



City of Busselton
Geographe Bay

Airport Advisory Committee Agenda

18 October 2017

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city@busselton.wa.gov.au

CITY OF BUSSELTON

MEETING NOTICE AND AGENDA – 18 OCTOBER 2017

TO: THE MAYOR AND COUNCILLORS

NOTICE is given that a meeting of the Airport Advisory Committee will be held in the Council Committee Room, Administration Building, Southern Drive, Busselton on Wednesday, 18 October 2017, commencing at 3.30pm.

The attendance of Committee Members is respectfully requested.



MIKE ARCHER

CHIEF EXECUTIVE OFFICER

17 October 2017

CITY OF BUSSELTON

AGENDA FOR THE AIRPORT ADVISORY COMMITTEE MEETING TO BE HELD ON 18 OCTOBER 2017

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1. **DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS**

2. **ATTENDANCE**

Apologies

3. **PUBLIC QUESTION TIME**

4. **DISCLOSURE OF INTERESTS**

5. **CONFIRMATION OF MINUTES**

5.1 **Minutes of the Airport Advisory Committee Meeting held 24 April 2017**

RECOMMENDATION

That the Minutes of the Airport Advisory Committee Meeting held 24 April 2017 be confirmed as a true and correct record.

6. REPORTS

6.1 BUSSELTON-MARGARET RIVER AIRPORT DEVELOPMENT PROJECT UPDATE

SUBJECT INDEX:	Busselton-Margaret River Airport
STRATEGIC OBJECTIVE:	Public transport services that meet the needs of the community.
BUSINESS UNIT:	Community and Commercial Services
ACTIVITY UNIT:	Commercial Services
REPORTING OFFICER:	Director, Community and Commercial Services - Naomi Searle
AUTHORISING OFFICER:	Director, Community and Commercial Services - Naomi Searle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Nil

PRÉCIS

Since the announcement of State Government funding for the Busselton-Margaret River Regional Airport (BMRA) Development Project, the City of Busselton, as Project Manager, has made significant progress on the Project. This report provides the Council with a high level overview of the status of the project, as at October 2017, for noting purposes.

BACKGROUND

In June 2015 the State Government committed to delivering a domestic airport to service the South West region. After reviewing a rigorous Business Case submitted by the South West Development Commission in 2013, the Government committed \$55.9m towards the project. Further to this, in July 2016 following the development of a further Business Case to the Federal Government, the Commonwealth committed \$9.8m to enable international passenger and freight services.

Since the initial commitment of funding in June 2015 considerable progress has been made on the project, in terms of both planning and delivery of infrastructure. A key milestone of the State Government funding agreement to access the first instalment of funding was the completion of a Project Definition Plan (PDP) outlining the baseline objectives and overall basis of the project. The PDP was formally approved by the State Government appointed Project Governance Committee on 21 April 2016 and since this time a number of objectives and milestones have been achieved. This report provides an update on the status of the project as at October 2017.

STATUTORY ENVIRONMENT

The BMRRA operates in accordance with the following; Aviation Transport Security Act 2004, Aviation Transport Security Regulations 2005, CASA MOS 139, the City of Busselton's Transport Security Plan, policies and procedures.

RELEVANT PLANS AND POLICIES

The Busselton – Margaret River Regional Airport Master Plan (2016- 2036) outlines the vision for the Development Project.

FINANCIAL IMPLICATIONS

State and Federal Government funding of \$55.9m and \$9.8m respectively has been incorporated into the City's 2017/18 adopted budget, and will form part of future budgets. The funding covers operational and capital costs associated with the project.

Long-term Financial Plan Implications

An operational financial model was developed as part of the State Government Business Case proposal which incorporated a 10-year financial plan. The model considered revenues and costs associated with the upgraded facility, including up-front and recurrent capital and ongoing operational expenditure. The model demonstrates that the upgraded facility will be self-sustainable, generating a modest profit into the future, to be transferred into the City's Airport Infrastructure Renewal and Replacement Reserve at the end of each financial year.

The Long Term Financial Plan (LTFP) is currently based on the 'here and now' scenario, and will require updating to reflect the project, including ongoing operational and capital revenue and expenditure based on the redeveloped works and operations. This work has commenced and will be incorporated into future LTFP reviews. Further feasibility studies, forecasts and modelling will also be undertaken in due course on the opportunities associated with the potential development of landside aviation related industries on land surplus to the needs of the airport operations.

STRATEGIC COMMUNITY OBJECTIVES

The BMRA is consistent with following the City of Busselton's strategic Objectives:

Well Planned, Vibrant and Active Places:

- Infrastructure Assets that are well maintained and responsibly managed to provide for future generations;
- Connected City of Busselton Transport options that provide greater links within our district and increase capacity for community participation.

RISK ASSESSMENT

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk assessment framework. The assessment sought to identify 'downside' risks only rather than 'upside' risks and where the risk, following implementation of controls, has been identified as medium or greater. No such risks were identified.

