

COUNCIL AGENDA

## Supplementary Items

*9 December 2020*

ALL INFORMATION AVAILABLE IN VARIOUS FORMATS ON REQUEST

[city@busselton.wa.gov.au](mailto:city@busselton.wa.gov.au)

CITY OF BUSSELTON

LATE ITEMS FOR THE COUNCIL MEETING TO BE HELD ON 9 DECEMBER 2020

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**8. CONFIRMATION AND RECEIPT OF MINUTES**

8.5 Minutes of the Airport Advisory Committee Meeting held 2 December 2020

**RECOMMENDATION**

**That the Minutes of the Airport Advisory Committee Meeting held 2 December 2020 be noted.**

**12. REPORTS OF COMMITTEE****12.5 Airport Advisory Committee - 2/12/2020 - BUSSELTON MARGARET RIVER AIRPORT BUSINESS DEVELOPMENT**

<b>STRATEGIC GOAL</b>	5. TRANSPORT Smart, connective and accessible
<b>STRATEGIC OBJECTIVE</b>	5.1 Public transport services that meet the needs of the community.
<b>SUBJECT INDEX</b>	Busselton Margaret River Airport
<b>BUSINESS UNIT</b>	Commercial Services
<b>REPORTING OFFICER</b>	Manager, Commercial Services - Jennifer May
<b>AUTHORISING OFFICER</b>	Director, Community and Commercial Services - Naomi Searle
<b>NATURE OF DECISION</b>	Noting: the item does not require a decision of Council and is simply for information purposes and noting
<b>VOTING REQUIREMENT</b>	Simple Majority
<b>ATTACHMENTS</b>	Attachment A BMRA Master Plan - Precinct Plan  

**This item was considered by the Airport Advisory Committee at its meeting on 2/12/2020, the recommendations from which have been included in this report.**

**OFFICER RECOMMENDATION**

That the Council note the Officer's report and support the top three priorities for business development activities for the Busselton Margaret River Airport:

1. Domestic interstate route development for direct Sydney – Busselton services.
2. Progress the development of the Industrial and commercial precinct, including engaging a consultant to complete a desktop analysis and prepare an expression of interest for commercial investment opportunities.
3. Officers to prepare a proposal to assess options for the development of general aviation hangars to be presented to the Airport Advisory Committee in April 2021.

**COMMITTEE RECOMMENDATION**

That the Council note the Officer's report and endorses the commercial opportunities for the Busselton Margaret River Airport as set out in the below table:

Product/Service	Description	Actions	Timeline
<b>BMRA Route Development</b>	<ul style="list-style-type: none"> <li>Interstate RPT domestic services (Melbourne, Sydney, Brisbane)</li> <li>Intrastate FIFO closed charter operations</li> <li>Intrastate RPT domestic services (Port Hedland, Karratha, Broome, Newman)</li> <li>International RPT services (Singapore)</li> </ul>	<ul style="list-style-type: none"> <li>In partnership with the State Government (TWA), progress new route development opportunities for Sydney, Brisbane and Singapore</li> <li>Continue to promote the BMRA as a FIFO regional base to mining /resource sector (Rio Tinto, BHP, FMG, CME)</li> <li>Negotiations with airlines</li> <li>Federal Govt approvals (Home Affairs, Border Force)</li> </ul>	2021
<b>Alternate landing Site</b>	<ul style="list-style-type: none"> <li>Alternate airport for international airlines to Perth Airport in the event of inclement weather and/or closure</li> <li>Business analysis to provide the service including airline pricing structure, aircraft infrastructure and aviation firefighting and rescue services</li> </ul>	<ul style="list-style-type: none"> <li>Quantify the requirements and costings for the City to provide a full alternate landing site facility</li> <li>Prepare an appropriate pricing structure for charging international airlines for using BMRA</li> </ul>	Dec 2020 – January 2021

