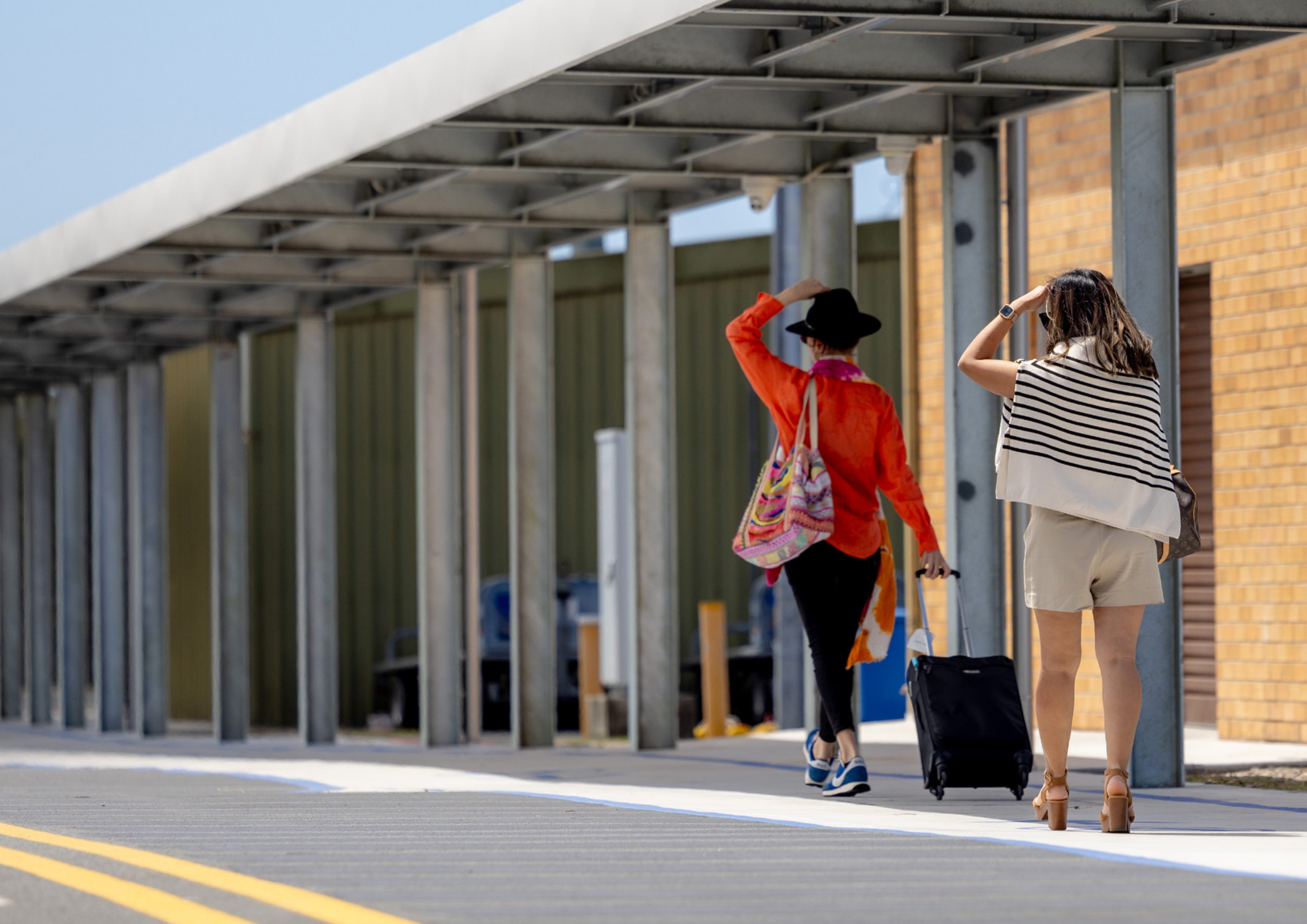
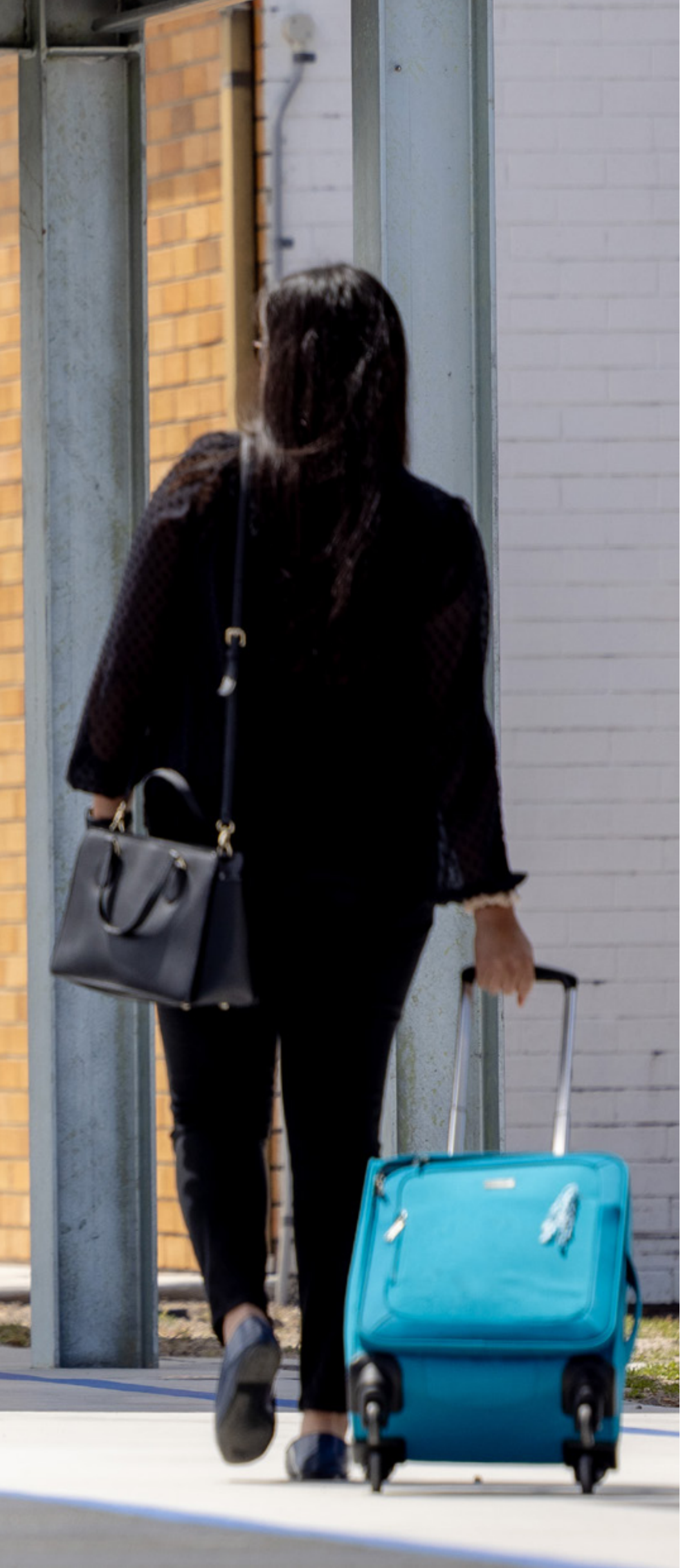
BUSINESS NSW

KEEPING REGIONAL NSW CONNECTED:

The Future of Our Airports

June 2026





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Foreword

Regional airports are more than pieces of infrastructure; they are critical linkages supporting regional NSW's economy and communities. They underpin the competitiveness of businesses, the mobility of workers and the resilience of industries from tourism to agriculture. They connect towns and regions to Sydney, interstate markets and the rest of the world.

For many regional communities, airports are the entry point where visiting doctors arrive, patients are transferred in emergencies, tourists begin their journeys and local businesses connect to supply chains and customers across the country and overseas.

These benefits are not abstract.

They translate directly into jobs, investment and community wellbeing. When regional airports are well connected, businesses have the confidence to invest, skilled workers are more likely to relocate, and communities can attract visitors, students and services. Conversely, when connectivity is lost, the effects are immediate and severe, resulting in higher costs, disrupted supply chains, weaker health outcomes and lost opportunities for regional economies.

NSW regional airports are under increasing strain. Infrastructure is ageing, underfunded and not uniform. Airline markets remain fragile and highly concentrated.

Access to Sydney Airport is constrained and subject to slot allocations that do not always reflect regional needs. Addressing this challenge cannot be done in isolation from the new operating model of Western Sydney International Airport.

The collapse of Bonza in 2024, followed by Rex's entry into voluntary administration in the same year, has demonstrated how quickly regional connectivity can break, leaving communities stranded overnight and businesses with no alternatives.

Governance arrangements compound these risks.

Local councils own and operate most regional airports, often without the financial resources needed to maintain or upgrade infrastructure.

Larger secondary airports such as Bankstown and Camden are leased to private operators, but their commercial priorities do not always align with the long-term needs of local communities or regional industries.

The designation of some regional airports as metropolitan airports has also excluded them from access to regional funding programs that assist with infrastructure and maintenance. Over half of the regional airports suffer from operational loss highlighting the structural mismatch between essential service delivery and current funding models.

The Commonwealth's role is also limited, and in NSW only two routes (Moree and Norfolk Island) benefit from statutory protection.

The result is a patchwork system with little coordination or strategic planning, leaving most regional communities exposed to unpredictable fluctuations in the market.

The Federal Government's Aviation White Paper acknowledged these challenges and made several welcome commitments; however, without a coordinated, state-focused framework, NSW risks missing out on its fair share of funding and reform[1]. Without a sustained place-based approach, regional businesses will continue to face higher costs, weaker resilience and reduced competitiveness.

This risk is reinforced by the ongoing Senate Rural and Regional Affairs and Transport References Committee inquiry into Australia's aviation sector (reporting June 2026), which underscores the need for a clear NSW aviation agenda to shape and leverage forthcoming national reforms on airfares, competition, security costs and service reliability.

Business NSW believes it's time for a new framework for NSW regional aviation –a framework that secures reliable services, strengthens airport infrastructure and ensures regional airports continue to serve as gateways to opportunity. This requires federal, state and local governments working in genuine partnership with business and airlines, supported by targeted funding, regulatory reform and a commitment to regional equity.

