

Regional Air Services

Introduction

- 2.1 Regional aviation in Australia has been through a difficult period over recent years. There is now a long list of airlines that have ceased operations to regional centres. Many smaller operators claim that a difficult business environment, high capital costs, rising operating costs, over-regulation, and narrow profit margins have caused many companies to fold.
- 2.2 In this chapter, the committee examines the history of regional aviation services in Australia, the recent failures of some airline services, and carriers that are currently operating.

History of regional air services

- 2.3 A large number of airlines have conducted regional aviation operations, with many of those now out of business for various reasons. Despite so many failures, there are still new airlines coming into the market. Even with new regional operators, the evidence gathered leads the committee to believe that, given the circumstances, services to some regional centres will be not replaced.

- 2.4 Over the past 20 years, more than 73 domestic airlines have gone into demise through liquidation, bankruptcy, receivership, merger or the subject of a takeover. At the time of the Domestic Air Policy Transport Review in 1978, there were two major domestic airlines (Ansett and Trans Australia Airlines), five regional airlines (Ansett Airlines of South Australia, Ansett Airlines of New South Wales, MacRobertson Miller Airline Services, East West Airlines and Connair), and 36 commuter airlines. Of the two major domestic airlines, neither exist today, although Trans Australia Airlines became Australian Airlines, which the government of the day sold to Qantas. Of the five regional airlines, none exist. Of the 36 commuter airlines only four exist in their same name today.¹
- 2.5 While the high cost of starting an airline acts as a barrier to entry, the history of regional aviation has demonstrated that new regional airlines are always emerging to fill the place of those that have departed.²
- 2.6 Regional aviation has had a chequered history in recent years and airlines continue to find it difficult to conduct profitable services to regional areas. Costs have risen beyond the ability of many airlines to sustain economic operations causing some to cease to exist and others to re-emerge under new ownership.³
- 2.7 This chequered history is well illustrated by the submission from the South Australian Government which summarised the history of regional aviation services for that state:
- Prior to the Commonwealth's introduction of Regulation 203 under the Air Navigation Act in 1967, all South Australian regional services were operated by a second-level regional airline, Airlines of South Australia;
 - By 1978, the Commonwealth had licensed five third-level airlines within South Australia. They, plus Airlines of South Australia, were operating scheduled services to 19 communities;
 - From 1979, after the Commonwealth withdrew from economic regulation of intrastate services altogether, airlines and services proliferated so that by 1983 they peaked with twelve airlines operating to a total of 28 communities;

1 Regional Aviation Association of Australia, submission no. 93, p. 1.

2 Bureau of Transport Economics (2000), Working Paper 41, '*Regional Aviation Competitiveness*'.

3 Qantas Airways Ltd, submission no. 146, p. 1.

- In 1986 Lloyd Aviation Jet Charter won the Santos-Moomba supply contract previously held by Airlines of South Australia, which was commercially affiliated with Ansett. This caused the withdrawal of Airlines of South Australia from the market altogether and Kendell Airlines commenced services in the state, also in commercial affiliation with Ansett;
- By 1989, fourteen out of twenty four regional airlines which had implemented services since 1967 had ceased operating, but services were still being maintained to twenty two communities by twelve airlines;
- The ten years after that were marked by significant rationalisation of both routes and airlines so that by 1999 the number of airlines operating had shrunk to six and the number of ports they served to sixteen. This period showed an increasing tendency for failed airlines not to be replaced by other airlines, and vacated routes to remain vacant;
- Over the three years from 1999 to date, the most significant attrition has occurred without any replacement of failed airlines or sustained replacement of vacated routes:
 - ⇒ Southern Sky Airlines ceased operations in June 1999 resulting in the withdrawal of its services to Renmark, Kingscote, Port Lincoln, Wudinna, Streaky Bay and Ceduna. It was the sole operator to Renmark and Streaky Bay, and those communities remain unserved;
 - ⇒ Whyalla Airlines ceased operations in May 2000 following its accident. This resulted in the withdrawal of its services to Whyalla, and to Cleve and Wudinna to which it was the sole operator. Its Whyalla service was replaced by O'Connor Airlines in September 2000. Its Cleve/Wudinna services were replaced by Airlines of South Australia in August 2000 but withdrawn again twenty months later;
 - ⇒ Airlines of South Australia withdrew services to Woomera in May 2000, to Leigh Creek in June 2001 and to Cleve and Wudinna in March 2002. Those communities remain unserved; and
- In summary, during the three years from 1999 to date, all air services have been withdrawn from Streaky Bay, Woomera, Leigh Creek, Renmark, Cleve and Wudinna.⁴

4 South Australian Government, submission no. 148, pp. 4-5.

- 2.8 The combined submission from the City of Warrnambool, Southern Grampians Shire Council, and Moyne Shire Council provided a similar story of air services to western Victoria. From the 1970s, Ansett operated Fokker 27s on a triangular route with Hamilton and Mount Gambier. Anecdotal evidence indicates that an average of 12 passengers was picked up and set down at Hamilton for each service. Ansett also serviced Warrnambool using a Fokker 27 throughout the 1960s and 1970s. Services to Warrnambool and Hamilton ceased around 1981-82. Services were taken up by Kendell Airlines operating 19-seat Metroliner aircraft on up to six services per day, between January 1982 and May 1985. Services ceased due to demand proving non-viable. Kendell was offered license-protected routes by the South Australian Government in 1986. These routes were taken up to the detriment of the remaining Hamilton and other Victorian services. Since that time several operators have attempted services from Hamilton and Warrnambool, but currently, there are no Regular Public Transport (RPT) services to or from Hamilton or Warrnambool. The nearest air service links with Melbourne are operated from Portland. Portland is a one-hour drive from both Hamilton and Warrnambool but in the opposite direction to Melbourne.⁵
- 2.9 The descriptions above are only samples of the history of regional aviation operations, based on the submissions received for this inquiry. The committee believes that these descriptions are representative of the Australian regional aviation industry as a whole and provide a valuable insight into the fluctuating services and the problems the industry faces.

Loss of regional aviation services

- 2.10 The committee analysed the loss of services to regional areas. An overview of the recent losses of services is provided, with some speculation as to why services have declined, based on the evidence provided. The committee examined the cessation of regional routes by existing airlines, and also looked at the collapse of several regional operators.

