Capital Expenditure Review Report
for
SCONE REGIONAL AIRPORT:
INFRASTRUCTURE RENEWAL AND UPGRADE + WARBIRD VISITOR ATTRACTION
Upper Hunter Shire Council

Prepared September 2018 by Ben Lawson, Director, Common Thread Consulting P/L
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1. Executive Summary

With the Scone Regional Airport Upgrade and Warbird Visitor Attraction Project, Council is taking an opportunity to leverage significant extra value for the community from what is arguably an essential investment in the renewal of existing infrastructure.

Existing airport infrastructure (runway, taxiways, apron and lighting) is deteriorated and needs renewal and upgrade to meet civil aviation safety regulation requirements. If Council doesn’t do so, the airport may be ‘de-registered’ and consequently closed to commercial flights which make up the majority of the 4,600 landings p.a. Affected users include:

- emergency services (including rural fire service and air ambulance: last year there were 625 landings, average 12 per day)
- aircraft-related businesses (7 businesses are located on site, together employing around 80 people with significant opportunities for growth) and
- charter flights from out of the area that relate to local industry (equine, mining, etc.).

Council considers closure of the airport to be unacceptable. The airport is an important community asset that provides an essential service, in many ways no different to a road or bridge that needs to be replaced when it reaches the end of its useful life.

The ‘Airport specific’ component of the project is estimated to cost $13.5M initially (a $6.5M grant application to help fund this has been submitted). This will pay for renewal the majority of infrastructure at the airport as well as upgrades to address regulatory compliance issues (lighting and taxiways) as well as upgrades to address existing capacity (increased aircraft parking) and/or to increase revenues (taxiways to new hangar lots and building new hangars).

By catering for increased demand, Council will generate additional revenues (via fees for landings, parking, fuel and leases for new hangers) and at the same time facilitate economic growth by enabling existing businesses to grow and attracting new businesses to the region (Council is in discussions with 8 businesses who are interested in relocating, with 52 jobs). This economic growth is realistic given existing demand over and above capacity, closures of or constraints on competitor facilities (other airports) as well as the attraction of support industries associated with or synergistic with the Warbird Visitor Attraction if it goes ahead.

Establishing the Warbird Visitor Attraction (WVA) is a separate decision over and above the renewal and upgrade of airside infrastructure (which must be undertaken for the Attraction to proceed). The $10M facility (part funded by a $6.3M grant, which is confirmed) will be owned and operated by Council (a condition of the grant). It will feature World War 2 fighter planes displayed under agreement with owners including local company Vintage Fighter Restorations.

The Attraction has potential to generate significant revenues (particularly from air shows) and so reduce Council’s subsidy of the airport as well as further increase demand for the airport itself and facilitate economic growth in related businesses. Flow on effects to the broader tourism industry will be significant as visitor attraction is forecast at 24,000 in year 1, climbing to almost 50,000 in 10 years. The wider benefits to the local community of an iconic addition to local identity, connectivity to an important piece of history, education, etc. are also notable.

This capital expenditure review considers alternatives, but concludes the best value outcome will be realised by Council constructing both the ‘airport specific’ component and WVA.

The financial analysis suggests that Council’s subsidy of the airport (currently $300,000 p.a. and certain to increase in future) will be at least $200,000 p.a. higher on average over the first 3 years of the project. But it will then be eliminated over the medium term (5 years) as the business establishes and from then on, Council will generate a surplus that can then be re-invested back into the airport or into other services.
In summary, the project will not only realise the benefits above (local economy and tourism, emergency services access to airport), but it will improve Council’s financial sustainability. It is important to note that there are a number of unknowns (risks) at present. To assess the impacts of these, a number of scenarios have been analysed including the case where the $6.5M grant application is unsuccessful (so borrowing will be higher), if capital costs are higher, if revenues are lower than projected. Under all of these scenarios, Council’s financial sustainability still improves over the medium term (5 years and beyond) compared to the current situation. This should give Council confidence that the project ‘stacks up’ financially.

On this basis, it is recommended that Council continue to progress the project. The next step is to accept the $6.3M grant to support a project that includes the Warbird Visitor Attraction and a portion of ‘Airport specific’ works valued at $16.1M (i.e. Council will need to borrow $9.8M).

It is important to note that this does not yet commit Council to spending the money. There are a number of decision points in future where Council has an opportunity to review and reassess the project (by which time the outstanding issues and risks will be clearer). These include:

- completion of final designs and quantity survey (potential to reduce capital costs)
- notification regarding the success or otherwise of the $6.5M grant
- conditions attached to Development Consent (assuming approval of the DA) and
- finally, consideration of tenders for construction (i.e. whether to accept tenders).

The project plan also highlights the need for Council to address a number of other key issues:

- establishing strong governance arrangements for construction and operation
- reviewing its Long Term Financial Plan to reflect the latest financial projections associated with the project
- undertaking community consultation about the project given that what is now proposed differs considerably from what is in the 2018 Delivery Program, and
- updating the Council Improvement Plan produced under the Fit for the Future program.

This Capital Expenditure Review has been undertaken in accordance with the Office of Local Government (OLG) Capital Expenditure Guidelines (December 2010) and is the basis of a notification to OLG of the project under the NSW Local Government Act, 1993 (section 23A).

In summary, having considered all relevant issues associated with the project, Upper Hunter Shire Council is convinced that this significant investment is justified given the benefits that will be realised for the community including:

- maintaining and improving airport operations whilst eliminating the subsidy from Council over the medium term and potentially generating a surplus to reinvest
- facilitating growth of existing aircraft-related businesses and attraction of new businesses to the region
- attracting significant visitors and so strengthening the tourism industry and
- establishing an iconic addition to local identity and a strong and meaningful connection with an important piece of history.

Council notes that while its operating performance (financial sustainability) will deteriorate in the short term if it undertakes the project, it will improve in the medium term (5 years) as revenues from the airport itself (particularly new hangars) and the Warbird Visitor Attraction increase. This will enable Council to re-invest in the airport and other services.

Council will satisfy all benchmarks under the Fit for the Future program in the medium term and beyond while realising significant additional benefits for the community from this project.
2. Project Outline

The project as considered by this capital expenditure review has two key elements:

- renewal and upgrade of infrastructure at Scone Regional Airport and
- establishment of a unique warbird visitor attraction.

The details of these project elements are outlined below, followed by a high-level project plan. The justification for these works is discussed in section 3.

2.1 Airport Infrastructure

The *Scone Regional Airport Masterplan* (three consulting, adopted by Council in 2016) details the works required to be undertaken to renew deteriorated infrastructure, comply with updated regulatory requirements and address operational issues. Key items include:

- 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.

Council also proposes to construct a number of hangars as part of the project that will then be leased out, generating revenues for Council to offset the costs of operation. In the interests of simplicity, these are considered by this to be part of the ‘airport infrastructure’ element of the project (distinct from the Warbird Visitor Attraction).

The total cost of this project element is estimated to be $12M for the ‘airside’ infrastructure and $1.5M for the new hangars. Details of capital cost estimates and revenue projections associated with the airport are included in section 7.

It is likely that non-essential works to increase airport capacity (not critical for compliance) will need to be staged. The surplus the project is forecast to generate can be re-invested in the airport to complete these. One such item is additional hangars: a further investment of $2.5M (not included above) is proposed in year 5 (this will be a future decision for Council supported by a business case).

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Figure 1: Airport Infrastructure Renewal and Upgrade Works
2.2 Warbird Visitor Attraction

The *Scone Aviation Visitor Attraction Feasibility Study* and *Business Case* (Stafford Group, 2016 and 2018) detail the proposed Warbird Visitor Attraction including an analysis of the likely visitation, revenues, expenses, broader benefits for the tourism industry, etc.

The analysis is informed by comparisons with similar attractions elsewhere (e.g. the Temora Aviation Museum, which adds confidence that the assumptions adopted are conservative). It also highlights the unique nature of what is proposed, for example the opportunity to take a joy flight in operational World War 2 fighter planes.

Key items in this element of the project include:

- **construction of an Aviation Visitor Attraction** including:
  - aircraft display area with viewing mezzanine (3,200m²)
  - airport terminal including pilot’s office, airport management office, amenities, gift shop and café and 2nd floor small function area (547m²) and
  - public car park.

- **redevelopment of supporting infrastructure** including:
  - landscaping and fencing;
  - construction of an expanded aircraft apron; and
  - extension to the parallel taxiway.

- **development and implementation of a business plan** for the facility.

The total cost of this project element is estimated to be $10M. Details of the capital cost estimates and revenue projections are included in section 7. Note that Council has already secured a $6.2M grant to help fund this element of the project including the building and some of the supporting ‘airside’ infrastructure (i.e. a portion of the $12M in section 2.1).

It is important to note that this element of the project can only proceed if the renewal and upgrade of airport infrastructure (section 2.1) is also undertaken.

![Figure 2: Warbird Visitor Attraction - Internal Concept](image-url)
Figure 3: Warbird Visitor Attraction and Airport Terminal – External

2.3 Project Plan

A high-level project plan is outlined below. Some tasks may be undertaken concurrently and timeframes are indicative only.

