An Australian Government Initiative

Regional Development Australia

NSW & ACT

Senator Glenn Sterle
Chair
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

27 February 2026

Re: RDA NSW & ACT Committee submission to the Inquiry into the State of Australia's Aviation Sector and its Ability to Deliver Reliable and Affordable Services to Rural, Regional and Remote Communities.

Dear Senator Sterle,

Thank you for this opportunity to provide a submission to this Inquiry. RDA NSW & ACT is a trusted, state-wide network of 13 regionally based organisations that bring deep local knowledge, strong cross-sector relationships, and a clear mandate to drive economic growth, innovation, and community prosperity. As part of a nationally funded Commonwealth initiative, RDAs play a pivotal role in identifying regional needs, strengthening investment in people, infrastructure, essential services, and local economies, and ensuring the effective, place-based delivery of Australian Government priorities.

Regional aviation is an essential service that underpins equitable access to healthcare, education, employment, business, and social participation. Since July 2024, the sector has experienced significant disruption with the collapse of Bonza, Rex Airlines entering voluntary administration, QantasLink's consolidation of regional crew bases, and escalating security and regulatory costs at small airports. These pressures have intensified long standing structural inequities in the cost and reliability of regional air services.

NSW provides some of the clearest evidence of these challenges. Case studies from the Riverina, Far West, Murray, New England, and North Coast regions demonstrate how high fares, reduced frequencies, and fragile service models directly undermine essential service access and regional economic participation. Passenger volumes are recovering in many centres, yet flight frequencies remain below pre-COVID levels, creating a widening gap between community need and service availability.

This submission responds to each Term of Reference and incorporates lived experience from NSW communities to illustrate national implications. It includes a set of practical, scalable recommendations to restore confidence in regional aviation and ensure equitable access for rural, regional and remote Australians.

Submission

1. Costs, Fees, Levies, Taxes and Charges Contributing to Regional Airfares

1.1 National Perspective

- Limited competition: Treasury's How Competition Impacts Prices: The Australian Aviation Sector (2024) found that monopoly routes have "substantially higher average fares."
- High fixed airport costs: The Australian Airports Association (AAA) 2024–25 Budget Submission highlights that small regional airports face disproportionately high fixed costs for security, staffing, and regulatory compliance.
- Navigation and regulatory charges: Airservices Australia charges are largely fixed per movement, increasing per seat costs on small aircraft.
- Security costs: Enhanced screening requirements impose significant capital and operating costs on small airports, often representing a double-digit share of total expenditure.

1.2 NSW Case Study

In 2025 the RDA NSW & ACT network conducted an analysis of selected regional airfares using BITRE data, the following demonstrates stark disparities:

- Coffs Harbour: +289% increase (2019–2025), from $109.90 to $428.
- Tamworth: +75.5% increase, from $270.02 to $474.
- Albury: +52.2% increase, from $268 to $408.

These increases far exceed cumulative inflation (~20%) and contrast sharply with the Sydney–Melbourne route (+35.9%), highlighting structural inequity for regional travellers.

This inconsistency raises equity concerns for communities reliant on air travel for access to health services, education, workforce mobility, and economic participation. It also prompts questions about pricing transparency and competitive dynamics on routes not captured in the top 70 routes analysed by BITRE.

2. Qantas Decision to Close Regional Staff Bases in Hobart, Mildura and Canberra

QantasLink's October 2025 decision to close regional crew bases raises concerns about:

- reduced local employment
- diminished resilience during disruptions
- long term impacts on regional service reliability

Although Mildura is in Victoria, the Mildura–Wentworth region is a cross border interconnected ecosystem that sits at the confluence of three state jurisdictions: Victoria, New South Wales, and South Australia, with Adelaide being the closer capital.

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The community of Wentworth in NSW accesses Mildura Airport for all their flight requirements. There are legitimate concerns of increased airfare prices and reduced flight availability in the community which may lead to not only detrimental economic impact, but limited access to health, education and family connection.

