

Corporate Services

G.07.3 ***SCONE REGIONAL AIRPORT DEVELOPMENT - CAPITAL EXPENDITURE REVIEW***

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PURPOSE

The purpose of this report is to provide an update on the implementation of the Scone Regional Airport Development and to present the associated Capital Expenditure Review Report.

RECOMMENDATION

That Council note the progress of the Scone Airport Upgrade and the Capital Expenditure Review Report

BACKGROUND

The NSW Office of Local Government (OLG) requires councils to prepare and submit Capital Expenditure Reviews (CER) for proposed infrastructure facilities that are expected to cost in excess of 10% of council's annual ordinary rate revenue or \$1m, whichever is the greater. Certain projects including land purchases, water and sewer networks, stormwater drainage, domestic waste facilities, roads, footpaths and bridges, are excluded from this requirement. CERs are to include project outline, justification of need, project management and governance, needs analysis against other priorities, alternatives, financial implications and public consultation.

In October 2018 Council submitted a CER for the Scone Airport Redevelopment Project to the OLG. The report was prepared by Common Thread Consulting, who have significant experience in undertaking similar reviews. The OLG wrote to Council on 17th July 2019 noting that the criteria has been broadly addressed, however recommended the following prior to proceeding with the project:

- the CER be presented at a full council meeting, and;
- clear accountability for project, with reporting to both Council and the Community throughout the implementation phase

REPORT/PROPOSAL

The results of the Scone Regional Airport CER as summarised below:

Project Outline

The project is broadly broken down into two components - infrastructure upgrades and the new Warbird Visitor Attraction. A copy of the Airport Masterplan is attached to this report.

Infrastructure Upgrades

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The main components of the Airport infrastructure upgrades are as follows:

- rehabilitating the runway, replacing failed sections of pavement and providing a new asphaltic concrete ('hotmix') surface over the entire length
- constructing new taxiways to replace existing ones (constructed of poor quality material) that are non-compliant in relation to widths, clearances, etc. as well as building new taxiways to service additional lots (that Council intends to lease out)
- constructing new apron and aircraft parking areas as existing ones (again constructed of poor quality material) are of insufficient size to cater for demand leading to safety issues and potential non-compliance
- constructing new stormwater drainage infrastructure to address current problems with pooling / ponding of water on the runway and parking areas
- replacement of airport lighting and navigation aids as per regulatory requirements
- installation of fencing to prevent access by wildlife and
- development and implementation of updated operational systems.

It should be noted that much of the current airport infrastructure has come to the end of its useful life, and certain components will not meet the new Civil Aircraft Safety Association (CASA) requirements. In essence, if these works are not done the Airport could face closure due to non-compliance and safety concerns.

The Warbird Visitor Attraction (WVA)

The WVA will house restored World War II aircraft and will be the only exhibition of its type in Australia in that all planes will be operational. The planes will take part in regular airshows and will be available for joy flights. The facility will include an 3,200m² aircraft display area with viewing mezzanine, airport terminal (including pilot's office), airport management office, amenities, gift shop and café, second floor small function area and public car park.



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Warbird Visitor Attraction - Internal Concept



Warbird Visitor Attraction and Airport Terminal – External

Justification of Need

Council considers the Airport to be a very important community asset. It caters for around 4,600 aircraft movements per year, facilitates emergency services flights (around 625 annually), benefits local businesses and provides employment. As described earlier, if the essential upgrades to the airport infrastructure are not made, the airport will be non-compliant and face potential closure. The WVA will increase visitation to the area and will be an iconic addition to the local identity, strengthening the sense of place and community spirit.

Project Management

Council has engaged NSW Public Works Advisory to manage the project delivery. Significant work has been undertaken in terms of design, planning for risk, compliance, probity, procurement, and overall project governance. A project timetable (attached) has been developed listing each milestone/task and associated timeframes. Planning has already commenced and completion is estimated by September 2020.

OPTIONS

1. Implement the airport in accordance with the Capital Expenditure Review (Masterplan)
2. Not proceed with the upgrade, which would render the airport non-compliant with the new CASA standards and potentially the closure of the airport.
3. Proceed with the Infrastructure upgrade only (not the WVA). This would result in returning \$6.3m in grant funding to the state government and the non-realisation of the revenue stream generated under this model.

