

LAUNCESTON

AIRPORT

State of Australia's Aviation Sector and its Ability to Deliver Reliable and Affordable Services to Rural, Regional and Remote Communities

Launceston Airport Submission

Executive Summary

Launceston Airport welcomes the opportunity to contribute to this inquiry examining Australia's aviation sector and its capacity to deliver reliable and affordable services to rural, regional and remote communities.

As Tasmania's premier regional airport, Launceston Airport provides a distinctive perspective on the challenges and opportunities facing regional aviation. Our submission draws on operational experience serving more than 1.4 million passengers annually, connecting northern Tasmania to mainland Australia and supporting the state's economic development, tourism sector and community access to essential services.

This submission addresses four critical areas within the Committee's Terms of Reference:

- *The true cost drivers of regional airfares:* Independent analysis by InterVISTAS demonstrates that aeronautical charges represent only 7.6 per cent of domestic airfares, with 81.2 per cent attributable to airline base fares reflecting operating costs and commercial decisions. Effective policy responses to affordability concerns must address the dominant cost factors rather than disproportionately targeting airport charges.
- *Financial sustainability of regional airports:* Across Australia, regional airports face disproportionate compliance burdens from federally mandated security and safety obligations. Many smaller airports operate at deficits or require ratepayer subsidies to maintain services. Recent data shows that 17 of 35 regional airports analysed reported operational deficits in FY24, with smaller airports particularly vulnerable.
- *Inequitable security cost recovery arrangements:* The termination of Commonwealth security screening support programs has left regional airports to self-fund screening requirements that represent major costs for smaller airports. This creates significant barriers to service viability and affordable access for regional communities.
- *Policy measures to strengthen regional aviation:* Launceston Airport supports a national regional aviation infrastructure strategy, permanent and predictable funding for regional airport programs with tiered co-contribution requirements, dedicated Commonwealth support for security compliance costs, and allocation of Passenger Movement Charge revenue to regional aviation infrastructure.

To address the issues highlighted in this submission, Launceston Airport recommends the following:

1. *Develop a National Regional Aviation Infrastructure Strategy* aligned with the Aviation White Paper to provide coordinated planning, shared learning, and effective targeting of government support across Commonwealth, state and local governments.
2. *Establish permanent, predictable funding for the Regional Airports Program and Remote Airstrip Upgrade Program* with reformed co-contribution requirements that reflect the financial capacity of different airport operators.
3. *Create a Mid-Sized Airport Program* to address the funding gap for airports that have outgrown regional programs but lack the commercial revenue base of major metropolitan airports.
4. *Provide dedicated Commonwealth support for security compliance costs* through ongoing funding programs that recognise federally mandated obligations serve national policy objectives.
5. *Direct a portion of Passenger Movement Charge revenue* towards regional aviation infrastructure, security compliance costs, and measures that support sustainability and affordability of air services.
6. *Establish a national airport apprenticeship program* with portable qualifications and wraparound support for regional workers, including pathways for both new entrants and mid-career/mature-aged professionals to address workforce shortages.
7. *Set a passenger number threshold (such as one million passengers annually) for entry to the Aviation Ombuds Scheme* to ensure proportionate obligations for smaller regional and remote airports with limited administrative capacity.

1. Launceston Airport's Role in Tasmania's Connectivity

Launceston Airport serves as essential transport infrastructure connecting Tasmania to mainland Australia and supporting the movement of passengers and time-critical freight.

In financial year 2025, Launceston Airport handled more than 1.4 million passengers and 14,200 aircraft movements, demonstrating the airport's role as a vital connectivity point for Tasmania. The airport contributes \$81.7 million to Tasmania's Gross State Product, with tourists arriving through the airport contributing more than \$1.3 billion to the state's economy. The airport also supports 678 jobs across Tasmania.

The significance of Launceston Airport extends throughout Tasmania's northern region and beyond. Research consistently demonstrates that airports function as strategic infrastructure because of their role in connecting regional communities.

A significant bidirectional relationship exists whereby airports influence regional economic growth, and the economy directly shapes regional air transport patterns.

Launceston Airport will need to invest more than \$150m in capital, including a forecast runway overlay, over the next 10 years to ensure our assets are appropriately maintained and can accommodate forecast passenger growth.

