

Investigation of Residential Airpark development

Of the 267 regional airports no longer utilised for commercial passenger services, several have considered the development of Residential Airparks. The feasibility of this type of development has been investigated by Council. However, the airport site has few services available and Council would need to provide sewerage systems, town water and electricity at considerable cost.

Similar developments proposed for Tumut, Goulburn, Grafton, Narromine and the Whitsundays were investigated. Whilst this type of development has been successful in the United States, in Australia there has been limited success. Areas of surplus land have been subdivided for sale by Council and consent obtained from relevant State Government agencies to enable this.

What are the potential markets for the airport?

Market	Status
PASSENGER FLIGHTS	There is a trend towards consolidation to larger regional centres including Port Macquarie and Coffs Harbour.
AIRCRAFT MAINTENANCE	Kempsey has had an Aircraft Maintenance business on-site for several years. There may be opportunities in this area if costs become prohibitive for charter operators in Port Macquarie and Coffs Harbour.
CHARTER OPERATORS	Kempsey airport's current rental pricing is set at market rates, which means there is no advantage for owners to relocate.
FLIGHT TRAINING	The low frequency of Kempsey's air traffic suggests strong suitability for this use. However, Council may have to introduce concession/subsidies to encourage relocation. There are currently no firm opportunities in this area.

Funding Alternatives

1. **Resident Funded** – are ratepayers prepared to pay more to maintain the airport?
2. **User Pays** – Are people using the airport willing to pay for the privilege?
3. **Combination of options 1 & 2** – Is there a compromise between option 1 & 2 above?
4. **Withdrawal/Sale** – Without community support this option must be considered. Is it more appropriate for a developer to take the risk on such an investment?

You can make a comment by:

- forwarding a written submission to the General Manager, Kempsey Shire Council 22 Tozer Street West Kempsey NSW 2440; or
- via email to ksc@kempsey.nsw.gov.au; or
- via fax to 02 6566 3205.

Comparing the Costs

Figure 1 below shows the twenty year cost associated with the following three options:

1. Development of the airport aligned to the Development Concept Plan
2. Maintaining the current service levels at the airport including factoring in required maintenance for the airport
3. A staged withdrawal from the airport

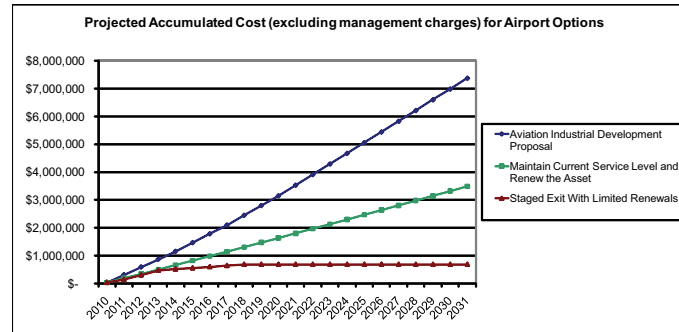


Figure 2 below shows the annual cost to the ratepayers for each scenario.

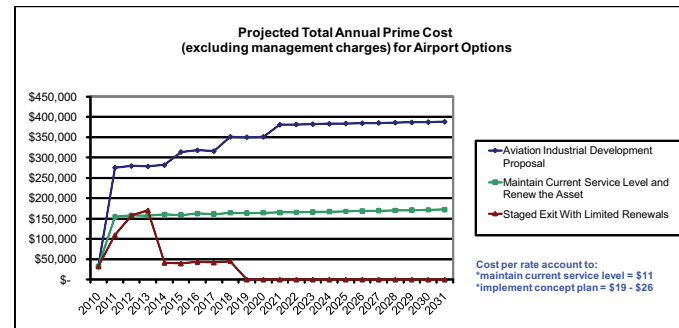
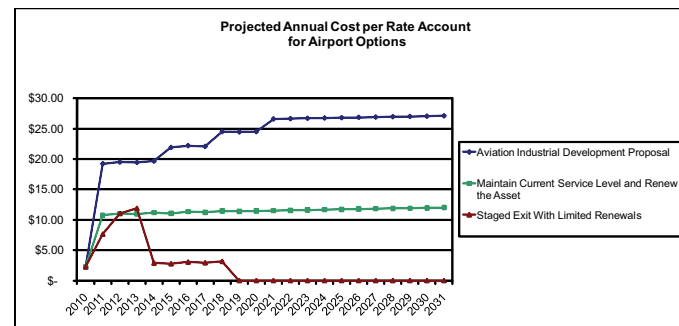


Figure 3 below shows the cost per rate account for each scenario.



Introduction

The Kempsey Airport is a community asset that has reached the stage where substantial investment must be made to continue its operation. Council has produced this fact sheet to provide you with relevant information about the Kempsey Airport and the options for its future operation.

Council recognises and supports the valuable contribution the airport makes to the provision of health care and emergency services. Its importance to organisations such as the State Emergency Services (SES) and Rural Fire Services (RFS) is also clearly understood by Council and valued by the community.

Why is Council seeking community comment?

Following public discussions on the future of the airport in December 2009, Council decided to continue seeking broader feedback from the community because Council's decision on the type and extent of investment will impact monies available for other services.

Council has produced this fact sheet to help the community understand the issues.

