

SUBMISSION TO THE FEDERAL GOVERNMENT INQUIRY

The state of Australia's aviation sector and its ability to deliver reliable and affordable services to rural, regional and remote communities

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About Hospitality NT

Hospitality NT is the peak industry association representing the hospitality sector across the Northern Territory. Our membership includes pubs, clubs, hotels, resorts, small bars, restaurants, cafes, breweries, distilleries and tourism operators throughout the NT's small and large towns - from Darwin to Alice Springs, Kakadu to Uluru, and remote and regional communities in between. We advocate for a strong, resilient, and growing visitor economy, which is fundamentally dependent on a viable, competitive, and affordable aviation network.

This submission focuses on impacts felt by the Northern Territory hospitality industry. In particular, we focus on Darwin International Airport as the primary domestic and international aviation gateway to the Northern Territory and to northern Australia. From Darwin, the next nearest international airports are Cairns (1700km) and Perth (2650km). With limited competition, high operating costs and no practical road or rail alternatives, particularly during the wet season (October-April), the difficulties in accessing Darwin – an Australian capital city – highlight the affordability and reliability pressures faced in smaller communities across regional Australia.

Many of the same challenges that regional airports face today were identified over a quarter of a century ago in the *International Air Services Inquiry Report, Productivity Commission Report No.2 11 September 1998*. While population distribution and the inherent costs of air travel have changed, the policy basis has not.

Context

The Northern Territory's economy and social fabric are uniquely dependent on aviation, whether reliable and affordable or not. With vast distances, a dispersed population, and no alternative long-distance transport options for many communities, air services are not a luxury but an *essential service*.

For the hospitality industry, the impact of high costs and low frequency is felt two-fold:

- Directly reduces inbound visitor numbers (both domestic and international), leading to lower hotel occupancy rates, reduced café, restaurant and bar trade, and declining hospitality revenue
- Severely impacts our ability to attract and retain staff. High airfares and poor connectivity are consistently cited as primary reasons job offers are refused or why staff choose to leave. They make it prohibitively expensive for workers to visit family, attend appointments, or simply take a break. Reliable, affordable air services are a non-negotiable condition of employment in remote and regional Australia – including Darwin.
- Our jurisdiction is highly vulnerable to the high expense, poor timing, and inadequate frequency of air services, with catastrophic dual results for the hospitality industry:

More broadly, communities across northern Australia rely on air services for healthcare, freight, workforce mobility and essential supplies.

Despite its status as a capital city, as well as its strategic national importance, the residents surrounding this airport suffer many of the same reliability and affordability failures as a remote community next to an airstrip, but also the additional infrastructure cost demands of any capital city airport.

The current settings reflect a broader policy failure that allows monopolistic market behaviour from both the airport owners and the airlines to persist, feeding an ongoing cycle that incentivises the worst performance:

Demand won't increase while costs are high.

Costs can't decrease until flights are filled.

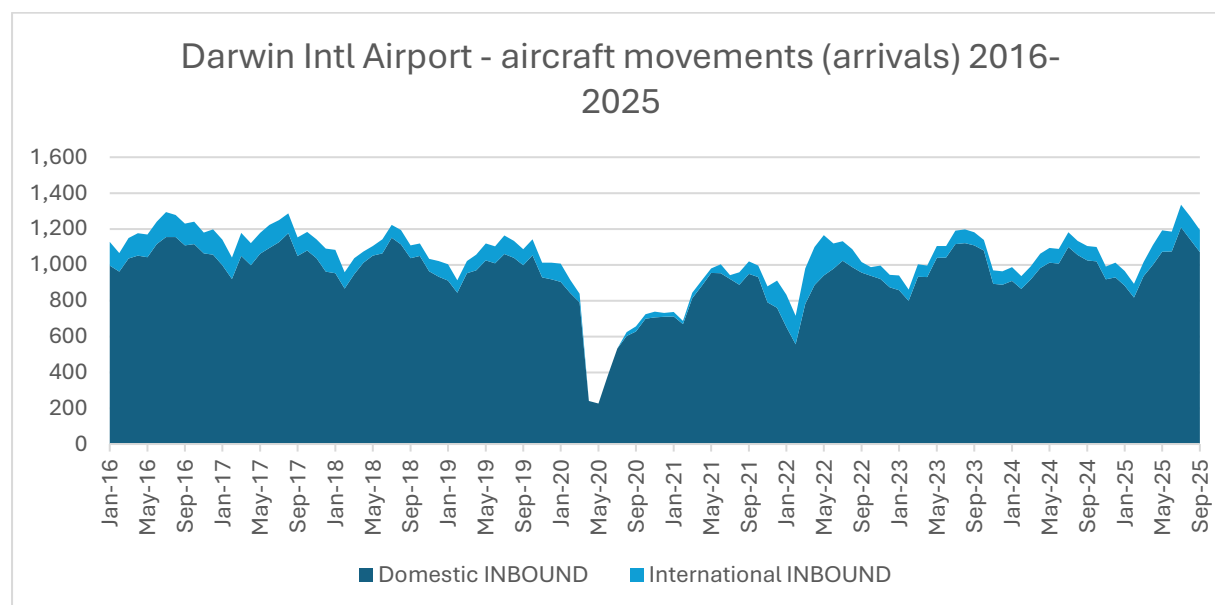
Flights aren't filled because there's no demand.

