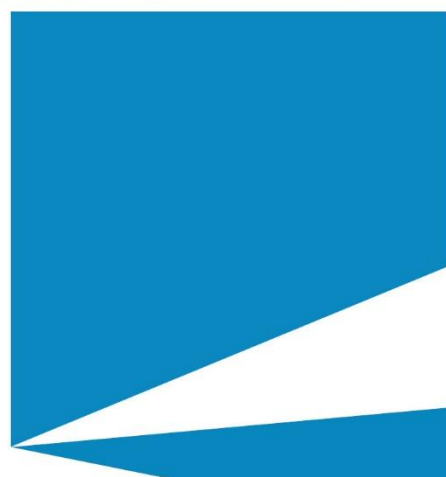
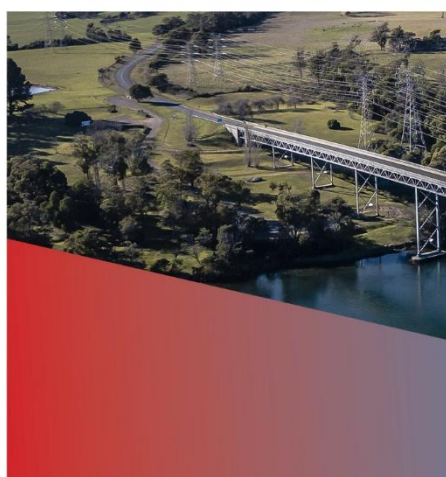


January 2026

Tasmanian Government Submission

Rural and Regional Affairs and Transport References Committee Inquiry
into the state of Australia's aviation sector and its ability to deliver reliable and
affordable services to rural, regional and remote communities



Contents

1. Executive Summary	1
2. Context: Tasmania's aviation sector	2
3. Comments on the Terms of Reference	6
<i>Cost, fees, levies, taxes and charges and their impact on airfares and services.....</i>	<i>6</i>
<i>Decision by Qantas to close regional staff bases (Canberra, Hobart, Mildura)</i>	<i>6</i>
<i>Disparities of costs across rural, regional and remote airports</i>	<i>7</i>
<i>Mechanisms for recovering federally mandated security & regulatory costs; options for achieving greater financial equity including a uniform national levy</i>	<i>7</i>
<i>Competitiveness of the aviation sector servicing rural, regional and remote communities; implications of reducing or withdrawing services</i>	<i>8</i>
<i>Adequacy of government fees and levies to equitably address costs for airline services incurred due to federal legislation and regulations</i>	<i>9</i>
<i>Effectiveness of government processes and mechanisms to identify and quantify capital and ongoing costs due to federal legislation and regulation</i>	<i>10</i>
<i>Policy and practical measures to assist the aviation sector to provide services to rural, regional and remote communities</i>	<i>10</i>
<i>Review of government responses to previous relevant inquiries and status of associated actions</i>	<i>12</i>
<i>Any other related matters</i>	<i>13</i>

1. Executive Summary

The Tasmanian Government welcomes the opportunity to contribute to the Inquiry by the Rural and Regional Affairs and Transport References Committee (the Committee).

As an island jurisdiction whose economy and communities are heavily dependent on inter and intra-state aviation connectivity, strong, affordable and reliable regional air services are critical to support Tasmania's social, economic and community outcomes. Our geography, dispersed population and limited transport alternatives magnify the consequences of any reduction in regional aviation capacity, increased cost burdens or withdrawal of connectivity, particularly for essential services to King Island and Flinders Island.

The Terms of Reference reflect issues central to Tasmania's experience. Regional aviation markets in Tasmania are characterised by thin passenger bases, high regulatory and infrastructure costs, limited economies of scale and competitive distortions. These structural factors mean that in key markets, the cost of providing services (including the associated expense of essential infrastructure maintenance and upgrades, insurance and compliance costs, and fleet renewals) exceeds the revenue regional communities can sustainably generate, placing essential routes under severe and ongoing pressure.

Cost disparities at regional and island airports are structural rather than due to inefficiencies. They are driven by low passenger volumes, high infrastructure and regulatory requirements, limited economies of scale and expensive supply chains. As a result, regional airports, such as Flinders and King Island, face significant financial pressure and higher per-passenger charges and airfares than metropolitan routes.

Existing national funding programs provide important support, but significant gaps remain. Competitive grants introduce uncertainty and disadvantage smaller regional operators and councils. Tasmania calls for long-term, coordinated national funding that prioritises need, recognises limited market capacity to pay, and ensures airports can meet mandated safety and regulatory standards.

