

Submission to the Senate Rural and Regional Affairs and Transport References Committee

Inquiry: State of Australia's aviation sector and its ability to deliver reliable and affordable services to rural, regional and remote communities (Aviation sector 48)

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Executive summary

Reliable and affordable aviation services are essential infrastructure for rural, regional and remote Australia. For Northern Australia and the Northern Territory in particular, aviation is not a discretionary 'lifestyle' mode: it is the practical link to tertiary health care, higher education, specialist labour markets, freight and supply chains, family connections and national participation.

Affordability and price stability are central concerns. The Australian Government's Aviation White Paper reports that, in September 2023, the average ticket price per kilometre on trips involving regional airports was around 52 per cent higher than on capital city trips. This gap is amplified where there are few competing carriers, thin demand, and limited alternatives to air travel.¹

This submission provides route-level case studies for Darwin's five trunk links (10 directions) and a summary of published airport charge schedules. The Darwin trunk case studies show substantial price dispersion and volatility within a 12-month period, including peak prices that are two to three times the lowest observed fares (Appendix A). In structurally thin markets, dynamic pricing and policy-determined cost inputs can interact to produce concentrated welfare impacts for essential travel.

Competition and contestability matter. Treasury analysis finds that airlines facing less competition charge higher prices, while prices tend to be lower and more stable where there are more competitors.² ACCC monitoring also highlights the high concentration of the domestic market and the sensitivity of prices to capacity and competitive dynamics.³

Airport and government-mandated charges are not the only drivers of fares, but they are policy-leveraged inputs that can materially increase per-passenger costs on thin and remote routes. Appendix B summarises selected published charges at airports relevant to Darwin trunk routes. Recent reported changes at Darwin Airport include a more than doubling of the general landing charge from 1 July 2025.^{4 5}

High and volatile airfares have broader place-based impacts. They reduce liveability, create barriers to population growth and retention, and deter economic investment by raising the cost and uncertainty of attracting and retaining staff (health, education, construction, defence, resources and tourism). These impacts are outlined in Appendix C.

¹ Australian Government, *Aviation White Paper: Towards 2050* (2024)

<https://www.infrastructure.gov.au/department/media/publications/aviation-white-paper-towards-2050>

² Department of the Treasury (Cth), *How Competition Impacts Prices: The Australian Aviation Sector* (Working Paper, 2024)

³ Australian Competition and Consumer Commission, *Domestic Airline Competition in Australia* (Monitoring Reports, 2025)
<https://www.accc.gov.au>

⁴ Australian Broadcasting Corporation, 'Darwin Airport Landing Fees More Than Double' (18 July 2025)

⁵ Australian Aviation, 'Darwin Airport Slammed over "Unreasonable" Fee Hike' (July 2025)

This submission responds directly to the Committee's Terms of Reference for Aviation Sector_48⁶ and focuses on practical reforms that can lower the level and volatility of airfares, while improving reliability and resilience of services to rural, regional and remote communities.⁷

The Productivity Commission's current inquiry into the determinants of regional airfares further underscores the structural nature of these issues and the need for coordinated reform across competition settings, cost-recovery mechanisms and transparency frameworks.⁸

This submission does not allege improper conduct by airlines or airports; rather, it examines how structural cost settings and market architecture interact with thin-route economics in Northern Australia.

Summary recommendations:

- Adopt a route-classification framework (contestable vs structurally thin / essential routes) and tailor policy accordingly, including explicit objectives for affordability, volatility and reliability.
- Introduce an equitable, sustainable funding mechanism for federally mandated security screening at regional airports (including assessing a uniform national levy option) to reduce per-passenger cost spikes.
- Strengthen economic regulation, transparency and dispute resolution for airport charges that flow through to regional and remote fares (and consider extending monitoring to airports central to remote connectivity).
- Remove avoidable barriers to entry/expansion on contestable routes (including slot, terminal and ground-handling access constraints at hub airports).
- Establish a national Public Service Obligation (PSO) / contract-and-cap model for 'thin' routes, using competitive tendering and service level agreements to stabilise prices and frequencies where competition is structurally limited.
- Scale and harmonise resident and essential-travel support (building on WA and QLD models and international practice) with robust design to minimise capture by higher base fares.
- Use government purchasing power (health travel, public service, defence and contracted services) to secure baseline capacity and stable contract pricing on key regional and remote routes.
- Publish better route-level price and service data (including price dispersion, last-minute fare metrics and cancellation/delay reasons) to support accountability and enable evidence-based interventions.
- Rebalance aviation cost-recovery settings where they disproportionately affect regional operators and passengers (including a review of Airservices and other federally imposed charges on remote services).
- Trial and evaluate the above measures in Northern Australia first, with independent evaluation against clear affordability, volatility, reliability and regional development outcomes.

⁶ Senate Rural and Regional Affairs and Transport References Committee, *Inquiry: State of Australia's Aviation Sector and Its Ability to Deliver Reliable and Affordable Services to Rural, Regional and Remote Communities* (2025) https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/Aviationsector_48

⁷ Senate Rural and Regional Affairs and Transport References Committee, *Aviationsector_48 Terms of Reference* (2025) https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/Aviationsector_48/Terms_of_Reference

⁸ Productivity Commission, *Determinants of regional airfares* (Public Inquiry, initial submissions paper, 2 December 2025)

Response to the Terms of Reference

The Committee's Terms of Reference for Aviation Sector_48 focus on the cost drivers, regulatory settings and market structure that shape the ability of the aviation sector to deliver reliable and affordable services to rural, regional and remote communities. This submission addresses each item and draws on a Northern Australia / Northern Territory lens where aviation is essential, distances are long, and there are few practical substitutes for air travel.