Regional airports are not optional extras. They are vital to keeping regional economies and communities connected and thriving. They deserve the same policy attention as any other piece of critical infrastructure. To secure the future of regional NSW, policymakers must invest in a resilient, affordable and competitive aviation network that supports business and communities for generations to come.

Dan Hunter

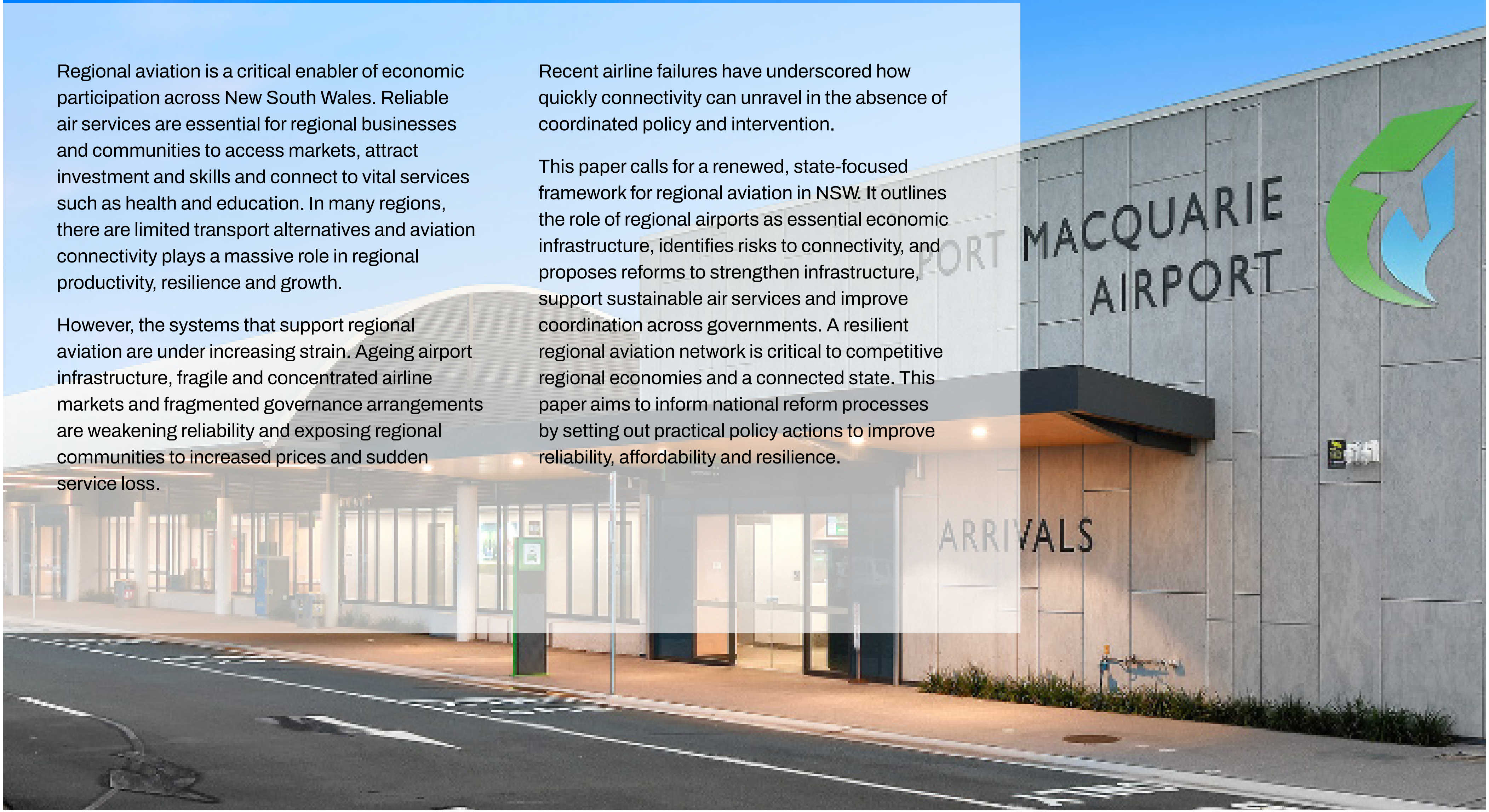
01 Introduction

Regional aviation is a critical enabler of economic participation across New South Wales. Reliable air services are essential for regional businesses and communities to access markets, attract investment and skills and connect to vital services such as health and education. In many regions, there are limited transport alternatives and aviation connectivity plays a massive role in regional productivity, resilience and growth.

However, the systems that support regional aviation are under increasing strain. Ageing airport infrastructure, fragile and concentrated airline markets and fragmented governance arrangements are weakening reliability and exposing regional communities to increased prices and sudden service loss.

Recent airline failures have underscored how quickly connectivity can unravel in the absence of coordinated policy and intervention.

This paper calls for a renewed, state-focused framework for regional aviation in NSW. It outlines the role of regional airports as essential economic infrastructure, identifies risks to connectivity, and proposes reforms to strengthen infrastructure, support sustainable air services and improve coordination across governments. A resilient regional aviation network is critical to competitive regional economies and a connected state. This paper aims to inform national reform processes by setting out practical policy actions to improve reliability, affordability and resilience.



Summary of Recommendations

01 **Develop a 10-Year NSW Regional Aviation Strategy**

The NSW Government should develop a coordinated 10-year Regional Aviation Strategy to align planning, investment and governance across regional airports, airlines and economic corridors.

02 **Establish a NSW Regional Aviation Infrastructure Fund**

NSW, in partnership with the Commonwealth should create a dedicated, multi-year Regional Aviation Infrastructure Fund to support airport renewal, safety, resilience and readiness for future aircraft.

03 **Secure Reliable and Affordable Air Services**

NSW and the Commonwealth should strengthen route continuity, slot access and targeted incentives to improve service reliability, competition and affordability on key regional air routes.

04 **Position Western Sydney International and Newcastle Airport as regional gateways**

Governments should embed guaranteed regional access into and out of Sydney through Western Sydney International and leverage the emerging capacity of Newcastle Airport to provide regions with better links to international, interstate and intrastate destinations.

05 **Build a Skilled Regional Aviation Workforce**

NSW should partner with TAFE, universities and industry to establish regional aviation training hubs and streamline pathways to address critical workforce shortages.

06 **Accelerate the Transition to Clean Aviation**

NSW should develop a Clean Aviation Roadmap to support SAF, hydrogen and electric aircraft infrastructure at regional airports and position the state as a clean-aviation leader.

07 **Improve Data Transparency and Accountability**

Governments should establish a Regional Aviation Performance Dashboard to track airfares, service reliability, cancellations and infrastructure condition and support evidence-based decisions.

08 **Encourage Public–Private Partnerships and Airport Precinct Investment**

NSW should promote public–private partnerships and precinct-based airport development to unlock private investment, diversify revenue and create regional jobs.

02 The State of Play: NSW's Regional Aviation Network

New South Wales has more than 60 regional airports and aerodromes ranging from larger airports such as Ballina, Wagga Wagga, Newcastle and Coffs Harbour to smaller aerodromes servicing remote towns. These facilities jointly support about 3.5 million passenger movements each year[2], providing critical links to Sydney and other interstate capitals.

Sydney Airport alone handles almost 50,000 regional flights annually[3]. This accounts for around 23% of all its domestic flights. Despite fluctuations in demand following COVID-19 and the collapse of carriers like Bonza, regular passenger transport (RPT) services remain the backbone of connectivity for regional NSW. Airlines such as QantasLink, Rex and Virgin maintain scheduled services that move both people and high-value freight in and out of regional communities.

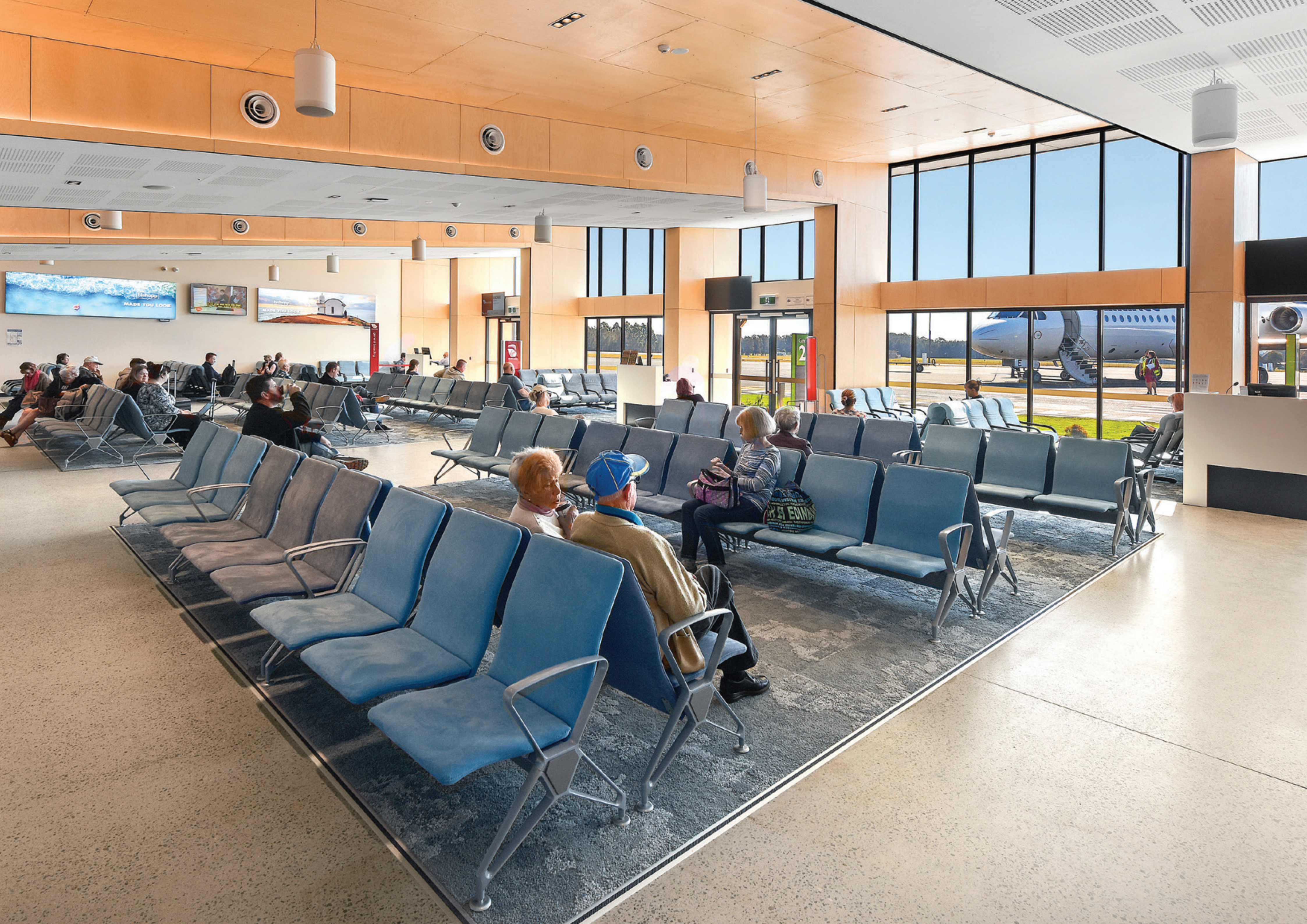
Passenger volumes are concentrated across a small number of larger regional airports. In FY2024–25, Newcastle Airport had the highest demand in regional NSW, carrying more than 1.2 million passengers. Significant volumes were also recorded at Ballina Byron Gateway Airport (578,803 revenue passengers) and Coffs Harbour Airport (261,945 revenue passengers)[4].