<p><b>General Aviation</b> 34 lots Code B</p>	<ul style="list-style-type: none"> <li>• Various sizes, with capacity to combine land lots</li> <li>• Fully serviced lots for lease with Code B apron access</li> <li>• GA focus</li> </ul>	<p>Prepare a report for Council including the following options:</p> <ul style="list-style-type: none"> <li>• Option 1 - advertise and market lease opportunities</li> <li>• Option 2 - prepare business case for Council to lease developed hangar lots (City construct hangars)</li> <li>• Option 3 - enter into a partnership with developer/investor to build and lease hangar lots</li> </ul>	<p>2021 (Q2)</p>
<p><b>General Aviation</b> 1 x Code C lot</p>	<ul style="list-style-type: none"> <li>• Fully serviced</li> <li>• Size: 3840m<sup>2</sup> each</li> <li>• Suit aircraft maintenance / servicing / freight / smaller RPT operations</li> </ul>	<ul style="list-style-type: none"> <li>• Advertise commercial lease opportunity, including domestic freight, private charter operations or RPT operations (GA aircraft &lt; 30,000kgs)</li> </ul>	<p>2021 (Q2)</p>
<p><b>Commercial &amp; Industrial precinct</b> 4 land lots</p>	<ul style="list-style-type: none"> <li>• Fully serviced land lots for lease</li> <li>• Size: 4864m<sup>2</sup> each</li> <li>• Direct runway access</li> <li>• Dedicated airfreight focus for lease by commercial aviation and support businesses</li> </ul>	<p>Prepare an Expression of Interest, including one or more of the options below, to market / advertise the Commercial / Industrial precinct opportunities:</p> <ul style="list-style-type: none"> <li>• Option 1 - City advertise and market commercial lease opportunities intrastate and nationally</li> </ul>	<p>2021 (Q1 – Q2)</p>
<p><b>Commercial &amp; Industrial precinct</b> 3 land lots</p>	<ul style="list-style-type: none"> <li>• 3 fully serviced land lots for lease</li> <li>• Size: 2018-3088m<sup>2</sup> each</li> <li>• Aviation / freight focus</li> </ul>	<ul style="list-style-type: none"> <li>• Option 2 – City enter into commercial arrangement on long term lease basis with private developer / investor</li> </ul>	
<p><b>Commercial &amp; Industrial precinct</b> 10ha undeveloped land</p>	<ul style="list-style-type: none"> <li>• ~ 10ha undeveloped (services to lot boundary) land for aviation/ light industrial purposes</li> </ul>	<ul style="list-style-type: none"> <li>• Option 3 - Approach Airport North Developer and negotiate commercial arrangement for external management of precinct</li> <li>• Option 4 - Offer land lots for sale, either individually or as a precinct</li> </ul>	

<b>Advertising</b>	<ul style="list-style-type: none"> <li>• Electronic screens in the terminal / arrivals hall</li> <li>• Static posters located in the terminal</li> <li>• Fences and benches within Carparks</li> <li>• Billboard (Neville Hyder Drive)</li> </ul>	<ul style="list-style-type: none"> <li>• Electronic screen is available - advertising to be completed</li> <li>• Static poster boards to be installed early 2021 – advertising to be completed</li> <li>• Following commencement RPT services, landside advertising opportunities (car parks, benches etc.) to be completed</li> </ul>	2020/2021 (Q1)
<b>Landside commercial opportunities</b>	<ul style="list-style-type: none"> <li>• Airport Café/kiosk</li> <li>• Retail / tourism products</li> <li>• Car valeting and storage</li> <li>• Fuel station</li> <li>• Hotel / short stay accommodation</li> </ul>	<ul style="list-style-type: none"> <li>• BMRA café /kiosk license in negotiations now</li> <li>• Retail / tourism product once RPT operations commence (small scale), dependent on new terminal</li> <li>• Car valeting and storage once RPT operations have commenced</li> <li>• Long term opportunities - Fuel stations and hotel sites</li> </ul>	2021  2022  + 2025

Reasons: Committee requested the inclusion and consideration of all the proposed business development activities to be recommended to Council.