1. Costs, fees, levies, taxes and charges that are core components to pricing of airfares and associated services

Airfares are ultimately set through airline revenue management and competition on each route, but they are anchored by an underlying cost base. Remote and regional routes typically have higher costs per passenger because fixed costs are spread over fewer passengers (thin demand), aircraft are often smaller, sector lengths can be long, and disruption costs are higher when there are few alternative services. Core cost components include aircraft ownership and maintenance, fuel, crew, ground handling, distribution, and airport/airspace charges.

BITRE's published fare series (including 'cheapest available return fares') provides a useful indicator of the price dispersion and volatility consumers face, but it is based on advertised fares captured at a point in time and will generally understate the prices paid by travellers who must book late or travel at peak times.^{9,10} For Darwin trunk routes, the 12-month range of published 'cheapest return fares' shows material volatility¹¹, with peak prices commonly two to three times the lowest observed fares (Appendix A).

While airport and government charges are not the only determinants of fares, they are policy-influenced inputs that can raise the cost 'floor' on thin routes and increase volatility when charges change abruptly. Appendix B shows that published passenger-based charges can exceed \$20 per passenger per movement at some major airports before security screening and recovery charges are added¹² (e.g., terminal usage plus airfield components, plus screening charges at Perth).^{13 14,15,16}

Many airports operate as natural monopolies within their geographic catchments, reflecting the absence of close substitutes rather than any unlawful market conduct.

Recommendations under Term 1:

- Adopt a standardised 'regional aviation cost stack' reporting framework so governments and communities can see (by route class) how airport charges, Airservices charges, security screening, and other mandated costs contribute to the delivered fare.

⁹ Bureau of Infrastructure and Transport Research Economics, *Air Fares Collection Methodology* (Web Publication)

¹⁰ Bureau of Infrastructure and Transport Research Economics, *Domestic Air Fares - Cheapest Available Return Fares (Monthly Series)* (2025 data, DRW-BNE, DRW-SYD, DRW-MEL routes)

¹¹ Bureau of Infrastructure and Transport Research Economics, *Domestic Air Fares - Cheapest Available Return Fares (Monthly Series)* (2025 volatility ranges cited in Appendix A)

¹² Airservices Australia, *Statutory Charging Determination - Services and Facilities* (Effective 1 August 2025)

¹³ Perth Airport Pty Ltd, *Notice of Aeronautical Charges* (Effective 1 July 2025)

¹⁴ Brisbane Airport Corporation, *Aviation Services and Charges Agreement - Runway System (FY2025-26)*

¹⁵ Brisbane Airport Corporation, *Aviation Services and Charges Agreement - Terminals, Aprons and Related Infrastructure (FY2025-26)*

¹⁶ Brisbane Airport Corporation, FY2025-26 Aviation Services and Charges Agreement (Terminal and Runway PSC data)

- Where major cost spikes are driven by policy-leveraged inputs (airport pricing, mandated security screening, and cost-recovery settings), prioritise reforms that reduce or smooth those costs to avoid sudden fare shocks.
- Expand and make permanent route-level transparency on fare dispersion (including 'last-minute' fares) and service reliability to support accountability and targeted intervention (aligned with current government consultation on performance and competition data).

Indicative example - components of a Darwin-Brisbane return fare¹⁷¹⁸

To illustrate how policy-leveraged and airport charges sit within the overall fare, consider an indicative Darwin–Brisbane return fare of around \$600 (within the range observed in BITRE data for this route).

A stylised breakdown for a narrow-body jet service on this sector is:

Airport and mandated charges (approx. 15-25% | ~\$90-\$150)

Includes passenger service charges, runway/airfield charges, security screening and other mandated recovery charges at both origin and destination. Published schedules at major airports show per-passenger charges that can exceed \$20 per movement before some mandated security components.

Fuel (approx. 25-30% | ~\$150-\$180)

Highly variable with global fuel prices and sector length; typically one of the largest cost items.

Aircraft ownership, maintenance and engineering (approx. 15-20% | ~\$90-\$120)

Includes leasing or capital costs and scheduled maintenance.

Crew and operations (approx. 10-15% | ~\$60-\$90)

Flight crew, cabin crew and operational support.

Ground handling, distribution and overheads (approx. 10-15% | ~\$60-\$90)

Includes check-in, baggage, systems, sales and corporate overheads.

Margin and commercial risk buffer (variable)

Reflects demand risk, load factors and competitive dynamics.

This example shows that while airport and mandated charges are not the majority of the fare, they are a material and policy-influenced component. On thin routes with lower load factors, these per-passenger charges are spread over fewer travellers, raising the effective cost floor and increasing the likelihood that charge increases flow through to fares.

¹⁷ Darwin Major Business Group, Illustrative Modelling Based on Publicly Reported Passenger Volumes (2026) (Unpublished Working Analysis)

¹⁸ Indicative Airline Cost Structure Assumptions Derived from Publicly Available Airline Financial Disclosures and Industry Summaries (Working Compilation, 2026)

1.a Qantas decision to close its regional staff bases in Canberra, Hobart and Mildura on 1 October 2025

The Terms of Reference specifically call out Qantas' decision to close regional staff bases in Canberra, Hobart and Mildura (effective 1 October 2025).¹⁹ While airlines must manage their operations efficiently, regional staffing decisions can have downstream impacts on reliability, engineering support, turnaround performance, and the ability to recover quickly from disruptions - particularly where there are limited alternative services.