For northern Tasmanians, Launceston Airport represents the primary gateway to interstate travel, access to specialist medical services not available within Tasmania, business opportunities, education and family connections. The airport plays a critical role in freight operations, particularly supporting Tasmania's agriculture, aquaculture and seafood industries which require time-sensitive logistics chains to deliver premium products to mainland and international markets.

2. Service Delivery and Network Characteristics

Current Airline Operations

Launceston Airport currently supports three domestic airlines providing regular passenger transport services to mainland destinations. These include Qantas (including QantasLink), Jetstar Airways and Virgin Australia.

The airport's network connects Tasmania to key mainland cities including Melbourne, Sydney and Brisbane. Virgin Australia operates seasonal services to Perth and Adelaide, which have proven particularly popular with both inbound and outbound travellers during summer months.

In October 2024, the airport became the first regional airport to welcome QantasLink's next generation Airbus A220, a more fuel-efficient replacement for the Boeing 717. QantasLink also replaced the smaller Dash-8-300 with the larger Dash-8-Q400, which is capable of carrying almost 50 per cent more passengers.

Sharp Airlines provides vital intra-state services between the Bass Strait Islands and Northern Tasmania, giving these remote communities critical access to essential services that are not otherwise available in-community.

A number of freight airlines also have regular services to Launceston Airport, including Qantas Freight, Team Global Express and Southern Airlines. These connections are essential for Tasmania's economy, supporting industries including tourism, agriculture, aquaculture and forestry.

Launceston is a critical hub for the Royal Flying Doctors Services (RFDS) to provide aeromedical services to remote communities under a 10 year partnership with the Tasmanian Government. In parallel, RFDS will soon commence construction of a new purpose-built airbase at the airport.

Aviation represents a critical link to regional, rural and remote communities across Australia. For an island state like Tasmania, aviation represents not merely convenience but necessity, with no viable alternative for time-sensitive travel or freight movement. The quality of regular passenger transport service is closely linked to quality of life and the resilience of regional communities.

Passenger and Movement Trends

There remains strong and consistent growth in passenger demand. In financial year 2025, Launceston Airport recorded more than 1.4 million passengers, representing a 0.8 per cent increase on the previous year and the busiest financial year on record. January 2025 was the busiest month ever recorded at Launceston Airport with 159,032 passengers. The airport also set a new daily passenger record with 6,114 travellers on 2 January 2025, marking the first day in the airport's history it had handled more than 6,000 passengers.

While airline seat capacity declined in FY24, strong demand for services resulted in average load factors increasing 7 per cent to 86.3 per cent, driving the overall record. Aircraft movements totalled 14,200 for the year, an 11.9 per cent decrease compared to the prior year, reflecting industry-wide pressures on aircraft availability and the rationalisation of services following carrier restructures.

Launceston Airport operates in the context of Tasmania's unique geographic and demographic profile. With a population of approximately 571,000, Tasmania supports two primary airports, Launceston and Hobart, alongside smaller regional facilities at Burnie/Wynyard, Devonport, Flinders Island and King Island. This creates a competitive environment where market size constrains frequency, aircraft gauge and route economics.

The airport has demonstrated resilience despite challenges including the collapse of Bonza in April 2024. The resumption of Virgin Australia's seasonal Perth and Adelaide services drove strong growth over the summer months. Passenger numbers also grew during the traditionally quieter winter months, with new records set in every winter month, underpinned by Tourism Tasmania's award-winning Off Season and Come Down for Air campaigns. These patterns reflect both the resilience of demand for essential connectivity and the vulnerability of thin aviation markets to external shocks and carrier commercial decisions.

Tasmania's Dependence on Aviation

Geographic isolation makes flying often the only practical option for Tasmanians travelling to other Australian cities. The Bass Strait crossing represents a natural barrier that makes aviation essential rather than discretionary for interstate connectivity. Regional industries such as tourism, mining and agriculture, along with the provision of essential community services, depend on regular passenger transport for labour movement and client access.

While geographic isolation and disconnection from mainland Australia remain a significant structural challenge, airfare pricing also plays a critical role, particularly for airports like Launceston, which serve a higher proportion of leisure and visiting friends and relatives (VFR) travellers. High airfares can limit accessibility for these segments, amplifying the economic and social impact of isolation. Tasmania's island geography magnifies these effects, making reliable and affordable air services fundamental to the state's economic competitiveness and social wellbeing.

