



**An Australian Government Initiative**



**Regional  
Development  
Australia**  
SOUTHERN NSW & ACT

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Senate Standing Committees on Rural and Regional Affairs and Transport  
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Canberra ACT 2600

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**Re: State of Australia's aviation sector and its ability to deliver reliable and affordable services to rural, regional and remote communities**

Regional Development Australia Southern NSW & ACT (RDASNA) welcomes the opportunity to contribute to the Inquiry into the State of Australia's aviation sector and its ability to deliver reliable and affordable services to rural, regional and remote communities.

RDASNA is part of a national network of 50 Regional Development Australia committees and works in partnership with all levels of government, industry and community to strengthen economic and social outcomes. We facilitate regional projects, collaboration, communication and advocacy across a region encompassing the Australian Capital Territory and nine New South Wales local government areas: Bega Valley, Eurobodalla, Goulburn Mulwaree, Hilltops, Queanbeyan–Palerang, Snowy Monaro, Upper Lachlan, Wingecarribee and Yass Valley.

In Southern NSW and the ACT, aviation underpins access to essential services, workforce mobility, emergency response, freight and economic participation. RDASNA's submission focuses on aviation's role as essential regional infrastructure. It outlines opportunities to improve the reliability, affordability and resilience of aviation services for regional communities through more equitable policy, regulatory and investment settings.

We appreciate the opportunity to provide this submission and welcome further engagement with the Committee on the matters raised.

Kind regards,

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Olivia West  
CEO

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## Introduction

In Southern NSW and the ACT, aviation plays a critical role in sustaining regional economies and communities. It supports access to specialist health care, enables workforce participation across large distances, underpins emergency management capability, facilitates freight and supply chains and connects regional industries to domestic and international markets. For many communities, aviation is not an optional or discretionary service, but a core component of essential infrastructure.

The RDASNA region relies on a highly centralised aviation access model anchored by Canberra Airport as the primary gateway for passenger, freight, emergency and workforce movements. With limited scheduled commercial services operating from regional airports in Southern NSW, many communities depend on road access to Canberra Airport for onward air travel. As a result, service disruptions, affordability pressures or operational decisions affecting a small number of routes or facilities can have far-reaching regional consequences.

Recent developments across the aviation sector have exposed the vulnerability of this model. Service withdrawals, rising costs, limited competition, regulatory cost pressures and workforce decisions have combined to reduce reliability and affordability for regional users. These challenges reflect a broader structural issue: aviation in regional Australia continues to be governed through frameworks that prioritise commercial viability, without adequately accounting for its essential role in delivering access, economic participation and regional resilience.

This submission focuses on the systemic implications of treating essential regional aviation infrastructure as a market-driven service. It identifies where current policy, and regulatory settings undermine access and resilience for regional communities and outlines opportunities for reform that better align aviation governance with the needs of rural, regional and remote Australia.

Extensive analysis undertaken across Regional Development Australia (RDA) committees has consistently highlighted that regional aviation markets operate with fundamentally different economic and operational characteristics to high-volume metropolitan routes. This work indicates that relatively small regional airports are required to meet uniform regulatory, security and operational requirements, with fixed costs recovered across significantly lower passenger volumes. As a result, even modest increases in fees, charges or service costs can have disproportionate impacts on regional airfares, demand and service viability. Evidence compiled across multiple regions also suggests that minor changes to flight frequency, scheduling or local operational capacity can quickly erode service reliability, with flow-on impacts for workforce access, health service connectivity, tourism dispersal and broader economic participation. These structural dynamics reinforce the need for aviation policy and cost-recovery mechanisms to better reflect regional scale, dependency and risk profiles.

RDASNA notes that the Inquiry timeframe was scheduled over the Christmas and New Year period, resulting in a significant constraint on regional stakeholder engagement.

### ToR (a): Costs, fees and charges shaping affordability for regional users

In Southern NSW and the ACT, the affordability of air travel is a critical determinant of access to essential services, workforce participation and regional economic activity. For many communities, aviation is a necessary service, often accessed through a small number of gateways and with limited or no viable alternatives. As a result, costs embedded within aviation pricing have a disproportionate impact on regional users compared with metropolitan travellers.