5 Southern Grampians Shire Council, City of Warrnambool and Moyne Shire Council, submission no. 112, p. 7.

Recent losses of services

- 2.11 There have been many examples of loss of aviation services to regional centres in the past two to three years. The closure of particular routes can be attributed to the closure or financial collapse of airline operators, or the analysis and subsequent consolidation of operations by airlines.
- 2.12 The accelerated rate of regional airline failures and route withdrawals appears to be a result of escalating cost pressures on regional operators together with declining patronage caused by regional population changes, improved road conditions and vehicle efficiency, uncertainty generally in regional aviation markets following Ansett's collapse and other factors.⁶
- 2.13 The Department of Industry, Tourism and Resources stated that the fragility of regional carriers remains a concern for some regional tourism destinations and may be a deterrent to potential travellers booking in advance and utilising certain airlines. The department added that further airline failures have the potential to cause additional regional disruption and have a negative impact on tourism industry confidence.⁷
- 2.14 Qantas Airways Ltd stated the following at the Sydney public hearing:

We continue to hold to the view expressed in our submission that the maintenance of regional aviation services across the many small and widespread population centres in Australia is a very difficult task. The underlying economics of operating regional services are not good, and there is only very limited growth potential in regional markets. The Bureau of Transport and Resource Economics estimates that over the past 15 years passenger numbers to and from regional airports have grown by about 1.4 per cent per annum and have generally been negative at airports where the throughput is under 10 000 passengers a year. That is clearly reflected in the number of airline operators that have failed and the number of smaller population centres no longer served by scheduled airline services.⁸

6 South Australian Government, submission no. 148, p. 3.

7 Department of Industry, Tourism and Resources, submission no. 159, p. 12.

8 Qantas Airways Ltd, transcript of evidence, Sydney, 8 May 2003, p. 473.

- 2.15 Macair Airlines Pty Ltd stated that the continued loss of air services to small towns and rural communities is inevitable. This in turn will discourage new investment and prompt established businesses and rural residents to relocate. As a result, tax revenues will shrink and rural and regional populations will continue to decline.⁹

Cessation of regional routes

- 2.16 There have been recent examples of air services to particular destinations ceasing. In most cases, the service has not been well patronised. Some recently closed routes are operated by successful companies, or new companies that are establishing themselves, such as Regional Express (Rex). The recent pattern of services being withdrawn is illustrated by the rationalisation of some routes operated by Rex and Airlines of South Australia.

Regional Express

- 2.17 Rex stated in its submission that it will withdraw services which are not supported, and are therefore not commercially viable. Rex has announced that it has withdrawn from Port Macquarie, and rescheduled services from Merimbula and Moruya to Sydney to provide a better service and more seats with Saab aircraft.¹⁰
- 2.18 Rex explained that the Port Macquarie service to the New South Wales north coast was not sustainable at the current passenger numbers. Rex previously offered three return flights Sunday to Friday and two return flights on Saturday, all continuing on to Lismore. In total there were some 240 seats per week allocated and available for Port Macquarie passengers. In July 2002, the total number of passengers to Port Macquarie for the month was only an average of four per flight. In comparison the support from the Lismore community for the month was outstanding, with Rex carrying 2 663 passengers during the same period.¹¹
- 2.19 Rex stated that the commercial situation and the operational imperatives meant that the only responsible choice was to withdraw the service. Rex announced it will continue to review the situation and is continuing discussions with the Port Macquarie community.¹²

9 Macair Airlines Pty Ltd, submission no. 76, p. 4.

10 Regional Express, submission no. 116, p. 3.

11 Regional Express, submission no. 116, p. 4.

12 Regional Express, submission no. 116, p. 4.

- 2.20 With regard to the services between Sydney and Merimbula via Moruya, the South Coast route incurred losses of approximately \$500 000 over the last three months of the 2001-2002 financial year, with planes operating at an average load factor of approximately 38 per cent. Rex stated that this is both unacceptable and unsustainable. These losses can be attributed to overcapacity caused by the replacement of the 19-seat Metro aircraft with 34-seat Saab aircraft, with no reduction in frequency, by the administrators. Rex added that it does not have the option to reinstate the Metro aircraft on the route, as those aircraft were sold by the administrators of Hazelton Airlines. Instead, Rex has implemented a schedule with two daily round trip Saab services. This has resulted in capacity in the market which is slightly higher than that which existed prior to administration.¹³

Airlines of South Australia and Emu Airlines

- 2.21 The City of Whyalla described the air services to the small regional centres of Wudinna and Cleve on Eyre Peninsula, South Australia. Both centres were formerly serviced by Whyalla Airlines, for over 20 years, until their unfortunate demise after their tragic air crash. A new operator, Airlines of South Australia, commenced services on 7 August 2000. Unfortunately, they serviced the routes from Adelaide and not from Port Augusta or Whyalla. As a consequence, they did not provide flight schedules that were suited to the locality they were servicing, and thus patronage was less than previously experienced.¹⁴
- 2.22 Airlines of South Australia attempted some juggling of flight schedules, including a reduction in the number of flights per week, but ceased services on Friday, 24 March 2002. With the assistance of the state government's Aviation Transport Policy Group, the councils prepared an information brief and canvassed all potential aviation groups to provide a service. There was no interest apart from some charter operators, although they needed to seek RPT accreditation. The South Australian Government was not prepared to provide financial assistance, but would assist with approvals and route licensing. They sought to promote the Air Transport (Route Licensing—Passenger Services) Act 2002 as the government's contribution.¹⁵ Discussions commenced with Emu Airways in October 2002, and a new service commenced on 23 January 2003. This provided a direct service to Wudinna using a nine-seat Chieftain aircraft.