A broader network of mid-sized airports including Albury Airport, Wagga Wagga Airport, Port Macquarie Airport and Dubbo Regional Airport also recorded significant passenger movement numbers, demonstrating their role in providing essential connectivity for regional industries and communities.

These figures reflect revenue passenger movements only and do not capture the significant role regional airports play in freight, aeromedical services, charter operations or government aviation activity. They also do not reflect the full level of aerodrome activity, including general aviation, training flights and non-Regular Public Transport (RPT) aircraft movements, which are critical to regional economic resilience and service delivery across NSW.

AIRPORT	ANNUAL REVENUE PASSENGERS (2024-25)
NEWCASTLE	1,213,408
BALLINA	578,803
COFFS HARBOUR	261,945
ALBURY	223,358
WAGGA WAGGA	221,069
PORT MACQUARIE	192,863
DUBBO	192,221
TAMWORTH	159,014
ARMIDALE	103,554
ORANGE	102,639

Table 1. Top 10 NSW Regional Airports by Passenger Movements in FY2024-25


MADE YOU LOOK

03 The Economic and Social Importance of Regional Aviation

Enabling Business Growth

Regional airports are critical economic enablers, providing market access and business growth opportunities for NSW. In areas with vast distances and limited freight options, airports connect local firms to metropolitan and international markets, supporting sectors from tourism and mining to manufacturing and education. Research from Europe shows a 10% increase in air connectivity can lift regional GDP by 0.5%[5]. Airports also support high-value, low-volume freight such as mail, seafood and pharmaceuticals, helping businesses reach premium markets[6]. In 2025, NSW air freight imports total approximately 23,690 tonnes, valued at around AUD $70.63 billion, while exports total approximately 1,380,835 tonnes, valued at around AUD $49.03 billion.

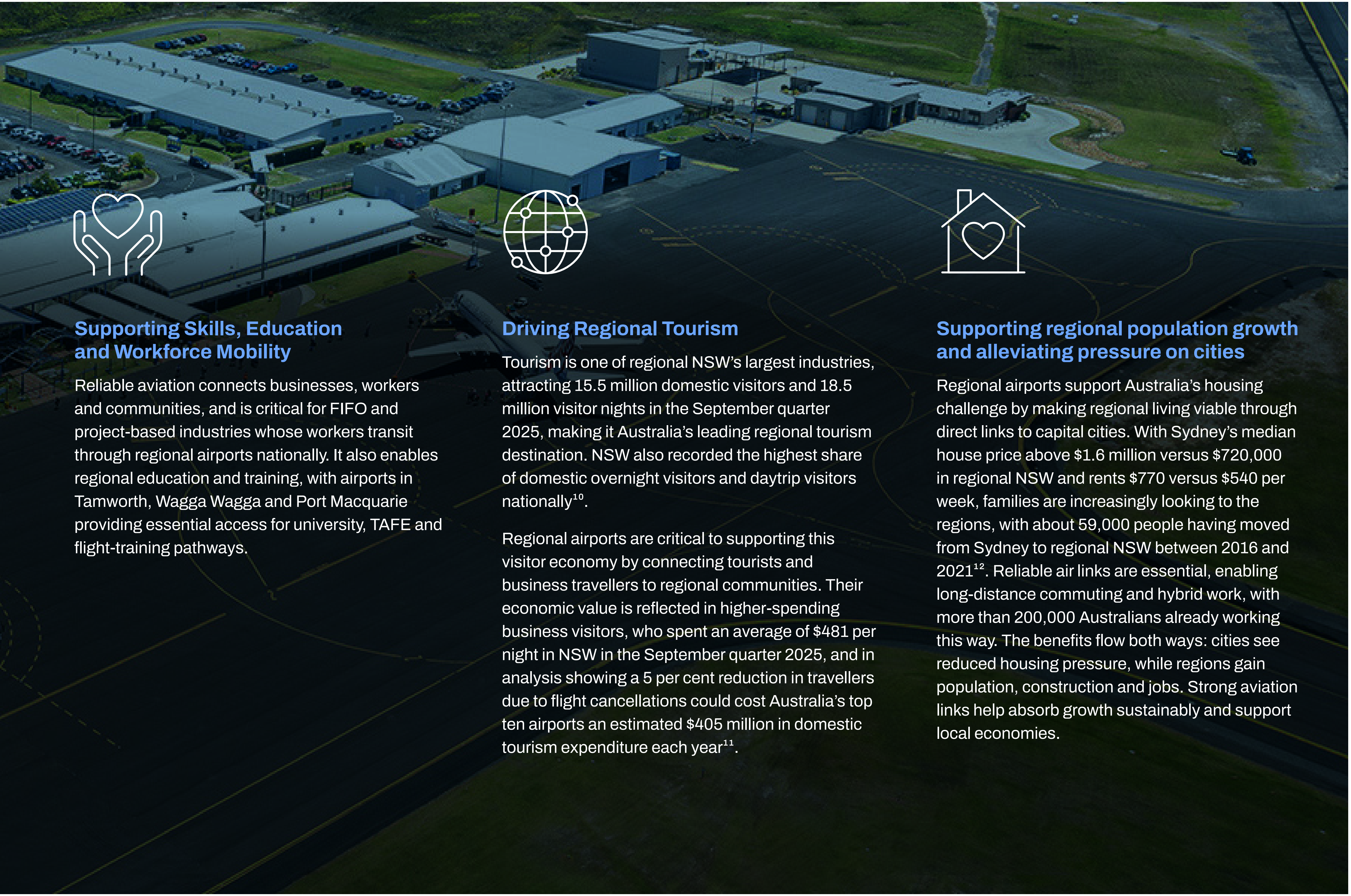
Connecting Communities and Workers

Regional airports are not just transport assets. They are part of the essential service backbone for regional NSW. They underpin access to health care, education and emergency response ensuring that communities remain connected to the services they need. Doctors, nurses, engineers, teachers, mining professionals and FIFO workers all rely on air links to move quickly between metropolitan centres and regional communities. In 2025 alone, there were 4.35 million domestic charter passengers across Australia.

Keeping Communities Healthy and Resilient

Regional airports are critical health and emergency infrastructure for communities across New South Wales. They support the Royal Flying Doctor Service, NSW Ambulance and other emergency operators by enabling rapid patient transfers and emergency response services.

The Australian Airports Association found that 93 per cent of surveyed regional airports support RFDS operations, while 71 per cent support disaster response activities[7]. Across NSW and the ACT, more than 350 Royal Flying Doctor Service staff deliver over 68,000 occasions of care each year [8]. Regional airports also improve access to healthcare by supporting visiting medical specialists in smaller communities. Feedback from an Airports Association Australia (AAA) workshop highlighted the critical role regional airports play during natural disasters, supporting evacuations, emergency services and the movement of essential supplies [9].



Supporting Skills, Education and Workforce Mobility

Reliable aviation connects businesses, workers and communities, and is critical for FIFO and project-based industries whose workers transit through regional airports nationally. It also enables regional education and training, with airports in Tamworth, Wagga Wagga and Port Macquarie providing essential access for university, TAFE and flight-training pathways.

Driving Regional Tourism

Tourism is one of regional NSW's largest industries, attracting 15.5 million domestic visitors and 18.5 million visitor nights in the September quarter 2025, making it Australia's leading regional tourism destination. NSW also recorded the highest share of domestic overnight visitors and daytrip visitors nationally[10].

Regional airports are critical to supporting this visitor economy by connecting tourists and business travellers to regional communities. Their economic value is reflected in higher-spending business visitors, who spent an average of $481 per night in NSW in the September quarter 2025, and in analysis showing a 5 per cent reduction in travellers due to flight cancellations could cost Australia's top ten airports an estimated $405 million in domestic tourism expenditure each year[11].

Supporting regional population growth and alleviating pressure on cities

Regional airports support Australia's housing challenge by making regional living viable through direct links to capital cities. With Sydney's median house price above $1.6 million versus $720,000 in regional NSW and rents $770 versus $540 per week, families are increasingly looking to the regions, with about 59,000 people having moved from Sydney to regional NSW between 2016 and 2021[12]. Reliable air links are essential, enabling long-distance commuting and hybrid work, with more than 200,000 Australians already working this way. The benefits flow both ways: cities see reduced housing pressure, while regions gain population, construction and jobs. Strong aviation links help absorb growth sustainably and support local economies.

CASE STUDY

Investing in Connectivity to Drive Regional Growth

Coffs Harbour Airport stands as one of NSW's clearest examples of how targeted investment in regional aviation can drive lasting economic transformation. As one of the primary gateways to the Mid-North Coast, the airport links the region's rapidly growing population and tourism economy with Sydney, Brisbane and Melbourne, serving around 260,000 passengers annually.