The key issue of note is that Council has a number of decision points remaining before the final decision to proceed, which is acceptance of tenders for construction.

<table>
<thead>
<tr>
<th>No.</th>
<th>Task Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Establish Project Control Group (covering construction + business operation)</td>
</tr>
<tr>
<td>2</td>
<td>Finalise amendments to detailed designs and construction contracts for both project elements, review scope and opportunities for savings, get revised quantity survey.</td>
</tr>
<tr>
<td>3</td>
<td>Notification about $6.5M Growing Local Economies Grant</td>
</tr>
<tr>
<td>4</td>
<td>Development Application determined by Joint Regional Planning Panel</td>
</tr>
<tr>
<td>5</td>
<td>Update Council’s Long Term Financial Plan (LTFP) with the project included.</td>
</tr>
<tr>
<td>6</td>
<td>Preparation of 2019 Delivery Program and Operational Plan</td>
</tr>
<tr>
<td></td>
<td>□ Community consultation about the project as now proposed</td>
</tr>
<tr>
<td>7</td>
<td>Tenders for construction advertised and assessed</td>
</tr>
<tr>
<td>8</td>
<td>Final Council Decision Point: Acceptance of Tenders? (September 2019)</td>
</tr>
<tr>
<td>9</td>
<td>Warbird Visitor Attraction Staff</td>
</tr>
<tr>
<td>10</td>
<td>Construction</td>
</tr>
</tbody>
</table>

COUNCIL DECISION POINT: FINAL SCOPE AND COST? (December 2018)
COUNCIL DECISION POINT: ACCEPT GLE GRANT / UNSUCCESSFUL? (March 2019)
COUNCIL DECISION POINT: DA CONDITIONS ACCEPTABLE? (May 2019)
COUNCIL DECISION POINT: 2019 DELIVERY PROGRAM + OPERATIONAL PLAN (June 2019)

Capital Expenditure Review for Scone Regional Airport
3. Justification of Need

In summary, Council considers investment in this project to be justified because:

- the work to renew and upgrade existing airport infrastructure is essential to satisfy regulatory requirements and address operational issues, and so keep Scone Regional Airport open for use by local business and emergency services (section 3.1)
- the Warbird Visitor Attraction will generate significant revenues to help offset the costs of the airport operations, attract significant numbers of tourists to support the local economy as well as becoming an iconic addition to local identity (section 3.2)
- it aligns with objectives in the Hunter Regional Plan 2036, Community Strategic Plan for Upper Hunter Shire as well as actions in Council’s Delivery Program (section 3.3)
- Council has the capability to manage to completion and into the future (section 4)
- Council does not have to significantly re-prioritise existing commitments or neglect existing needs such as the infrastructure renewal backlog (section 5),
- it is preferred over all alternatives (section 6),
- it is affordable both in terms of its capital and operational costs (section 7), and
- it achieves a number of community priorities identified as part of engagement regarding the community strategic plan and specifically this project (section 8).

Section 3.1 examines the justification of the need to maintain **current airport operations** based on the benefits derived for the local community.

Section 3.2 examines the justification of need for the investment in the **Warbird Visitor Attraction** based on the economic benefits and social capital gained.

Section 3.3 examines the justification of need based more broadly in terms of how the project aligns with directions of and outcomes in various **higher-level strategies/plans**.

### 3.1 Maintaining Current Airport Operations

The Scone Regional Airport is an important community asset that Council considers essential to maintain given the benefits derived from it for the local community, no different to a road or a bridge servicing a number of businesses and community service providers.

The following sections examine the justification for maintaining current operations but in summary it includes:

- **demand for the service provided by the airport**, which caters for around 4,600 aircraft movements per year
- **benefits for the local economy** as the airport is the base of operation for 7 local businesses employing 80 people, is utilized by out of town businesses that service local industries and has potential to attract at least 8 new businesses with 52 jobs
- **support provided to emergency services** who utilise the airport (last year there were 625 landings, mainly RFS but also Air Ambulance, Careflight, etc.)
- **revenue to support airport operations**, which means Council can offset the costs of the airport with user fees and charges (and reduce subsidies via this project)
- **lack of availability of alternative facilities** at neighbouring airports and the impacts on the community if current operations were lost to these competitors.

The works required to address regulatory requirements and so maintain current airport operations are detailed in the **Scone Regional Airport Masterplan**, adopted by Council in 2016. This scope also included works to address current operational issues including a lack
of capacity for the number of aircraft using the facility. Amendments to this scope were accepted by Council at its August 2018 meeting (increasing parking areas for helicopters).

The alternative of not maintaining the current operations is considered in section 6. In summary, it means the benefits detailed in the following sections are lost.

3.1.1 Demand for the Service Provided by the Airport

The airport is a service valued by users, with around 4,600 landings p.a. on average over the last 4 years\(^1\) (average 13 per day, but obviously far more in peak periods). Users include:

- a number of commercial operations based on site (section 3.1.2)
- emergency services (section 3.1.3)
- commercial charter flights and jet operators from outside the area (the Airport Masterplan notes that these are predominantly servicing the equine industry)
- three registered flight training schools from Sydney who train pilots for the Royal Flying Doctor Service, Rural Fire Service and Westpac Helicopter who utilize the airport as a training ground
- Australian Defence Force, who utilize the airport as a training ground

The airport is also home to Scone Aero Club which provides flight training and a weekly social venue for its thirty plus members.

The *Scone Regional Airport Masterplan* from 2016 analysed usage and predicted future demand under low, medium and high growth scenarios. It is worth noting that actual usage (number of landings) at the airport in 2017/18 was higher than what was projected.

Growth projections associated with the project are discussed in section 7.2.2 to support estimates for increases in revenues. In addition to demand from existing users, the new businesses discussed in section 3.1.2 are expected to increase demand considerably.

Following is a summary of the demand for the airport as detailed in the *Scone Regional Airport Upgrade Business Case* (page 12).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Code A - 0 - 599 kgs</td>
<td>539</td>
<td>684</td>
<td>840</td>
<td>359</td>
<td>688</td>
</tr>
<tr>
<td>Code A - 600 - 1599 kgs</td>
<td>1713</td>
<td>2280</td>
<td>2661</td>
<td>1919</td>
<td>2218</td>
</tr>
<tr>
<td>Code A - 1600 - 5699 kgs</td>
<td>916</td>
<td>1230</td>
<td>1425</td>
<td>1686</td>
<td>1191</td>
</tr>
<tr>
<td>Code B - 5700 - 15000 kg</td>
<td>380</td>
<td>529</td>
<td>601</td>
<td>629</td>
<td>503</td>
</tr>
<tr>
<td>Code C - 15000 plus</td>
<td>15</td>
<td>29</td>
<td>22</td>
<td>14</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>3563</td>
<td>4751</td>
<td>5550</td>
<td>4607</td>
<td>4621</td>
</tr>
</tbody>
</table>

Of the 4,621 landings 79% are aeroplanes, 12% are helicopters and 9% ultralights.

The breakdown of users is:

- Local operators 45%
- Emergency Services 14%
- Warbirds 2%
- Non-local operators 38%
- International operators 1%

82% of the local operator usage is for commercial or business-related activity.

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\(^1\) Scone Regional Airport Upgrade Business Case (Growing Local Economies Application) UHSC (2018) page 12.
3.1.2 Benefits to the Local Economy

Scone Regional Airport is the base of operations for seven local businesses:

- *Pay’s Air Service*, which provides private charters and pilot training
- *Vintage Fighter Restoration*, which restores historic aircraft for clients all over the world
- *Pay’s Pty Ltd*, which is an aerial agricultural spraying business that also holds Australia’s largest firefighting contract with Rural Fire Service
- *Scone Aircraft Maintenance*, which provides aircraft maintenance and rebuild for clients across Australia
- *Airpasture* aerial agricultural spraying
- *NEVA-PART Aviation Welding Pty Ltd*, which is one of a few fully licensed commercial airframe welding commercial operators in NSW
- *Airspeed Aviation*, which operates an aircraft charter and flight training school business from the airport.

As noted above, local operators account for 45% of all landings (2,070 p.a.) and 82% of these (1,700 p.a.) is commercial or business-related activity.

**Together, these seven businesses operating from the airport employ around 80 staff** in a variety of positions as summarized in the table below.\(^2\)

<table>
<thead>
<tr>
<th>Business</th>
<th>Pilots</th>
<th>Aircraft Maintenance</th>
<th>Administration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter, RFS, Ag Spraying, Specialist Maintenance</td>
<td>25</td>
<td>25</td>
<td>5</td>
<td>45</td>
</tr>
<tr>
<td>Maintenance Business</td>
<td>11</td>
<td></td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>Charter &amp; Training</td>
<td>7</td>
<td>2</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Ag Spraying</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Maintenance Business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>37</td>
<td>10</td>
<td>80</td>
</tr>
</tbody>
</table>

Economic modelling suggests that the economic impact of the loss of these 80 jobs is around $98M p.a. and will further impact another 40 jobs in the supply chain and 45 jobs due to consumption effects, giving a total negative effective of $128M.\(^3\)

Additionally, Council is currently in negotiations with eight additional businesses who are interested in establishing operations at the Airport. This would secure another 52 jobs.