CONSULTATION

Following the announcement of State Government funding, a Project Governance Committee was established to oversee the overall deliverables of the project and associated funding. Committee members include; South West Development Commission (SWDC), Department of Transport, Department of Treasury, Tourism WA, City of Busselton, and the Department of Regional Development as observers. Following the commitment of Federal Government funding membership extended to include a representative from Regional Development Australia South West.

As part of the Development Project's stakeholder engagement and communications planning processes a BMRA Consultative Group has been established with members comprising key Airport user representatives, neighbouring property owners and nominated representatives from the Reinscourt, Kalgup, Yalyalup, Yoongarillup, Wonnerup and Port Geographe areas.

OFFICER COMMENT

In line with BMRA PDP the following key achievements have been made during 2017:

Land acquisition

The acquisition of land associated with the Development Project has now been acquired and settlement has occurred. As part of the acquisition of Part of Lot 1 Vasse Highway, Yalyalup, land located to the south of the runway, the City was required to realign the Water Corporation drain. This was undertaken as part of the Airside Infrastructure Design and Construction contract, and once approved by Water Corporation, enabled settlement to occur.

Environmental Approvals

The BMRA currently operates under Ministerial Statement 1009 which amongst other things requires the City to operate the airport under a Noise Management Plan (NMP) approved by the Office of the Environmental Protection Authority (EPA). A key component of the approved 2015 NMP is the standard hours of operations, which places restrictions on the times of which General Aviation, Open and Closed Charter Flights and Regular Passenger Transport (RPT) flights can operate.

As part of the Development Project the City is proposing to amend the hours of operation primarily to enable RPT flights to operate 'back of clock' hours, essentially beyond the current restrictions of 0600hrs-2300hrs. In March 2016 the Council resolved (C1703/060) to cap the number of RPT night flights to five (5) per week between the hours of 0000 and 0600 in order to provide the community with some level of certainty of the impact of the proposed operations. In November 2016 the EPA advised the City that proposed changes to the 2015 NMP would undergo a Public Environmental Review (PER) process. As part of this the City was also advised the Environmental Review Document (ESD) that forms the basis of the PER would be prepared by the EPA with the Key Environmental Factor being social surrounds, and that the Environmental Review Document (ERD) to be submitted by the City in response to the ESD would be subject to public comment for a period of six (6) weeks.

Following reviews by EPA Officers, the City submitted the final ERD in May 2017, which was then advertised for public comment between 3 July and 14 August 2017. In total 95 submissions were received, including a submission by the EPA Services division, representing 56 in support of the proposal, 36 objecting, and four (4) neither in support or objecting. The primary concern of the objecting responses was the perceived impact of proposed night flights.

Upon receipt of the EPA's summary of submissions, the City prepared a response to be considered by EPA Officers. It is anticipated that following the EPA's review, the EPA will prepare an assessment report to the EPA Board and then provide the Board's recommendation to the Minister for Environment for consideration by end of February 2018.

Airside Infrastructure

Following the award of the Airside Infrastructure Design and Construction tender to Ertech in November 2016 significant progress has been made with approximately 60% of infrastructure constructed to date. With construction activity commencing in January 2017, detailed designs were prepared under two (2) work packages:

- Package 1: site drainage, Code 4E apron/taxiways and code 4E runway, including electrical
- Package 2: Code 4C apron and taxiway, Code B General Aviation Precinct, including electrical.

Detailed designs for package one (1) was signed off by the City in March 2017 and package two (2) in June 2016, with construction activity commencing 'at risk' by the contractor. Practical completion of the airside works is scheduled for 28 February 2018.

Construction is being undertaken in two (2) work seasons to allow the Contractor to capitalise on dry weather condition. Season one (1) ended mid-June 2017 with the following work completed:

- southern and northern runway extensions
- four (4) bay parking apron and stub taxi-ways
- apron lighting installed
- temporary runway lighting installed
- sub base and base coarse constructed on General Aviation Precinct
- two (2) helipads.

Season two (2) recommenced 16 October 2017.

By the end of season one (1) over \$5 million worth of work had been sub-contracted through Ertech to local subcontractors/suppliers. This does not include staff employed directly by Ertech from the region specifically for the project.

Landside Infrastructure

Following a successful tender process, in December 2016 design consultant Arup was appointed to undertake the landside design for the civil, services, landscaping and terminal building components. However, with designs part way through schematic and detailed design phases the State Government advised the City a Value Optimisation Review would be undertaken of the project with a view to identifying savings that could be returned to the State to assist in the restoration of the State's budget. At this point the City had prepared tender documentation for the design and construction of landside civil, services and landscaping based on part schematic, part detailed designs however with the announcement all work came to a halt pending the outcome of the Review and potential subsequent change to the project budget.