A range of government-imposed fees, levies and regulatory requirements contribute to airfare pricing outcomes. While these costs are applied uniformly at a national level, their impacts are not uniform. In

regional settings, particularly on low-volume routes and at smaller, council-owned airports, largely fixed regulatory and compliance costs are spread across significantly fewer passengers. This results in higher per-passenger costs that are passed on to regional travellers through higher fares.

These affordability pressures are most acute in communities where aviation provides the primary connection to employment, specialist health services, education and markets. High and volatile airfares suppress demand, reduce travel frequency and constrain workforce mobility, reinforcing regional disadvantage. For businesses, elevated travel costs increase operating expenses and limit access to labour, clients and supply chains. For residents, they create barriers to timely health care, family connections and participation in economic and social life.

These outcomes are not driven by airline pricing strategies alone, but by structural features of the aviation system that fail to account for the essential role aviation plays in regional Australia. Uniform national cost structures and regulatory requirements, when applied without regard to passenger volumes or regional dependency, embed inequitable affordability outcomes that undermine access, suppress demand and limit economic and social participation across Southern NSW and the ACT.

### **Recommendation 1: Recognise regional aviation as essential infrastructure**

#### **ToR (b) & (c): Inequitable cost recovery and regional airport disadvantage**

Regional airports across Southern NSW and the ACT operate under federally mandated security, safety and regulatory frameworks that are essential to maintaining national aviation standards. However, the mechanisms used to recover these costs create significant disparities between metropolitan and regional airports, with material consequences for airport viability and service sustainability.

Uniform national security and regulatory requirements impose largely fixed costs on airports regardless of passenger volume. In major metropolitan airports, these costs are absorbed across millions of passengers. In contrast, regional and low-volume airports must recover the same or similar obligations from a far smaller passenger base, resulting in significantly higher per-passenger costs. These costs are either borne directly by airport operators, many of which are council-owned, or passed through to airlines and ultimately to passengers through higher fares.

This cost recovery model structurally disadvantages regional airports. It constrains financial sustainability, limits capacity to invest in infrastructure upgrades and weakens the viability of regional routes. Smaller airports have limited ability to cross-subsidise costs, attract non-aeronautical revenue or achieve scale efficiencies, meaning federally mandated security and regulatory requirements have a proportionally greater impact on regional operations, despite aviation performing critical social, economic and emergency functions.

Current cost recovery arrangements also lack transparency from a regional perspective. There is no clear or consistent process for identifying, quantifying or reporting the cumulative impact of federally imposed security and regulatory costs on regional airports and users. This limits the ability of airport operators, councils and communities to assess the true drivers of affordability pressures or to demonstrate the equity implications of existing arrangements.

Without reform, these structural disparities will continue to erode the viability of regional aviation services. Cost recovery mechanisms that fail to recognise differences in passenger volumes and regional dependency risk entrenching a two-tier aviation system, where regional communities face higher costs and reduced access to services that are essential to participation in national economic and social life.

### **Recommendation 2: Reform cost recovery models to address regional inequity**

### **Recommendation 3: Improve the transparency of government-imposed aviation costs**

## ToR (d): Competitiveness, service reliability and implications of withdrawal

The competitiveness of aviation services in rural and regional Australia cannot be assessed solely through market dynamics. In Southern NSW and the ACT, aviation operates within a constrained and highly centralised access model, characterised by limited route density, small passenger volumes and reliance on a small number of critical gateways. These conditions reduce resilience and heighten vulnerability to service disruption or withdrawal.

Regional routes are typically thin markets with limited competition and minimal capacity to absorb cost shocks. Even modest increases in operating costs, regulatory burdens or demand volatility can render services commercially marginal. Where aviation is governed primarily as a commercial service, these conditions weaken the competitiveness of regional routes relative to metropolitan services and increase the likelihood of service reduction or withdrawal.