13 Regional Express, submission no. 116, p. 4.

14 City of Whyalla, transcript of evidence, Adelaide, 16 April 2003, pp. 392-393.

15 City of Whyalla, transcript of evidence, Adelaide, 16 April 2003, pp. 392-393.

The service was to be incorporated into their Ceduna service, which utilised a 19-seat Beechcraft aircraft. The initial strategy did not include Cleve because Cleve advised that the specifications of their airstrip did not accommodate the bigger aircraft. Rex, which had taken over Kendell services, improved schedules, reduced fare structures and fiercely defended the Ceduna market. The Emu service to Ceduna terminated on 10 March 2003. The Wudinna service provided by Emu terminated with 24 hours notice on Monday, 24 March 2003.¹⁶

- 2.23 With regard to social justice, the withdrawal of the only air service to central Eyre Peninsula is a considerable loss. The catchment for this service includes Kimba, Cleve, Lock, Elliston, Le Hunte and Streaky Bay. Access to air transport is an extremely important option for people living in remote locations such as Eyre Peninsula. The loss of this service has considerable financial, health, safety and convenience implications for these communities.¹⁷

Other failed routes

- 2.24 Some other examples of recent failed services include:

- Horizon Airlines began regional services in March 1998, and operated the Sydney-Mildura-Broken Hill and Sydney-Deniliquin-Swan Hill routes, adding Shepparton-Wangaratta-Sydney in March 2000. Horizon Airlines withdrew from regional service in August 2000. Horizon Airlines was in voluntary administration as of 16 October 2003;¹⁸
- Virgin Blue began operations to Mt Isa, soon after the company began operations in 2001. Upon commencement of services to this destination, a major competitor [believed to be Qantas] swamped the route with overcapacity, forcing Virgin Blue to abandon its service;¹⁹ and
- Brindabella Airlines Pty Ltd, a newcomer to the regional aviation market, announced on 3 July 2003, the scrapping of afternoon flights between Canberra and Wagga Wagga, citing disappointing passenger numbers.²⁰

16 City of Whyalla, transcript of evidence, Adelaide, 16 April 2003, p. 393.

17 City of Whyalla, transcript of evidence, Adelaide, 16 April 2003, p. 393.

18 Australian Regional Airlines Index, G-M, Horizon Airlines, <http://users.chariot.net.au/~theburfs/regional3.html>, last accessed 18 June 2003

19 Virgin Blue, submission no. 182, p. 1.

20 David Crawshaw, 'Brindabella Air in doubt', Daily Advertiser, Wagga Wagga, 4 July 2003.

Collapse of regional operators

- 2.25 The continuous failure of airlines through the creation of unrealistic markets and fares causes instability and results in substantial financial hardship for regional and rural communities. As a result of the Ansett collapse these communities have lost over \$12 million as unsecured creditors and they have been advised by the Ansett administrators that these funds will not be recoverable.²¹
- 2.26 The collapse of regional carriers has resulted in substantial financial burdens for regional airports. King Island Council, in its submission, gave detailed figures on landing charges remaining unpaid after withdrawal of air services. Over \$70 000 in landing charges has been written off by the Council in the past few years: Airlines of Tasmania folded in 1997, leaving \$16 274 in unpaid landing charges, followed by Australian Air Charters, owing \$30 065, and Kendell Airlines with a debt of \$23 791.²²

Ansett Australia

- 2.27 Flights operated by Ansett Australia ceased operation from midnight on Monday 4 March 2002. The collapse of Ansett Australia received a great deal of media attention and is well documented.
- 2.28 Many impacts on regional aviation services were identified during the aftermath of the collapse. An immediate consequence of the collapse of the Ansett group was the reduction of capacity in terms of seats available and the number of flights. This was inevitable as Ansett held 39 per cent of the domestic air travel market. The Bureau of Transport and Regional Economics (BTRE) found that the immediate impact of Ansett ceasing flights was a reduction of 21 per cent in domestic airline capacity, and a 28.4 per cent reduction in the number of domestic flights for October 2001, compared to October 2000.²³ With respect to the effect on fares, despite a widespread perception that domestic discount air fares increased following the demise of Ansett, BTRE found that the large reduction in flights and capacity reduced the availability of discount seats.²⁴

21 Tamworth City Council, submission no. 95, p. 4.

22 King Island Council, submission no. 132, p. 16.

23 Bureau of Transport and Regional Economics, *Avline*, Issue One, January 2003, p. 10.

24 Bureau of Transport and Regional Economics, *Avline*, Issue One, January 2003, p. 8.

Compass Airlines

- 2.29 Compass Airlines was created in 1990 as one of Australia's post-deregulation airlines. It survived until 1991. Its reincarnation, known as 'Compass II', lasted from 1992 to 1993.
- 2.30 Compass encountered problems in early 1990. Five Airbus aircraft it proposed to use were sold or leased elsewhere after Compass failed to meet a deadline for raising equity. Compass began operations on 1 December 1990, offering various discounts, including free travel for children in family groups. By August 1991 Compass claimed 10 per cent of the domestic market and 21.3 per cent of the routes it was contesting, with 30 per cent being predicted by its first anniversary. Compass, however, was unable to compete with the established domestic airlines. It ceased operations on 20 December 1991, due to massive financial problems.²⁵

Compass II

- 2.31 By 1992, a new Compass Airline was in the market. The provisional liquidators of 'Compass I' accepted an offer from Southern Cross Airlines to take over Compass Holdings. Compass II operations began at the end of August 1992. Although Compass prices were below those of its competition, it was adamant that it would not get into heavy discounting, one factor in the demise of Compass I, when tickets were sold well below cost. By late February 1993, Southern Cross Holdings announced a loss of \$10.953 million for the half year. It ceased operations on 11 March 1993, having carried 266 711 passengers since recommencing operations. Its chairman was arrested on 9 March 2003 for allegedly providing false information to the board. Ironically, he had been seen as the person most responsible for getting Compass back in the air. An inadequate financial base was once more a key factor in the failure. It was not helped by retention of the Compass name, which led to caution among financiers and demands from suppliers that the airline purchase many assets it would normally have leased.²⁶

25 Compass Airlines, MkI & MkII, <http://users.chariot.net.au/~theburfs/compasspage.html>, last accessed 21 July 2003.

26 Compass Airlines, MkI & MkII, <http://users.chariot.net.au/~theburfs/compasspage.html>, last accessed 21 July 2003.

Impulse Airlines

- 2.32 Impulse Airlines was one of Australia's largest independent regional passenger and freight operators, with a fleet of five Boeing 717-200 jets and thirteen 19-seat Beech 1900D turboprop aircraft, flying about 500 services a week. It became the third new trunk route jet operator since domestic deregulation took effect in Australia in 1989. The New South Wales regional operator Oxley Airlines fell into financial difficulties in 1993. Impulse acquired their Oxley's assets from their receiver. Unprofitable routes were dropped in favour of others with better potential, and the company replaced old aircraft.
- 2.33 In early 2000, the company was able to claim to be debt-free, making a margin of over 8 per cent on passenger routes, with a break-even point of less than 48 per cent load factors. Revenue increased by 20-25 per cent per annum, and Impulse achieved a consistent record of operating profit. The company became the only airline other than Qantas and Ansett to operate its own terminal from its operational headquarters at Sydney Airport.
- 2.34 August 2000 saw an Australian airline fares war involving Qantas, Ansett and Impulse. Perhaps significantly, it only involved fares in the eastern Australian states serviced by Impulse and the even more recent Virgin Blue venture. On 1 May 2001, Impulse announced it was ceasing service as a major airline. Its eight Boeings and 13 Beech aircraft and crews were contracted to operate some regional services for Qantas.²⁷

