

# Australian Travel Industry Association (ATIA)

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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## Introduction

The Australian Travel Industry Association (ATIA) welcomes the opportunity to provide a submission to the Senate Rural and Regional Affairs and Transport References Committee inquiry into the state of Australia's aviation sector and its ability to deliver reliable and affordable services to rural, regional and remote communities.

Aviation is a critical component of Australia's transport and tourism systems. Domestic air services enable mobility between major cities and regional centres, while also supporting access to international gateways that underpin outbound travel and inbound tourism. The availability, reliability and affordability of these services therefore have implications not only for regional connectivity, but also for the broader functioning of Australia's travel and tourism sectors.

This submission focuses on the competitiveness of Australia's domestic aviation market and the implications this has for airfares, service reliability and connectivity. It also outlines policy settings that support competition and transparency in the aviation sector, which are important to ensuring that the aviation network continues to support economic activity and travel across Australia.

## About ATIA

ATIA is the peak body for a broad array of Australian travel businesses. Our membership base includes the full spectrum of travel intermediary businesses across Australia including retail, corporate and online travel agents, tour operators, wholesalers and consolidators.

Our members range in size from the largest listed organisations such as Flight Centre, Helloworld, Corporate Travel Management and Webjet, through to small independently owned and operated travel businesses.

A large proportion of travel agent members are small to medium businesses, many of whom operate under networks such as Helloworld, Flight Centre Independent, My Travel Group, itravel, Express Travel Group, Travellers Choice and CT Partners. ATIA's membership also includes consolidators, tour operators and wholesalers such as Scenic, APT and The Travel Corporation.

In addition, ATIA administers the Australian Travel Accreditation Scheme (ATAS), which is the largest and most representative accreditation scheme for travel businesses in Australia. Those businesses that meet the standards are provided the designation of being ATIA Accredited. All ATIA members are ATIA accredited and recognised for their highest operational standards including yearly assessment of finances, minimum levels of training, and procedures for dealing with consumer grievances. About 85% of consumers are more likely to book with an ATIA-accredited travel agency or tour operator.

## State of Australia's Aviation Sector

The ability of Australia's aviation sector to deliver reliable and affordable air services is central to maintaining connectivity across the country. For many communities outside major metropolitan centres, aviation provides an essential link to economic activity, essential services and broader transport networks.

A key factor influencing the availability, affordability and reliability of aviation services is the level of competition within the aviation market. Effective competition creates incentives for airlines to operate efficiently, price competitively and offer services that meet the needs of passengers and businesses. In turn, this can deliver broader benefits to the Australian community and economy through lower prices, innovation and improved service offerings.

Competition plays an important role across both international and domestic aviation markets. However, consistent with the focus of this inquiry, this submission focuses on competition within Australia's domestic aviation sector.

A well-functioning domestic aviation sector supports business travel, tourism activity and access to essential services across Australia. Where competition is limited, or where services are reduced or withdrawn, the ability of the sector to deliver reliable and affordable connectivity can be constrained. This is particularly relevant to the Committee's consideration of the competitiveness of the aviation sector in servicing regional, rural and remote communities, as well as the broader implications of reduced aviation services.

Understanding the current state of competition in Australia's domestic aviation market is therefore central to assessing the sector's capacity to deliver these outcomes.

## Competition in Australia's Domestic Aviation Market

### *Airline Entry and Exit Over Time*

The Australian aviation market has witnessed a number of competitors enter and leave the market over the past three decades. This pattern reflects the structural challenges new or smaller carriers face in establishing a sustainable presence in the domestic aviation market.

The main entries and exits, and the timing of those entries and exits, are summarised in Table 1, below.