After the pandemic, Coffs Harbour City Council in partnership with the NSW Government and Palisade Investment Partners delivered a $25 million terminal and airfield upgrade in 2022. The project modernised terminal facilities, improved security and baggage systems and expanded apron capacity to accommodate larger aircraft and more frequent services.

The upgrade has reinvigorated the airport's role in the regional economy. New carriers and routes have been secured, visitor capacity has rebounded and a broader airport precinct development strategy including business parks, tourism ventures, and logistics facilities is now underway. Coffs Harbour has evolved from a transport node into a multi-sector economic hub, demonstrating how infrastructure renewal can unlock regional growth and investment confidence.

04 Regional Airport Policy Landscape

Regional aviation in NSW operates within a complex policy environment spanning Commonwealth, State and local government responsibilities. While all levels of government recognise the strategic importance of regional air connectivity, policy support remains fragmented, grant-based and often reactive to immediate infrastructure needs rather than long-term network planning.

Commonwealth Policy Framework

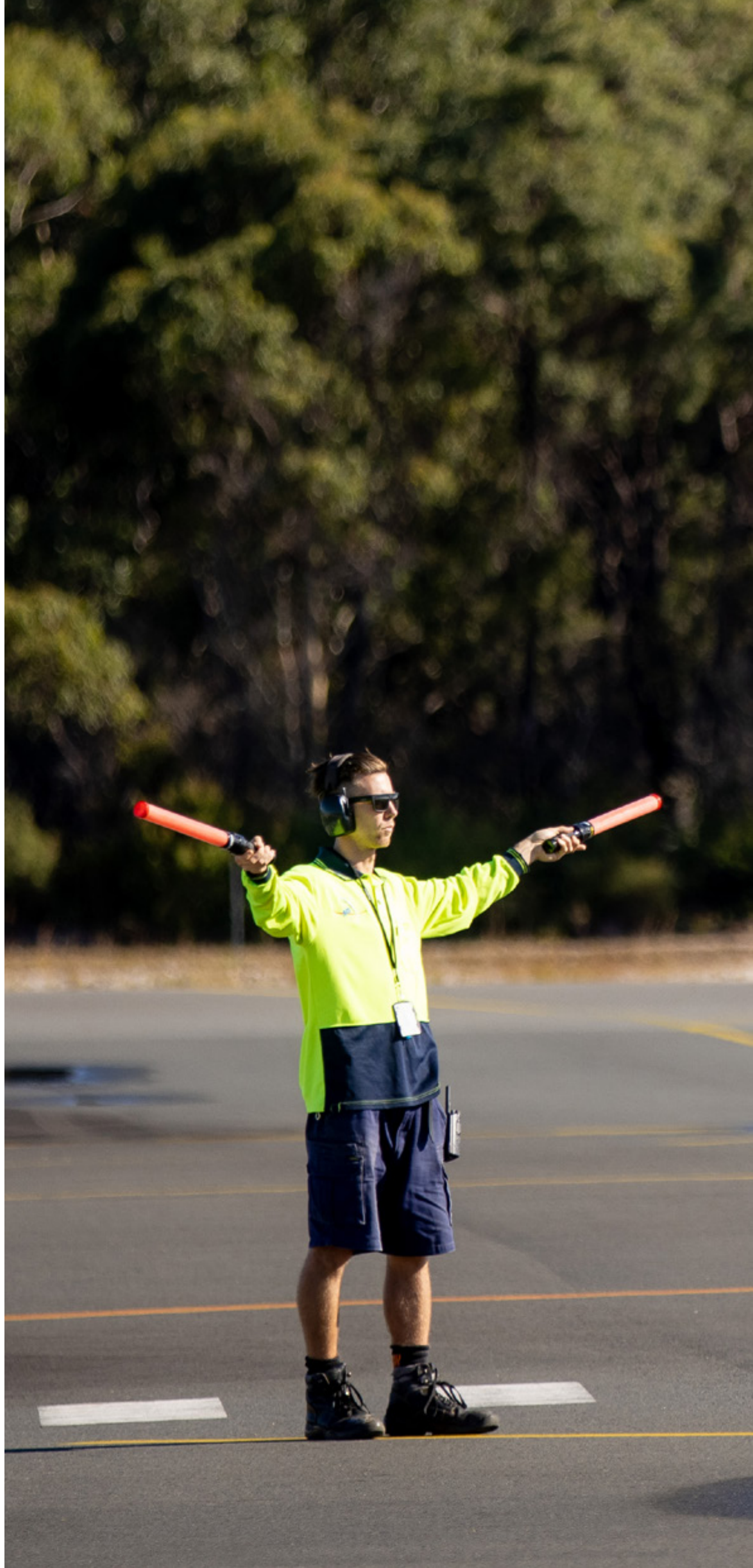
At the federal level, regional aviation policy is led by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA). The primary investment mechanism is the Regional Airports Program (RAP), which has distributed more than $180 million nationally since 2019, including about $40 million to NSW.

RAP has improved safety and operational reliability through funding for runway, lighting and safety upgrades. However, its short-term and project-based structure is typically capped at $5 million per project, limiting investment in long-term capacity, resilience and future-ready infrastructure.

National policy direction has been set through the Aviation Green Paper (2023) and Aviation White Paper (2024), both recognising the need to better integrate regional aviation into Australia's transport and regional development systems. However, detailed delivery mechanisms remain under development.

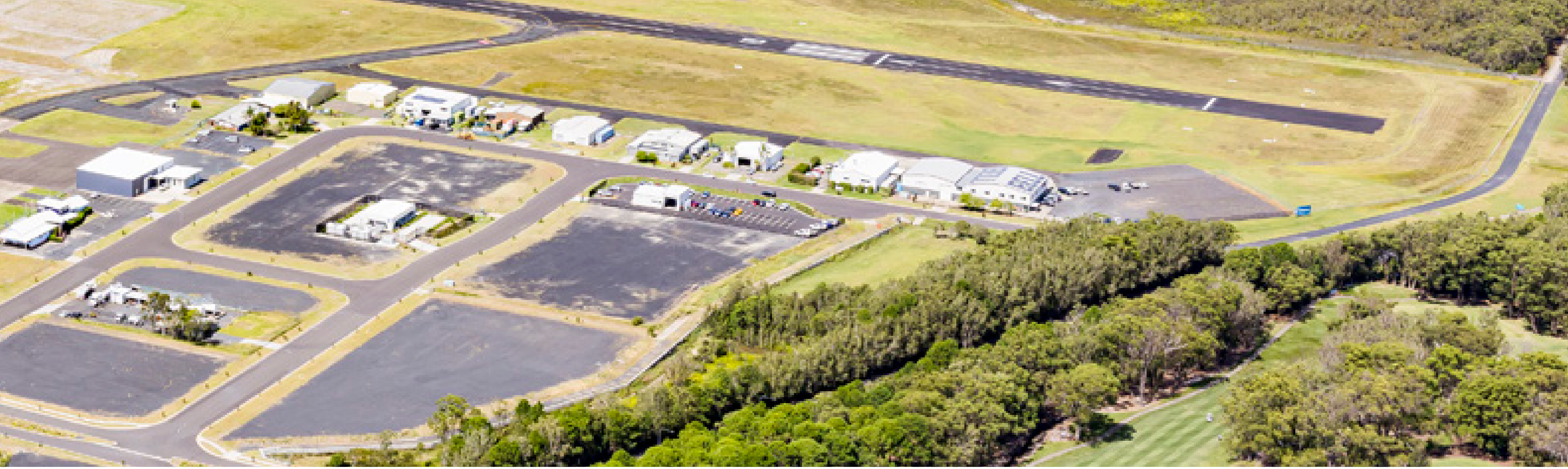
Further reform is underway through the Senate inquiry into the aviation sector with the final report expected to be released in June 2026. This inquiry is examining key issues including airfares, competition, airport charges and service reliability. Additional targeted support has also been provided through the Regional and Remote Airport Support Program (2026) following Rex Airlines' voluntary administration.

These commitments signal welcome progress at the national level. However, Business NSW emphasises that policy translation into practical outcomes for NSW communities is not guaranteed.



COMMITMENT	DETAILS	IMPLICATIONS FOR NSW
Regional Airports Program Extension	$40 million over three years (2024–27) to improve safety, connectivity, and support climate resilience/net zero infrastructure.	NSW has the largest network of regional airports; securing a fair share of funding is essential to address ageing assets and climate pressures.
Remote Airstrip Upgrade Program	$50 million over three years to maintain safe, accessible airstrips in remote and First Nations communities.	Critical for Far West NSW and First Nations communities; ensures continuity of medical, freight, and essential services.
Sydney Airport Slot Reforms	Stricter "use it or lose it" rules, stronger compliance, transparency, and rebalancing in favour of new entrants.	NSW regional operators must be guaranteed access to Sydney slots to maintain business, tourism, and community connectivity.
Workforce Initiatives	Streamlined engineer licensing, pilot training requirements for airlines, Gender Equity Charter for Aviation.	Tamworth and other NSW hubs can anchor national training pipelines; addressing shortages will directly support NSW's regional airline capacity.
Sustainable Aviation Fuel (SAF) Support	Future Made in Australia Innovation Fund ($1.7bn), certification schemes, consultation on incentives for SAF and renewable diesel.	NSW industries (e.g., Port Botany, Hunter, Illawarra) can benefit from SAF supply chains; airports will need investment in fuel infrastructure.
Consumer Protections	Aviation Industry Ombuds Scheme and Aviation Customer Rights Charter to strengthen accountability and customer remedies.	Important for regional travelers who face disproportionately high fares and have limited alternatives when services are cancelled or delayed.

Table 2. Aviation White Paper commitments and implications for NSW.



NSW Policy and Planning Framework

In NSW, regional aviation sits across transport, regional development and local government portfolios but has no single coordinating framework. While the NSW Regional Development Framework (2022) identifies connectivity and access as central to regional prosperity, aviation receives limited direct policy focus beyond safety and maintenance programs.