### EXECUTIVE SUMMARY

This report outlines the business development activities planned for the Busselton Margaret River Airport (BMRA) over the next 12 to 18 months to capitalise on the potential aviation and economic opportunities and benefits the BMRA can provide to the region.

### BACKGROUND

The City of Busselton completed the Busselton Margaret River Airport (BMRA) redevelopment project in March 2018 with construction of airside and landside infrastructure that enables domestic and international air services to destinations such as Melbourne, Sydney, Singapore, Kuala Lumpur, Denpasar and China.

The redevelopment project was funded through Federal, State and the City of Busselton and enabled the construction of significant infrastructure including the following:

- Code 4E Runway: 2520m x 45m to facilitate aircraft such as Boeing 737, Airbus 320 and Airbus 330
- A total of 11 aircraft apron parking bays (Code C / E) and connecting taxiways
- Jet A1 and Avgas fuel facility (Truck & Bowser)
- Two helipads
- Public car parking (422 bays)
- General aviation precinct 34 lots comprising two Code B aprons capable of accommodating up to 34 fully serviced hangars and two fully serviced hangar lots with Code C apron access
- Airfreight hub – Stage 1 of the Commercial and Industrial Precinct with four serviced lots with direct airside access and three landside serviced lots

Following successful negotiations with Jetstar in 2018/19, a new Melbourne – Busselton air route was announced in October 2019, with a commencement date of 25 March 2020. To facilitate the new Melbourne service, the City commenced a terminal expansion project to facilitate passenger and baggage check-in, security screening and passenger processing, including the construction of a new Arrivals Hall. The City also applied to the Department of Home Affairs to upgrade its security classification to Category 3 for passenger and checked baggage screening, including the implementation of X-ray screening equipment and a people scanner. Due to the advent of the COVID-19 pandemic, the Jetstar Melbourne - Busselton services have been deferred, with the expectation that they will commence in 2021 once domestic interstate travel is re-established.

Current, regular or scheduled operations of the BMRA include 16 closed charter fly in fly out services per week operating between Perth, Busselton and north west mine sites such as West Angeles, Boolgeeda and Barimunya, private charter and General Aviation (GA) air traffic, Busselton Aero Club and related activities including flight training, Royal Flying Doctor Service, Surf Lifesaving helicopter operations, Department Fire and Emergency Services firefighting helitac operations and tourism operators such as Tiger moth flights and Busselton Airservices. The BMRA recorded 2,577 aircraft movements and 26,861 passengers through the terminal in 2019/20 and has seen an increasing trend in aircraft movements and passengers for 2020/21 FY to date. However, the COVID-19 pandemic has had significant impacts on the aviation and supporting industries and has made it difficult for Officers to progress commercial opportunities at the BMRA in 2020.

#### BMRA Business Development

The City of Busselton's Economic Development Strategy identifies the development of aviation related industries as an emerging industry base and as an opportunity to diversify the region's economy. The City's aim is to encourage and attract investment in the Busselton Margaret River Region through the aviation industry as it will provide employment benefits, attract additional investment and trade for local suppliers, and influence decisions of other businesses to relocate or set up in the region.

One of the key aims of the BMRA business unit is to develop the BMRA as a hub for air services by encouraging new competitors to operate from the BMRA, including airlines, freight services, charters and fly in fly out operations, and by stimulating new air routes to new destinations.

Officers are currently preparing a Commercial Strategy and Marketing Plan which will identify opportunities in more detail, including objectives, target markets and audiences, appropriate timings to go to market, methodology and costings.



