

Shire of Ashburton



Business Plan Major Trading Undertaking **ONSLOW AIRPORT** 2016

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EXECUTIVE SUMMARY

This Business Plan (the 'Plan') has been prepared in accordance with the *Local Government Act 1995* and the *Local Government (Functions and General) Regulations 1996*.

Onslow is located on the coast of the remote Pilbara Region of Western Australia, some 1386km north of Perth. The town's dominant purpose has been as a residential base and service centre for the workforce employed at the nearby salt production operation, Onslow Salt. Pastoralism, fishing and tourism have also supported the town.



Onslow Airport is owned and operated by the Shire of Ashburton (SoA) and is located approximately three kilometres south of the Onslow Townsite. Onslow Road forms the western boundary of the airport and provides direct access to the Onslow Townsite, Ashburton North Strategic Industrial Area (ANSIA) and connection to the North West Coastal Highway approximately 75 kilometres to the south.

The Onslow aerodrome is a Civil Aviation Safety Authority (CASA) certified facility. Due to the commencement of both the Macedon and Wheatstone Projects at the ANSIA, air transport to Onslow has increased significantly with a mix of closed and open charter flights operating daily out of the Onslow Airport. Upgrades were required for airport facilities to serve the projected needs of industry and expected community growth.

The Wheatstone State Development Agreement (SDA) committed Chevron Australia Pty Ltd (CAPL) to a capped contribution of \$30 million for an upgrade of the infrastructure at the existing Onslow aerodrome.

The SoA commenced the project in June 2013 and the facilities were completed and fully operational in August 2015. On 24 August 2015, these works were completed and the redeveloped Onslow Airport was officially opened after taking about four years to complete. The redevelopment was funded by the SoA, Chevron-operated Wheatstone Project and the State Government through Royalties for Regions.

The operations at the Onslow Airport now constitute a major trading undertaking as defined in the *Local Government Act 1995* and the *Local Government (Functions and General) Regulations 1996*.

The intention of this Plan is to inform the community of the Shire's proposal and seek comment in relation to this major trading undertaking as it relates to managing the Shire's assets.

BUSINESS PLAN OBJECTIVES

This Plan is designed to:

1. Provide the Community and Stakeholders with an overview of the proposal including the financial aspects;
2. Demonstrate Council's ability to manage the undertaking;
3. Demonstrate Council's compliance with Section 3.59(2) and Section 3.59(3) of the *Local Government Act 1995*.

OVERVIEW

Background / History

Since the 1920's, planes have been flying into Onslow. Over that time, Onslow aerodrome has changed locations, been the target of bombing raids and been submerged under water from cyclonic weather.

From 1942 to the end of WWII, Onslow was the site of a fair amount of military activity. There was an existing airfield at Onslow that was upgraded in early 1942 to support fighter and bomber aircraft. The main military presence in the vicinity of Onslow however was centred on the operations and supporting activities at the Onslow Airfield. The original March 1942 contingent of approximately 30 personnel, comprising 18 soldiers of the 11th Volunteer Defence Corps (VDC) and RAAF personnel at the airfield was increased in early March 1943 with the arrival of 7 Battery, 2/3 LAA Regiment to defend the newly constructed fuel tanks, airfield and the RAAF fighter and torpedo-bomber squadrons which had commenced operations there.

There were at least two Japanese air raids on Onslow during WWII. On the night of 15 May 1943, a single enemy aircraft dropped at least three bombs of unknown size on the airstrip. There was no record of any damage to the runway, or to any of the RAAF aircraft parked nearby. Later that year in the early morning of 15 September, at least eight high explosive and eight incendiary bombs were reportedly dropped, again within the vicinity of the airfield. Rumour has it though that most of these bombs fell wide of their intended target, impacting just beyond the airfield boundary along the salt lake, again without damage to the airstrip or parked aircraft



MMA – Onslow Airport

Photo courtesy of Pearse Herbert



Onslow Airport 1964

Photo courtesy Dawn McAullay

From the 1950's to around 1973 a regular passenger transport service used to operate in and out of Onslow. The airport had a terminal and toilet and phone to call a taxi.

The Shire of Ashburton acquired the Onslow Airport in 1985, when the land was transferred from the Commonwealth Government to the Shire.