Recommendations under Term 1a:

- Require airlines to publish a Regional Workforce and Service Resilience Impact Statement when closing or materially reducing regional bases (including expected impacts on cancellations, delays, and recovery times).
- Where airlines receive government support (direct programs, route subsidies, or significant government travel spend), attach clear service reliability and regional workforce expectations to that support through contract terms and KPIs.
- Ensure procurement agencies and regulators have visibility of the operational impacts of base closures so that essential regional connectivity is not undermined by workforce consolidation.

2. Disparities in the costs, fees, levies, taxes and charges across rural, regional and remote airports, and the basis for these disparities

Disparities in airport charges arise from differences in ownership models, traffic volumes, capital programs, and pricing structures, but also from market power. Many airports operate without close substitutes within their geographic catchments and airlines have limited alternatives. Published schedules show large variations in passenger-based and aircraft-based charges across major and regional airports (Appendix B).²⁰ For Northern Australia, recent reported increases at Darwin Airport, including more than doubling of the general landing charge from 1 July 2025, highlight how airport pricing changes can quickly flow through to higher fares for both RPT and charter services.²¹²²²³²⁴²⁵²⁶

Darwin International Airport shares its runway with RAAF Base Darwin under a joint user arrangement, and significant runway resurfacing and reconstruction works have been underway in recent years. The operator has publicly cited these works as one factor contributing to its decision to more than double landing fees, which has drawn criticism from industry and political stakeholders. However, while runway upgrade costs are a plausible contributory factor, they are not clearly the sole or dominant cause of higher charges, other structural factors including remoteness, traffic volumes, and the commercial nature of price setting in a market characterised by limited competitive constraints also play important roles.

¹⁹ Qantas Airways Limited, *Annual Report 2023* (and prior annual reports for historical margin comparison)

²⁰ Sydney Airport, *Table of Charges COU V5.4* (Effective 1 July 2025)

²¹ Australian Broadcasting Corporation, 'Darwin Airport Landing Fees More Than Double' (18 July 2025)

²² Australian Aviation, 'Darwin Airport Slammed over "Unreasonable" Fee Hike' (July 2025)

²³ Australia Pacific Airports (Melbourne) Pty Ltd, *FY26 Standard Terms & Conditions Pricing Notification Letter* (3 April 2025; Effective 1 July 2025)

²⁴ Adelaide Airport Limited, *Schedule of Aeronautical Fees* (Effective 1 July 2025)

²⁵ Brisbane Airport Corporation, *FY2025-26 Aviation Services and Charges Agreement* (Terminal and Runway PSC data)

²⁶ Perth Airport Pty Ltd, *Notice of Aeronautical Charges* (Effective 1 July 2025)

Recommendations under Term 2:

- Strengthen economic oversight of aeronautical pricing at airports operating as natural monopoly infrastructure where it materially affects regional and remote connectivity, including extending monitoring and transparency requirements to additional airports central to remote services (building on the Productivity Commission's airport regulation framework).
- Require airports to publish clear, comparable schedules and explanatory statements for major charge changes (including capex drivers, depreciation assumptions and expected passenger impacts), with an accessible dispute resolution pathway for smaller operators.
- Assess whether airports that are critical gateways for remote communities should be subject to additional safeguards against abrupt fee shocks (e.g., staged implementation, caps on year-to-year increases for core aeronautical charges, or mandated consultation standards).

3. Mechanisms for recovering federally mandated security and regulatory costs, and options for ensuring those mechanisms are equitable and sustainable

Federally mandated security and regulatory requirements (including passenger and checked-bag screening, security programs and compliance obligations) are essential to safety and national security, but they can impose high fixed costs on small and regional airports. Where costs are recovered through per-passenger charges at low-volume airports, the resulting charge per passenger can be large and can suppress demand, creating a feedback loop that further increases unit costs. The Australian Government has previously recognised this issue, including through funding programs for screening upgrades and the undertaking of case studies to assess impacts.^{27 28}

A key equity question is whether the ongoing costs of mandated screening at regional airports should be recovered only from the relatively small number of passengers using those airports, or spread more broadly across the network. Term 3 specifically asks the Committee to consider the merits of a uniform national levy.²⁹ In principle, a uniform levy (or an equivalent national funding mechanism) can: (i) reduce per-passenger cost spikes at small airports, (ii) avoid demand suppression on essential routes, and (iii) improve price stability by smoothing a significant fixed cost across a larger base.

Recommendations under Term 3:

- Undertake an independent, transparent financial analysis of the ongoing operating costs of mandated screening at regional airports (not only capital upgrades), and publish the results (building on earlier case study work).
- Progress an equitable funding model for ongoing mandated screening costs, including a uniform national passenger levy option, with ring-fenced governance and clear auditing to ensure funds reduce regional unit costs.

²⁷ Australian Government, *Regional Aviation Policy: Issues Paper* (March 2020)

<https://www.infrastructure.gov.au/sites/default/files/migrated/aviation/regional/aviation-policy/files/regional-aviation-issues-paper-march-2020.pdf>

²⁸ Australian Government, *Passenger Security Screening Enhancements - Case Studies* (FOI Document Pack)

²⁹ Senate Rural and Regional Affairs and Transport References Committee, *Aviationsector_48 Terms of Reference* (2025)
https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/Aviationsector_48/Terms_of_Reference

- Where cost recovery remains airport-based, require standardised reporting of screening and regulatory charges per departing passenger and ensure charge changes are staged to avoid sudden fare shocks.

4. Competitiveness of the aviation sector to service rural, regional and remote communities, and implications of reducing or withdrawing services

The competitiveness of aviation services to regional and remote communities is shaped by market concentration, barriers to entry, and the economics of thin routes. Treasury analysis shows that weaker competitive constraints are associated with higher prices.³⁰ ACCC monitoring highlights the high concentration of domestic aviation and the sensitivity of fares and service levels to capacity decisions and competition.³¹

For many regional routes, and even for some remote capital links, competition is limited or episodic. When services are reduced or withdrawn, communities can be left with no practical alternatives, with large welfare impacts given the essential nature of travel for health, family and work.