Smaller regional operators

- 2.35 Since 1990, the following airlines have ceased operating RPT services (for a range of reasons) in Queensland: Sunbird Airlines, Norfolk Airlines, Australian Regional Airlines (Queensland), Sabair, Majestic Airlines, Piccolo Airlines, Flight West Airlines (twice), Eastland Air, Kendell Airlines, Countryair, Sungold Airlines, Uzu Air, Southern Pacific Regional Airlines, Lloyd Air, Queensland Pacific Airlines, Air Cairns, Transtate Airlines and Air Swift.²⁸
- 2.36 In its submission, Flinders Council explained that it has witnessed, since 1980, the demise of RPT services provided by the following companies: H C Sleigh, Executive, Air Tasmania, Flinders Island Airline, Promair, Airlines of Tasmania, Aus-Air, Island Air and Par Avion. There were also

27 Impulse Airlines, <http://users.chariot.net.au/~theburfs/impulsepage.html>, last accessed 21 July 2003.

28 Macair Airlines Pty Ltd, submission no. 76, p. 4.

numerous charter operators that disappeared during this period. When Airlines of Tasmania failed, Tamair, a regional carrier from Tamworth, also went into receivership as the company was cross hiring a Metroliner to Airlines of Tasmania to service the islands, Launceston and Gippsland.²⁹

- 2.37 Flinders Island Airlines began regional airline services in November 1986. The company operated a network linking Moorabbin and Tullamarine with 18 locations in Victoria and southern New South Wales, and the Bass Strait Islands. Adelaide was added to their network in November 1988. In January 1990, they began a service from Tullamarine to the Tasmanian ports of Burnie, Devonport and Wynyard. The airline ceased operations in May 1990 due to financial problems. At that time they were operating to ten ports in New South Wales, Victoria and Tasmania from Moorabbin and Tullamarine.³⁰
- 2.38 Country Connection began regional services in September 1991, operating to former Hazelton destinations, on the Cootamundra-Young-Cowra-Sydney route. In August 1993, Temora-West Wyalong-Forbes-Sydney was added to the network. Condobolin was added in February 1994, while Temora was removed. In 2000, Country Connection operated 24 weekly flights into Sydney. In May 2001, the airline closed its regional service linking the six New South Wales towns to Sydney, with the closure attributed to increasing costs. The Country Connection charter business continued.³¹
- 2.39 Yanda Airlines began serving Cessnock, Maitland, Singleton and Scone from Sydney, in September 1988. In late 1993 the fleet had increased, and Coonabarabran, Gunnedah and Quirindi were added to the network. In 1998 the company was operating 12 weekly returns from Coonabarabran and Gunnedah to Sydney, and 22 returns from the Hunter Valley ports to Sydney. Early in January 2001, Yanda was grounded following an incident in which pilot error was admitted. The owner, Paul Rees, subsequently decided to close the airline. Yanda did not reapply for operator's certification.³²

29 Flinders Council, submission no. 110, p. 5.

30 Australian Regional Airlines Index, C-F, Flinders Island Airlines, <http://users.chariot.net.au/~theburfs/regional2.html>, last accessed 18 June 2003.

31 Australian Regional Airlines Index, C-F, Country Connection, <http://users.chariot.net.au/~theburfs/regional2.html>, last accessed 18 June 2003.

32 Australian Regional Airlines Index, T-Z, Yanda Airlines, <http://users.chariot.net.au/~theburfs/regional6.html>, last accessed 18 June 2003.

- 2.40 Air Facilities, established in Albury in 1971, began regional operations in November 1992, and operated between Albury and Canberra. In March 1993, the original schedule of 12 weekly return trips between the two ports had increased to 17. A weekly Albury-Corowa-Essendon service began in February 1994, but was soon discontinued. In May 1994, a twice daily weekday service between Deniliquin and Canberra began, and the following month a daily weekday service between Deniliquin and Hay was added. Air Facilities took over the Traralgon-Morwell route from Hazelton in mid 1997, but terminated the route by the end of the year. Air Facilities suspended its Albury-Canberra route in February 2002 and did not resume regional services. Charter operations continue from its Albury base.³³
- 2.41 Flight West Airlines commenced commuter operations in May 1987, and operated a network of services from their Brisbane, Townsville and Cairns bases to 28 locations throughout the state. During 1991-92, Flight West dropped Canberra, Coolangatta and Groote Eylandt from their network. Services to Torres Strait islands, begun in 1991, were suspended in September 1993. In 1999-2000, Flight West benefited from Ansett's withdrawal from various northern routes between Cairns, Darwin and Alice Springs. On 19 June 2001, Flight West, Australia's largest privately owned airline, ceased operations. Closure was attributed to tough competition, rising costs of fuel and the poor standing of Australian currency. It was sold by administrators in April 2002.³⁴

Horizon Airlines

- 2.42 Horizon Airlines began regional services in March 1998. Although several routes have been cancelled over recent years, the company now operates services between Sydney and Newcastle, Taree and Cooma. The company announced on 4 July 2003 that a new service between Sydney and Grafton would begin on 28 July 2003, running up to 25 flights per week. The new service would go via Kempsey once a day, the first service for the town since 2001. The New South Wales Minister for Transport Services, Michael Costa stated:

Kempsey will be the first town to regain its air service since regional aviation began to decline in 2000.

33 Australian Regional Airlines Index, A-B, Air Facilities, <http://users.chariot.net.au/~theburfs/regional1.html>, last accessed 18 June 2003.

34 Australian Regional Airlines Index, C-F, Flight West Airlines, <http://users.chariot.net.au/~theburfs/regional2.html>, last accessed 18 June 2003.

- 2.43 Horizon Airlines announced in mid-October that it had gone into voluntary administration. The appointment of an administrator comes just three months after Horizon was granted the sole licence on the Sydney-Grafton route. The administrator announced that the airline would continue to trade while it was determined if improvements could be made to assist the company to trade out of administration.³⁵
- 2.44 The committee received many submissions describing examples of the closure of air services. Although there are many more examples of failed services across Australia, the committee considers that the above examples again give a good representation of the problems in the industry.