In 1993 Onslow Aerodrome became a licensed facility with significant modifications to the location of the runway and hangars occurring over ensuing years until the latest upgrades triggered by the Wheatstone development.

The current airport is located approximately four kilometers south of the Onslow Townsite. Onslow Road forms the western boundary of the airport and provides direct access to the Onslow Townsite, ANSIA and connection to the North West Coastal Highway approximately 75 kilometers to the south.

Due to the commencement of both the Macedon and Wheatstone Projects at the ANSIA, air transport to Onslow has increased significantly with a mix of closed and open charter flights operating daily out of the Onslow Airport. Upgrades were required for airport facilities to serve the projected needs of industry and expected community growth.

The Wheatstone State Development Agreement (SDA) committed Chevron Australia Pty Ltd (CAPL) to a capped contribution of \$30 million for an upgrade of the infrastructure at the existing Onslow aerodrome.

The SoA commenced the project in June 2013 and the facilities were completed and fully operational in August 2015. On 24 August 2015, these works were completed and the redeveloped Onslow Airport was officially opened after taking about four years to complete. The redevelopment was funded by the SoA, Chevron-operated Wheatstone Project and the State Government through Royalties for Regions.

As of October 2015, public seats are available on five (5) weekly Virgin Australia return flights between Onslow and Perth, using the service for the Wheatstone Project.



Details of the Transaction

- Nature of the major trading undertaking: Major trading undertaking with annual expenditure in excess of \$2 million;
- Location of land – Onslow Airport falls within Lot 16 on Deposited Plan 161140. Lot 16 on DP161140 is owned under freehold title by SoA.
- Proposed Activity: Operations of an airport
- Duration of Undertaking: No limits
- Projected Cost: Capital expenditure of approximately \$45 Million (grant funding). Annual operational costs approximately \$2 Million
- Net Return: Annual return is considerably variable and subject to prevailing market conditions (refer to Financials)

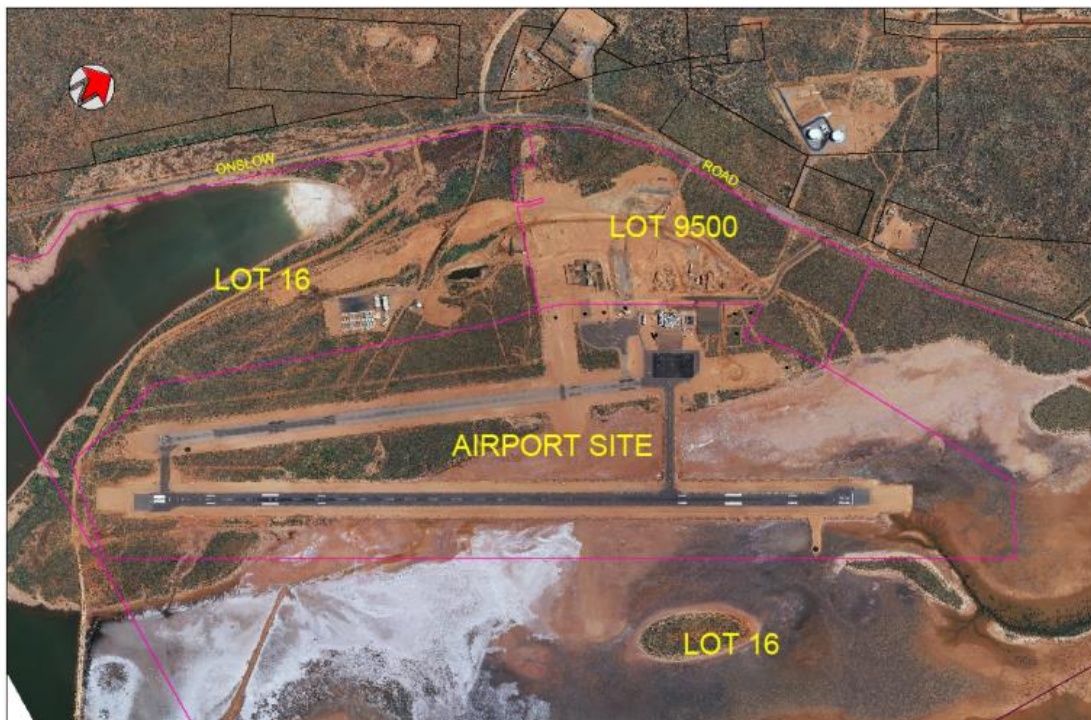
Site Description

Onslow Airport falls within Lot 16 on Deposited Plan 161140. Lot 16 on DP161140 is owned under freehold title by SoA.