Recommendations under Term 4:

- Reduce barriers to entry and expansion on contestable regional routes (including slot/terminal/ground-handling access at major hubs and transparent, non-discriminatory access terms).
- For structurally thin routes where competition is unlikely to be sustained, use competitive tendering (PSO / contract-and-cap) with clear service level agreements to guarantee baseline frequency and capped pricing for essential travel.
- Consider targeted trials that increase contestability for remote gateways (including where previously proposed in earlier inquiries), with strong safeguards and evaluation to ensure benefits flow to consumers and communities.

4A. Structural Industry Realities and the Limits of a Competition-Only Response

Several stakeholders have correctly observed that a narrow focus on airline competition alone is unlikely to materially change airfare outcomes for Northern Australia.

Benchmarking of comparable long-haul domestic routes suggests that Darwin is not uniquely priced when assessed against distance and sector economics. However, benchmarking parity does not eliminate the disproportionate impact of price volatility on thin, long-haul routes where aviation is essential. For example, historical comparisons show that DRW-SYD fares have, at times, tracked broadly in line with routes such as BNE-PER, and that fare increases on BNE-DRW over recent years have aligned with movements on other long east-west trunk routes. Similarly, the presence of multiple operators on a route has not consistently resulted in materially lower average fares relative to single-operator long-haul routes.

³⁰ Department of the Treasury (Cth), *How Competition Impacts Prices: The Australian Aviation Sector* (Working Paper, 2024)

³¹ Australian Competition and Consumer Commission, *Domestic Airline Competition in Australia* (Monitoring Reports, 2025) <https://www.accc.gov.au>

This reflects a deeper structural reality: Australia's aviation market is geographically vast, population-light and high-cost. The economics of operating long sectors with relatively thin demand differ materially from high-density short-haul markets such as SYD-MEL.

Airlines in Australia have historically generated modest and highly volatile returns. Over the past century, sustained double-digit net profit margins have been rare. In contrast, several upstream suppliers in the aviation value chain, including certain airports and service providers operating within natural monopoly frameworks, operate in regulatory environments that have produced materially higher EBITDA and net margins.³²³³³⁴³⁵ This asymmetry warrants scrutiny where those costs are passed through to passengers on structurally thin routes.

The Committee should therefore distinguish between:

1. Market competition constraints which are difficult to materially alter in a geographically sparse country; and
2. Structural cost settings many of which are policy-determined or operate within natural monopoly or light-handed regulatory frameworks.

It is unlikely that airlines can be "shamed" into materially lowering fares on long-haul regional routes where underlying cost inputs remain high. Airlines operate on commercial revenue-management models and are increasingly disciplined in yield optimisation. Sustainable airfare relief is more likely to come from structural cost reform than from appeals to competitive behaviour alone.

Structural Reform Areas Warranting Examination

This submission therefore emphasises structural levers that sit outside airline commercial discretion, including:

(a) National Security Cost Equalisation

Federally mandated security screening and regulatory compliance costs are essential national security functions. However, where these costs are recovered on a per-passenger basis at low-volume regional airports, the unit cost can be materially higher than at major metropolitan airports.

A national security equalisation mechanism, such as a uniform passenger levy or pooled funding model, could spread fixed security costs across the broader national passenger base. Given the significantly higher passenger volumes at major airports, even a marginal increase in per-passenger cost in capital cities could materially reduce the unit burden at low-volume regional airports. For example, if a uniform national levy of \$2-\$3 per passenger at major metropolitan airports were adopted, the resulting pooled revenue could materially offset per-passenger screening costs at low-volume regional airports, potentially reducing delivered fares on certain routes by \$15-\$25 without reducing security standards.

This approach recognises that aviation security protects national infrastructure and population centres, not merely the point of departure. Spreading security cost recovery more evenly across the

³² Australian Government, *Improving the Reporting and Publishing Data on Airline Performance and Competition - Consultation Paper* (January 2026)

³³ Qantas Airways Limited, *Annual Report 2023* (and prior annual reports for historical margin comparison)

³⁴ Sydney Airport, *Annual Report 2023*

³⁵ Australia Pacific Airports (Melbourne) Pty Ltd, *Annual Report 2023*

national network could reduce delivered fares on regional routes without undermining security standards.

(b) Airport Market Power and Profitability

Where airports operate as natural monopoly infrastructure within their geographic catchments, their pricing decisions directly influence the cost base of airlines serving regional and remote communities. Reported EBITDA margins at certain airports materially exceed those of airlines operating within the same ecosystem. Publicly available financial statements indicate that several major Australian airports have reported EBITDA margins in excess of 60 per cent in recent years, while airline net profit margins have typically remained in single digits. These measures are not directly comparable given differing capital structures and accounting treatments, but they illustrate the asymmetry in pricing power within parts of the aviation value chain.³⁶

This does not imply improper conduct, but it does raise legitimate public policy questions about:

- The effectiveness of current monitoring frameworks;
- Whether building-block pricing models are appropriately calibrated for regional equity; and
- Whether additional safeguards are warranted where airport pricing materially affects remote connectivity.

Airports typically exhibit structural characteristics consistent with natural monopoly economics within their catchments, meaning pricing oversight relies on regulatory and monitoring frameworks rather than competitive discipline alone.

(c) Cost Pass-Through Transparency

A more granular public reporting framework that disaggregates the “aviation cost stack” would assist policymakers in identifying where structural inefficiencies or disproportionate margins arise within the value chain.