Following the Review the City was advised the State Government remained committed to the project and the City now continues to work with the State to identify where savings can be made. However with the announcement work has recommenced on the landside work packages, which have been split into two (2) work packages:

Package 1: civil, services and landscaping

In October 2017 Ertech was awarded the contract to finalise designs and construct the landside civil, services and landscaping components. With design work and site investigations commencing immediately, Ertech will mobilise on site early December with construction programmed for completion by end of June 2018.

Package 2: terminal and associated civil services.

Following the State Government's Value Optimisation Review, design consultants Arup recommenced the design of the terminal building and associated services. Based on some modifications and revised programming as a result of the Review, the procurement method for the terminal will be design and construction based on 60% detailed designs, with the tender programmed for issue end of November 2017 and construction completion first quarter 2019.

Utilities

Prior to the commencement of the project the City has been in discussions with Busselton Water regarding the delivery of water services to the airport lot boundary. Through the State Government's delivery of the 2017/18 budget, Busselton Water confirmed they will undertake the design and construction of necessary infrastructure.

Jet Fuel Facility

Following ongoing discussions and negotiations over a period of time, the City is now in a position to advertise the proposed disposition of land to enable AirBP and the City to construct the necessary infrastructure to facilitate the provision of A1 Jet Fuel. This is subject to a separate agenda item for the 18 October 2017 Airport Advisory Committee meeting.

Airline Engagement Strategy

As a critical success factor of the project, an effective airline engagement strategy was identified as being required that incorporated a partnership approach between the City of Busselton, Tourism WA, domestic and international airlines and other relevant partners. An Airline Engagement Working Group has been established to oversee the airline engagement component of the Development Project, with members comprising the City of Busselton, Tourism WA, South West Development Commission (SWDC), and Australia's South West. Its function is to develop and implement an Airline Engagement Strategy with the aim of securing domestic, and international, services; with domestic operations commencing in time for the completion of the Development Project.

As part of the Strategy, the City obtained funding through Tourism WA to engage an Airline Engagement Consultant to assist in the development of business cases and subsequent route pitches and ongoing discussions with airlines. Since the announcement of State funding for the project, the City has formally presented to the four (4) major domestic airlines, with the most recent in March 2017. Discussions to date have been promising, however due to the nature of the industry, airlines will not commit to new routes until around six (6) months from being able to operate the service. The next round of meetings with airlines will be undertaken prior to the end of 2017.

As part of the Strategy the City has also established an Airport Marketing Fund and recently requested the financial participation of its neighbouring local governments, for the purposes of securing and sustaining direct air services. To date, approximately \$445,000 has been pledged by South West local governments and tourism associations, including Australia's South West, Margaret River Busselton Tourism Association, City of Bunbury and Shires of Augusta Margaret River, Bridgetown-Greenbushes, Boyup-Brook, Capel, Collie, Dardanup, Harvey, Manjimup and Nannup.

Freight Strategy

Following the Federal Government's financial commitment to the Development Project, in partnership with the South West Development Commission the City developed an Air Freight Strategy to examine the potential for a freight service(s) from the BMRA.

The purpose of the Strategy is to:

- a) Identify key exporters within the BMRA catchment area;
- b) Determine top products (volume and value) and associated infrastructure requirements;
- c) Establish potentially viable destination(s) (based on above); and
- d) Provide an analysis of freight options into identified destinations (e.g. Singapore).

A second component will assess governance structures for an export operation from BMRA. This will be undertaken once the viability of a destination/s has been quantified.

To further explore the international passenger and freight opportunities and to make use of the work completed for the domestic route business cases and airline marketing presentations, the City is undertaking a detailed market analysis of combined international passenger and freight services, the results of which will be utilised in developing Route Development Business Cases to pitch to various international carriers, capable of facilitating services out of the BMRA.

As the project lead for developing a South West Air Freight Strategy, SWDC has provided a small amount of financial assistance to facilitate the international passenger and freight route development project.

The project is broken into four main stages: information collection, market analysis, development of business cases, and airline engagement.

Building on a producer survey undertaken in 2016 and discussions already held with local producers with international transportation and logistics needs, the City, in conjunction with the Airline Engagement Consultant and South West Development Commission prepared and released a customised survey to over 500 South West regional producers and member based organisations and associations in August and September 2017. The aim of the survey is to investigate recent and planned output by weight and value by commodity type, planned exports, country of destination and current, planned and preferred modes of transports and ports of clearance.

It is expected the survey will capture the information and data to support combination passenger and freight services out of the BMRA, direct to South East Asian destinations, including Denpasar, Singapore and Kuala Lumpur and provide a clear understanding of export needs from the catchment area, lending more depth to the insights gained in 2016.

Stakeholder Engagement and Communications

In line with the BMRA Stakeholder Engagement and Communications Plan, a number of engagement and communication activities have been undertaken throughout the year, including the following:

- development of a dedicated BMRA website
- issue of a number of project fact sheets including; project status updates, General Aviation Opportunities, Business and Industrial Park Opportunities, and Airline Engagement updates
- media releases
- media monitoring
- weekly project/construction updates to airport users during airside construction seasons
- Noise Management Plan and noise modelling information sessions.