The eastern side of the site is predominantly tidal marsh and flats, with isolated small crops of higher ground. The western side of the site has higher elevation and has subsequently been developed for airport land uses.

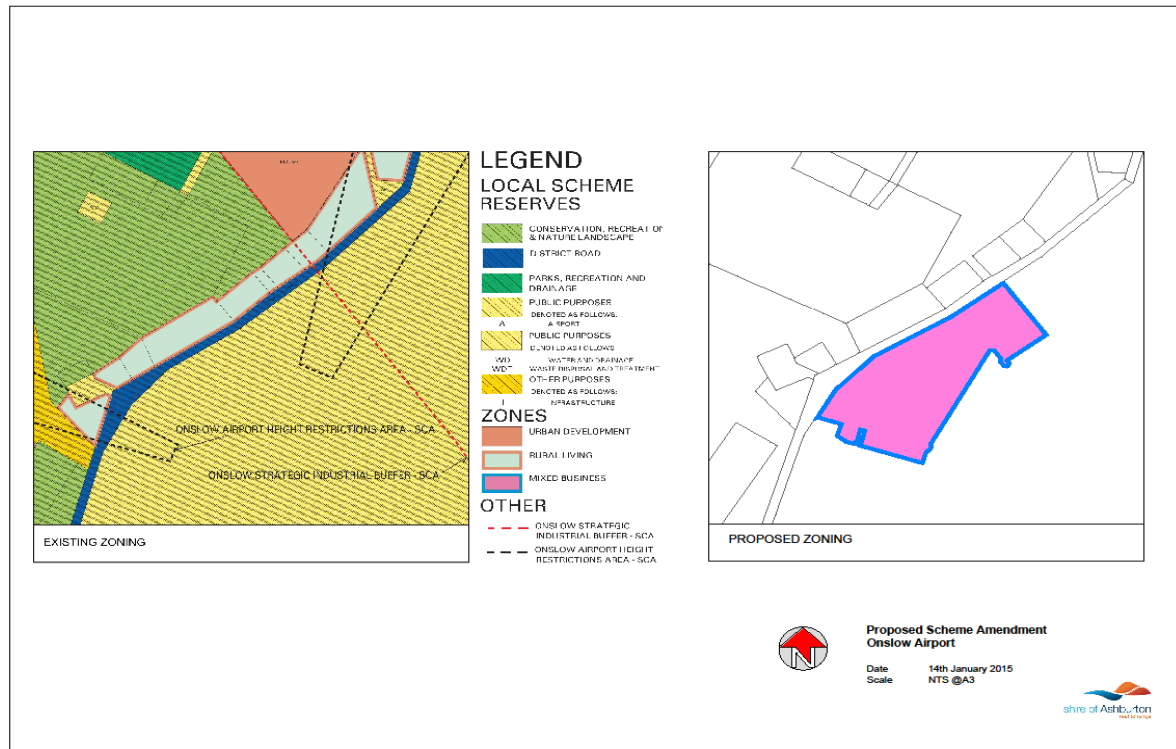
The land generally undulates gently and slopes to the south eastern side of the site. The eastern portion of the site is predominantly salt marsh flats, with small outcrops rising above the flat marsh.

A man made drainage basin is located in the south western corner of the land. This basin is part of the Onslow Salt works, and is known as Pond 1.



In March 2011, SoA Town Planning Scheme Amendment No. 15 and No. 16 rezoned the airport precincts one and two to mixed business. These amendments rezoned a portion of Onslow airport site from Public Purposes Reserve – Airport to Mixed Business Zone, with “Airport” as a “D” use in the Mixed Business Zone.