This is reflected in broader state policy settings. Future Transport 2056 highlights the role of aviation in connecting regional communities and businesses to domestic and global markets, but the NSW Aviation Strategy, last updated in 2016, is no longer aligned with current conditions such as post-COVID travel demand, airline consolidation and the emerging role of Western Sydney International Airport. *The Air Transport Act 1964* continues to regulate smaller intrastate routes, supporting the continuity of essential services but offering limited flexibility for network expansion or innovation.

Recent state support includes the NSW Take Off Fund (2025), a $12.5 million competitive program designed to attract new routes and increase seat capacity. While this is a welcome step, it is narrowly focused on route attraction and visitor economy outcomes and does not address broader structural challenges such as infrastructure renewal, financial sustainability and system-wide coordination.

Overall, NSW policy settings remain fragmented and reactive, characterised by uncertain funding, limited cross agency coordination and an ongoing emphasis on maintenance over strategic growth. Aviation remains weakly integrated with housing, tourism, freight and regional development strategies, limiting its contribution to long-term economic outcomes.

05 Challenges Facing NSW Regional Aviation and their impact on business

Ageing Infrastructure

NSW's regional aviation infrastructure was built in the post-war era for smaller aircraft and lighter passenger volumes. Many runways, taxiways and navigation systems are now at or beyond design life, creating operational constraints and weakening competitiveness. Runway deterioration has already forced restrictions and closures. For example, Armidale Airport required urgent repairs and closed for the entire month of February 2025.

Commonwealth funding through the RAP has acknowledged this backlog, with $12 million allocated to NSW in Round 4, including $3.8 million for Merimbula's runway extension and $5 million for an overlay at Albury Airport[13]. However, these investments cover only a fraction of needs. Financial sustainability remains a structural challenge, with 61% of small regional airports operating at a loss and many losing scheduled passenger services over the past two decades.

Designation of regional airports as metropolitan airports (are all regional airports designated as metropolitan or just some) have also excluded regional airports from access to regional funding that assists with infrastructure and maintenance[15]. Under NSW planning/funding contexts, Shellharbour Airport is classed as a metropolitan airport despite its operating model being the same as a key regional airport. This means that Shellharbour Airport is excluded from regional funding programs to upgrade its facilities and runway, leaving it to compete with the majors for access to funding based on regional load.

Precinct Development

The geographical footprint of regional airports often includes surplus land that can be used for precinct development, particularly where regions hosting sector specialisations such as food production, advanced manufacturing or training facilities close to metro cities make them ideal for precinct development.

The inconsistency of planning regulations and the ease with which local government can object to regional precinct development stifles regional public partnership investment opportunities and increases the load for metro airports to develop precincts.

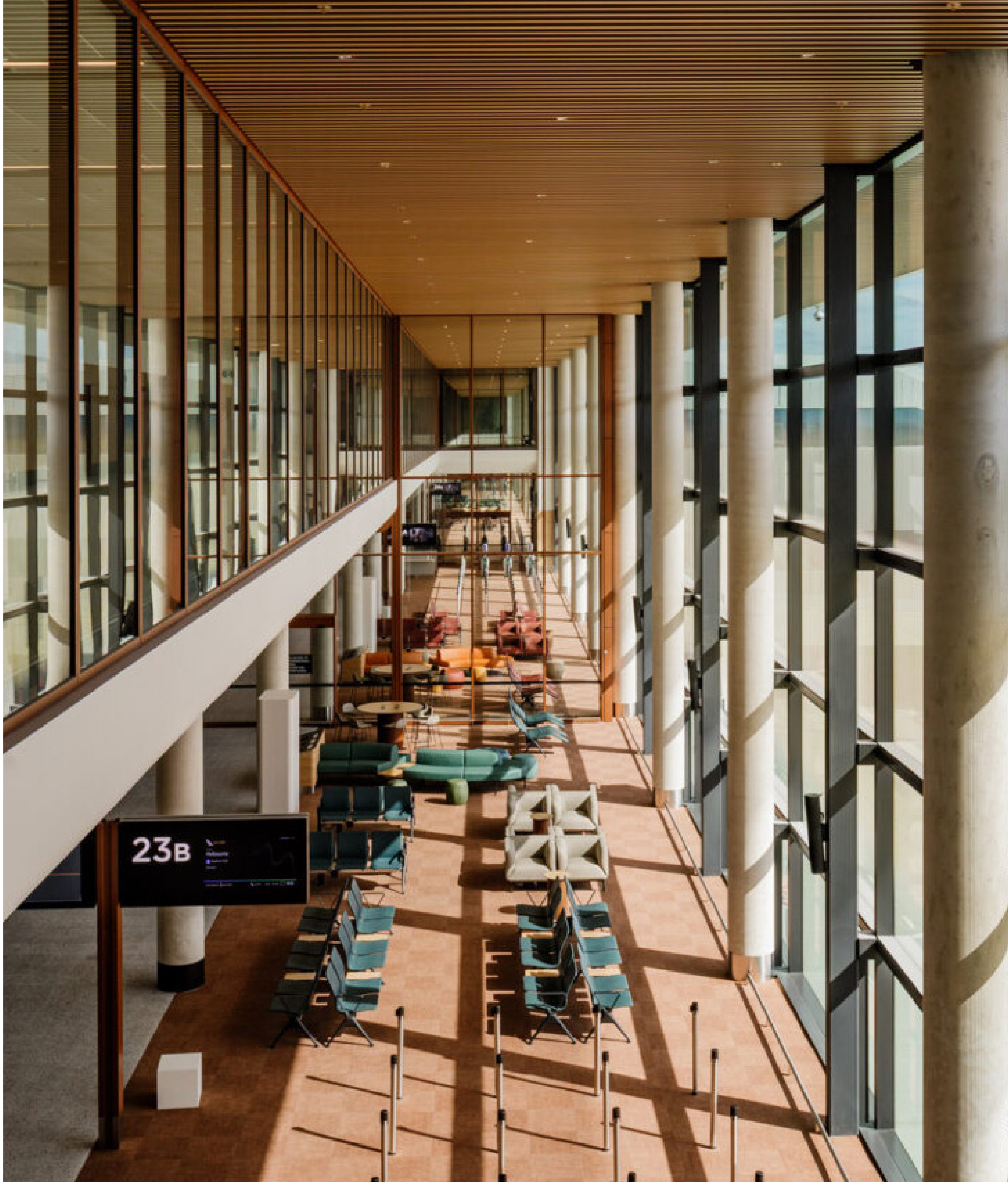
IMPACT ON BUSINESS

Ageing assets lead to cancellations, freight delays and higher ticket costs. Exporters risk missing delivery windows for high-value goods and councils must divert scarce funds to emergency repairs which raises local charges and reducing competitiveness.

Rising Operating Costs

Regional airports face disproportionately high fixed costs and regulatory burdens relative to their scale. CASA compliance, security screening and infrastructure standards demand continuous capital investment. For example, Wagga Wagga Airport incurred more than $3 million in mandated screening upgrades in 2018 which exceeded its annual passenger-revenue growth[14].

Even with low flight frequencies, airports must maintain qualified security staff, emergency response capacity and airfield lighting, resulting in cost-revenue imbalances. Recent industry data further underscores the financial fragility of regional aviation. A 2026 survey by the Australian Airports Association found that more than half of the regional airports are running deficits[14].
To remain open, councils are often forced either to raise landing fees, which discourages airlines, or to cross-subsidise from local budgets, which undermines other community services.



CASE STUDY

Port Macquarie – The Fragility of Interstate Routes

The collapse of Bonza in 2024 exposed how quickly regional connectivity can unravel when airline markets fail. After just 18 months of operation, Bonza's withdrawal cancelled more than 35 regional routes across Australia that left major NSW regional towns such as Port Macquarie and Tamworth without direct interstate connections[17].

For Port Macquarie, the loss of its direct Melbourne service, which previously carried around 40,000 passengers annually, has had wide-ranging economic and social effects[22]. The route was critical for business travellers, health professionals and tourists, linking the Mid North Coast to Victoria's markets and specialist services.

Its removal forced passengers to reroute through Sydney or Brisbane, adding up to four hours of travel time each way and significantly increasing fares and accommodation costs. Local businesses report disrupted supply chains and lost productivity as freight and client travel have become less reliable. Tourism operators have experienced sharp declines in bookings and higher cancellation rates, particularly for short-stay visitors from southern states.

The Commonwealth has since acknowledged this financial fragility through the Regional and Remote Airport Support Program announced in February 2026, which made up to $5 million available to help airports affected by unpaid claims linked to Rex Airlines' voluntary administration. While welcome, this is a targeted relief measure rather than a substitute for a durable funding framework for regional airports.

IMPACT ON BUSINESS

Airlines pass increased airport charges through to passengers and freight users which lift costs for SMEs and exporters. Marginal routes become unviable which reduces service frequency and reliability. Regions become less competitive which discourages industry investment and growth.

Financial Sustainability and Governance Challenges

Regional airports face ongoing financial sustainability challenges that limit their ability to maintain, renew and expand critical infrastructure. While these airports are nationally significant economic and community assets, most are owned and operated by local councils with limited financial capacity and aviation expertise. This reflects the legacy of the Commonwealth's airport divestment process in the 1990s, which transferred responsibility for many regional airports to local government without a long-term funding model.

The financial pressures are significant. An interim 2026 Regional Airports Financial Sustainability Survey found that more than half of responding airports operated at a loss in 2024–25, with a median annual deficit of around $192,000. Updated and finalised figures are expected later in 2026[15].

More than 20 airports reported deferring essential capital works due to funding constraints, while annual investment across the sector represented only 3.3 per cent of replacement asset value[15]. Nationally, more than half of regional airports are estimated to operate at a loss[15].

This results in critical upgrades to runways, terminals, lighting and navigation systems being often delayed. This has increased reliance on fragmented state and Commonwealth grant programs rather than stable, long-term infrastructure funding.

Governance fragmentation also affects route protection. Only Moree and Norfolk Island routes are regulated in NSW. The collapse of Bonza in 2024 left Tamworth, Port Macquarie and others without services, highlighting exposure to market exits[16].

IMPACT ON BUSINESS

Uncoordinated management and under-investment reduce reliability and deter private investment in precincts and logistics hubs.

Fragile Airline Market and High Fares

Regional aviation in NSW operates on thin, high-cost routes dominated by a small number of carriers. Recent ACCC monitoring highlights that 62 per cent of regional and remote routes are serviced by only one airline in October 2025, limiting competition and consumer choice[17].

