

King Island Transport and Freight Group

Submission to the Rural and Regional Affairs and Transport References Committee

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

1. Introduction

King Island's economic, social, and community wellbeing is intrinsically linked to reliable, affordable, and fit-for-purpose transport and freight services. As a remote Bass Strait Island community, King Island is uniquely exposed to disruptions, cost pressures, and policy settings affecting sea and air freight.

In response to ongoing and emerging challenges, King Island Council established the Transport and Freight Group as a Special Committee of Council, to provide a unified, evidence-based forum for coordination, advice, and advocacy. Two workshops held in September and November 2025 brought together Councillors, Council Officers, King Island industry representatives, and local businesses, to establish the Group's operating framework, confirm shared priorities, and begin structured action planning.

Air services are a critical lifeline for rural, regional, and remote (RRR) communities in Australia, enabling access to healthcare, education, employment, business opportunities, and social connections. Despite this, aviation services outside major metropolitan centres face structural economic challenges, leading to higher costs, reduced competition and concerns about service reliability and equity.

This submission provides key insights on the cost drivers in regional aviation, the implications of recent airline operational decisions, existing government mechanisms, and options for policy reform to support affordable and reliable air services across regional Australia.

2. Costs, Fees, Levies, Taxes and Charges

Core cost components and impacts on airfare pricing:

- Regional airfares in Australia are significantly higher than metropolitan flights. Evidence from the *Aviation White Paper* indicates that regional fares are on average up to **52 per cent higher per kilometre** than capital-to-capital flights, reflecting lower passenger volumes, longer distances, limited competition, aircraft economics, and airport charges.
- Airlines must absorb statutory and regulatory costs such as security screening compliance and civil aviation charges. These costs are often recovered through ticket pricing, raising the cost of travel for passengers in smaller markets. Stakeholder

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submissions to government have noted that regional airports and airlines bear significant operational security screening costs that ultimately flow through to consumers.

- Taxes such as the *Passenger Movement Charge* apply uniformly on international departures but reflect broader tax and fee structures that affect airlines' cost bases.

3. Disparities in Costs Across Airports

- Regional and remote airports often experience higher per-passenger costs for landside services (security screening, landing, and passenger fees) relative to larger airports, due to lower throughput and less competition to spread fixed costs.
- Local governments frequently manage these airports and absorb costs when revenues from fees fail to cover operational and regulatory costs, limiting their ability to reinvest in facilities or lower charges.

4. Mechanisms for Recovering Federally Mandated Costs and Options for Greater Equity

Existing and potential mechanisms include:

- **Remote Air Services Subsidy Scheme:** Provides government subsidies to air operators servicing remote communities, recognising that commercial viability is often insufficient without support.
- **Enroute Charges Payment Scheme:** Subsidises air navigation charges for services to regional/remote locations.
- **Airport infrastructure programs:** Grants through programs such as the Regional Airports Program and Remote Airstrip Upgrade programs help defray capital costs for airport facilities.
- There is ongoing debate about the potential merits of a **uniform national levy** to cover federally mandated security arrangements, which could reduce disparities and provide predictable funding for small airports rather than cost being absorbed by airlines and passed on to passengers. Stakeholder groups have advocated for sustainable long-term funding models for security screening at regional airports.
- Exemptions on security screening for smaller rural airports.

5. Competitiveness, Service Withdrawal, and Implications

- The regional aviation sector has seen a reduction in routes and services over recent decades, with many routes now served by a single carrier.
- Competition challenges can lead to higher fares, decreased service frequencies and reduced resilience against disruptions when an airline exits a route.

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- Government interventions in the past—such as **RANS (Regional Airline Networks Support)** during COVID-19—helped sustain services, highlighting the importance of policy support during downturns.
 - Recent government loans and support for regional carrier Rex underscore the ongoing challenge of maintaining service viability in thin markets and the risk to regional connectivity without support.
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6. Adequacy of Government Fees and Levies and Regulatory Impact

- The current regulatory landscape for airlines and airport operators includes a range of safety, security and navigation requirements, which impose costs that are often recovered through airline pricing.
 - Evidence suggests that the aviation sector continues to advocate for greater transparency and equitable distribution of regulatory costs to reduce pressure on regional routes.
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7. Government Policy Measures and Assistance Options

Existing programs:

- **Regional Aviation Access Program (RAAP), Remote Airstrip Upgrade, and Regional Airports Program** support physical infrastructure and subsidise certain services.

Potential measures:

- Implementation of a uniform national levy or targeted subsidies to lower security and regulatory costs could improve equity.
 - Enhanced competition policy and incentives for airlines to enter or sustain regional routes.
 - Continued evaluation of funding mechanisms to support RRR air travel affordability and resilience.
 - A Community Service Obligation (CSO) provides an equitable and well-established mechanism for delivering essential services in remote communities and is the appropriate instrument for ensuring the long-term sustainability of the King Island Council owned Airport.
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8. Review of Previous Government Responses and Action Status

Past inquiries, including the 2019 Senate RRAT report on *air route service delivery*, recommended analysis into airfare determinants and support measures for regional airports and services. The Government responded by acknowledging the importance of regional

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aviation and maintaining relevant support programs, whilst noting the complexity of national policy alignment with state responsibilities.

9. Conclusion and Recommendations

This submission urges the Committee to consider:

1. **Structural cost drivers and how federally mandated costs confer disadvantages to RRR aviation markets.**
2. **The impacts of airline operational decisions (e.g., staff base closures) on regional service confidence and workforce sustainability.**
3. **The merits of equity-focused mechanisms such as uniform security levies and sustained targeted subsidies.**
4. **Strengthening competition and service reliability for isolated communities.**
5. **Regular review and enhancement of government support programs with clear performance and accountability criteria.**
6. **Supporting a CSO for remote airports such as King Island Airport.**