Current operations

- 2.45 The committee has examined existing regional aviation operations, including those services provided by major carriers and their subsidiaries, dedicated regional carriers, and regional carriers that have been reborn after airline failures.

Major carriers and their subsidiaries

Qantas and QantasLink

- 2.46 Qantas' wholly owned subsidiary, QantasLink operates to 55 regional destinations, flying more frequently and to more destinations than the core Qantas domestic operation.³⁶
- 2.47 QantasLink, encompasses four regional airline entities: Airlink (operated by National Jet Systems), Sunstate Airlines, Eastern Australian Airlines and Impulse Airlines.³⁷
- 2.48 When, in July 2001, major Queensland operator Flightwest ceased operations, followed only weeks later by Ansett and its regional subsidiaries, QantasLink and other regional operators mounted hundreds of additional services to provide immediate relief to 25 regional ports affected by these airline closures. QantasLink's contribution to rescuing stranded regional passengers immediately after the collapse of Ansett,

35 Horizon Airlines appoints administrator, <http://www.travelbiz.com.au/articles/66/0c01ae66.asp>, last accessed 20 November 2003.

36 Qantas Airways Ltd, supplementary submission no. 146, p. 10.

37 Qantas Airways Ltd, supplementary submission no. 146, p. 10.

Hazelton, Kendell and Skywest was to carry more than 4 000 passengers, either free of charge or at highly discounted rates, to a value of more than \$1 million.³⁸

2.49 Nine of the ports previously served by Flightwest and Ansett, in Western Australia and Queensland, have now been added to Qantas' regional network as permanent destinations. New and expanded operations include:

- New direct services: Sydney to Rockhampton, Proserpine and Mackay; Hobart-Gold Coast, Adelaide-Gold Coast, Brisbane-Alice Springs; and
- Additional services: Alice Springs to Cairns and Broome; Melbourne to Mildura, Canberra, Burnie and Devonport; and Sydney to Albury, Ballina, Coffs Harbour, Dubbo and Wagga.³⁹

2.50 The Qantas network includes (destinations added since July 2001 are italicised):

- Northern Territory: Alice Springs, Ayers Rock, Darwin, Gove;
- New South Wales: Albury, Armidale, Ballina, Coffs Harbour, Dubbo, Grafton, Lord Howe Island, Moree, Narrabri, Newcastle, Port Macquarie, Sydney, Tamworth, Wagga Wagga;
- Australian Capital Territory: Canberra;
- Queensland: *Barcaldine, Blackall, Blackwater, Brisbane, Bundaberg, Cairns, Charleville, Emerald, Gladstone, Gold Coast, Hamilton Island, Horn Island, Longreach, Mackay, Maroochydore, Mt Isa, Proserpine, Roma, Rockhampton, Townsville, Weipa*;
- South Australia: Adelaide;
- Tasmania: Burnie, Devonport, Hobart, Launceston;
- Victoria: Melbourne, Mildura, Mt Hotham (seasonal); and
- Western Australia: Broome, Kalgoorlie, Karratha, *Newman*, Paraburdoo, Perth, *Port Hedland*.

38 Qantas Airways Ltd, supplementary submission no. 146, p. 11.

39 Qantas Airways Ltd, supplementary submission no. 146, p. 11.

- 2.51 Qantas has a number of partnerships with regional airlines: Airnorth, Airlines of South Australia, Macair, Norfolk Jet, National Jet, O'Connor Airlines, Aeropelican, Sunshine Express, Australian Airlines and Horizon Airlines. Qantas Frequent Flyers can earn points on eligible Frequent Flyer Partner Airline flights. Qantas works together with Aer Lingus, American Airlines, British Airways, Cathay Pacific Airways, Finnair, Iberia and LanChile to offer seamless travel to over 650 international destinations.⁴⁰

Virgin Blue

- 2.52 Since its establishment in late 2001, Virgin Blue has grown to be a substantial player in Australian aviation. The company now has around 30 per cent of the domestic aviation market. Virgin Blue operates 30 Boeing 737 aircraft, and will expand services upon the arrival of ten new aircraft in the coming year. The company claims to offer attractive fares and friendly, efficient service.⁴¹
- 2.53 In addition to operating to all major capital cities, Virgin Blue also operates services to the following regional locations: Alice Springs, Broome, Cairns, Coffs Harbour, Coolangatta, Launceston, Mackay, Maroochydore, Proserpine, Rockhampton and Townsville.⁴²
- 2.54 Virgin Blue and Rex announced on 10 June 2003 that they have joined forces to provide regional travellers with a convenient and cost effective method of flying around the country. The two carriers signed an agreement, which will streamline travel by allowing passengers to book flights on both airlines through one call to Rex, and check their luggage through to their final destination when travelling on connecting Virgin Blue and Rex flights. Recent surveys highlighted a trend of regional passengers taking advantage of great value fares by flying on Rex to capital centres then continuing their journey on a Virgin Blue flight. This involved having to make separate bookings with each airline, as well as collecting their luggage in between flights.⁴³

40 Qantas, <http://www.qantas.com.au>, last accessed 27 June 2003.

41 Virgin Blue, submission no. 182, p. 1.

42 Virgin Blue, submission no. 182, p. 1.

43 Virgin Blue, <http://www.virginblue.com.au>, last accessed 27 June 2003.

- 2.55 Virgin Blue continues to add new routes to its network. The company announced daily flights between Brisbane and Proserpine will begin on 5 September 2003. The company claimed that it is responding to demand for travel to the Whitsunday Coast, and that the services are part of a strategy to nurture domestic tourism.⁴⁴

Regional carriers

- 2.56 There are many regional carriers currently operating in Australia. Below are details regarding a selection of some of these operators.