CONSULTATION

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- Extensive consultation has been conducted with various stakeholders over the several years of planning around this project

STRATEGIC LINKS

a. Community Strategic Plan 2027

This report links to the Community Strategic Plan 2027 as follows:

ECONOMY & INFRASTRUCTURE

- Goal 5 A sustainable and prosperous economy.
- CS18 Encourage a diverse economy whilst promoting and preserving our agriculture and equine industries.
 - CS19 Encourage retail and commercial business to locate and prosper within our Shire.
 - CS20 Encourage and support innovative industry and a diversity of businesses that provide a range of services and employment opportunities for current and future generations.
 - CS21 Facilitate and provide access to a range of local educational and training opportunities that complements the economy.
 - CS23 Facilitate and support increased and innovative tourism and marketing opportunities.
- Goal 6 Increase, enhance and maintain civil infrastructure, Community assets and open spaces to meet the needs of current and future generations.
- CS24 Provide for replacement, improvement and additional Community and open space infrastructure through investment, best practice and risk management.
 - CS25 Provide inviting public spaces that are clean, green, properly maintained, well designed, encourage active participation, family friendly and accessible to all.

We are working to achieve the following Community Priorities:



Rural lifestyle and Country feel are valued and protected and the Upper Hunter Shire remains quiet, safe, healthy and welcoming.



Well maintained, safe, reliable and additional infrastructure, including sporting fields, parks, family and cultural facilities.



Upper Hunter Shire Council is an effective and efficient organisation, focusing on community engagement, action and response.

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A stronger economic base to attract and retain residents, particularly our young people.



Upper Hunter Shire Council demonstrates it is Fit for the Future and can meet all State Government indicators for financial stability.



Increase focus on local business, shop occupation and revitalisation of the Town Centres.



Increased and innovative tourism and visitor opportunities.

b. Delivery Program

Page 51 of the current Deliver Program includes reference to the Airport Development: “Upgrade of the airport consistent with the Council endorsed Masterplan, including the Warbirds Aviation Attraction and Terminal building, public parking and facilities. Seek funding for upgrade of drainage for the entire site, construct new parallel taxi way and expansion of the apron to allow for a larger plane parking area”

c. Other Plans

The Federal Government has 3 focus areas; to keep Australia safe from terrorism, create opportunities for families, and reduce the cost of energy. There are 11 priorities to support the focus areas with the project addressing 5 of these:

- Economy and Finance;
- Agriculture and Regional Australia;
- Business and Employment;
- Infrastructure and Industry; and
- International and Trade.

The NSW Government has 12 Premier priorities and 18 state priorities to grow the economy, deliver infrastructure, protect the vulnerable, and improve health, education and public services in NSW. This project addresses the following priorities:

- Building infrastructure;
- Creating jobs; and
- Encouraging business investment.

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In addition, the project aligns with, and supports, the delivery of the following government initiatives and strategies:

The Scone Airport Masterplan (2016) – this document establishes the strategic direction for the development of Scone Airport over the long-term. The project aligns with this initiative by facilitating future growth in aviation demand.

The Hunter Valley Visitor Economy Destination Management Plan (2013) – the overarching vision of this document is to double the value of the Hunter Valley's Visitor Economy by 2020. The project contributes to this vision by providing a new, unique visitor experience in Scone, which will attract a greater number of visitors to the area and generate increased levels of visitor spend.

The Upper Hunter Country Tourism Destination Management Plan (2013) – this strategy is designed to Support State Government targets to double overnight expenditure by 2020 and broadening awareness of tourism and experiences within NSW and the region. The project contributes to these objectives by enhancing the visitor experience (through creation of a unique visitor attraction) and promoting accommodation, events, festivals, etc.

The Hunter Regional Council Regional Economic Development Strategy 2018 – 2022 – this strategy sets out a long term economic vision and associated strategy for the Hunter Functional Economic Region (Hunter, the Region). The project addresses Strategy C which is to improve infrastructure, services and amenities to fully realise and sustain the Region's growth potential.