The current national levy and cost recovery frameworks do not adequately recognise regional scale disadvantages. Tasmania supports the development of a nationally consistent and transparent cost-recovery regime with regional adjustment mechanisms and ensure increases reflect actual costs rather than across-the-board increases. Greater transparency is also required to understand how federally mandated regulatory and security costs impact regional routes and airport operations.

Recent industry developments have intensified regional aviation challenges in Tasmania. The Australian Government provided funding support for REX Airlines throughout its administration process in 2025 to maintain essential services. This support has altered the competitive dynamics on routes serving Tasmania, particularly King Island. The funding enabled REX to maintain or expand services in periods of low commercial viability. This has created uneven competitive conditions, requiring the Tasmanian Government to underwrite Sharp Airlines to maintain essential island services until REX's long-term plans are confirmed. Tasmania advocates for transparent, competitively neutral Australian Government support settings in small markets that cannot sustain multiple operators.

The issues outlined in this submission demonstrate the need for a coordinated national approach. Sustained Australian Government funding, proportionate and transparent cost-recovery frameworks, and improved program accountability are essential to maintaining safe, reliable and affordable air services and supporting the infrastructure that underpins them. No level of government can afford the consequences of essential services withdrawing, and current mechanisms are insufficient to prevent this risk.

The Tasmanian Government urges the Committee to more closely examine the implementation status of prior recommendations, identify gaps in policy, and require the Australian Government to publish a

formal implementation progress report for previous regional aviation recommendations (including those specific to cost/levy burdens, remote airstrip funding, regional airport viability and transparency of fees).

The Tasmanian Government encourages the Committee to reaffirm that regional aviation (especially in isolated jurisdictions and thin-route markets) is a national priority that requires tailored, long-term Australian Government support to ensure the viability of essential services and the resilience of the infrastructure that supports them.

2.Context: Tasmania's aviation sector

As an island state, Tasmania is particularly reliant on aviation connections for the movement of people and time-sensitive freight. It is critical to tourism, trade, health, education and training, business and liveability for all Tasmanians.

A strong and competitive domestic aviation market, that offers affordability and choice for Tasmanians and visitors is a priority of the Tasmanian Government.

Aviation provides access to essential services for many Tasmanians living in isolated regions, such as King Island and the Furneaux Islands Group.

The viability of regional aviation in Tasmania is shaped by unique factors: small population density beyond the major centres; seasonality in tourism; reliance on freight capacity for primary produce; and the elevated fixed costs of airport and aviation infrastructure in remote/isolated locations. Critically, competition in a small market is also a key determinant of viability.

The Tasmanian Government provides a number of programs to assist residents access health and education facilities via flights where there are no alternative services available to be accessed by road.

Gateway and interstate services

Tasmania's two gateway airports, Hobart and Launceston make a significant economic contribution to the state. These gateway airports, along with Devonport and Burnie Airports, support regular interstate passenger services. Hobart Airport supports a single direct international service to New Zealand.

The significance of aviation to the Tasmanian visitor economy is evidenced by the fact that 88 per cent of visitors to Tasmania travel by air. Of these, 67 per cent travel through Hobart Airport and 31 per cent through Launceston Airport, with the remainder travelling through regional airports.

Hobart and Launceston Airports are fully privatised and operate under long-term leases with the Australian Government. Both have significant 10-year infrastructure development plans as part of their current Airport Masterplans. Both airports continue to deliver major airfield, terminal and nonaeronautical property developments.

The Australian Government provided \$60 million in 2022 to support Hobart Airport's runway strengthening project. This contribution formed part of a \$130 million upgrade, completed in August 2025, which now enables sustained wide-body aircraft operations.

Separately, Hobart Airport is delivering a \$200 million terminal redevelopment, fully funded by the airport. Stage 1 was completed in September 2025 with the full project expected to be completed in 2027. The project will double departures capacity and modernise arrivals, baggage and security facilities.

Hobart Airport is Australia's ninth busiest airport and contributes directly and indirectly to the Tasmanian economy by enabling inbound tourism, exporting of Tasmania's outstanding fresh produce, and providing the aviation gateway for Australia and other countries' scientific endeavours in Antarctica and

the Southern Ocean. The Airport's 2022 Masterplan forecasts its economic contribution to grow from \$145 million and 1,125 jobs in FY2018 to over \$412 million and 3,500 jobs by FY2042.

Passenger numbers are forecast to grow from 2.7 million in FY 2018 (2.3 million in 2023) to 5.5 million per year by FY 2042. It is critical that the airport develops terminal and ground transport infrastructure to provide the capacity to meet Tasmania's forecast needs.

Similarly, Launceston Airport is a significant economic hub for the north of the state.