In addition to this, the City has prepared a draft noise amelioration communications plan which describes the amelioration process and outlines the steps in which amelioration may apply to individuals. A number of meetings have also been held with the BMRA Consultative Group providing updates to members on relevant topics including; noise monitoring, environmental approval process, and general project status updates. The meetings provide an effective conduit between the City as the project manager and members to discuss matters pertinent to the project and more broadly operations.

CONCLUSION

Since the announcement of funding for the BMRA Development Project, considerable progress has been made. This report provides an overview of the key components of the project to provide Council with an update for noting purposes.

OPTIONS

The Council chooses not to accept the Officers report.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not applicable.

OFFICER RECOMMENDATION

That the Council receives and notes the Busselton-Margaret River Airport Development Project update report.

6.2 BUSSELTON-MARGARET RIVER AIRPORT OPERATIONS UPDATE REPORT

SUBJECT INDEX: Busselton-Margaret River Airport
STRATEGIC OBJECTIVE: Public transport services that meet the needs of the community.
BUSINESS UNIT: Commercial Services
ACTIVITY UNIT: Commercial Services
REPORTING OFFICER: Manager, Commercial Services - Jennifer May
AUTHORISING OFFICER: Director, Community and Commercial Services - Naomi Searle
VOTING REQUIREMENT: Simple Majority
ATTACHMENTS: Nil

PRÉCIS

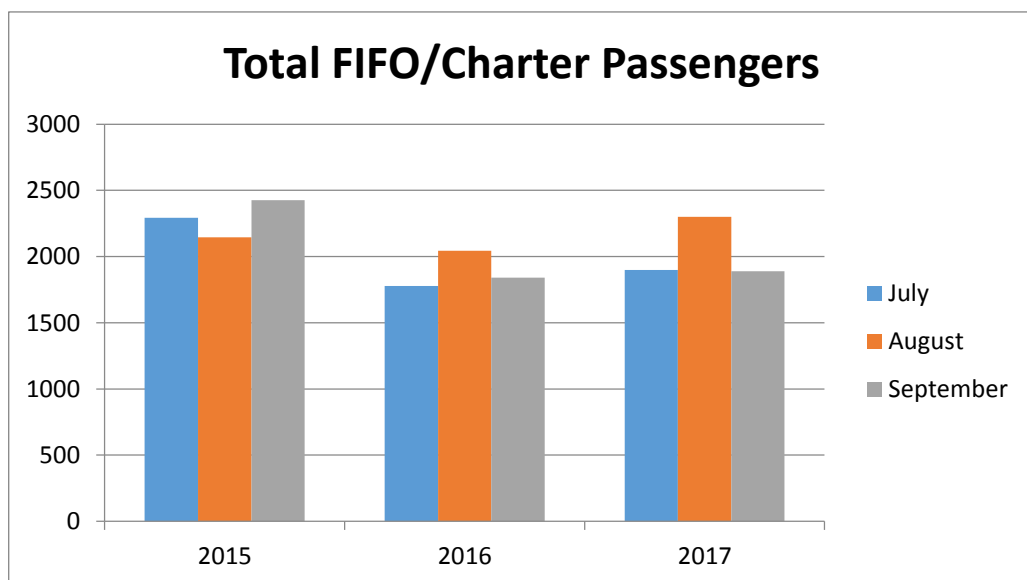
This report provides an overview on the Busselton-Margaret River Airport (BMRA) operations and activities for the reporting period 1 July 2017 to 30 September 2017.

BACKGROUND

The BMRA has seen an increase in the overall FIFO passenger numbers compared to the same period for 2016, however passenger numbers are still lower than 2015 which can be attributed to the withdrawal of the Maroomba / Ad Astral services to the Karara mine site in December 2015.

Below is a table and graph indicating the number of FIFO/Charter passengers travelling through BMRA for the reporting period of 1 July to 30 September for 2015, 2016 and 2017:

	Departing FIFO/Charter Passengers			Arriving FIFO/Charter Passengers		
	2015	2016	2017	2015	2016	2017
July	1277	995	1041	1016	784	857
August	1189	1153	1313	956	890	988
September	1280	1065	1039	1145	775	851
TOTAL	3746	3213	3350	3117	2449	2653



The total number of departing FIFO services from BMRA is currently 10 flights per week.

A total of 647 aircraft landings were recorded for the period July-September 2017, a decrease from the numbers reported for the same period in 2016 (770) and 2015 (1129). This reduction is attributed to fewer skydiving operations, the removal of a weekday courier service this quarter and the Maroomba / Ad-Astral service as noted above.

For the reporting period the Busselton Aero Club performed a total of 134 flight training sessions in 2016 and 135 flight training sessions 2017. The Royal flying Doctor Service (RFDS) also performed 41 operations at the BMRA in 2017 and 33 for the same reporting period in 2016.