A notable driver of increased demand is closures of other airports in the greater Sydney region including Warnervale on the Central Coast (for commercial reasons) as well as Camden and Wilton in Western Sydney (due to the establishment of the new Airport at Badgerys Creek). Bankstown Airport is also severely constrained with no additional land capacity and increasing flight restrictions due to the new Western Sydney Airport.

This makes Scone more attractive to aircraft related businesses wanting to relocate as well as aeroclubs, pilot and glider training schools and general aviation maintenance businesses.\(^4\)

Their actual relocation depends on the construction of the new hangars and taxiways, which Council would then lease out to them. As discussed in section 7, income generated from these leases is the most significant source of revenue from ‘normal’ airport operations.

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\(^2\) Ibid, page 34.
\(^3\) Ibid, page 29.
\(^4\) *Scone Aviation Visitor Attraction Business Case*, page 7.
The following table summarises the businesses and positions that have been identified as being interested in moving already.\(^5\) It is highly likely that more will be attracted over time.

<table>
<thead>
<tr>
<th>Business</th>
<th>Pilots</th>
<th>Aircraft Maintenance</th>
<th>Apprentices</th>
<th>Administration</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warbird rebuild engine</td>
<td></td>
<td></td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>Warbird training school</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>General aviation training school</td>
<td>2</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Helicopter training school</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Helicopter maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Specialist helicopter refurbishment &amp; maintenance</td>
<td>6</td>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Acrobatic training school</td>
<td>3</td>
<td></td>
<td>2</td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Building maintenance</td>
<td>1</td>
<td></td>
<td>4</td>
<td>3</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10</td>
<td>18</td>
<td>4</td>
<td>10</td>
<td>10</td>
<td>52</td>
</tr>
</tbody>
</table>

Economic modelling suggests that these 52 jobs may create another 32 in the supply chain and 27 due to consumption, giving a total positive impact of $74M.\(^6\)

A number of out-of-town businesses utilise the airport including commercial charter jets and flight training schools (non-local operators make up 39% of landings or 1,650 p.a.). While the businesses are out of town, many are servicing local industry.

**It is essential the airport retains its ‘registered’ status under Civil Aviation Safety Authority (CASA) regulations if the existing local businesses are to be retained as well as the new businesses interested in moving and the non-local operators supporting local business.**\(^7\)

### 3.1.3 Support Provided to Emergency Services

The airport plays an essential role in saving lives by facilitating medical evacuations, collection and delivery of organ donations, and search and rescue. It is regularly used by the Air Ambulance, Westpac Helicopter, Angel Flight and the Royal Flying Doctor Service.

Along with the medical services, the airport is the base for Australia’s largest air Rural Fire Service contractor. This contractor has 30 aircraft that are dedicated to the vital role of protecting the homes, livelihoods and lives of those affected by bush fires. If this service was no longer available in the region it would significantly reduce emergency response capability and increase the risk from bushfire threats. During the Sir Ivan bushfire (which burned out 55,000 hectares, 35 homes and buildings and 1,000 livestock in Warrumbungle and Upper Hunter Shires), 30 RFS aircraft were based at the Scone Regional Airport.

**In the 2017/18 financial year 625 landings (14% of the total), or an average of 2 per day, were for emergency services activity.** Most of these were associated with RFS, but there were also 66 landings (11% of the total, more than 1 per week) for Air Ambulance, Careflight, Westpac Rescue Helicopter, etc.

\(^5\) Scone Regional Airport Upgrade Business Case, page 35.
\(^6\) Ibid, page 35.
\(^7\) Scone Regional Airport Masterplan, page 24.
The NSW Police utilise the airport when they need to be able to respond to emergencies quickly. It is used to transport police both in and out to manage situations along with prisoner transportation between corrective services facilities.

Scone Regional Airport is the only airport in the Upper Hunter region and so is a critical resource for communities from Singleton to Willow Tree and Dunedoo to the Barrington Tops, as shown below.

The airport is also part of the Airservices Backup Navigational Network which provides a backup in the event of failure of the satellite navigation system that is now mandated around the globe. Location and direction can be established from this beacon at the airport, enabling the pilot to fly to this location and land safely. The Airport Masterplan (page 14) notes that this will probably remain in service until 2025. The airport needs to be certified if the beacon is to remain operational and thus contribute to aircraft safety in the region.

3.1.4 Availability of Alternative Facilities

An important issue to consider in evaluating the justification of the need for the project is the availability of alternative facilities. If alternatives were available, Council might decide to rely on these rather than providing the facilities with its own resources.

The Airport Masterplan (page 6) identifies a number of airports within reasonable proximity to Scone Regional Airport including Quirindi (75km away), Cessnock and Maitland (each 120km away) and Newcastle (150km away). These are shown in the chart below.

If Council were to allow the airport to close and rely on these alternative facilities, though, the benefits identified above – local businesses and jobs, emergency services, etc. – would be lost to those other areas. Council would also lose the opportunity to leverage increased value from the asset via the Warbird Visitor Attraction, discussed below.

Another issue to consider in this context is that other airports are either closing or restrictions are increasing, which will increase demand for facilities sites such as Scone (as discussed in section 3.2.1) and so increase the value of and demand for these facilities.
3.1.5 State of Existing Infrastructure

The final and perhaps most basic justification for undertaking the works at the airport is the state of the existing infrastructure. A summary of the key items in the scope was included in section 2.1 and details are in the Business Case, but photos below highlight the issues.

Pavement failures (rutting) due to inadequate strength, exacerbated by water ponding
Taxiways closed due to pavements being in poor condition and too narrow

Inadequate surface drainage

3.2 Warbird Visitor Attraction

As noted in section 2.2, the construction of the Warbird Visitor Attraction is not possible without renewal and upgrade of airport infrastructure. Council has received a grant of $6.2M to help fund construction of the Attraction and to undertake some works for renewal and upgrade the airport itself (i.e. part of the $12M of works described in section 2.1).

The following sections consider the justification for Council to invest in the Warbird Visitor Attraction in relation to benefits to the visitor economy, the opportunity to generate revenues to support airport operations and the broader benefits to the community.

3.2.1 Benefits for the Visitor Economy

The *Scone Aviation Visitor Attraction Business Case* (Stafford Group, 2018) describes the Warbird Visitor Attraction as a ‘game-changer’ for the local tourism industry that could:¹⁸

- Improve visitation to the area, particularly for Scone, where visitation has stagnated over the last 5 years (and will be further negatively impacted by the Scone Bypass)
- Increase the number of visitor nights and lengthen the average stay (both of which are key determinants of visitor expenditure, which has decreased in recent years)

¹⁸ Page 29.
• Appeal to the ‘holiday’ visitors to the area, who typically spend more time and resources on tourist activities and attractions
• Help transform the area into a recognised tourism destination.

Importantly, improvements in the visitor economy are anticipated to stimulate supporting visitor services and infrastructure, further enhancing the local and regional economies by:
• Improving occupancy rates for existing accommodation facilities
• Development of additional accommodation facilities to support increased visitation
• Increased spending in local businesses, particularly restaurants, etc.
• Encouraging business investment.

3.2.2 Visitor forecasts for the Aviation Visitor Attraction

The Business Case includes projections for visitation to the Attraction commencing at 24,100 and growing to 49,500 in year 9, with increased visitation every second year for air shows.9

Visitation data from several other aviation museums is also included:
• Hill Aerospace Museum – Utah, USA (160k);
• RAAF Museum Point Cook – Victoria (90k);
• Temora Aviation Museum – NSW (40k);
• Queensland Air Museum (22k);
• Aviation Heritage Museum – NT (20k); and
• Hinkler Hall of Aviation - QLD (10k).

It is important to note that visitation projections for the attraction grow on a comparable basis to the Temora Aviation Museum in the Riverina region of NSW but start to exceed the Temora figures from year 5 onward (only in air show years), due to:
• A larger exhibition range of aircraft on display noting that Temora has 16 high quality aircraft whilst the AVA collection has over 25;
• Stronger population catchment for Scone to major urban areas including Newcastle and the Hunter region, and the link to the central coast and greater Sydney for repeat visitor markets and the ability to access international visitor markets;

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9 Page 30.
Capital Expenditure Review for Scone Regional Airport
Strength of other sectors of the economy to help leverage off including the equine sector with many fly in stakeholders, and
Extensive development potential for Scone Airport associated with multiple flight training schools (fixed wing and helicopter), aircraft fabricators and engine builders relocating to Scone and various emergency related services which hub out of Scone Airport including Flying Doctor service, Rural Fire Service and others.

It is important to note that in non air show years, the visitation projections to Scone Airport and the Warbird Visitor Attraction is below annual visitation to Temora Aviation Museum.

