



27 February 2026

Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO BOX 6100
Parliament House
CANBERRA ACT 2600

via email: rrat.sen@aph.gov.au

Dear Committee Secretary,

RE: SENATE INQUIRY INTO THE STATE OF REGIONAL AVIATION

Thank you for your invitation to contribute to the Senate Standing Committee on Rural and Regional Affairs and Transport's inquiry into the State of Australia's aviation sector and its ability to deliver reliable and affordable services to rural, regional and remote communities.

Qantas is pleased to assist the Committee in its understanding of our regional business and the challenges facing regional aviation in Australia.

As the national carrier and Australia's largest regional airline, Qantas has a deep-rooted and enduring commitment to regional Australia, operating 100 routes to 62 towns and regional centres across our country. This sees Qantas play a significant economic and social role in regional Australia – one that we take very seriously.

On any given day, the Group (Qantas and Jetstar) has well over 100 aircraft dedicated to regional operations. These aircraft are deployed on over 3,500 flights per week, carrying more than nine million customers every year flying to and from rural, regional and remote parts of our country.

These services are not only vital for people-to-people connections, but also goods and supplies – carrying over 350,000 tonnes of freight annually and enabling time-critical shipments of medical supplies, fresh produce and essential goods that form a bedrock for remote supply chains and contribute materially to the liveability and resilience of regional and remote Australia.

The economic contribution of the Group is estimated at more than one per cent of gross domestic product (GDP) in Australia.

While our network is large and local contribution is strong, regional aviation continues to be commercially challenging and there are fundamental realities about the costs of operating regional air services across vast distances.

The cost of regional operations, on a per seat basis, is significantly higher than mainline domestic and international operations due to a number of factors including higher airport and security charges, more expensive fuel and greater maintenance expenses – with costs having to be spread across a smaller number of passengers compared to larger aircraft and higher density markets.

On average, QantasLink turboprop services are more than twice as expensive to operate than Qantas 737s and about three times more expensive than Jetstar and Qantas international services.

Higher costs for regional aviation have been a feature of the industry for a long time but, in recent years, some of the largest regional cost inputs (particularly engineering and airport charges) have been rising significantly above inflation, while revenue from airfares has not.

Accordingly, the Group must continue to make difficult decisions to ensure both the operational strength and commercial viability of the regional network.

For example, earlier this year QantasLink announced the suspension of services on the Albury to Melbourne and Wagga Wagga to Melbourne routes. Despite attempts to stimulate demand through sales, tactical marketing, adjusting schedules and working with local councils to build awareness, both of these services had insufficient revenue to cover the increasing cost of operations.

The below submission intends to summarise some of the challenges and realities for airlines operating in regional Australia.

I look forward to joining the Committee in person to discuss these matters further.

Yours sincerely,

Mark Dal Pra
CEO QantasLink

Airfare pricing

Pricing on any given route is driven by several inputs, with supply and demand dynamics the primary factors in determining a pricing structure.

Cost of supply

The cost of airline operations is driven by a range of variable and fixed inputs including:

Variable costs	Fixed costs
<ul style="list-style-type: none">• Maintenance• Fuel• Personnel (pilots, cabin crew, ground services)• Airport charges• Taxes• Air navigation charges• Security charges• Catering and product	<ul style="list-style-type: none">• Aircraft• Insurance• Training• Maintenance (fixed)• Overheads

The cost of operation can vary substantially across markets dependant on dozens of factors specific to that route, including airport charges, distance, fuel costs and maintenance. On a number of markets, QantasLink also overnights crew and aircraft to provide a more convenient schedule which comes with additional costs.

Demand challenges

As regional towns and cities have significantly lower population sizes than Australia's metropolitan centres, demand for air services is often inconsistent, unidirectional and, at times, less than what is required to sustain regularly scheduled services.

On a route between major population centres (such as Melbourne and Sydney), demand challenges can be overcome with pricing reductions or tactical marketing, with several million potential customers on either end of the route possibly stimulated to travel.

However, in regional markets, demand is significantly more inelastic and therefore, the cost of operation needs to be spread across a smaller number of passengers. When costs fall short of revenue, the route becomes unprofitable.

The availability of substitutes such as low-priced trains or the ability to drive between destinations also impacts demand for air travel.

Economies of scale

The combination of higher cost of supply and challenging demand characteristics, results in significantly worse economies of scale for regional operations compared to larger city-to-city markets.

On a per passenger basis, the cost of operation for a regional flight is always higher than on services between larger markets on larger aircraft. As market sizes increase, fixed and variable costs are divided among more passengers, becoming a smaller proportion of the airfare for each passenger.