Launceston Airport has embarked on a \$100 million 10-year infrastructure plan. Phase one of this project includes upgrades to the check-in hall, cargo facility, royal flying doctor service, arrivals hall and airfield lighting.

As the main aviation hub for Northern Tasmania, Launceston Airport is the second-busiest airport in the state and contributes \$81 million annually to the Northern Tasmania economy with a further \$24 million in flow-on impacts. The airport has a workforce of more than 550 direct and indirect employees.

1.39 million passengers passed through Launceston Airport in financial year 2019. The number of passengers is forecast to grow to 1.9 million by 2028 and to 2.49 million by 2040 (Launceston Airport Masterplan 2020).

Beyond its aeronautical use Launceston Airport provides a range of facilities and office accommodation to ancillary non-aviation businesses attracted to the benefits of operating in an environment that has excellent connectivity and logistics links.

Regional services

Airports play a vital role in facilitating access to regional areas, and many regional airports are owned by local governments.

Burnie and Devonport airports are geographically close to each other and provide a large amount of airport capacity to the Northwest coast of Tasmania. Both airports support Rex and Qantas services to Melbourne. Competition on those routes has in recent years seen services operating at very thin margins, but without Tasmanian government support.

Devonport Airport is owned and operated by the Tasmanian Government Business Enterprise TasPorts, while Burnie Airport is a private/local government partnership with Burnie Council owning 51 per cent and the remaining 49 per cent owned by a private sector partner.

The Council-owned airports at Currie on King Island and Whitemark on Flinders Island provide critical infrastructure for these island communities, supporting regular passenger transport flights to the Tasmanian mainland and Victoria, as well as charter operations, Royal Flying Doctors and search and rescue. Burnie Airport is a key link for access to King Island, as Launceston Airport is to Flinders Island.

Important regional airfields and aerodromes include Cambridge, Smithton, Bridport and Barnbougle, St Helens, Strahan, Cape Barren Island, George Town and Lady Barron (Flinders Island). These support general aviation, charter, medical evacuation, emergency and search and rescue operations.

Strategic considerations

Previous Tasmanian Government submissions, including the submission to the *Aviation Green Paper: Towards 2050* describe the Tasmanian Government's policy and strategic framework for aviation transport. Key frameworks include:

- *T21 Tasmania's 2030 Visitor Economy Strategy*, developed in partnership with the Tourism Industry Council Tasmania to promote responsible and sustainable tourism to the state. The

Tasmanian Government is working with carriers to grow capacity and demand as well as to ensure the infrastructure necessary to meet the additional growth is developed as part of a 10-year visitor economy infrastructure plan.

- *Tasmanian Population Strategy*, which considers planning and managing expected future population growth, recognising this is a major driver of economic development and aviation services as a critical component to both business and liveability for the Tasmanian community.
- *Access 2030* (under development) will include a new 5-year aviation development plan with the aim of increasing domestic and international air and sea capacity and frequency to meet the growing needs of the state. The plan will improve seasonal demand, maximise low fare availability and increase international visitation through a small number of direct international flights.

Aviation services must also consider the state's unique needs with respect to the transport of time-sensitive freight and international connectivity, as well as the state's role as an Antarctic gateway.

Time sensitive freight

Aviation plays an important role in the movement of time sensitive freight intrastate, interstate and internationally, particularly for live seafood and horticultural products. Local producers rely on fast efficient delivery of goods ranging from seafood to fruits and vegetables that are susceptible to spoilage to customers interstate and lucrative international markets.

For exports, air freight is generally confined to high value, perishable products, such as live seafood, salmon and cherries. Considerable volumes of time sensitive freight, including processed seafood, meat, fruit and vegetables, are transported from Tasmania by sea to Melbourne and then transferred to international air services.

Air freight capacity from Tasmania is made up of dedicated air freighters, as well as belly space of passenger flights. The high number of passenger flights means, in normal circumstances, there is strong connectivity between domestic and international air services.

International movements

Tasmania aspires to a one stop to the world international strategy. The Tasmanian Government international aviation strategic goal is to deliver direct flights from a major Asian hub to Hobart.

Air New Zealand is currently the sole international airline servicing Tasmania, operating three seasonal Auckland – Hobart flights per week from October to March. Direct connection to Auckland allows for one stop to America, while a direct service to an Asian hub such as Singapore or Hong Kong would provide one stop to Europe and China. Direct services to Perth provide for one stop to the Middle East, however international connections via the main hubs of Sydney and Melbourne remains the main way international connections are made to Tasmania.

A new direct seasonal international service from Hobart to Auckland commenced in April 2021. Operated by Air New Zealand, the service is popular with both Tasmanians and New Zealanders, as well as around 6-8 per cent of passengers originating from the United States.