This plan has identified the following commercial opportunities:

Product/Service	Description	Actions	Timeline
<b>BMRA Route Development</b>	<ul style="list-style-type: none"> <li>Interstate RPT domestic services (Melbourne, Sydney, Brisbane)</li> <li>Intrastate FIFO closed charter operations</li> <li>Intrastate RPT domestic services (Port Hedland, Karratha, Broome, Newman)</li> <li>International RPT services (Singapore)</li> </ul>	<ul style="list-style-type: none"> <li>Develop business case for Sydney and Singapore services with State Government (TWA)</li> <li>Continue to promote the BMRA as a FIFO regional base to mining /resource sector (Rio Tinto, BHP, FMG, CME)</li> <li>Negotiations with airlines</li> <li>Federal Govt approvals (Home Affairs, Border Force)</li> </ul>	2021
<b>Alternate landing Site</b>	<ul style="list-style-type: none"> <li>Alternate airport for international airlines to Perth Airport in the event of inclement weather and/or closure</li> <li>Business analysis to provide the service including airline pricing structure, aircraft infrastructure and aviation firefighting and rescue services</li> </ul>	<ul style="list-style-type: none"> <li>Quantify the requirements and costings for the City to provide a full alternate landing site facility</li> <li>Prepare an appropriate pricing structure for charging international airlines for using BMRA</li> </ul>	Dec 2020 – January 2021
<b>General Aviation</b>  34 lots Code B	<ul style="list-style-type: none"> <li>Various sizes, with capacity to combine land lots</li> <li>Fully serviced lots for lease with Code B apron access.</li> <li>GA focus</li> </ul>	<ul style="list-style-type: none"> <li>Option 1 - advertise and market lease opportunities</li> <li>Option 2 - prepare business case for Council to lease developed hangar lots (City construct hangars)</li> <li>Option 3 - enter into a partnership with developer/investor to build and lease hangar lots</li> </ul>	2021 (Q2)

Product/Service	Description	Actions	Timeline
<b>General Aviation</b> 1 x Code C lot	<ul style="list-style-type: none"> <li>• Fully serviced</li> <li>• Size: 3840m<sup>2</sup> each</li> <li>• Suit aircraft maintenance / servicing / freight / smaller RPT operations</li> </ul>	<ul style="list-style-type: none"> <li>• Advertise commercial lease opportunity, including domestic freight, private charter operations or RPT operations (GA aircraft &lt; 30,000kgs)</li> </ul>	2021 (Q2)
<b>Commercial &amp; Industrial precinct</b> 4 land lots	<ul style="list-style-type: none"> <li>• Fully serviced land lots for lease</li> <li>• Size: 4864m<sup>2</sup> each</li> <li>• Direct runway access</li> <li>• Dedicated airfreight focus for lease by commercial aviation and support businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Option 1 - City advertise and market commercial lease opportunities intrastate and nationally</li> <li>• Option 2 – City enter into commercial arrangement on long term lease basis with private developer/investor</li> <li>• Option 3 - Approach Airport North Developer and negotiate commercial arrangement for external management of precinct</li> <li>• Option 4 - Offer land lots for sale, either individually or as a precinct</li> </ul>	2021 (Q1 – Q2)
<b>Commercial &amp; Industrial precinct</b> 3 land lots	<ul style="list-style-type: none"> <li>• 3 fully serviced land lots for lease</li> <li>• Size: 2018-3088m<sup>2</sup> each</li> <li>• General freight focus</li> </ul>		2021 (Q1 – Q2)

Product/Service	Description	Actions	Timeline
<b>Advertising</b>	<ul style="list-style-type: none"> <li>Electronic screens in the terminal / arrivals hall</li> <li>Static posters located in the terminal</li> <li>Fences and benches within Carparks</li> <li>Billboard (Neville Hyder Drive)</li> </ul>	<ul style="list-style-type: none"> <li>Electronic screen is available - advertising to be completed</li> <li>Static poster boards to be installed early 2021 – advertising to be completed</li> <li>Following commencement RPT services, landside advertising opportunities (car parks, benches etc.) to be completed</li> </ul>	2020/21 (Q1)
<b>Landside commercial opportunities</b>	<ul style="list-style-type: none"> <li>Airport Café/kiosk</li> <li>Retail / tourism products</li> <li>Car valeting and storage</li> <li>Fuel station</li> <li>Hotel / short stay accommodation</li> </ul>	<ul style="list-style-type: none"> <li>BMRA café /kiosk license in negotiations now</li> <li>Retail / tourism product once RPT operations commence (small scale), dependent on new terminal</li> <li>Car valeting and storage once RPT operations have commenced</li> <li>Long term opportunities - Fuel stations and hotel sites</li> </ul>	2021  2022  + 2025