<b>Airline</b>	<b>Date of Entry</b>	<b>Date of Exit</b>	<b>Airline Type</b>	<b>Broad Market Coverage</b>
Compass Mark I	1 Dec 1990	20 Dec 1991	Low-Cost	Key Domestic routes
Compass Mark II (AKA Southern Cross Airlines)	31 Aug 1992	4 Mar 1993	Low-Cost	Key Domestic routes
Ansett Airways	17 Feb 1936	12 Sep 2001	Full Service	Regional, Domestic and International
Impulse	18 Dec 1992	25 May 2004 (Acquired by Qantas)	Low-Cost	Mainly regional and domestic trunk routes
Virgin Blue	31 Aug 2000	NR	Low-Cost	
Regional Express	2 Aug 2002	NR	Full-service	Regional and later domestic trunk
Jetstar	25 May 2004	NR	Low-Cost	

Airline	Date of Entry	Date of Exit	Airline Type	Broad Market Coverage
Ozjet	29 Nov 2005	20 May 2009	Full-service premium only	Domestic and limited international
Tigerair Australia	23 Nov 2007	25 Mar 2020	Low-Cost	Domestic and limited international
Air Australia	1 Aug 2011	17 Feb 2012	Low-Cost	Domestic and international
Bonza	31 Jan 2023	30 Apr 2024	Ultra low-cost	Regional and Domestic

**Table 1: Entry and Exit of Carriers from the Australian Aviation Market over the past three decades**

To understand the implications of these developments for competition, it is necessary to examine how concentrated the domestic aviation market has become over time.

### Trends in Market Concentration

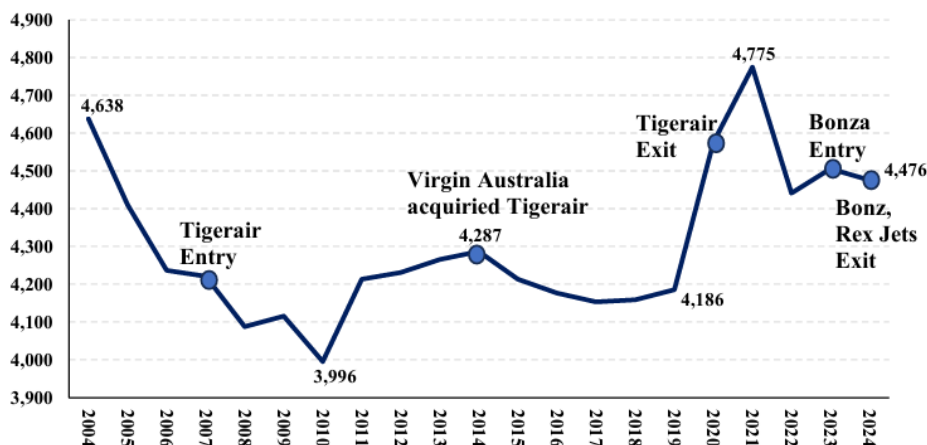
Market concentration refers to the extent to which a small number of airlines control a significant share of activity within a market. When markets become highly concentrated, competitive pressures may weaken and the risk of anti-competitive behaviour may increase.

A commonly used measure of market concentration is the Herfindahl-Hirschman Index (HHI).<sup>1</sup> This is an index that is constructed from the market shares of the airlines that compete on a route. It is widely used by competition authorities internationally to assess market structure and identify markets where the potential for anti-competitive effects may be elevated.

Using the HHI, a value above 2,500 indicates a highly concentrated market. A HHI that is close to 10,000 indicates a monopoly route while a HHI that is close to zero indicates a highly competitive route.

ATIA commissioned Dr Tony Webber of Airline Intelligence and Research and former Qantas Chief Economist, to research and report on a Competition Analysis of Australian Domestic and International Routes. Dr Webber found that looking at the period 2004 to 2024, the Australian domestic aviation market has been serviced by a range of airlines. However, as demonstrated by Figure 1, most contribute to only a very small share of output produced in that market, generating relatively high levels of concentration.<sup>2</sup>

#### Aggregate Domestic HHI



Source: Original data sourced for BITRE On-Time Performance Database, with the HHI constructed by A.I.R.