Antarctic Gateway

Tasmania's geographic location means that it is one of the few places in the world that is a natural air gateway to Antarctica.

Aviation services are crucial to the Antarctic sector, connecting Australia with our Antarctic Territory.

Since 2008, intercontinental air services have operated from Hobart Airport to a blue-ice runway at Wilkins Aerodrome, near Casey station in Australia's Antarctic Territory, in support of the Australian Antarctic program.

Tasmania's strong scientific, policy, logistics, advanced manufacturing and technological capabilities, together with Hobart's port and airport logistics and supply infrastructure, makes Tasmania a natural hub of Antarctic activity and international engagement.

Hobart Airport is home to Australia's Antarctic aviation program. The Australian Antarctic Division operates flights from Hobart to the Wilkins runway and charters its aircraft to international Antarctic Programs for flights to the American McMurdo runway in Antarctica. Flights from these runways provide further access into the continent to facilitate field campaigns and connect Antarctic stations as needed. International Antarctic Programs may access these flights through collaborative agreements.

The operation of intercontinental air services to Antarctica has delivered significant benefits for Australia's capabilities in Antarctica. The savings in time generated by air travel, as compared with sea, provide Australia's Antarctic program with new possibilities for logistical and scientific activities. Air travel also provides flexibility in movement of personnel and freight, creating considerable efficiencies.

3. Comments on the Terms of Reference

Comments are provided in response to the Terms of Reference below.

Cost, fees, levies, taxes and charges and their impact on airfares and services

The pricing of airfares and associated services is influenced by multiple cost elements: infrastructure charges (landing fees, terminal charges, passenger service charges), security and regulatory levies, fuel costs, aircraft maintenance and leasing, labour costs, route-volume economics, and taxes/charges imposed on travellers and carriers.

In regional aviation, these costs often have greater impact because passenger volumes are lower, aircraft sizes may be smaller, yields weaker and fixed costs still substantial. This dynamic means that fees and charges which might be manageable in metropolitan markets can become disproportionately burdensome in regional/remote contexts.

From Tasmania's perspective, costs such as airport landing/terminal fees, security screening charges, and regulatory compliance must be considered alongside the need for affordability and frequency of services to regional communities.

For smaller airports serving remote or island communities, higher per-passenger cost burdens, but lower throughput, mean that the cost component passed through to ticket pricing is elevated unless offset by subsidies, grants or cross-subsidisation.

The Tasmanian Government emphasises that reforms are needed to address this issue, based on an assessment of how fees, levies and charges disproportionately impact regional air routes, compared with trunk or metropolitan routes.

Decision by Qantas to close regional staff bases (Canberra, Hobart, Mildura)

On 1 October 2025, Qantas Airways announced the closure of its regional staff bases in Canberra, Hobart and Mildura. This is a significant change for regional aviation.

The Tasmanian Government understands that Qantas' decision is driven by the need to improve operational efficiency, standardise workforce arrangements and increase scheduling flexibility. However, regional staff bases contribute more than flight operations alone: they provide local operational capability, maintenance coverage, standby personnel and broader community and economic benefits.

The Tasmanian Government is concerned with the effects that the closure of the Hobart base will create, including job losses, dislocation for affected families, and the loss of the additional resilience and responsiveness that local staffing can provide.

More broadly, the decision illustrates that major carrier decisions are shaped by cost and regulatory pressures that do not always scale favourably for regional operations. There is currently no mechanism that requires airlines to consider the broader local or regional impacts when making such decisions, despite the significant consequences for affected communities.

Disparities of costs across rural, regional and remote airports

Significant cost disparities exist between airports servicing rural, regional and remote communities and those in larger metropolitan centres. These disparities arise from a combination of factors, including lower passenger volumes, higher per-passenger maintenance and upkeep costs, uniform regulatory obligations that apply regardless of scale, limited economies of scale in smaller operations, and the higher cost of remote supply chains for infrastructure provision, upgrades and ongoing support.

In Tasmania, regional and island aerodromes such as Flinders Island and King Island are operated by local councils, which often face significant financial pressure due to low passenger throughput combined with the high infrastructure and regulatory responsibilities required to keep these airports compliant and operational.

Flinders Council's submission to the Rural and Regional Affairs and Transport Reference Committee Inquiry into the *Operation, Regulation and funding of air route service delivery to rural regional and remote communities*. noted that the Council owns, operates and maintains the Whitemark airport at a loss of approximately \$200,000 per year. The Submission also states that the cost of getting on and off the Island is a major consideration for people considering permanent relocation to the Island as residents need an affordable connection with families and services on mainland Tasmania.¹

Airport management requires specialist skills and knowledge, which can be difficult to attract and retain in regional and remote areas. While airport managers generally do well to operate within their limited resourcing capacity, further opportunities to reduce costs may exist if councils were able to employ additional staff with specialised expertise. Currently, neither King Island nor Flinders Council has the funding to develop airport master plans or long-term capital asset management plans internally, and both rely on external grant funding to undertake this work.