Average regional airfares

While public commentary related to airfares generally focusses on 'sticker shock' examples purchased close to departure on full or near-full flights, this does not represent the experience for the majority of regional Australians, who have access to a range of airfares when booked in advance.

The price a customer sees at any given time is a consequence of the seats already sold and the remaining forecast demand for each price point across the tariff. In general, fares further away from departure with a low booked load are more affordable, while fares closer to departure with a high booked load are higher.

This pricing structure enables customers to have access to a variety of price points and gives airlines the opportunity to generate a commercial return for their services. If there was no range in fares, the average or median fare paid by consumers would need to be higher to cover the cost of operation.

Over the past 12 months, fewer than two per cent of non-corporate passengers on Qantas' regional turboprop network purchased Full Economy fares. During this period, the average Economy base fare paid was less than \$200 (excluding airport and government charges).

Discounted Fares for Residents Program

Despite the majority of regional residents accessing airfares at the lower end of the fare structure, it may be necessary for regional residents to travel at short notice when inventory can be more constrained.

To support this, Qantas established the Discounted Fares for Residents Program in 2017, designed to make it easier for residents of remote and regional towns to access lower fares on flights to their nearest capital cities.

The discounts (starting from 20 per cent off the base fare) are applied to the Qantas-controlled component of return fares (excluding, for example, airport charges). This is restricted to 12 return airfares per year originating from the resident's home airport to ringfence against misuse.

The below markets were chosen because residents compete with a very high volume of corporate travel, generally from the resource industry:

Queensland	Cloncurry, Moranbah, Mount Isa, Barcaldine, Blackall, Longreach
Northern Territory	Alice Springs
Western Australia (pre-July 2022)	Broome, Kalgoorlie, Karratha, Paraburdoo, Port Hedland, Newman
Western Australia (post-July 2022*) <i>*Western Australia Government's Regional Airfare Zone Cap Scheme introduced</i>	Exmouth (Learmonth), Geraldton

We continue to actively promote the Qantas Discounted Fares for Residents Program with over 200,000 discounted resident fare trips booked annually, representing a \$40 million investment in the first half of FY26.

Recommendation

Larger and more stable population bases improve demand consistency, reduce unidirectional travel patterns, and enable airlines to operate more efficiently with better aircraft utilisation and lower per passenger costs.

To build scale and connectivity in regional markets, the Government should look to adopt policies and incentives that support population growth in regional towns and cities.

Regional fleet

The Qantas Group has a dedicated regional fleet of over 100 aircraft consisting of De Havilland Canada Dash 8-400 (Q400s), Fokker 100s, wet lease Embraer E190s, Airbus A220s and A320 family aircraft, along with Qantas Boeing 737s and Jetstar A320s that operate to regional destinations alongside trunk domestic routes.

Turboprops

In 2024, the Group announced it would acquire mid-life Q400 aircraft and phase out older (and smaller) Q200s and Q300s, which were driving complexity into the operation and becoming commercially unsustainable due to their cost performance.

This multi-million-dollar investment will be completed this year and consolidates the turboprop fleet, delivering a more consistent experience for customers, with Q400s operating at speeds more than 30 per cent faster and providing superior operational reliability.

With production paused and the global supply of comparable aircraft constrained, the acquisition of additional Q400 aircraft provides certainty for regional communities over the next decade, enabling continuity of service while aircraft manufacturers and suppliers continue developing next-generation regional aircraft.

Fleet standardisation has delivered scale benefits and operational efficiencies that help partially offset significant increases in industry-wide costs.

Western Australia fleet

The Group's regional Western Australia footprint is significant, operating between Perth and Kalgoorlie, Geraldton, Newman, Paraburdoo, Exmouth, Karratha, Port Hedland and Broome – reinforcing a long-term commitment to serving regional communities across the state and connecting the critical resources sector.

In early 2026, the Group announced further investment in its regional Western Australia operation with the acquisition of three additional Embraer E190s. This forms part of a broader plan to acquire up to 14 of the type while phasing out older F100 aircraft. These E190s will provide customers with greater reliability, improved fuel efficiency and more comfort across the regional Western Australia network.

In addition, Network Aviation will commence the installation of onboard WiFi across its fleet of 28 Airbus A319 and A320 aircraft.

Future regional fleet

Renewable energy technology for the turboprop fleet remains nascent, with electric, hybrid-electric and hydrogen powered aircraft (ranging in seat capacity from four to nine seats up to 50 to 70 seats) in various stages of development.

The Group closely monitors new aircraft technology, potential capabilities and timing of new aircraft and anticipates next generation regional aircraft around the mid-2030s.

Engineering

With 800 Q400s in service worldwide and production currently suspended, the cost of spare parts continues to rise significantly.