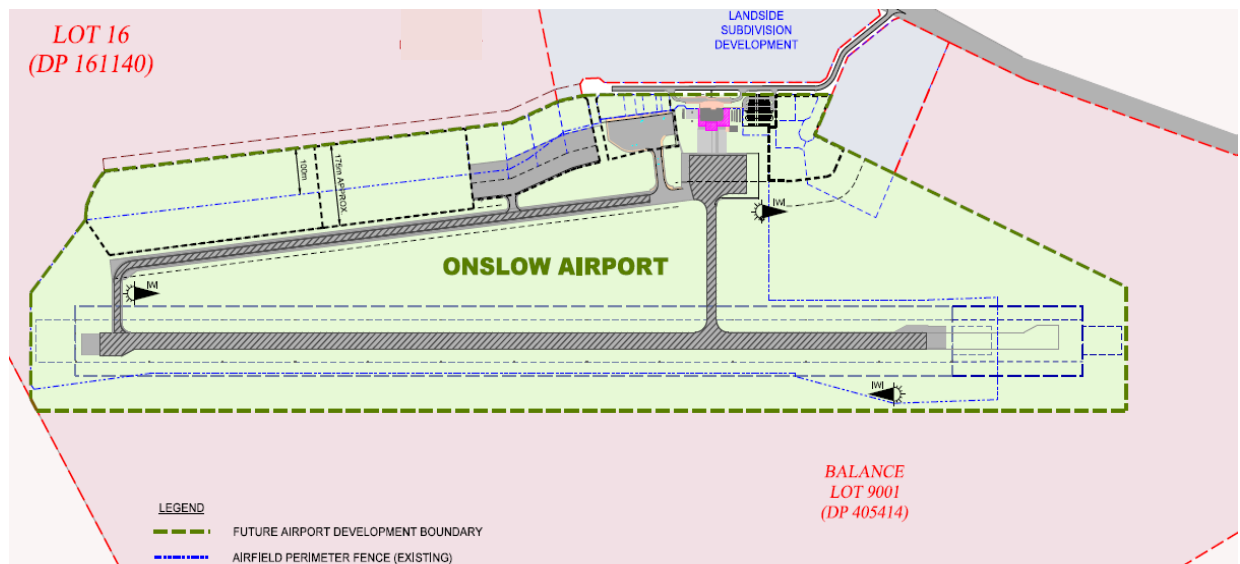
Subsequently, a proposal to subdivide the area to the west of the terminal facilities was developed by SoA, with details having been provided to WAPC for approval. Approval with conditions was granted in November 2013.



The latest proposal, as of January 2016, is for the private sale and development of the land to support the Onslow Marine Support Base (OMSB).

For the purposes of this Plan, only the remnant land within Lot 9001 on DP 1611140 as indicated below and on Figure G at **Appendix A** is considered available for airport operational use and commercial lease to aviation-related users.

Lot 16 - Future Airport Development Boundary



Details of Development

The first *Project Implementation Plan (PIP) - Stage 1 - Project Initiation and Mobilisation* and Letter of Intent for the upgrade project was approved on 10 August 2012. The scope of this PIP included;

- Airstrip concept design and consultation;
- Terminal building concept design;
- Survey, soil testing and geotechnical investigations;
- Heritage and environmental surveys and clearances;
- Utilities assessment (water, power, communications, waste water); and
- Contractor / staff training

In November 2012, *PIP - Stage 2 - Airstrip Construction* was approved. The scope of this PIP included the construction of:

- The new runway of 1900m length, 30m width to CASA Code 3C requirements;
- New taxiway to CASA Code 3C requirements;
- New apron capable of supporting at least 2 Code 3C aircraft;
- Drainage of site (airside);
- Navigation and visual aids to support IFR operations; and
- Runway perimeter fencing

The new runway supports a higher grade aircraft – the Fokker 100 passenger jet, which commenced operations in August 2013.

The latest *PIP - Stage 3 - Airport Redevelopment* included the construction of the airport terminal building and associated airside and landside infrastructure. The scope of civil works required to complete the Stage 3 PIP included:

- Existing access road upgrade and overlay
- Car park, bus standing bays and front of house pick up and set down area
- Drainage works
- Hardstand and paths around building, landside and airside
- Exclusion fencing and access gates
- Fuel farm road train turn-around loop road
- New equipment storage shed with equipment tie down
- Hard and soft landscaping and reticulation

The SoA commenced the project in June 2013 and the facilities were completed and fully operational in August 2015. On 24 August 2015, these works were completed and the redeveloped Onslow Airport was officially opened after taking about four years to complete.

