or fewer each week and having 35% or more empty seats per flight.
  - Communities can be disproportionately affected by high airfares if they are reliant on air services, have minimal access to alternative transport options, and have limited capacity to pay.
- **High regional airfares largely reflect the costs of providing services.**
  - Regional and remote airfares were 11% higher per passenger and 13% higher per kilometre in 2023–2025 than on major city routes – but on some routes, such as short regional and short remote routes, the fare per kilometre was more than double.
  - Operating costs make up about 91% of the fare, on average, while profit margins average about 9%, broadly comparable to major city routes. However, profit margins are much higher on some routes and average more than 20% on mining routes.
- **The viability of short regional and short remote routes is likely to come under increasing pressure.**
  - These routes operate with smaller aircraft and spread fixed costs across relatively fewer passengers.
  - Many of these routes earn a profit margin of less than 5%, making them vulnerable to increases in costs or reduced demand.
- **Competition in regional aviation is limited, with over 90% of passengers flying with either Qantas Group or Virgin Australia.**
  - Many regional and remote routes are too small to sustain more than one airline. On higher-volume routes, additional competition could deliver benefits for consumers. However, prospective entrants face barriers to competing with incumbents, such as economies of scale, network advantages and corporate loyalty.
  - Government support for airlines may help sustain services in the short term, but it can discourage new entry and protect inefficient operations. The focus should instead be on community connectivity.
- **As regional airfares largely reflect the costs of providing services, higher fares do not necessarily indicate a policy problem in need of correction. The case for support instead depends on the consequences of those fares for regional and remote communities and their ability to access services, economic opportunities and personal connection.**
  - People in regional and remote communities often must travel for healthcare services. Governments should ensure the patient assisted travel schemes provide timely and adequate support.
  - Air services may not be available on some regional and remote routes without government support. Government support should prioritise routes that are necessary for connectivity, such as for remote areas and islands.
  - Airport infrastructure is funded on a project-by-project basis and funding arrangements do not prioritise regional system needs. Funding should be prioritised to airports that are critical for community connectivity and important public functions.

Australia's vast geography makes air travel critical for supporting connections, access to services and economic opportunity. Regional aviation accounted for 38% of domestic passengers and 53% of domestic flights in 2025. However, there is no single regional aviation market. Aviation plays different roles across Australia, reflecting differences in geography, population, economic activity and alternative transport options. For some communities, air travel is one transport option among many, while others rely on it to maintain access to health care, education, government services, economic opportunities and family networks. For Aboriginal and Torres Strait Islander people, air travel can be fundamental to maintaining connections with family, community and Country.

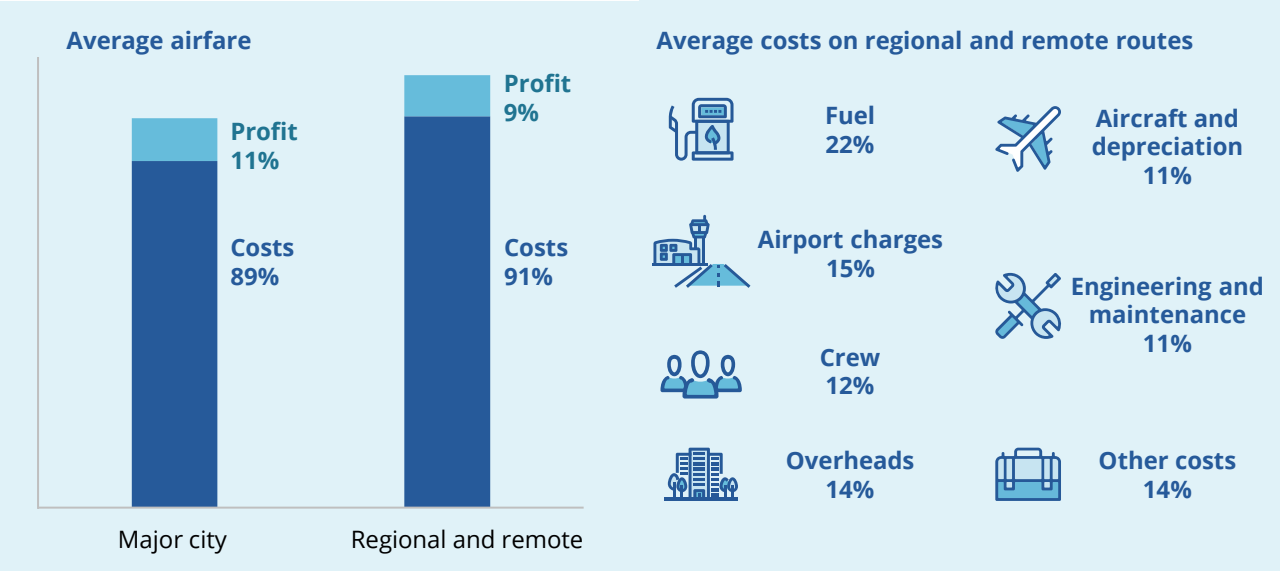
Despite airfares being a longstanding concern in regional and remote Australia, there is limited public information about what drives fares and services, and how this impacts the communities that rely on them. The Productivity Commission requested data from airlines operating regionally on flights, passengers, load factors, costs and revenue. As a result, we have a unique dataset to provide insights into demand for air travel, how airfares differ between types of routes and the factors that influence them. We have complemented this analysis with a questionnaire, visits to regional communities, online meetings and qualitative analysis to understand how air services and airfares affect regional and remote communities and the scope for improvement.

High regional airfares reflect the cost of delivering services

Regional and remote airfares were 11% higher per passenger and 13% higher per kilometre on average than fares on major city routes between 2023 and 2025. Airfares have remained relatively stable over time in real terms. Higher airfares partly reflect the economics of serving smaller markets. Half of all regional and remote routes carry fewer than 15,000 passengers a year, operate 10 flights or fewer each week and record load factors (passengers per available seats) below 65%.

Regional airfares largely reflect the high costs of delivering services. On average, 91% of the fare paid on regional and remote routes over 2023–2025 covered airline operating costs, with fuel, airport charges, crew and maintenance the largest cost drivers. Profits accounted for about 9% of revenue on average on regional and remote routes, broadly in line with major city routes (figure 1).

Figure 1 – Costs make up the bulk of regional airfares



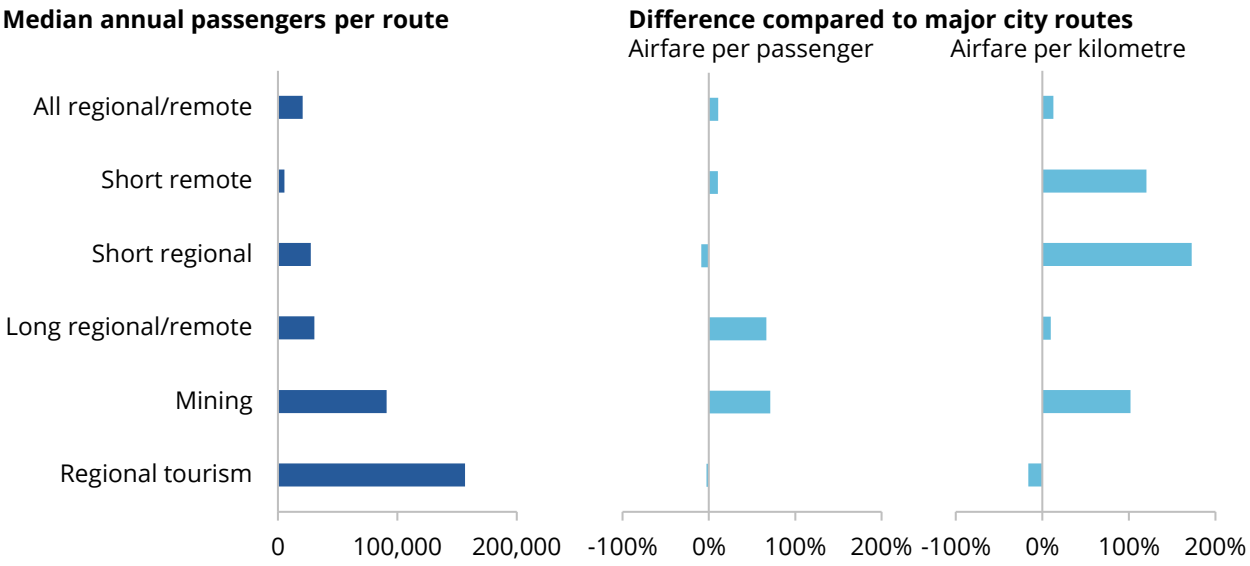
However, these averages mask variations across routes. Regional aviation serves diverse communities with different travel needs, levels of demand and reliance on air services. These differences shape airfares, service levels and impacts on people, businesses and local economies, with the impacts not felt evenly across regional Australia.

There is variation across different types of routes

Short regional and short remote routes have high costs per kilometre

Short regional and short remote routes serve small populations and have low passenger volumes. In 2025, half of all short remote routes carried fewer than 5200 passengers and half of all short regional routes carried fewer than 26,400 passengers (figure 2).

Figure 2 – Passenger volumes are low and airfares higher on many regional and remote routes compared with major city routes



The importance of aviation varies across these routes. While regional communities may have alternative transport options, some remote communities, such as islands or seasonally isolated locations, have few practical alternatives and rely on air services for critical needs. On most short remote routes, passenger volumes are insufficient to support more than one airline and, in some cases, too low to sustain any regular public transport service without government intervention. About 50% of short remote routes (and 30% of all routes with fewer than 50,000 annual passengers) are regulated through exclusive operating rights, direct subsidies or a combination of both.

The small scale of short regional and short remote routes means that airlines typically operate small aircraft and spread fixed costs across relatively few passengers. As a result, fares on short regional and short remote routes were more than twice as high per kilometre than major city routes in 2023–2025. While average airfares per passenger were broadly comparable to major city routes due to shorter travel distances, costs can rise quickly when passengers need to take multiple flights, such as travelling from the Torres Strait via Cairns to Brisbane.

The sustainability of these routes – particularly short remote routes – is under increasing pressure, as recent service reductions and route withdrawals demonstrate. Many operate with profit margins of less than 5%, and some operate at a loss, leaving services vulnerable to rising costs or reductions in demand. This creates risks to the long-term availability of services for some communities.

Regional tourism routes are broadly comparable to major cities

Regional tourism routes account for 58% of regional passenger travel and are among the largest regional aviation markets, with a median annual passenger volume of over 150,000. Strong demand supports larger aircraft, high load factors and lower unit costs. As a result, fares per passenger and per kilometre are generally comparable to or lower than on major city routes.

Leisure travellers are generally more price sensitive than those on other regional routes and may switch destinations or transport mode if fares rise. There tends to be more competition on these routes and airline profitability is generally comparable to major city routes.

Long regional and long remote routes have high fares per passenger

Long regional and long remote routes are served by large aircraft operating less frequently, or seasonally to meet tourism demand. However, compared with regional tourism routes, many long regional and long remote routes have relatively thin demand, with half of routes carrying fewer than 29,400 passengers annually, and competition is limited. On these longer routes, passengers generally have few practical transport alternatives and some routes serve 'must-see' tourist locations, making demand less sensitive to price.

Larger aircraft and longer distances keep unit costs relatively low, with fares per kilometre similar to those on major city routes. However, the fare per passenger was 67% higher in 2023–2025 because journeys are longer. These factors combine to deliver profit margins higher, on average, than on short regional and short remote routes and broadly comparable to major city routes.

Mining routes are highly profitable

Mining routes accounted for about 14% of regional passenger travel in 2025. While the median annual passenger volume is about 70,000 passengers, some routes serve close to 500,000 passengers annually. Demand is driven largely by workforce travel, which means it is generally less price sensitive, and service quality (such as flight timing and reliability) is valued by corporate customers but can result in aircraft being less intensively used on these routes. Fares per passenger on mining routes were about 70% higher than on major city routes in 2023–2025. Mining routes were the most profitable regional route group, with an average profit margin above 20%.

Prioritising support to where it matters most

On many regional and remote routes, higher airfares are a consequence of the costs of serving smaller and more dispersed markets and do not necessarily indicate a policy problem in need of correction. The case for support instead depends on the consequences of those fares for regional and remote communities and their ability to access services, economic opportunities and personal connection.

Competition where markets can sustain it

Competition is limited on regional and remote routes. In 2025, over 90% of passengers on regional and remote routes flew with Qantas Group or Virgin Australia. And on 72% of routes there was only a single carrier.

The constraints on competition differ across routes. On routes carrying fewer than 50,000 passengers a year, demand is often too low to sustain multiple airlines. As passenger numbers increase, competition becomes more viable. Duopolies emerge on some routes carrying 50,000 to 150,000 passengers a year, although profit margins tend to be low. Most routes above 150,000 passengers can support more than one airline and are profitable.

Beyond this point, the key constraint is less about market size and more about the ability of airlines to enter and expand in regional markets. Economies of scale, large networks, brand loyalty and corporate travel relationships can make it difficult for competitors to gain a foothold.

Governments should seek to remove barriers, rather than reinforce them. While government support for airlines can help maintain services to communities in the short term, ongoing assistance for individual carriers can weaken incentives for entry and more efficient service provision. Where intervention is warranted, support should instead focus on the continued provision of regional services.

Over time, a new entrant on major city routes could strengthen competition and create opportunities for airlines to expand into some regional markets. Continued monitoring and public reporting of airfares and service quality on regional and remote routes will support policymaking and ensure opportunities for entry are not undermined by anti-competitive conduct.

Supporting regional air travel

People in regional and remote Australia rely on aviation for a range of purposes, as outlined above. Many of these journeys are important to individuals and communities but the consequences of high airfares or limited access to air travel can vary. In some cases, travel can be delayed, substituted for road travel, or undertaken less frequently. In other cases, barriers to air travel can have significant impacts on wellbeing and community outcomes. For Aboriginal and Torres Strait Islander people living in remote and regional areas, barriers to air travel can also affect progress towards Closing the Gap outcomes, including in health, education and justice.

One area where the consequences can be particularly significant is access to health care. Many healthcare services, such as specialist consultations, diagnostic tests, procedures and emergency care are not available in all communities and require travel to regional centres or major cities. State and territory patient assisted travel schemes, which pay for travel for healthcare purposes, are therefore vital for reducing barriers to accessing services. However, there is scope to build on the success of existing schemes, to provide more timely and adequate support to ensure people are supported to travel when they need to.

Some regional and remote communities rely on air travel to access cities or regional centres. However, low passenger numbers and high operating costs can make services difficult to sustain commercially. Governments may have a role in supporting air routes, including through subsidies and regulated monopoly arrangements, where: there is demonstrated demand for air travel; aviation is the most efficient and practical way to meet that demand; and the market does not provide flights at a price or service level that meets community needs. When determining whether to regulate a route, governments should also consider if alternative transport options or service delivery would be more

cost-effective. Where route regulation is necessary, governments should ensure their decisions are transparent and consistently assessed.

To the extent governments choose to provide support that reduces airfares for people more broadly, including for personal and business travel, it should be targeted to where it generates significant benefits that would not otherwise be realised.

Better targeted support for regional airports

Regional airports underpin access to passenger transport, health care, emergency response, freight and other services. Low passenger volumes make it challenging for some regional airports to cover operating, maintenance and infrastructure costs. Many rely on subsidies from Australian, state, territory or local governments. However, current planning and funding arrangements are largely focused on projects at individual airports. As a result, governments lack a clear basis for assessing when support is warranted, comparing priorities within and across regions and directing funding to where it will have the greatest benefit.

Governments should take a system-wide approach to direct regional airport infrastructure funding to where it delivers the greatest public value. Funding should be prioritised towards the minimum airport capability required for preserving community connectivity and important public functions, such as aeromedical services and emergency management.

The case for funding airport infrastructure to support other regular public transport services is weaker and requires additional justification. Funding should only be provided where the broader benefits of retaining regular public transport services justify taxpayer contribution and could not be achieved more effectively through alternative arrangements. Airports with sufficient passenger demand and commercial opportunities should fund their own infrastructure. Where responsibilities overlap, governments should agree on their contributions and coordinate funding across relevant programs.

Findings and reform directions

Interim finding 1.1
Passengers pay more for airfares on average on regional and remote routes than major city routes, but fares vary considerably depending on the route

On average over the period 2023–2025, regional and remote airfares purchased were 11% higher per passenger and 13% higher per kilometre than on major city routes.

- On short regional routes, airfares were 9% lower per passenger, but 173% higher per kilometre on average than on major city routes.
- Airfares per kilometre were 120% higher on short remote and 102% higher on mining routes, and airfares per passenger were about 70% higher on mining and long regional and long remote routes than on major city routes.
- Compared with major city routes, airfares were similar or lower on regional tourism routes.

Interim finding 1.2
High airfares do not affect all communities equally. Their impacts are greatest where people rely heavily on aviation and have limited capacity to pay for travel

High airfares have the greatest impact on communities in more remote areas and those cut off from other transport. Low-income households only access air travel when absolutely necessary and if there is assistance from government support schemes. Aviation policies can support Closing the Gap outcomes by reducing the impacts of remoteness and ensuring reasonable access to essential services.

Interim finding 2.1
Limited demand shapes airfares and service offerings on many regional and remote routes

The volume of passengers and their price sensitivity are key determinants of airfares and flight frequency. Remote routes have low passenger volumes, but a lack of transport alternatives makes passengers less price sensitive. Short regional routes tend to offer more frequent flights to cater for schedule-sensitive passengers, but this has implications for the size of aircraft and results in low load factors. On mining routes, corporate preferences for reliability and specific flight times reduce price sensitivity. Regional tourism routes have more price-sensitive leisure passengers and outcomes that resemble major city routes.

Interim finding 2.2
Costs are the main driver of regional airfares

Costs account for most of the airfare paid by passengers: 91% on average on regional and remote routes, compared with 89% on major city routes. Fuel, airport charges, crew and maintenance are the biggest direct costs of delivering regional air services. Most of the difference in unit costs between regional and major city routes is due to distance, load factor and aircraft size.

Interim finding 2.3
Average profit margins on regional and remote routes are similar to major city routes, but vary by route and many short regional and short remote routes earn profit margins below 5%

Average profit margins on regional routes are similar to major city routes, at about 9%, but this masks substantial variation. Many short regional and short remote routes have profit margins below 5% due to thin demand and high costs. This leaves these routes vulnerable to increases in costs or reductions in demand and raises questions about the sustainability of services.

Interim finding 3.1
Competition is limited in regional aviation, and many routes have low margins even when served by a single operator

In 2025, over 90% of passengers flew with either Qantas Group or Virgin Australia on regional and remote routes, and on 72% of routes there was only a single carrier. Many regional and remote routes are thin markets that do not have sufficient demand to sustain competition. Few duopolies on routes with less than 150,000 annual passengers earn profit margins of more than 5%.

Interim finding 3.2
There are significant barriers to entry in the Australian aviation sector

Incumbent airlines have advantages over new entrants on scale, network breadth, brand loyalty, access to the corporate market and airport slots. These serve as a barrier to new entrants. Regional airlines are particularly disadvantaged.

Reform direction 3.1
Future government support of regional aviation should focus on services, not airlines

Government support for individual airlines can harm competition and the long-term viability of the sector. Future support, where necessary, should focus on the continued provision of regional services rather than supporting individual airlines, and be delivered through contestable mechanisms that promote long-term competition and viability.

Reform direction 4.1
Strengthen patient assisted travel schemes (PATS) to reduce barriers to accessing health care

State and territory governments should further strengthen PATS to better support access to health services for regional and remote residents and support the objectives of the *National Health Reform Agreement*.

State and territory governments should consider opportunities to improve the effectiveness of the schemes, including through adopting leading practice or more consistent standards around coverage, eligibility and access. One example of a leading practice is for governments to arrange the travel to minimise financial barriers for patients.

The PC intends to provide more detailed guidance on opportunities to improve PATS in its final report.

Reform direction 4.2
Governments should adopt an open and transparent approach to route regulation

Australian, state and territory governments should assess route regulation against a best-practice framework. Existing routes should only be supported if:

- aviation is the most efficient and practical means of providing regional connectivity, and
- the market does not provide a sufficient air service that meets community needs.

When route regulation is necessary, governments should:

- use a reverse auction to promote competition for the market and identify the minimum subsidy required to provide the specified service
- disclose the reasons for regulating routes and the criteria used to assess whether regulation is warranted.

Reform direction 4.3
General affordability subsidy schemes should be better targeted

Government support should prioritise preserving essential connectivity, rather than improving general affordability. Existing programs that subsidise airfares could be better targeted to support people who would otherwise be unable to afford air travel, as this would achieve greater impact for the same amount of public funding.

Governments should monitor subsidy arrangements to ensure they continue to provide value for money and publish information on subsidy payments to support transparency, accountability and assessment of value for money.

Reform direction 5.1
Governments should better target support for regional airport infrastructure

State and territory governments should ensure airport funding is prioritised towards the greatest public value. They should determine which airport capability warrants government support by:

- giving priority to the minimum airport capability required for community connectivity and important public functions
- funding airport infrastructure for other regular public transport services only where the benefits of retaining the service justify the taxpayer contribution and could not be achieved more cost-effectively through alternative arrangements
- requiring airports with sufficient passenger demand and commercial opportunities to fund their own infrastructure.

State and territory governments should fund airport capability that supports regional access, service delivery and other state responsibilities. The Australian Government should contribute where capability supports national objectives or Australian Government responsibilities. Where responsibilities overlap, governments should agree on their contributions and coordinate funding across relevant programs.

Information requests

Information request 4.1
Patient assisted travel schemes

The PC is seeking views on how the air travel component of patient assisted travel schemes (PATS) could further reduce barriers to accessing health services for regional and remote residents. This includes:

- any potential operational improvements or leading practices that would improve accessibility for patients
- any changes to coverage, eligibility or access that would facilitate better public health outcomes
- the role of air travel in the context of alternative modes of travel, telehealth or local service provision
- the extent to which state and territory governments are expanding coverage, increasing assistance, or making scheme offerings more consistent as recommended by the Senate Inquiry into Equitable access to diagnosis and treatment for individuals with rare and less common cancers, including neuroendocrine cancer.

Information request 4.2
Government procurement of air services

The PC is seeking views on the procurement of air travel across all levels of government, as well as the funding of air travel for organisations delivering services in regional and remote Australia. This includes:

- how airfares and access to air travel affect the operations of non-government organisations (NGOs) and Aboriginal and Torres Strait Islander community-controlled organisations (ACCOs) delivering services in regional and remote Australia
- how airfares and access to air travel affect access to justice in regional and remote Australia
- how government procurement of air travel could be better coordinated to improve efficiencies within government and/or facilitate better access to air travel among NGOs and ACCOs.

Information request 5.1
Airport costs associated with aeromedical and government services

The PC is seeking information on the costs associated with public service use of regional airports.

- What airport charges and other funding arrangements apply to aeromedical providers, emergency management bodies, defence and other government agencies?
- To what extent do airport charges recover the costs associated with this use?
- Who bears any costs that remain unrecovered?
- Do these users require airports to maintain additional infrastructure or operating capability?

Information request 5.2
Assessing support for airport infrastructure for regular public transport services

The PC is seeking evidence to refine its proposed framework for determining when airport infrastructure supporting RPT services warrants wider government support.

- What evidence would demonstrate that retaining local RPT services provides benefits sufficient to justify wider taxpayer support, particularly where another airport is reasonably accessible?
- How should governments compare retaining local RPT with alternative ways of maintaining regional access and service delivery?

Information request 5.3
Costs of regulatory compliance

The PC is seeking evidence from regional airport owners and operators on the costs of complying with Part 139 of the Civil Aviation Safety Regulations 1998 (Cth) and other regulatory requirements, including:

- annual operating expenditure required to comply with these regulatory requirements, including administration, staffing, inspections, planning and training
- capital expenditure required to comply with these regulatory requirements, including infrastructure renewal and upgrades
- additional operating and capital costs of regulatory compliance incurred since the reforms commenced in 2020
- where possible, the requirements that gave rise to these additional costs, with costs before and after the reforms
- any requirements that impose costs that are disproportionate to the safety risks they address, including which requirements and why.

Information request 5.4
Security screening costs

The PC is seeking information from regional airport owners and operators, airlines and other relevant organisations on:

- annual screening costs, including staffing, training and equipment maintenance
- the capital costs for screening equipment and associated terminal works, including costs of completed upgrades and expected costs of planned upgrades
- the per passenger screening charge and whether it applies to departing or screened passengers
- whether screening charges recover the full cost of screening and, if not, the size of any shortfall, who meets it and whether it affects airport finances or regional air services
- airline recovery of security screening costs from passengers and their effects on the cost of operating regional routes, airfares and decisions about regional air services.

1. Understanding regional aviation

Key points

- **Regional aviation is highly diverse, serving different communities with varying travel needs, levels of demand and degrees of reliance on air services.**
  - Aviation is particularly important for long-distance, urgent and time-sensitive travel where practical alternatives are limited.
  - Regional aviation supports a range of social and economic outcomes, including employment, tourism, business activity and family and community connections. It also provides many regional and remote residents with access to essential services and contributes to Closing the Gap outcomes.

- **Passengers pay more for airfares on average on regional and remote routes than major city routes, but fares vary considerably depending on the route. Short regional and short remote routes have much higher fares per kilometre, while mining, long regional and long remote routes have much higher fares per passenger, than major city routes.**
  - On average, over the period 2023–2025, regional and remote airfares purchased were 11% higher per passenger and 13% higher per kilometre than on major city routes.
  - On short regional routes, airfares were 9% lower per passenger, but 173% higher per kilometre on average than on major city routes.
  - Airfares per kilometre were more than double those of major city routes on short remote and mining routes. Airfares per passenger were about 70% higher on mining and long regional and long remote routes than on major city routes. Compared with major city routes, airfares were similar or lower on regional tourism routes.

- **Experiences of regional airfares can vary across passengers and communities.**
  - Average fares can mask substantial differences in the price paid, reflecting factors such as when travel is booked and the type of fare purchased.
  - Affordability pressures are greatest where communities rely on aviation and have limited travel alternatives, including more remote areas and those cut off from other transport.

- **All levels of government play a role in regional aviation outcomes through policies affecting airlines, airports, infrastructure and access to services. Interventions should reflect the diversity of regional markets.**
  - Government interventions are likely to deliver the greatest public benefit where they improve access to services or allow basic connectivity to locations with no alternative transport options available (such as for remote areas and islands).

1.1 The regional aviation landscape

For communities outside of Australia's major cities, air travel is an important means of accessing services, participating in the economy and staying connected. Across our vast geography, about 160 airports support regular public transport (RPT) services, ranging from major tourism gateways with multiple daily services to remote communities served by a single 'milk run' (a scheduled route serviced by a single aircraft with several stops at small towns).

Regional aviation is a large share of domestic RPT – 38% of domestic passengers and 53% of domestic flights flew to or from a regional or remote place in 2025. In most cases, regional flights involve travelling between a regional area and a major city (about 80% of flights) and usually within the same state or territory (over half the travel on regional and remote routes). This reflects not only the social connections regional residents might have within the state or territory capital, but also the importance of access to public services.

Regional aviation markets are diverse

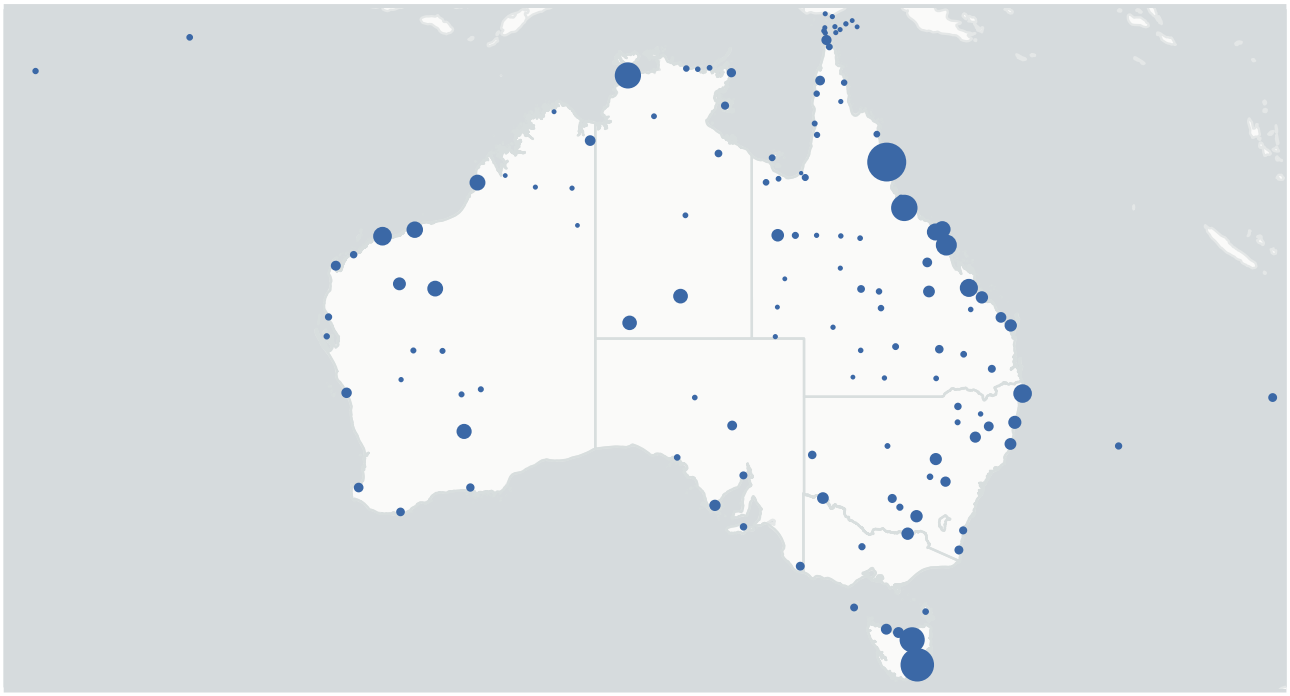
It can be misleading to think of regional aviation as a single market. There are substantial differences between routes, communities and travellers. These differences shape airfare and service outcomes and the impacts they have on people, businesses and local economies.

Some routes connect large regional centres with major cities and carry hundreds of thousands of passengers each year. For example, the Brisbane to Townsville route carries around 1 million passengers annually, while the Sydney to Cairns and Launceston to Melbourne routes each carry about 900,000 (BITRE 2026b) (figure 1.1). Other routes serve small remote communities and might carry less than 5,000 passengers per year. Similarly, flight distances range from short journeys between nearby communities to services that transport passengers over long distances.

There are typically fewer scheduled flights on regional and remote routes compared to major city routes – although this can depend on population size, tourism seasons, and fly-in, fly-out (FIFO) travel. Some locations are served by less than five flights per week. Regional and remote routes are more likely to be served by smaller aircraft, which can have higher operating costs per passenger (chapter 2).

The role of aviation varies across communities. Air services support different types of travel – discussed further below – including business and government travel, tourism, visits to friends and relatives, and access to services that are unavailable locally. The mix of travel varies according to the local population, geography and economic activity. Not all travel has the same level of need for travellers, with trips falling on a spectrum between essential and optional or discretionary.

Figure 1.1 – Domestic passenger arrivals and departures at regional and remote airports, 2025



Map shows arrivals and departures at all airports not classified as 'major cities', which include Adelaide (ADL), Avalon (AVV), Brisbane (BNE), Archerfield (ARF), Canberra (CBR), Essendon (MEB), Gold Coast (OOL), Melbourne (MEL), Newcastle (NTL), Perth (PER), Sunshine Coast (MCY), Sydney (SYD) and Shellharbour (WOL).

Source: Unpublished BITRE flight data, 2025.

Remoteness and geographic isolation are also important factors. For some communities, aviation is a transport option alongside road, rail or sea connections. For others, air services may be the only practical year-round means of moving people, freight and essential supplies.

- **Island communities** – air services support passenger travel, emergency transport, freight, and service delivery. Some larger island communities may have access to ferries alongside air travel (including Kangaroo Island (SA), the Torres Strait Islands (Qld), Russell Island (NT), and the Tiwi Islands (NT)) whereas other communities rely completely on air travel (Lord Howe Island (NSW), Christmas Island and Cocos (Keeling) Island).
- **Seasonally isolated communities** – in some areas of Australia, flooding can make roads inaccessible for extended periods. Aviation plays a critical role in transporting essential freight before and during the wet season and can be the only means of access when road links are cut. Communities affected by seasonal isolation are found across Cape York Peninsula and Gulf Country (Qld), the Kimberley (NT), Arnhem Land (NT), the Daly–Wadeye / Western Top End (NT), the Barkly (NT) and other remote inland areas.
- **Communities in very remote locations** – some communities are located relatively far from the closest major city - for example, Broome is 24 hours' drive from Perth and 20 hours' drive from Darwin. Flying can be a more practical way to cover long distances in a short amount of time.

To reflect the variation in regional and remote routes, we have allocated routes into the following categories to support our analysis (with further information in appendix B):

- Mining routes are routes to and from airports in mining locations, which generally have high RPT and/or charter flight passenger volumes and a large share of employment in mining in the airport catchment area.
- Regional tourism routes are generally higher-volume routes that carry a larger share of leisure travellers (the presence of low-cost carriers on a route was used as a proxy for tourism demand).
- Other routes have been classified by remoteness (according to their most remote airport) and designated as a short route if they cover a distance of less than 1,000 km or a long route for distances over 1,000 km.

1.2 Air travel delivers social and economic benefits

For residents of regional and remote areas, aviation supports personal and work-related travel, and access to essential services. For visitors to regional and remote areas, aviation facilitates FIFO work and tourism, as well as other visitor travel. Together, these activities contribute to regional communities and economies in a range of ways (figure 1.2). They help businesses reach customers and markets, support tourism, connect people with family and community networks, and provide access to essential and specialist services. While air travel also has environmental impacts, this report focuses on its role in supporting connectivity and access for regional and remote communities.

Personal travel contributes to important social outcomes

Maintaining family and community connections

Social connections are a source of wellbeing, support and resilience. While many people living in regional and remote areas can forge strong local connections,[1] others can experience isolation and separation from the supports of a family or community network. Research suggests that social isolation can be more prevalent for people living in regional compared to metropolitan areas, with some areas shown to have persistent elevated relative risk of social isolation (Earnest et al. 2026).