	2019	2026	Increase	CAGR*
Windscreen wiper blade	\$900	\$1,750	94%	10.0%
Landing gear wheel	\$77,800	\$148,200	90%	9.6%

**Compound Annual Growth Rate*

The rise in engineering costs cannot be attributed solely to pre- or post-pandemic factors. For example, in 2023 a landing gear proximity sensor cost \$6,700 whereas today, QantasLink pays over \$10,000 for the same component. Moreover, the year-on-year increases across that time have been rising exponentially, from nine per cent in 2023, 15 per cent in 2024, to 19 per cent in 2025.

Last year, engineering costs for the turboprop fleet increased by over 13 per cent, significantly higher than CPI of 3.8 per cent.

These growing engineering costs, together with increases in other input costs and combined with lower seat counts, contribute to the substantially higher cost of regional operations compared to other domestic and international services.

This high and increasing cost growth for the regional operation is not offset by revenue growth.

Airport charges

Airports are natural monopolies and some continue to exercise monopolistic power over the fees they charge their airline customers.

As effectively unregulated infrastructure, airports can largely pass on their costs to airlines and other airport users, without transparency or need for compromise, and often with a 'take it or leave it' approach.

Airport profits continue to persist well above normal commercial returns.

According to the Australian Competition and Consumer Commission's Airport monitoring report 2023-24, the profit margin of all major Australian airports exceeded 40 per cent, with the eastern gateways of Sydney, Melbourne and Brisbane each over 50 per cent. In the same year, the Qantas Group margin on flying was 10 per cent.

For airlines, airport charges have a significant impact on the cost of operation for a regional route and, consequently, directly impact the price of travel for consumers.

Airport charges generally consist of three components:

- Passenger Service Charge (PSC) paid by arriving and departing passengers.
- Landing Charge (LC) based on maximum take-off weight of aircraft in tonnes.
- Security Charge (SC) based on departing and/or arriving passengers.

Regional airport charges

When comparing the average cost (excluding security) of airports across Australia, regional airports can be more than \$50 per passenger more expensive than capital city airports.

The majority of regional airports are owned by local councils and, as government-owned infrastructure, hold the ability to unilaterally set and increase airport pricing without consultation (at times over and above inflation and/or without justification) irrespective of whether there has been any capital investment or upgrade to the airport.

A regional airport in Western Australia increased charges by 50 per cent in FY25, and a further five per cent in FY26. Airlines have no mechanism to challenge payment.

Impact on airfares

The relationship between airport charges and airfares is often misunderstood, with public commentary frequently comparing relatively small dollar amounts (such as \$30) with the relatively higher airfare amount (e.g. \$400).

However, on a return operation, the difference between ~\$15 worth of airport charges versus ~\$30 could be several thousand dollars. Extrapolated across a daily return operation over the course of a year, this amounts to over \$1 million in route costs. That difference could be enough to turn a profitable route into an unprofitable one.

Recommendation

Establish a clear and fit-for-purpose framework to address the structural power imbalance that exists between airports and airlines, and to protect against the use of monopoly power in the setting of airport charges.

Airports should be obliged to consult meaningfully with airlines before changing fees or commercial terms. This would include mandatory notice periods, compulsory information disclosure, and a requirement to provide a detailed basis for any proposed price increase.

Fuel

The Group spends just under \$5 billion on fuel annually.

Aviation fuel pricing is determined in US dollars, exposing the Group to significant foreign exchange risk and volatility that is largely outside its control. Depreciation in the Australian dollar translates directly into higher fuel costs regardless of demand conditions, operational efficiency, or network performance. While the Group has sophisticated fuel and currency hedging programs, this only delays inevitable increases and does not protect against fuel refining margins which can be extremely volatile.

This exposure is particularly acute for regional operations, where yield flexibility is limited and cost recovery is constrained by market size, essential service obligations, and affordability considerations in smaller communities.

Beyond the underlying commodity and foreign exchange exposure, into-plane (ITP) fuel costs at regional airports are structurally higher than at major metropolitan ports. The ITP includes logistics, storage and labour costs associated with the delivery of jet fuel from refinery into the aircraft tank.

The weighted average fuel price at regional ports (inclusive of base price plus ITP) is approximately 45 per cent higher than at capital city airports, ranging from 26 to 203 per cent at an individual port level.

As noted, there are legitimate additional costs which are incurred by fuel suppliers operating at rural, regional and remote ports due to:

- Lower fuel volumes, which prevent suppliers from achieving economies of scale
- Higher logistics and transport costs, including storage, handling and delivery to remote locations
- Less frequent movements and smaller aircraft types, increasing unit costs per uplift
- Limited infrastructure redundancy, which raises risk pricing by suppliers

However, only some of the cost disparity to capital city airports can be explained by the above.