Based on these comparators, visitation projections for the Warbirds Visitor Attraction appear to be a reasonable, if not a conservative estimate. This provides confidence in the revenue projections from the facility discussed below and considered further in section 7.

3.2.3 Revenue Generation

The Business Case (page 50) includes estimated revenues and expenditure associated with the Warbird Visitor Attraction. This analysis suggests that Council can potentially generate a significant return from the facility once it is ‘up and running’. There are a number of scenarios considered in section 7.3, but it appears that the revenues in the medium term (year 5 onwards) are sufficient to:

- cover the costs of operating the facility (including servicing loans and accounting for depreciation)
- reduce or even eliminate the existing subsidy for operating the airport which is currently over $300,000 p.a. and only likely to increase in future
- generate a surplus that can then be invested back into the airport or into other Council services.

Priorities for re-investment of the surplus back into the airport would include those works to meet demand that may need to be removed from the scope at this time to reduce the overall project cost (as flagged in section 2.1 and further discussed in section 7.1.1).

Of course, Council will only generate these revenues if it treats the Attraction as a business. The need for an appropriate governance structure is discussed in section 4.8.2.

3.2.4 Social Benefits of the Warbird Visitor Attraction

The Warbird Visitor Attraction will be an iconic addition to local identity, strengthening the sense of place and community spirit.

It will also strengthen links to an important piece of history, encouraging school groups and others to explore a greater understanding of our past.

The facility itself will provide a café and function space suitable for use by a range of groups.

3.3 Strategic Alignment

The Scone Regional Airport Project aligns with the broad objectives in the NSW Premier’s Priorities in that it creates jobs and delivers infrastructure. The grant of $6.2M under the NSW Regional Growth – Environment and Tourism Fund is evidence that the project aligns with the aims of this program, i.e. increasing tourist visitation by investing in regional environment and tourism infrastructure, particularly focusing on fixed assets that will grow and further diversify NSW regional economies.

The project also aligns with the Hunter Regional Plan 2036. Goal 1 is ‘the leading regional economy in Australia’. Direction 5 is ‘transform the productivity of the Upper Hunter’,...
which is focused on economic diversification. Direction 9 is ‘grow tourism in the region’ and Action 9.1 is ‘enable investment in infrastructure to expand the tourism industry including connections to tourism gateways and attractions’. The analysis in section 3.2 highlights that investment in the Warbird Visitor Attraction is a means of expanding the tourism industry and so helping to diversify the economy. Providing good airport infrastructure will also open the door for other aircraft-related industries.

The Upper Hunter Shire Community Strategic Plan 2027 identifies a number of community priorities relevant to this project including:

- Well maintained, safe, reliable and additional infrastructure, including sporting fields, parks, family and cultural facilities
- Increased and innovative tourism and visitor opportunities
- A stronger economic base to attract and retain residents, particularly our young people

The Plan also identifies a number of community strategies (CS19, 20 and 23) under the key focus area of ‘economy and infrastructure’ and goal 5 ‘a sustainable and prosperous economy’ that are relevant to this project including:

- Encourage retail and commercial business to locate and prosper within our Shire
- Encourage and support innovative industry and a diversity of businesses that provide a range of services and employment opportunities for current and future generations
- Facilitate and support increased and innovative tourism and marketing opportunities.

While there is obvious that this project aligns with a number of strategies identified in the Community Strategic Plan, a further consideration is the relative priority of this project compared with actions to pursue other community strategies in the Community Strategic Plan. These other priorities are considered in section 5.

Council’s Delivery Program 2017/18-2020/21 & Operational Plan 2018/19 identifies the upgrade of the Airport consistent with the Council endorsed Masterplan as one of the ‘ongoing commitments and projects’ in section 4.3. The scope is identified as: ‘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. Further improvements include the Warbirds Aviation Attraction and Terminal Building, public parking and facilities.’

However, there are considerable differences between the finances as proposed in the 2018 Delivery Program and Operational Plan and that now proposed by Council as considered in this capital expenditure review. Council did identify that the total project would cost around $22.3M (refer table on page 18 of part 4.4), but only proposed to borrow $3.965M (refer table on page 19 of part 3).

As discussed in section 7.1, the capital cost of the project is likely to be higher than $22.3M and the scale of borrowings is likely to be substantially higher.

The project plan in section 2.3 identifies the need for Council to undertake further consultation with the community to provide updated information reflecting these changes as part of formulating its 2019 Delivery Program and Operational Plan.
4. Managing the Project to Completion and into the Future

4.1 Council’s Responsibilities for the Project Throughout its Lifetime

Council’s key responsibilities throughout the life of the project include:

- Ongoing consultation and engagement with all stakeholders
- Monitoring and reporting on progress of the project (taking corrective actions as necessary) to ensure that objectives in terms of time, cost and quality are achieved and in particular that risks are managed appropriately
- Appointing and managing contractors responsible for design, specification, project and contract management (i.e. those managing construction) and ensuring all procurement processes comply with Council policies and regulatory requirements
- Maintaining systems for airport operations to comply with regulatory requirements
- Establishing resources, systems and governance arrangements for the operation of the Warbird Visitor Attraction.

The governance and management arrangements for the project during construction and into the future are outlined in sections 4.7 and 4.8.

4.2 Council’s Track Record in Project Delivery

Council has undertaken several significant and comparable building projects in recent years including the $11.8M upgrade of the Scone Regional Livestock Selling Centre and the $1.9M White Park Recreation and Equine Facility as well as any number of civil infrastructure projects such as roads, bridges, water supply, sewerage and stormwater drainage.

While Council is confident that it can effectively manage this project to completion, it has recognised the need to improve its governance of major projects such as this and intends to do so by establishing a Project Control Group supported by a stronger Project Management Framework as discussed in section 4.7. This group will also be responsible for establishing the operational side of this project as discussed in section 4.8.

4.3 Risk Management Plan

The table below identifies the primary risks arising from this project, the consequences associated with the risk and the likelihood of the risk occurring given the treatment methods that Council has or will implement to manage the risk.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Consequence</th>
<th>Likelihood</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>New airport facilities don’t meet CASA requirements and further expense is required to achieve certification</td>
<td>Reputation damage, need for further investment to rectify issues, potentially compromise airport operations</td>
<td>Unlikely</td>
<td>Expert advice sought to formulate airport masterplan</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Proposed upgrade plans verified with CASA to ensure they meet the requirements for certification prior to commencement</td>
</tr>
<tr>
<td>Warbird Visitor Attraction fails to generate predicted visitor numbers</td>
<td>Reputation damage, failure to realise economic benefits, increase in subsidy required from Council</td>
<td>Unlikely</td>
<td>Expert advice sought to analyse the feasibility of the development</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business plan to be developed</td>
</tr>
<tr>
<td>Risk</td>
<td>Consequence</td>
<td>Likelihood</td>
<td>Treatment</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Warbird Visitor Attraction has higher than estimated operating costs</td>
<td>Reputation damage, increase in subsidy required from Council</td>
<td>Unlikely</td>
<td>Expert advice sought on operation Business plan to be developed</td>
</tr>
<tr>
<td>Loss of access to warbirds (fallout with owner, owner goes out of business, etc.)</td>
<td>Inability to attract visitors (no central attraction) and loss of benefits of investment</td>
<td>Unlikely</td>
<td>Council to negotiate a contract arrangement that secures access to the warbirds for the long term (discussed in section 4.8)</td>
</tr>
<tr>
<td>Cost overrun on construction</td>
<td>Increase in subsidy required from Council</td>
<td>Unlikely</td>
<td>Updated QS to be prepared prior to final decision to progress (section 2.3) Implement strong project governance (section 4.8). Project and contract manager employed, lump sum contract</td>
</tr>
<tr>
<td>Design changes</td>
<td>Increased costs</td>
<td>Unlikely</td>
<td>Finalise designs and review costs</td>
</tr>
<tr>
<td>Upgraded facilities unable to cater for demand e.g. limited space for jets</td>
<td>Constraints on usage Potential users turned off</td>
<td>Possible</td>
<td>Upgraded facilities designed to cater for increased demand</td>
</tr>
<tr>
<td>Longer-term increase in usage hampered by development</td>
<td>Significant future expenditure due to development constraints</td>
<td>Unlikely</td>
<td>Upgrade plans will address development constraints (e.g. moving taxiways so they are compliant)</td>
</tr>
<tr>
<td>Decrease in demand e.g. a new competitor</td>
<td>Lose justification for investment Loss of revenues</td>
<td>Unlikely</td>
<td>Masterplan analysed competition and provides longer-term forecasts of demand, no other competitors identified</td>
</tr>
</tbody>
</table>

Governance and management structures for the project (sections 4.7, 4.8) will be the primary means by which Council will ensure that these risks are managed, and that others are identified, assessed and treated as the project progresses.

4.4 Compliance Requirements

The table below lists all key compliance requirements related to the project.