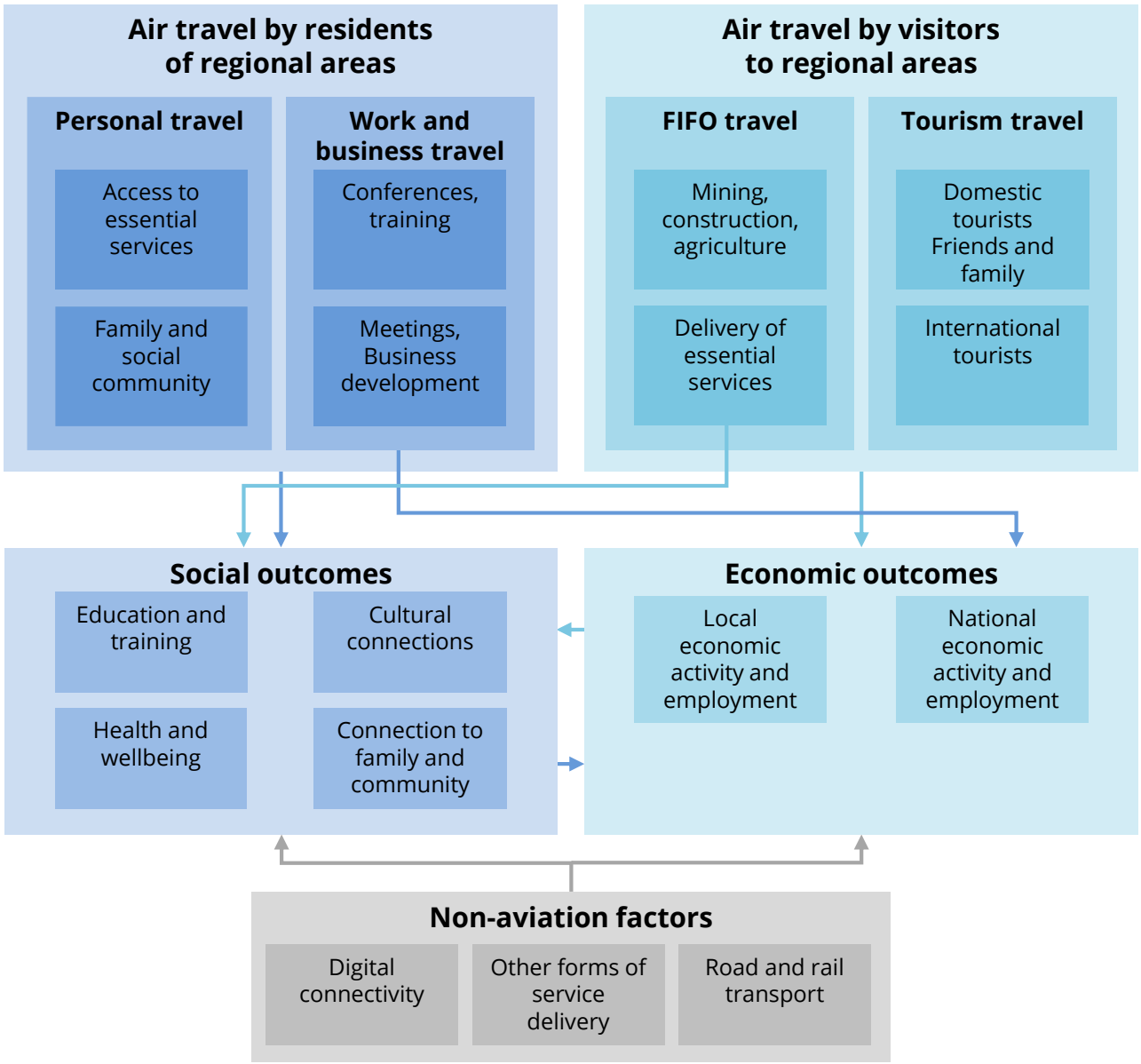
Air travel can play an important role in maintaining connections with friends, family and community networks. Tourism Research Australia identified visiting family and friends as the second most common reason for regional travel in Australia.[2] For Aboriginal and Torres Strait Islander people, strong connections to Country, culture, family and community are closely linked to wellbeing (Gee et al. 2014). Social and emotional wellbeing is a whole-of-life paradigm, understood through these interconnected relationships and indivisible from the wellbeing of the community (Dudgeon et al. 2025).

[1] The National Study of Mental Health and Wellbeing 2020 to 2022 reported data on social connectedness, disaggregated by remoteness. The responses relating to loneliness, support and sense of community showed little variation between levels of remoteness, and for some questions, people in regional and remote communities reported better outcomes than those in major cities (ABS 2023).

[2] Tourism Research Australia found that in the June quarter 2026, around 10 million trips (38% of all trips) were taken for the purpose of visiting family and friends, making it the second most common reason for travel after holidays (TRA 2026a). Respondents to our questionnaire also identified visiting friends and family as one of their main reasons for personal air travel.

Through our engagement, many participants emphasised that the value of air services lies not only in the trips they take, but also in it being available when needed, including for urgent travel. Flying may not be a frequent activity for most residents of regional and remote areas, but it can provide a connection to services, people and opportunities when needed.

Figure 1.2 – Various forms of regional air travel contribute to social and economic outcomes



Accessing essential services

People living in regional and remote areas often must travel to access healthcare, education, and other essential services. Service delivery itself can involve travel, where services are brought into communities, including through visiting medical specialists or teachers. These services are an important means of supporting wellbeing outcomes for regional and remote communities. Aviation is not the only means of undertaking this kind of travel, however, it can be particularly useful to cover longer distances and when time is critical. Higher airfares can affect travel budgets for households and service delivery programs alike.

The challenges for accessing services are often greatest in remote areas, where locally delivered services are limited (AIHW 2026a). Many remote Aboriginal and Torres Strait Islander communities, including some homelands, are seasonally or entirely isolated by road. For these communities, aviation can be the only practical link to healthcare, education and other opportunities which can support progress towards outcomes under the National Agreement on Closing the Gap (chapter 4).

Air services support regional workforces and economies

Air services support regional economies by connecting businesses to workers, customers and suppliers and by connecting regional communities to visitors and markets. The price, frequency and reliability of these services can affect business activity, tourism and access to employment opportunities.

Workforce impacts and supply

Throughout the inquiry, participants highlighted the importance of air services to regional workforces. Air travel helps employers access workers with specialist skills while enabling people to live and work in regional communities. However, we heard that the price of air services can affect workforce attraction and retention, to the extent that some regional employers purchase flights for staff as part of their employment packages, raising overall labour costs.

Airfares can affect the viability of FIFO arrangements, which help address skills shortages, meet short-term labour needs and provide access to specialist services that would otherwise be difficult to sustain locally. FIFO workers can comprise most of the workforce for some resources or construction projects and can account for a large share of passenger demand to those remote areas. However, the impact of airfares on FIFO travel may differ from other travel, as fares are typically paid for by employers, sometimes through direct contracts with airlines, and demand may be more sensitive to reliability and scheduling.[3]

More broadly, air services support productivity by enabling businesses to move workers efficiently, reach customers and suppliers, and respond to commercial opportunities. While airfares affect the cost of doing business, scheduling and reliability can be just as important, if not a higher priority for businesses. Delays or cancellations reduce productive time for travellers and can increase travel costs.

Tourism and the visitor economy

Tourism is an important industry in many regional and remote areas, accounting for a larger share of economic activity than in major cities (table 1.1). Air services support tourism by making regional destinations more accessible and by connecting those destinations to wider tourism markets.[4]

Tourism can also contribute to broader policy objectives, such as progress towards Closing the Gap. Travel incorporating engagement with Aboriginal and Torres Strait Islander activities has experienced small but consistent growth for both domestic and international travellers. Between 2018–19 and 2023–24, the share of domestic overnight trips and international trips that included engagement with an Aboriginal or Torres

[3] Where mining companies contract with airlines to provide services for FIFO workers, prices are often set in relation to advertised fares. As a result, the remaining RPT seats available to the public may be sold at higher prices – reflecting both limited remaining capacity and the extent of non-discretionary demand.

[4] In the Northern Territory, about three-quarters of interstate visitors arrive by air, making aviation essential for the local tourist industry (Northern Territory Government, sub. 48, p. 5). As noted by the Darwin Turf Club (sub. 47, p. 4), 'aviation is effectively the only practical means of interstate travel for most visitors attending events in the Northern Territory'.

Strait Islander activity[5] increased from 0.7% and 11% to 1.1% and 15% respectively (TRA 2024a). Increased engagement with Aboriginal and Torres Strait Islander tourism activities could support progress towards Closing the Gap outcomes 7 (youth engagement) and 8 (economic participation).

Table 1.1 – Tourism share of economic activity by remoteness area, 2016–17 to 2023–24

Tourism region remoteness	Median tourism GVA per capita	Median percentage of the labour force employed in tourism
Major cities	$2,936	6%
Inner regional	$3,575	10%
Outer regional	$3,661	10%
Remote	$6,587	13%
Very remote	$5,341	11%

Tourism region remoteness is determined by the mean remoteness for the Statistical Area Level 2 (SA2) comprising the tourism region. Gross value added (GVA) is equal to the total value of outputs at basic prices less the total intermediate consumption at purchasers' prices.

Source: ABS (*Population estimates by SA2 and above, 2001 to 2025*, *Regional population, 2026)*; DEWR (*SALM Smoothed SA2 Datafiles (ASGS 2021), 2026*) and TRA (*Regional Tourism Satellite Account 2023–24*).

Our analysis suggests that access to air travel can lead to higher tourism flows – a new airline (Bonza) providing services to a region can have a significant effect on the number of trips and nights stayed in that region (box 1.1). However, our analysis does not establish to what extent extra tourism translates into better social outcomes (including with regard to Closing the Gap outcomes) or into increased GDP, given that an increase in tourism in one regional location could result in redistribution of tourism expenditure from elsewhere in Australia.

Higher airfares can reduce the attractiveness of destinations and dampen visitor demand. For example, we heard that tourists substitute trips to North-West WA with alternative domestic or international destinations when return airfares to Broome exceed $1,200–$1,500 (Australia's North West Tourism, sub. 45, p. 11).

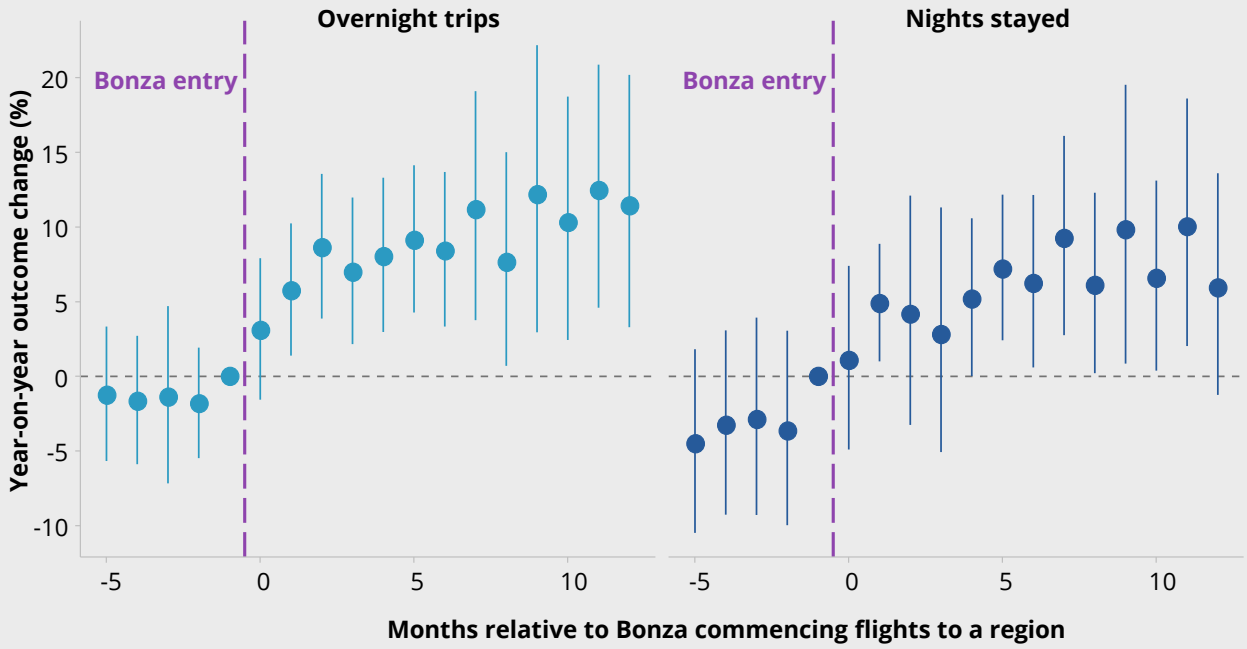
[5] Tourism Research Australia classifies the following activities as Aboriginal and Torres Strait Islander activities: 'experiencing Aboriginal art/craft and cultural displays', 'visiting an Aboriginal site/community', 'attending an Aboriginal performance', 'going on a tour with an Aboriginal guide', 'participating in traditional activities', 'having an Aboriginal food experience', and 'having a camping experience on Aboriginal land' (TRA 2024a). TRA notes that changes in survey design in 2022 'has likely partly contributed to the increase in First Nations activities being selected' (p. 2).

Box 1.1 – Access to aviation services is associated with tourism flows

Changes in air services can have an effect on tourism activity. Reduced connectivity may require visitors to take less direct routes, use alternative transport modes, choose another destination or forgo travel altogether. In contrast, improved aviation access is associated with higher visitor numbers, as is evident from the entry of Bonza into the domestic market in 2023–24. It is estimated that tourism regions served by Bonza experienced a 7.1% higher year-on-year growth in overnight trips and a 4.8% increase in nights stayed than other tourism regions. While Bonza targeted routes and regions based on expected demand, the exact timing of entry varied. Bonza commenced flights to 21 regions in early 2023 and then 7 other regions in late 2023 to early 2024. The estimates are based on the assumption that, without Bonza, tourism would have changed in similar ways across regions, regardless of timing.

Increases in connectivity are associated with increased trips and nights stayed

Time-event study of Bonza's commencement of flights on tourist activity



The increase in trips and nights stayed associated with Bonza commencing flights to a tourism region in 2023 and 2024 is estimated using a staggered Callaway-Sant'Anna approach. It compares changes in tourism regions that commenced flights with Bonza with tourism regions that did not. Error bars represent 95% confidence intervals. Tourism regions are geographic regions defined by Tourism Research Australia and are comprised of Statistical Areas Level 2 (SA2s). There are 76 tourism regions across Australia. The outcomes are seasonally adjusted year-on-year changes in overnight trips and nights stayed, with effects measured relative to the month immediately before the first instance of a Bonza flight.

Source: PC estimates using Tourism Research Australia aggregated domestic regional mobility data and unpublished BITRE flight data.

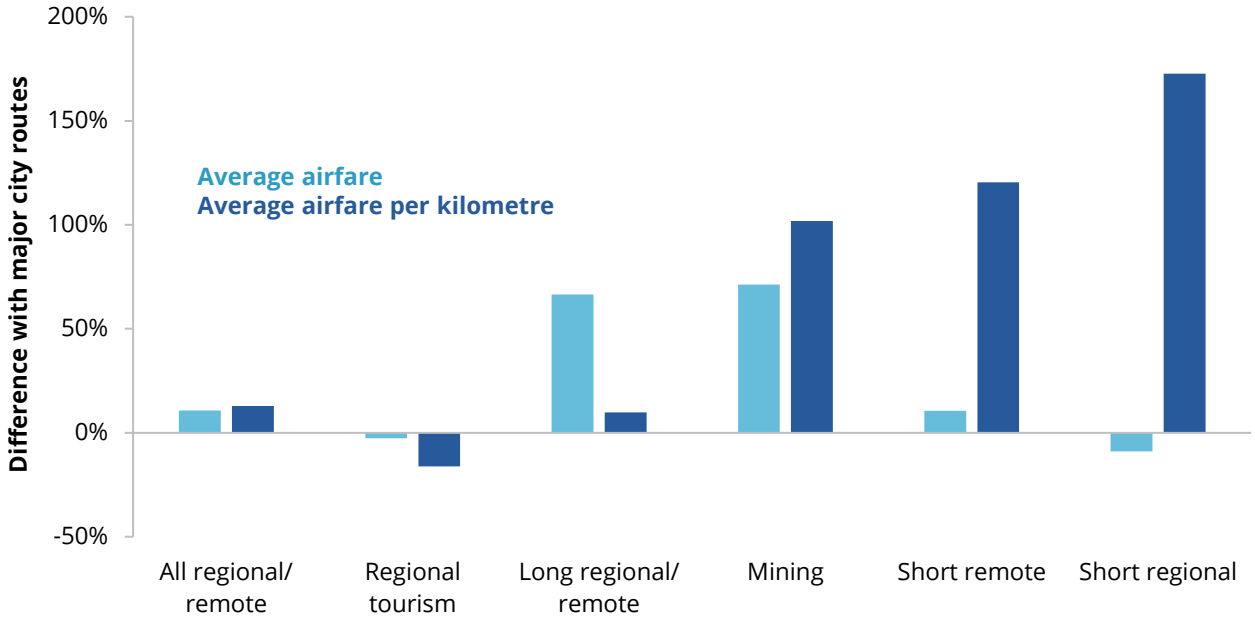
1.3 Fares on regional and remote routes are higher

On average for the period 2023–2025, we estimate that airfares on regional and remote routes were about 11% higher per passenger and 13% higher per kilometre than those on major city routes.[6] There is significant variation in airfares depending on the characteristics of the route (figure 1.3). Compared with major city routes, airfares were:

- similar or lower on regional tourism routes
- lower in total on short regional routes, but significantly higher per kilometre
- higher in total and per kilometre on mining, short remote, and long regional and long remote routes.

Figure 1.3 – Airfares vary by route type

Difference compared with major city routes, 2023–2025



Average airfare defined as passenger fare revenue plus ancillary revenue per passenger. Average airfare per kilometre defined as passenger fare revenue plus ancillary revenue per revenue passenger kilometre (RPK).

Source: Unpublished airline revenue data, 2023–2025.

[6] Our analysis uses average revenue per passenger derived from airline revenue data as the primary measure of airfares. Revenue data is preferable to the other main source of data on airfares (BITRE's internet airfares data) for 2 reasons. First, average revenue captures the prices that people actually pay (on average) for airfares on a particular route, whereas BITRE's internet airfares data captures the best available internet fare on a route on the day the data is collected. There may be few seats available at the best available fare, so it might underestimate the fare paid by most passengers. Neither source shows how airfares vary between passengers on a route (for example lower for people who booked in advance, higher for people who booked at the last minute). Second, BITRE's airfares data cover the top 70 routes in Australia, so the coverage of regional and remote routes is less comprehensive than using revenue data, particularly for remote and low-volume routes. In our call for submissions (PC 2025b), we used BITRE's internet airfares series as that was the best data available at the time of publication.

Regional airfares, like their major city counterparts, remained relatively stable in real terms over the period from 2015 to 2025 (unpublished BITRE internet airfares data).

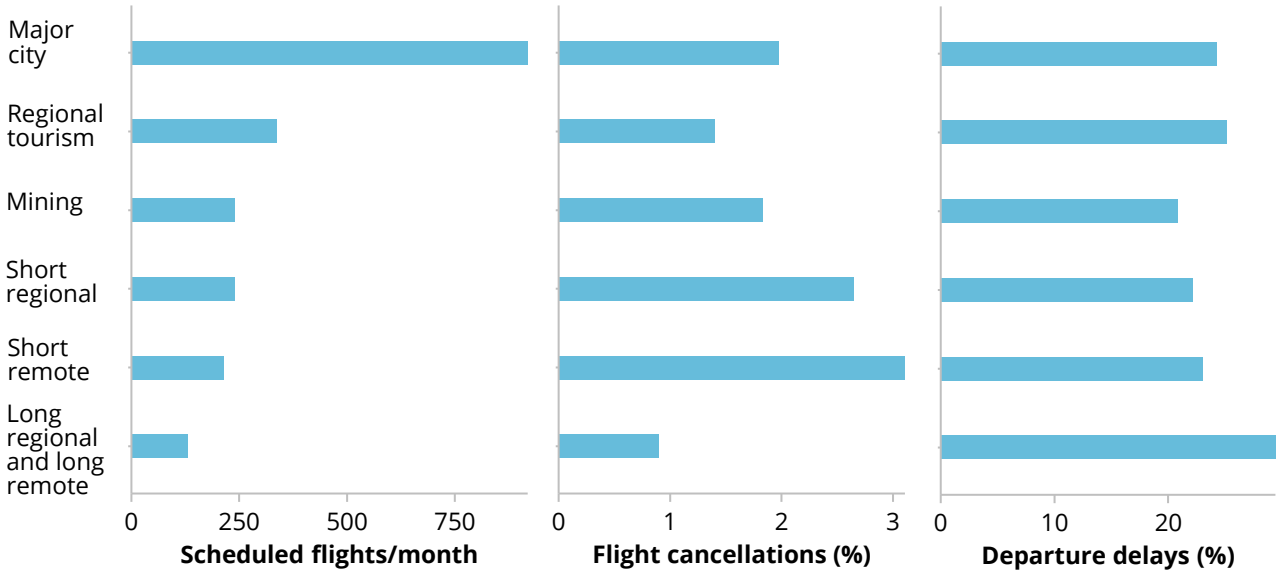
The relative influence of various drivers of airfares (such as costs, demand and competition) are discussed in detail in chapter 2.

Data on average fares can mask variation in the prices that individuals actually pay. An airfare can vary considerably according to the route, when travel is booked and the type of fare purchased. Fares tend to be lower further out from departure when fewer seats have been sold but can rise as the booked load increases (Qantas, sub. 108, p. 5). Airfares are also likely to vary considerably between seasons, and increase around weekends, school holidays and significant events (Australia's North West Tourism, sub. 45; Northern Territory Government, sub. 48; Independent Schools Australia, sub. 94). While there are often cheaper classes of fares, they can require purchase well in advance and may not always be available (RDA Mid North Coast, sub. 58).

Other service outcomes also vary across regional aviation markets. In some markets, flights can be much less frequent than on major city routes, with some remote locations served by only 2 or 3 flights per week. However, there is significant variation and short regional (and some short remote) routes can be more frequent than other types of routes with similar passenger volumes. While cancellations are lower than on major city routes, particularly on long regional and long remote, tourism and mining routes, the consequences can be greater because alternative services are limited (figure 1.4).

Figure 1.4 – Service quality on regional and remote routes

Average by type of route, 2025



Flight cancellations are flights cancelled as a percentage of total scheduled flights. Departure delays are flights with a delayed departure as a percentage of total flights flown.

Source: BITRE Airline on-time performance – monthly reports, 2025.

Interim finding 1.1
Passengers pay more for airfares on average on regional and remote routes than major city routes, but fares vary considerably depending on the route

On average over the period 2023–2025, regional and remote airfares purchased were 11% higher per passenger and 13% higher per kilometre than on major city routes.

- On short regional routes, airfares were 9% lower per passenger, but 173% higher per kilometre on average than on major city routes.
- Airfares per kilometre were 120% higher on short remote and 102% higher on mining routes, and airfares per passenger were about 70% higher on mining and long regional and long remote routes than on major city routes.
- Compared with major city routes, airfares were similar or lower on regional tourism routes.

Households vary in their ability to afford airfares

Throughout the inquiry, participants have raised affordability as a major concern. We heard that sometimes, people would forego desired travel, or use less convenient or less safe travel options, due to the price of air travel. Participants in Western Australia raised that often they were only able to travel if they made use of the Regional Airfare Zone Cap scheme (PC 2026).

The affordability of air travel depends on airfares and disposable income (figure 1.5). For people living in regional or remote areas, a single airfare on a long remote return flight can be equivalent to 45% of weekly disposable income for middle income households (at the 50th percentile), nearly 80% of the weekly disposable income of a lower-income household (at the 25th percentile) and around 140% of weekly disposable income for very low-income households (at the 10th percentile).

The relative affordability of flying compared to other modes of transport varies according to route, location and who is travelling. For example, if the price of flying from Kalgoorlie to Perth is $500–$800 per passenger, a family of four might pay $2000–$3200 to fly one-way. By comparison, driving would typically incur fuel costs of less than $250 depending on the car size and price of petrol – either for a single traveller or the family of four.[7] High airfares can lead to low-income households avoiding flying or only doing so when there is government support for travel available.

Affordability concerns may be particularly acute in more geographically remote areas where reliance on aviation is often greatest. Regional and remote areas have a slightly higher proportion of lower-income households than major cities and can also lack viable alternative modes of transport. In addition, sometimes multiple legs of a trip may be required to reach a destination, increasing the overall price paid by passengers. Together, these factors mean that households more reliant on air travel may also face the greatest affordability pressures.

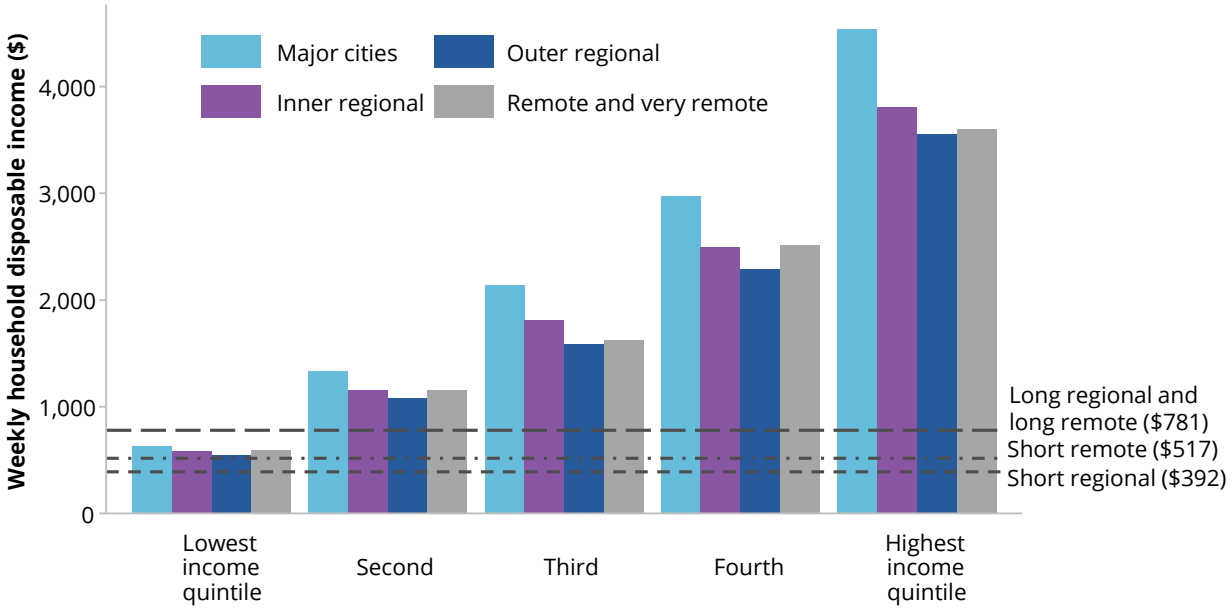
The affordability of air travel can have significant impacts for Aboriginal and Torres Strait Islander people living in remote areas, particularly where communities are cut off from other transport. In the context of historical and ongoing barriers to economic participation that continue to shape

[7] With a driving distance of around 600km between Kalgoorlie and Perth, a car with fuel efficiency of 8L/100km would use 48L of petrol while a larger car with fuel efficiency of 15L/100km would use 90L. A fuel price of $2 would mean the cost of driving would range between $96 to $180, while a fuel price of $2.50 would give a cost of driving of $120 to $225.

opportunities for some Aboriginal and Torres Strait Islander people (Coalition of Peaks 2025), aviation policies can play some role in supporting Closing the Gap outcomes by reducing the impacts of remoteness and ensuring reasonable access to services and opportunities.

Figure 1.5 – Flying is expensive for households with low disposable incomes

Single return airfares relative to weekly household disposable income, by remoteness



Average return airfares are the average internet-discounted return airfare. Income shown is median household disposable income for each quintile.

Source: PC estimates using Housing, Income and Labour Dynamics in Australia, wave 24 and unpublished BITRE internet airfares data.

Interim finding 1.2
High airfares do not affect all communities equally. Their impacts are greatest where people rely heavily on aviation and have limited capacity to pay for travel

High airfares have the greatest impact on communities in more remote areas and those cut off from other transport. Low-income households only access air travel when absolutely necessary and if there is assistance from government support schemes. Aviation policies can support Closing the Gap outcomes by reducing the impacts of remoteness and ensuring reasonable access to essential services.

1.4 Policy should reflect the diversity of regional aviation

The diversity of regional aviation means there is no single explanation for airfare and service outcomes and no single policy response. The factors affecting regional aviation vary across routes, as do the consequences for communities and economies. On many routes, regional aviation is shaped by structural characteristics such as low passenger numbers, high fixed costs and limited competition. These factors can constrain market outcomes and influence the scope for government intervention.

Improving outcomes requires a clear understanding of both the problem and the objectives governments wish to pursue. Governments may seek to influence outcomes directly or address the factors that influence them (figure 1.6). Australian governments already play a significant role in regional aviation as regulators, funders, infrastructure providers and users of air services (table 1.2). Some responsibilities are shared across levels of government (for example, funding for airport infrastructure).

The Australian Government is primarily responsible for aviation safety, security, and competition oversight. State and territory governments play a larger role on intrastate aviation matters, including regulated routes and subsidy programs, while local governments own and operate most regional airports.

Through these roles governments influence many of the factors that determine regional aviation outcomes. Some interventions are directed at improving outcomes for specific groups of users, while others seek to influence broader market outcomes, such as availability, affordability or connectivity.

Deciding where to intervene requires more than identifying a problem. Governments must also consider where intervention will deliver the greatest additional benefit. For example, increasing tourism to one region does not necessarily increase the overall economic benefit if it shifts travellers from elsewhere. Governments should also consider whether an intervention is the most effective way to achieve a desired outcome – in some cases, alternatives such as investment in alternative transport or improved regional service delivery may offer better value.

The benefits of intervention are likely to be larger where communities are highly reliant on aviation or where barriers significantly restrict access to important services or opportunities.

The remainder of this report will outline the drivers of regional airfares and service outcomes and areas where there is scope to improve outcomes for regional and remote communities.

Figure 1.6 – Governments have a range of policy levers to address regional airfares

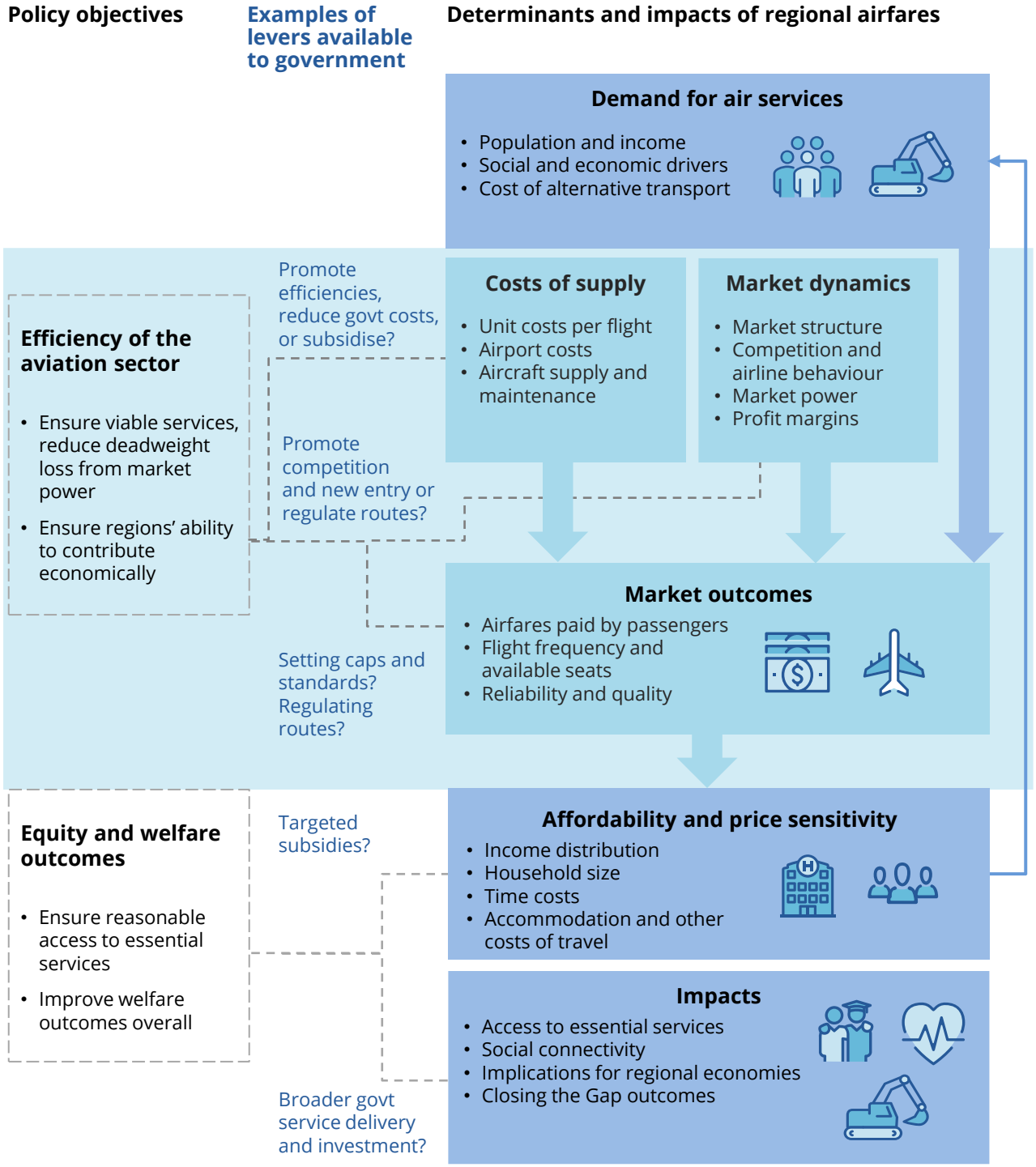


Table 1.2 – Governments have a range of roles in aviation

	Australian Government (and agencies)	State and territory governments	Local government
Regulation of aviation services			
Operational regulation (relevant to *costs of supply*)	Safety regulation (via CASA)		
Promote competition (relevant to *market dynamics*)	ACCC monitoring; enforcement of *Competition and Consumer Act 2010* (Cth)		
Regulated routes (relevant to *market dynamics*)	Regulated routes for islands under Cth jurisdiction	Regulated intrastate routes (WA, Qld, NSW, NT) Airline licensing (WA)	
	[currently no regulation of *interstate* routes]		
Direct involvement in the aviation sector			
Fare subsidies (relevant to *market outcomes*)		Fare subsidies for selected regions / routes (WA, Qld); concession fares (several)	
	[currently no fare subsidies for *interstate* routes]		
Airline supports (relevant to *costs of supply*)	Remote Air Services Subsidy; other specific support packages	Route-specific subsidies	Direct subsidies or reduced airport charges
Airports (relevant to *costs of supply*)	Infrastructure programs; disaster resilience; regional projects	Infrastructure grants and programs	Ownership, operation, and subsidisation
Air services (relevant to *costs of supply*)	Air traffic control and other services (via Airservices Australia)		
Air travel for government work or service delivery			
Government travel (relevant to *demand*)	Travel for operational business of government and service delivery		
Travel for health service users (relevant to *impacts*)		Patient assisted travel schemes (all jurisdictions)	
Travel for education services (relevant to *affordability*)	Travel for education linked to ABSTUDY	Travel from isolated areas / islands for education (WA, NSW, Tas, Qld)	
Emergency services (relevant to *impacts*)	Use of facilities for defence and emergency response		

2. What determines regional airfares and service outcomes?

Key points

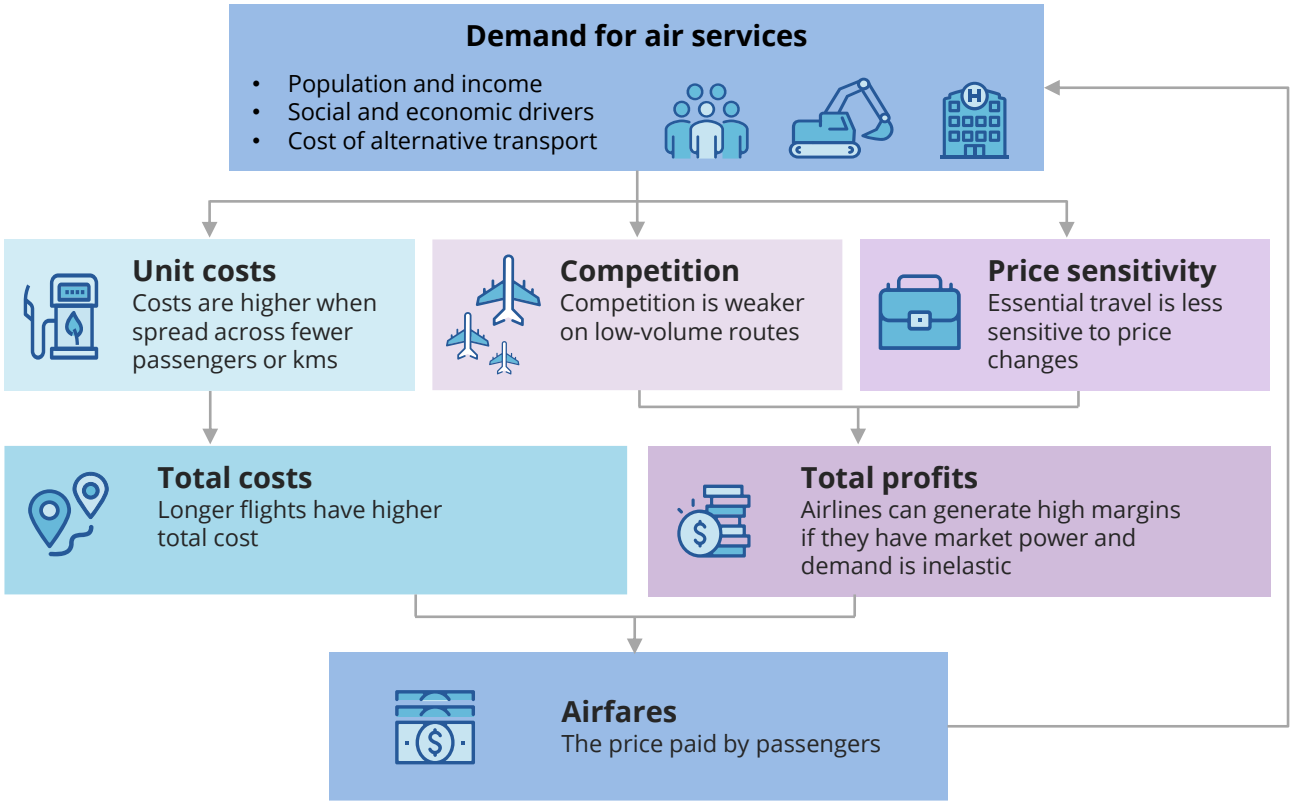
- **Demand conditions shape airfares and service offerings on regional and remote routes. Many regional and remote routes have low volumes, with half carrying less than 15,000 passengers a year, operating 10 flights or fewer each week and having 35% or more empty seats per flight.**
  - Demand is stronger where populations are larger, incomes are higher and industries such as mining and tourism generate travel. Demand decreases when people have alternative transport options.
  - Airlines must balance the frequency and capacity of services with the level of demand. More frequent services improve convenience and are valued by time-sensitive passengers, while larger aircraft and less frequent services can reduce airline costs when demand is sufficient.
  - Not all passengers respond to fares in the same way. Demand for work-related and essential travel is often less sensitive to price, particularly where alternative transport options are limited. Leisure travellers tend to be more responsive to fare changes.
- **Costs account for most of the airfare paid by the passenger: 91% on average on regional and remote routes, compared with 89% on major city routes.**
  - Fuel (22% of total costs), airport charges (15%), crew (12%), and maintenance (11%) are the largest direct costs on regional and remote routes.
  - Unit costs are much higher on short regional and short remote routes than on major city routes. Most of the cost difference is due to scale: shorter distances, smaller aircraft and more empty seats mean that fixed costs are spread across fewer passengers and kilometres.
- **The average profit margin on regional and remote routes is 9%, similar to major city routes. However, margins vary by route type, and limited competition does not necessarily translate into higher profits when passenger demand is weak.**
  - On average, margins are higher on mining routes and around average on regional tourism and long regional and long remote routes.
- **Many short regional and short remote routes earn profits of less than 5%; some operate at a loss.**
  - This leaves short regional and short remote routes vulnerable to increases in costs or reductions in demand and raises questions about the sustainability of services.