#### OFFICER COMMENT

Officers are proposing that development of the following two activities are prioritised in early 2021:

- BMRA interstate domestic route development (Sydney services); and
- Industrial and commercial precinct

#### BMRA Interstate Domestic Route Development

Whilst it is not quite 'business as usual', focus in the first quarter of 2021 will be on establishing the Melbourne – Busselton services. To commence negotiations for a direct Sydney – Busselton service, the City will need to prepare a business case that it can present to airlines and State Government to gain support for the new route. The business case will quantify passenger demand and revenue expectations for negotiations between the City and airlines.

Officers have recently discussed informally, a new direct Sydney – Busselton route with airlines and Tourism WA. Given the impacts on the aviation industry and restrictions that have been imposed on domestic and international travel resulting from the COVID19 pandemic, there is the potential for new opportunities to arise. Officers are proactively liaising with stakeholders to source funding to assist with the development of this business case. Officers will continue to liaise on potential funding support and also seek quotes accordingly.

### Alternate Landing Site

On 1 March 2019, the City received confirmation that Busselton Margaret River Airport was designated as an alternate international airport by the Department of Infrastructure, Regional Development and Cities. Since being designated the City has received enquiries from numerous international airlines interested in nominating BMRA as an international alternate airport. Officers have identified a potential commercial opportunity to share in the financial savings made by international airlines if they were to nominate BMRA as an alternate to Perth Airport. In the event of Perth Airport being unavailable to airlines, aircraft could divert, park and refuel at BMRA and continue onto their destination once available.

However, to become a viable alternate the City would need to provide emergency response/aircraft firefighting and rescue services. Currently, the City does not meet the legislative criteria of number of passengers such that this service would be provided by AirServices Australia, the Federal government agency responsible for aviation fire and rescue services. Earlier in 2020, Officers worked with an aviation consultant to determine the high level requirements for an ALS and potential cost savings to airlines and will now complete further, detailed analysis to determine capital and operational costs required for emergency response/aircraft firefighting and rescue services.

### Industrial and Commercial Precinct

In the past six to nine months, the City has been approached by a number of private investment / fund managers in regards to joint venture (JV) or partnership opportunities for the BMRA. To date, discussions have been high level and relate to the type of investment partnerships that the City legally might be able to enter into. This has highlighted potential opportunities to work with private investment / developer organisations to explore how best the City can progress development of the industrial and commercial precinct with a key goal to create activity and critical mass, such that investment will follow for other areas for the BMRA like the GA precinct.

Land development and specifically industrial/commercial land development is a specialised area that the City does not have deep knowledge or experience in. To ensure that the City maximises the commercial opportunities for the BMRA, Officers are proposing to engage a third party industrial/commercial development consultancy to complete a high level desktop analysis and prepare an expression of interest to go to market for proposals based on the options presented in the table above.

This will require Officers to prepare a request for quotation (RFQ) which can then be forwarded to relevant organisations to provide cost estimates. An RFQ can be distributed in December 2020 with submissions to be submitted back to the City in late January 2021.

### General Aviation (GA) Precinct – Code B

Officers advertised an expression of interest for hangar lot leases in the new GA precinct in 2019. While there was some interest shown, no lease agreements were entered into. Feedback from interested parties at the time indicated that capital funding for hangar construction was difficult to secure and there were concerns relating to the term of the leases (21 years) and no buy-back clauses for any hangar infrastructure at the end of the lease term. The last nine months has seen a continued lack of interest due to COVID19. Officers are of the opinion that further advertising for hangar lot leases only, is likely to attract limited interest.