Associated Costings

The costs associated with the Redevelopment of the Onslow Airport are (exclusive of GST)

PIP Details	Approved Budget (Ex GST)	Actual Expenditure (Ex GST)	Funding Source
PIP 1 – Project Initiation and Mobilisation	\$939,916.00	\$939,916.00	Airport SDA
PIP 2 – Airstrip Construction including Airside Services	\$23,007,812.44	\$23,007,812.44 – Approved PIP 2 amount \$6,005,483.02 – PIP 2 Variation amount	Airport SDA
		Total \$29,013,295.46	
PIP 3 – Airport Terminal and Landside Facilities	\$13,420,342.73	\$12,208,449.61 (estimated)	Balance of Airport SDA & CDF
Total	\$37,368,071.17	\$42,161,661.07	



LOCAL GOVERNMENT ACT 1995 REQUIREMENTS

The process for engaging in a major trading undertaking by a Local Government is detailed under the provisions of the *Local Government Act 1995*. In particular, Section 3.59 addresses Commercial Enterprises by Local Government and requirements for “Major Trading Undertaking”.

As defined under the *Local Government Act 1995*, a major trading undertaking means:

“a major trading undertaking means a trading undertaking that-

- a) In the last completed financial year, involved; or*
- b) In the current financial year or the financial year after the current financial year, is likely to involve,*

expenditure by the local government of more than the amount prescribed for the purposes of this definition”

Current regulations prescribe a major trading undertaking as having a minimum annual expenditure of \$2 million.

Before entering into a major trading undertaking, the Shire is required to prepare a Business Plan which is to include:-

- An overall assessment of the transaction;
- Its expected effect on the provision of services and facilities by the Shire;
- Its expected effect on other persons providing services and facilities in the district;
- Its expected financial effect on the Shire;
- Its expected effect on the Shire’s Plan for the Future;
- The ability of the Shire to manage the performance of the transaction;
- Details of joint venture transactions.

In accordance with the requirements of Section 3.59 of the Act and the relevant Regulations, these details have been provided in this Plan.

Expected Effect on the Provision of Facilities and Services by the Local Government

It is considered that the development of the Onslow Airport, as proposed in the Business Plan will have a positive impact on the provision of facilities and services by the Shire of Ashburton.

The Shire has availed itself of significant capital funding arising from the Wheatstone SDA that committed CAPL to a capped contribution of \$30 million for an upgrade of the infrastructure at the existing Onslow aerodrome.

Additional funding sourced through the Community Development Fund (CDF) enabled additional upgrade works to be completed in order to finalise the project and make the Onslow Airport fully operational to meet the needs of the Wheatstone development and the community.

The development will substantially improve the Onslow Airport and provide a modern community facility that is compliant with all relevant Acts and Regulations.

Effect on Other Persons Providing Facilities and Services in the District

Due to the commencement of both the Macedon and Wheatstone Projects at the ANSIA, air transport to Onslow has increased significantly with a mix of closed and open charter flights operating daily out of the Onslow Airport. Upgrades were required for airport facilities to serve the projected needs of industry and expected community growth.

The Wheatstone State Development Agreement (SDA) committed Chevron Australia Pty Ltd (CAPL) to a capped contribution of \$30 million for an upgrade of the infrastructure at the existing Onslow aerodrome.

The SoA commenced the project in June 2013 and the facilities were completed and fully operational in August 2015. On 24 August 2015, these works were completed and the redeveloped Onslow Airport was officially opened after taking about four years to complete. The redevelopment was funded by the SoA, Chevron-operated Wheatstone Project and the State Government through Royalties for Regions.

This Plan also addresses Section 3.18 (3) of the Local Government Act 1995:

“A local government is to satisfy itself that services and facilities that it provides –

- a) *Integrate and coordinate, so far as practical, with any provided by the Commonwealth, the State or any public body;*
- b) *Do not duplicate, to an extent that the local government considers inappropriate, services or facilities provided by the Commonwealth, the State or any other body or person, whether public or private; and*
- c) *Are managed efficiently and effectively”.*

The development and upgrade to the Onslow Airport was provided to meet the needs of the ANSIA developments and provide a modern airport facility for the community post-construction.

The Onslow Airport is a public facility that is not duplicated by any Commonwealth, State or public body within the proximity of Onslow. The nearest comparable facilities are located in Karratha, Paraburdoo and Exmouth.

The Onslow Airport Master Plan and Asset Management Plan are approaching finalisation and will ensure the assets and the operations are managed efficiently and effectively.