The implications of service withdrawal extend beyond reduced consumer choice. In the RDASNA region, aviation underpins access to essential services and economic activity, including health care, emergency response and workforce mobility. Reduced frequency, loss of routes or unreliable services directly constrain labour market participation, increase travel times and costs and limit the competitiveness of regional businesses and industries. For communities with limited alternative transport options, these impacts are immediate and cumulative.

The region's reliance on Canberra Airport as the primary aviation gateway further amplifies these risks. Southern NSW does not operate as a multi-node aviation network; instead, most communities depend on road access to Canberra Airport for onward air travel. As a result, disruptions, affordability pressures or service changes affecting a small number of routes, particularly the Canberra–Sydney corridor, have disproportionate impacts across a wide geographic area.

Current policy settings do not adequately account for these systemic risks. Competitiveness is assessed largely at the route or operator level, with limited consideration of regional dependency, access concentration or the broader social and economic consequences of service withdrawal. This approach undervalues aviation's role as essential infrastructure and shifts disproportionate risk onto regional communities.

A more effective approach to competitiveness would recognise that sustaining reliable aviation services in regional Australia is not solely a question of market efficiency, but of essential infrastructure resilience. Without policy settings that reflect this reality, regional communities will remain exposed to service volatility and loss of access that undermines long-term economic participation and social wellbeing.

### **Recommendation 4: Strengthen assessment of regional service competitiveness and resilience**

## ToR (aa): Workforce decisions as aviation infrastructure risk

The decision by Qantas on 1 October 2025 to close regional staff bases in Canberra, Hobart and Mildura highlights a broader structural risk within the regional aviation system. While workforce decisions are made by individual airlines, their consequences extend beyond commercial considerations and have direct implications for the reliability and resilience of aviation infrastructure in regional Australia.

In the Southern NSW and ACT region, Canberra Airport functions as a critical aviation gateway. The presence of locally based aviation staff contributes to operational resilience, service continuity and the retention of critical skills and local operational knowledge. It also enables rapid response to disruptions, adverse weather events and emergency situations. The removal of regional crew bases reduces this local capability and increases reliance on staff being deployed from outside the region.

These impacts are particularly significant in regional settings, where aviation access is already constrained and highly sensitive to disruption. Reduced local workforce presence can affect service reliability, increase the likelihood of cancellations or delays and weaken contingency capacity during periods of operational stress. For communities that rely on aviation as essential infrastructure, these effects have direct consequences for health access, workforce mobility and economic activity.

The closure of regional crew bases also exposes a broader policy gap. Workforce location decisions with system-wide consequences are currently assessed primarily through a commercial or operational lens, with limited consideration of regional dependency, infrastructure resilience or community reliance. This reinforces the broader misalignment identified throughout this submission, whereby aviation is governed as a market service rather than as essential infrastructure underpinning regional access and resilience.

#### **Recommendation 5: Incorporate workforce resilience into aviation policy and oversight**

##### **Cross-cutting observations: Governance and system misalignment**

Across affordability, cost recovery, competitiveness and workforce resilience, a consistent structural issue emerges: aviation in regional Australia functions as essential infrastructure, yet it continues to be governed, assessed and regulated primarily as a commercial service. This misalignment underpins many of the challenges facing rural and regional communities in Southern NSW and the ACT.

Current policy and regulatory frameworks place emphasis on commercial viability, uniform national requirements and operator-level outcomes, with limited consideration of regional dependency, access concentration or the cumulative social and economic consequences of service loss or unreliability. As a result, risk is progressively shifted onto regional users, local councils and communities that have limited capacity to absorb shocks or influence system-level decisions.

The application of uniform cost structures and regulatory obligations, without regard to passenger volumes or regional reliance, embeds inequity into the aviation system. These settings disproportionately affect regional airports and routes, weakening competitiveness and increasing exposure to service withdrawal. Similarly, workforce decisions with material implications for service reliability and contingency capacity are assessed without a framework that recognises their role in sustaining essential regional infrastructure.

Taken together, these issues point to a governance gap rather than a series of isolated failures. Aviation policy settings have not kept pace with the reality that, for many regional communities, air services are fundamental to access, participation and resilience. Treating aviation as discretionary or purely market-driven infrastructure undermines long-term regional outcomes and increases vulnerability across interdependent systems such as health, employment and emergency response.