5. Adequacy of government fees and levies to equitably address costs incurred due to federal legislation and regulations

Where the Commonwealth imposes requirements that create ongoing costs for the sector, the design of cost recovery and fees should account for regional equity. Cost-recovery settings that may be efficient in high-volume environments can be inequitable in low-volume regional settings where unit costs are structurally higher and travel is essential.

Airservices charges, regulatory fees and other Commonwealth-imposed costs should be assessed against an explicit 'regional equity test' to ensure they do not inadvertently increase the delivered cost of essential regional travel.³⁷

Recommendations under Term 5:

- Review Commonwealth aviation cost-recovery and user charging frameworks with an explicit focus on regional and remote equity impacts (including unit-cost effects on thin routes).

³⁶ Sydney Airport, *Annual Report 2023 (2024)*; Australia Pacific Airports (Melbourne) Pty Ltd, *Annual Report 2023 (2024)*; Qantas Airways Limited, *Annual Report 2023 (2024)*

³⁷ Airservices Australia, *Statutory Charging Determination — Services and Facilities (Effective 1 August 2025)*

- Where appropriate, introduce rebates, cross-subsidies or direct appropriations for mandated costs that would otherwise fall heavily on low-volume regional services and passengers.

6. Effectiveness of government processes to identify and quantify costs incurred by the aviation sector due to federal legislation and regulations

The Committee's focus on identifying and quantifying costs is well placed. Effective policy requires an evidence base that links regulatory requirements to:

- (i) direct compliance costs,
- (ii) how those costs are recovered (per passenger, per movement, per tonne), and
- (iii) the downstream impact on fares and service levels.

The 2019 inquiry and subsequent government response referenced the need to assess security screening impacts through case studies.^{38 39} A similar discipline should apply across new mandates: publish assumptions, assess distributional impacts on low-volume airports, and commit to post-implementation review.

Recommendations under Term 6:

- Establish a standing 'Regional Aviation Cost Impact Statement' requirement for significant new aviation regulatory changes, including a distributional assessment for rural, regional and remote services.
- Improve ongoing data collection and publication on fares, fees and performance (aligned with the government's current work on airline performance and competition data) so policy impacts can be evaluated transparently.

7. Policy and practical measures to assist the aviation sector to provide services to rural, regional and remote communities

A practical affordability and reliability strategy requires different tools for different route types. No single policy will address all drivers. This submission recommends a package across four pillars: competition where feasible, cost and charge reform where policy-leveraged, targeted support where markets are structurally thin, and stronger reliability/data/consumer protections.

Fare Dispersion, Dynamic Pricing and Essential Travel Safeguards

Modern airline revenue management systems allocate seat inventory dynamically over time. Lower fare classes are typically released well in advance of departure, while higher fare classes are retained for late-booking passengers whose travel is time-critical. This intertemporal pricing model is commercially rational and widely used across transport and accommodation sectors.

³⁸ Senate Rural and Regional Affairs and Transport References Committee, *The Operation, Regulation and Funding of Air Route Service Delivery to Rural, Regional and Remote Communities* (Report, 7 June 2019) https://www.aph.gov.au/-/media/Committees/rrat_ctte/RegionalAirRoutes/Report.pdf

³⁹ Australian Government, *Australian Government Response to the Rural and Regional Affairs and Transport References Committee Report: Operation, Regulation and Funding of Air Route Service Delivery to Rural, Regional and Remote Communities* (December 2019) https://www.infrastructure.gov.au/sites/default/files/documents/government_response_to_rrat_report_dec191.pdf

However, on structurally thin regional routes where travel is often essential rather than discretionary, dynamic pricing can result in significant late-booking price escalation. Patients travelling for specialist medical treatment, families responding to bereavement, and essential workforce movements frequently have limited flexibility in travel timing. In these circumstances, fare dispersion can generate substantial welfare impacts.

Historically, airlines offered discounted “standby” or last-seat inventory to fill marginal capacity. The evolution of sophisticated yield optimisation systems has largely eliminated such practices. While this reflects commercial efficiency, it also reduces flexibility for communities where aviation is essential infrastructure.

The Committee may wish to consider whether:

- Enhanced reporting of route-level fare dispersion (including fares at 3, 7 and 14 days prior to departure) should be mandated to improve transparency;
- Essential-travel inventory mechanisms (including capped emergency fares or government-backed essential seat allocations) are appropriate for structurally thin routes; and
- Public Service Obligation or contract-and-cap models could incorporate late-booking protections where travel is demonstrably non-discretionary.

The objective should not be to regulate airline pricing across competitive trunk markets, but to ensure that dynamic pricing structures do not disproportionately disadvantage regional communities where aviation is the only practical mode of travel.

Indicative example – Welfare Impact

To illustrate the interaction between dynamic pricing and essential travel, consider a Darwin-based family of four required to travel to Sydney at short notice due to bereavement.⁴⁰ This example is illustrative and based on publicly reported fare ranges.

If tickets are purchased several weeks in advance, return fares on long-haul routes such as DRW-SYD may be available within the mid-range of observed prices (for example, approximately \$500-\$650 per passenger in recent published fare series). However, where travel is required within three days of departure during peak periods, published fare data shows that prices can escalate materially, in some cases approaching or exceeding \$900 per passenger.

For a family of four, this difference may represent an additional \$1,000-\$1,500 in immediate travel cost relative to early-booked fares. For households in regional Australia, such unexpected expenditure can represent a significant financial shock, particularly where alternative modes of travel are impractical.