<sup>1</sup> In analysing concentration on particular routes, the Herfindahl-Hirschmann Index (HHI) has been used, a well known metric that can be used to determine the concentration of airlines on routes. A HHI that is close to 10,000 indicates a monopoly route while a HHI that is close to zero indicates a highly competitive route. A HHI value that exceeds 2,500 for a particular aviation market is usually regarded as indicative of a highly concentrated market.  
<sup>2</sup> Dr Tony Webber, Airline Intelligence & Research, Competition Analysis of Australian Domestic and International Routes, July 2025. Note Figure 1 is constructed by using Australian domestic market sectors flown data, which is data that is obtained from the Bureau of Infrastructure and Transport Research Economics: On-Time Performance Database.

**Figure 1: Australian Domestic Market HHI based on Service Frequency – 2004 to 2024**

The HHI for the Australian domestic market starts at an elevated 4,638 in 2004 but then drops quite sharply to 3,996 by 2010 in response to Tigerair’s entry and expansion into the Australian domestic market.<sup>3</sup> It then increases to 4,287 over the next two years, before falling once again to 4,186 by 2019. The HHI time series spikes during COVID at 4,775 before falling to 4,476 over calendar 2024.<sup>4</sup>

The lowest point in the annual domestic Australian sectors flown HHI time series over the past 20 years took place in 2010, with a HHI of 3,996 recorded.<sup>5</sup> A HHI of this order of magnitude is indicative of a highly concentrated market according to US Department of Justice definitions.

Dr Webber’s analysis concluded that it is the fact that two players combine to operate a significant share of the domestic aviation market in Australia that is “driving the very high HHI in the Australian domestic aviation market... and clearly suggests that the market is at risk of the impact of anti-competitive behaviour”.<sup>6</sup>

### Current Market Concentration

Consistent with these longer-term trends, the Australian aviation market today remains highly concentrated.

Domestically, 98.3% of all passengers are serviced by two domestic airline groups.<sup>7</sup> Since Rex’s withdrawal from major city routes in July 2024, there has been no domestic route operated by more than 2 major airline groups.<sup>8</sup>

Using the HHI, where a value above 2,500 indicates a highly concentrated market, Dr. Webber’s analysis shows that all of the top ten domestic routes in Australia are highly concentrated, with HHI values ranging from over 3,000 to above 8,000.<sup>9</sup> Specifically:

- 12.7% of routes have a HHI that is less than 5,000 (with all exceeding 3,000);
- 68.3% of routes have a HHI that is between 5,000 and 6,000;
- 17.5% of routes have a HHI that is between 6,000 and 8,000; and
- 1.6% of routes have a HHI exceeding 8,000.<sup>10</sup>

Using this highly respected model, no domestic route in Australia meets the definition of being competitive. This high concentration creates market conditions that increase the potential for anti-competitive conduct and reduce the competitive pressures that would otherwise encourage airlines to compete on price, service frequency and product offering.<sup>11</sup>

The implications of this market structure are considered in the following section.

## Relationship between Competition, Pricing and Cancellations

The level of competition within Australia’s domestic aviation market has direct implications for key market outcomes, including airfares, service reliability and cancellation rates.

Analysis undertaken by Dr Webber demonstrates that lower levels of competition are associated with adverse outcomes for consumers and the broader economy, particularly through elevated airfares and cancellation rates.

### Competition and Airfare Growth

Dr Webber’s report found that airfares remain higher than pre-COVID levels across much of the Australian aviation network. Of the 54 domestic city pairs analysed, airfares remain higher than pre-

<sup>3</sup> Dr Tony Webber, Airline Intelligence & Research, Competition Analysis of Australian Domestic and International Routes, July 2025.

<sup>4</sup> Dr Tony Webber, Airline Intelligence & Research, Competition Analysis of Australian Domestic and International Routes, July 2025.