The analysis in this chapter draws on a unique dataset compiled by the Productivity Commission for the analysis of the regional aviation market. As envisaged in the Aviation White Paper (Australian Government 2024a), we requested data from airlines operating regionally on flights, passenger volumes, airfares, revenues and costs for regular public transport (RPT) services across Australia (including major city routes) (appendix B). The data has enabled us to reveal what drives airfares (especially the relative importance of costs and profits) to an extent that has not been possible in previous inquiries into regional aviation.

2.1 Demand, costs and competition determine airfares

Regional airfares are higher on average than those on major city routes, but fares vary significantly across different route types (chapter 1). These differences reflect the interaction of demand, costs and competition (figure 2.1). Passenger demand influences the scale of operations that airlines can sustain on a route, including flight frequency, aircraft size and load factors (passengers per available seat), and the number of competitors. These factors determine operating costs, airfares and service decisions.

Figure 2.1 – Airfares reflect the interaction of demand, costs and competition



The relative importance of these factors varies across route types.

- On **short regional and short remote** routes, low passenger volumes limit economies of scale and increase unit costs, contributing to high fares per kilometre compared with major city routes. Profit margins on these routes are generally low.
- On **long regional and long remote** routes, lower unit costs due to larger aircraft are offset by long distances so that total fares are high. Profit margins are about average: on many of these routes,

passenger volumes are low, competition is limited and demand is not price sensitive, reflecting a lack of alternative transport options and a necessity of travel.
- On **regional tourism** routes, strong demand, large aircraft and competitive pressure constrain fares, which are similar to or lower than major city fares.
- On **mining** routes, unit costs are pushed up by emptier return flights at low-demand times of day. Total fares are high due to long distances and because corporate customers place more value on service quality (such as timing or reliability of flights) than on price, allowing airlines to earn higher-than-average profit margins.

The remainder of this chapter examines how demand, costs and competition affect airfares and service levels and how the importance of these factors differs across regional and remote routes.

2.2 Demand is shaped by location, price and service quality

Many regional and remote routes have limited demand

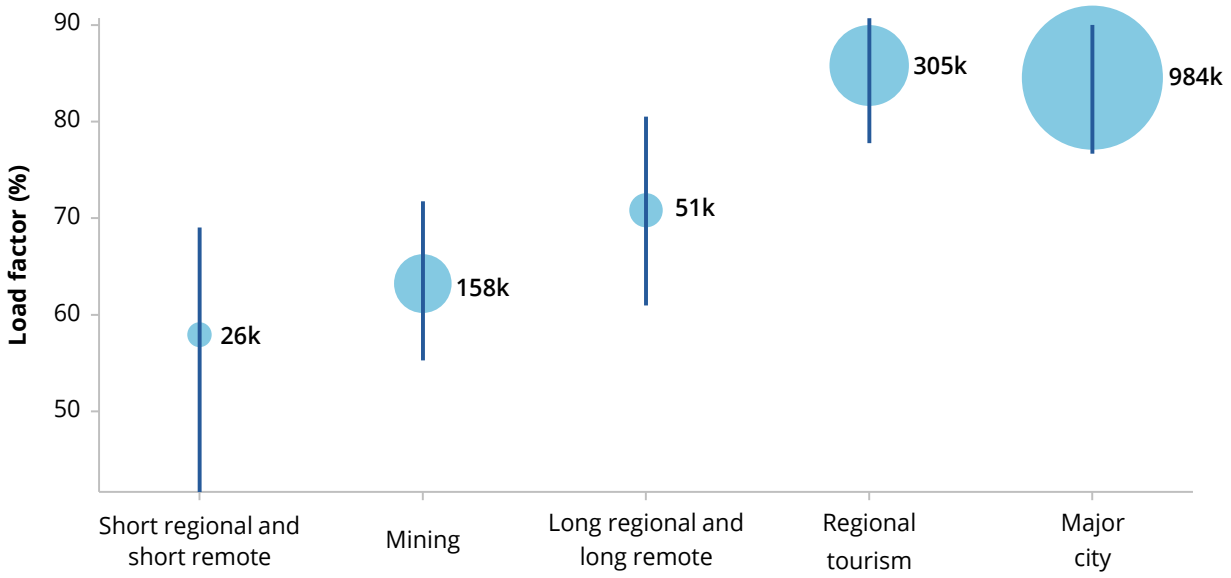
Population is a key driver of demand for air travel. In 2024, more than half of regional and remote airports had less than 40,000 people residing in their catchment area while major city airports had about 4 million people.[1] Low populations result in many regional and remote routes having very limited demand, with low passenger volumes and load factors (figure 2.2). About half of regional and remote routes carry less than 15,000 passengers a year. As a result, many regional and remote routes are served by a single airline.

Airlines tailor services to these characteristics. They typically use smaller aircraft at higher frequency on short regional and short remote routes and larger aircraft to carry similar passenger volumes with fewer flights on long regional and long remote routes. Half of regional and remote routes have 10 flights or fewer per week and 35% or more seats are empty per flight, despite smaller aircraft size.

[1] Airport catchment areas are defined as SA2s within a certain radius of the airport that differs by state/territory (appendix B). Half of airports in remote and very remote locations have less than 20,000 people residing in their catchment areas as of 2024.

Figure 2.2 – Regional and remote routes have limited demand with low load factors

Average annual passengers and load factors, 2025



Bubbles show average annual passengers by route type, rounded to nearest thousands. Lines show load factors between 25th and 75th percentile.

Source: Unpublished BITRE flight data, 2025.

Short routes face more competition from driving, but the relationship between distance and demand is complex

Driving time and the availability of alternative transport options, such as rail, bus or ferry services, influence people's choice to fly. However, the relationship between distance and air travel demand is not linear (Boonekamp et al. 2018; Grosche et al. 2007; Hazledine 2017; Hsiao and Hansen 2011).

Air services on shorter routes compete with road or rail transport, reducing demand for flights. However, there can be strong demand for air services on some shorter routes because they connect communities with close economic and social links. In these cases, some travellers may be willing to pay a higher fare, while more price-sensitive travellers may choose other transport options. Some routes, such as island routes or communities seasonally isolated by flooded roads, may have strong demand despite short distances, due to the unavailability of other transport options.

On longer routes, the time cost of driving makes flying more attractive, but there may also be fewer reasons to travel to a location further away. Very long routes also have high total fares, so regular public transport services are generally run where there is strong economic, social or service-related demand.

Economic and social factors drive demand

The economic and social characteristics of a region influence the underlying demand for air services. Population, income levels, employment opportunities, industry composition and access to essential services all affect how often people travel by air (Dargay and Hanly 2001; Dobruszkes et al. 2011; Grosche et al. 2007; Wang and Gao 2021; Zhang and Findlay 2014).

Economic activity is a significant driver of demand in many regional and remote areas. Mining regions create strong demand for workforce and business travel, especially with fly-in, fly-out operations.

Tourism regions also generate high passenger volumes, although demand is more likely to vary with season and the price of air travel (Boonekamp et al. 2018; Brueckner 2003; Reynolds-Feighan et al. 2022; Zhou et al. 2018).

The need to travel to access health, education and government services also contributes to demand, particularly in remote areas (Australian Government 2024a). Residents often need to travel to larger regional centres or capital cities for specialist medical care, tertiary education or other services that are not available locally. Travel by health professionals, teachers and other government workers also supports demand for regional air travel (box 2.1). As a result, some air travel is driven by essential needs, rather than discretionary choices.

Box 2.1 – Corporate, government and essential travel on regional and remote routes

Corporate passengers – whose travel is booked through both government and non-government corporate contracts with airlines – accounted for about 15% of all passengers on Qantas Group and Virgin Australia regional and remote flights combined between 2023 and 2025. Corporate travel is highest on mining routes. These figures exclude government-funded travel not booked through corporate contracts, such as travel by government contractors or grants-funded organisations.

The Australian Government is a large user of domestic air travel. Government travel is more significant on some routes and airlines, particularly those connected to Canberra and some regional services. For example, Australian Government passengers account for 11% of FlyPelican and 6% of Skytrans passengers. The top regional or remote routes for Australian Government passengers in 2023–24 were Bamaga-Cairns (15% of passengers), Aurukun-Cairns (15%), Canberra-Hobart (9%), Melbourne-Albury (8%) and Cairns-Townsville (8%). In total in 2023–24, Australian Government direct bookings via corporate service providers accounted for less than 2% of domestic passengers.

State government and health-related travel may be higher on some regional routes, but the available data is patchy. For example, Queensland Government emissions data suggest that government commercial air travel (including health-related travel booked on behalf of passengers) was equivalent to about 5% of revenue passenger kilometres (number of passengers multiplied by kilometres travelled) on Queensland intrastate routes in 2023–24. Queensland Health alone accounted for about half of this travel.[a]

While patient assisted travel schemes (PATS) are an important source of demand for some regional air services, current public data is limited and does not identify how much PATS travel occurs by air.

a. Estimated assuming a conversion factor of 0.16 kilograms of CO_2-equivalent per passenger kilometre.

Source: Unpublished ACCC airline monitoring data 2025; BEIS (2018); DoF (2024); Queensland Government (2025b).

Fares are higher when passengers are less sensitive to price changes

Passengers' responsiveness to airfares varies across routes due to differences in travel purpose and the availability of alternative transport options (figure 2.3). Passengers' price sensitivity determines airfares, which also differ across routes (figure 1.3).

- **Remote and long routes** – passengers have limited practical alternatives to air travel. Island locations, seasonal accessibility issues, long distances, limited public transport, and the need to access employment, health care, education or government services create demand even when fares are relatively high.
- **Mining routes** – demand is tied to operational requirements and employers often purchase tickets and negotiate corporate contracts for services on behalf of travellers. Expectations about service quality, such as flight timing and frequency and on-time-performance may outweigh price concerns when negotiating corporate contracts. This makes demand less sensitive to airfares and supports consistently strong passenger volumes.
- **Regional tourism routes** – demand is generally more price sensitive. Leisure travellers often have greater flexibility about whether, when and where they travel. Most domestic travel for tourism is by car, with Tourism Research Australia's survey results showing on average about 30% of overnight trips are by air,[2] so fares need to be competitive to attract passengers.
- **Shorter regional routes** – passengers vary in their price sensitivity. More price-sensitive passengers may choose to drive rather than fly. The remaining demand will be from passengers who are more time constrained or price insensitive, including business and government travellers as well as those travelling for health purposes.

Figure 2.3 – Distance and consumer type determine price sensitivity

← less price sensitive		more price sensitive →
Long routes, short island and remote routes	**Distance effect:** The literature finds short-haul demand is generally more price sensitive than long-haul demand, largely because substitutes are more credible on shorter routes. Also, passengers on short island routes can be less price sensitive due to unavailability of other transport options.	**Short routes with transport alternatives**
Short regional routes with business/mining/ government passengers	**Consumer-type effect:** Australian regional routes often contain mixed passenger segments, but passenger type dominates demand.	**Short and long routes with leisure/tourism consumers**

Source: Breunig et al. (2025); Dargay and Hanly (2001); Gillen et al. (2007); InterVISTAS (2007); Morlotti et al. (2017); Oesingmann and Kölker (2026).

[2] About 10% of intrastate and 60% of interstate overnight trips are by air (TRA 2024b).

Differences in price sensitivity help explain why fares and service outcomes vary across regional aviation markets. Where demand is less price sensitive, airlines have greater scope to charge higher fares. Where passengers are more price sensitive, fare increases are relatively constrained.

Regional and remote routes serve both price-sensitive and price-insensitive passengers. Airlines make choices about what services and fares to offer based on the volume and share of each type of passenger in each market. On short regional routes, airlines cater to more price-insensitive passengers travelling for business or essential reasons by offering relatively high flight frequency. On long regional and long remote routes, airlines can charge price-insensitive consumers higher fares due to essential travel and distance-induced demand, while on regional tourism routes high volumes of price-sensitive travellers make the low-cost carrier model (with large aircraft, high load factors and lower fares) a better fit for demand. The decision by airlines not to offer a low-cost service on a route has significant implications for fares.

Passengers value reliable, frequent and convenient flights

Passengers value convenient departure times, same-day return options and reliable connections to onward services. Airlines can meet demand by increasing flight frequency or using larger aircraft, but these options involve a trade-off. More frequent services improve convenience and attract time-sensitive passengers (such as business, government and healthcare travellers), while larger aircraft can lower costs per seat where demand is sufficient (Givoni and Rietveld 2009; Hansen and Liu 2015; Pitfield et al. 2010; Potgieter 2020).

The trade-off between frequency and costs is particularly relevant for Australian regional aviation. On short regional routes, airlines may gain a disproportionately higher share of passengers by increasing frequency because more convenient schedules attract time-sensitive travellers (Brueckner and Flores-Fillol 2018; Zhou et al. 2019). We see evidence that higher frequency flights stimulate demand more on short regional and short remote routes than on long regional and long remote routes. However, increasing flight frequency can raise unit costs if it means operating smaller aircraft or flying with lower load factors.

> In regional aviation, finding the right balance between seat capacity and service frequency is important. Larger aircraft can provide more seats per flight, however smaller aircraft often allow airlines to maintain more frequent and flexible services that can sometimes better suit the travel patterns of regional communities. (Maranoa Regional Council, sub. 85, p. 9)

> Regional services frequently require early morning departures and late afternoon returns to support business and government travel, resulting in uneven utilisation across the day. These scheduling requirements constrain aircraft rotation efficiency and reduce daily utilisation, increasing cost per seat. High average unit costs also result from uneven utilisation of aircraft on these routes (i.e., planes are only full in one direction). (Virgin Australia, sub. 102, p. 4)

Service frequency is therefore not merely an operational characteristic, but an optimising choice and a key determinant of market share and route competitiveness.

Medium-sized turboprops are a practical compromise on some routes: they offer lower unit costs than smaller aircraft (Qantas Group, sub. 108, p. 7) while preserving more frequent services than jets, albeit at lower frequency than smaller aircraft (Flynn 2014; TasPorts 2024).

> In the face of rising costs, this consolidation [replacing Q200 and Q300 with Q400] has critically brought hard-to-achieve scale benefits and efficiencies for Qantas in serving the regions, including lower maintenance and operating costs. The Group's recent investment to

> replace aging Q200 and Q300 aircraft with mid-life Q400 aircraft was designed to slow the rate of cost inflation across the turboprop cost base, to ensure ongoing viability of these operations and to safeguard regional flying. (Qantas Group, sub. 108, p. 7)

Service quality, such as frequency of flights and on-time-performance, influence passengers' decisions and, in turn, airline performance, market share and load factors. There are generally lower than average rates of departure delays on mining routes (about 20% of flights flown had departure delays, the lowest rate across route types), possibly because demand on these routes is closely linked to on-time performance. Short regional routes have relatively higher cancellation rates but also are among the highest frequency of flights per month on regional routes relative to passenger volume (chapter 1). As a result, the impact of cancellations on passengers on these routes may be reduced because passengers have options for rebooking on a later flight or using alternative transport options.



Interim finding 2.1
Limited demand shapes airfares and service offerings on many regional and remote routes

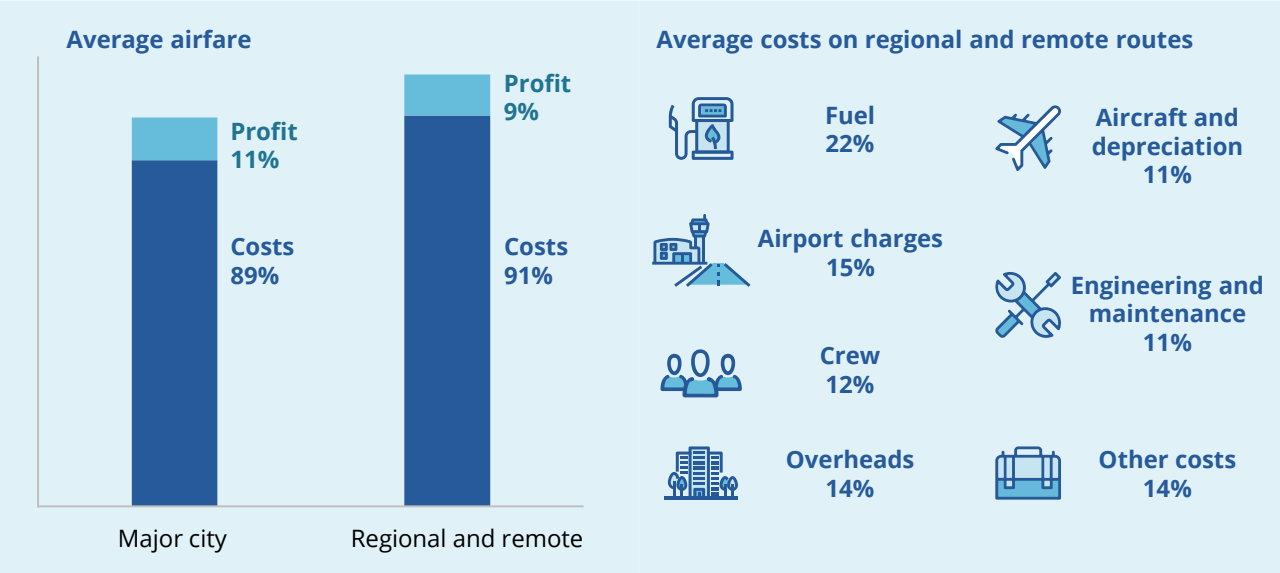
The volume of passengers and their price sensitivity are key determinants of airfares and flight frequency. Remote routes have low passenger volumes, but a lack of transport alternatives makes passengers less price sensitive. Short regional routes tend to offer more frequent flights to cater for schedule-sensitive passengers, but this has implications for the size of aircraft and results in low load factors. On mining routes, corporate preferences for reliability and specific flight times reduce price sensitivity. Regional tourism routes have more price-sensitive leisure passengers and outcomes that resemble major city routes.

2.3 Costs are the main driver of regional airfares

Regional airfares reflect the high costs of operating air services. On average across all regional and remote routes, costs account for 91% of the airfare, compared with 89% on major city routes (figure 2.4). Fuel (22% of total costs), airport charges (15%), crew (12%) and maintenance (11%) are the biggest direct costs of delivering regional air services. Overheads and aircraft capacity, leasing and depreciation costs account for a further 25%. Air navigation, safety and firefighting fees – to fund services provided by Airservices Australia – are a relatively small cost on all routes, accounting for about 3% of total costs (box 2.2). Profits account for about 9% of revenue on average on regional and remote routes – and less on many routes – and are examined in more detail in section 2.4.

Figure 2.4 – Costs make up the bulk of regional airfares

Average 2023–2025



Average airfare is total passenger fare and ancillary revenue divided by passengers. Average costs are the share of each cost in total costs, averaged over all regional and remote routes. Crew costs include salaries, training, accommodation and other costs incurred for operating crew assigned to flights; airport charges include landing charges, passenger fees and security screening charges; engineering and maintenance costs are those attributable to the operation of a specific route; aircraft and depreciation costs include capacity hire, leasing costs, engineering and maintenance costs that do not vary directly with the operation of individual flights or routes and depreciation of aircraft and equipment; overheads include all other costs not directly associated with operating individual flights or routes; other costs include ground handling, air traffic control fees, catering and in-flight costs.

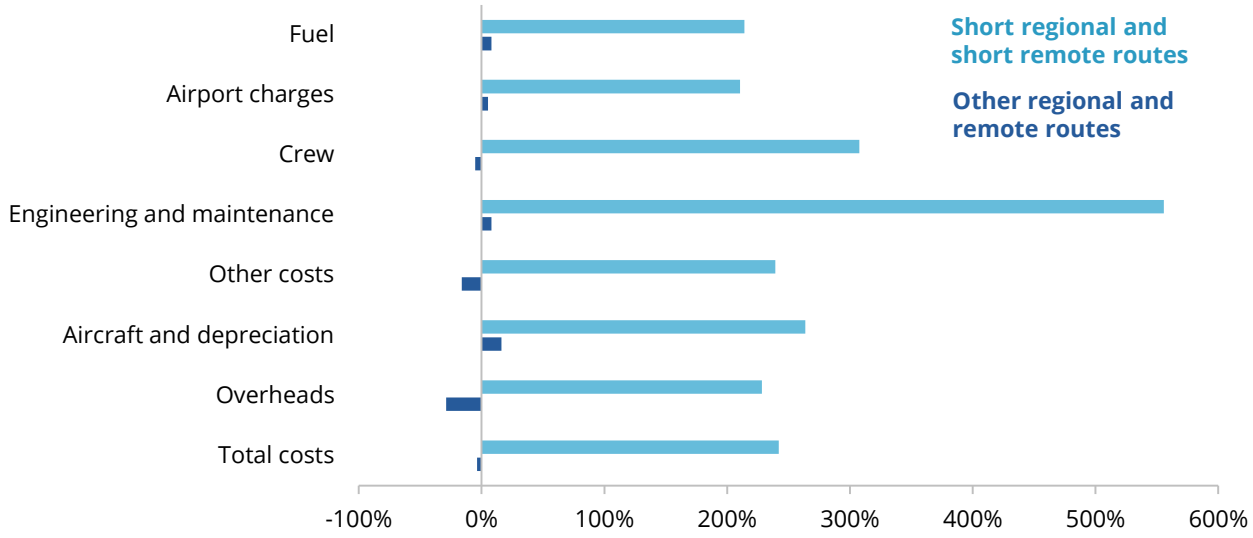
Source: Unpublished airline cost and revenue data, 2023–2025.

To understand the impact of costs on airfares and compare costs across route types, it is more useful to think about *unit costs*: the cost per passenger and per kilometre travelled.[3] Compared with major city routes, short regional and short remote routes have much higher unit costs, particularly for maintenance and crew costs. Other regional and remote routes (long regional and long remote routes, regional tourism and mining routes combined) have slightly lower unit costs than major city routes on average (figure 2.5).

[3] Airlines often use cost per available seat kilometre (ASK), the number of seats multiplied by distance (sector length), when comparing unit costs. We use cost per RPK (revenue passenger kilometre) because our interest is explaining the determinants of airfares, which we measure on a per passenger or per passenger kilometre basis.

Figure 2.5 – Unit costs are higher on short regional and short remote routes

Difference in total cost per RPK compared with major city routes, 2023–2025



RPK refers to revenue passenger kilometre (the number of passengers multiplied by distance travelled). Major city routes are used as the comparison group. 'Other regional and remote routes' is regional tourism, mining, long regional and long remote routes combined.

Source: Unpublished airline cost and revenue data, 2023–2025.

Box 2.2 – How are Airservices Australia charges set?

Airservices Australia (Airservices) is a government-owned provider of air navigation, rescue and firefighting services. Charges are generally levied to aircraft operators based on an aircraft's maximum take-off weight and include enroute charges for air traffic management between airports, terminal navigation charges for managing arrivals and departures, and aviation rescue and firefighting charges for airport firefighting services. Airservices recovers the costs of both air navigation services and aviation rescue as well as firefighting through charges levied on operators that can be translated into a per-passenger cost. Most comparable jurisdictions recover air navigation costs primarily through weight- and distance-based charges on aircraft operators (Europe and Canada) or through aviation taxes (United States), while passenger-based charges are more commonly used to fund security screening (Canada and New Zealand) or airport infrastructure (United States).

Airservices' prices have been largely stable or declining for much of the past decade and have declined by 25% in real terms since 2015. During the COVID-19 period, it did not increase prices, with government grants and equity support helping to offset the sharp fall in aviation demand and revenue. In 2024, Airservices submitted its first price notification since 2015, proposing a 6% weighted average price increase, which the Australian Competition and Consumer Commission (ACCC) did not object to.

Box 2.2 – How are Airservices Australia charges set?

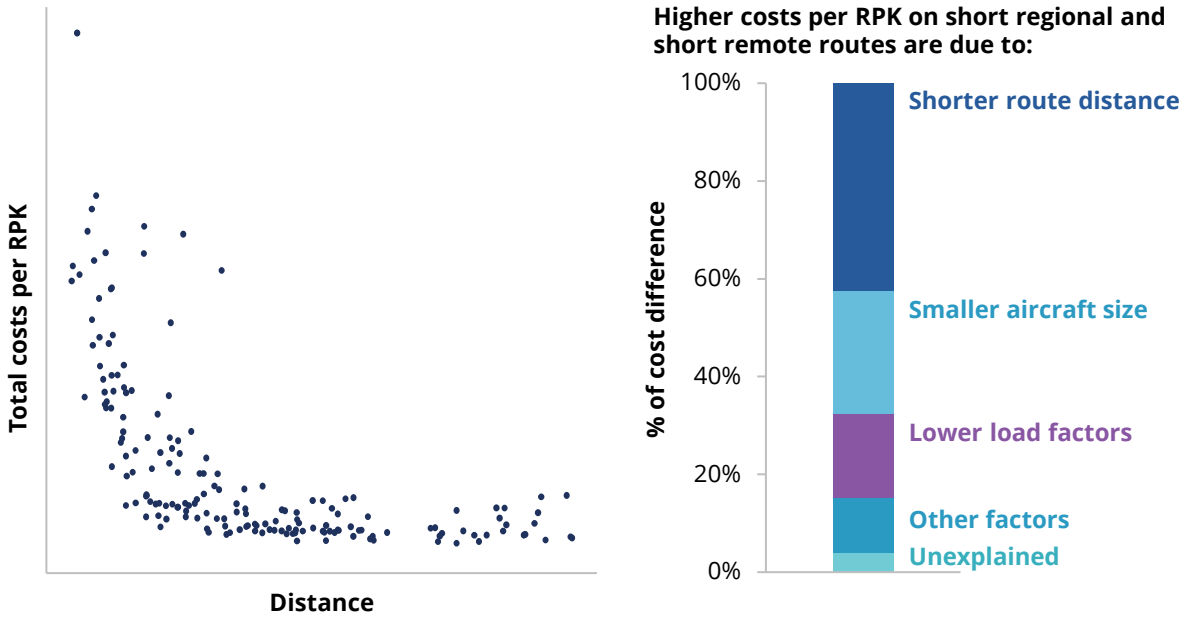
In April 2026, Airservices notified the ACCC of a proposal to increase the charges it levies on airlines by a weighted average of 12% in real terms each year for the next five years to fund major investments and infrastructure upgrades. Airservices estimates the proposed change would raise the Airservices-relevant component of regional airfares from around $7 to $12 by 2030–31 (Airservices Australia, sub. 116, p. 5). The ACCC is assessing the proposed price changes, following consultation with stakeholders.

Source: ACCC (2024a, 2026a); Airservices Australia (2026); Canada Revenue Agency (2026); Civil Aviation Authority (2026); EUROCONTROL (2026); Federal Aviation Administration (2026); NAV CANADA (2026).

Most of the cost difference is due to distance, load and aircraft size

Distance and aircraft type are central to the cost structure of regional aviation. Longer distance and larger aircraft allow airlines to spread high fixed costs – such as crew, airport charges, ground handling, maintenance and lease costs – over more passengers and more kilometres. As a result, unit costs fall substantially as route distance increases (figure 2.6).

Figure 2.6 – Costs decrease with distance; cost differences are mainly explained by scale



The percentage of cost differences between short regional and short remote routes and major city routes due to different factors is calculated using regression decomposition analysis (appendix B). 'Other factors' is differences in the airlines serving the routes. 'Unexplained' is the percentage of the cost difference not explained by the model.

Source: Unpublished airline cost and revenue data, 2023–2025.

By contrast, economies of scale are weaker on many short regional and short remote routes. Because airlines often use smaller turboprop aircraft and offer more frequent services, fixed costs are spread over fewer seats and passengers. Further, shorter sectors also involve a larger share of time and cost in take-off, landing and turnaround activity.

Low load factors compound these cost pressures. Routes with small aircraft and low load factors have a high cost per passenger even if the total cost per flight is not unusually high. This contributes to short regional and short remote routes having a high fare per kilometre even where the total fare paid by passengers is lower than on longer routes.

About 85% of the cost difference between major city and short regional or short remote routes can be explained by scale: shorter distances, smaller aircraft and more empty seats. A further 11% is due to the absence of low-cost carriers (which have a lower cost structure, even after controlling for scale) on these routes (figure 2.6, right). On other regional and remote routes (not shown in figure 2.6), long distances reduce unit costs compared with major city routes, although this is partially offset by lower load factors and smaller aircraft than on major city routes.

Only a small proportion of the cost difference (the 'unexplained' component, equivalent to 4% of the total cost difference in figure 2.6) appears to reflect costs that are inherently higher because of remoteness. Such cost differences could include higher fuel prices or the need to carry more fuel to locations where refuelling is not available, more limited options for maintenance or ground handling services, or the need to pay higher salaries to attract staff to regional or remote areas.

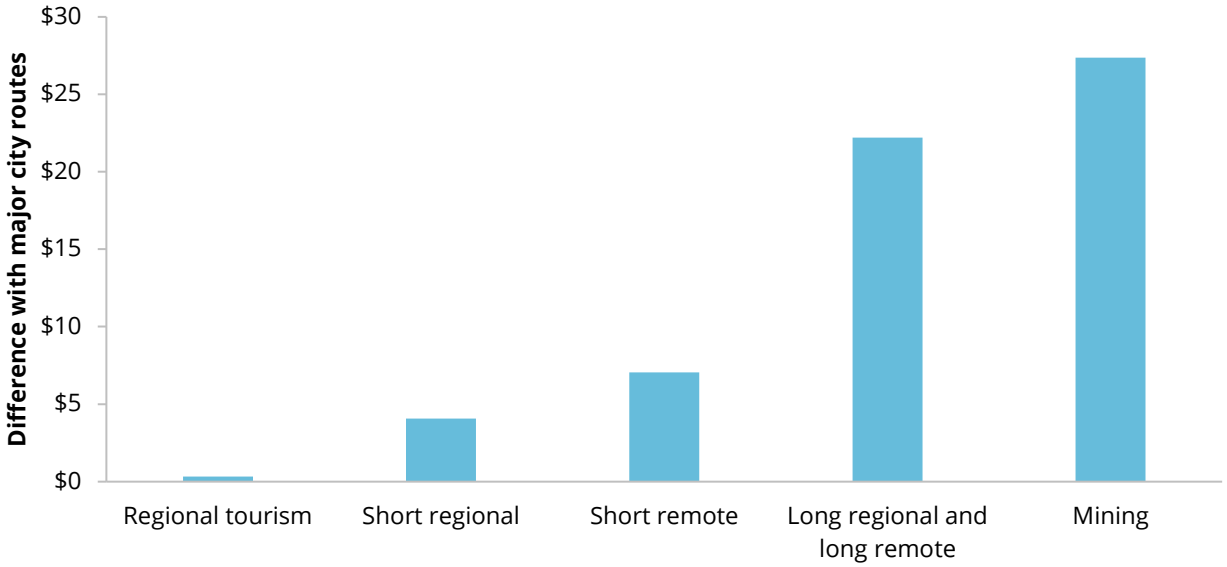
Airport charges are a significant cost on short and mining routes

Airport charges include landing fees, passenger service fees, aircraft parking and security screening charges. These are generally designed to recover the costs of providing and maintaining airport infrastructure and services. Many airport costs are fixed or semi-fixed, including maintenance of runways, safety systems and other infrastructure. These costs can be high on regional routes because airports have fewer passengers over which to recover costs and are less likely to raise non-aeronautical revenue through parking and retail.

On average, airport charges per passenger are 17% higher on regional and remote routes than major city routes (figure 2.7). The highest per-passenger charges are on mining and long regional and long remote routes. Airport charges and financial viability are discussed in more detail in chapter 5.

Figure 2.7 – Airport charges are higher on mining and long regional and long remote routes

Difference in average airport charges per passenger compared with major city routes, 2023–2025



Source: Unpublished airline cost and revenue data, 2023–2025.

Maintenance costs are high for small aircraft used on regional routes

Maintenance is a major cost for airlines, especially those serving short regional and short remote routes. Direct maintenance accounts for 11% of total costs on all regional and remote routes and 16% on short regional and short remote routes, compared with 8% on major city routes. Maintenance costs per RPK are more than 6 times higher on short regional and short remote routes than on major city routes (figure 2.5).

Many regional airlines use smaller and older aircraft that may be more expensive to maintain per seat than larger aircraft used on major city and regional tourism routes (box 2.3), and these costs are reflected in airfares.

> Aircraft can be kept flying safely with careful and thorough maintenance, however over time the cost of spare parts and labour becomes a financial weight on business that is then reflected in airfare price increases. (RAAA, sub. 82, p. 9)

PC analysis of airline cost data shows that maintenance costs have grown more quickly than other costs in recent years, with growth rates highest for turboprop aircraft used on short regional and short remote routes. Airlines point to rising costs associated with sourcing spare parts for turboprop aircraft, many of which are no longer in production. For example, Qantas Group cited examples of turboprop spare parts increasing in cost by about 90% from 2019 to 2026 (Qantas Group, sub. 108, p. 8).