No demand means fewer services, and a higher cost to passengers.

Failure by successive governments to take action on these settings has left Darwin – and by extension, the entire Northern Territory – exposed to limited competition, high fares, and unreliable services.

Darwin International Airport still has not seen a return in the number of arrivals at the airport from the pre-COVID baseline of 2019. A steady decline in air services was already being experienced by the time COVID hit, demonstrating that reliable and affordable air services to the Northern Territory is a problem of long standing.

Table 1: Darwin International Airport arrivals 2016-2025



Source: BITRE

The cost of air services is devastating to the regional Australian economy

Taxes, fees, charges all contribute to thinner margins for both airports and airlines operating in regional areas

The cumulative burden of government-imposed costs is a key driver of high airfares to and within the NT. These include the Passenger Movement Charge (PMC), Aviation Fuel Excise, Airservices Australia charges, and security levies. For Northern Australia, the PMC is a particularly punitive tax on air movements and tourism, directly increasing the cost of inbound travel and suppressing demand.

These costs are disproportionately felt in regional markets where airline margins are thinner and passenger volumes lower. The resulting high airfares deter both tourists and potential workers, creating a double blow to the Northern Territory's hospitality and tourism industry as well as the broader economy.

For more remote airports like Gove, Groote Eylandt, Tennant Creek, costs are often unsustainable. The current model forces these costs onto airlines and, ultimately, passengers via higher airfares, stifling demand for both leisure travel and workforce mobility.

We urge this Inquiry to identify sustainable and fair discount or subsidy models to address the dampening factors behind regional and remote air travel, while avoiding driving monopolistic and profiteering behaviour by regional airlines.

Charges for Darwin and Alice Springs airports are unreasonable and exorbitant

Significant disparities exist between major capital city airports and regional/remote airports in terms of per-passenger costs for security, screening, and airport operations. Darwin International Airport, despite serving as the essential gateway to a capital city, faces high fixed costs spread across smaller passenger numbers compared to.

The basis for some of these disparities can be partially attributed economies of scale, but not all. The owner of the airports in the two biggest towns in the Northern Territory has priced its landing charge at a much higher rate than its northern Australian counterparts, as well as the southern capital cities.

Table 2 – Comparison of landing fees across Australian Airports

Airport	Landing Fee (AUD per MTOW tonne)
Darwin (YPDN) ⁽¹⁾	\$77.71
Alice Springs (YBAS) ⁽¹⁾	\$37.26
Sydney (YSSY) ⁽²⁾	\$18.70
Cairns (YBCS) ⁽¹⁾	\$18.60
Brisbane (YBBN) ⁽³⁾	\$17.05
Townsville (YBTL) ⁽¹⁾	\$12.37

Sources:

- (1) AVData;
- (2) Sydney Airport Aeronautical Charges 1-Jul-2025;
- (3) Brisbane Airport Services Agreement 2024

Airport Development Group, the owner and operator of Darwin and Alice Springs airports, has not published a financial report since 2019-20. It is not clear how much of these charges are due to maintaining solvency and financial sustainability, and how much is margin.

Darwin International Airport's position as a critical national security asset is not addressed in detail in this submission. While it is acknowledged that Defence requirements likely drive a high infrastructure standard and cost than otherwise may be required; however, it is also acknowledged that the owners and operators of Townsville Airport, an equally vital Defence asset, do not impose the same costs on its captive commercial service area – possibly due to the proximity of Cairns Airport (350km).

The Northern Territory deserves a more equitable pricing model, and this is only possible through Federal Government intervention.

We urge this Inquiry to investigate enforceable measures that lower airport-side costs to passengers, including a cap on landing fees at regional airports.

Domestic prices are worse than international access – even with the PMC

Every Territorian – and visitor to the Territory – has a story about paying exorbitant prices to travel domestically, whether for work or personal reasons.