These cost disparities result in higher per-passenger airport charges, and consequently higher airfares, in remote island locations compared with mainland metropolitan routes. It is important for the Committee to recognise that these differences are driven by structural disadvantages such as geography, scale and remoteness, rather than operational inefficiencies.

Mechanisms for recovering federally mandated security & regulatory costs; options for achieving greater financial equity including a uniform national levy

Federally mandated security, screening, surveillance, air traffic control and regulatory compliance costs form a material component of aviation cost structures. For regional, rural and remote services, the burden of these mandated costs is higher per passenger/flight due to lower volumes.

The Tasmanian Government supports the principle of nationally coordinated cost recovery for security and regulatory obligations, with an emphasis on ensuring financial equity across the domestic aviation network, noting that:

- a uniform national levy to cover security screening and related mandated costs may offer simplicity and transparency but must be assessed for its distributional impacts: without adjustment, such a levy could still place disproportionate burden on thin regional routes.
- the Committee should examine whether differential treatment or rebates may be required for regional/remote services, or whether cross-subsidisation through national pooling is necessary.

¹ Flinders Council (2018), *Submission to the Rural and Regional Affairs and Transport Reference Committee Inquiry into the Operation, Regulation and funding of air route service delivery to rural regional and remote communities*. Submission 111 available at:

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/RegionalAirRoutes/Submissions.

The Tasmanian Government considers it appropriate for the Australian Government to deliver a national aviation regulatory cost-recovery regime which includes an explicit regional access allocation, enabling smaller airports / regional carriers to be relieved of part of the mandated cost burden when serving critical but marginal access routes.

Any national cost-recovery framework should ensure transparency of cost allocation, that obligations imposed on carriers and airports are matched by commensurate funding or relief where regional scale disadvantages apply, and that any uniform levy be accompanied by targeted regional adjustments or rebates.

Competitiveness of the aviation sector servicing rural, regional and remote communities; implications of reducing or withdrawing services

Competitiveness of the aviation sector

There are a comparatively small number of routes in Australia capable of supporting direct competition between airlines. Small population catchments and long distances mean many routes are only marginally viable on a commercial basis; some are simply uncommercial, regardless of their importance to communities.

Tasmania has only a small number of intrastate regional services, supporting the Bass Strait Islands. The presence of multiple operators in these markets provides competition and consumer choice, but has significantly impacted the viability of these operators to continue on a commercial basis.

Current challenges being faced by Bass Strait Islands operators highlights the challenges of maintaining competition in small markets. The Australian Government has provided funding support for REX Airlines throughout its administration process in 2025 to maintain essential services and renew its fleet. This support has influenced competitive dynamics on routes serving Tasmania, particularly flights to King Island, and enabled REX to maintain or expand services in periods of low commercial viability. This has created uneven competitive conditions for carriers not receiving comparable assistance.

The unintended consequence of the funding support has been to maintain a second operator in a market that can only viably support one. This has increased financial pressure on Sharp Airlines, exacerbating an already fragile financial situation. The situation has necessitated the Tasmanian Government providing significant funding to underwrite Sharp's services, until the outcome of the REX sale process and REX's ongoing service offering is known.

Along with regional airport assets reaching end of life and requiring significant upgrades to maintain regulatory compliance, much of Australia's regional and remote aviation fleet is also ageing. The costs of maintaining older aircraft has increased significantly since COVID-19, making some routes, and in some cases entire networks, less viable. Rising ticket prices are affecting both discretionary and essential travel for residents and visitors in remote and regional communities. Where current routes already require subsidy to maintain minimum service levels, operators have limited capacity to invest in fleet renewal, which in turn affects the long-term efficiency and reliability of services.

The Tasmanian Government advocates for transparent, competitively neutral federal support frameworks.

Implications of reducing or withdrawing services

Reductions or withdrawals of services by carriers—whether major or regional—pose clear risks for Tasmania in terms of connectivity, tourism, freight, education, health access and regional development. For example, any loss or reduction of direct flights or connectivity to Hobart or Launceston would materially impact the State's visitor economy, business links and supply chain for high-value produce.

Tasmania faces unique intra-airport competition pressures, including overlapping catchments between Burnie and Devonport airports and competing service points for Flinders Island departures (Bridport vs Launceston). Fragmented passenger demand increases per-passenger operating costs, reduces airport bargaining power, and threatens long-term route sustainability.