It is concluded that the Shire's development and operation of Onslow Airport complies with the requirements of the Section 3.18 (3) of the Local Government Act 1995.

Financial Effect on Council

The Shire has availed itself of significant capital funding arising from the Wheatstone SDA that committed CAPL to a capped contribution of \$30 million for an upgrade of the infrastructure at the existing Onslow aerodrome.

Additional funding sourced through the Community Development Fund (CDF) enabled additional upgrade works to be completed in order to finalise the project and make the Onslow Airport fully operational to meet the needs of the Wheatstone development and the community.

Fees and charges applied to the operations at the Onslow Airport recover income that supports the full operation of the Airport including anticipated, significant inputs to an Airport Reserve to cover asset renewals and to support operations beyond the ANSIA construction phase.

The fees and charges for operation of the Airport are determined through the regulatory budget process, and are currently set as illustrated in **Appendix B: Schedule of Fees and Charges**.

Regular market comparison is carried out against other Airports in the Pilbara and across Australia to gauge relativity, however the unique nature of the location, significant high, short term peak in aircraft traffic and large capital investment in assets needs to be considered to ensure the long term viability of this community asset.

Currently the Airport is servicing the construction phase of the Chevron Wheatstone project with significant aircraft traffic movements. This peak in traffic is anticipated to reduce significantly towards the end of 2016 into early 2017.

Current Fees and Charges have been calculated based on a number of factors. These include:

- The operational costs to run the Airport;
- The anticipated maintenance and renewal costs of the Airport assets;

- The funding of an Airport Reserve to sustain Airport operations beyond the peak Wheatstone construction phase.

It is important to note that costs are often far higher at regional airports than those at larger airports as the costs are effectively amortised over a smaller passenger base.



Financials

Operational Financial Analysis current to 2023/24

HISTORICAL FINANCIALS

	Income	Expenditures	Net	Return to Council	Reserve
2008/09	14,890	487,937	-473,047		0
2009/10	14,132	248,934	-234,802		0
2010/11	27,730	272,844	-245,114		0
2011/12	362,975	312,679	50,296		0
2012/13	1,880,745	574,374	1,306,371		0
2013/14	4,335,120	870,453	3,464,667		0
2014/15	6,122,366	2,015,900	4,106,466	1,106,466	3,000,000
2015/16 (budgeted)				3,582,306	4,800,000

PREDICTED FUTURE FINANCIALS – Peculiar to the Sustained Development Scenario

	2015 / 16	2016 / 17	2017 / 18	2018 / 19	2019 / 20	2020 / 21	2021 / 22	2022 / 23	2023 / 24
INCOME	11,373,206	8,002,398	1,682,353	1,732,824	1,784,808	1,838,353	1,893,503	1,950,308	2,008,817
TOTAL EXPENDITURE	2,975,000	4,042,750	2,687,260	2,717,612	2,742,865	2,883,115	2,969,608	6,071,887	4,987,274
Operating Costs	2,310,000	2,379,300	2,034,806	1,990,949	2,050,677	2,112,197	2,175,563	2,240,830	2,308,055
Planned Maintenance	615,000	633,450	652,454	672,027	692,188	712,954	734,342	756,372	779,064
Specific Maintenance items	50,000	1,030,000	0	54,636	0	57,964	59,703	3,074,685	1,900,155
NET	8,398,206	3,959,648	-1,004,907	-984,788	-958,057	-1,044,762	-1,076,105	-4,121,579	-2,978,457
Budgeted Return to Council	3,598,206								
RESERVE	7,800,000	12,357,854	11,352,947	10,368,159	9,410,102	8,365,340	7,289,235	3,167,656	189,199

Note: The Wheatstone and Macedon charters commenced late December 2011
The temporary terminal commenced operations in December 2012
The new Onslow Airport Terminal commenced operations in March 2015

Effect on Matters Referred to in the Local Government's Forward Plan

The Local Government Act requires details to be provided in relation to the major trading undertaking and its expected effect on matters referred to in the Shire's plan for the future of its district. The Shire has adopted its Community Strategic Plan 'Living Life 2012-2022' in relation to this requirement.