The NSW Visitor Economy Action Plan (2012) – this document is a ten-year plan (ending 2021) to rebuild the economy, using the visitor economy as a critical sector to contribute to the growth of the overall NSW economy. The project addresses the visitor economy with the establishment of the Warbirds Visitor Attraction that will grow overall visitation to the area and increase visitor expenditure

IMPLICATIONS

a. Policy and Procedural Implications

N/A

b. Financial Implications

The CER was written in September 2018. One of the key project risks identified in the report is the failure to secure an additional \$6.5m in grant funding. In July 2019 the State Government announced that this funding has now been approved under the NSW Drought Stimulus Program. The Project funding matrix is now as follows:

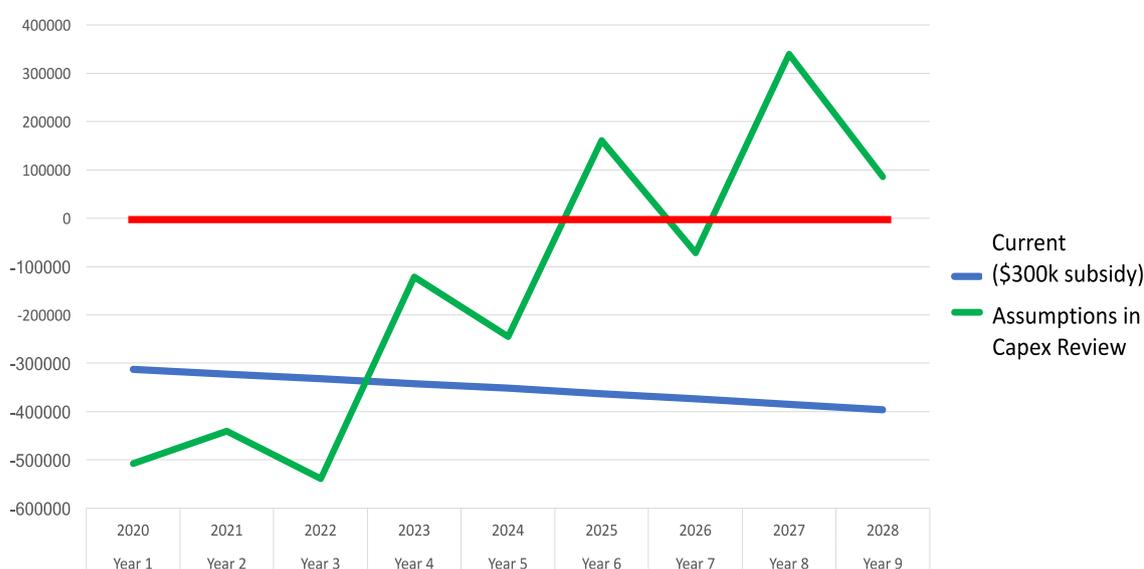
Stage	Cost \$'m	Grants Funding (NSW Govt) \$'m	Loans \$'m
Infrastructure Upgrade	10.465	6.500	3.965
Warbird Aviation Centre and supporting airside infrastructure	13.035	6.257	6.778

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Total	23.500	12.757	10.743
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Extensive financial modelling has been conducted as part of the CER. In summary, the modelling indicates that Council will be financially better off from the third year of operations onwards. This is indicated by the graph below. The red line represents the breakeven point, the blue line represents the current operations (status quo/do nothing) and the green line represents the operating result after the implementation of the airport upgrade (including the WVA).

Consolidated Projected Operating Result 2020-2028



c. Legislative Implications

The works that will be undertaken to the airport infrastructure will ensure that the Airport complies with the new CASA regulations.

d. Risk Implications

Unless upgrades are made to the airport infrastructure there remains a potential risk to public safety.

e. Other Implications

N/A

CONCLUSION

The implementation of the Scone Regional Airport Masterplan has been many years in the planning. As well as delivering significant economic, social and cultural benefits to the



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community, it will help establish the Upper Hunter Shire as a destination of choice for many thousands of visitors in the ensuing decades.

ATTACHMENTS

- 1** Scone Airport Capital Expenditure Review
- 2** Aiport Gantt Chart
- 3** Aiport Masterplan