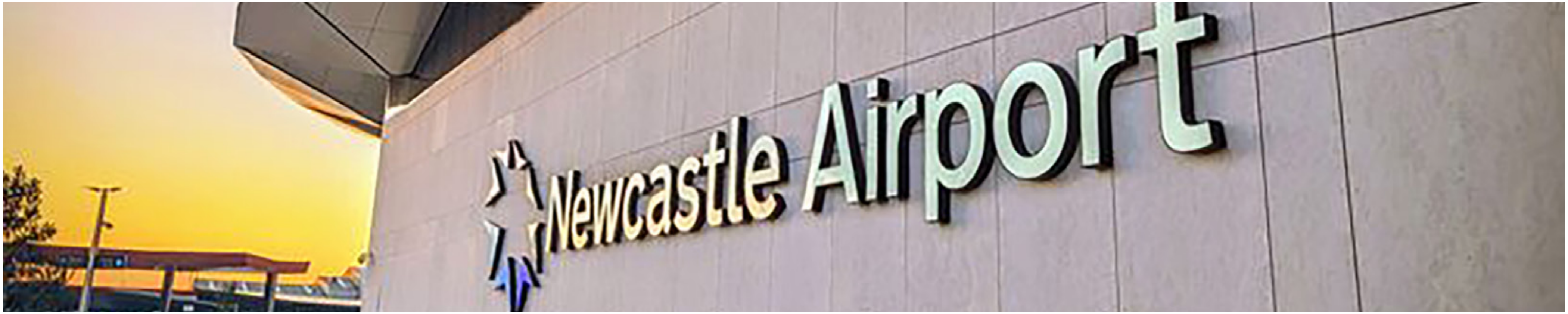
New entrants face steep barriers including limited access to Sydney Airport slots, low passenger volumes and margins too narrow to sustain competition. At the same time, the number of remote routes has declined materially in recent years, reducing connectivity options for regional communities[17]. Between 2005 and 2012, 45 regional airports lost scheduled air services and only 25 gained new ones[18]. Recent developments highlight the fragility and increasing concentration of the regional aviation market. In January 2026, Qantas announced it would cease Melbourne services from Albury and Wagga Wagga from March 2026, while earlier confirming the closure of regional staff bases in Canberra, Hobart and Mildura.

For many regional communities, connectivity now depends on the commercial decisions of a single airline, leaving them vulnerable to route withdrawals and reduced access to business, tourism and essential services. These pressures have prompted increased regulatory scrutiny, including the Productivity Commission inquiry into regional airfares and the extension of the ACCC's airline competition monitoring program through to December 2026. Together, these developments reinforce concerns around market concentration, route sustainability and the cumulative impact of rising costs on regional connectivity.

High airfares, limited competition and fragile regional routes are increasing business costs and reducing connectivity across regional NSW. This is limiting access to workers, customers and investment while leaving regional communities vulnerable to sudden service disruptions.

IMPACT ON BUSINESS

High airfares and fragile regional routes are increasing business costs and reducing connectivity across regional NSW, with route losses able to isolate communities and disrupt supply chains overnight.



CASE STUDY

Newcastle Airport – a new hub for international and interstate connectivity

The recent expansion of Newcastle Airport offers significant opportunity to improve international and interstate connections for regions north of Sydney.

The Airport has undergone a $250 million expansion, with a runway upgrade and new international terminal opening in 2025. New routes to Bali, Singapore, Perth and Tasmania quickly followed and the airport is eyeing further expansion into destinations including Fiji, South Korea, Japan, New Zealand and North America.

The new runway is capable of taking long-haul commercial aircraft such as Boeing 787s and Airbus A330s, meaning the airport can now accommodate longer flights with more passengers into North Asia, the Middle East and the Americas. The expansion more than doubles the airport's capacity, which will enable it to grow from 1.2 million to more than 2.5 million passengers annually.

Links to new destinations also present significant export opportunities for regional producers and suppliers. Of the $12 billion in economic uplift the airport upgrade is expected to generate over 20 years, more than half will come from additional business activity through increased freight access.

Continued State Government support for route expansion and airport infrastructure will ensure travel and trade opportunities through Newcastle Airport are maximised for the Hunter and surrounding regions.

High Costs and Limited Competition

Regional air services consistently face higher fares and weaker competition than capital city routes. In September 2023, the average ticket price per kilometre on regional return flights was about 52 per cent higher than between capital cities[19]. This reflects structural features of regional aviation, including smaller aircraft, lower passenger volumes, higher per-seat costs and older fleets, which constrain margins and deter new entrants[1]. While some routes are subsidised or regulated, there remains no nationally consistent dataset to fully explain or address the drivers of high regional airfares.

Competition in regional markets has also declined steadily since aviation deregulation in the 1990s. Despite growth in total passenger movements, the number of aerodromes served by regular passenger transport fell from 278 in 1984 to 142 in 2021, and the number of routes declined from 458 to 291 over the same period[20]. Many regional routes are now operated by a single airline, increasing exposure to fare escalation and service withdrawal. In response, the Australian Government has directed the Productivity Commission to investigate the determinants of regional airfares to inform policy settings that support reliable, affordable and sustainable regional air services[19].

IMPACT ON BUSINESS

Less competition raises costs, reduces frequency and heightens vulnerability to airline failures. Tourism, exports, and regional investment suffer from unreliable and expensive air access.

Limited Sydney Access

Access to Sydney Kingsford Smith Airport (KSA) remains the most significant bottleneck. *The Sydney Airport Demand Management Act 1997* limits aircraft movements to 80 per hour with most take-off and landing slots held by established airlines. While a small pool is technically reserved for regional services, access is restricted by tight scheduling windows and weak enforcement mechanisms.

Coffs Harbour City Council reported airlines struggle to secure preferred Sydney slots, forcing inconvenient schedules that reduce uptake[21]. Similarly, NSW Farmers reported that reduced services in Griffith have driven up fares and reduced access to same-day travel to Sydney, despite the region supporting a $6.44 billion economy and growing demand from agriculture, manufacturing and Renewable Energy Zone development[22].

In 2019, Sydney handled 2.5 million regional passengers but airlines report difficulty obtaining morning and evening slots, which undermines business travel and same-day connections[23]. Reforms as a result of the Aviation White Paper are progressing with the Sydney Airport Demand Management Regulations 2025 and Slot Management Scheme 2025. ACL Asia Pacific is operating as the independent slot manager, and an inaugural Compliance Committee was appointed in February 2026. These reforms are positive, but their success should ultimately be judged by whether regional services secure reliable access at commercially meaningful times.

The opening of the new Western Sydney Airport in 2026 and the growing capacity and new international capability of the recently upgraded Newcastle Airport can help to reshape regional access to Sydney and international markets and present new and efficient ways to address bottlenecks currently experienced in Sydney.

IMPACT ON BUSINESS

Restricted peak-hour access prevents same-day travel, increases accommodation costs, and reduces productivity. Deliberate planning will be critical to ensuring Western Sydney Airport delivers on its promised benefits for regional NSW.

CASE STUDY

Western Sydney International (WSI) – The Future Regional Gateway

Western Sydney International (Nancy-Bird Walton) Airport is set to open in 2026 and will redefine how regional NSW connects to domestic and global markets. Located in the heart of the Western Parkland City, the airport will operate 24 hours a day with a purpose-built terminal and runway capacity designed to complement Sydney Airport.

For regional NSW, WSI represents a once-in-a-generation opportunity to build a true dual-hub aviation system that relieves congestion at Sydney Airport while unlocking faster and more efficient access for regional passengers, freight and exporters. With the right policy settings, particularly protected regional slots, direct terminal connectivity and integrated ground transport links, WSI could cut connection times to Sydney and international destinations by up to half for businesses from Dubbo, Wagga Wagga and other regional NSW destinations.

Ensuring regional access from day one will be critical. Without guaranteed capacity and coordinated planning, the same slot scarcity that limits Sydney Airport could simply be replicated in Western Sydney. Getting this right would make WSI not just another airport but a catalyst for regional inclusion in the global economy.

Workforce Shortages

A strong regional aviation sector depends on a skilled and stable workforce including pilots, engineers, instructors and ground staff. In 2024 the White Paper found shortages of pilots, flight instructors and maintenance engineers are contributing to delays and flight cancellations. These pressures are expected to intensify. A Boeing industry forecast estimates that by 2042 the Asia–Pacific region will require 250,000 new pilots and 360,000 technicians, underscoring the need for workforce-pipeline programs linked to NSW training hubs[24].

IMPACT ON BUSINESS

Staff shortages limit flight frequency and reliability, extend maintenance downtimes and constrain skilled-worker attraction across regional industries.

Climate Transition Readiness

Climate transition readiness in aviation reflects an airport's ability to remain operational, insurable and connected as emissions requirements and climate risks increase.

Aviation contributes 2–3% of global CO_2 emissions and is projected to rise to 20% by 2050 if unchecked[25]. Australia has committed to net zero aviation by 2050 via the Jet Zero Council and Aviation White Paper.

Sustainable Aviation Fuel (SAF) could deliver up to 65 per cent of required emissions reductions[26], yet Australia's current uptake is below 0.1 per cent [27]. Electric and hydrogen aircraft are expected in regional markets from the mid-2030s, requiring early infrastructure planning, as demonstrated by initiatives at Newcastle Airport[28].

Climate readiness also requires physical resilience. More than 30 per cent of NSW regional airports face high flood risk[29], with flooding at Lismore Airport in 2022 highlighting the consequences of inadequate climate-resilient design.

IMPACT ON BUSINESS

Climate disruptions raise insurance and continuity costs for business and reduce the ability to operate competitively with alternative fuel and operating models. Airports not equipped for SAF, electric or hydrogen aircraft risk exclusion from future airline networks and losing clean-aviation investment opportunities.

CASE STUDY

Tamworth – Revitalising Regional Aviation through Sydney Flight College

Tamworth Airport has undergone a major transformation since the closure of the Australian Defence Force's Basic Flying Training School in 2019. Once facing declining activity, high instructor turnover, and shrinking cadet numbers (RAAA, 2021), the airport is now re-emerging as a centre of aviation excellence thanks to a partnership with Sydney Flight College (SFC)[30].