Maintenance costs can also be higher in remote areas where maintenance facilities, spare parts and specialised labour are not readily available. Airlines may need to reposition aircraft, transport parts over long distances, or rely on a small pool of technical staff. These factors can increase both direct and indirect maintenance costs (Maranoa Regional Council, sub. 85; RAAA, sub. 82; Rex 2026a).

Box 2.3 – The regional fleet

Smaller turboprop aircraft are central to regional aviation because many routes have thin demand and shorter runways. Aircraft with 30-50 seats such as the Saab 340 and smaller Dash 8 variants have enabled scheduled services to communities where larger aircraft would be uneconomic or unsuitable. However, small aircraft typically have higher unit costs because some operating and maintenance costs are incurred per flight rather than per passenger, and these costs are then spread over fewer seats and passengers (BTE 2000; Maranoa Regional Council, sub. 85).

The cost pressure is amplified by the age of the regional fleet and broader global supply constraints. The International Air Transport Association reported that aircraft shortages are forcing airlines to retain older aircraft for longer, with fleet ages at historic highs and average maintenance costs expected to increase by about US$3.1 billion in 2025 due to ageing aircraft and parts shortages. Rex reported that, between 2018 and 2026, official parts prices for its Saab 340 engine components rose by a median of 65.3% and a mean of 91.7% (Oliver Wyman and IATA 2025; Rex 2026a).

Replacing ageing aircraft is not straightforward. Fleet renewal can be costly when replacement aircraft are different to existing fleets. Airlines operating multiple aircraft types incur additional costs associated with pilot and engineer training, spare-parts inventories and maintenance systems. These costs can be low when airlines operate common aircraft families, which is one reason airlines often seek to simplify their fleets over time (Brüggen and Klose 2010; Zou et al. 2015).

New replacement options for ageing 30–50-seat turboprops are limited following the discontinued production of Saab 340 and older Dash 8 variants, although manufacturers continue to support existing fleets. The ATR 42-600 is among the few new-production alternatives in this size range, but moving to a different aircraft type requires additional costs in training, maintenance and spare parts inventories (Zou et al. 2015).

As a result, airlines may need to choose between retaining older aircraft, transitioning to larger aircraft (the ATR 72-600 and Dash 8-400 aircraft are options but would be a substantial increase in capacity) or adopting smaller aircraft with less capacity (such as the Cessna SkyCourier). Fleet renewal is further complicated by global aircraft shortages, delivery delays and maintenance capacity constraints, which have increased the cost of replacing ageing fleets (ACCC 2024b; RAAA, sub. 82; Rex 2026a).

These constraints affect airlines differently. While some airlines, such as Qantas Group, are simplifying fleets by replacing smaller Dash 8 variants with Dash 8-400 aircraft (Qantas Group 2024c), this option may not be viable on all routes where many regional and remote routes already have low load factors. Smaller regional operators may be particularly affected by delivery delays, longer maintenance turnaround times, parts shortages and higher leasing costs because they have less bargaining power, fewer substitute aircraft and less capacity to absorb rising capital and maintenance costs. Buying or renting used aircraft is a less costly option for smaller airlines to replace fleets but is not a long-term solution for ageing aircraft and high maintenance costs (Hinterland Aviation 2026b).

Labour costs reflect both short- and long-term pressures

Labour costs vary with cabin crew requirements, aircraft utilisation, scheduling, industrial arrangements and the availability of skilled workers. Like other airline costs, labour costs have a high fixed component, so costs per passenger are high on routes served by smaller aircraft or where aircraft spend longer time on the ground (low utilisation).

There have been both short-term shortages and longer-term challenges in the aviation labour market that have affected costs. In the short term, the pandemic reduced the aviation workforce as workers left the sector, accreditations lapsed and firms competed to rehire staff as the sector recovered (Australian Government 2024a; IATA 2023). Inquiry participants raised concerns that labour shortages put upward pressure on wages, particularly for regional operators.

> Already there is a shortage of pilots, flight instructors, aircraft maintenance engineers, and air traffic controllers. … When staff can be sourced it is often at a premium price with continual upward pressure on wages due to the regional location involved or the financial strength of the larger operators. (RAAA, sub. 82, p. 10)

Pilots, flight instructors, maintenance engineers and air traffic controllers require lengthy training and accreditation pathways. Regional airlines may have been disproportionately exposed to labour shortages in these roles because the number of newly accredited workers has not been sufficient to fill the gap in skilled labour caused by the pandemic (ACCC 2026c; Australian Government 2024a).

Furthermore, labour shortages reflect the ongoing challenges of relocating and retaining workers in regional areas due to housing constraints, high living costs, and limited accessibility to essential services. This results in airlines recruiting internationally, offering additional incentives or relying on fly-in, fly-out options for workers, further increasing operational costs (KRG, sub. 21; Office of Yinjiya Guyula MLA, sub. 20).

> The cost of sponsoring and relocating these families [of expat pilots, engineers and cabin crew] has run into several million dollars, which the airline obviously has to absorb, and that ends up being part of the ticket price in the long run. (Bowden 2026, p. 43)

However, on average these regional- and remote-specific labour costs contribute only a very small amount to the total difference in costs between short regional and short remote routes and major city routes (a portion of the small unexplained segment in figure 2.6).

Regional airlines are more exposed to fuel price fluctuations

Fuel accounts for 22% of total costs, on average, on regional and remote routes. Some airlines indicated their fuel costs can be up to 32-35% of total operating costs (Aviation Logistics Group 2026, p. 6; Rex 2026a, p. 6). Fuel costs per passenger are affected by distance, aircraft efficiency, fuel prices and supply logistics.

> Fuel is one of the largest and most volatile cost inputs for airlines and is largely priced in international markets, thereby exposing operators - particularly smaller regional service providers - to foreign exchange movements and global supply dynamics beyond their control. (A4ANZ, sub. 106, p. 5)

Inquiry participants noted that fuel price increases have become structural cost pressures on regional aviation (PC 2026, p. 26).

The effect of higher fuel prices may be more pronounced on regional routes because lower passenger volumes and thinner margins limit airlines' ability to absorb cost increases. Regional airlines are also less likely to hedge against fuel price fluctuations as hedging involves costs and liquidity requirements that are less accessible for smaller airlines. Currently, one-third of airlines globally have hedged jet fuel prices, and when airlines progressively roll onto higher market prices the cost impact will become increasingly visible.

Regional and remote services can also face higher fuel costs in locations where fuel supply is constrained, refuelling infrastructure is limited, or aircraft need to carry additional fuel (Qantas Group 2026e; Virgin Australia, sub. 102). The ongoing conflict in the Middle East has put further pressure on airlines' operating costs by increasing uncertainty about fuel supply and prices. HMC Group (a parent company of Nexus airlines) told a Senate Hearing about the volatility of fuel prices and its effect on future planning:

> … fuel has become an existential issue for regional aviation. In March this year, we received an approximately 70 per cent fuel-price increase with less than 12 hours' notice. Cumulative increases over the past few weeks now have our fuel prices sitting around 90 per cent to 100 per cent higher that it was less than eight weeks ago (McConachy 2026, p. 26)



Interim finding 2.2
Costs are the main driver of regional airfares

Costs account for most of the airfare paid by passengers: 91% on average on regional and remote routes, compared with 89% on major city routes. Fuel, airport charges, crew and maintenance are the biggest direct costs of delivering regional air services. Most of the difference in unit costs between regional and major city routes is due to distance, load factor and aircraft size.

2.4 High fares do not necessarily mean high profitability

Profit margins vary considerably across routes

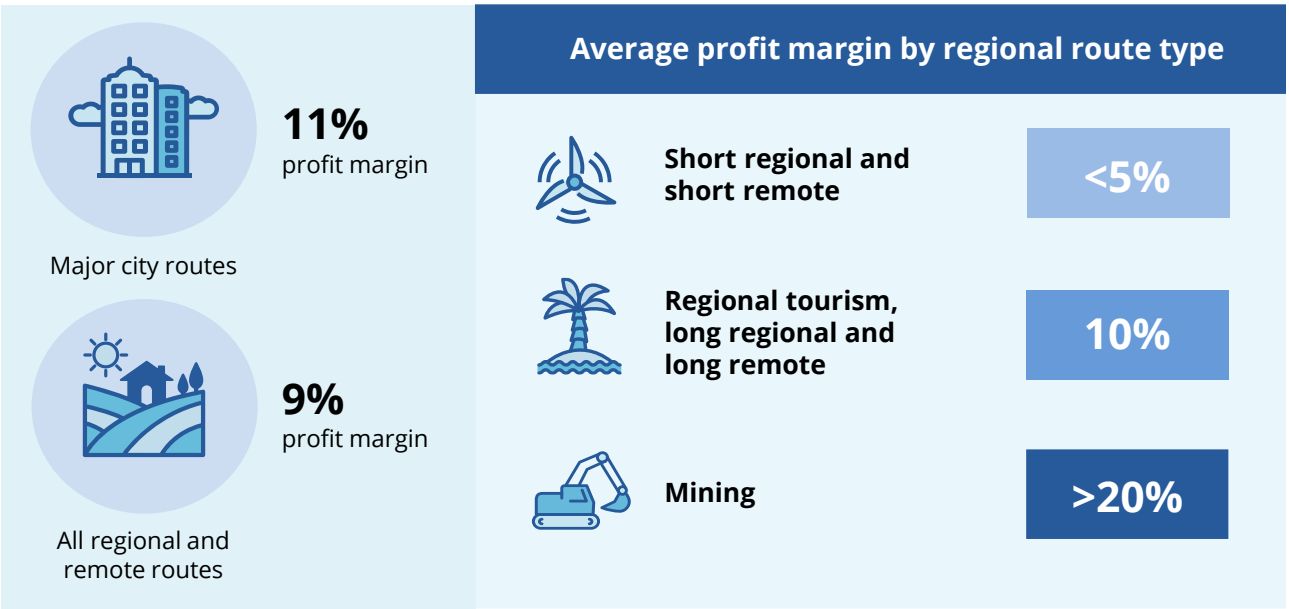
Competition is limited in regional aviation, with most regional and remote routes served by a single airline or, at best, a duopoly (chapter 3). Competition can influence both fares and service outcomes. Routes with strong demand and limited competition can support higher profit margins, particularly where travel is essential or work-related. When competition is weak, airlines on these routes can increase airfares (and profit margins) with relatively little impact on demand.

However, high regional fares do not always translate into high profitability. On routes where consumers are more price sensitive and costs are high, airlines have limited scope to increase prices even in the absence of competition. Profit margins on some routes can be low, or even negative (McConachy 2026, p. 34; Sharp 2026, p. 40; Skytrans Australia 2026, p. 2; Yangoyan 2025, p. 45).

Average profit margins on regional routes are similar to those on major city routes (11% on major city routes compared to 9% on regional and remote routes) (figure 2.8). However, this average masks substantial variation between route types: short regional and short remote routes have low margins

while regional tourism and long regional and long remote routes generate margins closer to the average. Profit margins are significantly higher than average on mining routes.[4]

Figure 2.8 – Profit margins vary by route type



Profit margin is total revenue minus total costs as a percentage of total revenue. Profit margins are aggregated over all airlines and routes for the period 2023–2025.

Source: Unpublished airline cost and revenue data, 2023–2025.

Profit margins vary with many of the same factors that shape airfares – passenger volumes and price sensitivity, as well as choices by airlines about aircraft size, frequency and competition. On short regional and short remote routes, fixed costs such as crew, maintenance, airport access and compliance with safety requirements are recovered across a small passenger base. Even where airlines have made strategic choices about factors such as frequency and aircraft size, airlines earn low profit margins despite the lack of competition on many of these routes.

Long regional and long remote and regional tourism routes have profit margins around average. Regional tourism routes have greater scope to spread fixed costs across large passenger volumes with high load factors. Despite having relatively low costs, airlines on regional tourism routes can deliver profit margins closer to the major city average because of competition and price-sensitive demand that puts downward pressure on fares. By contrast, on long regional and long remote routes, relatively price-insensitive demand, long distances and low unit costs allow airlines to generate profits around the average. This is despite low load factors and low volumes of passengers.

Some regional routes, including mining routes, may also have strong demand from work-related travel, including travel associated with resource sector activity, government services or other business purposes. Routes with strong business and essential travel can support higher airfares and profits than more discretionary leisure travel, particularly where travel timing is key.

[4] Higher-than-average profit margins on mining routes partly reflect differences in aircraft utilisation. Airlines negotiate corporate contracts taking into account that aircraft may be less intensively utilised on these routes than on other RPT routes due to corporate customer requirements for flight timing and reliability.

Service reductions and network contraction show the ongoing fragility of regional aviation

Many regional and remote routes – particularly short regional and short remote routes – earn low profit margins. When costs increase, airlines can respond by raising fares, reducing frequency or deploying less capacity, but these options are constrained on thin regional routes. Higher fares may further weaken price-sensitive demand, while lower-frequency services reduce convenience and can induce travellers to drive or not travel. This reinforces a cycle of low passenger numbers, which can lead to further service reductions and network contractions when coupled with cost increases.

A number of service reductions and withdrawals on regional and remote routes demonstrate the continuing exposure of regional aviation to weak demand and rising operating costs (table 2.1).

Table 2.1 – Examples of service reductions or withdrawals on regional and remote routes

Airline	Routes	Year	Reasons for service change
FlyPelican	Bathurst-Sydney Mudgee-Sydney	July 2023 December 2024	Ceased services citing low passenger volumes.
Link Airways	Shellharbour-Brisbane Shellharbour-Melbourne	May 2026	Suspended due to higher fuel costs and reduced demand.
Nexus Airlines	Broome-Kununurra-Darwin	September 2025	Left the route due to low demand and intensified competition.
Qantas Group	Melbourne-Wagga Wagga Adelaide-Mount Gambier Brisbane-Mackay Melbourne-Alice Springs	March 2026 May 2026 October 2026 November 2026	Suspended or withdrew services amid weaker demand and rising operational costs.
Rex	Adelaide-Ceduna Adelaide- Mount Gambier Adelaide- Port Lincoln Adelaide-Whyalla	2023	Suspended services but later restored all but the Whyalla services.
	King Island-Burnie Melbourne-Devonport	June 2026	Cut or suspended services due to high fuel costs and weak demand.
	Sydney-Orange Sydney-Port Macquarie	October 2026	
Sharp Airlines	Melbourne-King Island	May 2026	Suspended but later restored.
Virgin Australia	Brisbane-Alice Springs Adelaide-Cairns Melbourne-Ayers Rock	July 2026 August 2026	Suspended or reduced services mainly due to higher fuel costs.

Source: ACCC (2026b, 2026d); Andrews (2025); Bradbrook and O'Brien (2026); Clarke and Milic (2023); Cole (2023); Falson (2026); Fuller and James (2026); McNamara (2026); Nelson (2026a, 2026b); Palmer (2024); Skelley (2026); Stephens (2026); Sulda (2023); Trajkovich and Gregory (2026); Walls (2026); Williams (2026).

Ongoing cost increases are likely to further compress already narrow route margins on many regional and remote routes. For example, jet fuel prices were 40% higher in early June 2026 than in mid-February (ACCC 2026b). This highlights the fragility of regional aviation and the risk of further service reductions and route withdrawals. Over time, this could weaken connectivity for some communities, reducing access to services, employment opportunities and social participation.

Interim finding 2.3

Average profit margins on regional and remote routes are similar to major city routes, but vary by route and many short regional and short remote routes earn profit margins below 5%

Average profit margins on regional routes are similar to major city routes, at about 9%, but this masks substantial variation. Many short regional and short remote routes have profit margins below 5% due to thin demand and high costs. This leaves these routes vulnerable to increases in costs or reductions in demand and raises questions about the sustainability of services.

3. Competition in regional aviation

Key points

- **Competition is limited in regional aviation. Over 90% of passengers fly with either Qantas Group or Virgin Australia on regional and remote routes. On 72% of regional and remote routes there is only a single carrier.**
- **Many regional and remote routes are thin markets that cannot sustain more than one airline.**
  - In 2025, almost all short remote routes and two-thirds of short regional, and long regional and long remote routes had fewer than 50,000 annual passengers. And 80% of these routes only had one airline.
  - Few duopolies on routes with under 150,000 annual passengers earn profit margins of more than 5%.
- **Some regional routes – particularly those with annual passengers over 150,000 – could sustain more competition, but airlines face barriers to entry.**
  - Large incumbent airlines have advantages, such as large networks, economies of scale, slots and brand loyalty, that make it difficult for a new airline to enter and compete.
- **Government support for individual airlines can harm competition and the long-term viability of the sector.**
  - Future support for the regional aviation sector, where necessary, should focus on the continued provision of regional services, rather than supporting individual airlines. This should be delivered through contestable mechanisms that promote long-term competition and viability.
- **The Australian Government should continue oversight and monitoring of the market.**
  - The Australian Competition and Consumer Commission should remain vigilant to signs of anti-competitive behaviour in regional aviation.
  - Work is underway for the Bureau of Infrastructure and Transport Research Economics to collect and publish more detailed data on a greater number of routes.

3.1 Competition in regional aviation is limited

Competition affects margins, fares and service levels

Competition is a key driver of fares and service quality. On routes that have sufficient scale, a lack of competition allows airlines to sustain high airfares, which translates into higher margins. This has strong empirical support. For example, Majeed et al. (2024, pp. 27, 31) found that the presence of an additional airline on a route is associated with a 5 to 10% fall in airfares in Australia, with greater reductions found on regional routes.[12] Evidence from the United States shows a more significant effect; the presence of a low-cost carrier is associated with 33% lower airfares (Brueckner et al. 2013).

Competition is also associated with a better service offering. The United States Department of Transportation Office of Inspector General (2014, p. 5) found that going from 3 equal-sized airlines to 2 was associated with a 25% increase in average delay, and a 7% increase in cancellations. Gil and Kim (2021) found that in the United States, incumbents increased their flight frequency upon the threat of entry and had fewer cancellations and delays upon entry. Similarly, Australian Competition and Consumer Commission (ACCC) Commissioner Anna Brakey has noted that more competition pressures airlines into better on time performance and fewer cancellations in Australia (Visontay 2024).

High profit margins on some regional routes (chapter 2) suggests that limited competition is contributing to higher fares. Most routes *with sufficient passenger volumes* to support competition are profitable, and some generate profits significantly higher than average. Increased competition on these routes would be expected to reduce margins and place downward pressure on fares. Major Australian airlines have strong profitability by international standards (figure 3.1). However, there are many routes in regional and remote Australia where low margins suggest limited scope for additional competition.

Competition is limited, particularly on regional and remote routes

Competition is limited across Australia's domestic aviation sector. The market has long been dominated by 2 airline groups – Qantas Group (comprising Qantas, QantasLink and Jetstar) and Virgin Australia – and competitive pressure from recent entrants has not been sustained. Jetstar is the only low-cost carrier operating following the exits of Tigerair and Bonza. Virgin Australia's restructure during the COVID-19 pandemic, including the closure of Tigerair, changed the way the major carriers compete. Virgin Australia now focuses more on value-conscious business and premium leisure travellers while Qantas remains targeted towards the premium full-service and corporate market (Qantas Group 2026a; Virgin Australia 2025b, p. 46). Two airlines targeting different segments of the market ultimately reduces competition for each market segment, including for regional travellers.

The ACCC has described the sector as having a 'long-standing duopolistic market structure' and has observed that, although some airlines have challenged the major carriers, this competitive pressure has 'unfortunately not been sustained' (ACCC 2025a, p. 2). Following the collapse of Bonza and the

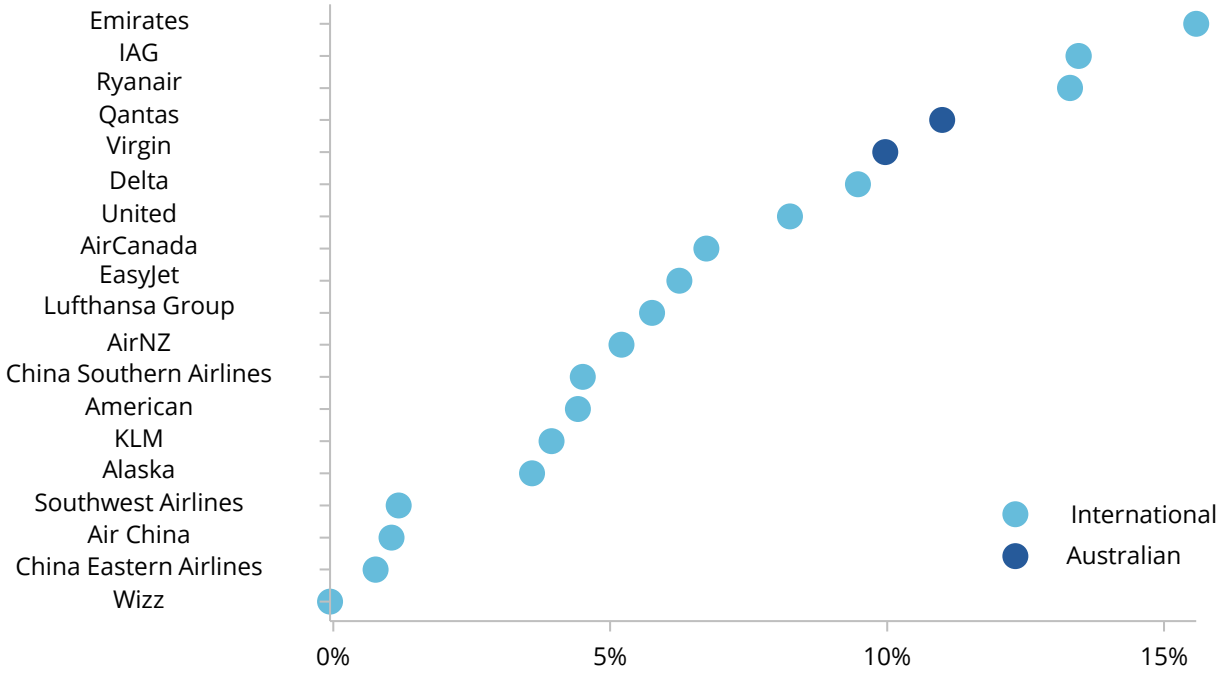
[12] The authors treat Jetstar and Qantas as separate airlines, which could lead to different results than if they were analysed together as Qantas Group.

withdrawal of Rex from routes between major cities, very few domestic routes have more than two competing airline groups (ACCC 2024b, p. 17).[13]

Competition is even more limited on regional and remote routes. Over 90% of passengers on regional and remote routes fly with Qantas Group or Virgin Australia. On 72% of regional and remote routes there is only a single carrier – a monopoly. On 28% of routes there are two or more carriers, providing some, albeit limited, competition (PC calculations using unpublished BITRE flight data). Many smaller regional airlines operate routes that the major airlines do not serve, rather than directly competing with them. However, there is direct competition between regional airlines in some regions, such as between Skytrans and Hinterland in northern Queensland.

Figure 3.1 – Profitability of major Australian airlines is high by international standards

Average EBIT margin 2023–2025



EBIT margin is a measure of profitability calculated by dividing the earnings before interest and taxes by revenue.

Source: Air Canada (2023, 2024, 2025); Air China (2023, 2024, 2025); Air New Zealand (2023, 2024, 2025); Alaska Airlines (2023, 2024, 2025); American Airlines (2023, 2024, 2025); China Eastern Airlines (2023, 2024, 2025); China Southern Airlines (2023, 2024, 2025); Delta Air Lines (2023, 2024, 2025); easyJet (2023, 2024, 2025); Emirates (2023, 2024, 2025); IAG (2023, 2024, 2025); KLM (2023, 2024, 2025); Lufthansa Group (2023, 2024, 2025); Qantas Group (2023, 2024a, 2025); Ryanair (2023, 2024, 2025); Southwest (2023, 2024, 2025); Virgin Australia (2023, 2024, 2025a); Wizz Air (2023, 2024, 2025).

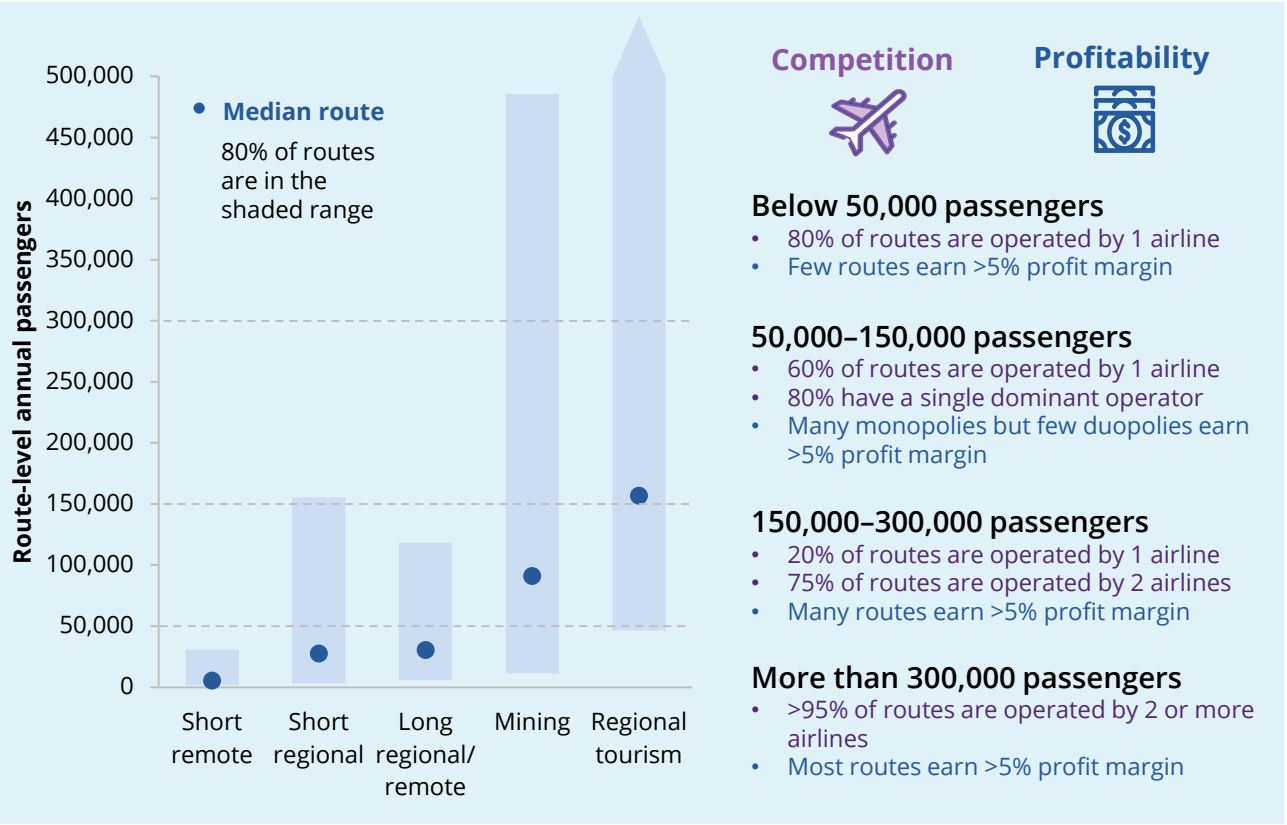
[13] ACCC monitoring reports use data from Qantas Group, Virgin Australia, Rex and Bonza airlines. No domestic route currently has more than two of these airline groups servicing it, but if data from smaller regional airlines is included, a small number of domestic routes have 3 or more carriers.

3.2 Competition may not be sustainable on many routes

Routes with low passenger volumes cannot support multiple airlines

On many routes, limited competition reflects low passenger volumes. Low volume routes are particularly prevalent in regional and remote Australia. In 2025, nearly all (97%) short remote routes and more than two thirds of short regional and long regional and long remote routes had fewer than 50,000 annual passengers. Low passenger volumes are less prevalent on regional tourism and mining routes, with only 35% and 55% of these routes, respectively, carrying fewer than 100,000 annual passengers (figure 3.2).

Figure 3.2 – Low passenger volumes limit competition on many regional and remote routes



Estimates rounded to nearest 5%. Based on all domestic routes (including major city routes) with more than 1,000 annual passengers. 90th percentile passenger volume for regional tourism routes is about 870,000 (not shown on chart). A single dominant operator is an airline with ≥ 80% passenger share on a route (defined as Herfindahl-Hirschman index (HHI) equal to 6800 or higher). Qantas, Jetstar and QantasLink are treated as a single airline; Nexus and Aviair are treated as a single airline.

Source: Unpublished BITRE flight data, 2025; unpublished airline cost and revenue data, 2025.

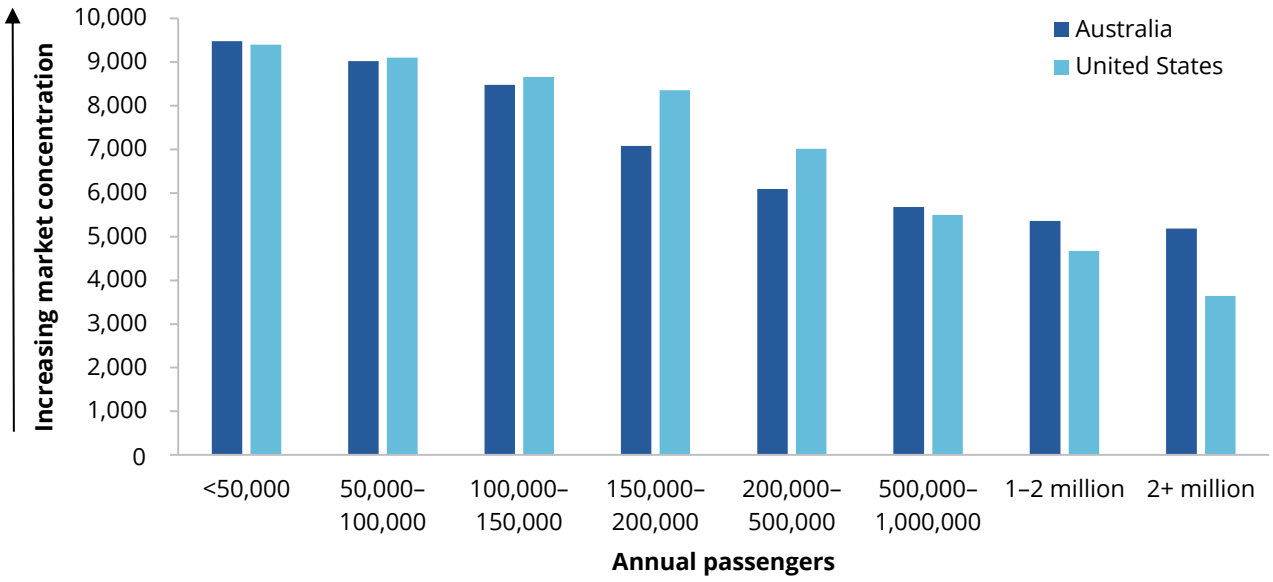
The likelihood of competition increases with passenger volume (figure 3.2). About 80% of routes with fewer than 50,000 annual passengers are monopolies, while 80% of routes with 50,000–150,000 passengers are either monopolies or are dominated by a single operator. Beyond 150,000 annual passengers, there tends to be more competitors. However, even above 300,000 annual passengers some monopoly routes remain, and duopolies are the most common market structure. It is rare for an Australian air route – regional or major city – to be served by more than two airline groups.

Routes with annual passenger volumes below 150,000 tend to have lower profit margins, particularly when served by multiple airlines (figure 3.2). Former QantasLink Chief Executive Officer Rachel Yangoyan (2025) said that 'regional routes don't perform as well as [Qantas'] domestic or international routes' and 'in some cases … there will be some routes that at times are break-even or even loss-making'. Routes with over 150,000 annual passengers can be profitable for two or more competitors. Viability improves further on routes with more than 300,000 annual passengers.

Low competition and high market concentration on routes with low passenger volumes is also observed internationally, including in the United States (figure 3.3). In both Australia and the United States, routes with fewer than 150,000 annual passengers are highly concentrated, despite higher volume routes in the United States being much less concentrated than in Australia. That said, the availability of alternative modes of transport, such as road travel or flights from nearby airports, means that low competition may be less of a concern in the United States than in Australia.

Figure 3.3 – A lack of competition on low volume routes is also evident in the United States

Average HHI on routes by annual passenger volume, 2025



HHI is calculated by squaring the market share of each competing firm in a market. For instance, if two firms had 70% and 30% market share respectively, HHI is $70^2 + 30^2 = 5800$. HHI is an imperfect measure of concentration for aviation, as one route might appear more concentrated if we consider direct flights only, but alternative flights with a stopover might be considered in the same market.

Source: Unpublished BITRE flight data, 2025; US Department of Transport data, 2025.

More broadly, the Herfindahl-Hirschman index (HHI) – a common measure of market concentration – suggests that Australia's aviation market has a high level of concentration. An HHI greater than 1800 points is generally considered highly concentrated and, on this measure, every Australian aviation route is considered highly concentrated (U.S. DOJ and U.S. FTC 2023, p. 5). Australia has similarly high levels of concentration in other industries such as telecommunications, banking and supermarkets (Bakhtiari 2019, p. 28).

Why might an airline operate routes with low profitability?

Low passenger volumes can make competition difficult to sustain, increasing the likelihood of airline exit, higher fares or services being provided by a single airline. Low passenger volumes can also discourage entry. With fewer customers, it is harder for airlines to recover their costs without charging high fares (chapter 2). On many routes, demand is insufficient to support a second airline to compete on prices while remaining financially viable.

Nevertheless, airlines may choose to operate less profitable regional and remote routes. Serving regional communities can support an airline's social license to operate and strengthen its network offering. Qantas Group (2024b, p. 20) identifies its social license to operate as something to be protected. As a result, retaining less profitable routes may be commercially justified when viewed across the airline's wider operations, particularly given the relatively small scale of these routes (and potential losses) compared with the major city routes.

While competition often benefits travellers, its effects can be more complex on thin routes. The ACCC (sub. 98, p. 21) has observed that 'on thin remote routes, competition and economies of scale can operate in tension'. On routes with a small passenger base, competition may not always be sustainable over time. In these cases, with demand split across multiple airlines, competition can improve outcomes for travellers but may also increase the risk of service instability if one airline subsequently withdraws from the market. Several inquiry participants highlighted these risks, including where competition was short-lived and airlines subsequently exited the market.[14] Participants also noted the effects of unstable competition on service offerings (MRT, sub. 67, p. 3; New England FEC, sub. 31, p. 5).



Interim finding 3.1
Competition is limited in regional aviation, and many routes have low margins even when served by a single operator

In 2025, over 90% of passengers flew with either Qantas Group or Virgin Australia on regional and remote routes, and on 72% of routes there was only a single carrier. Many regional and remote routes are thin markets that do not have sufficient demand to sustain competition. Few duopolies on routes with less than 150,000 annual passengers earn profit margins of more than 5%.