<sup>5</sup> Dr Tony Webber, Airline Intelligence & Research, Competition Analysis of Australian Domestic and International Routes, July 2025.

<sup>6</sup> Dr Tony Webber, Airline Intelligence and Research, Competition Analysis of Australian Domestic and International Routes, July 2025.

<sup>7</sup> ACCC Domestic Airline Competition in Australia, May 2025, p.21.

<sup>8</sup> ACCC Domestic Airline Competition in Australia, May 2025, p.22.

<sup>9</sup> Dr Tony Webber, Airline Intelligence and Research, Competition Analysis of Australian Domestic and International Routes, July 2025.

<sup>10</sup> Dr Tony Webber, Airline Intelligence and Research, Competition Analysis of Australian Domestic and International Routes, July 2025.

<sup>11</sup> Dr Tony Webber, Airline Intelligence and Research, Competition Analysis of Australian Domestic and International Routes, July 2025.

pandemic levels on 47 routes, with the average increase in domestic airfares between 2019 and 2024 estimated at 26.7 per cent.<sup>12</sup>

The analysis also shows that the largest airfare increases have occurred on several routes connecting regional centres. The four routes experiencing the greatest increases are:<sup>13</sup>

- Brisbane – Gladstone: 236.7% increase
- Brisbane – Emerald: 138.9% increase
- Brisbane – Mount Isa: 94.7% increase
- Brisbane – Rockhampton: 91.0% increase.

Dr Webber's analysis demonstrates the link between competition and sustained airfare increases:<sup>14</sup>

*The domestic cross-sectional airfare analysis found that if route A has a 10% higher HHI than route B, then route A will have a **5.6% higher average airfare, all other things being equal.***

These findings indicate that routes with lower levels of competition have experienced larger and more sustained airfare increases, with implications for consumers and the economy.

### Competition and Cancellation Rates

In a report on Reliability and Cancellation Trends in Australian Aviation (**attached at Appendix A**) Dr Webber establishes a clear correlation between low aviation competition and higher cancellation rates (see Sections 5-6)<sup>15</sup>. While there are many factors that impact an airline's decision to cancel a flight, an analysis of domestic flights over two decades demonstrates a trend where airlines often cancel flights for purely commercial reasons. Dr Webber's report found there is likely to be a lower cancellation rate on a route for commercial reasons if more competition exists on a route.<sup>16</sup>

Data was used to estimate a multivariate cross-sectional regression relationship between the cancellation rate, the number of flights offered per day, the extent of competition between airlines and the distance between city pairs. The multivariate regression model statistically significantly found:<sup>17</sup>

*if route A is 1,000 units more competitive than route B then route A will have a 0.6 percentage point lower cancellation rate than route B. In other words, airlines operating on routes that are not competitive are more likely to cancel services to maximise profits.*

This provides evidence that the more anticompetitive is a route the higher the cancellation rate is likely to be.

### Impact of Cancellations

Dr. Webber's report (sections 4 and 7) also examines the broader economic implications of elevated cancellation rates.

In 2025, the total domestic cancellation rate reached 2.5%, surpassing pre-COVID averages, which ranged between 0.8% and 2.1% from 2004–2019.

On some major routes, cancellation rates have been significantly higher in 2025. For example, the Sydney-Melbourne route experienced cancellation rates ranging from 2% to 7.4% across airlines, continuing to exceed pre-COVID average levels. The flow on effects of this are significant considering it is the fifth-busiest domestic flight route in the world.<sup>18</sup>

As mentioned in Dr Webber's report, the average cancellation rate at Brisbane Airport remained 30 basis points above pre-COVID levels in 2024, and well above historical average levels of between 0.5%

<sup>12</sup> Dr Tony Webber, Airline Intelligence and Research, Competition Analysis of Australian Domestic and International Routes, July 2025.

<sup>13</sup> Dr Tony Webber, Airline Intelligence and Research, Competition Analysis of Australian Domestic and International Routes, July 2025.