The issue is not that airlines apply dynamic pricing, which is economically rational, but that in thin, long-haul markets with limited substitution options, essential late-booking travel can generate disproportionate welfare impacts. This strengthens the case for examining targeted

⁴⁰ Bureau of Infrastructure and Transport Research Economics, *Domestic Air Fares - Cheapest Available Return Fares (Monthly Series)* (2025 data, DRW-SYD route; illustrative example)

safeguards for demonstrably non-discretionary travel, rather than broad-based price regulation.

Recommended package under Term 7:

- Route classification and targeting: classify routes as (a) contestable, (b) structurally thin / essential, and (c) remote access routes, then tailor interventions accordingly.
- PSO / contract-and-cap for essential thin routes: competitively tender minimum service levels and capped fares, with transparent community consultation and periodic retendering.
- Resident and essential-travel support: expand well-designed resident discount schemes and compassionate/medical travel arrangements, with safeguards to minimise fare inflation capture.
- Airport charge transparency and regulation: strengthen monitoring, consultation standards and dispute resolution for airports with market power that materially affects regional connectivity.
- Security screening equity: adopt a sustainable national funding approach for ongoing mandated screening costs to avoid high per-passenger charges at low-volume airports.
- Government procurement leverage: aggregate government travel demand to support baseline capacity and negotiate stable pricing on key regional and remote routes (health, education and public service travel).
- Reliability and consumer protection: improve reporting of cancellations and delays and progress consumer protection reforms so reliability incentives are aligned with community needs, especially where alternative services are limited.
- Workforce and operational resilience: invest in regional aviation workforce pipelines and require transparency when major operational changes (such as base closures) may affect service reliability.

8. Review of government responses to previous relevant inquiries, and the status of those responses

The Senate's 2019 inquiry into regional air routes made recommendations spanning airfare determinants, airport regulation and security screening cost impacts.⁴¹ The Australian Government's December 2019 response noted key recommendations and referenced ongoing and planned work, including security screening funding and impact assessment.⁴² The commencement of the Productivity Commission inquiry into determinants of regional airfares reflects the continuing relevance of those issues.⁴³

Recommendations under Term 8:

- Publish a clear, updated implementation tracker for prior inquiry recommendations relevant to regional affordability and reliability (including screening cost analysis and airport pricing transparency).

⁴¹ Senate Rural and Regional Affairs and Transport References Committee, *The Operation, Regulation and Funding of Air Route Service Delivery to Rural, Regional and Remote Communities* (Report, 7 June 2019) https://www.aph.gov.au/-/media/Committees/rrat_ctte/RegionalAirRoutes/Report.pdf

⁴² Australian Government, *Australian Government Response to the Rural and Regional Affairs and Transport References Committee Report: Operation, Regulation and Funding of Air Route Service Delivery to Rural, Regional and Remote Communities* (December 2019) https://www.infrastructure.gov.au/sites/default/files/documents/government_response_to_rrat_report_dec191.pdf

⁴³ Productivity Commission, *Determinants of regional airfares* (Public Inquiry, initial submissions paper, 2 December 2025) <https://www.pc.gov.au/inquiries-and-research/regional-airfares/>

- Ensure future policy reforms are delivered as an integrated package (competition, charges, targeted support and transparency), rather than isolated measures that shift costs between participants.

9. Any other related matters

Airfare affordability and reliability are not only consumer issues; they are regional development issues. High and volatile fares undermine:

- (i) population growth and retention,
- (ii) liveability and access to services, and
- (iii) business investment and workforce attraction and retention.

These effects are particularly acute in Northern Australia given long distances and the essential role of aviation (Appendix C).

From a policy perspective, this strengthens the case for treating a subset of regional and remote aviation links as essential infrastructure, with explicit, measurable objectives for affordability, volatility and reliability, and with governance that ensures reforms translate into lower and more predictable prices for residents and businesses.

Conclusion

The Committee can improve affordability and reduce volatility by focusing on:

- (a) competition and contestability where it is feasible,
- (b) reforming or smoothing policy-leveraged cost inputs such as airport charges at airports with limited competitive constraints and mandated screening cost recovery, and
- (c) using PSO-style contracting and resident/essential travel support where markets are structurally thin.

Northern Australia is an appropriate early focus for trial and evaluation because the impacts of high and volatile airfares are most acute.

Reform should focus on recalibrating structural cost architecture rather than assuming that increased airline competition alone will materially reduce fares in geographically sparse markets.

Appendix A: Darwin trunk route case studies (10 directions)

Data source: BITRE 'Cheapest available return fares' (monthly series; best-discount return fares).

Period summarised: Mar 2025-Feb 2026 (12 months).⁴⁴ Values below are nominal dollars.

Case	Route direction	City pair	Cheapest return fare range (12m)	Volatility ⁴⁵ (max/min)	Latest (Feb 2026)	Notes (seasonality / impacts)
1	Darwin → Brisbane (DRW-BNE)	Darwin–Brisbane	\$348 (Aug 2025) – \$668 (Nov 2025)	1.92×	\$475	Strong peaks in late-year demand; important for medical referrals and east-coast connections.
2	Brisbane → Darwin (BNE-DRW)	Brisbane–Darwin	\$348 (Aug 2025) – \$668 (Nov 2025)	1.92×	\$475	Strong peaks in late-year demand; important for medical referrals and east-coast connections.
3	Darwin → Sydney (DRW-SYD)	Darwin–Sydney	\$414 (Nov 2025) – \$948 (Dec 2025)	2.29×	\$642	Large peak around Dec; key national/international hub connections; last-minute travel particularly exposed.
4	Sydney → Darwin (SYD-DRW)	Sydney–Darwin	\$414 (Nov 2025) – \$948 (Dec 2025)	2.29×	\$642	Large peak around Dec; key national/international hub connections; last-minute travel particularly exposed.
5	Darwin → Adelaide (DRW-ADL)	Darwin–Adelaide	\$318 (Oct 2025) - \$962 (Feb 2026)	3.03×	\$962	Thin market; extreme volatility; Feb 2026 peak coincides with school/holiday and event demand. High exposure to last-minute travel.
6	Adelaide → Darwin (ADL-DRW)	Adelaide–Darwin	\$318 (Oct 2025) - \$962 (Feb 2026)	3.03×	\$962	Thin market; extreme volatility; Feb 2026 peak coincides with school/holiday and event demand. High exposure to