3. Operating Environment and Financial Sustainability

Thin Market Economics

Regional airfares are influenced by the economics of thin markets, which include high fixed costs, limited competition, fleet shortages (and, in the case of Bass Strait Island services – ageing fleets), fuel exposure, crew and engineering shortages, substantially higher Airservices Australia Terminal Navigation and Aviation Rescue and Fire Fighting charges (which are recovered on a location-specific basis), lower seat density and a small population with low growth levels. Airport related costs represent only a small proportion of overall airfares, yet airport operators face high, unavoidable compliance costs associated with federally mandated safety and security obligations.

Recent analysis by the Australian Airports Association (AAA) of publicly available FY24 financial data reinforces the structural challenges facing regional airports. Of 35 regional airports included in BITRE's airport traffic data that published financial statements, 17 reported operational deficits. Among the 21 regional airports ranked in the top 50 for domestic aviation activity, four recorded operational losses. For smaller regional airports, 14 reported losses with only one achieving an operating surplus. This demonstrates a clear trend: the smaller an airport's passenger throughput, the higher the likelihood of operational deficit.

Launceston Airport, while one of the larger regional facilities, operates within these same challenging market dynamics as an essential piece of infrastructure for northern Tasmania.

Disproportionate Compliance Burdens

Ongoing aerodrome safety obligations required by the Civil Aviation Safety Authority (CASA), and security obligations required by the Department of Home Affairs, together with emergency planning, airfield lighting, wildlife hazard management and pavement standards, apply nationally regardless of airport scale. These functions deliver a public good for the national aviation system, yet they are disproportionately expensive for airports with limited commercial revenue.

The fixed nature of these compliance requirements means that airports must meet essentially the same regulatory standards regardless of passenger throughput. While absolute costs may vary based on facility size, the per-passenger cost burden increases dramatically as volumes decrease. Many regional airports absorb these costs to avoid passing them on to passengers, which shifts the burden onto alternative revenue sources or ratepayers. A long-term, equitable approach to federally mandated costs is essential for maintaining affordable and reliable air services.

Launceston Airport continues to invest in infrastructure and compliance while managing the financial realities of serving a regional market. The airport has undertaken major works including completion of a new check-in hall and security screening point, with ongoing works representing the biggest terminal expansion and transformation in the airport's history.

The Security Screening Challenge

The termination of Commonwealth security screening support programs has created significant financial challenges for regional airports across Australia. Security screening requirements impose substantial fixed costs regardless of passenger volumes, including capital expenditure for screening infrastructure and equipment, ongoing operational costs for trained personnel, and maintenance of security systems.

Launceston Airport received Commonwealth Government funding to assist with the purchase of security screening equipment. Launceston Airport recovers security screening operating costs on a cost pass-through basis to the airlines. This recharge is reconciled at the end of each financial year, subject to final passenger volumes and actual costs incurred - for FY26 this is forecast to be circa \$7.30 to \$8 per departing passenger. This is understood to be very cost-competitive compared with other regional airports.

Regional airports that approach or exceed security screening thresholds face difficult decisions about cost recovery. Examples from other regional airports demonstrate the scale of challenge: capital costs can exceed \$1.5 million, with annual operating expenses of \$300,000 or more. In some cases, security screening costs have reached \$80 per passenger, with corresponding reductions in passenger numbers as travellers seek alternative routes or transport modes.

These costs create particular challenges for airports serving thin markets where passenger volumes are limited and alternative revenue streams are constrained. The burden of funding infrastructure that delivers national security outcomes falls disproportionately on regional communities and airport operators with limited capacity to absorb such expenses.

The economic significance of regional air transport and the importance of airports as infrastructure for regional communities and their need to maintain and develop these facilities. However, expecting airports with limited revenue bases to fully fund infrastructure delivering national security outcomes creates an inherently inequitable situation that threatens service viability and regional connectivity.