Macair Airlines Pty Ltd

- 2.57 Since its inception in 1992, Macair Airlines believes it has grown to become one of regional Australia's most substantial airline operators, and that it plays a crucial role in both passenger and freight transportation throughout regional Queensland and northern New South Wales. Macair claimed to have achieved a reputation for delivering safe, efficient, friendly and cost effective air services to its clients through its focus on customer service and its ability to identify and meet its customers' needs in a timely manner.⁴⁵
- 2.58 Macair operates two Saab 340B aircraft, eight Fairchild Metros and two DeHavilland Twin Otters, combining a mixture of RPT and contracted charter operations from its Townsville, Cairns and Brisbane bases in Queensland. In 1998, Macair introduced regular passenger services on regional routes in north Queensland, and now operates a network of 34 routes throughout regional Queensland and New South Wales. One of the busiest routes on Macair's network is the link between Townsville and Mt Isa. Macair services this route 32 times each week with most of the flights being Saab 340B services.⁴⁶
- 2.59 Macair has worldwide distribution through a hosting in the Qantas reservations system. The introduction of the Saab 340B has led to the signing of Qantas' first domestic code share agreement. This enables Qantas to offer its customers seats on selected Saab 340B flights.⁴⁷

44 Anon., 'More flights north', Courier Mail, Brisbane, 28 June 2003, p. 11.

45 Macair Airlines Pty Ltd, submission no. 76, p. 1.

46 Macair Airlines Pty Ltd, submission no. 76, p. 1.

47 Macair Airlines Pty Ltd, submission no. 76, p. 1.

Tasair Pty Ltd

2.60 Tasair Pty Ltd, a long established charter and training company, began RPT operations in 1998, operating between Hobart, Devonport and Wynyard, and between Devonport, Wynyard and King Island. Tasair uses Piper Chieftain nine-seat and Aerocommander seven-seat aircraft. When Tasair commenced operations between King Island and Tasmania there were three operators flying for a very limited customer base: Tasair, Ausair and Geelong Flight Services. Within eighteen months, Tasair was the only surviving operator, and has continued to provide a reliable, viable and regular passenger and freight service to the island.⁴⁸

Brindabella Airlines

2.61 Brindabella Airlines has been operating for 14 years, originally as a maintenance organisation, then as a charter business and flying school operator. In May 2003, the company started regular public transport services to three regional destinations, Newcastle, Wagga Wagga and Albury, operating nine-seat Piper Chieftains. There are two return services to Newcastle and Albury on weekdays. There is also a Sunday evening service to Newcastle. The service to Wagga Wagga ceased after a trial period, as it was economically unviable. The company employs 21 full-time and ten part-time people. There had always been a service between Albury and Canberra until February 2002, when the operator stopped the service for reasons other than the service being unviable.⁴⁹

2.62 Brindabella is receiving booking, marketing and other support from Qantas Airways, under the agreement originally struck between the Australian Capital Territory and Impulse Airlines. All passengers receive Qantas Frequent Flyer points for their travel with Brindabella Airlines.⁵⁰

Air Link Pty Ltd

2.63 Air Link Pty Ltd is headquartered at Dubbo in central New South Wales and provides scheduled services to regional centres within the state, as well as to Sydney. Air Link operates to the ports of Bourke, Cobar, Coonamble, Dubbo, Lightning Ridge, Mudgee and Walgett within the

48 Tasair Pty Ltd, submission no. 35, p. 1.

49 Brindabella Airlines, transcript of evidence, Wagga Wagga, 7 May 2003, p. 449.

50 Brindabella Airlines, http://www.brindabella-airlines.com.au/airline_frameset.html, last accessed 27 June 2003.

north-west of New South Wales, to which a total of 105 scheduled sectors are provided each week.⁵¹

Airnorth Regional

2.64 Airnorth is northern Australia's regional airline, servicing the whole of the Northern Territory, the Top End of Western Australia and Queensland, with bases in Darwin, Katherine, Tennant Creek, Alice Springs and Maningrida. The airline services 13 northern Australian destinations weekly, as well as Dili, East Timor. The fleet of 32 aircraft consists of prop jet, pressurised aircraft, including 19-seat Metros and 30-seat Embraer 120 Brasilias. The major route networks include:

- 'The Centre Run' (Darwin, Katherine, Tennant Creek, Alice Springs);
- 'Arnhemland' (Maningrida, Milingimbi, Elcho Island, Lake Evella, Ramingining);
- 'Kimberley' (Kununurra, Broome);
- 'Gulf' (Gove, Groote Eylandt, Cairns); and
- 'East Timor' (Dili).⁵²

Re-birthed regional carriers

Regional Express

2.65 Rex was created on 1 August 2002 by the merger of Kendell and Hazelton Airlines to create a new regional airline servicing communities in regional New South Wales, Victoria, Tasmania and South Australia. Both airlines had previously been in administration for some eleven months following the collapse of Ansett Airlines. In their submission, Rex claimed to provide a vital transport service for regional and rural south-eastern Australia's business, tourism, leisure, and family markets. The airline expects to carry one million passengers in the year 2002/2003.⁵³

2.66 The new airline is a high quality, efficient carrier operating 21 Saab 340 aircraft plus seven Metroliner aircraft. Rex services the capital cities of Canberra, Adelaide, Melbourne, and Sydney and 27 regional centres, with more destinations being introduced.⁵⁴

51 RAAA Members – Air Link, <http://www.raaa.com.au>, last accessed 27 June 2003.

52 Airnorth, <http://www.airnorth.com.au>, last accessed 27 June 2003.

53 Regional Express, submission no. 116, p. 1.

54 Regional Express, submission no. 116, p. 2.

- 2.67 In its submission, Rex announced the creation of a daily Sydney-Griffith-Mildura service, and the upgrade of the Melbourne-Mildura service, from a Metro 23 to a Saab 340 aircraft, effectively doubling capacity. Also, Rex commenced operating twice daily from Melbourne to Merimbula on the New South Wales south coast.⁵⁵

Alliance Airlines

- 2.68 Alliance Airlines was created when the former Flight West Airlines was sold to Queensland Airline Holdings Pty Ltd. Operations commenced on 31 July 2002. Alliance Airlines operates RPT and charter services between Brisbane and Townsville, and a Brisbane-Norfolk Island-Sydney route. The company operates from bases in Brisbane and Townsville, and employs 160 staff. Its maintenance facilities are at Brisbane airport. Alliance services to Rockhampton and Gladstone ceased recently. Alliance is an all jet operation utilising three 100-seat Fokker 100 twinjet aircraft. Alliance moved to total e-ticketing through Australian travel agencies in February 2003. It currently provides e-ticketing through the Sabre and Galileo global distribution systems, and will also offer e-ticketing to agents using the Amadeus global distribution systems. Alliance has interline agreements with international carriers Air New Zealand, United, Thai, Malaysian and Korean. Additional agreements are under negotiation.⁵⁶
- 2.69 The committee found that airline companies are collapsing and emerging on a seemingly regular basis. The travelling public are looking for stability in the industry and a security of services to regional areas. The committee notes that some companies have changed aspects of their operations during the period of the inquiry, attempting to find a viable and hence stable level of operations.