As can be seen, there are four key components:

- Airport-specific requirements to meet Civil Aviation Safety Authority (CASA) Manual of Standards
- Procurement and reporting arrangements under the NSW Local Government Act
- Environmental and other assessments considered in the Statement of Environmental Effects (part of the development application)
- Environmental and safety related issues managed via the project management system (discussed in section 4.7)

<table>
<thead>
<tr>
<th>Reference</th>
<th>Requirement / Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Aviation Safety Authority Manual of Standards Part 139</td>
<td>Renewal and upgrade works must be completed to achieve ‘certified’ airport status under the new CASA requirements and so maintain current operations</td>
</tr>
<tr>
<td>Local Government Act, 1993 and regulations</td>
<td>Tendering, reporting on activities as part of the annual report and financial statements</td>
</tr>
<tr>
<td>Environmental Planning and Assessment Act, 1979</td>
<td>Submission of a development application (this will be assessed by the Joint Regional Planning Panel given the value of the work and fact that Council is the developer) for the works including preparation of a Statement of Environmental Effects (SEE)</td>
</tr>
<tr>
<td>Heritage Act, 1977</td>
<td>Consider non-aboriginal heritage in SEE, notify if items are discovered during construction</td>
</tr>
<tr>
<td>National Parks and Wildlife Act, 1974</td>
<td>Consider flora, fauna and aboriginal heritage in SEE, notify if items are discovered during construction</td>
</tr>
<tr>
<td>Contaminated Land Management Act, 1997</td>
<td>Consider contaminated lands in SEE, actions to be in accordance with management plan / order if required</td>
</tr>
<tr>
<td>Protection of the Environment Operations Act, 1997</td>
<td>Controls to avoid pollution of the environment addressed in SEE and implemented via project management system</td>
</tr>
<tr>
<td>Work Health and Safety Act, 2011</td>
<td>Eliminate or minimise risks to health and safety, ensure appropriate arrangements are implemented via project management system</td>
</tr>
<tr>
<td>Building and Construction Industry Security of Payment Act, 1999</td>
<td>Comply with processes and timeframes for payments to contractors and subcontractors engaged for the project</td>
</tr>
</tbody>
</table>

4.5 Probity Plan

This project will be undertaken in accordance with the following probity principles:

- Compliance with legal and policy requirements
- Use of a competitive process
- Fairness and impartiality
- Consistency and transparency of process
- Security and confidentiality
- Identification and declaration of conflict of interest.

Key components of the project requiring attention from a probity perspective and the actions proposed to be taken to address the principles above are outlined below.

Further issues may be identified as the project progresses. These will be identified and managed via the Project Control Group (section 4.7).

*Partners for Warbird Visitor Attraction*
Council sought expressions of interest from interested parties regarding the ‘Proposed Aviation Visitor Attraction’ in April 2017, however this was seeking parties interested in operating the facility. Council has now determined that this will be undertaken in-house due to restrictions imposed as part of grant conditions (i.e. operation of the facility by private companies was not permitted).

There has been no process seeking alternative partners to provide the warbirds for the attraction, however these are a rare and unique item. Under section 55 of the NSW Local Government Act, councils are exempt from tendering where there is a lack of competitive or reliable tenderers. This issue requires further consideration as discussed in section 4.8.2.

Development Assessment

As the development is valued at over $5M and the proponent is Council, the Development Application will be assessed by the Joint Regional Planning Panel.

Leasing the Café Space

Leasing of the café space will be undertaken via an open and competitive process calling for applications in accordance with Council’s Procurement Policy.

Council will also undertake a market appraisal for rent. The best value application will be accepted based on defined criteria.

Tendering

Probity issues related to tendering are discussed in section 4.6.

4.6 Tender Evaluation

Tendering processes for the project will be undertaken in accordance with Council’s Procurement Policy, the Local Government Act 1993 and the Local Government (General) Regulation 2005.

The major component to be tendered is the construction of the facility, which may be either a single or multiple contracts. This will be considered by the Project Control Group (section 4.7) as the project progresses.

Selection criteria for all procurement processes will include previous experience, capacity, proposed methodology and value for money.

Input to the specification will be sought from stakeholders in relation to functionality issues, however the tender assessment committee will only include senior Council staff and the contract and project manager.

4.7 Governance and Management Arrangements Prior to and During Construction

Council intends to establish a Project Control Group to provide governance over the project (i.e. the steps in the project plan in section 2.3).

This Group will be supported by a Project Management Framework to be developed for this project as a pilot and then rolled out to other projects in future.

The Group will comprise senior Council staff and external resources as required to ensure the project objectives are realised and that risks are managed appropriately.

Progress on the project will be reported to Council as a minimum quarterly, with more regular updates provided as necessary (for example at the key decision points noted in the project plan in section 2.3).

Operational reporting to Council’s Executive will be on a more regular basis.
4.8 Governance and Management for the Ongoing Operation of the Airport and WVA

The Project Control Group will also review governance arrangements for the operations and management of the airport and Warbird Visitor Attraction in preparation for the new operations following completion of construction. Key issues are discussed below.

4.8.1 Airport

Activities at the airport are currently managed by the UHSC Property and Business Coordinator (supported by an Airport Reporting Officer), who reports to the UHSC Business Enterprise and Tourism Manager (currently vacant), who reports to the UHSC Director Corporate Services.

Council has also established the Scone Airport Management Committee under section 355 of the NSW *Local Government Act 1993*. The committee’s delegations are as follows:

- To maintain, plan and develop the Scone Regional Airport to a standard acceptable to Council, Civil Aviation Safety Authority (CASA) and Air Services Australia.

  This will be achieved through the following objectives:

  - Develop and implement an Airport Strategy and Masterplan and review these documents during the term of each new Council.
  - Develop policies and procedures for the operation and maintenance of the Airport.
  - Receive reports and provide advice on the operations of the Airport and ensure compliance with all statutory requirements including CASA and Air Services Australia requirements.
  - Formulate and maintain rules and regulations for the operation of the Airport.
  - Make recommendations to Council on matters relating to:
    - The annual budget for the facility
    - Fees and charges to apply for airport facility use
    - Development projects within the Airport
    - Reviewing Airport budget and operations

Delegations relating to the ‘implementation’ of the Airport Strategy and Masterplan and ‘development of policies and procedures for the operation and maintenance of the airport’ (rather than providing input to and recommendations relating to these documents) are proposed to be reviewed to ensure there is clarity about what is Council’s operational responsibility and what is appropriate for the Committee to provide input and advice on.

The need for representation on the Committee specifically related to the Warbird Visitor Attraction or to otherwise clarify the relationship may also need consideration.

4.8.2 Warbird Visitor Attraction

As noted in section 4.5, a condition of the grant secured to help fund the construction of the Attraction was that the facility would be operated by Council.

It is critical that Council treats the Attraction as a commercial activity as the financial viability of the project (discussed in section 7) relies on Council generating substantial revenues from it. In this respect, it is no different to other facilities owned by Council with a commercial focus such as the Scone Regional Livestock Selling Centre. In particular, Council must acknowledge the need for ongoing investment in the facility and its operations for example, in marketing which could otherwise be viewed as an ‘optional’ expense.
An important issue that should be progressed as a priority to support such decisions is the development of a detailed business plan. This, and the recruitment of a good manager/coordinator position are critical steps to ensure the viability of the Attraction. Ideally, key staff for the Attraction should be recruited well before it is ready to open so that they can establish systems and processes and ensure they ‘hit the ground running’.

Another key issue is the relationship with the owners of the warbirds. Council needs to secure this agreement prior to committing to actually building the facility as its viability relies completely on access to these planes. This agreement needs to provide Council with some certainty regarding ongoing access to the planes over the longer term and the arrangements for air shows, particularly given that the air shows are such a critical source of revenue for the Attraction (as discussed in section 7.2).

It will also be important that the owners of the warbirds feel they have a stake in the operation and success of the Attraction (rather than Council being the owner and they being a ‘contractor’ or ‘tenant’). Consideration needs to be given to how this can be achieved.

A further key determinant of success will be establishing and maintaining strong relationships with other similar facilities such as the Temora Aviation Museum (most likely, these relationships will be facilitated by the warbird owners). There will be opportunities for planes and other displays to be swapped, cross-marketing, etc.

There are significant opportunities for Council to utilise volunteer resources to help with all aspects of the facility. It will be important that this is a key area of focus as early as possible, so that they are ready to support operations when it opens, too.

All of these issues need to be considered in the business plan.

4.8.3 Competitive Neutrality

Under National Competition Policy and NSW Government requirements in Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality, Council must treat any business generating over $2M p.a. as a ‘category 1’ business and treat it with full competitive neutrality (it is worth noting that the guidelines, including this dollar value, have not been amended since 1997). Businesses generating under $2M p.a. may be treated as ‘category 2’ businesses, but the principles and intent of competitive neutrality still apply.

In summary, for category 1 businesses this means (among other things) that council businesses be separately identified in Council’s internal reporting, apply full cost attribution (tax equivalents, debt guarantees and return on capital) and that any subsidies be explicit. Council must also have procedure to handle complaints about competitive neutrality.