4. Airfare Components and Cost Structures

Launceston Airport's experience confirms that airport charges are not a primary driver of regional airfares. Independent analysis undertaken by InterVISTAS indicates that aeronautical charges account for only 7.6 per cent of the overall cost of a typical domestic airfare. The breakdown shows that 81.2 per cent is made up of the average base airfare (representing airline operating costs, profit margins and commercial decisions), 2.3 per cent on ancillary airline charges and 8.9 per cent on government taxes and fees.

This evidence demonstrates that reducing airport charges would have minimal impact on overall airfare costs. A ten per cent reduction in airport charges would translate to less than a one per cent reduction in the total ticket price. The overwhelming factors that comprise the base airfare include fuel costs, crew wages, aircraft lease costs, maintenance expenses, corporate overheads and network efficiency. These are far more significant determinants of what passengers ultimately pay.

In addition, a reduction in aeronautical charges could render investment in critical infrastructure unviable, compromising the ability of the airport to invest in the asset and cater for growth in passenger volumes.

Competition on regional routes is limited due to small market size, high barriers to entry and aircraft availability constraints. Tasmania's aviation market faces additional constraints from Bass Strait crossing distance, weather patterns affecting operations, and the state's population base limiting frequency and aircraft capacity options. In many parts of regional Australia, a single carrier provides the only regular public transport service, and recent schedule adjustments by multiple airlines demonstrate the inherent vulnerability of thin markets to workforce shortages, fleet pressures and broader operational challenges.

Launceston Airport works collaboratively with airline partners to support route viability and service development through flexible commercial arrangements and infrastructure investment that improves operational efficiency. However, the commercial sustainability of routes ultimately depends on factors largely beyond airport control, including market demand, frequency requirements, fleet availability and airline network strategies. Policy measures aimed at improving

regional connectivity must address the full spectrum of factors affecting service viability and affordability.

5. Recommendations for the Sustainability of the Sector

Launceston Airport supports comprehensive policy measures that recognise the unique challenges facing regional aviation while ensuring sustainable, affordable air services for regional Australians.

National Regional Aviation Infrastructure Strategy

A national regional aviation infrastructure strategy aligned with the Aviation White Paper would provide a coherent, long-term approach to investment, compliance and workforce development. This strategy should recognise airports as essential public transport infrastructure and provide clarity on how the Commonwealth, states and local governments will work together to ensure sustainable service delivery.

Currently, regional airport planning and investment occurs in a fragmented manner, with individual operators making decisions based on local circumstances and available resources. A national strategy would enable coordinated planning, shared learning across the sector and more effective targeting of government support to areas of greatest need. Better integration of airports into national infrastructure planning is necessary, including strengthening Infrastructure Australia's capacity with dedicated aviation infrastructure expertise.

Permanent Funding for Regional Airport Programs

Commonwealth grant programs such as the Regional Airports Program and Remote Airstrip Upgrade Program are vital to regional aviation sustainability. However, sporadic timing of funding rounds makes long-term planning difficult and there is currently no targeted funding beyond this financial year. Launceston Airport strongly supports placing these programs on a permanent, predictable footing.

When programs are open, many require a fifty per cent co-contribution, which is often not feasible for smaller airports with limited revenue bases. As a result, airports with the greatest need can be least able to access available funding. Launceston Airport encourages the Committee to recommend reforms to funding models that better reflect financial capacity of different airport operators, including tiered co-contribution requirements based on size and revenue.

The creation of a Mid-Sized Airport Program would support larger airports excluded from existing funding frameworks despite high passenger throughput and significant capital needs. This would address a current gap in Commonwealth support for airports that have outgrown regional programs but lack the commercial revenue base of major metropolitan airports.

Dedicated Commonwealth Support for Security Compliance

Launceston Airport supports a fair and sustainable approach to recovering the costs of federally mandated security and regulatory obligations. These obligations serve national policy objectives and are applied uniformly across the country, yet their financial impact falls heavily on airports with limited revenue bases. Security screening equipment, trained personnel, secure perimeter fencing and access control systems all represent substantial fixed costs that must be met regardless of passenger volumes.

Launceston Airport encourages the Commonwealth to examine options that improve equity and sustainability without increasing the cost burden on passengers. This should include transparent assessment of cumulative impacts of federal regulations on airports, alongside consideration of long-term funding models. There is currently no ongoing, dedicated Commonwealth program to support airport security and regulatory compliance, despite these obligations continuing to grow in complexity and cost.