Airport Officers have applied and received a Department of Parks and Wildlife (DPAW) Regulation 4, 'Licence to take dangerous fauna' which enables Officers to scare birds that are a danger to aircraft. Officers currently use vehicle mounted sirens and flashing lights to disperse birds from the runway before scheduled aircraft arrivals and departures. Officers are investigating other dispersal methods as four (4) bird strikes to aircraft have been reported recently.

As part of the BMRA airside development works, City Officers submitted a revised Transport Security Program (TSP) to the Office of Transport Security earlier in the year (April 2017) and has since submitted two further revised Airside/Landside Boundary maps to enable the runway extensions.

Noise Management Plan (NMP) Non-Compliance Reporting

Under the 2015 NMP the City is required to submit its annual compliance report to the Office of Environmental Protection Authority (OEPA) prior to 22 September 2017 for the reporting period of 23 June 2016 to 22 June 2017.

The annual compliance report was submitted on 30 August 2017 and reported that four (4) out of an available twelve (12) CEO approved non-conforming activities (section 3.3.3 Approval for Non-Conforming Activity of the NMP) were used. Additionally, the report stated that four (4) non-compliant incidents had been reported to the Office of the Environmental Protection Authority (OEPA) during the reporting period with the City also receiving four (4) aircraft related noise complaints.

STATUTORY ENVIRONMENT

The BMRA operates in accordance with the following: Aviation Transport Security Act 2004, Aviation Transport Security Regulations 2005, CASA MOS 139, Council's Transport Security Plan and City policies and procedures.

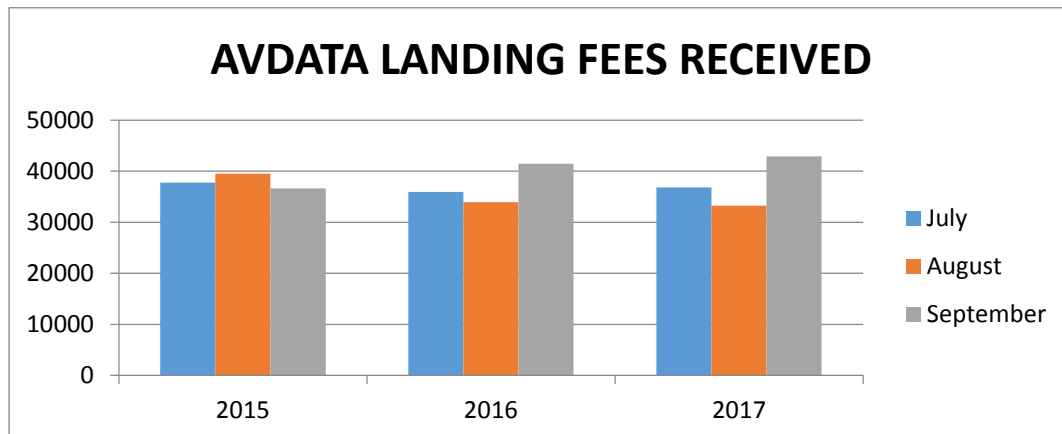
RELEVANT PLANS AND POLICIES

There are no policy implications with this report.

FINANCIAL IMPLICATIONS

Airport revenue for the 2017/2018 financial year to 30 September is \$188,644 compared to a projected year to date (YTD) budget of \$264,200. The main reasons for revenue being less than expected is due to the City having not received payment of Virgin Australia Regional Airline's (VARA) August and September passenger fees estimated at \$45,000 and outstanding Avdata landing fee collection estimated at \$42,000. Car parking revenue is slightly higher than expected with an income of \$58,145 compared to the projected YTD budget of \$56,250.

The graph below shows the landing fees collected by Avdata for the reporting period July - September 2017 in comparison to the same period for 2015 and 2016, noting that AVDATA have sent invoices for September 2017 landings but the City has not received these fees as noted above.



Airport expenditure for 1 July 2017 to 30 September 2017 is \$228,432 compared to a projected YTD Budget amount of \$179,927. Expenditure at this time is higher than expected with the site clearance and water tank relocation underway for the jet fuel facility. There are no financial implications as a result of this report.

Long-term Financial Plan Implications

There are no financial implications as a result of this report.

STRATEGIC COMMUNITY OBJECTIVES

The BMRA is consistent with following the City of Busselton's strategic objectives:

Well Planned, Vibrant and Active Places:

- Infrastructure Assets that are well maintained and responsibly managed to provide for future generations;
- Connected City of Busselton Transport options that provide greater links within our district and increase capacity for community participation.

RISK ASSESSMENT

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk assessment framework. The assessment sought to identify 'downside' risks only rather than 'upside' risks and where the risk, following implementation of controls, has been identified as medium or greater. No such risks were identified.