Financial projections in section 7 indicate that the Airport and Warbird Visitor Attraction will together generate revenues in excess of $2M p.a. within 3 years, and that the Visitor Attraction alone will generate revenues over $2M p.a. within 5 years, but only every second year when there is an air show. Even in years 9 and 10, the Visitor Attraction alone will not generate over $2M p.a. averaged over 2 years.

It is unlikely that Council’s activities will trigger complaints about neutrality from its competitors in either the airport or visitor attraction spheres, and the café is proposed to be leased out. Arguably the biggest reason to apply the competitive neutrality principles (at least as a category 2 business) are to provide confidence to Council and the community that these activities aren’t being subsidised unless this is explicit in financial reporting.

This issue needs further consideration and should be specifically addressed in the Business Plan for the Warbird Visitor Attraction.
5. Priority Compared to Existing Commitments and Needs

As discussed in section 7, the financial forecasts for the project suggest that while Council’s operating performance will deteriorate over the short term, it will improve over the medium term (i.e. within 5 years). This means that Council will potentially have additional resources available to focus on other priorities.

The following sections consider competing priorities for the resources Council intends to invest in this project in terms of infrastructure and non-infrastructure related priorities.

This is followed by an outline of how Council will stay ‘fit for the future’ and so ensure that it can satisfy the needs and expectations of the community into the future.

5.1 Infrastructure Related Priorities

5.1.1 Infrastructure Renewal Backlog

The key measure of existing commitments and needs in relation to infrastructure is the renewal backlog. The table below identifies key components of Council’s $4M backlog as reported in Special Schedule 7 of Council’s Annual Financial Statements for 2017.

As highlighted in the table, funding allocated in Council’s Delivery Program over the next 4 years will address most of the key issues currently reported as backlog, although some issues may need further investigation and review.

There is certainly for Council to fund the issues given the relatively small size of the backlog. A $4M backlog equates to just 0.87% of the $457M carrying value of assets, well within the 2% benchmark established under the Fit for the Future program.

<table>
<thead>
<tr>
<th>Asset</th>
<th>2017 Backlog ($M)</th>
<th>Actions to Address the Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Supply</td>
<td>1.20</td>
<td>Budget includes $1.7M p.a. for minor water supply projects including mains and reservoirs (excluding the $11.5M for Scone water treatment plant and $13.5M for Murrurundi pipeline)</td>
</tr>
<tr>
<td></td>
<td>1.1 mains &amp; pipes,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.1 reservoirs</td>
<td></td>
</tr>
<tr>
<td>Sewerage</td>
<td>0.85</td>
<td>Budget includes $1.2M p.a. for sewerage projects with a particular focus on mains relining (excluding $4.2M for Scone sewage treatment plant and $2M for Cassillis sewerage scheme)</td>
</tr>
<tr>
<td></td>
<td>0.7 mains</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.1 treatment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>plant</td>
<td></td>
</tr>
<tr>
<td>Roads</td>
<td>1.3</td>
<td>Budget includes $1.5M p.a. for reseals (sealed surface), which should address the $0.2M backlog and go close to keeping up with deterioration (it is estimated that $1.7-2M p.a. is required, on average, over the 10 year period so budgets may need to go up). Budget includes $5M (4 year total) for bridges, which should address the $0.35M backlog but this is dependent on grant funding. Budget only includes $0.3M (4 year total) for unsealed road resheets – appears insufficient.</td>
</tr>
<tr>
<td></td>
<td>0.5 unsealed roads</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.2 sealed surface</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.35 bridges</td>
<td></td>
</tr>
<tr>
<td>Stormwater Drainage</td>
<td>0.21</td>
<td>No budget – may need review.</td>
</tr>
<tr>
<td></td>
<td>0.15 box culverts</td>
<td></td>
</tr>
<tr>
<td>Open Space and</td>
<td>0.42</td>
<td>Budget includes $0.2M (4 year total) for pools but this may not be for backlog items</td>
</tr>
<tr>
<td>Recreation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.2 pools</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.1 parks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.08 sportgrounds</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.08</td>
<td>Funding for aerodrome will address backlog here, depot is minimal.</td>
</tr>
<tr>
<td></td>
<td>0.06 aerodrome</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.02 depot</td>
<td></td>
</tr>
</tbody>
</table>
Council is forecasting a Building and Infrastructure Renewal Ratio higher than the 100% benchmark, which suggests it will be renewing its assets considering the portfolio as a whole faster than they are deteriorating. This means the backlog should reduce over time.

In conclusion, it would appear that the 4 years of funding detailed in the 2018 Delivery Program is sufficient to address infrastructure renewal needs and in particular the backlog.

5.1.2 New and Upgraded Assets

In many respects, the renewal of existing assets is a higher priority than new or upgraded assets however there are situations where new or upgraded assets are also a high priority.

During community consultation undertaken as part of preparation of the Community Strategic Plan, it was established that the community wants to maintain the rural/country feel but would like increased and enhanced roads, community facilities and revitalised town centres. A significant number of projects were identified and packaged up as potentially being funded by a Special Rate Variation (SRV).

In summary, the projects included:

- $10.2M in town revitalisation projects (with projects identified in each locality)
- $2M in community and family infrastructure / facilities
- $3M in road projects (including $1M in concrete causeway renewals)

Details of the projects are available on pages 14-16 of the following document:

The four options for varying levels of SRV included an increasing number of town revitalisation projects, then the community infrastructure and finally the roads projects. Council applied to IPART for the highest-level option covering $15M in projects and was intending on taking out a loan to cover these, to be repaid by revenues from the SRV.

IPART did not approve the application for an SRV. They advised that their decision was due to the fact that the extent and impact of the rate increases were not made clear to the community, and the SRV wasn’t mentioned in the Delivery Program.

Council has reviewed the priority of the above described works relative to the proposed works at the Airport and has determined that there is a stronger justification for the latter given the issues discussed in section 3. Given that over the medium term the financial forecast is that the facility will reduce or even eliminate the existing subsidy of the airport (as discussed in section 7), Council will be freeing up funding to allocate to other priorities.

5.2 Non-Infrastructure Related Community Priorities

Council has undertaken a number of community engagement initiatives to determine the community’s priorities for Council service provision. These are outlined in section 8.

Allocation of Council’s limited resources is always a trade-off between competing priorities: this is what the integrated planning and reporting framework, established under the Local Government Act, is all about.

Council considers that the Airport project is of a higher significance than competing priorities for non-infrastructure related activities because of the justifications outlined in section 3 and the fact that over the medium term, the project is forecast to reduce or even eliminate Council’s subsidy of the airport, which will free resources to allocate to other
priorities in future (whereas the alternative of ‘doing nothing’, if this is practicable, will see Council continue to subsidise airport operations into the future.

5.3 Staying ‘Fit for the Future’

Council acknowledges the importance of financial sustainability and intends to implement strategies to continue to stay ‘fit for the future’.

As discussed in section 7, the project will result in Council’s operating performance (financial sustainability) improving in the medium term and beyond.

Council’s Fit for the Future Improvement Proposal identified a number of actions in the Improvement Action Plan. These are summarised in the table below.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>How Financial Sustainability is Improved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service reviews</td>
<td>Identify and pursue operational efficiencies (including shared services), improve effectiveness of operations and generate higher revenues</td>
</tr>
<tr>
<td>Service level reviews</td>
<td>Reduce the level of services based on community engagement about priorities and willingness to pay.</td>
</tr>
<tr>
<td>Improved infrastructure asset management</td>
<td>Optimising the lifecycle management of infrastructure reduces the long term costs of providing it. Property acquisition and disposal can improve sustainability and efficiency.</td>
</tr>
</tbody>
</table>

Council has recognised the need to update its Council Improvement Plan and intends to do so as part of its 2019 update to its Integrated Planning and Reporting Documentation.
6. Alternatives

There are 6 key alternatives to the project as proposed in this capital expenditure review:

1. **Do nothing**, which will result in the airport being ‘de-registered’ for failing to comply with regulatory requirements and the loss of benefits identified in section 3.

2. **Do the minimum** (to maintain registration for the airport), which needs clarification as up to this point – informed by the *Scone Regional Airport Masterplan* from 2016, which has been adopted by Council – the focus has been not only addressing compliance issues, but also making improvements to the facility such as catering for increased demand.

3. **Sell the airport as a going concern**, which has not been investigated and may turn out to be not possible given restrictions attached to the original transfer of ownership from the Federal Government.

4. **Joint venture, public-private partnership, etc.** has also not been investigated.

5. **Only build the Warbird Visitor Attraction** and sufficient airside infrastructure to retain registration (i.e. as per option 2).

6. **Only build the upgraded airport** and not proceed with the Warbird Visitor Attraction, which will result in the loss of the benefits identified in section 3.2.

As identified in section 2.3, there are a number of decision points left prior to Council making the final decision to progress with this proposal by accepting tenders for construction. Council has an opportunity to explore any of the above alternatives further if it considers it worthwhile doing so.
7. Financial Implications

The financial implications of both elements of the proposal (the airport and Warbird Visitor Attraction) are detailed in the following sections considering

- **capital** (initial construction) costs as well as associated funding assistance (grants) and extent of borrowing required to fund the difference and
- **operating** (ongoing) costs and revenues.