This intra-airport competition, while providing choice for travellers, often results in:

- reduced route sustainability
- higher long-term costs
- fewer opportunities for carriers to invest in stable, year-round service provision.

The Tasmanian Government supports a nationally coordinated regional aviation policy that recognises the limits of very small markets and enables coordinated service planning, fit-for-purpose infrastructure investment, regulatory flexibility, and reforms to cost-recovery and federal support settings to ensure competitive neutrality.

A national framework could also help determine when regional and remote air routes warrant regulatory intervention or targeted support. Such a framework could include clear criteria for:

- identifying routes deemed essential services
- establishing that a route is not commercially viable without assistance
- determining eligibility for concessions or exemptions from government fees and levies
- enabling state and federal co-funding partnerships for route support
- protecting vulnerable routes from destabilising competition. While such dynamics may be manageable where communities have multiple transport choices, they can be highly damaging for remote communities reliant on a single stable air service.

Adequacy of government fees and levies to equitably address costs for airline services incurred due to federal legislation and regulations

Government fees and levies as well as operational compliance costs including security staff, infrastructure, and equipment form a critical part of aviation's cost structure. Regional carriers and airports face higher per-passenger cost share due to significantly lower volumes to share the overall price of meeting federal legislation and regulation.

From Tasmania's perspective, the appropriateness of fees and levies rests on two key criteria:

- a) transparent and proportionate cost recovery of regulatory obligations; and
- b) recognition of differential cost burdens faced by regional/remote operators.

The Tasmanian Government considers that some current national levies and cost-recovery arrangements may not adequately recognise regional scale disadvantages and therefore may perpetuate cost inequities. The Committee should consider:

- whether levy and fee structures incorporate regional adjustment factors
- whether regional/remote airports and carriers receive equitable access to relief or rebate mechanisms
- whether regulatory fee increases reflect actual cost causation and not simply across-the-board burdens.

The Tasmanian Government recommends that the Committee endorse the principle of a nationally consistent cost-recovery regime for aviation regulatory costs, but with built-in regional adjustment mechanisms (for example, lower per-passenger levy burdens for thin-routes or remote airports) and a publicly transparent methodology for fee setting and levy allocation.

Effectiveness of government processes and mechanisms to identify and quantify capital and ongoing costs due to federal legislation and regulation

Effective national governance requires that capital and ongoing costs imposed by federal aviation legislation and regulation be identified, quantified and assigned appropriately. This is essential to ensure that collection of fees/levies is proportionate and transparent, and that regional impacts are visible.

From Tasmania's perspective there is limited publicly available, route-specific data on how regulatory costs filter through into regional carrier cost structures or airport fee burdens and the absence of a standard national reporting framework for regional airport/air service cost data makes benchmarking and equity assessment difficult.

The high costs of regulatory compliance can be challenging for smaller airlines, and differences in requirements between Regulated Passenger Transport Operators and Charter Operators as defined under CASA regulations may create uneven regulatory burdens for commercial operators.

Costs of meeting regulatory compliance that are passed onto passengers should be clearly identified.

The Tasmanian Government supports the development of a national aviation cost-impact assessment tool that captures capital investments (e.g., air traffic surveillance, remote airstrip upgrade) and ongoing operational costs (e.g., screening, compliance, staffing) and distinguishes geographic/scale effects.

It may be appropriate that the Australian Government in coordination with states/territories, develop and publish an annual regional aviation cost-impact statement, including disaggregated data on airport/route-specific regulatory cost burdens, regional adjustment factors and cost-recovery outcomes.

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

The Tasmanian Government supports a range of policy and practical measures designed to assist the aviation sector to deliver services to rural, regional and remote areas. These include essential service subsidies where it is proven essential services cannot be delivered to regional and remote communities on a commercial basis, offsetting the cost of travel for identified passenger classes (students, teachers, concession card holders and patients requiring access to specialist medical services) and planned infrastructure grants and multi-year funding for regional airports.

It is the Tasmanian Government's position that across all levels of government, support measures should also include:

- workforce development incentives (including basing support, cadet/apprentice programs) for regional aviation operations
- support for fleet renewal and sustainable aviation fuel trials in regional operations to improve operational cost-efficiency and environmental performance
- transparent, co-ordinated Commonwealth–State–local government planning for regional aviation investment and contingency mechanisms for service disruption
- financial relief or adjustment mechanisms for mandated costs on thin-route carriers or remote airports.