CONSULTATION

Consultation with Department of Transport, South West Development Commission, Aviation Projects, Government agencies, Airport stakeholders, Office of Transport Security (OTS), Civil Aviation Safety Authority (CASA), Virgin Australia Regional Airline, the Busselton Aero Club, Service Agencies, Albany, Esperance, Geraldton Airports and Australian Airports Association has been occurring on a regular basis concerning many topics and issues relating to the Airport.

OFFICER COMMENT

FIFO/ Charter passenger numbers through the BMRA have increased slightly compared to the same period last year and officers expect passenger numbers to remain in line with or above projected forecasts for the remainder of the financial year.

The July-September period has seen operational improvements, maintenance, scheduled inspections and staff training taking place including:

- Officers completing training in first aid and flight path procedures, and
- Attending the Australian Airport Association state meeting.

The Office of Transport Security conducted an airport security audit during this quarter with no adverse findings.

In August 2017 the Prime Minister visited the City of Busselton, travelling in the RAAF B737-700 aircraft which landed and departed from the BMRA, the B737 operation occurred without any concerns and was a highlight for the BMRA.

CONCLUSION

The wet weather earlier in the quarter delayed some maintenance however airside construction will recommence in October after the winter season and is scheduled for completion early 2018.

City Officers will continue to provide a high level of customer service to all airport users ensuring the airport is operating compliantly and safely throughout the BMRA Development Project.

OPTIONS

The Council chooses not to accept the Officers report.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not Applicable

OFFICER RECOMMENDATION

That the Council receive and notes the Airport Operations update report

6.3 AIR BP LEASE - FUEL FACILITY

SUBJECT INDEX:	Busselton Margaret River Airport
STRATEGIC OBJECTIVE:	Public transport services that meet the needs of the community.
BUSINESS UNIT:	Commercial Services
ACTIVITY UNIT:	Commercial Services
REPORTING OFFICER:	Project Officer Contracts and Tendering - Ben Whitehill
AUTHORISING OFFICER:	Director, Community and Commercial Services - Naomi Searle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Nil

PRÉCIS

This report recommends Council give local public notice of a proposed disposition of property (section 3.58 Local Government Act 1995) and to delegate authority to the CEO to finalise terms and conditions and execute a ground lease between the City of Busselton and BP Australia Pty Ltd, for a portion of Lot 1974 on Deposited Plan 411016 (Certificate of Title Volume 2931 Folio 507). The purpose of the proposed lease is to facilitate a commercial aviation fuel facility (Jet A1 and Avgas).

BACKGROUND

The Busselton-Margaret River Airport (BMRA) is located 6.5km from the Busselton town center and is at the gateway to the internationally renowned Margaret River Wine region. It is located wholly on land owned by the City of Busselton.

In June 2015, the State Government committed to delivering an upgrade to the then Busselton Regional Airport to enable domestic interstate services directly into the South West region. After reviewing a rigorous Business Case submitted by the South West Development Commission in 2013, and considering the views of the Steering Committee appointed by the then Minister for Transport to oversee the development of the Business Case, the Government publically committed to funding the redevelopment.

Since the funding commitment the City of Busselton, as the Project Manager, has completed a Project Definition Plan for the BMRA Development Project, and has received subsequent approval from the Project Governance Committee. As part of the project planning there was an identified need for jet fuel for both future interstate RPT services and existing users. There has been no provision of Jet Fuel at the BMRA to date.

In 2012 the City of Busselton was successfully awarded funding from the Regional Airport Development Scheme (RADS) for the installation of a Jet (A1) Fuel facility at BRA, to the value of \$350,000 with a total project value of \$700,000 (with the City to match the RADS Funding). Further approval was granted to the City for the rolling forward of a revised amount of \$264,659 of the RADS grant through to the 2016/2017 financial year, with a project completion date set for 30 April 2017. In May 2016 the City again sought approval from the Minister of Transport to roll forward the RADS Grant to the 2018/2019 financial year to enable the commissioning of the Jet Fuel Facility at the BMRA to coincide with the introduction of Regular Passenger Transport (RPT) interstate services directly to Melbourne and Sydney.

In 2013 the City conducted an expression of interest process to seek interest in developing the jet fuel facility. Since then the City has been negotiating with its preferred proponent BP Australia Pty Ltd.

In addition to the new jet fuel facility, the City of Busselton owns and maintains an existing Avgas facility located at the BMRA. The supply of Avgas fuel is distributed to recreational and general aviation aircraft with refueling managed by the locally based Busselton Aero Club under license. It is proposed that the Avgas Facility will be transferred to BP Australia Pty Ltd.

This report documents the negotiations between City Officers and the proponents and seeks a Council resolution to dispose of Crown land property by means of a 20 year lease in accordance with statutory requirements of s3.58 of the Local Government Act 1995.

Negotiations have progressed to the point where the City has agreed the terms of an Agreement for Lease (a conditional memorandum of understanding between the parties) and now requires Council endorsement.

