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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

Airport Development Group (**ADG**) welcomes the opportunity to contribute to the Rural and Regional Affairs and Transport References Committee'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.

As the operator of key aviation infrastructure in the Northern Territory, Airport Development Group's submission addresses the Terms of Reference most relevant to regional connectivity, infrastructure investment and the long-term sustainability of airport operations in remote Australia.

The affordability and reliability of air services directly affect workforce mobility, population growth, business investment, access to health and education, and social equity.

For Northern Australia, aviation is not discretionary, it is an essential service.

This submission contends that high regional airfares are driven by structural market conditions, with the fundamental driver of high regional airfares being **volume and scale**.

1. About Airport Development Group

Airport Development Group is a privately owned Australian airport operator responsible for the long-term lease, operation and development of Darwin International Airport and Alice Springs Airport, with ownership also extending to Tennant Creek Airport and a diverse portfolio of infrastructure assets across aviation, tourism, property and utilities in the Northern Territory.

Darwin International Airport is the Northern Territory's primary international gateway and a strategic hub for defence, resources and Southeast Asian connectivity. Alice Springs Airport plays a vital role in servicing Central Australia, remote communities and tourism markets.

ADG works closely with airlines, governments and industry stakeholders to improve connectivity while balancing commercial sustainability with regional development objectives.

2. Regional Aviation Context in the Northern Territory

The Northern Territory has a population of approximately 230,000 people dispersed across a vast geographic area. Aviation underpins almost every aspect of economic and social activity.

Key structural characteristics of the Territory aviation market include:

- a small and dispersed population base limiting the ability to drive scale;
- high reliance on aviation for essential services and economic activity;
- limited airline competition on many routes;
- high fixed infrastructure and regulatory costs; and
- significant exposure to airline commercial decisions.

While the Northern Territory is, in relative terms, well serviced given its population size, this level of service is fragile and highly sensitive to cost structures and competing airline network opportunities.

3. The Core Disadvantage: Volume and Scale

3.1 The Challenge

Regional aviation in Australia operates at a fraction of the passenger volumes of major capital city hubs such as Sydney Airport, Brisbane Airport, Melbourne Airport and Perth Airport. The annual cost of operating aircraft, airports and complying with federally mandated regulatory and security requirements are largely uniform across the country. When those fixed costs are spread across significantly fewer passengers, the per-passenger cost increases materially.

High regional airfares are a structural consequence of:

- low passenger volumes;
- subscale markets;
- uniform national regulatory settings; and
- fixed infrastructure and security costs recovered over small customer bases.

Unless volume and scale are addressed through policy reform, regional Australia will remain structurally disadvantaged.

3.2 Regional Aviation Is Subscale by Definition

Airlines and Airports servicing regional Australia operate in markets with:

- small, dispersed populations;
- limited route competition due to demand being insufficient to entice multiple operators;
- lower passenger throughput and reduced economies of scale; and

- financially attractive alternate uses for aircraft fleet.

By comparison, capital city airports process tens of millions of passengers annually. Regional airports handle a small fraction of that volume but must maintain comparable regulatory, operational and security frameworks. The cost base does not reduce proportionately with passenger numbers.

The above delivers a higher industry cost to serve, resulting in both higher prices and lower route profitability, with Airlines potentially having more profitable alternatives.

4. Government Mandated Costs Spread Across Fewer Passengers

Across Australia, airports must comply with the same federally mandated requirements regardless of size, including:

- aviation security screening;
- regulatory compliance and auditing;
- aviation rescue and firefighting services; and
- biosecurity and border controls (where applicable).

Security screening is not discretionary. It is a Commonwealth mandate applied across all regulated airports.

Disparities of cost recoveries between regions and major hubs are not driven by different security standards; they are nationally mandated. It is driven by passenger volume.

High-volume airports spread security infrastructure and staffing costs across millions of passengers. Low-volume airports must recover those same categories of cost across tens or hundreds of thousands.

The result: **the lower the passenger numbers, the higher the per-passenger charge.**

5. Social and Economic Consequences

The affordability of air travel directly affects regional sustainability.

An emerging and deeply concerning trend across Australia is the significant growth of population in our major hubs, the major infrastructure programs underway and planned to support this population growth, and the absence of a dispersal strategy to support attraction to regional and remote centres. A key detracting factor is the cost burden of living remotely — including air travel.

People choose to live in regional Australia for liveability, community and opportunity. However, if connectivity becomes unreliable or unaffordable:

- workforce mobility declines;



- business investment weakens;
- access to health and education becomes more difficult; and
- population declines accelerate.

This creates a self-reinforcing cycle.

Lower population → lower passenger volumes → higher per-passenger costs → reduced affordability → further population loss.

Volume and scale continue to deteriorate.

6. Competition Considerations

Limited competition (due to lack of scale) on many regional routes compounds the scale issue. Airlines optimise networks commercially and allocate capacity where returns are strongest, typically high-volume metropolitan corridors.

In thin markets, airlines must recover higher operating risk across fewer seats. This is a structural market reality.

7. Policy Implications

If government policy objectives include:

- affordable regional airfares;
- sustainable regional populations;
- improved competition; and
- national economic resilience,

then structural inequities in the current model must be addressed.



8. Conclusion

The primary driver of high regional airfares is the lack of structural scale.

Regional aviation operates in subscale markets with fixed national regulatory requirements and low passenger volumes. When costs are spread across fewer passengers, per-unit charges rise.

Without reform to recognise the realities of volume and scale, regional Australia will remain at a systemic disadvantage, economically, socially and demographically.

Affordable regional aviation is a national policy issue requiring structural solutions, not incremental adjustments.

Airport Development Group welcomes the opportunity to provide further evidence to the Inquiry.

Yours sincerely



Tony Edmondstone
Chief Executive Officer