Why regional air services are important

- 2.70 Many submissions to the inquiry, particularly those from regional areas, focussed on the need for aviation services to be provided as a community service obligation. The committee found that many communities require reliable air services to support the economic and social wellbeing of regional and remote areas. Outlined below is a summary of the evidence

55 Regional Express, submission no. 116, p. 3.

56 Alliance Airlines, <http://www.allianceairlines.com.au>, last accessed 26 June 2003.

received arguing for aviation services to support regional and remote communities.

Economic and social wellbeing of regional and remote communities

- 2.71 In remote and regional communities, basic services such as public transport and delivery of fresh food, medical supplies, mail, educational materials, and urgent supplies rely on the use of airport infrastructure. Airports gain further importance as entry gates to regions for business and industries that support and encourage ongoing regional and economic development.⁵⁷
- 2.72 The Australian Airports Association (AAA) is concerned about the social implications of the level of service which is now available to communities. The AAA also stated that air services are vital to the economic and social wellbeing of remote areas, in particular, the Northern Territory. Suitable aircraft and aerodromes are essential, as there are generally very large distances to cover, and there are many non-all-weather roads.⁵⁸
- 2.73 The Northern Territory's Department of Infrastructure, Planning and Environment stated that sustainable air services are critical to the social and economic wellbeing and development of northern Australia. The Northern Territory, due to its vast expanse and scattered population, arguably depends on air transport to a greater degree than other jurisdictions. Whilst major population centres in the Northern Territory rely on air services for the carriage of people and goods, many remote communities are cut off for extended periods due to harsh weather conditions with their air service providing the only link to the outside world.⁵⁹
- 2.74 There are many councils that consider air services vitally important to their communities. Glenelg Shire in Victoria, for example, considers the airport and air services to be of strategic importance to council and to the shire generally, for economic development, business and industry and also as a key community service.⁶⁰

57 Australian Local Government Association, submission no. 108, p. 1.

58 Australian Airports Association, transcript of evidence, Melbourne, 26 February 2003, p. 228.

59 Northern Territory Department of Infrastructure, Planning and Environment, submission no. 101, p. 2.

60 Glenelg Shire Council, transcript of evidence, Melbourne, 26 February 2003, p. 187.

- 2.75 Narrandera and Leeton Shires are both aware of the economic and social benefits of maintaining an air service. To that end, the two shires contribute between \$60 000 and \$100 000 per annum towards the costs of operating air services.⁶¹
- 2.76 The shires also suggested in their submission that both the Commonwealth and state governments could recognise the economic benefits that arise from regional development, and should be supporting those services where a social and economic benefits analysis of marginal cases may prove that there will be substantial benefits.⁶²
- 2.77 The City of Whyalla stated that the difficulty for rural residents in accessing services, education, medical facilities and training is a matter of social justice. Access to air transport is an extremely important option for people living in remote locations such as Eyre Peninsula. The loss of services has considerable financial, health, safety and convenience implications for these communities.⁶³
- 2.78 Residents of Kangaroo Island consider their degree of remoteness to be a significant social cost. Residents find that getting off the island at a reasonable price, and when they need to, is an impediment to travel. Kangaroo Island has a significantly lower income level than some other regional locations, and the cost of living on the island is around 25 to 30 per cent higher than in a comparable rural community on the mainland.⁶⁴
- 2.79 Queensland Transport established that one of the stated objectives of the Transport Operations (Passenger Transport) Act is to provide a reasonable level of community access to public passenger transport and mobility in support of the government's social justice objectives. On these particular routes the Queensland Government uses competition for exclusive service contracts as a method of achieving the best result for rural and remote Queensland.⁶⁵ Queensland Transport believes the provision of air services is a social issue, and has been addressed:

61 Narrandera and Leeton Shire Councils, transcript of evidence, Wagga Wagga, 7 May 2003, p. 435.

62 Narrandera and Leeton Shire Councils, transcript of evidence, Wagga Wagga, 7 May 2003, p. 443.

63 City of Whyalla, transcript of evidence, Adelaide, 16 April 2003, p. 393.

64 Kangaroo Island Development Board, transcript of evidence, Kangaroo Island, 15 April 2003, p. 335.

65 Queensland Transport, transcript of evidence, Brisbane, 12 June 2003, p. 673.

In the 2002 air services review that was conducted by the Queensland Government, we investigated a principle of community access whereby we believe that, notwithstanding weather patterns that may influence people's access by road, a regulated or commercial air service should exist within 200 kilometres of every community. We have mapped 200-kilometre circles throughout the state for every community that receives an air service.⁶⁶

- 2.80 The National Farmers' Federation stated that regional air services are vital to farmers for both economic and social reasons. While farmers export most of their production by sea, air exports form an important and increasing part of Australia's farm-related exports. Air travel is also vital to ensure social cohesion, access to service, and the ongoing viability of rural communities.⁶⁷

Community Service Obligation

- 2.81 Many of the submissions place a great deal of emphasis on the need for governments to provide or support services as part of a community service obligation. The main arguments are that people in regional and remote areas should be able to access the same level of service that metropolitan communities enjoy, and that regional and remote people should be able to engage with other Australians.
- 2.82 The Regional Aviation Association of Australia (RAAA)⁶⁸, the Local Government Association of the Northern Territory⁶⁹, the National Farmers' Federation⁷⁰, the New South Wales Farmers' Association⁷¹, the South East Australian Transport Strategy Inc. (SEATS)⁷², and Rockhampton City Council⁷³ all stated that the Commonwealth should develop community service obligation principles and payments for the provision of air transport services to remote and regional Australia, and provide further assistance to regional communities in the form of funds for major repairs and maintenance projects to selected regional airports.