Allocation of Passenger Movement Charge Revenue

The Passenger Movement Charge (PMC) currently contributes over \$1.3 billion per year to federal revenues, but minimal investment is directed to improving the passenger journey or supporting aviation infrastructure. Given that substantial revenue is already collected from travellers, Launceston Airport suggests the Committee consider recommending that a portion of PMC revenue be directed towards regional aviation infrastructure, security compliance costs, and other measures that directly benefit sustainability and affordability of air services.

This would create a direct link between revenue collected from travellers and investment in infrastructure and services that facilitate their journeys, without requiring new taxes or charges on passengers. It would recognise that regional connectivity is a national priority warranting investment from Commonwealth revenues.

Workforce Development

Airports already face significant shortages in Aerodrome Reporting Officers, maintenance personnel, security screeners and airfield operations staff. A national airport apprenticeship program would create consistent training pathways and establish portable qualifications in airport operations, security and ground handling, improving workforce stability and service reliability. Wraparound supports and remote delivery models are required to address geographic challenges faced by regional workers.

While apprenticeships traditionally focus on younger entrants, the aviation sector also benefits from retaining and re-engaging mid-career and mature-aged

professionals. These workers bring valuable experience, reliability, and institutional knowledge that can strengthen operational resilience. Retention efforts help reduce turnover, maintain service continuity, and leverage skills from other industries, particularly important in a sector facing persistent workforce shortages. A balanced approach that supports both new entrants and experienced workers ensures a more stable and adaptable workforce for airports nationwide.

Aviation Ombuds Scheme Threshold

Launceston Airport supports the establishment of a threshold for entry to the Aviation Ombuds Scheme based on passenger numbers per annum. Smaller regional and remote airports do not have capacity to establish and maintain the same complaints handling and reporting systems as major gateways. These airports often operate with limited staffing focused primarily on safety, compliance and maintenance. Diverting already limited resources into new administrative structures would inevitably compromise essential operations.

A threshold such as one million passengers annually would provide regulatory certainty while ensuring proportionate obligations. If no threshold is adopted, clear alternatives are needed including scaled obligations, shared regional compliance models, or exemptions linked to infrastructure or operational capacity. It is important to note that Home Affairs already provides exemptions for smaller regional and remote airports, applying a proportionate-based approach.

Conclusion

Launceston Airport's experience demonstrates both the critical importance of aviation connectivity for Tasmania and the complex challenges facing regional aviation sustainability and affordability.

Airport charges represent only 7.6 per cent of overall airfare costs, with 81.2 per cent attributable to airline base fares and 8.9 per cent to government taxes and fees. Policy interventions aimed at improving regional airfare affordability must therefore consider the full spectrum of cost components rather than focus disproportionately on the smallest element. Addressing the factors that comprise the majority of ticket prices including operational costs, network efficiency and broader economic factors, will have far greater impact on passenger affordability than measures targeting airport charges alone.

Regional airports face disproportionate burdens from federally mandated compliance costs that deliver national policy objectives. The termination of Commonwealth security screening support programs has created significant financial challenges, with security costs reaching \$80 or more per passenger in some locations and causing service withdrawals. Recent analysis shows that 17 of 35 regional airports examined reported operational deficits in FY24, highlighting the structural financial challenges facing the sector.

Despite these challenges, Launceston Airport recorded its busiest year on record in FY25 with more than 1.4 million passengers, demonstrating strong underlying demand for regional connectivity. The airport has invested significantly in terminal infrastructure upgrades and has secured long-term airline agreements to support continued service growth. However, ongoing infrastructure investment, including the \$5.5 million Taxiway Foxtrot project to enhance freight capabilities and continued multi-million dollar capital investment into the aviation infrastructure to secure the long-term viability of air travel, highlights the continued capital investment requirements facing regional airports.

Establishing equitable, long-term funding mechanisms for Commonwealth-mandated obligations, alongside permanent infrastructure support programs with appropriate co-contribution requirements, a coherent national strategy, and dedicated security compliance support would strengthen the foundation for sustainable regional air services. Allocating a portion of PMC revenue to regional aviation would create a direct link between revenue collected from travellers and investment in the infrastructure supporting their journeys.