The redevelopment of the Onslow Airport is consistent with several references in the 10 Year Community Strategic Plan concerning:-

- **Goal 04 Distinctive and Well Serviced Places**
 - Objective 01 Quality Public Infrastructure: Provide and maintain affordable infrastructure that serves the current and future needs of the community, environment, industry and business
- **Goal 04 Distinctive and Well Serviced Places**
 - Objective 02 Accessible and Safe Towns: Work with key stakeholders to improve capacity and quality of airports, public transport and roads between major towns

A key theme throughout the Community Strategic Plan is the emphasis placed on quality infrastructure and services in the towns and communities. The development of the Onslow Airport will contribute significantly to the community, businesses and industry in the town and surrounding areas.

Ability of the Shire to Manage the Major Trading Undertaking

The Shire of Ashburton has sufficient, experienced personnel to successfully complete the undertaking. The Infrastructure Services Department successfully manages major projects including social infrastructure construction, and has a wealth of experience in managing specific aviation related projects. The Shire is assisted in this regard by specialised project management and engineering consultants plus aviation industry specialists.

Ongoing management of the Onslow Airport Operations is supported by experienced Airport Managers and Airport Reporting Officers at the operational level through to Senior Management.

In order to strategically plan for the future of the Onslow Airport a Master Plan and Asset Management Plan have been developed for the Airport.

The Master Plan presents strategies for development of the Onslow Airport for the next 20 years, taking into account demand forecasting, development opportunities and the Shire's specific development objectives.

The Asset Management Plan recognises the recent significant investment in assets and the need to maintain and renew those assets, over time, to provide a safe, compliant and amenable facility for the community and airport users. It provides a long term forecast of anticipated expenditure that Council can consider when developing Long Term Financial Plans and annual budgets.

Joint Venture Transactions

A joint venture, as defined in Regulation 10 of the Local Government (Functions and General) Regulations, is a trading undertaking or land transaction that is to be jointly carried on or entered into.

The Shire is undertaking the major trading undertaking and is not jointly carrying on the undertaking with any other person or entity.

The capital funding for the Airport upgrade is not regarded as a joint venture as the funding does not afford the funding entity an interest in the Airport as a major trading undertaking.

PUBLIC CONSULTATION AND ADVERTISING

Public Consultation Process

In accordance with the *Local Government Act 1995*, the Shire is required to:

- Give Statewide notice stating that:-
 - the Shire proposes to enter into a major trading undertaking as described in the notice;
 - a copy of the Business Plan may be inspected or obtained by the public at a specified place in the notice;
 - submissions about the proposed undertaking may be made to the Shire before a day specified in the notice, being a day that is not less than 6 weeks after the notice is given;
- A notice is also to be published and exhibited as if it were a local public notice

After the last day for submissions, the Shire is to consider all submissions made and may decide (Absolute Majority required) to proceed with the undertaking or transaction as proposed or so that it is not significantly different from what was proposed.

Advertising

In accordance with Section 3.59(4)(a) of the *Local Government Act 1995*, the Shire is required to give Statewide and local public notice of this Business Plan. Notice will be provided as follows from Saturday 19 March 2016:

- West Australian Newspaper: 2 x advertisements during submission period
- Pilbara News: 2 x advertisements during submission period
- Notices will be placed on the notice boards at various Shire facilities in Tom Price, Paraburdoo, Pannawonica and Onslow
- A notice will also be published on the Shire's website, www.ashburton.wa.gov.au, together with a copy of the Business Plan made available for viewing;
- A copy of the Business Plan will be available for inspection at the Tom Price Shire Office, Paraburdoo Library and Onslow Shire Office.

After the last day for submissions, Council will consider all submissions received prior to deciding to proceed with this proposed major trading undertaking that is the subject of this Business Plan.

Submissions

Submissions will be received from the public for a period of six weeks. All submissions must be received at the office of the Shire by 4:30pm Monday, 2 May 2016 and addressed to:-

Mr. Neil Hartley
Chief Executive Officer
Shire of Ashburton
PO Box 567
TOM PRICE WA 6751

Submissions should be clearly marked "Submission for Business Plan – Major Trading Undertaking Onslow Airport, Onslow".

All enquiries concerning this Business Plan should be directed to the Executive Manager Infrastructure Services, Troy Davis, on (08) 9188 4444

Further information is available on the Shire's website at www.ashburton.wa.gov.au.

APPENDICES

Appendix A – Figure G, Future Airport Development Area

Appendix B – Schedule of Fees and Charges (2015/16