3.3 On high-volume routes there are barriers to more airline competition

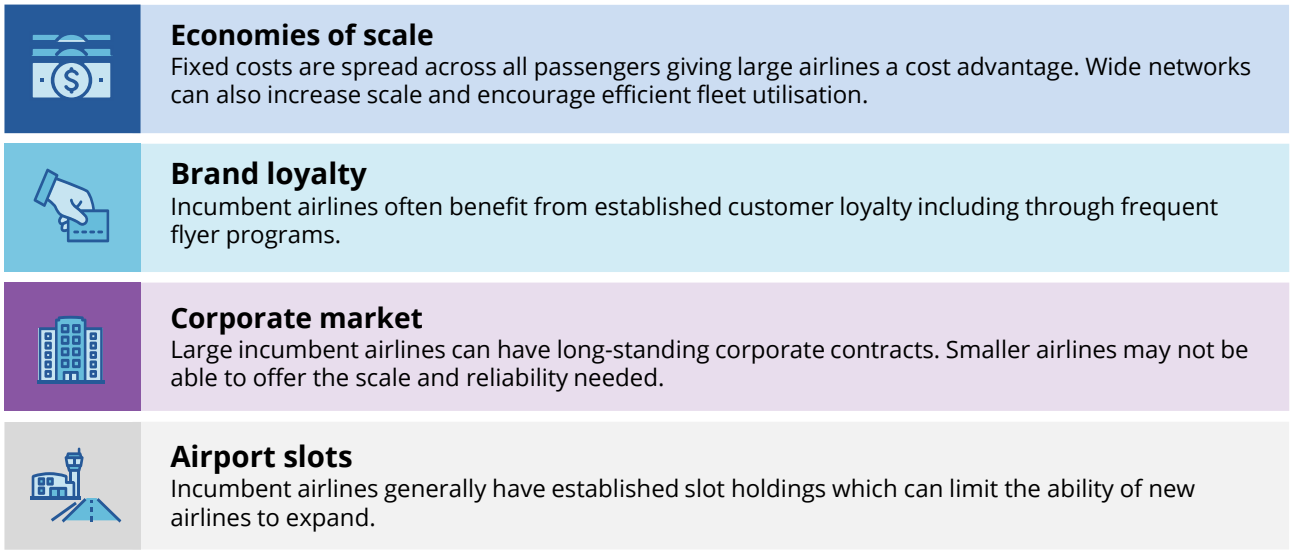
Our analysis suggests that some routes lack sufficient demand to sustain multiple airlines. Where this is the case, market competition alone is unlikely to reduce airfares, and alternative interventions may be needed to support access and affordability (chapter 4). However, where demand is sufficient to support more than one airline, other barriers can restrict competition, keeping margins and fares higher than they would otherwise be.

[14] Aviation Logistics (sub. 110, p. 3); LGAQ (sub. 61, att. 1, p. 17); Regional Capitals Alliance of WA (sub. 32, p. 14); TasPorts (sub. 36, p. 2); Virgin Australia (sub. 102, p. 5).

Large incumbent airlines have many advantages over smaller entrants

The regional aviation market is not a level playing field. Larger airlines and incumbents have advantages over smaller airlines and new entrants that serve as a barrier to competition (figure 3.4).

Figure 3.4 – Large incumbent airlines have many advantages



Source: ACCC (sub. 98, p. 11).

Fixed costs give large incumbents a scale advantage

In the short to medium term, many aviation costs are fixed and do not vary with passenger numbers (Qantas Group, sub. 108, p. 2). Large airlines can spread their costs over a much greater volume of passengers. This effect is particularly acute on regional routes, and therefore for regional airlines, due to low passenger volumes (RAAA, sub. 81, p. 2; Qantas Group, sub. 108, p. 2).

One such fixed cost is overheads. Productivity Commission analysis of airlines' cost data shows that overheads for small airlines are about 7 times the cost per available seat kilometre of larger airlines. On routes where margins are already thin, this difference can put smaller airlines at a substantial competitive disadvantage.

A large network has demand and supply advantages

An airline with a large network can offer customers access to a wider choice of destinations and more frequent services. The size of each airline's network is vastly different.

> Qantas, including its regional brand QantasLink, operates by far the largest domestic network, and had 111 routes in October 2025. This was followed by Jetstar with 65, Virgin Australia with 60, and Rex with 31. (ACCC 2025b, p. 9)

A larger network enables greater economies of scale and more efficient fleet utilisation and redeployment in response to changing demand. Building a network and the fleet needed to service the network is costly and takes time, making it difficult for an entrant to compete with established airlines.

Passengers also value network connectivity (chapter 2). For example, a passenger travelling from Wagga Wagga to Cairns, using a regional airline with a limited network may require separate bookings for each leg of the journey, including collecting and re-checking baggage between flights. A larger

network airline can offer a more seamless journey, with connecting flights booked together and baggage transferred through to the destination.

Interlining and code sharing alliances between regional and major airlines can help to realise the benefits of a larger network. For example, the partnership between Virgin Australia and Link Airways shows how alliances between major and regional airlines can realise the benefits of greater network reach for both airlines without requiring the major airline to operate its own regional fleet. The ACCC (2024c, p. 10) noted that the alliance increased the regional services available through Virgin Australia, allowing passengers to connect to Virgin Australia's broader network on a single booking including baggage transfer. This arrangement may provide a model through which smaller regional operators can access the network of a major airline while continuing to operate aircraft suited to thinner regional routes. However, it also reduces the likelihood that the larger domestic airline will serve regional markets directly, muting some of the pro-competitive effects.

Brand loyalty

Incumbent airlines have strong brand loyalty that can be difficult for entrants to match. The airlines' loyalty programs are sizeable. Qantas' Frequent Flyer program has about 19 million members and Virgin Australia's Velocity program has about 13 million members in 2025 (Qantas Group 2026b, p. 25; Virgin Australia 2025b, p. 92).

The ACCC (sub. 98, p. 11) noted that brand loyalty generates 'customer stickiness that new entrants cannot easily replicate'. This is supported by empirical evidence that frequent flyer programs increase customer retention and fare premiums through higher switching costs that limit competition (Gao and Liu 2026). These effects are more pronounced among business travellers and frequent travellers than for leisure travellers.

Airlines' loyalty programs provide an additional source of revenue that is difficult for smaller airlines to replicate. In 2026, loyalty programs had an underlying EBIT of $625 million for Qantas Group and $143 million for Virgin Australia, compared to an underlying EBIT of $907 million for Qantas Domestic and $616 million for Virgin Australia (Qantas Group 2026b, pp. 22, 25; Virgin Australia 2026a, pp. 16, 18). This means the incumbent airlines can capture value from their loyalty programs beyond their domestic profit margins, strengthening their competitive position and increasing the resources available to support their broader operations.

Corporate market advantage

Brand loyalty, large networks and frequent flights give large incumbent airlines a significant advantage in attracting corporate customers, who can often negotiate discounts with airlines. Smaller airlines lack the network connectivity to be competitive for large corporate contracts. Corporate clients may also have preferences for services for their staff (including lounges) that are difficult for more value-oriented or regional airlines to meet. Staff themselves may also direct travel towards certain airlines. The ACCC (sub. 98, p. 12) noted that 'Qantas is the dominant provider for … corporate customers'.

Australian Government data illustrates the extent of this advantage for government travellers. In 2025-26, more than 70% of Australian Government travel expenditure from Canberra to Melbourne and Canberra to Sydney, and over 85% on the Canberra to Adelaide and Canberra to Perth routes is through Qantas Group (Australian Government Department of Finance 2026b). This is despite at least two airlines serving Canberra routes and the adoption of the Best Value Fare Policy. It raises the question of whether the Australian Government is fully capturing the benefits of competition on these routes, including lower prices and better overall value for money.

Corporate market advantage has several benefits for large incumbents. First, it increases their scale so that fixed costs are spread across more passengers, reducing unit costs. Second, profits from corporate and mining routes allow airlines to compete more aggressively elsewhere. Third, when negotiating airline contracts, corporations and government clients may place more value on service characteristics (such as the timing or reliability of flights) than on price, allowing airlines to sustain higher fares and margins. PC analysis of airlines' cost and revenue data confirms that margins are higher than average on corporate and mining routes (chapter 2). The combination of these factors makes it difficult for airlines without a corporate market advantage – including smaller regional airlines – to be competitive in markets with large numbers of corporate and government passengers.

Access to landing slots may be less of a barrier than in the past

Access to slots at congested airports is necessary for airline entry and expansion. Slots at peak times are especially valuable and allow a carrier to compete for customers with established airlines. Bonza's experience (box 3.1) highlights that access to slots is essential for airline operation.

Box 3.1 – Lessons from Bonza

Bonza entered the Australian market in January 2023, operating on primarily regional tourism routes. At the time, the entry of the airline was touted as an important development for competition. However, Bonza's entry was short-lived, with it going into voluntary administration in April 2024. Bonza's experience highlights some of the challenges facing an entrant in the market.

Former CEO Tim Jordan identified difficulties financing aircraft, accessing specialised pilot training and sourcing ground handling services. At some regional airports, Bonza had the option of only one or two ground handling companies, with Jordan reporting turnaround costs up to 200–300% higher than at its aircraft bases. As Australia's first domestic 737 MAX operator, limited simulator availability also required most pilot training to occur overseas.

Bonza was also unable to establish operations at Sydney Airport. Jordan argued that an entrant seeking to base aircraft at Sydney needs consistent peak slots to use its aircraft efficiently. The ACCC has identified access to peak-period Sydney slots as a potential impediment to Bonza and other expanding airlines. The difference between entry events at Melbourne and Sydney airports (figure 3.5) was driven largely by Bonza's decision to base in Melbourne.

Some of Bonza's challenges were specific to its operational decisions, such as its choice of fleet. Nevertheless, it is a salient example of the difficulty in entering the domestic market.

Source: ACCC (2023, pp. 2, 29, 2024d, p. 5); Tim Jordan (former CEO, Bonza) (sub. 17).

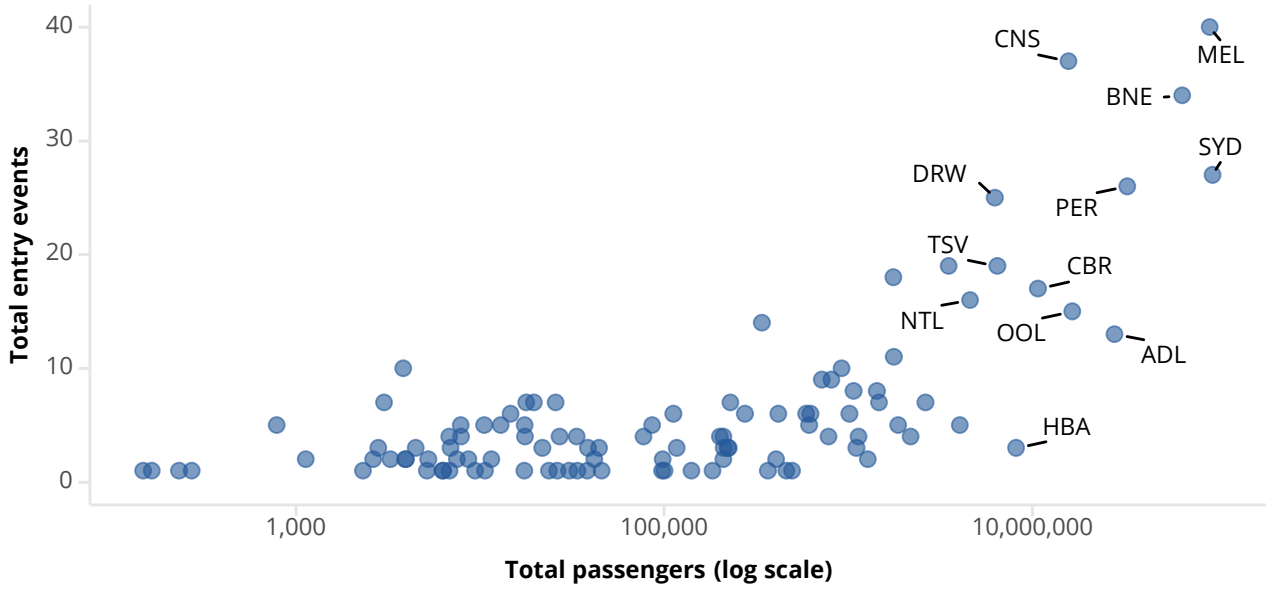
The 2021 Harris Review identified Sydney Airport's slot management system as a major barrier to competition. It found the slot rules could impede competition by favouring incumbent airlines and limit new entrants' access to valuable peak-period slots. Under the arrangements, incumbents are guaranteed the same slot for the same season the next year if they satisfy the 'use it or lose it' test – essentially if they operate a slot at least 80% of the time (Harris 2021, pp. 15, 36). Large airlines with multiple flights on a route are further advantaged under the 'use it or lose it' rule, as they can cancel different flights each time and still stay under the 20% cancellation benchmark. Figure 3.5 shows that

there were fewer entries at Sydney Airport compared to other airports with similar passenger numbers, particularly Melbourne Airport, suggesting that slots restricted entry in the period prior to reform.

The Harris Review recommended giving new entrants greater priority, improving regional airlines' flexibility, increasing transparency and strengthening rules against slot misuse, while retaining the 'use it or lose it' rule and regional protections. The Australian Government implemented most of the recommendations as part of a reform introduced in October 2025. The changes have been broadly welcomed by stakeholders, particularly measures to improve transparency, slot utilisation and access for new entrants and regional airlines (ACCC, sub. 98, p. 30; Sydney Airport Corporation, sub. 99, p. 6). However, the government did not implement recommendation 4.1, that protected regional slots should include flights from Sydney to regional towns outside NSW (DITRDCSA 2024, p. 357; Harris 2021, p. 20).

Figure 3.5 – Sydney Airport has had fewer entry events than some other airports

Entries on routes to specified airports by passenger volume, 2022–2025



An entry event is defined as an airline entering a route that it has not previously operated in the last 6 months. Passenger volumes at airports with fewer passengers than Newcastle (NTL) are excluded.

Source: Unpublished BITRE flight data, 2022–2025.

The full impact of these changes may take some time to emerge and should be monitored by the Australian Government. Early indications show improved transparency and high overall slot utilisation (ACCC 2026b, p. 16). Slots that are reserved for flights to regional NSW are used 67% of the time, suggesting that slot access is not constraining entry on these routes (ACL 2026). Sydney Airport (sub. 99, p. 6) noted that '16 regional slots remain reserved in the peak even though there is no regional demand for them, in addition to 32 Rex protected slots'. A similar number of regional slots were unused in 2019 and 2020 prior to the changes in demand management (Harris 2021, p. 18). However, non-regional slots in peak periods remain highly constrained and concentrated among large incumbent airlines (ACCC 2026b, p. 16; ACL 2026).

The opening of Western Sydney International Airport (WSI) in October 2026 should further ease the impact of slots as a barrier to entry. While no regional routes are planned initially, opportunities may emerge as demand and market conditions are better understood.

The costs of starting a new airline are high

While airlines may be able to expand into new routes at relatively low cost, a new airline entering the Australian aviation market faces significantly more barriers.

Establishing a presence in the market is costly

The benefits for incumbents outlined above mean that entrants must quickly establish capacity, networks and brand loyalty to reduce their competitive disadvantage. This can mean substantial discounting initially to stimulate demand, often at the cost of significant losses during the establishment period.

This was a strategy that Bonza pursued when it entered the Australian market in 2023 (box 3.1). The PC calculated that Bonza's revenue per available seat kilometre was very low in its period of operation. The administrators of Bonza found that the airline had incurred $113 million in accumulated trading losses over 15 months of operations (Albarran et al. 2024, Annexure B, p. 4). While entering airlines may not always pursue a strategy as costly as Bonza's, establishing a viable operation still requires significant upfront investment and capacity to absorb losses.

Incumbent airlines' behaviour can make successful entry more difficult

When a new airline enters a market – particularly with discounted fares – incumbent airlines may respond by adding capacity on a route or lowering fares. This can also occur on routes beyond where the initial entry took place. While these responses can benefit consumers in the short term, they can also reduce an entrant's chances of success, particularly if the incumbent can sustain losses for longer than a capital-constrained entrant. The behaviour of incumbents has at times come under regulatory scrutiny by the ACCC (discussed in section 3.4).

Bonza's route choices suggest that potential incumbent reactions influenced its approach to market entry. Former Bonza CEO Tim Jordan said that Bonza was 'not going to be going toe-to-toe for the same market segment as existing carriers' (Harbison 2021). This approach largely remained for the length of the airline's operations, with 30 of its 37 routes not served by another airline (ACCC 2024d, p. 5).

Beyond these start-up costs, there are also other administrative and operational hurdles that entrants face, which can sometimes be touchpoints for incumbents to exert further pressure. The experience of Bonza (box 3.1) illustrated such challenges.

Regulatory requirements for starting a new airline

Airlines must meet a range of regulatory requirements to enter the Australian aviation market. In particular, the Civil Aviation Safety Authority (CASA) requires airlines to hold an air transport air operator's certificate, which involves the airline demonstrating that it can operate safely and comply with aviation regulations. This process is comprehensive, and CASA must be satisfied that the airline can operate safely (CASA 2026).

Establishing a new airline does require documentation and assessment, which adds to the cost of entry. However, we are not aware of significant evidence to suggest that this process is overly burdensome given the risks inherent in the sector.

Access to capital can be a challenge for new entrants

Raising sufficient capital is a significant challenge for a new airline. Potential entrants need large upfront investment and must demonstrate to investors that their entry will be successful despite the sector's history of failed entrants.

> The aviation sector is a high-cost and high-risk sector. It is often subject to external shocks. For prospective entrants, access to capital to fund operations is considered a barrier to entry and greater competitive activity. (House of Representatives Standing Committee on Economics 2023, para. 8.80)

Regional airlines are particularly exposed to this challenge. Aviation Economics Australia (sub. 118, p. 4) noted that recent financial disclosures relating to Rex indicate that the private component of its financing structure was priced at nearly twice the interest rate available to major carriers. It estimated that financing represents about 10% of the costs of a thin-route turboprop operation, and that reducing financing costs to about 6.5%, alongside lower aircraft acquisition costs, could reduce total operating costs by about 4–5% (Aviation Economics Australia, sub. 118, p. 4). This is partly due to the barriers to entry discussed above making investing in regional airlines less attractive.

The House of Representatives Standing Committee on Economics (2023, paragraphs 8.85 and 8.86) heard of the difficulties of Rex and Bonza in accessing capital. Rex stated that it is 'extremely difficult to find anybody' to provide the capital to start an airline. And Bonza noted that 'the last three major high-capacity airline start-ups in Australia have been funded by overseas investment'.

The challenge of access to capital can continue after an airline has entered the market. Bonza, for example, had difficulty securing further capital from its owners even after it had been operating for 12 months. Following its collapse, administrators found that funding from its sole investor, 777 Partners, had been insufficient (Albarran et al. 2024, p. 20). Tim Jordan and Chief Financial Officer Lidia Valenzuela attributed the airline's failure to the 'under capitalisation of the business and the consequential repossession of our aircraft' (Albarran et al. 2024, p. 19).



Interim finding 3.2
There are significant barriers to entry in the Australian aviation sector

Incumbent airlines have advantages over new entrants on scale, network breadth, brand loyalty, access to the corporate market and airport slots. These serve as a barrier to new entrants. Regional airlines are particularly disadvantaged.

3.4 Creating the conditions for competition

Stronger competition on major city routes could have flow-on benefits

While competition can have a positive impact for consumers, PC analysis suggests that many regional and remote routes have too little demand to sustainably support more than one airline. However, passengers stand to benefit most from increased airline competition on higher-volume routes where there is sufficient demand to support competition, and where above-average profit margins drive up prices. These are likely to be regional tourism, mining and some short regional routes.

Australia is lacking competition on its largest routes (of more than one million passengers), relative to the United States (figure 3.3). Stronger competition on major city routes could flow through to regional markets. Once an airline has established a presence on major city routes, the cost of expanding into regional routes is relatively low. In addition, as competition reduces margins on major city routes, adding capacity on regional routes may become relatively more attractive.

Ultimately, the entry of a new airline into the domestic market will do more to increase competition than any single policy intervention. And governments can create the conditions such that a new entrant is more likely to succeed.

Government support should be designed to foster competition

Since Rex went into voluntary administration in July 2024, it has been a beneficiary of significant Australian Government support including:

- an $80 million secured loan facility to the administrators
- purchase of $50 million of secured debt owed by Rex
- a $60 million loan to support Air T's acquisition of Rex.[15]

Australian Government assistance to Rex was intended to support regional connectivity and access to essential services. However, such support can create longer-term risks for competition and the efficient functioning of the sector.

Government assistance may weaken incentives for airlines to operate efficiently and can create expectations of future support during periods of financial distress. While there may be a case for intervention to maintain essential regional services (including, where necessary, time limited transitional support while alternative arrangements are established), governments must balance short-term service continuity against the long-term competitiveness and viability of the sector.

Support for a specific airline can also make it more difficult for potential entrants, which do not receive equivalent assistance, to compete. If support for regional connectivity is justified, it should be contestable. For example, instead of providing support to the incumbent airline running a service, the Australian Government could open tender that service to any airline. Aside from short-term transitional arrangements, government support should focus on maintaining essential air services, rather than specific airlines. Reform direction 4.2 outlines the principles for an open and transparent approach to assistance in the form of regulated routes where demand is too thin to support competition.

It is also unclear how successful this support has been in maintaining regional connectivity, given Rex has exited some routes.

> In May, Rex pulled out of flying to Devonport in Tasmania and shelved Burnie-to-King Island services. Last month, it drastically reduced flights to Orange, leaving the NSW town scrambling for answers. (de Kretser 2026)

Similarly, the conditions of the $60 million loan to Air T included a commitment to increase the number of SAAB-340 aircraft (King 2025). It is reported that Air T has spent almost half of the $60 million loan with no increase in the number of operational aircraft (Ironside 2026).

[15] Gallagher and King (2025); King (2025); King and Watt (2024).

Reform direction 3.1
Future government support of regional aviation should focus on services, not airlines

Government support for individual airlines can harm competition and the long-term viability of the sector. Future support, where necessary, should focus on the continued provision of regional services rather than supporting individual airlines, and be delivered through contestable mechanisms that promote long-term competition and viability.

The ACCC should remain vigilant

Since 2020, the ACCC has monitored the conduct of the major airlines – Qantas Group, Virgin Australia and Rex – through its quarterly *Domestic airline competition monitoring report*, and the performance of the 4 largest airports through its annual *Airport monitoring report*. Part of the ACCC's monitoring role is to identify 'early signs of damage to competition in the domestic airline industry which could harm the long-term interests of consumers' (ACCC 2020).

The ACCC also plays an enforcement role by investigating allegations of anti-competitive conduct. To establish a breach of competition law, the ACCC must test whether an incumbent has substantial market power and engaged in conduct that has the purpose, effect or likely effect of substantially lessening competition (*Competition and Consumer Act 2010* (Cth) s 46(1)).

In 2021, Rex complained to the ACCC that Qantas had engaged in predatory behaviour following Qantas' expansion into routes operated by Rex. The ACCC investigated the complaint, but ultimately did not pursue the case noting that Rex's expansion into the domestic network 'does not suggest that the entry of Qantas on particular routes is impeding Rex from competing across the broader network' (ACCC 2021, p. 8). Rex has since ceased its capital city services, lessening competition on those routes. Its exit was primarily driven by the airline's broader financial difficulties, which ultimately led to voluntary administration, however assessing whether this type of event substantially lessened competition might be more feasible in the future with the benefit of clearer data beyond the disruption caused by the COVID-19 pandemic.

On routes where demand is sufficient to support competition, anti-competitive conduct may deter entry or expansion. The ACCC should continue to monitor the sector and remain vigilant against anti-competitive conduct that may deter entry or expansion, ensuring that new entrants and existing airlines can compete fairly.

BITRE could publish more data on monopoly routes

Data on airfares, passengers, flights, available seats and service offerings are crucial to understanding how competitive the sector is, and how consumer outcomes are changing. The Bureau of Infrastructure and Transport Research Economics (BITRE) currently publishes route-level data only for routes averaging more than 8,000 passengers per month and where 2 or more airlines are operating (BITRE 2025, p. iii). Airfares data is only collected on the top 70 competitive domestic routes (BITRE 2026a).

Greater transparency could be achieved by publishing all airfare data collected by BITRE, including for monopoly routes, and expanding coverage of airfares beyond the top 70 routes. This would provide a stronger evidence base for monitoring the sector and informing future policy decisions.

We note that work is underway on progressing the Aviation White Paper Initiative 16 – Publish additional data on airline performance and aviation competition:

> BITRE has powers to collect data from airlines under the Air Navigation Regulation 2016; however, the regulations limit publication of this data. The government will consult on amendments to these regulations by 2026 to enable the collection and publication of more detailed data to support increased transparency and scrutiny of airline performance. BITRE will also develop and report on aviation competition indicators to monitor trends in the sector. (Australian Government 2024a, p. 14)

The proposed amendments allow the publication of any information supplied relating to traffic, fuel consumption, revenue and cost statistics, and flights. The PC supports this initiative. Greater transparency would enable more effective monitoring of competition and consumer outcomes across all aviation markets, helping to ensure that government policy is informed by a complete understanding of the sector.

4. Supporting regional air travel

Key points

- **High and variable airfares can limit access to services for regional and remote communities. Governments should prioritise ensuring that the price of air travel does not prevent access to health care.**
  - Patient assisted travel schemes broaden access to health services, but could be improved, including to address administrative issues that are barriers to patients accessing support. Governments should also work toward establishing a consistent minimum level of coverage across the states and territories and consider expanded coverage of services.
  - More broadly, funding arrangements should adequately recognise the price of air travel in delivering government services. Governments should also consider more coordinated approaches to procuring air travel.

- **Governments have a role in supporting regional routes that are central to connectivity and where markets are not able to provide appropriate and accessible services despite demonstrated demand.**
  - Decisions to support regional air routes, including through subsidies and regulated monopoly arrangements, should be transparent and consistently assessed. Where governments implement regulated monopoly routes, they should promote competition for the route through reverse auctions.
  - Due consideration should also be given to whether alternative transport options or service delivery would be more cost-effective than aviation-specific support.

- **To the extent governments choose to provide general support to regional aviation, including for personal and business travel, it should be prioritised and limited according to where it enables broader benefits.**
  - Continued or expanded support may be warranted where there is clear evidence that these benefits are substantial and would not otherwise be realised.
  - Support should be well targeted, represent value for money and be designed to generate additional travel or broader community benefits, rather than primarily reduce airfares for travel that would have occurred anyway.
  - When governments subsidise discounted airfares, they should focus on the greatest possible reduction in fares or improved quality of service.

Regional aviation is constrained by a combination of high operating costs, limited demand and restricted scope for competition. Airfares are higher on average for routes outside of major cities (chapter 1), and our analysis suggests this largely reflects the cost of providing services (chapter 2). There is often limited scope for competition, as many routes have insufficient demand to sustain multiple airlines (chapter 3). Even where routes are served by a sole airline, profit margins can be low. These structural elements present challenges for the affordability and viability of regional air travel.

Recent years have brought additional cost pressures and changing travel patterns. Airlines have adapted to these pressures in various ways, including by adjusting networks, schedules and pricing. It is likely that market challenges will inevitably create pressure for government intervention.

However, not every market adjustment warrants a policy response. Governments should instead focus support where aviation best contributes to social and economic outcomes that could not be more efficiently achieved by other means.

- **Access to government-funded services**. High airfares can prevent regional and remote residents from accessing health care and other services that governments have an established responsibility to provide. They can also constrain organisations travelling to communities to deliver government-funded services. Existing assistance, including patient assisted travel schemes, makes a valuable contribution, but could be improved to reduce barriers to access and support more efficient service delivery (section 4.1).
- **Preserving community connectivity**. For some communities, aviation is the only practical means of reaching services and larger population centres. Where there are no suitable transport alternatives and the market does not provide an affordable air service, government intervention may be warranted to preserve the community's access to aviation (section 4.2).
- **Supporting broader social and economic outcomes**. Air travel supports family and community connections, cultural participation, employment, business activity and tourism. Government assistance for this broader travel may be warranted where it generates social and economic benefits that justify its cost and would not otherwise be realised (section 4.3).

4.1 Supporting access to and delivery of public services

Enabling access to health care should be a priority

Aviation helps connect regional and remote communities to health services and, as such, can play an important role in achieving policy objectives regarding health outcomes.

As part of the *National Health Reform Agreement - Addendum 2026–2031* (NHRA), Australian, state and territory governments must ensure that people have equal access to public hospital care regardless of their geographic location (s. 21c).

State and territory governments generally take 3 approaches to tailor health services to the specific needs of regional communities: delivering services regionally (physically or via telehealth), flying providers to deliver services in the regions on a regular basis or paying for flights for regional residents to receive services in major cities.

For Aboriginal and Torres Strait Islander communities, equitable access to health services should include access to culturally safe, holistic care that supports physical, social, emotional, cultural, spiritual and ecological wellbeing (Dudgeon et al. 2014). The health and wellbeing of Aboriginal and Torres Strait Islander people is a whole-of-life paradigm which has been profoundly affected by colonisation and

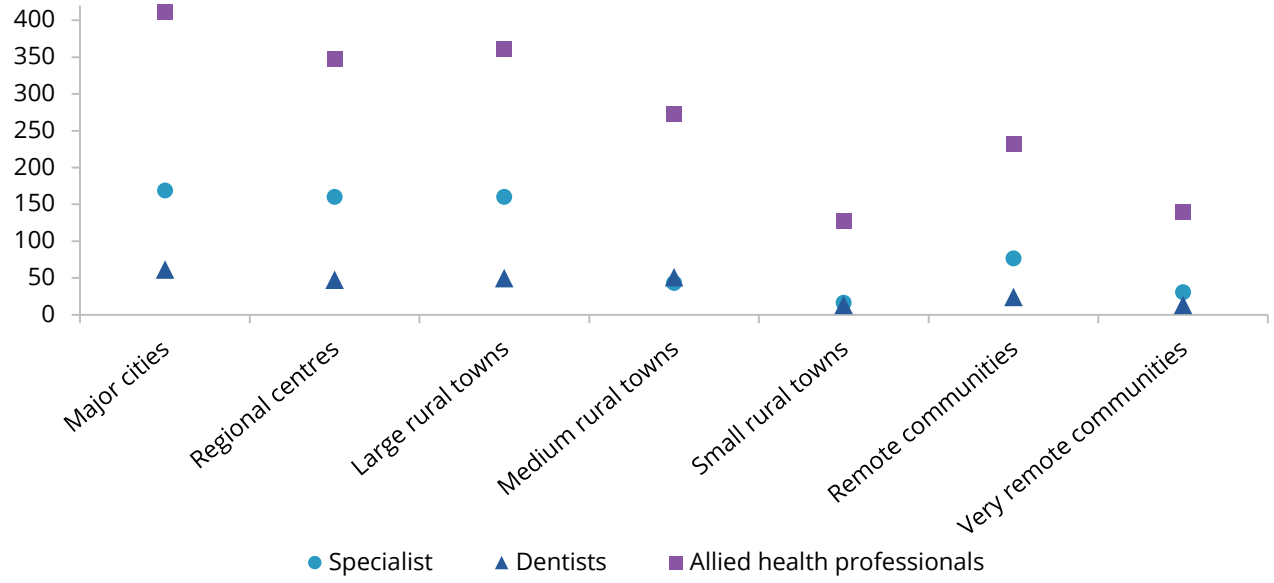
government policies, through disruption of ways of living, interruption of cultural practices, dispossession from Country and economic exclusion (Close the Gap Campaign Alliance Group for Indigenous Health Equity and Lowitja Institute 2024; Dudgeon et al. 2014; Lowitja Institute 2020).

Physical access to healthcare services is a critical determinant of healthcare equity and outcomes. In general, there are fewer services available in regional and remote areas, as demonstrated through the lower numbers of people employed as dentists, specialists and allied health providers per person in regional and remote areas compared to major cities (figure 4.1).

Further, while telehealth services have been introduced and expanded in recent years, many forms of care, such as some specialist appointments, immunisations, diagnostic tests, minor procedures and most emergency care, still require in-person attendance. As a result, people in regional and remote areas are more likely to need to travel to cities or regional hubs to access these services, often travelling by air. Some of this travel may be paid for by state and territory government assistance programs.

Figure 4.1 – There are fewer health professionals per person in remote areas

Full-time equivalent health workers per 100,000 people, 2023



Allied health professionals include (but are not limited to) Aboriginal and Torres Strait Islander health practitioners, chiropractors, occupational therapists, optometrists, osteopaths, pharmacists, physiotherapists, podiatrists, psychologists, sonographers, and speech pathologists (AIHW 2026b).

Source: AIHW (*Rural and remote health, table S8, 2025*).

The ability to travel to regional centres or major cities is among several factors that can influence whether people access health care. Our engagements suggest that the overall cost of travel can discourage regional and remote residents from accessing preventative care, allied health services or specialist services that are not provided on location. To the extent that the cost of travel is preventing

greater use of care services, it may be contributing to higher rates of potentially preventable hospitalisations in regional areas.[16]

The dynamics between remoteness and access to health services are highly relevant to health outcomes for Aboriginal and Torres Strait Islander people. Remote and very remote communities tend to have fewer health professionals per person (figure 4.1) and Aboriginal and Torres Strait Islander people comprise a much higher proportion of the resident population of remote and very remote areas as compared to major cities and regional centres (ABS 2021b).

Evidence suggests that Aboriginal and Torres Strait Islander people living in remote areas can experience greater barriers to health service access and utilisation. In 2019–2021, the rate of potentially preventable hospitalisations was highest for those living in remote areas (97 hospitalisations per 1,000 people), followed by those in very remote areas (91 per 1,000). The rate was lowest for those in major cities and inner regional areas (both about 40 per 1,000) (AIHW 2025, p. 85). In 2018–19, among Aboriginal and Torres Strait Islander people who did not see a health care provider when they needed to, the proportion who said this was due to reasons related to service availability and/or transport/distance was higher in remote areas than non-remote areas (54% compared with 29%) (AIHW 2025, p. 93).

The importance of patient assisted travel schemes

State and territory governments support regional and remote healthcare access through patient assisted travel schemes (PATS). These schemes reimburse travel costs for eligible individuals who need to travel long distances to attend specialist medical appointments (including treatments such as chemotherapy and dialysis, or assessments such as radiology). Under some circumstances this includes reimbursing airfares when the distance is too far to drive or if flying is medically endorsed as the most appropriate transport option.

Regional communities across states and territories vary in terms of local health services, population size, travel distances and alternative modes of transport. Due to the 'perceived flexibility [that each jurisdiction has] in meeting the needs of local communities' (National Rural Health Alliance 2025, p. 2), each state and territory is separately responsible for PATS and, as such, the design and operation of PATS can differ across jurisdictions.

We have heard from a range of participants that PATS is a highly valued service throughout regional communities, and that the schemes in each jurisdiction make a significant contribution to healthcare accessibility. However, there is fragmentation across jurisdictions (National Rural Health Alliance 2025) and where services are not eligible, high airfares can be a barrier to accessing them.

> … healthcare wise, there are things my daughter is supposed to attend but because PATS don't cover it and it cannot be done up here I just haven't taken her. It's frustrating that she misses out because we can't afford any extra flights. (qr. 114)

> It's expensive enough now but the increase to prices means having to cut back on regular visits for medical and dental appointments, etc. (for services not provided locally and not covered by PATS). (qr. 183)

[16] Potentially preventable hospitalisations are conditions where the hospitalisation could have been avoided through the provision of appropriate preventative health interventions or early disease management. Rates of potentially preventable hospitalisations are consistently higher in remote areas than in major cities (AIHW 2026c), though this likely reflects a range of factors, not just differences in the availability of health services.

Participants raised issues with the design and operation of PATS in various jurisdictions (PC 2026).

- There is inconsistent coverage and eligibility across jurisdictions, including for some health services and support for accompanying family members (for example, where children may need to travel).
- Some aspects of program design can be a barrier to access. We heard that certain jurisdictions require patients to pay travel costs upfront and seek reimbursement which can sometimes take months (James Cunningham, sub. 40, p. 8; SIRS Inc, sub. 92).

For services and patients that fall within the coverage and eligibility of PATS, the schemes make an invaluable contribution. However, there has been limited direct assessment of the overall effectiveness of PATS nationally. Multiple reviews of program design or operation have been undertaken in different jurisdictions but many of these remain unpublished (KPH 2022; Northern Territory Government Department of Health 2013; NSW Health 2025). There is likely significant scope to build on the successes of existing schemes to further support the objectives of the NHRA regarding access to health services.

One example of leading practice in the design of PATS is for state and territory health departments to book travel for eligible patients. Where payments are made as reimbursements, as is the case in some jurisdictions, this requires households to be able to afford the up-front cost of travel.