The upcoming suspension of Qantas' direct Wagga Wagga – Melbourne and Albury - Melbourne services in March 2026 is another example of the total disregard for regional service reliability. This results in longer travel times through forced indirect flights or long road journeys, and higher costs for passengers and freight.

Canberra Airport, which services the RDA Southern NSW and ACT region, draws on a catchment of almost one million people and is central to maintaining fair and reliable connectivity across this extensive area. The key concern raised by communities is that, without Canberra-based staff available to cover unplanned absences, the likelihood of flight delays or cancellations increases significantly.

3. Disparities in Costs Across Rural, Regional and Remote Airports

3.1 National Perspective

Cost disparities arise from:

- low passenger volumes
- high fixed security and regulatory costs
- remoteness related input costs
- limited non aeronautical revenue streams

3.2 NSW Case Study: How Cost Disparities Translate into Service Loss

The structural cost disparities outlined in Section 3.1 are clearly visible across New South Wales. RDA NSW & ACT's 2025 analysis shows that even regional airports with large catchments and demonstrated demand are losing services because their higher per-passenger cost base makes routes commercially marginal.

Across NSW, the pattern is consistent: high fixed costs + low passenger volumes = fewer flights, declining competition, and higher fares. The following examples illustrate how these cost disparities manifest in practice.

- Wagga Wagga: Despite a catchment of 190,000 people and 5,000 additional passengers, the airport lost 27 weekly flights. This demonstrates that even growing demand cannot offset high fixed security and regulatory costs, which raise the per-passenger cost base and reduce airline incentives to maintain frequency.
- Tamworth: With a 60,000-person catchment, Tamworth recorded a 15% drop in passengers and 30 fewer weekly flights. This reflects how low passenger volumes amplify fixed costs, making services commercially fragile and accelerating service withdrawal when airlines consolidate operations.

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- Armidale: Serving an 80,000-person catchment, Armidale experienced a 21% decline in passengers and 44 fewer weekly flights. The scale of this reduction highlights the impact of limited non-aeronautical revenue streams, which constrain the airport's ability to keep aeronautical charges competitive and retain airline services.
- Broken Hill: A remote catchment of 17,541 people saw a 14% passenger decline and 17 fewer weekly flights. This is a clear example of remoteness-related input costs, including fuel, labour, and maintenance, driving up operating costs and making routes more vulnerable to reduction.
- Albury: Despite a large 195,000-person catchment, Albury recorded an 11% passenger decline and 10 fewer weekly flights. This demonstrates that uniform regulatory and security requirements disproportionately burden regional airports, even those with comparatively strong demand.

Together, these NSW examples show that cost disparities are not abstract or theoretical. They are already driving service reductions across major regional centres and remote communities alike. The evidence demonstrates that the current cost structure places regional airports at a systemic disadvantage, directly contributing to reduced connectivity, diminished competition, and higher fares.

4. Recovery of Federally Mandated Security and Regulatory Costs; Merits of a Uniform Levy

4.1 Current State

- Airports must deliver federally mandated security services and recover costs through per passenger charges.
- No national equalisation mechanism exists for domestic security costs.
- Grants (e.g., Regional Airport Security Screening Fund) do not cover ongoing operating costs.

4.2 NSW Case Study

- A North Coast airport reports that full day staffing is cheaper than casualised shifts, demonstrating how rigid security requirements inflate costs.
- Airlines warn that security costs may make some NSW routes financially unviable, risking withdrawal.

These examples strongly support the case for a uniform national security levy to equalise costs.

5. Competitiveness of the Aviation Sector; Implications of Service Reductions

5.1 National Perspective

- Bonza's collapse and Rex's administration reduced competition on many regional routes.
- ACCC monitoring shows many regional routes are monopoly markets.
- Service withdrawal disproportionately affects access to essential services.