For further information and advice contact Kempsey Shire Council on 6566 3200.

The site and background information

The airport occupies 123 hectares on land zoned Rural 1 (a1) and (a3). There is a bitumen runway 1650 metres x 30 metres, a grass cross runway of 614 metres x 18 metres, a weatherboard passenger terminal, a small fibro cottage, the Kempsey Flying Club clubhouse and 10 hangars. The hangars are generally privately owned with ground space leased from Council at around \$1,300 per annum.

The airport was gifted to Council by the Federal Government 17 years ago in 1993 and it provided funds to bring the airport up to standard prior to handover to Council for control and future maintenance. At the time of the handover the airport hosted a commercial passenger service.

In the past, Kempsey Airport has hosted East West Airlines, Impulse Airlines, Horizon Airlines and Macair Airlines. In 1983 there were 14,988 passenger movements from the airport and this declined to 7,943 passengers in 1999 -2000 when Impulse Airlines ceased operations. Since that time both Horizon and Macair Airlines both failed to maintain viability of air services from Kempsey.

It is interesting to note that commercial passenger services have dropped by 65% in regional communities, down from 405 (1984) to 138 (2008) this effectively means that 267 regional airports are in a similar situation to Kempsey with a valuable underutilised asset.

For several years there has been little capital investment and the pavement on the main runway is near the end of its useable life. Prominent cracking is evident between bitumen runs along the majority of the surface and requires an overlay to maintain suitability.



Cracking on bitumen runway

Annual Operating Costs

Annual operating costs for the airport are approximately \$70,000 per annum.

What has been explored?

Over the past five years several options have been looked at or considered for the future of the airport. These include:

- Retention of the airport and selling off surplus land.
- Discussions with commercial passenger services including Big Sky Express and Virgin Blue Airlines.
- Preparation of an Airport Investigation Study by AirBiz Pty Ltd.
- Formation of an Airport Advancement Focus group with community and Council representatives.
- A submission made by Council to Air China to develop pilot training facilities.
- Hangar development including the construction of 4 hangars taking the hangar total from 6 (1960 – 1995) to 10.
- Preparation of a Concept Plan for the future development of the site.
- Distribution of the Draft Development Concept Plan at the 2009 Avalon Air Show to promote interest in the project.
- Investigations into the establishment of the Mid North Coast Aviation Centre for Excellence with Taree and Port Macquarie Councils.

- Investigations on the development of a Residential Airpark.
- Provision of the airport terminal with a free rental period to enable East Coast AutoGyro to establish a new business venture on the airport site.

Implementation of Concept Plan

Council sought investigations on the best possible return from the business of the airport and the Concept Plan provides this detail (copy of plan available on Council's website www.kempsey.nsw.gov.au/airport-options.html).

In the plan there is provision for the development of 60 hangar sized lots in a 'cul de sac' type staged development on an 11 hectare site.

The expenditure required to implement the Concept Plan is:

COST TO IMPLEMENT CONCEPT PLAN	
Stage One	\$1,433,000
Stage Two	\$ 916,000
Stage Three	\$1,028,000
Stage Four	\$ 983,000
TOTAL	\$4,460,000

An independent valuer has valued the proposed lots at \$3.60 per m² for leasing (or around \$50,000 for a 99 year lease). The development cost, including infrastructure renewal, over a 99 year lease period is expected to be \$4.73 per m². The sales return based on this independent valuation is \$3 million (or a loss of \$1,460,000).

In order to cover the costs of development and running the airport, Council would need to recoup \$14 per m². Whilst comparisons with Bankstown Airport show the value of their airport land at \$27 m² in 2006 there is no cost advantage in relocating aircraft maintenance from Bankstown to Kempsey because of other factors (such as proximity to a high traffic airport) which may inhibit such decentralisation.

Borrowing costs for the Concept Plan would be \$3.1 million over 20 years, on top of the initial \$4.5 million investment.

Current annual revenue from the airport (\$42,000) will drop to \$22,000 with the sale of 99 year leases. Factoring in a 10% increase over time the landing fees from new tenants may recover to \$35,000 per annum.

The average net operating costs for 2011-2031, based on the Development Concept are estimated at \$350,000 per annum (including maintenance and the cost of renewing infrastructure).

CURRENT USAGE OF THE AIRPORT

- No commercial passenger service
 - Paid landings in 2008-09 = 1,276 (averaging between 2.1 & 3.5 per day)
 - Air Ambulance movements in 2008-09 = 119*
 - RFS & SES access in times of fire and flood
 - General Aviation use (private aircraft owners)
 - Pilot training
 - Driver Training exercises for schools, police and motorcyclists
 - Noise testing for local bus manufacturer
- *(Source Kevin Den, Air Ambulance NSW)

Capital expenditure required at the airport

Engineering inspections reveal that the airport infrastructure requires significant capital works, which are itemised below with suggested timeframes for each of the works:

Works Required	Timeframe
Shoulders weed spray @ \$1,500	2 months
Joint crack seal 3 lengths of 1650m \$74,250	6 months
Line marking (including taxiway) @ \$20,000	12 months
25mm tapered overlay of runway @ \$750,000	2 years
Shoulders of runway 2 coat reseal @ \$132,000	3 years