<sup>14</sup> Dr Tony Webber, Airline Intelligence and Research, Competition Analysis of Australian Domestic and International Routes, July 2025.

<sup>15</sup> See Dr Webber, Airline Intelligence and Research, *Reliability and Cancellation Trends in Australian Aviation*, February 2025, sections 5 and 6.

<sup>16</sup> See Dr Webber, Airline Intelligence and Research, *Reliability and Cancellation Trends in Australian Aviation*, February 2025.

<sup>17</sup> See Dr Webber, Airline Intelligence and Research, *Reliability and Cancellation Trends in Australian Aviation*, February 2025.

<sup>18</sup> OAG Annual Report 2024, <https://www.oag.com/busiest-routes-world-2024>

and 1%.<sup>19</sup> This is notable given that Brisbane Airport is Australia's most domestically connected airport, with services to 62 Australian ports.

These cancellations generate substantial economic and productivity impacts across multiple sectors:<sup>20</sup>

- **Economic Expenditure:** Just a 5% decrease in travellers due to flight cancellations could lead to an **estimated \$223m loss in domestic tourism expenditure** annually, with the **potential losses escalating to \$892m** if 20% of passengers choose not to fly.
- **Passengers:** Cancellations result in lost time and out-of-pocket expenses for passengers. The opportunity cost of time that could have been spent on a more productive activity is estimated to be **\$20.06 per hour for leisure passengers, increasing to \$64.26 for business passengers**. Business travellers face disrupted meetings, affecting multiple stakeholders and further hindering productivity.
- **Travel Agents & Tour Operators:** Time spent by staff reorganising trips results in lost opportunities and revenue.
- **Airfares:** Reduced seat availability due to cancellations **drives up airfares, increasing costs for consumers and businesses**.
- **Airports:** A 5% reduction in passengers due to cancellations leads to **\$4.0 million in lost aeronautical revenue** and **\$4.5 million in non-aeronautical revenue** annually across Australia's top ten airports.

These impacts demonstrate how elevated cancellation rates can reduce the efficiency of Australia's aviation network and weaken the sector's ability to provide reliable and affordable connectivity across the country. This can impose costs on businesses, disrupt tourism and commercial activity, and reduce productivity across the broader Australian economy.

## Policy Settings Supporting Aviation Competition and Connectivity

Australia's domestic aviation market remains highly concentrated, with sustained airfare increases and elevated cancellation rates on a number of routes. These outcomes indicate the importance of maintaining a policy and regulatory framework that supports greater competition and improved outcomes for consumers, businesses and the broader economy.

A more competitive aviation sector can improve market efficiency, affordability and service quality across the aviation network. This is particularly important for maintaining reliable connectivity across Australia, including for regional, rural and remote communities that depend heavily on aviation services.

ATIA notes that a number of aviation policy reforms have recently been implemented or are in the process of being implemented. In several cases, these reforms have not yet been in place long enough for their full impact to be realised.

ATIA supported the Government's recent reforms to the Sydney Airport slot management framework, including amendments to the Sydney Airport Demand Management Act and associated regulations and scheme. These reforms are intended to improve the transparency and fairness of slot allocation processes, supporting more effective access to Sydney Airport for airlines seeking to operate services

<sup>19</sup> See Dr Webber, Airline Intelligence and Research, *Reliability and Cancellation Trends in Australian Aviation*, February 2025.

<sup>20</sup> See Dr Webber, Airline Intelligence and Research, *Reliability and Cancellation Trends in Australian Aviation*, February 2025.

and ultimately improving outcomes for passengers. The changes also maintain guaranteed slot allocation protections for regional flights, ensuring rural and remote access to the airport.

Additional measures introduced as part of the broader slot management reforms include the publication of an independent audit of slot use, the appointment of an independent Slot Manager, and the establishment of an independent compliance committee. The compliance committee will provide advice to Government on the effectiveness of the new compliance and enforcement tools and report on matters of serious non-compliance. Together, these measures are intended to strengthen the integrity and competitive operation of Sydney Airport's slot allocation system, which has flow on effects across the broader domestic aviation network.