⁴⁴ Bureau of Infrastructure and Transport Research Economics, *Domestic Air Fares - Cheapest Available Return Fares (Monthly Series)* (2025 data, DRW-BNE, DRW-SYD, DRW-MEL routes)

⁴⁵ Bureau of Infrastructure and Transport Research Economics, *Domestic Air Fares - Cheapest Available Return Fares (Monthly Series)*

						last-minute travel.
7	Darwin → Perth (DRW-PER)	Darwin–Perth	\$559.01 (Jan 2026) - \$900 (Sep 2025)	1.61×	\$649.01	Consistently high baseline; less volatile but expensive due to long distance, high demand from resource/defence travel.
8	Perth → Darwin (PER-DRW)	Perth–Darwin	\$559.01 (Jan 2026) - \$900 (Sep 2025)	1.61×	\$649.01	Consistently high baseline; less volatile but expensive due to long distance, high demand from resource/defence travel.
9	Darwin → Melbourne (DRW-MEL)	Darwin–Melbourne	\$438 (Apr 2025) - \$936 (Dec 2025)	2.14×	\$765	Large peak around Dec; important for national connectivity and VFR (visiting friends/relatives) travel.
10	Melbourne → Darwin (MEL-DRW)	Melbourne–Darwin	\$438 (Apr 2025) - \$936 (Dec 2025)	2.14×	\$765	Large peak around Dec; important for national connectivity and VFR (visiting friends/relatives) travel.

Notes: BITRE 'cheapest available return fare' is a published fare series captured monthly; it will generally understate the prices faced by travellers who must book at short notice or on constrained dates. Return fares are direction-neutral; the directions above are shown separately to reflect outbound and inbound community impacts.

Appendix B: Selected airport and aviation charges (domestic)

The table below summarises selected published domestic aeronautical charges at the airports used on the Darwin trunk routes (examples only). Charges are levied on airlines and are commonly passed through (directly or indirectly) to passengers via fares. Amounts, definitions and GST treatment vary by airport, terminal and contractual agreement.⁴⁶⁴⁷⁴⁸⁴⁹⁵⁰⁵¹⁵²⁵³⁵⁴⁵⁵

Airport / operator	Effective date / schedule	Passenger-based charges (domestic)	Airfield / landing charges (domestic)	Security / mandated charges	Notes (recent changes / relevance)
Darwin (DRW) - Airport Development Group	From 1 Jul 2025 (GLC)	(public schedules limited; some charges aircraft-based)	General Landing Charge (GLC): \$77.71 per tonne MTOW (was \$36.39 per tonne)	—	Large increase reported from 1 Jul 2025; increases flow through to RPT and charter fares.
Brisbane (BNE) - Brisbane Airport Corporation	FY2025-26 schedules (from 1 Jul 2025)	Terminal PSC (Domestic, incl aerobridge): \$9.09 per arriving & departing pax (ex GST)	Runway PSC (Domestic): \$10.39 per arriving & departing pax (ex GST)	Govt mandated charges (Domestic): \$5.50 per arriving & departing pax (ex GST) (Jul–Dec 2025; Jan–Jun 2026 TBA)	Passenger-based charging can exceed \$20 per pax per movement before mandated security charges.
Sydney (SYD) - Sydney Airport	From 1 Jul 2025 (Table of Charges)	T2 Passenger Use Charge: \$9.15 per billable pax (ex GST) + T2 New Investment Charge \$0.41 per pax	Runway charge (Domestic): \$6.02 per 1,000kg MTOW per movement (ex GST) (minimum charges apply)	Terminal security charge (Domestic T2): \$0.87 per billable pax (ex GST) (where applicable)	Charges vary by terminal and airline agreement; runway charges are aircraft-weight based.
Melbourne (MEL) - Australia Pacific Airports (Melbourne)	From 1 Jul 2025 (Terms & Conditions pricing notice for non-signatories; issued 3 Apr 2025)	Domestic Passenger Charge: \$9.42 per arriving & departing passenger (ex GST)	Freighter landing charge: \$23.36 per landed tonne (ex GST) General aviation landing: \$27.68 per landed tonne (ex GST)	Domestic Airport Passenger Security Charge: \$1.30 per departing domestic passenger (ex GST) (plus other recovery charges as applicable)	APAM notes charges calculated using a building block model; significant price increases linked to major expansion program.
Perth (PER) - Perth Airport Pty Ltd	Effective 1 Jul 2025 (Notice of Aeronautical Charges)	Terminal usage (Domestic): \$15.879 per pax (arrival & departure) for T2/T3/T4 (ex GST)	Airfield component (Passenger aircraft): \$7.715 per pax (arrival & departure) (ex GST) +	Domestic pax & bag screening: \$10.131 per pax (departure only) + domestic security recovery \$1.371 per pax	High per-passenger charging plus peak-period minimum charges can materially

⁴⁶ Australian Broadcasting Corporation, 'Darwin Airport Landing Fees More Than Double' (18 July 2025)