66 Queensland Transport, transcript of evidence, Brisbane, 12 June 2003, p. 677.

67 National Farmers' Federation, submission no. 139, p. 3.

68 Regional Aviation Association of Australia, submission no. 93, p. 11.

69 Local Government Association of the Northern Territory, submission no. 87, p. 5.

70 National Farmers' Federation, submission no. 139, p. 15.

71 New South Wales Farmers' Association, submission no. 179, p. 7.

72 South East Australian Transport Strategy Inc, submission no. 140, p. 16.

73 Rockhampton City Council, submission no. 121, p. 11.

- 2.83 The AAA have called upon the Commonwealth to provide support to the aviation industry:

Historically, the federal government provided assistance to develop a vibrant airport and aviation infrastructure. Now they need to be more proactive with the remote area service subsidy scheme and community service obligations rather than just leave it to the market to work out the situation.⁷⁴

- 2.84 The Australian Local Government Association seeks the introduction of a universal service plan by the Commonwealth, to ensure regular aviation services are provided to regional and remote communities at a reasonable cost. Such a plan would enable aviation providers to tender and compete for provision of services to regional and rural areas. Cross-subsidised pricing structures would in effect produce a community service obligation ensuring remote Australians are not disadvantaged compared to their counterparts in more populated regions of the nation. A comparative example is the deregulation of telecommunications, where the government took steps to ensure that remote Australians were not disadvantaged.⁷⁵

- 2.85 Orange City Council stated that aviation has a very important role to play in regional Australia, and that local, state and Commonwealth governments have an obligation to ensure services are maintained, giving subsidies, if necessary, to ensure this occurs.⁷⁶

- 2.86 The shires of Narrandera and Leeton also believe the government must monitor regional airlines and if necessary, impose a community service obligation to ensure services continue to key centres.⁷⁷

- 2.87 The Shire of Parkes has also admitted to incurring a substantial loss in the operation of its airport, in meeting its community service obligations. The shire claims it keeps landing fees to a minimum.⁷⁸

74 Australian Airports Association, transcript of evidence, Melbourne, 26 February 2003, p. 228.

75 Australian Local Government Association, submission no. 108, p. 2; Local Government Association of New South Wales, submission no. 109, p. 4.

76 Orange City Council, transcript of evidence, Sydney, 8 May 2003, p. 495.

77 Narrandera and Leeton Shire Councils, submission no. 74, p. 2.

78 Parkes Shire Council, submission no. 137, p. 1.

- 2.88 King Island Council recommended that there must be, at some level in government, recognition that there is a community service obligation to provide air services to remote populated islands.⁷⁹ King Island Council also recommended that government, as a community service obligation, should establish a service centre to cater for regional passengers who do not have access to fares via the internet.⁸⁰
- 2.89 Flinders Council, King Island Council and the Cradle Coast Authority were among many to argue that the Commonwealth should support, as a community service obligation, air services to locationally disadvantaged communities reliant on those services for daily transport services. This obligation was variably described as including maintenance of aerodromes and associated facilities for such communities, and centralised ticketing facilities.⁸¹ Others to argue for a Commonwealth community service obligation included the District Council of Grant and the Kangaroo Island Development Board (KIDB).
- 2.90 Despite the recognition of a community service obligation, some council landing fees may be too high, adding considerable cost to regional air fares. Paul Bredereck, a former regional airline owner, believes that the local airport owner's landing fees and charges are far too high. In over 80 per cent of the routes that he operated, council charges were a barrier.⁸² An example given by Mr Bredereck:
- If a Greyhound or a McCafferty's bus drops a passenger in a small regional town, the local council is not expecting to pick up a \$12 passenger head tax—there would be a huge outcry over that. But if a local operator drops a passenger off in his Piper Chieftain, the local council has its hand out.⁸³
- 2.91 However, the committee notes the weakness in this argument. A bus drop off point does not commit a council to the same level of infrastructure as does an airport.

79 King Island Council, submission no. 132, p. 12.

80 King Island Council, submission no. 132, p. 14; transcript of evidence, Melbourne, 26 February 2003, p. 260.

81 Flinders Council, submission no. 110, p. 6; King Island Council, submission no. 132, p. 14; transcript of evidence, Melbourne, 26 February 2003, p. 260.

82 Paul Bredereck, transcript of evidence, Brisbane, 12 June 2003, p. 641.

83 Paul Bredereck, transcript of evidence, Brisbane, 12 June 2003, p. 641.

- 2.92 Qantas Airways Ltd claimed that it operates under community service obligations in some circumstances, in that the company operates on particular routes, despite making a loss on those routes. The company also claimed that, on a case by case basis, it is prepared to take into account sustaining more losses on particular routes, in order to maintain services to areas suffering under difficult circumstance, e.g. an extended drought.⁸⁴ Qantas, however, did not provide specific examples of where this occurred, nor did they demonstrate where their consideration of such factors actually resulted in the retention of unprofitable services.
- 2.93 Qantas advocates minimal regulation and support for the industry, although it concedes that there is one exception to that argument. There may be a case for government support through subsidy, in markets where no air service would exist otherwise. The subsidy should only be sufficient to encourage, through a competitive tendering process, a single operator on a route. Should the government deem it to be a community service obligation to have an air service to a particular location, the government would then through a tender offer enough subsidy to attract a single entrant onto a route. This particular model does work in Queensland under the state government's remote network policy. It creates competition at the point of selection on routes that would have no air service.⁸⁵
- 2.94 Qantas Airways Ltd believes there are certain aspects of the aviation industry that should be paid for by government, as a community service obligation. Qantas claims that the costs of operating regional air traffic control towers are not fully recovered, despite a government subsidy of \$7 million, and that the remainder of these costs are hidden in Airservices Australia's charges, the bulk of which fall onto Qantas. Qantas believes the entire cost of these towers, the main beneficiaries of which are light aircraft operators, should be a community service obligation, transparently and discretely accounted for in the Commonwealth Budget.⁸⁶
- 2.95 Rex submitted that independent regional carriers should get government support to reduce the cost impost of both aeronautical charges and landing fees at major airports, which would in effect recognise the community service obligation nature of essential regional services.⁸⁷

84 Qantas Airways Ltd, transcript of evidence, Sydney, 8 May 2003, p. 479.

85 Qantas Airways Ltd, transcript of evidence, Sydney, 8 May 2003, p. 482.

86 Qantas Airways Ltd, submission no. 146, p. 8.

87 Regional Express, submission no. 116, p. 9.

2.96 The issue of government support in meeting community service obligations is complex. Regional aviation is a very uncertain and difficult business as history has shown. Instability and the withdrawal of services has adversely affected regional communities and their local economies. Therefore the committee considers that there is a need for the Commonwealth to review its approach and consider the possible role of community service obligation standards, and the extent to which the Commonwealth should provide support. This is discussed further in chapter 4.