Another potential area of improvement is in eligibility and coverage. Gaps in the schemes can result in a range of outcomes. Some health-related travel that is not covered by PATS is supported by non-government organisations (NGOs) on a charitable basis, sometimes with one-off funding contributions from the Australian Government (Albanese et al. 2026). In other cases, alternative options such as telehealth or local provision may be more appropriate than patient travel. However, some patients may delay or forego treatment when access barriers can't be overcome. Concerns about the adequacy of PATS coverage have also been raised elsewhere, with the Senate Inquiry into Equitable access to diagnosis and treatment for individuals with rare and less common cancers, including neuroendocrine cancer, recommending that state and territory governments reform PATS to expand coverage, increase assistance and make offerings more consistent across jurisdictions (Senate Community Affairs References Committee 2024, para. 5.132).

The Productivity Commission is seeking views on how PATS functions across jurisdictions to help identify opportunities and ideas for improvement in our final report.

Reform direction 4.1
Strengthen patient assisted travel schemes (PATS) to reduce barriers to accessing health care

State and territory governments should further strengthen PATS to better support access to health services for regional and remote residents and support the objectives of the *National Health Reform Agreement*.

State and territory governments should consider opportunities to improve the effectiveness of the schemes, including through adopting leading practice or more consistent standards around coverage, eligibility and access. One example of a leading practice is for governments to arrange the travel to minimise financial barriers for patients.

The PC intends to provide more detailed guidance on opportunities to improve PATS in its final report.

Information request 4.1
Patient assisted travel schemes

The PC is seeking views on how the air travel component of patient assisted travel schemes (PATS) could further reduce barriers to accessing health services for regional and remote residents. This includes:

- any potential operational improvements or leading practices that would improve accessibility for patients
- any changes to coverage, eligibility or access that would facilitate better public health outcomes
- the role of air travel in the context of alternative modes of travel, telehealth or local service provision
- the extent to which state and territory governments are expanding coverage, increasing assistance, or making scheme offerings more consistent as recommended by the Senate Inquiry into Equitable access to diagnosis and treatment for individuals with rare and less common cancers, including neuroendocrine cancer.

Aviation plays an important but narrower role for education

Access to education supports an individual's development and employment opportunities, alongside providing more skilled workers to regional and remote communities. All children are required to participate in formal education, either in person or through approved distance education arrangements. The *Better and fairer schools agreement – Full and fair funding 2025–2034* requires that all students are provided access to high-quality and inclusive teaching, and that all young Australians are supported to achieve their full educational potential (s. 66a).

Remoteness can affect the educational opportunities available to students, and air travel can sometimes help overcome these barriers. For some families, travel provides access to a broader range of educational opportunities than are available locally – families might choose to send children to attend boarding schools in preference to the services available in their local community. In other cases, where suitable educational services are not available locally, students may rely on distance-education.

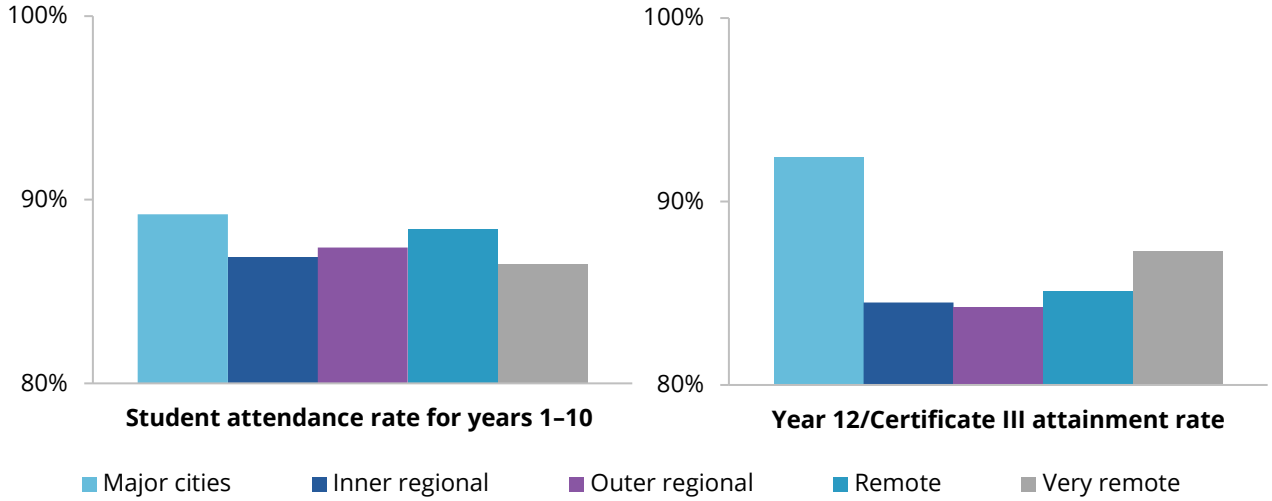
Some state and territory governments provide subsidised air travel for geographically-isolated students (including those residing on islands).[17] Inquiry participants noted that there are no broadly available schemes to assist students with travel from regional areas to boarding schools (ICPA, sub. 86; Catholic Education Queensland, sub. 59), which can provide valuable educational opportunities for some regional and remote students.

For the majority of the non-Indigenous population, there is limited difference in student attendance rates by remoteness for years 1–10. This suggests that most regional and remote students can access schooling for years 1–10 (through local services or alternative forms of delivery). However, attainment rates for year 12 and above are lower outside major cities (figure 4.2). The factors driving lower attainment at higher levels are less clear – travel is only one factor influencing education outcomes. Attainment rates for years 11–12, as well as tertiary education, likely reflect a range of factors alongside physical access to education.

[17] In Western Australia, travel is subsidised for students who reside in an eligible remote area (WA DTMI 2025). In Tasmania and New South Wales, students geographically isolated on islands are eligible for at least one subsidised flight home per school term (NSW Government nd; Tasmanian Government nd).

Improving educational attainment will therefore require a broader range of responses tailored to the challenges facing regional and remote communities and is outside the scope of this inquiry.

Figure 4.2 – Non-Indigenous educational attendance and attainment



Data for student attendance is from 2025; data for year 12/Certificate III attainment is from 2021 and includes people aged 20–24 years who have attained year 12 or equivalent, or Certificate III or above.

Source: PC (*Closing the Gap Annual Data Compilation Report 2025*, table CtG5A.3); Steering Committee for the Review of Government Service Provision (*Report on Government Services 2026*, part B, table 4A.16).

Aboriginal and Torres Strait Islander students face additional barriers to educational attainment, including structural and systemic barriers which can vary geographically. For Aboriginal and Torres Strait Islander students, there are greater differences between educational attainment rates in regional and remote areas and metropolitan areas. Aboriginal and Torres Strait Islander students living in regional and remote areas currently record lower attendance and attainment than Aboriginal and Torres Strait Islander students in major cities. For example, there is a 34 percentage-point gap in year 12 or equivalent attainment, and a 26 percentage-point gap in attendance between major cities and very remote areas (PC 2025a; SCRGSP 2025).

Education for Aboriginal and Torres Strait Islander students should be grounded in culturally safe approaches that recognise the role of family and community. Family and community have played a vital role in traditional education and learning for Aboriginal and Torres Strait Islander young people for tens of thousands of years, with colonisation and subsequent assimilation policies disrupting these practices (Hughes and More 1997; Price and Rogers 2019). The formalised education system has also historically valued Western knowledge above Aboriginal and Torres Strait Islander ways of knowing (Bodkin-Andrews and Carlson 2016; Morrison et al. 2019), which continues to cause distrust of educational institutions (Krakouer 2015, p. 7; Thackrah et al. 2022). This underscores the importance of culturally safe education – including strong relationships with peers and educators, expectations for attainment and connections to students' local community.

As such, self-determination and culturally safe education institutions should be central to educational attainment for Aboriginal and Torres Strait Islander students. The most appropriate way to achieve this will differ between students and communities – in some cases, it can involve staying on Country and accessing education through local schools, School of the Air or other forms of remote delivery. In others, families may decide that boarding schools provide the most appropriate educational services.

Where students study away from home, maintaining connections to family, community and Country remains important. Travel assistance can help students maintain these connections while accessing educational opportunities that are not available locally. Schemes are in place to help students access education that requires travel.[18] These supports remain valuable as part of broader efforts to improve educational attainment outcomes for Aboriginal and Torres Strait Islander students.[19]

Supporting service delivery through better access to air travel

Government agencies, NGOs and Aboriginal and Torres Strait Islander community-controlled Organisations (ACCOs) often travel to communities to provide services or support clients to travel to services in larger centres. However, the cost of travel can constrain the delivery of these services. Instead, governments should ensure that funding and procurement arrangements support efficient service delivery.

Air services support access to justice and community services

Many justice and community services are not available in regional and remote areas. Accessing family law proceedings, child protection services and criminal justice processes may require travel by either service users or providers (Northern Territory Government, sub. 48, p. 7; RDA Mid North Coast, sub. 58; Yalu Aboriginal Corporation, sub. 89, p. 4). Many of these services are funded by, and are the responsibility of state and territory governments, with other services provided by NGOs.

Inquiry participants noted that unaffordable or unreliable air services can affect justice and community outcomes (PC 2026, pp. 15–16). Examples included missed appointments leading to adverse legal outcomes; family safety concerns in cases where urgent travel is required but is unaffordable; and the cost and reliability of travel for organisations delivering legal and community services.

Accessible air services are also necessary for Aboriginal and Torres Strait Islander people who may be accessing justice services. Air services can support Closing the Gap targets 10 (criminal justice), 11 (youth justice) and 12 (child protection). Inquiry participants highlighted the links between air services and Closing the Gap outcomes.

> For families without reliable access to affordable transport — and for whom the cost of a last-minute airfare at $374 is entirely out of reach — non-attendance at critical appointments can trigger adverse legal outcomes, including removal of children from family care, that are deeply counterproductive to the goals of Targets 11 and 12. The justice reinvestment literature consistently identifies transport access as a structural enabler of community-based alternatives to custody (Baldry and Cunneen 2014); aviation affordability is a component of that access architecture for remote and regional Aboriginal communities. (RDA Mid North Coast, sub. 58, p. 13)

> Expensive airfares mean that children in care are deprived of the opportunity to thrive and indeed will continue to suffer the effects of being disconnected from family, well into their adult years. (Yalu Aboriginal Corporation, sub. 89, p. 3)

[18] The Australian Government provides a fare allowance through ABSTUDY to Aboriginal and Torres Strait Islander students who study away from home (Services Australia 2025).

[19] The National Agreement on Closing the Gap includes Outcome 5: 'Aboriginal and Torres Strait Islander students achieve their full learning potential' with a target to '[by] 2031, increase the proportion of Aboriginal and Torres Strait Islander people (aged 20–24) attaining year 12 or equivalent qualification to 96 per cent'.

Appropriate funding for remote not-for-profit service delivery

For many organisations delivering services in regional and remote Australia, flying providers to these locations is a necessary cost of service delivery. High and volatile airfares can reduce the frequency of visits, limit service delivery and divert funding away from frontline services.

> The cost of regional airfares for lawyers to travel to regional centres to represent clients in Court are a big cost factor for us which we generally can't afford. The higher the airfares the less feasible this becomes as our service does not receive funding to cover. This isn't limited to us; this pattern happens for access to specialist non-profit legal assistance by LGBTQIA+ people in regional areas throughout Australia. (4Rs Network, sub. 95, p. 11)

> High airfares directly reduce the frequency with which staff can travel into communities, delaying program delivery, reducing continuity of support, and limiting our ability to respond flexibly to emerging needs within families and communities. … In some instances, Australian Red Cross staff must ration travel or reduce onsite time due to cost constraints, which weakens the effectiveness of programs designed to provide consistent presence, engagement, and culturally responsive practice. (Australian Red Cross, sub. 33, p. 4)

ACCOs and other not-for-profits that provide services to Aboriginal and Torres Strait Islander people have raised that funding arrangements do not always adequately account for travel costs, particularly in remote areas where travel can be more expensive. As a result, organisations may have fewer resources available to deliver services and support communities.

> Funding models for programs delivered in remote communities should recognise aviation travel as a structural cost of service delivery. (Yalu Aboriginal Corporation, sub. 89, p. 4)

> Community legal assistance services in and/or for 4Rs areas are typically facing overheads for travel which are not reflected in their funding allocations under funding programs and funding models. This relates to all forms of travel and the overheads which go with it. (4Rs Network, sub. 95, p. 9)

Governments should ensure service providers are adequately funded for air travel where it is a necessary aspect of service delivery.

Greater coordination of government procurement

Governments fund a substantial amount of direct air travel (for employees) and indirect air travel (for NGOs travelling for publicly-funded service delivery). Governments often have access to discounted rates for employees travelling on official business (Australian Government Department of Finance 2026a). However, the benefits of government travel arrangements do not tend to extend to NGOs and ACCOs delivering government-funded services. Further, negotiating discounts on published fares can create an incentive for airlines to raise the published fares on routes where there is a high proportion of government travel.

There may be opportunities for governments to adopt a more coordinated approach to procuring air travel across publicly-funded service delivery. As governments are a large purchaser of air travel on some routes, they may be able to use their purchasing power for indirect government-related travel, reducing costs and improving budget certainty for service providers. However, the scope for doing so is likely to be greatest on routes where government-related travel makes up a large share of demand and where airline profit margins are more sustainable.

Such an approach could involve a discount or price cap negotiated to cover indirect government travel, which would likely be lower than the market rate but higher than the currently negotiated rate. This would be to compensate airlines for providing a discount on a larger number of seats and to ensure that low margin routes do not become unviable with this change. The price negotiated would also potentially have to allow for a greater level of last-minute seat bookings to support urgent health or community needs. To allow for this there could be different rates negotiated depending on how early tickets were booked.

An alternative may be to look for opportunities to improve cross-agency coordination in the planning and use of charter flights, helping to maximise utilisation and reduce costs.

Information request 4.2
Government procurement of air services

The PC is seeking views on the procurement of air travel across all levels of government, as well as the funding of air travel for organisations delivering services in regional and remote Australia. This includes:

- how airfares and access to air travel affect the operations of non-government organisations (NGOs) and Aboriginal and Torres Strait Islander community-controlled organisations (ACCOs) delivering services in regional and remote Australia
- how airfares and access to air travel affect access to justice in regional and remote Australia
- how government procurement of air travel could be better coordinated to improve efficiencies within government and/or facilitate better access to air travel among NGOs and ACCOs.

4.2 Preserving aviation routes that are central to connectivity

In regional and remote Australia, air travel is often central to connectivity and is sometimes the most efficient or only practical way to access major cities or regional centres, particularly where distances are long, travel is time-sensitive, alternative transport is unavailable or communities are isolated by road.

Even where aviation is the most reasonable option for travel, low passenger volumes and high operating costs can make an air service difficult to sustain commercially. In this case, governments may have a role in supporting air routes where there is demonstrated demand for air travel, aviation is the most efficient and practical way to meet that demand, and the market does not provide flights at a price or service that meets community needs. Governments should also consider if alternative transport options or service delivery would be more cost-effective. Where route support is justified, governments will need to ensure that it is designed and delivered in the most cost-effective way.

Supporting services for communities where aviation is not commercially viable

Five state and territory governments and the Australian Government currently directly support or 'regulate' more than 85 routes (figure 4.3).[20] Approaches to regulation vary across jurisdictions and many combine measures to preserve regular public transport (RPT) services with support for affordability or commercial viability (table 4.1).[21] Governments typically conduct a competitive tender process in which airlines bid for a route.

These interventions are generally intended to maintain connectivity on routes that may not be commercially sustainable. Low passenger volumes can prevent airlines from achieving economies of scale, which can make it difficult to operate services on a sustainable commercial basis. Governments may face pressure to support these routes; however low passenger volume can also reflect limited need for air travel.

The fact that a route is difficult to sustain does not, on its own, justify intervention – indeed, only 40% of routes with fewer than 50,000 passengers are regulated.[22] Before intervening, governments should consider whether connectivity could be met through other means. For example, airlines may be able to reduce costs by operating less frequently or using aircraft better matched to passenger demand. Other airlines may be able to provide the service in a commercially sustainable manner, or alternative transport options may be available or could be made available at low cost. Government intervention to preserve air services should only be considered when these alternatives are not possible.

Route regulation involves providing an airline with exclusive monopoly rights to fly a particular route. This protects an airline from competition and, in exchange, the government can require the airline to meet a minimum standard that is suitable for a community, such as ensuring a certain flight frequency or minimum number of seats. However, exclusive rights do not necessarily make a route commercially viable or affordable. Where the revenue from operating the route is insufficient to provide the required service, governments may also need to subsidise the operator.

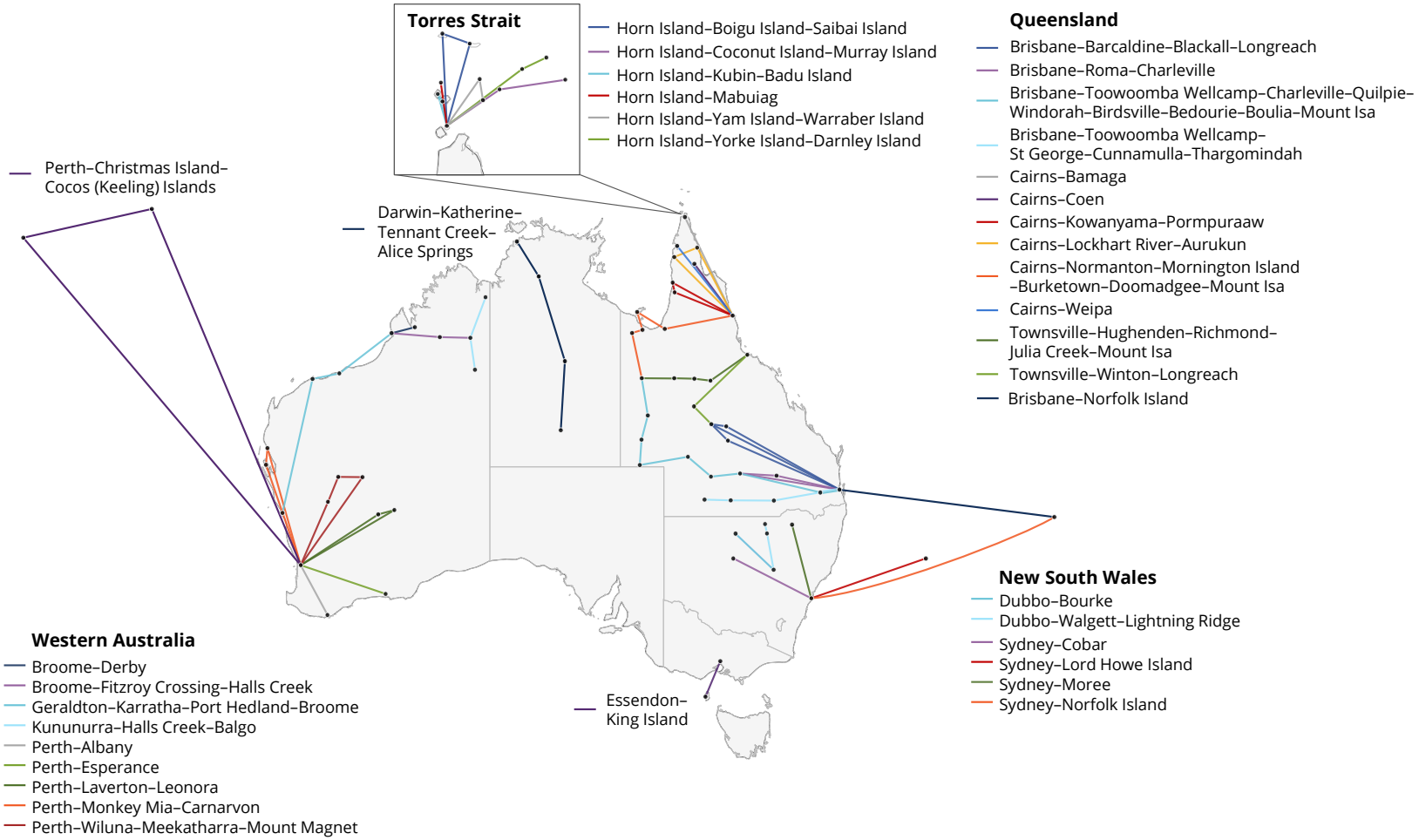
Current government approaches to regulation vary across jurisdictions, and there is limited public information on how decisions are made. New South Wales has the clearest published threshold, only regulating routes carrying fewer than 50,000 passengers per year (TfNSW nd). Queensland's *Transport Operations (Passenger Transport) Act 1994* s. 36(2) specifies criteria that must be considered when deciding to regulate a route. Our analysis shows considerable variation in the passenger volume, distance and load factors on regulated routes (table 4.1). Further, there are no public evaluations of the effectiveness of these policy levers in the Australian aviation market.

[20] The Western Australian Government also has 'lightly-regulated' routes. These routes have adequate commercial services and so are not included in our analysis of regulated air routes (WA DTMI 2026).

[21] The Australian Government provides the Remote Air Service Subsidy Scheme which subsidises a regular weekly air transport service to communities in remote and isolated areas of Australia. As these services are not RPT, they are not included in this sub-section of the report.

[22] Excludes routes with fewer than 1,000 annual passengers.

Figure 4.3 – Regulated air routes in Australia



Source: Air Link (nd); DITRDCSA (2025a, 2026b, nd); Hinterland Aviation (2025, 2026a); Jaensch (2026); Moriarty (2025); Mansion (2023); Qantas (2026d); QLD TMR (2022, 2026a, 2026b); Rex (2026b); Skytrans (2026); TfNSW (nd); WA DTMI (2026).

Table 4.1 – Characteristics of regulated routes

Route type	Per annum	Minimum	Mean	Maximum
Exclusive monopoly rights	Passengers	2,000	16,000	51,000
	Load factor (%)	35	60	75
	Distance (km)	200	550	900
Milk run	Passengers	1,000	8,000	11,000
	Load factor (%)	30	55	75
	Distance (km)	100	500	900
Subsidy	Passengers	1,000	13,000	33,000
	Load factor (%)	30	55	70
	Distance (km)	250	1,000	1,950
Resident price cap	Passengers	1,000	13,000	40,000
	Load factor (%)	30	55	75
	Distance (km)	100	450	850
Unregulated <50K annual passengers	Passengers	3,000	18,000	40,000
	Load factor (%)	40	60	80
	Distance (km)	150	850	2,000

Minimum and maximum values are at the 10th and 90th percentile due to data privacy. Passenger numbers are annual totals for 2025, combining both directions and all airlines operating each route. Load factors are calculated using annual passenger and seat totals. Distance is measured between airports. For milk run services, passenger numbers, load factors and distances are based on the consecutive leg with the highest annual passenger volume. Routes may appear in more than one regulation category. Dubbo–Bourke and Dubbo–Walgett–Lightning Ridge are excluded because Air Link services are not covered by BITRE data. Essendon–King Island is excluded because regulation commenced after 2025. Passenger numbers are rounded to the nearest 1,000, load factors to the nearest 5 percentage-points, and distances to the nearest 50 km. The Western Australian Regional Airfare Zone Cap scheme is not included in this analysis. Routes with fewer than 1,000 annual passengers are excluded.

Source: Unpublished BITRE flight data, 2025.

A framework for deciding which routes to regulate

Governments may have a role in regulating air routes where there is demonstrated demand for air travel, aviation is the most efficient and practical way to meet that demand and market outcomes do not adequately meet community needs. However, regulation can prevent competition from emerging and should therefore only be used where all of these conditions are met.

A useful starting point is whether there is established demand for air travel on the route. Existing passenger volumes provide direct evidence that people use air travel between a community and a particular destination.

Routes carrying more than 50,000 passengers a year are generally more able to support one – and sometimes two – airlines. Below this threshold, most routes are unable to sustain competition between airlines, and, on some routes, a commercial RPT service cannot exist without support. Existing routes

carrying fewer than 50,000 passengers therefore combine demonstrated demand for air travel with a greater risk that the market will not sustain an appropriate service.

Where annual passenger numbers are very low, regulating an RPT air service may not be the most efficient way to support connectivity. A smaller-scale aviation service, such as one supported by the Remote Air Services Subsidy Scheme may be more appropriate for some small communities. The scheme provides weekly air transport to eligible communities with fewer than 200 people (DITRDCSA 2026g).

The next consideration is whether aviation is the most efficient and practical way to meet the demand for travel. Alternative transport options may provide a more cost-effective way of connecting regional and remote communities than supporting an air service. Governments should consider existing ground transport, improvements to the road network, subsidised bus or coach services and better connections to a nearby airport. Long road journeys do not necessarily establish a case for route regulation. Where travel is infrequent, road transport can provide a more flexible and cost-effective connection to services or a nearby airport.

The affordability and accessibility of alternative transport options should also be considered. For example, the fare for the 3 hour and 30 minute Bush Bus from Yuendumu to Alice Springs is $172.50 (Centre Bush Bus 2026), equivalent to 43% of weekly income per person living in Aboriginal and Torres Strait Islander households[23] (PC estimates using ABS 2022, 2026; Centre Bush Bus 2026). Improving the affordability of these services, such as through additional subsidies, may improve access to transport for people on lower incomes than subsidising air travel. Ground transport services, despite often being subject to insecure funding (Lange and Brash 2026), are likely worth subsidising as they provide a more cost-efficient and accessible means of supporting community connectivity than subsidised air travel.

Where aviation is the preferred transport option, the final consideration is whether the market is providing an appropriate service. An existing commercial service may not adequately meet community needs if fares place travel beyond the reach of many residents, flights operate too infrequently, available capacity is insufficient or services are regularly disrupted. Governments should identify the outcomes that are not being delivered by the market and assess whether intervention would materially improve affordability, frequency, capacity or service reliability.

The form of intervention should respond to the specific problem identified. For example, a route subsidy may be appropriate where revenue is insufficient to sustain the required frequency or capacity, while fare conditions may be more relevant where a service operates but prices limit access. Any intervention should specify the service outcomes to be delivered and the support provided should be no greater than required to achieve them.

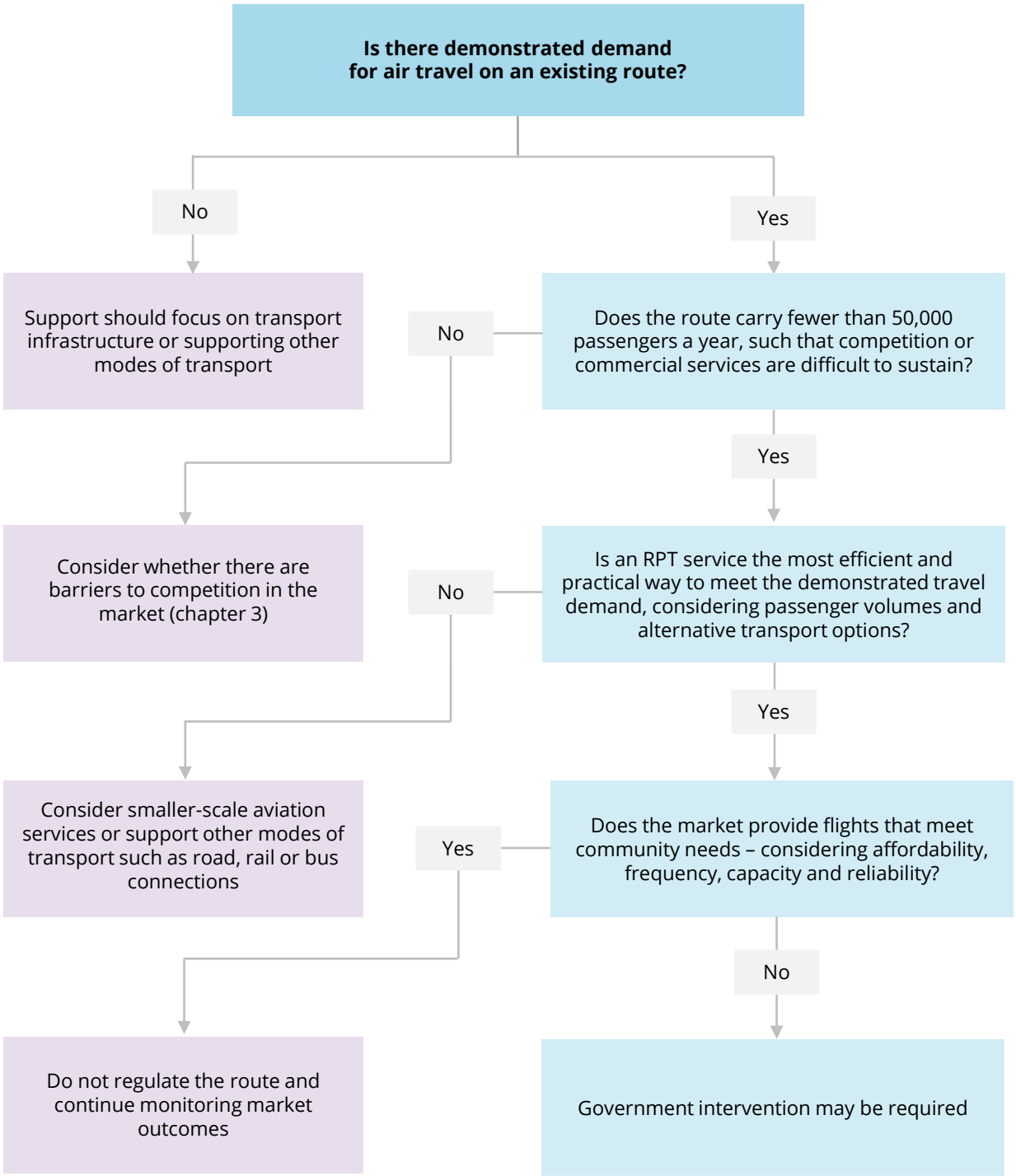
Route regulation should reflect the travel needs of communities, even where this involves traversing state and territory borders. Often, intrastate travel is more relevant for accessing services and hence intrastate routes comprise the majority of regulated routes. However, interstate routes can also be beneficial from the perspective of accessing services efficiently. One example is the Tasmanian Government's regulated route from King Island to Melbourne (figure 4.3). Where regulating an interstate route would provide community benefit, this should be considered by the relevant governments.

States and territories that regulate routes should adopt a public framework to support their decision making and publish specific guidance about how the framework is applied. Each jurisdiction is best

[23] Income per person is calculated by dividing the median weekly household income in Yuendumu by the average number of people per household for households where at least one person identified as Aboriginal and/or Torres Strait Islander, adjusted by the wage price index.

placed to understand its aviation market and the needs of regional and remote communities. However, a prototype of a framework (figure 4.4) has been developed to provide a starting point for more consistent decision making. Decisions about route regulation should both inform, and be informed by, the proposed framework for airport funding (chapter 5).

Figure 4.4 – Prototype for assessing intervention requirements



Regulating routes in a cost-effective way

Where route regulation is necessary, governments should ensure that support is delivered in the most cost-effective way. For instance, competitive tendering should be utilised to promote competition for the market when competition within the market is not viable. Periodically tendering the rights to provide a subsidised or regulated service can place competitive pressure on operators, help reveal the subsidy required to meet specified service standards and improve value for money for governments. Regulatory arrangements should expire unless a periodic review demonstrates that continued intervention is warranted.

A reverse auction process allows airlines to compete for the right to operate on the regulated route by bidding for the level of government support they need to provide the specified service. Airlines have an incentive to submit lower subsidy requirements in order to secure the contract. In principle, this process can reveal the lowest subsidy for which a qualified operator is willing to provide the service, rather than requiring governments to set the subsidy amount in advance.

The effectiveness of a reverse auction depends on genuine competition among credible bidders. Where there are few potential bidders, the benefits of reverse-auction tendering are weaker. Overly restrictive tender conditions could also reduce participation. Tender design therefore matters both for the price revealed through the auction and for the level of competition generated by the process.

Governments should ensure their regulations do not exclude certain airlines or prevent airlines from operating efficiently. Highly-prescriptive requirements such as mandating specific aircraft can force an airline to fly aircraft that are not suited to conditions, airports or the type and number of passengers. When government requirements are more stringent, operators are discouraged from providing the service and a larger government subsidy is required (Kinene et al. 2022; Pita et al. 2014, p. 31). This is particularly important in regional aviation markets where there are few potential suitable airlines. However, governments should also ensure their contracts contain safeguards to ensure communities receive an appropriate standard of service.

Governments must also be mindful of unintended consequences. Capping maximum fares for eligible residents can help ensure fares are affordable; however, it also reduces the revenue available to support the service unless the government compensates the airline for the difference. Setting fares too low may also increase demand beyond the available seat capacity, making it harder for passengers to secure a flight. This can be particularly problematic for people who need to travel urgently for health reasons and cannot book well in advance. Governments should therefore consider seat capacity and flight frequency requirements, fare settings and any subsidy together, with the level of intervention no greater than necessary to maintain the desired service.

Reform direction 4.2
Governments should adopt an open and transparent approach to route regulation

Australian, state and territory governments should assess route regulation against a best-practice framework. Existing routes should only be supported if:

- aviation is the most efficient and practical means of providing regional connectivity, and
- the market does not provide a sufficient air service that meets community needs.

When route regulation is necessary, governments should:

- use a reverse auction to promote competition for the market and identify the minimum subsidy required to provide the specified service
- disclose the reasons for regulating routes and the criteria used to assess whether regulation is warranted.

4.3 Travel supporting wider socio-economic participation

People living in regional and remote Australia travel for work, professional development, social connection, visiting family and friends and other personal reasons. While these journeys can be highly important to individuals, they are less directly linked to specific government objectives, and travellers generally have more scope to decide if, when and how often to travel.

Some state and territory governments subsidise regional airfares to improve affordability. Western Australia and Queensland subsidise airlines to provide capped or discounted fares on eligible routes (box 4.1).

Box 4.1 – Existing price cap schemes

Western Australia and Queensland both offer cheaper airfares to regional residents, however they have taken different approaches to their schemes.

Western Australia

The Regional Airfare Zone Cap scheme caps fares for eligible residents travelling between 18 regional communities and Perth. The price cap ranges between $199 and $385 one-way depending on low or high demand flights and the regional location. Eligible residents may use capped fares for up to 12 personal trips each year. Over 750,000 flights have been purchased through the scheme since it commenced in July 2022. The program is expected to cost $24.4 million per year on average over the next 5 years.

Queensland

The Queensland Government provides a subsidy to airlines and sets a price cap on its long-distance air services to 23 regional communities. The maximum price caps are made by agreement between the Queensland Department of Transport and Main Roads and airlines. The flights are not limited to residents and there are no restrictions on the number of trips.

The Queensland Local Fares Scheme provides a discount to residents in 28 remote communities. Eligible residents receive a discount of up to $200 on a one-way fare, subject to a minimum fare of $99 plus booking fees. Regional residents can take up to 24 flights per financial year and are for personal travel only. In 2025–26, almost 50,000 trips were taken by 19,000 registered participants.

Publicly available information does not identify the total subsidy paid to airlines under each of the schemes, but the Queensland Government is expected to spend below $19.6 million in 2026–27 on subsidising regional air transport in total (the exact amount is unclear due to the way it is reported in budget papers).

Source: Government of Western Australia (2026); QLD TMR (2022); Queensland Government (2026b, p. 150); Rechichi and Helm (2026, pp. 1, 12); Saffioti (2026, p. 38); WA Department of Transport and Major Infrastructure (2026).

Government funding should help those most in need

The affordability of airfares can have significant implications for social and economic outcomes. We have heard from a range of people and organisations that high regional airfares can make travel prohibitively expensive for people living in regional and remote areas, with adverse effects on their ability to maintain family and social connections and participate in economic and community life (PC 2026).

Many inquiry participants supported continuing or expanding targeted government assistance to improve the affordability of regional air travel (such as Queensland's Local Fare Scheme and Western Australia's Regional Airfare Zone Cap Scheme), and introducing similar assistance elsewhere.[24] Participants said that high airfares caused people to travel less frequently, delay or forgo trips, and lose access to essential services and family connections (PC 2026). Some participants also reported that existing subsidy and fare-cap schemes had improved affordability, although the benefits depended on scheme design, route coverage and the availability of capped seats.[25]

At the same time, even discounted fares remain unaffordable for some households.