Two options for consideration are:

1. The City advertise for opportunities to lease hangars for various sizes at improved market rent value and on commitment of signing a lease the City proceed to construct the hangar infrastructure. This approach ensures that the City invests only based on demand for hangars.
2. The City advertise an expression of interest for development opportunities for a third party to lease hangar lots and structures, and to sub-lease the hangars.

Officers are recommending that Council is provided (via the Airport Advisory Committee) with a detailed costing proposal for option 1 above, for consideration at the April 2021 Committee meeting.

#### General Aviation Precinct – Code C

As part of the Airport redevelopment project, two 50mx50m serviced hangar lease areas with Code 4C apron access were developed. Since this time, the City has utilised one of the hangar lots for the construction of the new Arrivals Hall and hence only one lease area remains available. This lease area has potential for commercial operators for RPT aircraft freight operations, private charter or smaller RPT operations (aircraft less than 30,000kgs MTOW) and aircraft servicing or maintenance. However it is difficult to secure investment with no RPT services operating. Hence officers recommend holding off advertising this commercial opportunity nationally until RPT services are operating.

#### Landside Commercial Opportunities

##### ***Terminal Advertising***

The terminal expansion works completed in March 2020 in preparation for the Jetstar Melbourne - Busselton flights included the installation of an electronic advertising screen and static light boxes in the new Arrivals Hall. Once a new date for the commencement of the Jetstar flights has been confirmed, dependent on the Western Australian interstate border restrictions being relaxed, officers will advertise locally for businesses interested in advertising at the BMRA. Other advertising opportunities such as landside car park and street furniture will be considered once the RPT services are established.

##### ***Terminal Concessions and Retail***

Officers are currently negotiating a licence agreement with a café / kiosk operator for the terminal building that will service both FIFO charter flights and RPT services when they commence. There is potential to have a small retail / tourism product offering based in the terminal / Arrivals Hall however this will be considered once RPT services are operating.

##### ***Transport Providers***

Officers engaged with transport providers such as car hire companies, coach, shuttle and mini-bus operators and private chauffeur and limousine operators prior to March 2020 and will re-engage once a date has been set for the commencement of RPT services.

#### Statutory Environment

The BMRA operates in accordance with the following:

- *Aviation Transport Security Act 2004*
- *Aviation Transport Security Regulations 2005*
- CASA Manual of Standards 139
- Council's Transport Security Plan
- City policies and procedures

### **Relevant Plans and Policies**

There are no relevant plans or policies to consider in relation to this matter.

### **Financial Implications**

The adopted 2019/20 Airport Operations Budget has an allocation of \$25,000 for consultancy based activities. To date, a total of \$7,000 has been expended leaving a balance of \$18,000. While there are other activities that will draw on the consultancy budget, there should be sufficient funds to cover the costs associated with Officer Recommendation 2. There are no other direct financial implications associated with the Officer recommendations in this report.

### **Stakeholder Consultation**

Officers have consulted with the relevant stakeholders in regards to this report, including Airlines, Tourism WA, Margaret River Busselton Tourism Association, Australia South West, aircraft operators and owners and commercial / investment developers.

### **Risk Assessment**

An assessment of the potential implications of implementing the Officer Recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified.

### **Options**

As an alternative to the proposed recommendation the Council could:

1. Not support business development activities for the BMRA and choose to do nothing.
2. Propose alternative priorities for BMRA Business Development activities for any or all recommendations.

### **CONCLUSION**

Significant commercial opportunities now exist at the BMRA as a result of the completion of the airside and landside developments. Unfortunately, due to the COVID19 pandemic, commercial investment opportunities have slowed and been difficult for Officers to secure. As the COVID19 restrictions begin to lift within Australia and the aviation industry begins its recovery as airlines recommence operations, there is now potential for Officers to market and attract various commercial and investment opportunities at the BMRA.

### **TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

Officers will implement the Officer Recommendations as outlined in this report.