ATIA recognises the Government's support provided to Regional Express (Rex) during the airline's recent financial difficulties, including suspending the "use it or lose it" test for Rex's regional slots at Sydney Airport, guaranteeing regional flight bookings for customers during the voluntary administration process, and supporting the purchase of Rex by Air T. These measures have helped maintain aviation connectivity for regional and remote communities.

ATIA also welcomed the Government's decision to reinstate domestic airline competition monitoring by the Australian Competition and Consumer Commission (ACCC) and previously advocated for its reinstatement.

The ACCC's public reporting provides government and stakeholders with a consistent and reliable evidence base in a market where competition remains constrained, supporting broader public policy development. The ACCC has also noted that ongoing monitoring has significantly expanded its understanding of airline industry practices that may contravene the *Consumer and Competition Act 2010* and enables it to respond more quickly when competition or consumer issues arise through its dedicated expertise and access to industry data.

Given the highly concentrated nature of Australia's domestic aviation market, ATIA considers ongoing independent competition monitoring to be essential. ATIA recommends that the ACCC's Domestic Airline Competition Monitoring and Reporting function be continued beyond its current end date of 31 December 2026 to support transparency, strengthen regulatory oversight and ensure emerging competition and consumer issues are identified and addressed in a timely manner. It would also be beneficial for this reporting to include analysis of HHI measures at a route level to provide clearer insights into competition dynamics across the domestic aviation network.

Strengthening independent aviation data collection and reporting more broadly would also support more effective policy development. In this context, ATIA notes the Department of Infrastructure and Transport is currently consulting on *Improving the reporting and publishing of data on airline performance and competition*, to which ATIA has provided a submission.

Aviation data is currently collected and reported through a range of different mechanisms across government and industry, which can result in duplication and multiple sources of information. A more streamlined approach to aviation data collection would improve the consistency and transparency of aviation market data.

Aviation market data should be collected and analysed independently of those making operational decisions within the sector. Independent data collection and analysis helps ensure that government decisions are informed by robust and credible evidence. In this context, the ACCC is well placed to play a central role in aviation market data analysis. As the national competition regulator with responsibility for assessing the effective operation of markets, the ACCC is able to analyse aviation data over the long term and within the broader context of competition policy. Consolidating aviation competition data collection and analysis within the ACCC would help reduce duplication across government agencies, improve consistency of reporting and deliver efficiencies for both industry and government.

In addition, allowing limited cabotage in certain circumstances may warrant consideration as a way of strengthening competition in Australia's domestic aviation market. The concept of limited cabotage has the potential to place downward pressure on airfares and increase service availability, particularly on routes between secondary hubs that have historically experienced higher levels of market concentration, as reflected in elevated HHI values. Trialling such arrangements on selected routes, particularly where competition is limited and where international services already operate onward domestic sectors, could provide an opportunity to test whether this approach improves competition, connectivity and consumer choice.

Finally, ATIA notes that the Productivity Commission has been tasked with examining the determinants of regional airfares and make recommendations on policy settings to support a competitive, reliable, and affordable regional aviation network. This work is expected to provide further insights and should contribute to the development of evidence-based policy responses aimed at supporting a more competitive aviation sector.

## Conclusion

Effective competition is central to ensuring Australia's aviation sector delivers reliable, affordable and efficient services across the national network. The current structure of the domestic aviation market and the outcomes observed in airfares and cancellation rates highlight the importance of ensuring policy and regulatory settings that support competitive market conditions.

Ensuring the aviation sector operates in a competitive and transparent environment will remain important to supporting business travel, tourism and economic activity across Australia, including reliable connectivity for regional, rural and remote communities and the broader aviation network that supports Australia's international travel and tourism markets.