

IN-CONFIDENCE REPORT - 16 JANUARY 2013 COUNCIL MEETING

Item No	21.3
Report Title	Airport Infrastructure Review Report
Council Meeting Date	16 January 2013
Author	Andrew C Boardman
Title	Chief Executive Officer
Attachments	Tonkin's Airport Infrastructure Options Report
Hours to compile	30.0
Strategic Plan Reference	1.3 – to provide good governance that is transparent, equitable and accountable. 4.2 – To manage Council's Assets in accordance with Asset Management Plans 4.6 – Work to achieve Financial Sustainability through external funding sources 4.15 – To manage and maintain Kingscote Aerodrome in a sustainable manner which meets the needs of the community and industry
Purpose	<p>This report seeks to establish some understanding around the current condition of the Asset at the airport and establish firmer understanding of the structural limitations of the runway pavement and sub-pavement.</p> <p>The second part of the report is to evaluate Options for the Upgrade of the Airport to take a variety of larger aircraft. The report outcome may then be worked up into a funding bid to Federal Government.</p>
Executive Summary	<p>Subsequent to the Airport Review and Operating Model developed in 2012 by Pacific Aviation Consulting which allowed a range of demand modeling scenarios to be tested, it became clear that a detailed understanding of the current limitations of the airport infrastructure (sub-pavement storm-water culverts strength & pavement surface) was required as well as a clearer understanding of the economic and physical requirements for expansion of the facilities to manage larger aircraft operating on an RPT basis. Three Options were selected based on the modeling:</p> <ol style="list-style-type: none">1) City-Flyer type Turbo-prop Aircraft (60-85 seats+/-)2) Class C3 Regional Jets (+/-80-100 seats)3) Class C4 Jets (140-180 seats +) <p>Tonkin Consulting were selected to produce this report on the basis of their involvement in the original upgrades carried out in late '80's as well as their continued involvement in the development of the Airport Master Plan and Asset Management Plans for the facilities.</p> <p>This work is being funded by KIFA and it is intended that Council / KIFA / SATC take this work and incorporate it into an overall funding proposal for Federal Government. This is being drafted at the time of writing this report.</p>
Recommendation	That Council accept this report for information

Discussion

The report is presented to Council for information. It is suggested that this be retained in confidence at this time to allow the follow up work around a justification / funding bid etc to be developed and an examination of the greater implications on the operating costs associated with upgrade.

When the justification document and financial implications assessment is complete it is intended that Council hold a specific workshop to examine all the issues / challenges / opportunities that will have been identified in the work with a view to then moving this forward.

It is reasonably clear that without another RPT operator accessing this airport we will continue to see RPT traffic decline to the point where it stabilises around the level of activity on this Island where people *have* to fly / don't consider the cost as opposed to those who can make the choice in both time and cost terms. Clearly the airport is not harvesting any of the growth in visitor numbers that has been consistent up to this point and is unlikely to see any significant penetration in this growth area without significant improvement in cost / scheduling / service linkage / marketing etc – it is also clear that all of these activities do not align with the REX business plan and therefore an alternate / additional operator is the only way we can break this impasse.

Either an alternate or additional RPT operator realistically means QANTAS and working on inter-state connection basis (MEL / SYD) rather than domestic intra-state door to door (ADL / other SA Regional). With current plane availability this demands an upgrade as a minimum to Q400 / ATR72 aircraft operations (Option 2) and will involve the additional burden of Security Operations etc with the high operating costs associated with these. These will be of a level that will preclude the airport being self-funded for the period of time taken to grow passenger numbers to the point where the landing fees cover the operational outgoings.

Any funding proposal has to include this challenge and whether this means that there has to be other forms of revenue generation associated with the airport proposal (e.g. additional non-aviation related power generation and retail infrastructure that generates revenue invested specifically to offset the additional operating costs of the airport) or simply some form of ongoing annual airport-related grant assistance to fill the gap is yet to be determined / negotiated.

Discussions with KIFA / SATC / Council are still in hand and at the time of writing the report we do not have a firm date for the delivery of the investment proposal / bid for consideration. Based on this report, Council Administration intends to start evaluating the operating cost implications of the expansion options 2 and 3 only. They will be the subject of a future report to Council.

NOTE:

This has been produced as a separate stand-alone document within the Confidential Items pack – we have done this as we believe that Elected Members should retain this report for future reference as and when we discuss this matter.