STATUTORY ENVIRONMENT

Local Government Act 1995

- In accordance with s9.49B of the Local Government Act 1995, 'Contract Formalities', the Council is required to give authority to make, vary or discharge a contract, effectively binding the local government and other parties to the contract. This report identifies the proposed parties to a future contract and recommends the CEO be authorised to negotiate and enter a Lease with BP Australia Pty Ltd (ACN 004 085 616).
- Section 3.58(3) of the Local Government Act 1995, states that before agreeing to dispose of property, the local government is required to:
 - (a) give local public notice of the proposed disposition by:
 - describing the property concerned;
 - giving details of the proposed disposition (including names of the parties concerned; the consideration to be received by the local government and the market value of the disposition); and,
 - inviting submissions to be made to the local government before a date to be specified in the notice, being a date not less than 2 weeks after the notice is first given
 - (b) consider any submissions made to it before the date specified in the notice and, if its decision is made by the council or a committee, the decision and the reasons for it are recorded in the minutes of the meeting at which the decision was made.

Market Valuation

A market valuation was sought from an independent valuer on 9 August 2017 and indicated a market ground rent of \$12.00-\$12.50 per square meter per annum. The area valued included the land designated for the jet fuel facility and the existing avgas depot, including the avgas infrastructure. The avgas infrastructure is considered to be fully depreciated, requiring renewal to bring it up to BP Australia's standards and hence has a market value of nil dollars.

The City proposes to advertise in a local newspaper circulating throughout the district inviting submissions to be made, as follows:

1. Description of Property

- (a) Property:** A 1,336m² portion of Lot 1974 on Deposited Plan 411016 and located on Busselton Margaret River Airport, Neville Hyder Drive, Yalyalup WA 6280 including the existing Avgas Facility.
- (b) Permitted Use:** installation and operation of an aviation fuel depot including storage, handling and sales of fuels, lubricant and related products.
- (c) Background:** The proposed lease is consistent with the uses identified in the Busselton-Margaret River Airport Master Plan 2016 dated 10 February 2016.

2. Details of Disposition

- (a) Names of Parties:** Lessor (City of Busselton). Lessee (BP Australia Pty Ltd (ACN 004 085 616))

(b) Consideration:

The ground rent to be paid by the Lessee is \$12.50 per square metre (excluding GST and outgoings). The following rent concessions apply:

- no rent is payable during construction of the jet fuel facility; and
- 50% reduction in rent applies from the Date of Practical Completion until the earlier of:
 - i. the commencement of interstate Regular Public Transport operations; and
 - ii. the first month that jet fuel sales from the jet fuel facility exceed 50 kilolitres.

The ground rent will be subject to rent reviews on each anniversary of the commencement date. Market reviews will be conducted on the 5th, 10th and 15th anniversary with all other years being subject to CPI rent reviews. A nominal annual licence fee of \$100 is payable for the access and use of the aprons and an Airport Infrastructure Fee of \$0.015 per litre will be applied to all jet fuel sales.

- (c) Lease Term:** 20 years (an initial period of 10 years with an option to renew for a further 10 years)
- (d) Market Rent Value:** \$12.50 per square metre per annum (exclusive of GST and outgoings) and including the avgas facility infrastructure fully depreciated and having nil dollar value, as determined by a valuation dated 9 August 2017.

RELEVANT PLANS AND POLICIES

The BMRA operates in accordance with the following: Aviation Transport Security Act 2004, Aviation Transport Security Regulations 2005, CASA MOS 139, Council's Transport Security Plan and City policies and procedures.

FINANCIAL IMPLICATIONS

The fuel facility will be partly publicly funded as follows:

- \$335,413.00 City contribution;
- funding received from the Department of Transport Regional Airports Development Scheme of \$264,659.

The installation of the fuel facility is not necessarily expected to be a significant revenue generator for the City, with direct revenue generated from the ground rent (initially set at \$12.50 per square metre excluding GST and outgoings), licence fee (nominal \$100.00 per annum) and airport infrastructure fee (\$0.015 per litre of jet fuel sales). The ground rent and licence fee totalling \$16,800 (excluding GST) and an estimated infrastructure fee of less than \$2000 in the first lease year is expected to be receipted by the City as revenue. Indirectly, increases in airport traffic will result in increased revenue from landing fees and potentially passenger fees.

There is also the opportunity for the City of Busselton to be contracted as BP Australia's Airfield Representative, responsible for all refuelling of jet fuel and Avgas. This would involve the City entering into a contract with BP Australia for the services of refuelling, for an amount to be finalised. The remuneration paid to the City would cover City staffing costs to perform the refuelling services.

Long-term Financial Plan Implications

An operational financial model was developed as part of the State Government Business Case proposal which incorporated a 10-year financial plan. The model considered revenues and costs associated with the upgraded facility, including up-front and recurrent capital and ongoing operational expenditure. The model demonstrates that the upgraded facility will be self-sustainable, generating a modest profit into the future, to be transferred into the City's Airport Infrastructure Renewal and Replacement Reserve at the end of each financial year.