There are a number of issues that will influence these costs, including:

- **Actual capital costs** in terms of what is sought via the tender process, and the competitiveness of tenders received
- **Funding assistance** in terms of grants (a $6.3M grant has been secured, but another $6.5M has been submitted)
- **Actual operating expenses and revenues** which depends on the level of demand for the airport and the way the Warbird Visitor Attraction is operated

A scenario analysis is included to examine the implications of these issues in section 7.3.

7.1 Capital Costs, Grant Assistance and Loans

7.1.1 Capital Cost Estimate

Quantity surveys of components of the project have been obtained as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Estimate</th>
<th>Estimate by</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Runway, taxiways, earthworks, drainage</td>
<td>$11.99M</td>
<td>Kamen Engineering</td>
<td>29 Aug. 2018</td>
</tr>
<tr>
<td>Warbird Visitor Attraction and terminal</td>
<td>$8.62M</td>
<td>Costplan Group</td>
<td>3 Sept. 2018</td>
</tr>
<tr>
<td>Sheds for hangars</td>
<td>$1.57M</td>
<td>Best Sheds</td>
<td></td>
</tr>
</tbody>
</table>

The scope of works covered by these estimates has now changed, but the unit rates applied have been used to assess the changes. Taking into account these changes and other information available (for example, making an assessment of potential opportunities to make savings via economies of scale, reducing scope, etc.), a total capital cost of $23.5M has been assumed for the purposes of this capital expenditure review, with the value of each project element being as quoted in sections 2.1 and 2.2.

The key issues for Council to note in terms of this uncertainty regarding capital cost is that:

- the second task in the project plan (section 2.3) is to obtain an updated quantity survey based on the final design plans and scope of works
- the implications of a higher capital cost have effectively been considered as scenario 3 in section 7.3 (which considers the case of the $6.5M grant being unsuccessful, which is equivalent to a successful grant and $6.5M increase in capital cost, i.e. total project value of $30M) – as discussed, under this scenario Council is still better off financially than the current situation.

7.1.2 Grant funding

Council has been successful in obtaining a $6.3M Environment and Tourism Fund Grant, which was focused on the Warbirds Visitor Attraction (the project element described in section 2.2) but also included a portion of the ‘airport infrastructure’ (the project element described in section 2.1). The total scope of works originally agreed upon was $13M, however the estimate for these works has now been increased following detailed design and engineering to $16.1M. The ‘airport’ works included in the scope relevant to the grant
is not directly comparable to the project elements described in this report (it only includes a portion of the works necessary to be undertaken to keep the airport operational).

Council has also applied for a $6.5M grant under the Growing Local Economies Fund which was focused on the airside infrastructure upgrade. The total scope of works as part of the and a further scope totalling $15.567M proposed in the application, including an $8.963M contribution from Council.

There are a range of other grant opportunities to pursue to reduce the level of borrowing Council needs to undertake to complete the project, however for the purposes of this capital expenditure review, it is assumed that the $6.5M grant application is successful. The case where the grant is unsuccessful is considered as scenario 3 in section 7.3.

7.1.3 Loans required

Based on a capital cost of $23.5M and grants of $13.1M, Council would need to borrow $10.4M. This is what has been assumed as the basis of this capital expenditure review although a higher level of borrowing has been assumed as scenario 3 in section 7.3.

7.2 Operational Revenues and Expenses

In what follows, the current situation is reviewed first and then each of the major project elements before considering the project as a whole.

The figures quoted are approximate only. They are intended to help Council understand the financial implications of the project, how it will impact Council’s operating performance (financial sustainability) in future.

These figures do not provide a final and definitive picture of the project. The purpose of many of the tasks the project plan (section 2.3) is to clarify the situation so that a definitive picture can be provided to enable Council to make an informed final decision as to whether to progress (i.e. by accepting tenders for construction).

It is important to note, though, that the scenarios in section 7.3 do show the implications if some of the assumptions adopted in this capital expenditure review do turn out to be inaccurate (e.g. capital cost increase, grants unsuccessful, lower revenues, etc.).

It is important to note that distinction made between the costs associated with ‘normal’ airport operations and the Warbird Visitor Attraction is somewhat arbitrary in that they are inter-related. For example, some of the revenue growth generated as part of normal operations will be driven by the presence of the Attraction and conversely, some of the costs of operating the Attraction such as maintaining the surrounds will be covered as part of normal airport operations.

The purpose is not to present each as a stand-alone element but rather to clarify the financial contribution broadly associated with each element.

7.2.1 Current Operations

As discussed in section 6, the reality is that the current situation cannot continue because in the not-too-distant future (within say 2 years) the airport will become ‘de-registered’ because it does not meet current regulatory requirements (e.g. concerns about the condition of the runway) let alone the higher standards that are coming into force.

The other reason the current situation cannot continue is that Council would need to spend an increasing amount on maintenance (especially pavement maintenance) to address the poor condition of the runway in order to make it safe to continue to use.
However, for the purposes of making comparisons as part of this capital expenditure review, it is helpful to put the operational costs of the proposal into perspective by considering Council’s current subsidy of the airport, which is around $300,000 p.a. (i.e. $417,000 expenses - $117,000 revenues). The key revenue streams are summarised below.

**TOTAL OPERATING REVENUES $117,000 p.a.**

The current operational expenses are around $220,000 p.a. excluding depreciation and interest. Some of these will transfer to the Warbird Visitor Attraction in the analysis below.

**TOTAL OPERATING EXPENSES $417,000 p.a.**

**SUBSIDY TO AIRPORT = around $300,000 p.a.**

7.2.2 Proposed Operations – ‘Normal’ Airport

Operating Revenues

The proposal assumes an initial ‘jump’ in demand – i.e. an increase in the number of aircraft landing at the airport – as a result of the new businesses discussed in section 3.1.2 coming to the airport and then an increase in demand from all businesses of 3% p.a. thereafter. This is shown in the chart below and compared to historical figures from the last 4 years (i.e. as discussed in section 3.1.1, the average has been around 4,600 p.a.).

The financial impact of the growth projections on current business being lower is minimal. If demand didn’t increase at all and Council simply increased fees by 3% p.a., the impact in terms of reduced revenues would only be $26,000 p.a. after 10 years.
The financial impact (benefit) of the increase in demand for new businesses is larger, though. Fees associated with these new businesses are predicted to grow from $50,000 p.a. in year 1 to $100,000 p.a. in year 10. Given that it seems very reasonable to assume that these new businesses will come if the project goes ahead (as discussed in section 3.1.2), Council can be reasonably confident that these additional revenues will be realised.

Number of landings at the airport p.a. (historical + projected)

By far the largest increase in revenues associated with the proposal, though, comes from hangar lease fees. These are predicted to grow from $180,000 p.a. in year 1 to $616,000 p.a. in year 10. This assumes lease fees of $35/m² (which has been verified by Council as the market rate based on discussions amongst the airports association) growing by 3% p.a. and a growth in the number of hangars from 4 to 10 (which is the maximum number that there is room for on the land available).

Operating Expenses

The normal operational expenses associated with the airport won’t change even with additional numbers of aircraft using the facility – the increased demand is basically realising economies of scale. However, some existing operational expenses (e.g. facility maintenance like cleaning and security) will transfer to the Warbird Visitor Attraction. It is assumed that this will amount to a reduction of around $40,000 p.a. (so operational expenses for the airport excluding depreciation and interest will decrease from $220,000 to $180,000 p.a.).

Depreciation expenses are estimated to jump due to the increased value of assets from $163,000 to $400,000 p.a. (with indexation, this will be around $520,000 p.a. in 10 years) – this figure is considered conservative, and may turn out to be lower.

Interest on the existing loan will drop off as the loan is repaid, but additional interest expenses will be incurred, the size of which depends on the loan required (section 7.1.3). For discussion purposes, interest on a new $7M loan for infrastructure associated with ‘normal’ airport infrastructure is assumed to start in year 1 about $235,000 p.a. and drop to $150,000 over 10 years as it is repaid. This is ‘scenario 2’ in section 7.3.

Operating Result for Normal Airport

Having clarified the revenues and expenses for the normal airport operations, the financial performance of the airport itself can be considered. This is equivalent to scenario 6 (the ‘airport only’ scenario) in section 7.3.
The composition of revenues and expenses in year 5 are shown below. As can be seen, the majority of additional revenues come from the hangar leases, but there is also extra income from the extra landing fees (discussed above). The majority of extra expenses is due to interest on loans and depreciation. But as shown, overall the subsidy of the airport is about the same as the ‘current situation’ ($366,000 versus $352,000 p.a.).

Revenues in year 5 ($548,000) Expenses in year 5 (914,000)

Subsidy in year 5 = $366,000 (compared to about $352,000 for ‘current operations’ of $300,000 indexed at 3% p.a.).