On Monday 16 February we ran a test –

- a 20-hour flight from Darwin (via Brisbane) to Los Angeles on Qantas on Monday 14 September was found for \$789,
- a 2-hour flight from Darwin to Alice Springs on Qantas on the same date was \$555.

Bookings to regional airports only get more expensive closer to the date: by August, this intra-Territory flight will likely be more expensive than flying to the United States.

In the dry season (May-September) when travel demand is higher travel interstate can even be cheaper via Denpasar (especially to a major airport like Melbourne or Perth) – even with the \$70 Passenger Movement Charge (PMC) applied per person to all international departures across the country.

How can the Northern Territory possibly develop the visitor economy when it is cheaper to fly to the USA, or Europe, or Bali?

We urge this Inquiry to investigate enforceable measures that reduce price gouging on flights offered to regional passengers.

Review of Previous Government Responses

Progress on recommendations from numerous past inquiries has been unacceptably slow.

The 1998 Productivity Commission report provided a roadmap to boost secondary gateways like Darwin, yet one of its core recommendations on cabotage was dismissed, with the status quo reaffirmed as recently as 2023.

This pattern of identifying solutions but failing to act when it comes to any regions outside of Sydney, Melbourne, Brisbane must end. The worsening workforce crisis across northern Australia, fuelled by connectivity and access issues, demands urgent and decisive action by the Federal Government.

Hospitality NT contests that the impact of high airlines costs and the lack of competition in regional locations also impacts jobs, and the viability of the thousands of businesses in the Northern Territory and across northern Australia that rely on commercial air access to survive, of which tourism is only a part. The high airline costs compound the high cost of living for all Territorians.

As the name implies, Darwin International Airport is – and should be – an international gateway, not a domestic endpoint. Darwin is closer to Asia than it is other interstate capitals. Its location makes it a natural stopover between Southeast Asia and the eastern states, and a reason why cabotage was first proposed for Darwin in 1998.

Liberalising cabotage on specific international-to-domestic segments would allow Darwin to function as the gateway to Asia it should be, turning transit passengers into potential domestic seat capacity.

Allowing foreign carriers to pick up domestic passengers would increase the total passenger pool for any given flight. A foreign carrier could combine:

- International passengers (e.g., from Singapore).
- Domestic passengers (Darwin to Sydney/Melbourne/Brisbane).
- Transit passengers (Singapore to Sydney via Darwin).

This "critical mass" could support more frequent services and/or larger aircraft, driving down unit costs and making routes more viable.

The current policy settings protect the duopoly (Qantas Group and Virgin) on major routes, but at the expense of peripheral markets like the Northern Territory.

High fares are the number one barrier to tourism growth in the Northern Territory. If fares fall, the Northern Territory becomes a more attractive and accessible tourist destination, which will see more visitors benefiting hotels, tour operators, restaurants, and attractions. It will also become a more attractive destination for people to come to work and live with their families.

A pilot or trial of cabotage at Darwin International Airport could be rigorously reviewed for its impact on fares, traffic, and the incumbent airlines before any decision on permanency or expansion.

We urge this Inquiry to accept the Darwin International Airport as a trial site for cabotage.

Cabotage continues to be rejected by successive Ministers and Cabinets, attributed to concerns regarding the financial viability of domestic airlines as well as safeguarding Australian aviation jobs.

Australia's national carrier and largest airline, with its humble origins in the Northern Territory, boasted a \$1.25 billion after tax profit last year.

To regional Australians, this seems safe enough, driving consideration of another factor – the personal benefits offered by airlines to political and bureaucratic decision-makers.

Aviation policies for northern Australia must be designed to actively encourage growth and competition and ensure routes are commercially sustainable, including through

targeted support mechanisms that recognise this dual economic and social benefit. It is not enough to preserve a personal benefit at the expense of the Australian economy anymore.

If cabotage is not to be the solution, then **another policy reform must be produced** that effectively addresses the cost and availability of regional flights.

Conclusion

Hospitality NT calls for a fundamental re-think of aviation in northern Australia, centred on equity and recognition of air access as an essential service.

As demonstrated over 25 years ago, policy solutions exist but have been stalled by a political focus on the south-eastern capitals.

Airlines and airports that operate in regional Australia have had plenty of time to address these issues themselves, but have never had the motivation to do so – it is time for the Government to act.

We urge this Inquiry to break this cycle and deliver actionable policies that support the development of the Northern Territory.

Without the ability to develop ourselves, and grow to a self-sustaining population and economy, the Territory will forever need to be completely underwritten by the Commonwealth Government – we will forever take more than \$5 in grants for every \$1 of GST we pay, and we will forever continue to rank 8th out of 8 on most economic and social indicators.

We thank the Committee for the opportunity to provide this submission and are available to give further evidence as required.



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