It is Tasmania's experience that existing Australian Government policy measures provide much needed support to assist the aviation sector to provide services to rural, regional and remote communities. There is not capacity within state and local governments to meet the sector's funding needs. However, there are funding gaps and Australian Government policy measures have not been adequate to address current challenges, particularly to support Bass Strait Islands services. Existing programs are not fit-for-purpose or include eligibility criteria that limit their application to support important aviation routes.

Service support

The Australian Government offers policy-based assistance through programs such as the Remote Air Services Subsidy Scheme (RASS), which subsidise weekly flights to remote areas when no commercial service exists.

Throughout 2025, essential air services to King Island and Flinders Island were at risk when an operating airline required financial assistance to remain viable. To avoid service collapse, which would have had immediate and significant impacts on island communities, the Tasmanian Government stepped in to support the operator.

However, this meant the communities were not eligible for Commonwealth support through RASS. Under current settings, RASS can only be activated once a service has ceased, despite the clear community risks of allowing such a collapse.

RASS eligibility requires that a location “*not currently receive a weekly or more frequent air transport service capable of carrying passengers and essential supplies.*” This would require Tasmania to let essential services stop entirely before assistance becomes available. This is an outcome that is unacceptable for isolated communities reliant on regular access for travel, freight, medical services and essential goods.

In addition, weekly services are inadequate for the Bass Strait Islands. Even if the communities met the service-cessation requirement, the RASS minimum standard of weekly flights does not meet the community and freight needs of the Bass Strait Islands.

As a result, Tasmania faces a structural policy gap: the state must prevent service collapse to protect island communities, but doing so renders the routes ineligible for Commonwealth assistance.

Infrastructure funding

Airports are essential to facilitate access to essential services and support economic growth. The maintenance and upgrade of airports to nationally identified safety standards are therefore essential.

Capital investment funding is provided by Australian and state and territory governments. The Tasmanian Government recognises the essential role of Australian Government programs, particularly the Regional Aviation Access Programme (RAAP) and the Remote Airstrip Upgrade Programme, in keeping regional and remote airports safe and operational.

Many regional airports (often council owned) face structural funding challenges. Compliance with national safety and security standards imposes significant capital and operating costs, while small markets limit the ability to recover these costs through airline charges and passenger fees. In practice, even necessary upgrades can increase depreciation and maintenance outlays without commensurate revenue growth, creating an ongoing funding gap. As previously noted, there are examples within Tasmania where funding is not available to undertake airport master planning, or any type of significant forward infrastructure and/or asset development planning, let alone fund necessary maintenance and upgrades.

The Tasmanian Government supports further assistance from the Australian Government for airports already operating under challenging economic circumstances to cope with additional expenses required to comply with national standards.

Tasmania's experience shows that competitive grant programs, while valuable, cannot on their own address these structural issues. They introduce uncertainty, tend to favour applicants with greater bid writing capacity, and make it difficult for airport owners to plan and deliver long term, preventative asset management.

A review of the successful RAAP applications by Tasmanian airports highlights one of the central concerns for viability of airports, which is the need for competitive grant funding to undertake periodic

maintenance and upgrades to support current and anticipated air traffic. The calls on these programs reflect the observations of the Productivity Commission, that *the average cost of running an airport is higher than what passengers and airlines are willing to pay*. This is a structural issue that the current competitive grants program assists to alleviate, but cannot resolve in its current form.

It is reasonable to expect that an asset owner develops an asset management plan that provides for preventative and periodic maintenance, and replacement of the asset, funded through revenue secured from customers utilising that asset. It is evident that this is a model that does not work in regional and remote Australia.

The current cost contribution requirements do not take into account the ability of the market serviced by the airport to pay for that contribution (recognising it is ultimately airlines and passengers that are asked to meet these costs). Where funding is applied to (necessary) capital upgrades, the airport owner is faced with an increased depreciation and maintenance costs, again without any change to their income stream. The opportunities to increase market size or share are generally limited. This creates a cycle of dependence, complicated by the uncertainty of the competitive grants model currently applied. It is not possible to meet a maintenance and upgrade schedule where funding is contingent on an uncertain outcome.

The Tasmanian Government commends RAAP for delivering essential assistance to Tasmanian regional airports and supports the continuation and strengthening of Australian Government infrastructure programs to ensure regional aviation infrastructure remains safe, resilient, and fit-for-purpose.

It is the Tasmanian Government's view that sustained, nationally coordinated support is required to ensure safe, reliable access for regional and remote communities. Specifically, programs should:

- provide long term funding certainty with ongoing program commitments and clear, transparent eligibility criteria
- prioritise investment based on need, using structured, multi year asset management plans rather than one off competitive rounds
- recognise market capacity to pay, including adjustment factors for thin routes and remote locations so cost recovery settings do not entrench inequities
- support compliance with national standards by assisting airports already under economic pressure to meet mandated capital and operating requirements.