Addressing these challenges requires a shift in policy approach. Recognising aviation as essential regional infrastructure would provide a more appropriate foundation for cost recovery, regulatory design, competitiveness assessment and workforce oversight. Such an approach would better align national aviation settings with regional development objectives and support a more resilient, equitable and reliable aviation system.

#### **Recommendation 6: Align aviation policy settings with regional development objectives**

### **Recommendation Summary**

#### **Recommendation 1: Recognise regional aviation as essential infrastructure**

The Australian Government should formally recognise aviation as essential regional infrastructure within policy, regulatory and funding frameworks. This recognition should guide how affordability, service

continuity, workforce resilience and regional dependency are considered in aviation decision-making, ensuring governance settings reflect aviation's role in enabling access, participation and resilience in rural and regional communities.

**Recommendation 2: Reform cost recovery models to address regional inequity**

Federally mandated security, safety and regulatory cost recovery arrangements should be reviewed to address the structural inequities faced by regional and low-volume airports. Cost recovery models should account for passenger volumes and regional reliance, ensuring that uniform national requirements do not impose disproportionate per-passenger costs on regional users or undermine the viability of essential regional aviation services.

**Recommendation 3: Improve transparency of government-imposed aviation costs**

The Australian Government should improve transparency and reporting on the cumulative impact of government-imposed fees, levies and regulatory costs on regional aviation services. Clear identification and quantification of these costs would support more informed policy decisions, enable assessment of equity impacts and assist regional airports and communities to better understand affordability pressures.

**Recommendation 4: Strengthen assessment of regional service competitiveness and resilience**

Competitiveness assessments should move beyond route-level commercial metrics to consider access concentration, regional dependency and the broader social and economic implications of service withdrawal. Federal aviation policy should explicitly account for the consequences of reduced frequency or reliability in regions where aviation provides essential access to health services, employment and markets.

**Recommendation 5: Incorporate workforce resilience into aviation policy and oversight**

Workforce presence and capacity should be recognised as a component of aviation infrastructure resilience. Government policy and oversight mechanisms should consider the regional implications of workforce decisions that materially affect service reliability, contingency capacity and emergency response capability in regional aviation systems.

**Recommendation 6: Align aviation policy settings with regional development objectives**

The Australian Government should ensure greater alignment between aviation policy, regulatory frameworks and regional development objectives, including transport, health, emergency management and workforce strategies. This alignment should support coordinated decision-making that strengthens regional resilience and long-term economic participation in rural, regional and remote communities.

## Closing Statement

Experiences across Southern NSW and the ACT demonstrate that aviation in regional Australia functions as essential infrastructure, underpinning access to health care, workforce mobility, emergency response, tourism and economic participation. Yet current aviation policy, regulatory and cost recovery frameworks continue to govern aviation primarily as a commercial service, without adequately accounting for regional dependency, access concentration or the broader social and economic consequences of service loss or unreliability.

As outlined in this submission, uniform national cost structures, inequitable recovery of federally mandated security and regulatory costs and limited consideration of regional service resilience have combined to place disproportionate risk on regional communities. These settings weaken competitiveness and expose regional aviation services to volatility, despite their critical role in supporting national productivity and regional wellbeing.

RDasNA also notes that more detailed analysis of the determinants of regional airfares, including cost structures, competition dynamics and affordability impacts, is being progressed through the Productivity Commission's inquiry into regional airfares, which provides an important complementary pathway for deeper evidence-based reform.

RDasNA welcomes the Inquiry's focus on the reliability and affordability of aviation services for rural, regional and remote communities. We encourage the Australian Government to use this Inquiry to strengthen the alignment between aviation governance and regional infrastructure outcomes, including recognising aviation as essential regional infrastructure, improving equity in cost recovery and embedding resilience considerations into aviation policy and oversight frameworks.

RDasNA stands ready to support the Australian Government in progressing reforms that deliver a more equitable, reliable and resilient aviation system for regional Australia.

Thank you for the opportunity to contribute to this important inquiry.