> In our region of Western Australia, the capped airfare scheme is appreciated; however, the cost of flights for a two-hour journey to Perth remains prohibitively high. The current lowest available return fare is approximately $600, and the recent increase of $170 to the capped fare during peak travel periods – when families are most likely to travel – has further compounded affordability challenges. (qr. 189)

> It is disappointing that even though we have capped resident fares, we can only book return flights. This is frustrating as sometimes we can't afford to purchase a return fare at the one time, but because we can only book return it places undue financial strain on us. (qr. 413)

This suggests that existing discounts may be insufficient for some of the households facing the greatest financial barriers to travel.

International research has found that airfares were higher on routes that offered price caps only to residents (Paraschi et al. 2022, p. 408), making airfares more expensive for non-residents travelling on that route. Research has also shown that the introduction of residential airfare discounts may have a negative relationship with tourism expenditure in that destination (Álvarez-Albelo et al. 2020; Jiménez et al. 2023). These findings suggest that resident-only schemes may increase fares for ineligible travellers including those visiting family and friends, service providers, business travellers and tourists, which could potentially discourage some travel.

[24] Bachrach Naumburger Group (sub. 3, p. 3); Justin Davies (sub. 18, p. 2); RDA Tropical North (sub. 30, pp. 3–4); Megan McGrath (sub. 53, p. 1); RDA Goldfields Esperance (sub. 73, pp. 8–9); Maranoa Regional Council (sub. 85, p. 15); Yalu Aboriginal Corporation (sub. 89, p. 4).

[25] Kimberley Regional Group (sub. 21, pp. 15–16); RDA Tropical North (sub. 30, pp. 3–4); Broome International Airport (sub. 71, pp. 18–20); RDA Goldfields Esperance (sub. 73, pp. 5–9).

Better targeting of existing policies

While government support for air travel can improve the viability and accessibility of air services, this must be weighed against the direct fiscal cost and opportunity cost of assistance. There may be better ways that public funds could be used to help the same communities if, for instance, the assistance primarily subsidises travel that would have occurred anyway, or displaces funding for essential travel, infrastructure or other services.

Continued or expanded support may be warranted where there is clear evidence that community benefits exceed the costs and would not otherwise be realised. Any assistance should be targeted, provide value for money and generate additional travel or broader community benefits. There are several design changes that could provide more targeted assistance and potentially reduce program costs (table 4.2).

Table 4.2 – Possible amendments to general affordability schemes

	Description	Impact
Means tested eligibility	Increase the discount per flight while limiting eligibility to regional residents in low-income households. Eligibility should be linked to existing concession cards to minimise administrative duplication.	A larger, means-tested discount would concentrate assistance on households facing the greatest financial barriers to travel.
Front-loaded subsidy	Reduce the discount as an individual uses more subsidised flights during the year. For example, the first subsidised flight a person takes receives the highest discount, and each subsequent flight receives a reduced discount.	A larger discount on the first eligible trip could make occasional travel more affordable and distribute assistance more broadly, rather than concentrating it among frequent travellers.
Focus subsidies on a set number of flights per passenger	Limit the number of flights, for example 4 discounted return flights per resident per annum.	Depending on current usage, limiting the number of eligible trips may allow governments to provide a larger discount on each trip without increasing total expenditure.

Governments should also work with airlines to determine the administrative systems required. Each option would require a centralised system to track eligibility and prevent passengers served by multiple airlines from exceeding the annual travel limit.

Each jurisdiction should model the fiscal and distributional effects of the options on regional households. The preferred option should be the one that most cost-effectively improves access for households facing the greatest financial barriers to air travel.

When governments subsidise discounted airfares, the arrangements should be designed to achieve the greatest possible reduction in fares for a given amount of public funding. Governments should monitor prices and consider requiring airlines to provide cost information. Governments should also consider linking payments to airlines to eligible passenger trips rather than providing unconditional lump-sum payments. These approaches can help ensure that the benefits of public expenditure flow primarily to eligible residents.

Governments should monitor subsidy arrangements to ensure they continue to provide value for money. Contracts should allow governments to reduce or recover payments where airlines do not meet agreed fare eligibility or service requirements. Governments should also publish information on passenger use and the subsidies paid to airlines to improve transparency and accountability for public expenditure and enable assessment of whether the arrangements are delivering value for money.

Reform direction 4.3
General affordability subsidy schemes should be better targeted

Government support should prioritise preserving essential connectivity, rather than improving general affordability. Existing programs that subsidise airfares could be better targeted to support people who would otherwise be unable to afford air travel, as this would achieve greater impact for the same amount of public funding.

Governments should monitor subsidy arrangements to ensure they continue to provide value for money and publish information on subsidy payments to support transparency, accountability and assessment of value for money.

5. Sustainability of regional airports

Key points

- **Regional airports are a central part of the aviation network, supporting passenger travel and other essential services.**
- **Poor financial results can indicate that an airport is under financial pressure but do not establish infrastructure need or investment priority.**
  - Financial outcomes depend on airport charges, commercial opportunities and support from councils and other levels of government.
  - In regional and remote areas, low passenger volumes and marginal route economics can constrain airports' ability to recover operating and infrastructure costs.
- **Governments provide substantial support for regional airport infrastructure, but funding is spread across different programs and levels of government and is largely focused on individual projects.**
  - Current funding arrangements assess individual projects, but do not provide a consistent basis for comparing infrastructure needs and priorities across regions.
  - Funding projects individually may preserve existing airport capability and air services without establishing their need or whether regional access could be maintained more effectively another way.
- **State and territory governments should take a system-wide approach to direct regional airport infrastructure funding to where it delivers the greatest public value.**
  - Funding should prioritise the minimum infrastructure needed for community connectivity and important public functions, such as medical, emergency and defence flights. Government funding of infrastructure for other regular public transport services requires additional justification, while airports with sufficient passenger demand and commercial opportunities should generally fund their own infrastructure.
  - Initially, infrastructure condition and the consequences of delay should guide priorities. Over time, this system-wide approach should determine which infrastructure warrants government support and the amount of support provided.
- **Australian Government funding should support national objectives and Australian Government responsibilities. Where responsibilities overlap, governments should agree on their respective contributions and coordinate funding across relevant programs.**
- **Australian Government regulation adds to operating and capital costs at regional airports, but further evidence is needed on how these costs have changed and where funding shortfalls remain.**

5.1 The role and importance of regional airports

Regional airports are a critical part of the infrastructure that supports regional air services. While this inquiry has focused on airfares, the cost and availability of regional air services depend in part on the airports from which they operate. Airports provide the infrastructure required for airlines to operate safely and reliably, while airport costs, investment requirements and funding arrangements can all ultimately affect the fares that travellers pay.

Regional airports support a range of activities beyond regular public transport (RPT) services (figure 5.1). As a result, airports can provide significant community and economic benefits, even where passenger volumes are low.

Figure 5.1 – Regional airports support multiple community and commercial functions

Community functions	Commercial functions
• Aeromedical services • Emergency management and disaster relief • Essential supplies and access to remote communities • Government and defence operations	• RPT services • Charter and general aviation • Commercial freight and logistics • Aviation training

Local governments play a central role in Australia's regional airport network, owning and operating more than 200 regional airports and aerodromes (ALGA 2024, p. 14). This ownership pattern largely reflects the Australian Government's transfer of regional airports to councils under the Aerodrome Local Ownership Plan, which concluded in 1993. As part of this transfer, the Australian Government provided councils with one-off funding for maintenance and approved development, while councils inherited ongoing responsibility for funding and managing the airports (Senate Standing Committee on Rural and Regional Affairs and Transport 2019, pp. 14–15).

This history continues to shape how councils view regional airports and their funding responsibilities. Councils inherited long-lived infrastructure that they must maintain in accordance with aviation standards. They must balance expenditure on ongoing maintenance, operations and asset renewal against other demands on council budgets. Decisions about airport funding and investment may therefore reflect the broader priorities for the council, such as promoting regional development and tourism opportunities.

The financial sustainability of regional airports and air services should not be considered in isolation. Airports provide the infrastructure that enables connectivity, and their continued sustainability is essential to a reliable regional aviation system. Some airports do not raise enough revenue to maintain and renew their infrastructure. Increasing airport charges could help close this gap but may also increase airline costs and put marginal regional routes under further pressure. Governments therefore need to look beyond the financial position of individual airports when determining which airport capabilities should be sustained and how costs should be shared between airport users, owners and governments.

5.2 Financial performance reflects cost recovery choices

Regional airports must fund day-to-day operations and long-term infrastructure renewal. These costs are ultimately borne by some combination of airport users, commercial activities, airport owners and governments. Decisions about how these costs are recovered affect airline route costs, passenger fares, council budgets and the timing of infrastructure investment.

Airports face ongoing operating and infrastructure costs

Regional airports incur a range of ongoing costs to maintain day-to-day operations. These include staffing, utilities, insurance, administration, contracted services and routine maintenance.

Airports are also responsible for substantial infrastructure assets, including runways, pavements, lighting systems and terminals. Council-owned airports and aerodromes have an estimated replacement cost of approximately $4 billion (IPWEA 2026, p. 60). These assets are long-lived and require ongoing maintenance and periodic renewal. As a result, airports can face significant infrastructure costs, even where demand is relatively low. A 2026 survey found that depreciation accounted for a median 34% of operating costs across participating regional airports, highlighting the significance of asset renewal costs (ACIL Allen 2026, p. 12).

Infrastructure renewal often involves large and infrequent expenditure. Extended periods of modest capital expenditure can be followed by major renewal projects. Many of these projects are needed to maintain safe and compliant operations and do not generate additional revenue. In 2026, 67% of airports that responded to a survey question on capital investment deferrals reported that capital reinvestment requirements were currently deferred, mainly due to a lack of funding or limited owner appetite for investment (ACIL Allen 2026, p. 15).

Airports recover costs in many ways

Regional airports recover costs through a mix of aeronautical revenue, commercial revenue and, in many cases, support from airport owners and governments. The balance between these funding sources varies considerably and affects who ultimately bears the cost of providing airport infrastructure and services.

Aeronautical revenue is generated from airport charges for access to infrastructure and services, including through landing charges, passenger charges, security screening charges and aircraft parking charges. It is the main source of revenue for regional airports and their principal means of recovering costs. These charges support airport operations and infrastructure but also contribute to airline operating costs and are ultimately reflected in passenger fares.

Inquiry participants expressed a range of views about airport charges. Virgin Australia described airport charges as a 'significant and growing contributor' to the cost of regional air travel and reported that they had surpassed fuel as its second-largest operating cost after labour (sub. 102, p. 6). Airline representatives also raised concerns about unilateral increases, limited transparency and higher charges without corresponding improvements in services or capacity (A4ANZ, sub. 106, p. 4). By contrast, the Local Government Association of Queensland reported that some councils set charges below full cost recovery to reduce the risk of airline withdrawal (sub. 61, p. 4). Other airport operators stated that charges reflect long-term operating and capital costs and are set in accordance with the Australian Government's Aeronautical Pricing Principles (QAL, sub. 84, p. 10). Participants also raised the relative bargaining power of airports and airlines as a factor affecting negotiated charges (PC 2026, p. 29).

The operating environment is challenging at many regional and remote airports. Like airlines (chapter 2), many regional airports have high fixed operating costs and low passenger volumes, which limit opportunities to generate revenue. Airport charges affect both the financial sustainability of airports and the viability of marginal routes. Lower airport charges reduce airline costs but make it difficult for airports to cover operating costs and renew airport infrastructure. Our analysis of airline cost data shows that airport charges can be a significant cost. This is particularly relevant for many short regional and short remote routes, which have high costs and low profit margins (chapter 2), leaving airlines with limited capacity to absorb higher airport charges. Further cost increases may make some marginal routes unsustainable and lead to airlines withdrawing services.

Airports also charge a broader range of users, including charter operators, flight schools and private aircraft through charges for landing, training, parking and other services (City of Greater Geraldton nd; City of Wagga Wagga 2026, pp. 30–31). But airports do not recover costs from all users in the same way. Evidence suggests that many airports allow aeromedical, emergency and other government services to use airport infrastructure without charge (ACIL Allen 2026, p. 17).

Some airports supplement airport charges with non-aeronautical revenue from property leasing, car parking, advertising, retail and other commercial activities. For example, Griffith City Council approved paid parking at Griffith Regional Airport to help meet airport operating costs and fund future improvements (2026). However, opportunities to raise non-aeronautical revenue may be limited in regional areas. Low passenger volumes that constrain aeronautical revenue also limit parking revenue. Property development is less directly tied to passenger activity, but opportunities may be limited by lower commercial demand in many regional areas (AAA, sub. 93, p. 16).

As most regional airports are council-owned, councils need to decide how to fund costs that airports do not recover from aeronautical and non-aeronautical revenue. Where airport revenue does not cover these costs, councils may meet the shortfall from other revenue. For example, Wagga Wagga City Council recorded an accounting subsidy of approximately $2.3 million for its airport business in 2024-25 (2025, p. 6). Subsidies from local councils can keep airport charges (and airfares) low, but this shifts part of the cost to ratepayers. Council support can also include contributions to capital works and grant co-funding or accepting a lower financial return than a commercial owner would require.

Financial performance varies considerably across regional airports

Airports with similar passenger volumes and infrastructure needs may report very different financial outcomes depending on their mix of user charges, commercial revenue and government support. Airport financial results provide some insight into whether current revenue and other financial contributions are sufficient to cover operating and infrastructure costs. However, they are also influenced by local decisions about charges, negotiations with airlines, service levels and council support, as well as differences in commercial opportunities and historical funding arrangements.

Analysis of publicly available airport financial statements shows substantial variation in financial performance (table 5.1). Some airports report substantial operating surpluses under current arrangements. The financial pressures facing some regional airports should therefore not be assumed to apply to all airports.

Financial outcomes should be interpreted as indicators of financial pressure, rather than measures of efficiency, infrastructure need or investment priority. They also do not indicate where future infrastructure investment would deliver the greatest benefit.

Table 5.1 – Financial outcomes vary across regional airports

Operating margin for selected airports, 2024–25

Regional airport	Operating margin (%)
Karratha	53
Gladstone	29
Albury	9
Ballina	8
Mildura	-5
Dubbo	-15
Tamworth	-26
Broken Hill	-30
Wagga Wagga	-39

Operating margin is the operating surplus or deficit before capital grants and tax as a percentage of operating revenue. Operating expenses include depreciation and amortisation. The table includes selected airports for which detailed financial information was available.

Source: Albury City Council (2025, p. 6); Ballina Shire Council (2025, p. 6); Broken Hill City Council (2025, p. 4); Dubbo Regional Council (2025, p. 6); Gladstone Airport Corporation (2025, p. 8); City of Karratha (2026, p. 54); Mildura Airport (2025, p. 18); Tamworth Regional Council (2025, p. 6); Wagga Wagga City Council (2025, p. 6).

5.3 Infrastructure decisions should take a system-wide view

Future infrastructure needs depend on the broader aviation system

Future airport infrastructure needs will be shaped by more than the condition of existing airport assets. Alongside factors such as asset age, maintenance requirements and regulatory obligations, airports need to be able to respond to wider changes occurring across the regional aviation system.

As discussed in chapter 2, regional aviation is already being affected by changes in airline fleets, passenger demand and service patterns. Future fleet decisions may alter airport infrastructure requirements, particularly where airlines introduce larger or different types of aircraft. Infrastructure that is appropriate for the current fleet may not be suitable for future aircraft. For example, in 2025, Whyalla Airport upgraded its runway and other airfield infrastructure to accommodate Qantas Group's larger Q400 aircraft (Whyalla City Council 2025).

Demand for regional air services can also change over time. Population growth, tourism activity and major industry developments can increase demand in some locations, while declining economic activity can reduce demand elsewhere. Major mining and energy projects can increase demand for RPT, charter and freight services, creating infrastructure requirements that are not reflected in historical passenger volumes. For example, renewable energy zones and associated generation, storage and transmission projects are expected to create substantial construction and employment activity in regional NSW (NSW Government nd). Conversely, the closure of a major industry can reduce an airport's demand base. The planned closure of Rio Tinto's Gove bauxite mine in 2028 is expected to substantially reduce regional employment and population and likely reduce demand at Gove Airport (WSP nd, p. 10).

Infrastructure requirements are also influenced by activities extending beyond passenger transport. Essential freight movements to remote communities, aeromedical services, emergency management and defence operations can all affect the infrastructure needed at an airport and, in some cases, may be the primary reason that infrastructure is maintained.

Current planning is focused on individual airports

Existing planning and funding arrangements are primarily designed to identify and assess infrastructure needs at individual airports. Airport master plans, asset management plans and airport financial management frameworks help owners identify infrastructure requirements, plan asset renewal and assess funding needs.

Governments provide substantial support for regional airport infrastructure through dedicated aviation funding programs and broader regional development, disaster resilience and transport infrastructure programs. Since 2019, Australian, state and territory governments have committed more than $580 million in regional airport infrastructure funding (figure 5.2).

Figure 5.2 – Regional airport infrastructure is funded through a patchwork of programs

Australian Government airport infrastructure programs	**$319.7m**	Regional airport program	$123.8m
		Remote airstrip upgrade program	$80.7m[a]
		Regional airport security screening fund	$49.2m
		Regional airports screening infrastructure program	$66m
Regional / community programs	**$71.4m**	Growing regions	$58.9m
		Building better regions fund	$7.5m
		Albury Wodonga regional projects initiative	$5m
Disaster resilience / recovery programs	**$127.9m**	Crucial access links	$72.5m
		Disaster ready fund	$21.4m
		Bushfire recovery programs	$22.5m
		Cloncurry airport recovery & renewal project	$11.5m
State funding programs	**$31.7m**	NSW rural and remote airstrips	$15m
		WA regional airport development scheme	$12.2m
		SA supporting regional aviation program	$4.5m[b]
Project specific / intergovernmental	**$39m**	Whyalla airport upgrade	$30m
		Bendigo airport terminal	$9m

The figure shows identified government funding commitments and grants for selected regional airport and airstrip infrastructure programs and projects since 2019. Program totals include only airport-related projects. Amounts include contributions from Australian, state and territory governments, have been rounded and do not necessarily represent expenditure incurred. **a.** Funding amount for rounds 6 to 11. **b.** Funding amount from 2015 onwards.

Source: Australian Government (2019, 2020, 2024b); City of Whyalla (nd); DITRDC (2026b, 2026a); DITRDCSA (2025b, 2026c, 2026d, 2026e, 2026f); King et al. (2022); McBain et al. (2025); NEMA (2026); NSW Public Works (2025); Price (2021); Queensland Government (2025a, 2026a); SA DIT (2026); Saffioti (2019, 2021, 2023, 2025); Snowy Valleys Council (2026).

This support is spread across programs administered by different levels of government, with different objectives, eligibility requirements, assessment criteria and co-funding rules. Taken together, these programs provide substantial support but do not provide a coordinated, long-term framework for infrastructure renewal.

Funding outcomes may also reflect differences in the capacity of airport owners to identify projects, prepare applications and meet co-contribution requirements. Requirements related to project planning, business case development, co-contribution arrangements and asset management documentation may favour airports with greater administrative and financial capacity. Some inquiry participants also indicated that co-contribution requirements can put grants beyond the financial capacity of smaller councils (WQAC, sub. 105, p. 15).

Recent changes have strengthened project-level decision making. For example, the Regional Airports Program requires applicants seeking more than $4 million to provide a financial management framework, while Western Australia's Regional Airports Development Scheme requires RPT airports seeking funding to provide a Strategic Airport Asset and Financial Management Framework (DITRDCSA 2026a, p. 1; WA DTMI nd). These developments strengthen the information available about individual airports and projects and can improve project-level funding decisions.

Funding arrangements do not reflect regional needs

However, airport-level funding decisions may not reflect infrastructure needs across a region. Regional Capitals Australia noted that assessing regional airport upgrades as isolated local projects can overlook the benefits extending beyond a single airport or local area (sub. 111, p. 18). European experience also shows that this can result in similar infrastructure being funded at airports with overlapping catchment areas (European Court of Auditors 2014, p. 31).

Grants to airports can also indirectly sustain RPT services by reducing the infrastructure costs those services must bear. As a result, project-based funding may preserve existing services and airport capability without establishing that either is necessary or represents the most efficient way to achieve the relevant regional outcome. This approach can also obscure the total amount of government support provided to a service or airport, particularly where infrastructure grants, route subsidies, patient assisted travel schemes, aeromedical services and government travel all contribute to sustaining regional and remote connectivity.

While project-based funding provides visibility of projects that receive funding, it provides little information on those that do not. As a result, governments may not have oversight of deferred maintenance, remaining asset life, future renewal liabilities and unmet infrastructure needs across a region.

Improved information to support infrastructure decisions

These limitations can be addressed by taking a broader view, considering airport-level information alongside evidence on future demand, air services, regional development and alternative transport options. This approach can help governments identify the airport capabilities required across a region, where those capabilities are best located, and which infrastructure investments are likely to deliver the greatest benefit.

International approaches illustrate how this broader perspective can inform infrastructure decisions. In the United States, the state-level airport system planning framework assesses future aviation needs across a network and informs development priorities for individual airports (FAA 2015, pp. 5–6). State and regional plans consider future demand, airport roles, network capacity, interactions between

airports and alternative ways of meeting aviation needs. They can be tailored to the needs of specific states or regions (box 5.1).

Box 5.1 – US state aviation system plans reflect different regional circumstances

US states can adapt airport system planning to their circumstances and priorities. For example, Minnesota emphasises system performance and continuous planning across its statewide network. Its plan assesses current performance and provides guidance for future development supported by forecasts of aviation activity and analysis of system-wide costs. The state maintains information on aviation activity, economic impacts, pavement condition and other airport characteristics.

Alaska places greater emphasis on essential access, remoteness and infrastructure needs. Its system planning reflects the importance of aviation for communities without road access and for freight and critical medical services. The plan also recognises Alaska's unique operating environment, lack of basic infrastructure, financial constraints and regional diversity. The plan identifies airport improvements, sets funding priorities and maintains information on the airport system as it evolves.

Source: Minnesota Department of Transportation (2022); Alaska Department of Transportation and Public Facilities (2026).

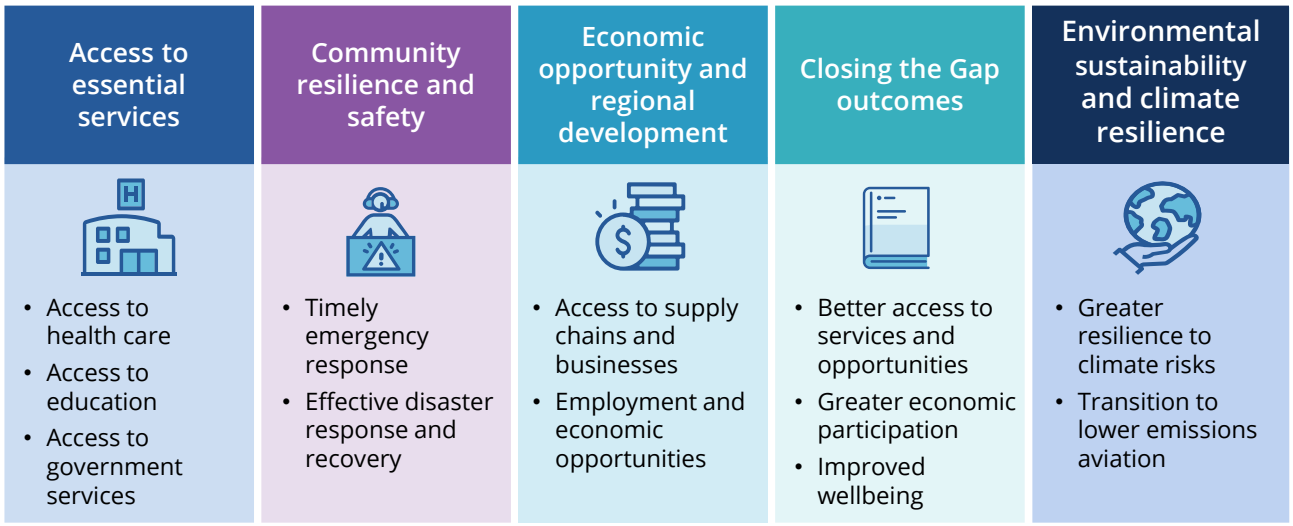
The US federal planning framework also classifies airports according to the role they perform in the national aviation system. For smaller airports, these roles can extend beyond passenger transport to include providing access to remote communities or supporting emergency and aeromedical services. The classification informs the identification of eligible and justified infrastructure needs but does not establish which airports or infrastructure projects receive government funding.

Much of the information needed to take this broader view in Australia is already available through regional plans, airport master plans and asset management plans. Bringing this information together to assess airport capability and infrastructure priorities across a region can help governments prioritise airport capability that delivers the greatest public benefit.

5.4 A framework for prioritising support for regional airport infrastructure

Government funding for regional airport infrastructure should be directed to where it supports the greatest public benefit. Airport infrastructure can support a range of outcomes, including better access to essential services and economic activities, greater community safety and resilience, progress towards Closing the Gap outcomes, improved resilience to climate risks and the transition to net zero aviation (figure 5.3). The outcomes supported, and the contribution that individual airports make to them, vary between locations. As a result, not all airport capability warrants the same level of government support.

Figure 5.3 – Examples of outcomes that regional airport infrastructure can support



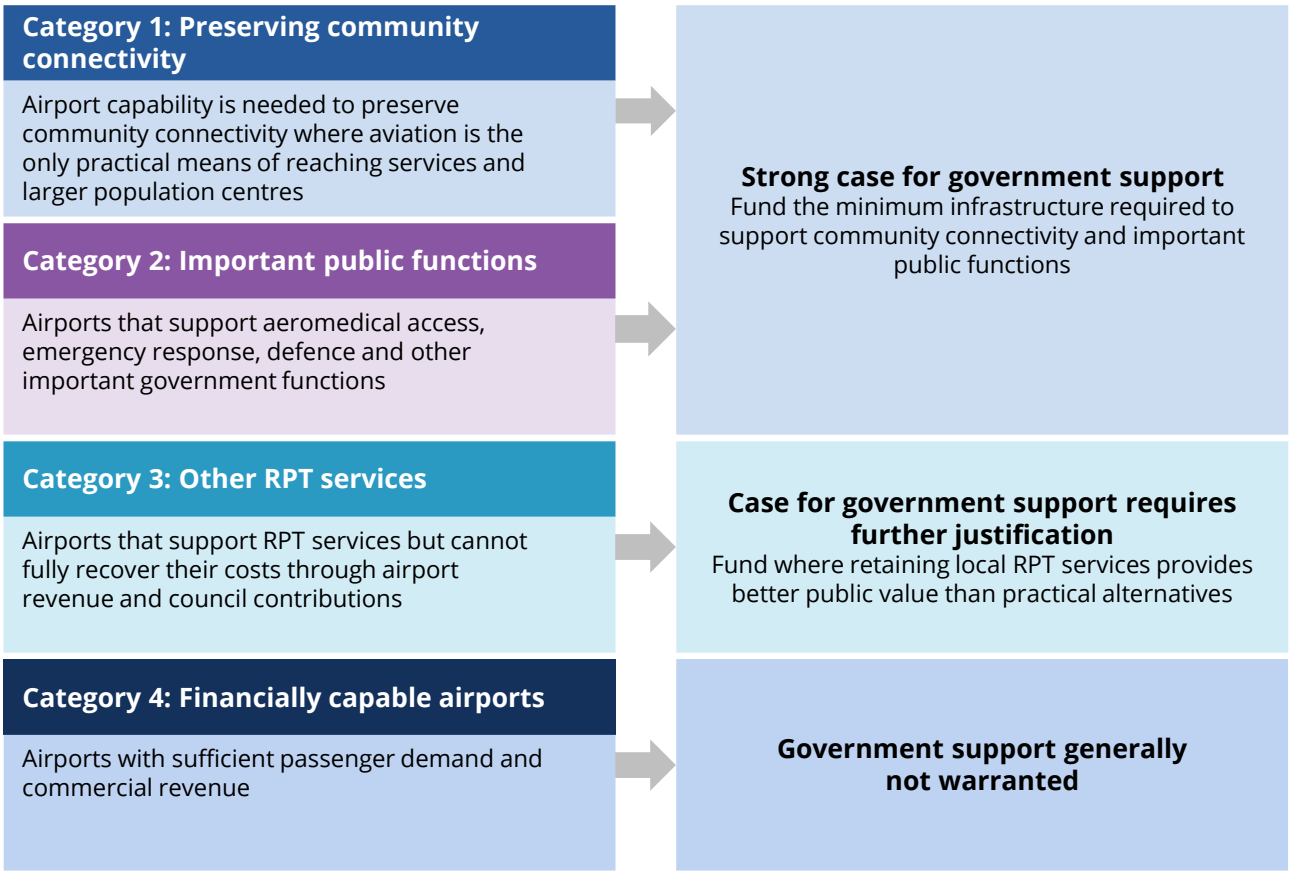
Governments need a clearer basis for prioritising investment in airport capability. Funding should be prioritised to airport capability that is critical for achieving important public outcomes and cannot reasonably be funded by airport users or owners. Governments should focus on the outcomes they seek to achieve rather than preserving existing infrastructure or services. Airport infrastructure to support passenger air services may be one means of achieving those outcomes, but not necessarily the only or most effective one. In some circumstances, alternatives such as aeromedical services, other modes of transport or local service delivery may better meet community needs.

Prioritising funding in this way will have different impacts across the regional airport network. Some airports may warrant additional investment because of the outcomes they support and the absence of practical alternatives for communities. Others may require less investment, operate with lower capability, or not justify replacement of assets at the end of their useful life. In some cases, airports may cease operations if the services and functions they support can be delivered more effectively through alternative arrangements.

Effective prioritisation will require coordination within and across governments. Airport capability often contributes to multiple government outcomes, while funding decisions are made through separate programs and levels of government. Decisions to reduce expenditure on airport infrastructure may shift costs to other programs or service users. For example, in 2024–25, the NSW Isolated Patients Travel and Accommodation Assistance Scheme provided about $553,000 in support for air travel by patients from Broken Hill (NSW Health 2026). Changes to local air access could affect these costs as well as access to services. Considering such impacts together would help align investment decisions and funding responsibilities and better target funding to where it delivers the greatest overall benefit.

The framework outlined below provides guidance for governments on these decisions. It distinguishes between four categories of airport capability according to the strength of the case for government funding (figure 5.4). At one end are airports that support community connectivity and important public functions and are therefore a high priority for government support. At the other are airports that should generally be expected to fund their own infrastructure. Between these are airports that may warrant support in some circumstances, but only where there is a clear public benefit that cannot be achieved more effectively through alternative arrangements.

Figure 5.4 – A framework for government funding of regional airport infrastructure



An airport may fall within more than one category, and the appropriate funding approach may change as an airport's services and functions change.

Where airport capability supports specific government services or objectives, the agencies and governments that benefit from that capability should contribute appropriately to its cost. State and territory governments should generally have the primary funding role where airport capability supports regional access, service delivery and other state responsibilities. The case for Australian Government funding is strongest where airport capability supports national objectives or Australian Government responsibilities, such as aviation security, defence or nationally significant emergency management functions. Where more than one government has a funding responsibility, the governments involved should agree on their respective contributions.

Preserving community connectivity provides a strong case for government funding

Preserving air connectivity is important where aviation is the only practical means for communities to access services and larger population centres. This may include island communities and remote communities where suitable transport alternatives are not available.

The public benefits of maintaining this connectivity are substantial, creating a strong case for government support for the airport capability required to sustain it. Where governments support a route – by regulating it or providing subsidies – to preserve connectivity (chapter 4), subsidies should cover the efficient operating and capital costs of airport infrastructure servicing that route. The existing

route support arrangements may not fully recognise these costs, so separate infrastructure funding may still be needed, particularly for major renewal projects. Over time, incorporating these costs into route support arrangements should reduce the need for separate infrastructure grants and support greater coordination across governments.

Airports serving routes needed to preserve community connectivity may require government support, even if those routes are not regulated or subsidised. Where this is the case, governments should identify the minimum infrastructure and operating requirements needed and determine the efficient cost of meeting those requirements. They should assess what can reasonably be funded through airport charges, other revenue sources and contributions from the airport owner. Any remaining funding gap should receive high priority for government support.

Public functions can justify continued infrastructure funding

Airport (and aerodrome) capability may warrant government funding where it supports important public functions, such as aeromedical access, emergency response or defence. In these circumstances, the case for funding depends on the public functions supported and the consequences of losing that capability, rather than passenger demand or the airport's capacity to recover costs from users.

Funding should be limited to the infrastructure and operating requirements needed to support those functions. Requirements will depend on the aircraft and operations supported, the conditions in which they must operate and the required level of availability (figure 5.5).

Figure 5.5 – Infrastructure requirements depend on the airport functions supported

Occasional aeromedical or emergency access	Regular public transport
	
Runway: Natural, gravel or sealed surface suitable for intended aircraft	**Runway:** Generally sealed and sized for aircraft served
Pavement: Suitable for occasional use	**Pavement**: Rated for repeated operation by intended aircraft
Airport facilities: Capability appropriate to the required operating conditions	**Airport facilities:** Taxiways, aprons and aircraft equipment appropriate to operations
Passenger facilities: Safe passenger transport and reliable ground access	**Passenger facilities:** Passenger processing, baggage handling and other facilities required for the service

The examples are illustrative. Actual infrastructure requirements depend on the intended aircraft, frequency of operations, operating conditions, required availability and applicable safety and security requirements. Airports commonly support more than one function.

Even if RPT services at an airport were to cease, governments may still have a case for maintaining airport capability that supports essential public functions. However, funding should support the infrastructure and operating standard needed for those functions, rather than maintain the airport's previous RPT standard.

Funding responsibilities should reflect the beneficiaries of the capability provided. Where infrastructure supports aeromedical, emergency management, defence or other government services, the relevant agencies and governments should contribute appropriately to its cost. Where multiple users rely on the same infrastructure, contributions should reflect the infrastructure and operating requirements associated with their use.

Information request 5.1
Airport costs associated with aeromedical and government services

The PC is seeking information on the costs associated with public service use of regional airports.

- What airport charges and other funding arrangements apply to aeromedical providers, emergency management bodies, defence and other government agencies?
- To what extent do airport charges recover the costs associated with this use?
- Who bears any costs that remain unrecovered?
- Do these users require airports to maintain additional infrastructure or operating capability?

Wider support for RPT infrastructure requires additional justification

Many council-owned airports support RPT services despite airport revenue being insufficient to cover the full cost. Councils may choose to meet part of the shortfall because they value the access and other benefits that RPT services provide to their communities. However, a council's preference to retain RPT, or a funding shortfall, does not by itself create a case for additional Australian, state or territory government funding.

In determining whether to support these airports, governments should weigh the cost of retaining local RPT services against the costs governments would incur if those services ceased, including how access would be maintained, what costs would arise elsewhere and who would bear them. They should also consider the broader outcomes supported by the service and whether these could be achieved more effectively through alternative arrangements. In some cases, savings on airport infrastructure may be offset by higher expenditure on patient assisted travel schemes, aeromedical services, government travel or other ways of maintaining regional access. Travellers may also face higher airfares, longer journeys or reduced access to essential services.

Where government support for maintaining RPT services at an airport is justified, governments should also consider whether it would be more cost effective to support the route directly through a subsidy, consistent with the framework outlined in chapter 4, or to fund the required airport infrastructure, or a combination of both.

Where communities can reasonably access another airport, regional connectivity may still be maintained, even with fewer RPT airports. Wider government support would generally not be justified where retaining a local service mainly provides additional convenience or benefits to local businesses and tourism.

If, after weighing the broader outcomes, costs and alternatives, governments choose to provide airport funding, its level should reflect the reasonable cost of the airport capability needed to retain those services, after taking account of airport revenue and a reasonable council contribution. For example,

runway renewal may be needed to retain an RPT service, while replacing a terminal or apron at the same size or standard may not be justified.