⁴⁷ Australian Aviation, 'Darwin Airport Slammed over "Unreasonable" Fee Hike' (July 2025)

⁴⁸ Brisbane Airport Corporation, *Aviation Services and Charges Agreement - Runway System (FY2025-26)*

⁴⁹ Brisbane Airport Corporation, *Aviation Services and Charges Agreement - Terminals, Aprons and Related Infrastructure (FY2025–26)*

⁵⁰ Brisbane Airport Corporation, *FY2025-26 Aviation Services and Charges Agreement (Terminal and Runway PSC data)*

⁵¹ Sydney Airport, *Table of Charges COU V5.4* (Effective 1 July 2025)

⁵² Australia Pacific Airports (Melbourne) Pty Ltd, *FY26 Standard Terms & Conditions Pricing Notification Letter* (3 April 2025; Effective 1 July 2025)

⁵³ Perth Airport Pty Ltd, *Notice of Aeronautical Charges* (Effective 1 July 2025)

⁵⁴ Perth Airport Pty Ltd, *Notice of Aeronautical Charges* (Passenger and Screening Charge Data)

⁵⁵ Adelaide Airport Limited, *Schedule of Aeronautical Fees* (Effective 1 July 2025)

		GST (T1: \$15.054)	peak/off-peak minimums per movement	(departure only) (ex GST)	increase per-flight costs.
Adelaide (ADL) - Adelaide Airport Ltd	Effective 1 Jul 2025 (Schedule of Aeronautical Fees)	Domestic Arrival Fee: \$14.19 per pax (incl GST) Domestic Departure Fee: \$24.67 per pax (incl GST)	Arrival/Departure fees include landing and terminal components (per passenger basis)	Departure fee includes a Govt Mandated Fee component (\$10.48 per pax incl GST)	Departure charges materially higher where mandated security charges are included.

Interpretation note: Published airport charges are not directly comparable across airports because pricing structures differ (per passenger vs per MTOW, and whether security charges are bundled). Nonetheless, they illustrate that airport/operator charges can be material on a per-passenger basis—particularly for thin routes and smaller aircraft.

The published schedules do not demonstrate that Darwin is uniquely priced relative to other major airports on a simple per-passenger basis. Rather, they illustrate that aviation cost structures across Australia are complex and often opaque. The policy question is therefore less about whether one airport is the most expensive, and more about how capital expenditure, security recovery and monopoly pricing structures interact with thin-route economics.

Appendix C: Adverse impact examples (Northern and regional Australia)

The inquiry seeks evidence on the adverse impacts of high and volatile airfares. Examples below include a mix of evidence types: (i) impacts reported publicly by operators and stakeholders; and (ii) illustrative 'composite' examples that reflect common travel patterns in Northern Australia (medical travel, workforce mobility and time-critical family travel).⁵⁶

- **Health and essential travel:** Patients and carers travelling from the Northern Territory to interstate tertiary hospitals (often Brisbane, Adelaide, Sydney or Melbourne) face high costs and acute exposure to last-minute pricing. Where appointment dates are fixed and travel is time-critical, fare volatility directly increases out-of-pocket costs and/or increases the cost of patient travel assistance schemes.
- **Regional aviation viability:** General aviation and regional operators report that large airport fee increases can force immediate fare rises and, in extreme cases, service withdrawal—reducing connectivity for remote communities, government services and health outreach.
- **Workforce and business productivity:** High and unpredictable fares increase the cost of labour mobility (including defence, construction, resources, public sector and small business travel). For SMEs, this can mean fewer client visits, delayed maintenance and reduced participation in procurement opportunities.
- **Population growth, retention and liveability:** The high cost and limited availability of flights between Darwin and southern capitals increases the ongoing cost of living in the north for households whose families, specialist services and professional networks are interstate. This can influence decisions to relocate, remain, or accept postings in the north—particularly when extreme last-minute pricing makes planned leave or family travel unaffordable. The Northern Territory Government has noted anecdotal evidence that high air travel costs and limited availability are a barrier to the Territory's population growth and retention strategy (NT Government submission to the Aviation Green Paper, 2023).
- **Economic investment and staff attraction/retention:** High and volatile airfares increase employers' recruitment and retention costs (candidate travel, onboarding, training and professional development, and the cost of maintaining interstate connections for staff). These costs are borne directly by businesses and governments (through travel budgets and allowances) and indirectly through higher turnover, harder-to-fill vacancies and higher project delivery costs, reducing the attractiveness of Northern Australia as a location for new investment and for sustained expansion.
- **Tourism and events:** Tourism demand is highly price-sensitive. Volatile airfare pricing reduces forward bookings and increases cancellations for events and school-holiday travel. For destinations that rely on fly-in markets, airfare volatility can directly undermine accommodation occupancy and the viability of tours and attractions.
- **Education and skills:** Students and apprentices travelling between Darwin and southern capitals to access specialised training and higher education face barriers to maintaining family connections and participating in placements when fares spike during peak periods.

⁵⁶ Bureau of Infrastructure and Transport Research Economics, *Domestic Air Fares - Cheapest Available Return Fares (Monthly Series)* (2025 data, DRW-SYD route; illustrative example)

- **Household and social impacts:** Families are disproportionately affected by peak pricing when travel is non-discretionary (funerals, critical illness, family violence relocation, child custody matters). Price spikes can force people to delay travel, travel alone (reducing family support) or take on high-cost debt.

Where possible, these impacts should be quantified with administrative datasets (patient travel, government travel spend, event cancellations) and combined with route-level fare dispersion measures (e.g., fares at 3, 7 and 14 days prior to departure) to assess affordability and volatility.