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5.2 NSW Case Study

- Narrabri–Sydney route loss (2025): replacement options require a 100 km drive to Moree or a Brisbane connection; return fares now $1,054 via Brisbane vs $438 on the weekly Pelican service.
- Albury–Melbourne route loss: The withdrawal of Rex air services in 2022 and the timing of arrival Qantas flights has resulted in locum doctors having to make overnight stays, increasing costs for health services. Qantas are suspending services on this route in March 2026 which will have greater impacts on essential services.
- Albury- Sydney route loss: The withdrawal of Rex Airlines from the Albury–Sydney route in July 2024 has had a direct and measurable impact on service availability that the market has not corrected.
- Broken Hill: High fares and reduced frequency undermine specialist service provision in this region.

These examples show how service withdrawal directly harms essential services and creates a cost burden to residents of the regions.

Flight frequency alone doesn't reflect true accessibility. For regional communities, the timing, reliability and alignment of flights with local needs matter far more. Data shows highly variable performance across NSW airports, underscoring the need for place-based aviation strategies. Equity modelling is essential to identify underserved regions and guide targeted investment and policy reform.

6. Adequacy of Government Fees and Levies

- CASA regulatory costs account for 12% of expenditure at regional airports (vs 4% at major airports).
- 60% of regional airports operate at a loss, forcing councils to cross subsidise.

Current fee structures are inequitable and unsustainable, with council cross subsidisation becoming the financial burden of its residents.

7. Effectiveness of Government Processes to Quantify Regulatory Costs

Regulatory impact assessments underestimate costs:

- Security screening requirements impose staffing models that are inefficient for low volume airports.
- Infrastructure constraints (e.g., Wagga Wagga's inability to accommodate larger aircraft) are not factored into national planning.

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8. Policy and Practical Measures to Support Regional Aviation

i). Foundational Actions

- Apply equity modelling to identify underserved regions.
- Scale flight frequency and capacity in line with projected demand.
- Incorporate infrastructure constraints into policy decisions.
- Implement immediate reliability measures at Tamworth, Armidale and Broken Hill.

ii). Remote Air Services Subsidy Scheme (RASS)

- Introduce a "regional hub" category to support areas aligned with national infrastructure and energy priorities.

iii). Airservices Australia Enroute Charges Payment Scheme

- Broaden eligibility beyond single operator, <15,000 pax routes.

iv). NSW Regulated Air Routes

- Raise the threshold from 50,000 to 75,000 annual passengers.
- Prioritise corridors with limited modal alternatives.
- Embed minimum service standards and reliability targets.

v). Regional Airports Program

- Provide recurrent funding to ensure regional airports can maintain infrastructure and meet security obligations.

vi). Mandated Security and Regulatory Costs

- Introduce a uniform national security levy to equalise costs.

9. Review of Previous Government Responses

The RDA NSW & ACT network appreciates the Federal Government's continued support for regional air services following Rex's administration. Air T's acquisition is a welcome step, but long-term viability remains uncertain given the history of multiple regional carrier failures.

Recent aviation reforms, including the Aviation White Paper: Towards 2050, strengthened consumer protections, ACCC monitoring of airline pricing and competition, and the new independent committee overseeing Sydney Airport slot compliance, are all positive developments.

Yet regional air services remain vulnerable. When aviation access deteriorates, regions struggle to attract and retain the population and workforce needed to sustain routes, creating a self-reinforcing cycle that market forces cannot correct. Targeted policy intervention is required to break this cycle or the NSW regional communities will continue to experience:

- high fares
- reduced frequencies
- fragile service models

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10. Other Related Matters

- **Western Sydney International Airport**: due to open in late 2026, could ease pressure on existing slots, but regional stakeholders warn against shifting NSW regional services there before strong transport links are in place. For now, essential services used by regional travellers remain centred near Sydney's CBD, so a staged transition is needed to build Western Sydney's service infrastructure and ensure slot allocation fairly supports both major routes and regional flights.

Final Comment

In summary the RDA NSW & ACT network welcomes the opportunity to engage in further discussions regarding the State of Australia's Aviation Sector and its Ability to Deliver Reliable and Affordable Services to Rural, Regional and Remote Communities.

Thank you for your consideration of the NSW Regions.

Yours sincerely



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