The Long Term Financial Plan (LTFP) is currently based on the current operations, and will require updating to reflect the Development Project, including ongoing operational and capital revenue and expenditure based on the funded project. This work has commenced.

STRATEGIC COMMUNITY OBJECTIVES

This report is consistent with the City of Busselton's Strategic Community Plan (2017) community goals and objectives.

Key Goal Area 5 - Transport:

- 5.1 Public transport services that meet the needs of the community.

RISK ASSESSMENT

Should Council adopt the Officer Recommendation, there are no residual risks rated as medium or high as these risks have been mitigated through provisions within the Lease. These include, for example:

- A Benchmark Contamination Report is required to determine the level of contamination at commencement so this can be compared at expiry;
- Public Liability Insurance is required to protect against claims of personal injury or property damage as a result of business activities;
- Maintenance: all maintenance of the jet fuel and avgas facility is the responsibility of the Lessee.

CONSULTATION

Council will give local public notice of the proposed disposition and invite public submissions in accordance with the Local Government Act 1995.

In determining the requirements for the fuel facility Officers have consulted with airport users (including a survey conducted in 2016) and the airport master planner. The City will formally notify the Busselton Aero Club of its intention to close out the licence agreement for the Avgas refuelling which is currently on monthly renewal basis.

OFFICER COMMENT

The Airport Development Project seeks to upgrade the existing airport to accommodate interstate and international flights from destinations including Melbourne and Sydney. Subsequently jet fuel is essential for the domestic and future international operations.

Officers have been negotiating with a 'preferred proponent' BP Australia Pty Ltd to develop a jet fuel facility adjacent to the existing Avgas facility. Those negotiations have progressed to the point where the City has agreed the terms of an Agreement for Lease (a conditional memorandum of understanding between the parties). There are many conditions precedent including the City entering into an agreement with the Minister for Transport for the RADS funding and compliance with the requirement of s3.58 of the Local Government Act 1995.

The key terms of the Lease are set out below:

- Initial term of 10 years with one 10 year option;
- Lease area of approximately 1336m²;
- RADS Funding of \$264,659.00 and City Funding of \$335,413.00 to go toward civils works and site installation;
- Initial market ground rent of \$12.50 per square metre (rent to be adjusted annually by CPI with market rent reviews every five years) plus all outgoings;
- Rent concessions will apply during construction and before the first interstate RPT service commences;
- Licence over apron areas with an annual licence fee of \$100;
- An airport infrastructure levy which is payable on all jet fuel sales at a rate of \$0.015 per litre for the term and any further term of the lease;
- Maintenance of the fuel depot is the responsibility of BP Australia Pty Ltd;
- BP Australia Pty Ltd will retain ownership of the Jet A-1 fuel infrastructure and will be entitled to remove it from the site upon expiry.

The existing Avgas Facility will also be transferred to BP Australia Pty Ltd for \$1 as part of the lease and the Avgas Facility will form part of the lease area. The Avgas facility was previously transferred to the City for a nominal amount. It also requires a new bowser and additional works to bring it up to current specifications. Those works will be funded by BP Australia Pty Ltd.

The final lease is subject to the City complying with its obligations under section 3.58 of the Local Government Act

CONCLUSION

This report recommends Council dispose of property in accordance with s3.58 of the Local Government Act 1995, by entering into a lease for a portion of Lot 1974 on Deposited Plan 411016 (Certificate of Title Volume 2931 Folio 507) to facilitate the proposed aviation fuel facility. The Officer recommendation seeks a decision to advertise the proposed disposition of property and to authorise the CEO to finalise negotiations with BP Australia Pty Ltd and to execute a Lease with BP Australia Pty Ltd.

OPTIONS

Council may elect to not proceed with the proposed new lease and/or amend the draft terms and conditions negotiated by Officers.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

It is anticipated that advertising will be conducted soon after council approval is obtained. Should Council support the Officer recommendation, the Lease will be entered into once all conditions precedent are finalised (including entering into an agreement with the Minister for Transport for the State Government funding).

OFFICER RECOMMENDATION

That the Council:

- 1) Resolves to give local public notice to Lease 1,336m² portion of Lot 1974 (Deposited Plan 411016) located on Busselton Margaret River Airport, Neville Hyder Drive, Yalyalup, including the existing Avgas Facility and invite public submissions in accordance with Section 3.58(3) of the Local Government Act 1995; and
- 2) Subject to not receiving any adverse submissions, delegates to the Chief Executive Officer to negotiate and authorises the Chief Executive Officer to enter into the Lease on the further terms and conditions as outlined in this report.

7. **GENERAL DISCUSSION ITEMS**

8. **NEXT MEETING DATE**

TBC

9. **CLOSURE**