SFC established a dedicated flight training campus at Tamworth Airport in 2023 that invested in new hangars, classrooms and flight simulator facilities. The initiative not only brought pilot training back to the region but also introduced an innovative funding model for sustaining the airport's operations. Under a long-term lease arrangement with Tamworth Regional Council, SFC contributes directly to airport maintenance and operational costs.

In addition to this direct financial contribution, SFC's activities have generated new local employment that includes flight instructors, maintenance engineers and administrative staff, attracting both Australian and international students to the region. The training program has also secured federal and state aviation-training grants to support simulator upgrades and instructor development which have added to the economic impact for the airport and community.

This partnership demonstrates how a commercial training enterprise can underpin airport viability while meeting Australia's growing aviation-workforce needs. The Tamworth model shows that with targeted investment and supportive policy settings, regional NSW airports can become self-sustaining education and employment hubs, strengthening both local economies and national aviation capability.

06 Securing the Future of Regional Aviation in New South Wales

Regional aviation is vital to the competitiveness, productivity and liveability of regional NSW. To restore confidence and ensure long-term sustainability, Business NSW recommends a coordinated package of reforms that combine sustained infrastructure investment, better governance, fair access to air services, workforce development and clean-aviation readiness.

RECOMMENDATIONS

01 Develop a 10-Year NSW Regional Aviation Strategy

The New South Wales Government should develop a comprehensive 10-year Regional Aviation Strategy to guide long-term planning, investment and coordination across the state's aviation network.

Currently, regional airports operate in isolation under fragmented governance arrangements. A coordinated state strategy would bring together Transport for NSW, Infrastructure NSW, local councils and industry to establish clear priorities for infrastructure upgrades, service delivery and regional route development.

The strategy should identify critical airports and routes, align aviation investment with regional economic and freight corridors and encourage collaboration through shared-service models or regional airport alliances. This would create a more consistent and efficient network that strengthens connectivity between regional communities, Sydney and interstate markets.

02 Establish a NSW Regional Aviation Infrastructure Fund

The NSW Government, in partnership with the Commonwealth, should establish a permanent dedicated NSW Regional Aviation Infrastructure Fund to provide stable and long-term funding for the renewal and modernisation of regional airports. The NSW Government should also work collaboratively with the Commonwealth to advocate for and deliver a coordinated national funding framework for regional aviation infrastructure that feeds into the NSW Regional Aviation Infrastructure Fund.

The fund should support critical upgrades to runways, terminals, lighting and navigation systems with eligibility for projects that improve business freight capacity, emergency service capability and readiness for future aircraft using SAF, hydrogen or electricity. A multi-year funding model aligned with the Commonwealth Regional Airports Program would give councils and operators the certainty needed to plan long term and attract co-investment.

Business NSW supports the Australian Airports Association proposal to place the Commonwealth Regional Airports Program and Remote Airstrip Upgrade Program on a permanent footing with at least $50 million per annum in ongoing funding. Business NSW also supports the Association's proposed $25 million per annum Mid-Sized Airports Program to assist strategically important regional hub airports with essential safety, renewal and infrastructure upgrades[7].

This approach would improve operational reliability, strengthen regional connectivity and reduce the financial strain on local governments that currently subsidise essential aviation infrastructure.

03 Secure Reliable and Affordable Air Services

The NSW and Commonwealth governments should work together to ensure regional air services remain reliable, competitive and affordable. Many regional communities depend on a single carrier, leaving them vulnerable to service withdrawal and fare escalation.

Business NSW recommends introducing route-continuity provisions for key regional routes like Western Australia's regulated network. This would guarantee minimum service levels where market conditions are weak. The government should also strengthen enforcement of the Sydney Airport regional-slot system to ensure regional flights have access at commercially viable times, particularly during peak hours.

Aviation security and regulatory cost recovery arrangements should also be reviewed to reduce disproportionate fixed cost burdens on smaller regional airports. Targeted incentives such as temporary fee waivers or marketing support could encourage new entrants and increase competition. These reforms align with the current Productivity Commission inquiry into regional airfares and ongoing ACCC monitoring of airline competition. Together, they would support more reliable services, lower costs and stronger connectivity for regional businesses, workers and communities, while strengthening access to tourism, healthcare, education and essential services across regional New South Wales.

RECOMMENDATIONS

04 Position Western Sydney International and Newcastle Airport as regional gateways

The commencement of passenger operations at Western Sydney International Airport and recent upgrade of Newcastle Airport present major opportunities to strengthen regional connectivity, improve freight and export access and better integrate regional New South Wales into domestic and international markets.

The NSW and Commonwealth governments should work together to ensure regional aviation access is embedded within Western Sydney Airport's long-term operating model from the outset to relieve congestion and access issues at Sydney Airport. This should include preserving take-off and landing capacity for regional services and establishing clear regional connectivity objectives as the airport grows.

This should include preserving take-off and landing capacity for regional services and establishing clear regional connectivity objectives as the airport grows.

The commencement of international routes from Newcastle in 2025 and from Western Sydney in November 2026 demonstrates the airport's potential to provide regional businesses with improved access to global markets, tourism opportunities and international supply chains.

Governments should also prioritise efficient transport connections between WSI, Parramatta and the Sydney CBD, and to Newcastle Airport, to ensure the airport is commercially viable and accessible for regional passengers, workers and freight operators.

Ensuring regional access is built into WSI's operating model, the airport can relieve congestion at Sydney Airport, improve regional trade logistics and open new tourism and export opportunities for businesses across the state.

Improving and ensuring regional access to both gateway airports will improve trade logistics and open new tourism and export opportunities for businesses across the state.

05 Build a Skilled Regional Aviation Workforce

The sustainability of regional aviation depends on the availability of skilled pilots, engineers, airport management and ground staff. Business NSW recommends that the NSW Government partner with TAFE NSW, universities and industry to establish regional aviation training hubs.

These hubs should deliver targeted training in flight operations, maintenance engineering, and airport management, supported by scholarships and apprenticeships to attract young people into the sector. Streamlined migration and licensing pathways for qualified international professionals should also be introduced to address immediate shortages.

This investment in workforce capability would create local jobs, improve service reliability and secure the long-term skills pipeline necessary to sustain regional aviation.

06 Accelerate the Transition to Clean Aviation

NSW should position itself as a national leader in low-emission aviation by developing a Clean Aviation Roadmap that supports the uptake of SAF, hydrogen and electric aircraft infrastructure across regional airports.

This roadmap should align with the state's Net Zero Industry and Innovation Program and provide grants for flood-resilient, energy-efficient upgrades to airport facilities. Early-mover airports such as Newcastle, Albury and Dubbo should be supported to trial clean-aviation technologies and showcase NSW's capability in this emerging sector.

Investing now in clean-aviation readiness would future-proof regional airports, reduce emissions, and attract new industries and investment to regional NSW.

07 Improve Data Transparency and Accountability

Business NSW recommends establishing a Regional Aviation Performance Dashboard alongside strengthened airline competition monitoring to improve transparency and support evidence-based decision-making.

The dashboard should publicly report key indicators including regional airfares, service frequency, cancellations, slot access outcomes and infrastructure condition. This should be complemented by extending and strengthening ACCC domestic airline monitoring beyond 2026, with expanded reporting to include regional route performance, pricing and capacity.

Together, these measures would address the persistent gap in transparent, route-level information for regional communities and policymakers. Enhanced data and monitoring will enable governments to better target funding, identify at-risk routes, and support more timely and targeted policy interventions where competition is limited.

Improving transparency and accountability in this way will strengthen community confidence in regional air services and support a more competitive and resilient aviation market in NSW.

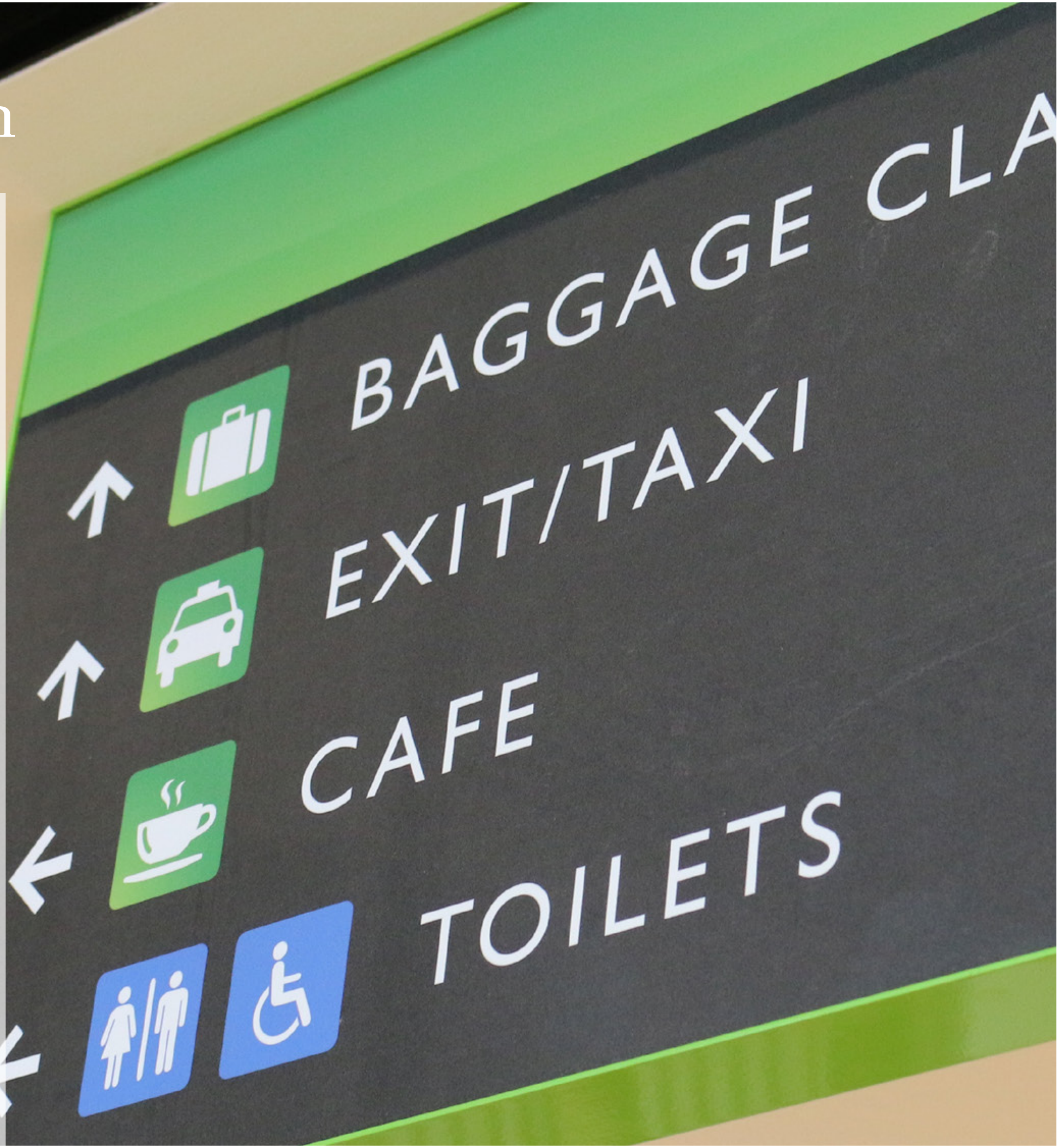
08 Encourage Public–Private Partnerships and Airport Precinct Investment

To unlock the economic potential of regional airports, the NSW Government should encourage greater private-sector participation in airport precinct development.