Unlike major airports where volume supports competitive tendering and pricing tension, many regional locations lack these market fundamentals.

At a number of regional ports, these cost pressures are further exacerbated by high levels of supplier concentration and, in some cases, effective monopolies. Where a single into-plane fuel supplier operates, airlines have little or no negotiating leverage, and pricing outcomes can diverge materially from benchmarks observed at comparable regional locations.

Security

The security of commercial aviation is a critical element of Australia's national security and forms part of its critical infrastructure.

In the prevailing threat environment, there are security risks requiring a range of complementary measures to be applied by Government and industry to ensure the safe and secure operation of aircraft and airports.

The Group supports establishing the Department of Home Affairs (or other appropriate agency) as the nation's single screening authority – to establish, manage and perform all screening functions across passenger, baggage and cargo operations.

The Group believes this will bring economies of scale to the industry, reduce security costs for regional passengers and provide greater certainty for regional security employment, consistency of screening applications and improve passenger expectations.

40-seat rule

The Group considers it necessary that differential screening at regional airports is resolved.

In December 2019, the Department amended Aviation Transport Security Regulation 4.02 and the definition of a Screened Air Service to include an aircraft threshold of 40 seats.

Permitting screening exemptions for commercial RPT aircraft departing from the same terminal where security infrastructure is already in place weakens the effectiveness of the domestic network. The Group believes that all RPT aircraft (other than single pilot operations providing critical services to communities) should be screened.

Such a change would not require any further investment at Designated, Tier 1, Tier 2 or Tier 3 airports with existing infrastructure, but would increase the coverage of passengers, baggage and cargo subject to screening and examination, reduce the risk of prohibited items and weapons arriving into the airside of a Tier 1 or Designated airport, make screening points more efficient via economies of scale and remove the risk of mixing screened and unscreened passengers departing on the apron of departing aircraft.

Adopting this initiative will make best use of planned or existing infrastructure and eliminate the need for confusing differential screening methods and boarding gates for passengers.

Continuing the arbitrary 40 seat threshold in the definition of a Screened Air Service will prolong market distortion, with carriers operating larger aircraft paying significantly more in security fees.

Qantas also suggests that Home Affairs considers mandating that all non-RPT services departing from the same apron as a screened air service are also required to undergo screening if the departure is during the defined operational period. The Group believes this recommendation would meet the expectations of the travelling public, providing reassurance that all passengers are being screened prior to departure.

ATSR 4.01(a)(ii) already includes the definition of an operational period at an airport other than a Designated airport, requiring only a change to ATSR 4.02(2)(b).

Recommendation

Establish a single national screening authority responsible for all passenger, baggage and cargo screening across the network. A centralised model would create economies of scale that reduce the security cost burden on regional passengers, ensure consistent national standards, strengthen the security workforce, particularly in regional areas, and enable faster, more coordinated responses to evolving threats.

Resolve differential screening at regional airports by removing the 40-seat threshold and applying screening requirements consistently to all RPT aircraft, except for single-pilot essential community services.

Competitiveness of the regional aviation sector

The Australian domestic aviation network (including regional Australia) is one of the most liberalised aviation markets in the world. Unlike many comparable jurisdictions, Australia imposes no restrictions on foreign carriers establishing domestic operations here. Virgin Australia and Regional Express are both beneficiaries of these settings, as was Bonza.

The Group acknowledges that the domestic aviation market is highly concentrated – though contends this is not a new phenomenon nor the result of competitor entry constraints, but rather a product of Australia's geography and population profile.

The Government recognises these structural characteristics and applies extensive regulatory oversight across the airline industry. This includes the active enforcement of competition and consumer protection laws, monitoring and information gathering powers, reformed slot management arrangements, and other regulatory controls designed to promote fair competition and protect consumers.

Within the regional aviation network, the Group is the largest provider of regional air services in Australia. However, of more than 100 domestic routes served by the Group, it operates as the sole airline on only 38.

In some regional markets, governments intervene directly to regulate services where passenger demand is insufficient, either via licencing or financial support.

Examples include the Queensland Government's 'Long Distance Air Services' program which regulates seven intra-Queensland routes; Qantas operates 'Central 2' from Brisbane to Longreach via Barcaldine and Blackall. Similarly, the New South Wales Government regulates services on routes from Sydney to Lord Howe Island and Moree, with Qantas operating services to Moree.

These arrangements reflect the role of government intervention in maintaining air connectivity for regional and remote communities where market forces alone cannot sustain regular services.