By year 10, it is assumed that Council has built another 6 hangars and is leasing them out, so the revenues have grown considerably which has reduced the subsidy to just $165,000 p.a., considerably less than the ‘current situation’ where the subsidy has grown to almost $400,000 p.a.

Revenues in year 10 ($865,000) Expenses in year 10 ($1,029,000)

Subsidy in year 10 = $165,000 (compared to about $396,000 for ‘current operations’ of $300,000 indexed at 3% p.a.).

7.2.3 Proposed Operations – Warbird Visitor Attraction

The revenue and expenditure projections for the Warbird Visitor Attraction discussed below are based on the Aviation Visitor Attraction Business Case by Stafford Group.

For simplicity, the revenues for general operations and air shows (occurring every 2 years) are considered separately (otherwise the figures overall ‘sawtooth’ up and down).

Normal operations for WVA

The chart below shows the main revenue streams over the 10 year period of for general operations. The revenues grow from $410,000 in year 1 to $850,000 in year 10. The increase in revenues in year 5 is due to an assumed 20% increase in admission fees.
Council can have some confidence in these figures given that the forecast visitation is lower than that of the Temora Aviation Museum in ‘normal’ years without an air show despite the fact that there are a number of factors that are likely to see this facility attract more people than Temora does (as discussed in section 3.2.2).

The chart below shows the corresponding expenditure for ‘normal’ operations associated with the Warbird Visitor Attraction. Other than the merchandise (which is estimated to cost 20% of the retail revenue), the other costs are basically ‘fixed’ and are just indexed at 3%. This highlights that as attendance increases, most revenues are realised as straight profits.

Airshows

The main revenue streams generated by the ‘Warbirds over Scone’ air shows are shown in the chart below. The revenues grow from $785,500 in year 1 to over $1.3M in year 9.
The corresponding expenses to stage the air shows starts at $349,000 in year 1 and grows to $393,000 in year 9. The scale is the same as the revenues above, highlighting the profitability of the air shows to the business overall.
Warbird Visitor Attraction as a whole

The table below now brings together the revenue and expenditure for the Warbird Visitor Attraction overall, including both the normal operations and the air shows.

The ‘sawtooth’ of revenue and expenditure is due to the air shows every second year (shown in blue). This results in a loss in years 2 and 4 (the grey line is below the red ‘break even’ line) but to meaningfully consider the financial performance, it is better to chart the 3 year average operating result (the yellow line). This highlights that on this basis, the Warbird Visitor Attraction makes a profit from the start. This includes accounting for depreciation and interest on all loans.

Given that the normal airport operations are also forecasting to reduce or even eliminate the current subsidy from Council (as discussed in section 7.2.2) this suggests that Council’s financial position overall will be improved if it proceeds with the proposal.

7.2.4 Proposal Overall (‘Normal’ Airport + Warbird Visitor Attraction)

The finances associated with the normal airport operations (section 7.2.2) and the WVA (section 7.2.3) are now able to be considered as a single integrated proposal, and compared against the ‘current situation’ (section 7.2.1). This is shown in the chart below.
What this shows is that under this proposal, Council’s financial position will be worse off by around $200,000 p.a. for the first 3 years as the business is established, but after this the subsidy will reduce to below current levels (the blue line) and from the medium term (5-6 years and beyond) Council will actually eliminate the subsidy and start to make a small operating surplus (as the green line goes over the red one).

This surplus is important as it (together with the depreciation on assets) will generate cash to then fund the principal repayments and pay off the loans.

It is important to note that the green line is based on 3 year average figures. The actual deficits (i.e. the ‘subsidy’ of the airport) as a result of the project will be higher (peaking at $840,000 in year 2, i.e. 2020). But this should be viewed as any investment in a new business: by year 5, the 1 year profit is forecast to be $410,000, by year 9 it is $750,000.

Given that Council’s long term financial plan currently predicts an operating deficit of $570,000 in 2020 (the same year that the deficit resulting from this project will peak), it is vital that Council review its LTFP accounting for the impacts of this proposal once the figures are clearer (i.e. once the capital cost has been confirmed and whether or not Council has been successful in obtaining the $6.5M grant). All of these issues are identified in the project plan in section 2.3.
7.3 Scenario Analysis

Given the uncertainty surrounding some of the figures in this capital expenditure review, it is appropriate to consider a number of scenarios to understand what the implications are if the assumptions adopted prove incorrect (e.g. the grant is unsuccessful).

A number of scenarios have been considered, as summarised below.

Note that the ‘3A’ and ‘3B’ are basically the same (one has less grants, the other higher capital cost) so rather than modelling separately, have been shown as one scenario.

The ‘Stafford Report’ refers to the Aviation Visitor Attraction Feasibility Study and Business Case discussed in section 3.2.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>1</th>
<th>2</th>
<th>3A</th>
<th>3B</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>As per Stafford Report</td>
<td>Capex Review</td>
<td>No GLE Grant</td>
<td>Higher Capital Cost</td>
<td>Airport Revenues 25% lower</td>
<td>WVA Revenues 25% lower</td>
<td>No WVA (Airport only)</td>
</tr>
<tr>
<td>Capital Cost</td>
<td>$20M</td>
<td>$23.5M</td>
<td>$23.5M</td>
<td>$31M</td>
<td>$23.5M</td>
<td>$23.5M</td>
<td>$13.5M</td>
</tr>
<tr>
<td>Grants</td>
<td>$12.7M</td>
<td>$12.7M</td>
<td>$6.2M</td>
<td>$12.7M</td>
<td>$12.7M</td>
<td>$12.7M</td>
<td>$6.5M</td>
</tr>
<tr>
<td>Loan</td>
<td>$7.2M</td>
<td>$10.8M</td>
<td>$17.3M</td>
<td>$17.3M</td>
<td>$10.8M</td>
<td>$10.8M</td>
<td>$7M</td>
</tr>
<tr>
<td>Airport revenues</td>
<td>As per Stafford</td>
<td>As per Stafford</td>
<td>As per Stafford</td>
<td>As per Stafford</td>
<td>25% lower</td>
<td>As per Stafford</td>
<td>As per Stafford</td>
</tr>
<tr>
<td>WVA revenues</td>
<td>As per Stafford</td>
<td>As per Stafford</td>
<td>As per Stafford</td>
<td>As per Stafford</td>
<td>25% lower</td>
<td>As per Stafford</td>
<td>Nil</td>
</tr>
</tbody>
</table>

The 3 year operating performance of the proposal under each of these scenarios is shown in the chart below. What this shows is that under all of these scenarios (even the unlikeliest one, scenario 5 which drops revenues for the WVA by 25%) Council will be better off than the current situation (shown in blue) and in most of them the subsidy is virtually eliminated within the 10 year period considered in this analysis.
8. Public Consultation

Public consultation regarding this proposal is discussed in the report to Council recommending that Council execute the NSW Regional Growth Environment and Tourism fund grant deed.

It was noted in that report that Council has developed this project over a three year period. Extensive research and consultation has been undertaken on this project including the investigations and analysis outlined in that report along with the project being reviewed at the quarterly Airport Management Committee and Council meetings.

However, it is important to note that the scale of the proposed project is considerably different to that identified in the 2017 and 2018 Delivery Program and Operational Plans, particularly in the extent of borrowings that are potentially required.

As noted in the project plan (section 2.3), it will be important that Council undertakes further consultation with the community regarding this project as part of the formulation of the 2019 Delivery Program and Operational Plan to communicate why Council considers the project to be justified (section 3) and particularly to reinforce the fact that Council’s operating performance (financial sustainability) will improve over the medium term if Council undertakes this project (section 7). However, this community consultation is best undertaken once some of the key items of uncertainty (capital cost, success of the $6.5M grant) have been clarified.

It is important to reinforce that while Council is continuing to progress what appears to be a very worthwhile project, it will not commit to it for another year: the final decision point identified in the project plan in section 2.3 is the acceptance of tenders, nominated for September 2019.
9. Conclusion

This proposal to renew and upgrade the Scone Regional Airport and construct a Warbird Visitor Attraction is arguably the biggest decision that Upper Hunter Shire Council will make during this term of the elected Council.

Concerns about the level of borrowing associated with the project are understandable, but even with the highest level of borrowing considered in the scenarios Council’s level of debt is well within the ‘Fit for the Future’ benchmarks.

It is also understandable that not everyone in the community will be convinced by the justifications put forward in support of the project, particularly if they do not see a direct link between the activities that occur at the airport and their primary needs and aspirations.

However, the case to undertake the project is compelling not only in terms of the justifications for the project (support for existing and prospective businesses, maintaining the capability of the airport to cater for emergency services aircraft, impacts of the Warbird Visitor Attraction on tourism) but also because based on the assumptions detailed in this review, the project will mean that Council not only eliminates the current subsidy of the airport (over $300,000 p.a.) but over the medium term begins to generate a surplus that can then be re-invested into the airport and/or into other Council services.

The key issue of note is that at this stage, Council is not making any final decisions, but rather continuing to pursue what appears to be a very worthwhile project. The tasks identified in the project plan need to be given priority, and Council needs to continue to assess and reassess this project as further information becomes available.