This could be achieved through planning incentives, concessional finance and streamlined approval processes for investments in logistics facilities, maintenance and repair operations (MROs) and tourism infrastructure. Joint ventures between councils, airlines and private investors would also help modernise airport assets and create new revenue streams.

A stronger focus on precinct-based development would diversify airport income, reduce dependence on ratepayer funding and generate high-value employment opportunities in regional centres.

07 Conclusion



A strong, reliable and future-ready regional aviation network is essential to the productivity, resilience and liveability of regional New South Wales. Regional airports are enabling infrastructure that support business investment, workforce mobility, access to essential services and emergency response. They require a coordinated reform agenda that aligns sustained infrastructure funding, competitive and reliable air services, workforce capability and readiness for the clean-aviation transition.

Business NSW calls on the New South Wales and Commonwealth governments to work in genuine partnership with industry and local councils to deliver this agenda, noting that without decisive action, regional businesses will face rising costs, declining connectivity and a widening gap between metropolitan and regional economies. The current Senate inquiry, the Productivity Commission's regional airfare work, and the rollout of Sydney and Western Sydney aviation reforms mean 2026 is a critical policy window. NSW should use this moment to press for national reform while putting in place its own long-term strategy for regional connectivity.

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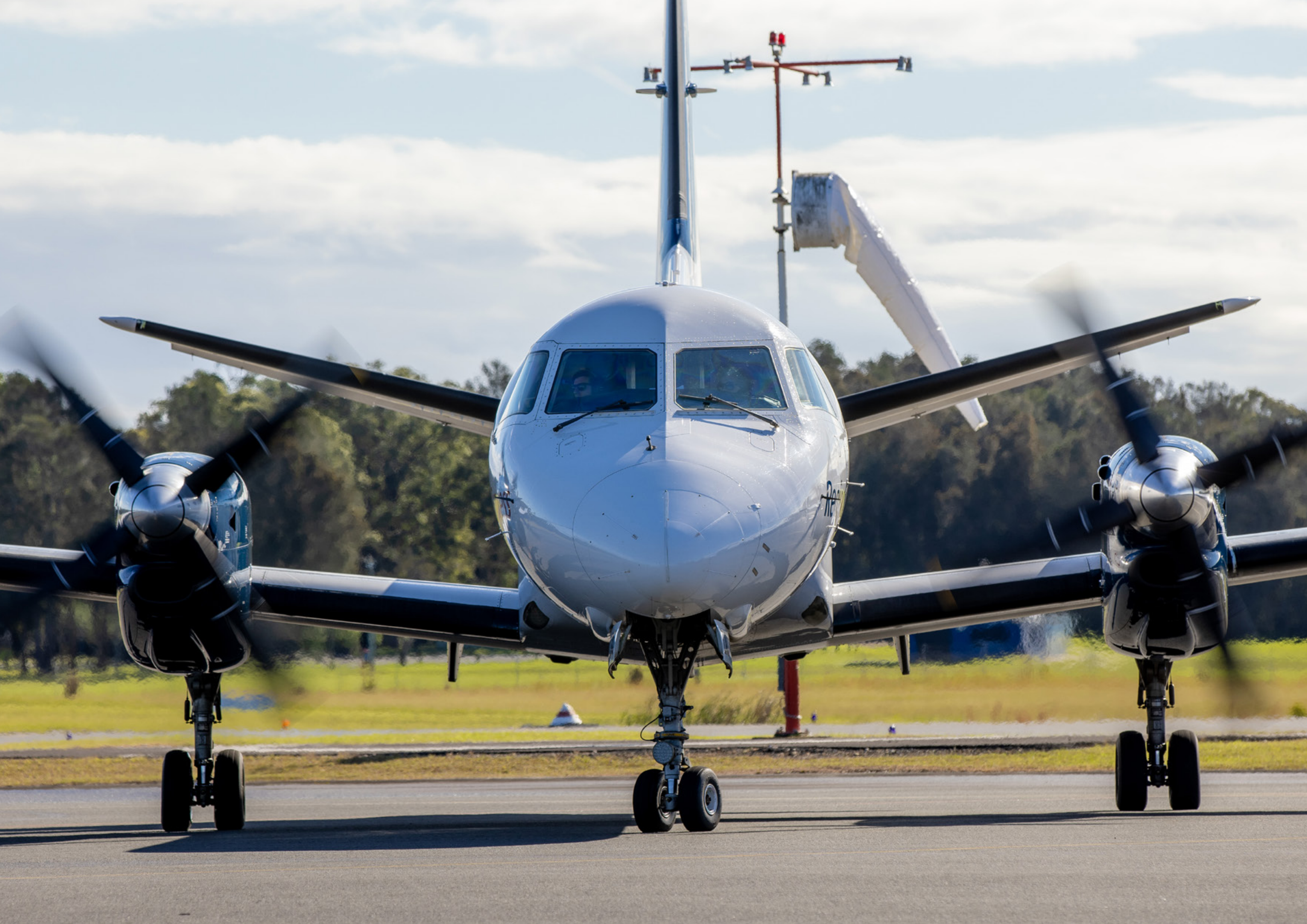

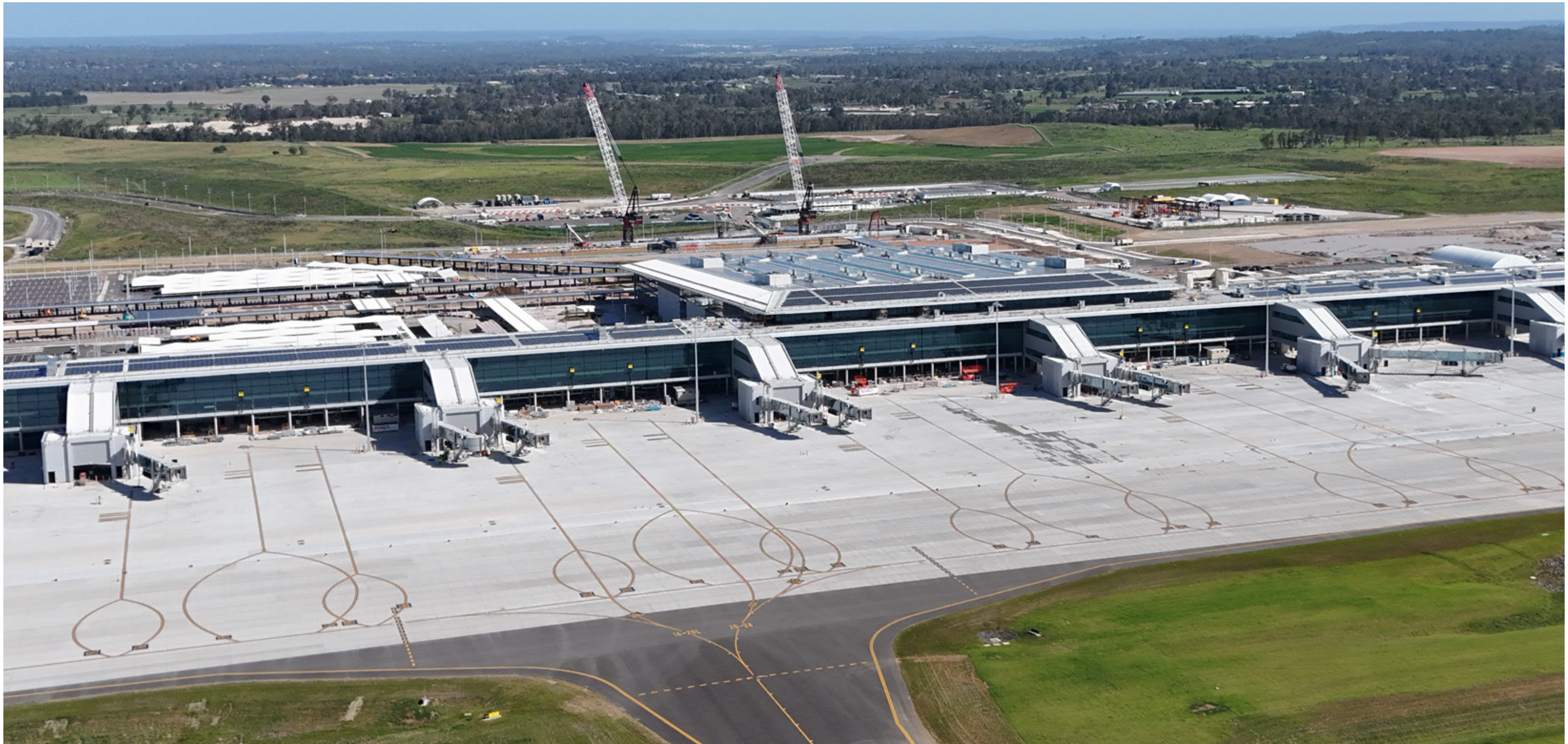

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