Any funding should be limited to covering efficient costs, in order to avoid weakening incentives for the airport and council to improve cost recovery over time. Governments could also require funded airports to consult airlines and other users, disclose relevant project costs and explain how government funding will be reflected in future airport charges. Where Australian, state or territory government funding cannot be justified, responsibility for retaining services would remain with the council and airport users. In these circumstances, RPT services may cease if sufficient funding cannot be secured. The airport may nonetheless continue to warrant support at the lower standard required to maintain public functions under category 2.

Information request 5.2
Assessing support for airport infrastructure for regular public transport services

The PC is seeking evidence to refine its proposed framework for determining when airport infrastructure supporting RPT services warrants wider government support.

- What evidence would demonstrate that retaining local RPT services provides benefits sufficient to justify wider taxpayer support, particularly where another airport is reasonably accessible?
- How should governments compare retaining local RPT with alternative ways of maintaining regional access and service delivery?

Airports with sufficient financial capacity should fund their own infrastructure

Airports with sufficient passenger demand and commercial opportunities should recover the efficient costs of infrastructure renewal and expansion through airport charges, commercial revenue, owner investment or finance. A case for government funding should not arise simply because an airport chooses to keep charges low or does not pursue available sources of revenue.

Government funding may still be justified where an airport provides additional infrastructure for an important public function – such as medical services, emergency services or defence use. Any contribution should be limited to the additional cost of meeting that requirement.

Infrastructure needs should inform funding priorities

Initially, governments should prioritise support where poor infrastructure condition threatens community connectivity, public functions or safety. Asset condition and consequences of delay should guide these decisions. Over time, the framework should provide a clearer basis for determining what infrastructure warrants support and the amount of government support required. This should take account of the infrastructure required, airport revenue and contributions from the airport owner. Any remaining funding gap should inform government support. For regulated or subsidised routes, infrastructure costs could be incorporated into route support arrangements.

Reaching the end of an asset's useful life does not, by itself, justify immediate or like-for-like replacement. Governments should consider whether the required level of service can be maintained through continued safe operation, rehabilitation, a lower-cost intervention, a lower infrastructure

standard or another airport. NSW recently used this approach for rural and remote airstrips. An audit of 31 airstrips assessed asset condition alongside safety, accessibility and service demand (NSW Public Works 2025). Funding was allocated for infrastructure upgrades at Bourke, Deniliquin and White Cliffs through an invitation-only funding round for the relevant councils (NSW Government 2025).

Funding decisions should be informed by objective evidence on asset condition and performance. Where existing information is insufficient, targeted technical assessments can provide objective information on infrastructure condition and remaining life. For example, the National Transport Research Organisation collected pavement data at 16 small to medium airports in Western Australia to inform maintenance programs, upgrades and operating levels of service (NTRO 2023). Used across airports, this evidence could also help governments plan the timing of future investment and identify where lower cost works could defer major renewal.

Reform direction 5.1
Governments should better target support for regional airport infrastructure

State and territory governments should ensure airport funding is prioritised towards the greatest public value. They should determine which airport capability warrants government support by:

- giving priority to the minimum airport capability required for community connectivity and important public functions
- funding airport infrastructure for other regular public transport services only where the benefits of retaining the service justify the taxpayer contribution and could not be achieved more cost-effectively through alternative arrangements
- requiring airports with sufficient passenger demand and commercial opportunities to fund their own infrastructure.

State and territory governments should fund airport capability that supports regional access, service delivery and other state responsibilities. The Australian Government should contribute where capability supports national objectives or Australian Government responsibilities. Where responsibilities overlap, governments should agree on their contributions and coordinate funding across relevant programs.

5.5 Australian Government regulation can add to regional airport costs

Regional airports must comply with aviation safety, security and operational requirements to remain open and support air services. These requirements are primarily set through Part 139 of the Civil Aviation Safety Regulations 1998 (Cth) and the Part 139 (Aerodromes) Manual of Standards 2019. The standards require airports to undertake inspections, maintain safety and emergency management systems, manage wildlife hazards and renew infrastructure such as runways, pavements and lighting to maintain safe operations.

Some participants reported that regulation imposes significant administrative and compliance costs on regional airports and that these costs have increased for some regional airports following the reforms of Part 139. Burnie Airport Corporation (sub. 79, pp. 5–6) reported that requirements relating to

aerodrome manuals, safety and risk management processes, inspections, emergency planning and staff competency have changed the regulatory environment and increased operational costs.

Grandfathering arrangements have allowed existing infrastructure to continue operating under previous standards rather than requiring immediate upgrading. This deferred compliance costs but increased the scope and cost of renewal projects. Once grandfathered infrastructure requires renewal, replacement infrastructure must comply with the new standards, limiting opportunities for small upgrades and increasing project costs. Buloke Shire Council noted that grandfathering arrangements can limit opportunities to extend the life of existing assets and estimated that replacing a simple aerodrome lighting system could cost more than $400,000 (2026, pp. 3–4).

Information request 5.3
Costs of regulatory compliance

The PC is seeking evidence from regional airport owners and operators on the costs of complying with Part 139 of the Civil Aviation Safety Regulations 1998 (Cth) and other regulatory requirements, including:

- annual operating expenditure required to comply with these regulatory requirements, including administration, staffing, inspections, planning and training
- capital expenditure required to comply with these regulatory requirements, including infrastructure renewal and upgrades
- additional operating and capital costs of regulatory compliance incurred since the reforms commenced in 2020
- where possible, the requirements that gave rise to these additional costs, with costs before and after the reforms
- any requirements that impose costs that are disproportionate to the safety risks they address, including which requirements and why.

Aviation security is another example of how Australian Government regulation can contribute to the costs of operating regional airports. The *Aviation Transport Security Act 2004* (Cth) and Aviation Transport Security Regulations 2005 (Cth) establish Australia's aviation security framework, including passenger screening requirements. Passenger security screening typically applies at airports with more than 30,000 departing passengers per year that operate services using aircraft with 40 or more seats (Rex 2023, p. 6). However, the requirement only takes effect once an airport is assigned to the relevant security category.

Introducing passenger screening can involve substantial capital costs, including screening equipment, secure areas and terminal modifications, and ongoing expenditure on staffing, training, maintenance and compliance. Case studies published in 2020 estimated the costs to regional airports of the new security screening requirements. For the three case-study airports already undertaking screening, estimated increases in annual operating cost ranged from $162,000 at Geraldton Airport to $403,000 at Wagga Wagga Airport, and estimates of required terminal works ranged from $22,000 at Geraldton airport to $1.1 million at Rockhampton Airport (DITRDC 2020). Whyalla Airport, which introduced security screening for the first time as a result of the reforms, faced substantially higher transition costs of $6 million for terminal works and estimated annual operating costs of $899,000 (DITRDC 2020, p. 21). More recent evidence suggests screening remains a significant cost for some regional airports, with a 2026 survey estimating that annual security screening operating costs were between $1 million and

$2.5 million for the 12 airports that provided data (ACIL Allen 2026, p. 10). Launceston Airport reported that its security costs increased from $1.1 million in 2020-21 to $4.6 million in 2024-25 (sub. 104, p. 36).

Because these costs arise from Australian Government regulation, there may be a case for Australian Government funding, particularly when airports become subject to screening requirements for the first time and face substantial upfront costs. In 2019, the Australian Government provided $49.2 million through the Regional Airport Security Screening Fund for eligible regional airports to install equipment and undertake associated capital works following changes to aviation security requirements (Australian Government 2019). An additional $66 million was provided through the Regional Airports Screening Infrastructure Program, which supported minimum necessary capital costs and some initial operating costs (Australian Government 2020). Both programs have ended, leaving airports that become subject to screening requirements without access to funding. The Aviation White Paper acknowledged the effect of regional security screening costs on airlines and passengers and committed to considering these costs when setting regulatory requirements (Australian Government 2024a, p. 179).

Some inquiry participants have called for a national passenger levy to help fund ongoing security screening costs at regional airports (Aviation Logistics, sub. 110, p. 7; City of Kalgoorlie-Boulder, sub. 26, p. 8; Northern Territory Government, sub. 48, p. 18; TTF, sub. 1, p. 4). Qantas Group and Virgin Australia already include fixed safety and security charges in domestic fares. At the time of publication, Virgin Australia charged $7.18 and Qantas Group $13.55 for a one-way flight, regardless of departure or arrival airport (Qantas Group 2026c; Virgin Australia 2026b). This suggests that spreading screening costs more broadly through a national levy may have only a small effect on average airfares, depending on the level of the levy and how airlines adjust their existing charges.

While Qantas Group charges passengers a fixed safety and security charge, it considers the actual security cost of operating each route when assessing route performance and making capacity decisions (Dal Pra 2026, p. 27). Security costs may also have a larger impact on airfares and operating costs for smaller regional airlines. Overall, there is insufficient evidence to determine whether a national levy is warranted or whether other funding arrangements would be more appropriate.

While the PC was able to examine total airport costs using data provided by airlines, we could not isolate security screening costs in our analysis. Further evidence is needed on screening costs, the amounts recovered from airlines and passengers, and the size and effect of any remaining shortfall.

Information request 5.4
Security screening costs

The PC is seeking information from regional airport owners and operators, airlines and other relevant organisations on:

- annual screening costs, including staffing, training and equipment maintenance
- the capital costs for screening equipment and associated terminal works, including costs of completed upgrades and expected costs of planned upgrades
- the per passenger screening charge and whether it applies to departing or screened passengers
- whether screening charges recover the full cost of screening and, if not, the size of any shortfall, who meets it and whether it affects airport finances or regional air services
- airline recovery of security screening costs from passengers and their effects on the cost of operating regional routes, airfares and decisions about regional air services.

A. Public consultation

This appendix lists the organisations and individuals who have participated in the inquiry so far. We received 118 submissions (table A.1) and 39 brief comments. We met with 43 organisations in person during visits to regions in Victoria, Western Australia, New South Wales, Tasmania and the Northern Territory (table A.2), held 4 community drop-in sessions (table A.3) and held an additional 66 meetings with 49 organisations and individuals (table A.4).

Table A.1 – Submissions

Participants	Sub no.
Adam McLure	11
Airlines for Australia and New Zealand (A4ANZ)	106
Airservices Australia	116
Albury City Council	24
All Office and Business	4
ANH and Co Investments Pty Ltd	74
Anne-Marie Southall	6
Austin Tourist Park	81
Australia Pacific Airports Pty Ltd (Launceston Airport)	104
Australian Airports Association (AAA)	93
Australian Competition and Consumer Commission (ACCC)	98
Australian Local Government Association (ALGA)	34
Australian Red Cross	33
Australian Regional Tourism (ART)	109
Australia's North West Tourism (ANW)	45
Aviation Economics Australia	118
Aviation Logistics	110
Bachrach Naumburger Group	3
Bega Valley Shire Council (BVSC)	46
Belinda Balch	29
Benny Ben	114
Board of Airline Representatives of Australia (BARA)	65
Bob Katter MP	39

Participants	Sub no.
Brian and Amelia Wilmer	14
Brisbane Airport Corporation	38
Broken Hill City Council	56
Broome International Airport (BIA)	71
Bundaberg Regional Council	88
Burnie Airport Corporation	79
Canberra Airport	44
Canberra Region Joint Organisation (CRJO)	91
Canberra Region Tourism Leaders Forum	70
Catholic Education Queensland Limited (CEQL)	59
Central Highlands Development Corporation (CHDC)	115
City of Ballarat	55
City of Greater Bendigo	2
City of Kalgoorlie-Boulder	26
City of Karratha	90
City of Mount Gambier	51
Cooperative Research Centre for Developing Northern Australia (CRCNA)	27
Craig Parsonage	117
Darwin Major Business Group (DMBG)	78
Darwin Turf Club	47
Desmond Gellert	16
District Council of Grant	97
Eurobodalla Shire Council	42
Global Travel Co	28
Helen Hall	75
Independent Schools Australia (ISA)	94
Indigenous Consumer Assistance Network (ICAN)	15
Isolated Children's Parents' Association (ICPA)	86
James Cunningham	40
James Wilton	23
Justin Davies	18
Karen Stevens	35
Karratha and Districts Chamber of Commerce and Industry (KDCCI)	77
Kathryn Wardrobe	9

Participants	Sub no.
Dr Kerry Dunne	19
Dr Kevin O'Sullivan	37
Kimberley Regional Group (KRG)	21
Local Government Association of Queensland (LGAQ)	61
Maranoa Regional Council	85
Mary Karniewicz	69
Megan McGrath	53
Melbourne Airport	103
Michele Smith Consulting	7
Dr Mirjam Wiedemann	68
Mildura Rural City Council	63
Mount Isa to Townsville Economic Development Zone (MITEZ)	62
Murray Regional Tourism (MRT)	67
Name Withheld	5
Name Withheld	8
Name Withheld	107
National Regional, Rural, Remote and Very Remote Community Legal Network (4Rs Network)	95
New England Federal Electoral Council (FEC)	31
North Queensland Airports Group (NQA)	83
Northern Territory Government	48
NSW Farmers	87
Office of Yiŋiya Guyula MLA	20
People with Disability Australia (PWDA)	43
Qantas Group	108
Queensland Airports Limited (QAL)	84
Queensland Water Directorate (qldwater)	72
Regional Aviation Association of Australia (RAAA)	82
Regional Capitals Alliance of WA (RCAWA)	32
Regional Capitals Australia (RCA)	111
Regional Development Australia Goldfields Esperance (RDA Goldfields Esperance)	73
Regional Development Australia Kimberley (RDA Kimberley)	50
Regional Development Australia Limestone Coast (RDALC)	22
Regional Development Australia Loddon Mallee (RDA Loddon Mallee) and Regional Partnerships (Loddon Campaspe and Mallee)	25
Regional Development Australia Mid North Coast (RDA Mid North Coast)	58

Participants	Sub no.
Regional Development Australia NSW and ACT (RDA NSW and ACT)	57
Regional Development Australia Pilbara (RDA Pilbara)	76, 112
Regional Development Australia Southern NSW and ACT (RDASNA)	66
Regional Development Australia Southwest (RDA Southwest)	113
Regional Development Australia Tropical North (RDA Tropical North)	30
Residents of Clermont	10
Sarah Whelan	80
Selena Uibo	52
Shellharbour Council	49
Shire of East Pilbara	13
Steevylee and Adam Gow	12
Sunraysia Information and Referral Service Inc (SIRS)	92
Sydney Airport Corporation Limited	99
Tamworth Regional Council	64
Tasmanian Government	96
TasPorts (Tasmanian Ports Corporation)	36
Tim Jordan (former CEO, Bonza)	17
Tourism and Transport Forum Australia (TTF)	1
Tourism Australia (TA)	100
Tourism Top End (TTE)	41
University of Technology Sydney (UTS)	60
Virgin Australia	102
West by Northwest (WxNW)	101
Western Australian Local Government Association (WALGA)	54
Western Queensland Alliance of Councils (WQAC)	105
Yalu Aboriginal Corporation	89

Table A.2 – Visits

24 February 2026: Victoria – Mildura

Participants
Mildura Rural City Council
Mildura Airport

9–11 March 2026: Western Australia – Perth, Port Hedland and Broome

Participants
Network Aviation
Perth Airport
Tourism Council Western Australia
Kimberley Regional Group
Western Australia Department of Transport and Major Infrastructure
Town of Port Hedland
Pilbara Development Commission
Port Hedland Chamber of Commerce and Industry (PHCCI)
Port Hedland International Airport
Broome Chamber of Commerce and Industry
Broome International Airport
Regional Development Australia Kimberley
Kimberley Development Commission
Australia's North West Tourism
Kimberley Education Regional Office

27 March 2026: New South Wales – Dubbo

Participants
Dubbo Business Chamber
Regional Development Australia Orana

30 March to 1 April 2026: Tasmania – Flinders Island, Launceston and Devonport

Participants
Sharp Airlines
Flinders Council/Flinders Island Airport
Flinders Island Business Inc
Launceston Airport
Visit Northern Tasmania
City of Launceston
Regional Development Australia Tasmania
West by Northwest Regional Tourism
Tourism Tasmania
Devonport City Council
TasPorts/Devonport Airport

20–23 April 2026: Northern Territory – Alice Springs and Mutitjulu
Participants
Airport Development Group (ADG)
Central Land Council
Central Australian Aboriginal Congress
Northern Territory Council of Social Service (NTCOSS)
Tourism Central Australia
Alice Springs Town Council
Uluṟu-Kata Tjuṯa National Park Board of Management
Mutitjulu Community Aboriginal Corporation (MCAC)

1–2 June 2026: Northern Territory – Darwin
Participants
Purple House
Miwatj Health Aboriginal Corporation
Northern Territory Department of Trade, Business and Asian Relations
Airnorth
Northern Territory Department of Education

Table A.3 – Community drop-in sessions

Location	Date
Mildura	Tuesday 24 February 2026
Flinders Island	Monday 30 March 2026
Devonport[26]	Wednesday 1 April 2026
Alice Springs	Tuesday 21 April 2026

Table A.4 – Meetings

Participants
ACL Asia Pacific Coordination
Airlines for Australia and New Zealand (A4ANZ)
Airservices Australia
Austrade – Tourism Research Australia
Australia Post

[26] There were no attendees at the Devonport community drop-in session.

Participants
Australian Airports Association (AAA)
Australian Competition and Consumer Commission (ACCC)
Australian Government Department of Finance
Australian Government Department of Home Affairs
Australian Government Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts
Australian Government Department of Social Services
Australian Government Treasury
Australian Local Government Association (ALGA)
Australian Tourism Export Council (ATEC)
Aviation Economics Australia
Aviation Logistics Group
Bega Valley Shire Council
Bureau of Infrastructure and Transport Research Economics (BITRE)
Central Highlands Development Corporation (CHDC)
Christmas Island Tourism Association (CITA)
Civil Aviation Safety Authority (CASA)
Culture College
Dubbo Regional Airport
FlyPelican
Griffith City Council
Isolated Children's Parents' Association (ICPA)
Koala Air
Link Airways/Corporate Air
Melbourne Airport
Mount Gambier Regional Airport
Nexus Airlines
Nhulunbuy Corporation
North Queensland Airports
OAG Aviation
Peninsula Aero Club
Qantas Group
Queensland Department of Transport and Main Roads (TMR)
Regional Aviation Association of Australia (RAAA)
Rex

Participants
Skippers Aviation
Skytrans Australia
Tim Jordan (former CEO, Bonza)
Dr Tony Webber
Tourism Australia
Virgin Australia
Voyages Tourism Australia
Western Australia Country Health Service
Western Australia Department of Transport and Major Infrastructure
Western Australia Regional Development Alliance (WARDA)

B. Data and methodology

B.1 Main data sources

Analysis in this report uses published and unpublished data sources, including data already collected by the Bureau of Infrastructure and Transport Research Economics (BITRE), the Australian Competition and Consumer Commission (ACCC), Tourism Research Australia (TRA) and data provided directly by airlines. Where published data sources were used, they have been referenced in the text. Unpublished data sources are described below.

The COVID-19 pandemic (covering the period from early 2020 to mid-2022) was highly disruptive to the aviation industry. To minimise the impact of the pandemic on the results, most of the analysis in this report uses data for the period from January 2023 to December 2025.

BITRE flight data

With consent from airlines, we obtained the following data that airlines had provided to BITRE from January 2010 to December 2025:

- monthly data at airline-route level on the number of flights, passengers, available seats, freight weight, mail weight and distance (sector length) for all domestic regular public transport (RPT) flights
- annual airline-route-level (city pairs) data on charter aircraft movements and passengers.

The airlines covered by these datasets were: Airnorth, Alliance Airlines, Nexus Airlines/Aviair, Bonza, Qantas Group (comprising Qantas, QantasLink and Jetstar), FlyPelican, Hinterland Aviation, Link Airways, Rex Airlines, Sharp Airlines, Skippers Aviation, Skytrans Australia, TigerAir Australia and Virgin Australia.

BITRE internet airfares data

BITRE monitors airfares for the top 70 routes in the Australian domestic network (which include some regional and remote routes, but coverage of short remote routes is limited). Data is collected from airlines' public internet sites, based on the lowest fares available on a route for travel on the last Thursday of each month. We obtained unpublished data on the following items from BITRE from this data series by route and airline from January 2010 to December 2025:

- best discount return airfare
- restricted economy airfare
- full economy airfare (discontinued after February 2015)
- business class airfare.

Full details of the data collection methodology are described in BITRE (2026). The airlines covered by this dataset were: Qantas Group, Rex Airlines, Skywest (2010–2014), Strategic (2010–2012), TigerAir Australia and Virgin Australia.

ACCC airline monitoring data

As part of its airline monitoring function, the ACCC collects data on a monthly basis from Qantas Group, Virgin Australia, Rex and Bonza (during its period of operation). We received this data directly from the airlines, with the exception of Bonza data, which we obtained from the ACCC with the consent of the Bonza administrators. The datasets cover all domestic RPT flights for January 2019 to December 2025:

- flight-level data on passengers, revenue, freight, departure and arrival times
- route-level data on corporate passenger shares, cancellations and on-time performance.

Airline cost and revenue data

We obtained monthly data from airlines for all domestic RPT routes from January 2022 to December 2025 (for some airlines, the period covered is longer or shorter):

- route-level data on detailed direct and indirect costs (including fuel, crew, airport and navigation charges, maintenance, ground handling, depreciation and overheads)
- route-level data on detailed revenue (including passenger, freight, ancillary and government subsidy revenue)
- route-level data on flights, passengers and available seats.

Not all variables were available for every airline. For some airlines we received data at a more aggregated level than route level. Where possible, we include freight revenue on RPT flights as part of total revenue. Revenue for charter flights is excluded from this analysis.

The airlines covered by these datasets were: Airnorth, Nexus Airlines/Aviair, Qantas Group, FlyPelican, Hinterland Aviation, Rex Airlines, Sharp Airlines, Skytrans Australia and Virgin Australia.

Tourism Research Australia mobility data

TRA provided monthly measures of domestic mobility from February 2019 to May 2025. The mobility data provides an indication of domestic visitor movement, through the combination of multiple data sources, including aggregated mobile phone and Global Positioning System data, information from the National Visitor Survey and the estimated resident population (TRA nd).

TRA data included monthly percentage changes for overnight trips taken as well as nights stayed by visitors to 76 different tourism regions. Tourism regions are defined by TRA in consultation with state and territory governments and are constructed from Australian Bureau of Statistics (ABS) Statistical Areas Level 2 (SA2) geographic units (TRA 2026b).

B.2 Definitions and estimation methods

Route classification

All domestic RPT routes have been categorised into one of six mutually exclusive route types (table B.1). The classification uses ABS remoteness areas (ABS 2021) as a basis for classifying airports, in line with the ACCC and BITRE. Our classification of major cities deviates from those of the ACCC and BITRE in classifying Newcastle as a major city airport rather than a regional airport.

Table B.1 – Classification of routes

Route type	How routes have been classified
Major city	Routes where both airports are major city airports.
Regional tourism	Routes involving at least one regional or remote airport that was served by Jetstar or Tigerair between 2015 and 2025. The route must have carried at least 10,000 Jetstar and Tigerair passengers combined in at least one year during that period.
Mining	Routes involving at least one airport identified as serving a mining location. Regulated monopoly routes to mining locations and routes that have not carried at least 10,000 passengers in at least one year between 2010 and 2015 are excluded.
Short regional	Routes which are not mining or regional tourism routes, where the most remote airport is located in a regional area and where the great-circle distance between origin and destination airports is less than 1,000 km. For example, a route from a major city to an inner regional airport, or a route between two outer regional airports.
Short remote	Routes which are not mining or regional tourism routes, where the most remote airport is located in a remote area and where the great-circle distance between origin and destination airports is less than1,000 km. For example, a route from a major city to a remote airport or from an inner regional airport to a very remote airport.
Long regional and long remote	Routes which are not mining or regional tourism routes, where the most remote airport is located in a regional or remote area and where the great-circle distance between origin and destination airports is 1,000 km or more.

The classification is designed to group routes with broadly similar characteristics, using airport remoteness, route distance and indicators for economic activity. Routes are classified non-directionally, so services in both directions are treated as the same route and assigned to the same route type.

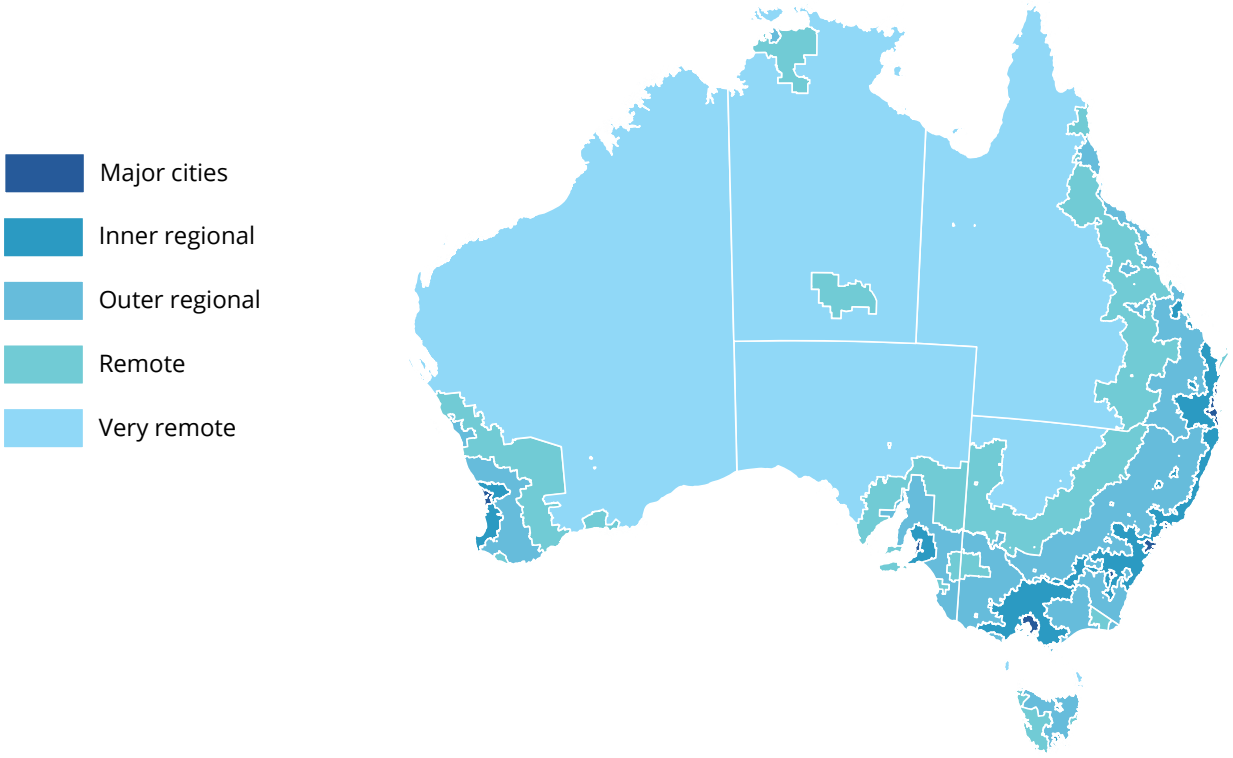
For the purposes of route classification:

- major city airports are Adelaide, Avalon, Brisbane, Archerfield, Canberra, Essendon, Gold Coast, Melbourne, Newcastle, Perth, Sunshine Coast, Sydney and Shellharbour/Wollongong
- regional airports are those located in inner or outer regional areas
- remote airports are those located in remote or very remote areas
- mining location airports are Cloncurry, Emerald, Gove/Nhulunbuy, Groote Eylandt, Kalgoorlie, Karratha, Moranbah, Mount Isa, Newman, Olympic Dam, Onslow, Paraburdoo, Port Hedland and Weipa.

Regional and remote areas are defined using remoteness areas in the Australian Bureau of Statistics Australian Statistical Geography Standard, edition 3 (ABS 2021) (figure B.1).

Figure B.1 – Map of remoteness areas for Australia

Australian Statistical Geography Standard, edition 3



Source: ABS (2021a).

Airport catchment area population

An airport catchment area refers to the surrounding region from which an airport draws its passengers. A common and simplified approach to defining airport catchment areas assumes passengers use the geographically closest airport, or travel to and use the airport within a certain radius (Boonekamp et al. 2018; Zhou et al. 2018). We followed the radius-based approach and defined the airport catchment area as SA2s that fall within a certain radius of the airport. SA2s are as defined in the Australian Statistical Geography Standard, edition 3 (ABS 2021).

The radius for airports varies by state and territory, reflecting the state or territory's average distance from the centre of SA2s to airports, and the size of SA2s. For most airports we used a radius of between 100 km and 180 km for the airport catchment area. For large city airports, we used a radius of200 km. Island airports are connected with their nearest SA2, which in most cases is the SA2 comprising the island itself. With this approach, SA2s can fall in the catchment areas of multiple airports.

We used ABS estimated resident population data for SA2s in 2024, and calculated the airport catchment area population as the total population of SA2s connected with each airport with RPT services.[27]

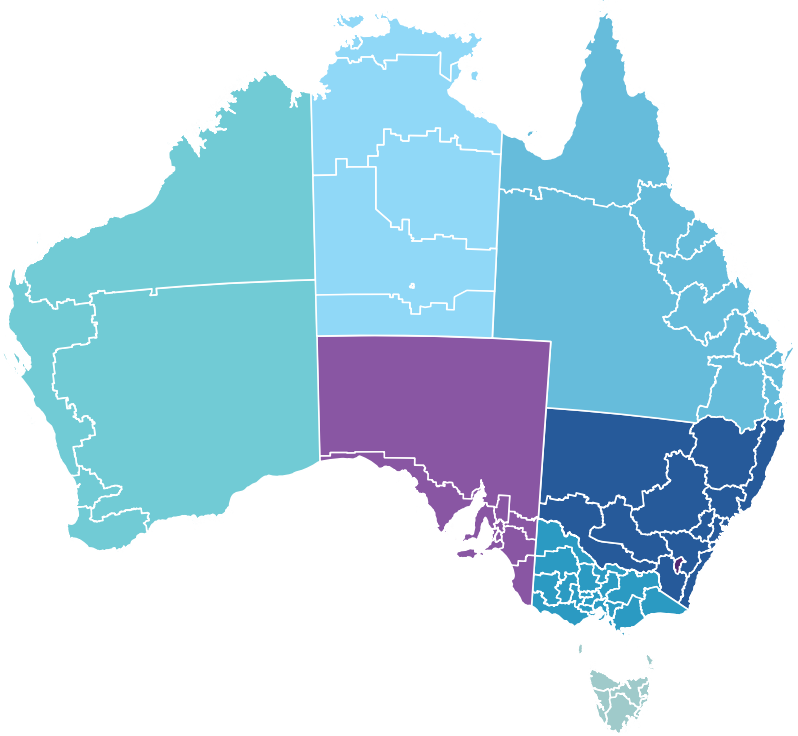
[27] We tested a 150 km fixed radius for all airports, and the population residing in the catchment area was largely unchanged.

Time-event analysis

A time-event analysis of the effect of Bonza's commencement of flights on tourist activity is presented in box 1.1. This analysis used indices of the number of visitors to a region and nights stayed constructed using mobility data from TRA as outcome variables and unpublished BITRE flight data as the source of information for flights to and from each region.

The time-event analysis combined information about tourist mobility and aviation services to estimate how tourism activity changed following the commencement of Bonza flights to an area. Bonza first started flying in early 2023. The analysis was conducted at a region level, using tourism regions as defined by TRA (figure B.2).

Figure B.2 – Tourism regions used by Tourism Research Australia



Tourism regions are geographic regions that are defined by Tourism Research Australia in conjunction with national and state and territory tourism organisations. There are 76 tourism regions, none of which cross state or territory borders. The ACT has a single tourism region, and there are no tourism regions covering the other territories Cocos (Keeling) Islands, Christmas Island, Norfolk Island and Jervis Bay.

Source: ABS (2021a); TRA (2026b).

The analysis used the annual change in the logged indices for overnight trips and nights stayed as outcomes, and included controls for state and territory and tourism employment share. The model used a staggered difference-in-differences estimator (Callaway and Sant'Anna 2021) to estimate changes in tourist activity in regions where Bonza commenced flights, compared with regions where it did not.

Cost difference decomposition

Figure 2.6 shows the results of a decomposition of the difference in total costs per revenue passenger kilometre between regional and remote routes and major city routes due to scale and other factors, and an unexplained component.

The decomposition uses the following regression specification, estimated using ordinary least squares for monthly route-level cost data for 2023–2025 for airlines for which route-level data was available:

$$\ln(cost) = \alpha\ln(distance) + \beta\ln(aircraft) + \gamma\ln(load) + \sigma airline + year + route\ type + \varepsilon$$

where *cost* is total costs per revenue passenger kilometre; *distance* is the route length; *aircraft* is the number of available seats per flight (aircraft size); *load* is the average monthly load factor on a route; *airline* is a series of dummy variables for each airline; *year* is a series of dummy variables for years; and *route type* is a series of dummy variables for each regional/remote route type (with major city routes as the comparison category).

Total costs include fuel, crew, airport charges, air traffic control charges, ground handling, maintenance, other direct costs (including catering and inflight services) and indirect costs (including indirect engineering and maintenance, aircraft depreciation, aircraft leasing and capacity hire costs).

Using the estimated coefficients and fitted values from the above regression, the percentage difference in costs between regional and remote (r) and major city (c) routes can then be calculated as:

$$\Delta cost = \hat{\alpha}\left(\overline{distance}_r - \overline{distance}_c\right) + \quad \text{(component due to route length)}$$

$$\hat{\beta}\left(\overline{aircraft}_r - \overline{aircraft}_c\right) + \quad \text{(component due to aircraft size)}$$

$$\hat{\gamma}\left(\overline{load}_r - \overline{load}_c\right) + \quad \text{(component due to load factor)}$$

$$\hat{\sigma}\left(\overline{airline}_r - \overline{airline}_c\right) + \quad \text{(component due to airline mix on route)}$$

$$regional/remote\ residual \quad \text{(route type-specific residual component).}$$

where the residual is equal to the coefficient on the dummy for that route type.[28] The residual is the percentage difference in costs that is not attributable to differences between routes in length, aircraft size, load factor or airline. It can be interpreted loosely as a 'regional and remote tax', or the cost of providing air services in regional and remote places.

[28] There is also a very small component due to differences in distribution of routes across years, but this is amalgamated with 'other factors' because it is too small to have any impact on the results.

Glossary

Term	Description
Available seat kilometre (ASK)	The number of seats available multiplied by the sector length (distance)
EBIT	Earnings before interest and taxes, a measure of overall profitability
EBIT margin	EBIT divided by total revenue (equivalent to profit margin)
EBITDAR	Earnings before interest, taxes, depreciation, amortisation and rent (capacity hire)
Load factor	Passengers per available seat
Long regional and long remote route	Routes 1,000 km or longer that are to and/or from an airport in a regional or remote area (appendix B)
Major city route	Routes where both airports are major city airports (appendix B)
Mining route	Routes to and from airports in mining locations (appendix B)
Profit margin	Total revenue less total costs as a percentage of total revenue (equivalent to EBIT margin)
Qantas	Qantas domestic airlines comprising Qantas Domestic and QantasLink
Qantas Group	Qantas domestic airlines comprising Qantas Domestic, QantasLink and Jetstar Domestic airlines
Regional tourism route	Higher volume routes that are to and/or from an airport in a regional or remote area and carry a large share of leisure travellers (appendix B)
Regular public transport (RPT)	Scheduled air services operating on specified routes between fixed airports and available for use by the general public
Revenue passenger kilometre (RPK)	The number of revenue passengers multiplied by the sector length (distance)
Rex	Regional Express Airlines
Short regional route	Routes under 1,000 km that are to and/or from an airport in a regional area (appendix B)
Short remote route	Routes under 1,000 km that are to and/or from an airport in a remote area (appendix B)
Virgin Australia	Virgin Australia domestic airlines, including Virgin Australia and Virgin Australia Regional Airlines (VARA)

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