Review of government responses to previous relevant inquiries and status of associated actions

There have been previous national and jurisdictional reviews focusing on regional aviation, remote airstrips, accessibility and regional transport links (for example programmes under the Department of Infrastructure, Transport, Regional Development, Communications and the Arts).

Tasmania's submission to the Aviation Green Paper highlighted many of the same issues now before the Committee: connectivity for regional and island communities, infrastructure investment, cost burdens for thin routes, and the need for a coordinated national agenda.²

The Tasmanian Government urges the Committee to more closely examine the implementation status of prior recommendations, identify gaps in policy, and require the Commonwealth to publish a formal implementation progress report for previous regional aviation recommendations (including those specific to cost/levy burdens, remote airstrip funding, regional airport viability and transparency of fees).

² Tasmanian Government, *Submission to the Aviation Green Paper 2023*, available at: <https://www.infrastructure.gov.au/sites/default/files/documents/agp2023-submission-c107-tasmanian-government.pdf>

In particular, the Tasmanian Government would welcome implementation of previous recommendations in relation to remote airstrip upgrade funding, route development and cost transparency.

Any other related matters

Other challenges impacting the sector's ability to service regional communities are discussed below.

Capacity

Tasmania's aviation market has periodically experienced unsustainable levels of capacity. During peak competition cycles, the number of carriers and the volume of available seats can significantly exceed underlying passenger demand.

While increased competition may temporarily result in lower fares, periods of over-capacity have also produced market volatility. The Tasmanian Government observes the following impacts:

- reduced load factors, particularly in off-peak periods, eroding route profitability and increasing financial risk for carriers
- increased timetable instability, with frequent adjustments to schedules and seat capacity
- elevated risk of service contraction or withdrawal, including the removal of low-yield frequencies
- reduced incentive for airlines to invest in smaller regional or peripheral routes, which are more sensitive to network-wide profitability.

These capacity fluctuations create uncertainty for travellers, tourism operators, and freight users and may undermine the long-term sustainability of regional services. The Tasmanian Government supports a more structured, data-driven national approach to monitoring capacity, demand, and network resilience, particularly in thin markets such as those found across Tasmania.

Tasmania's experience reinforces the importance of ensuring that national regional aviation policy addresses the structural challenges and does not assume a 'one-size-fits-all' model from more densely populated mainland settings.

Emerging technologies and decarbonisation

The Aviation White Paper identified the dual nature of emerging aviation technologies for regional and remote communities. While these technologies create opportunities for more efficient transport, improved connectivity and new service models, they also impose significant transition costs as existing assets and infrastructure must be upgraded or replaced. It is noted that the Australian Government's *Transport and Infrastructure Net Zero Roadmap and Action Plan* will consider the specific challenges to the regional aviation sector (as referenced in the Aviation White Paper).³

In planning for a transition, it is important that service capacity and continuity is maintained. The White Paper notes the changing aircraft market that may make certain categories of aircraft more difficult to replace on a like-for-like basis. Higher capital replacement costs coupled with lower seating capacity may not be offset by operational cost savings. These will be important considerations for regional airlines as they develop future investment plans. This will inevitably place more pressure on the economics of regional and remote air routes.

Currently, Tasmania notes a limited ability of regional carriers to consider future aircraft capital when most are managing very old fleets that are incurring fast rising costs, meaning airlines are using capital

³ Department of Infrastructure, Transport, Regional Development, Communications and the Arts (2024) Aviation White Paper: Towards 2050. Australian Government. Available at: <https://www.infrastructure.gov.au>.

on operational losses instead of forward investments. They will likely require significant support to move to new technology.

Security screening

The Tasmanian Government recognises the importance of establishing consistent security measures within airports. There is a risk, however, that increased security screening requirements for smaller domestic airports are further burdening already vulnerable infrastructure owners with higher costs – for capital and operating expenditure. Increasing landing charges to fund enhanced security procedures may jeopardise continued services to the airport, or, if airlines choose to pass this cost on the passengers, the costs of essential travel for local residents may become prohibitive and tourists may choose to go elsewhere. Additionally, these airports would need to consider screening arriving passengers from smaller feeder airports unless those feeder airports match the security standards. The Tasmanian Government supports a proportionate risk-based approach to security rather than a one-size fits all approach.

The Tasmanian Government recognises the importance of ensuring the highest standard for safety and security in the aviation industry and calls for a proportionate response to enhanced security requirements for regional airports. It also supports further assistance from the Australian Government for airports already operating under challenging economic circumstances to cope with additional expenses required to comply with national standards.



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