Hamilton Airport Business Plan

December 2005

REPORT
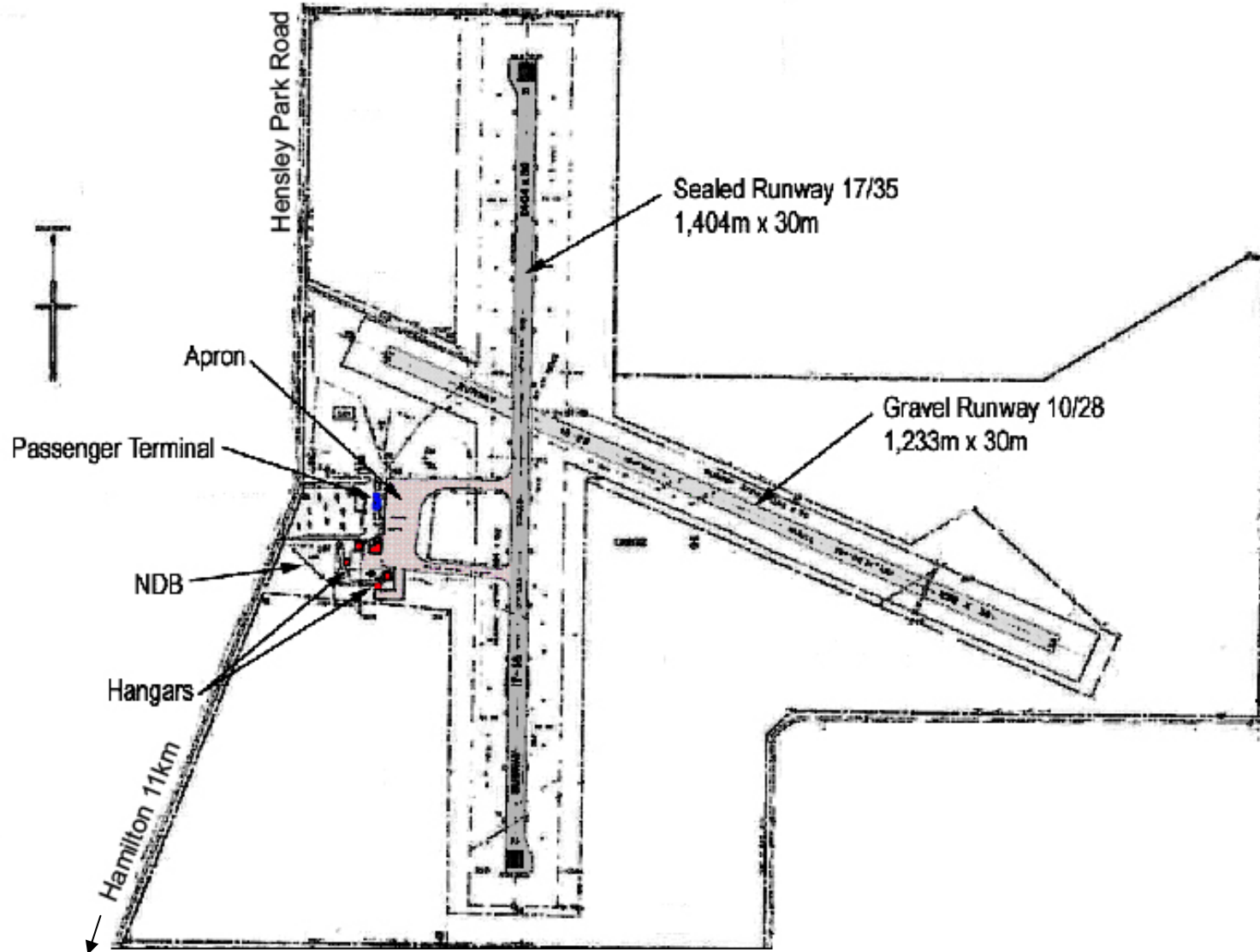
Purpose of Business Plan

The Southern Grampians Shire Council (SGSC) owns and operates Hamilton Airport, situated 11 km north of Hamilton, in Western Victoria.

SGSC requires a business plan for the Airport which will:

1. Present an independent view of long-term strategy for the Airport

2. Document the strategic importance of the Airport as a stimulant and facilitator of regional economic development

3. Support applications by SGSC for funding assistance from government agencies, demonstrating economic justification for investments

4. Assess any current and possible future inadequacies with the Airport infrastructure (e.g. runways, terminal)

5. Recommend future major capital and maintenance works required

Airport Layout

Sealed Runway 17/35
1,404m x 30m

Gravel Runway 10/28
1,233m x 30m

Hensley Park Road

Apron

Passenger Terminal

NDB

Hangars

Hamilton 11km

AIRBIZ.aero

Airport Overview

Hamilton Airport is a substantial regional aerodrome with its aviation infrastructure in generally good condition.

There is evidence that the facilities are well maintained and the Airport presents as a high quality facility.

Location:	Hensley Park Road, Hamilton, 3300
Land area:	176 Hectares
Elevation:	803 ft (205 m)
Airport code:	HML
Zoning:	Rural RU1 with Airport Environs Overlay (AEO)

Airport Infrastructure

Two runways

Runway 17/35
- 1,404m x 30m
- Runway strip 150m
- Flexible sealed pavement
- PCN 10 (Medium Strength Sub-Grade)
- ICAO Code 3C runway

Runway 10/28
- 1,233m x 30m
- Runway strip 90m
- Red gravel unsealed pavement
- PCN 6 (Medium Strength Sub-Grade)
- ICAO Code 3C runway

Taxiways
- Two sealed taxiways linking between Runway 17/35 and apron
- Northern link taxiway provided with taxiway edge lighting
- Southern Taxiway not available to aircraft above 5,700 kg MTOW, no lighting provided

Apron
- Sealed aprons to terminal and hangars
- Concrete refuelling area

General Aviation Parking
- Several grass parking areas
- Helicopter parking area

Airport Facilities

The major facilities on the Airport include:

Airport Buildings
- Passenger terminal
  - Public area
  - Sharp Airlines offices and flying school
- Aero Club
- Five hangars
  - One attached to Aero Club

Fuel
- Avgas only
- Managed by Aero Club as agent for Air BP
- Avgas card swipe self-service bowser

Navigation and Approach Aids
- T-VASIS approach aids, both ends of Runway 17/35
- Low intensity runway edge lights on Runway 17/35
- NDB (Non-Directional Beacon)
  - Provided and maintained by Airservices Australia
  - Due to be decommissioned in 2006
- GNSS (Global Navigation Satellite Systems)
  - Not currently approved by CASA as sole approach aid

Activity Area Layout
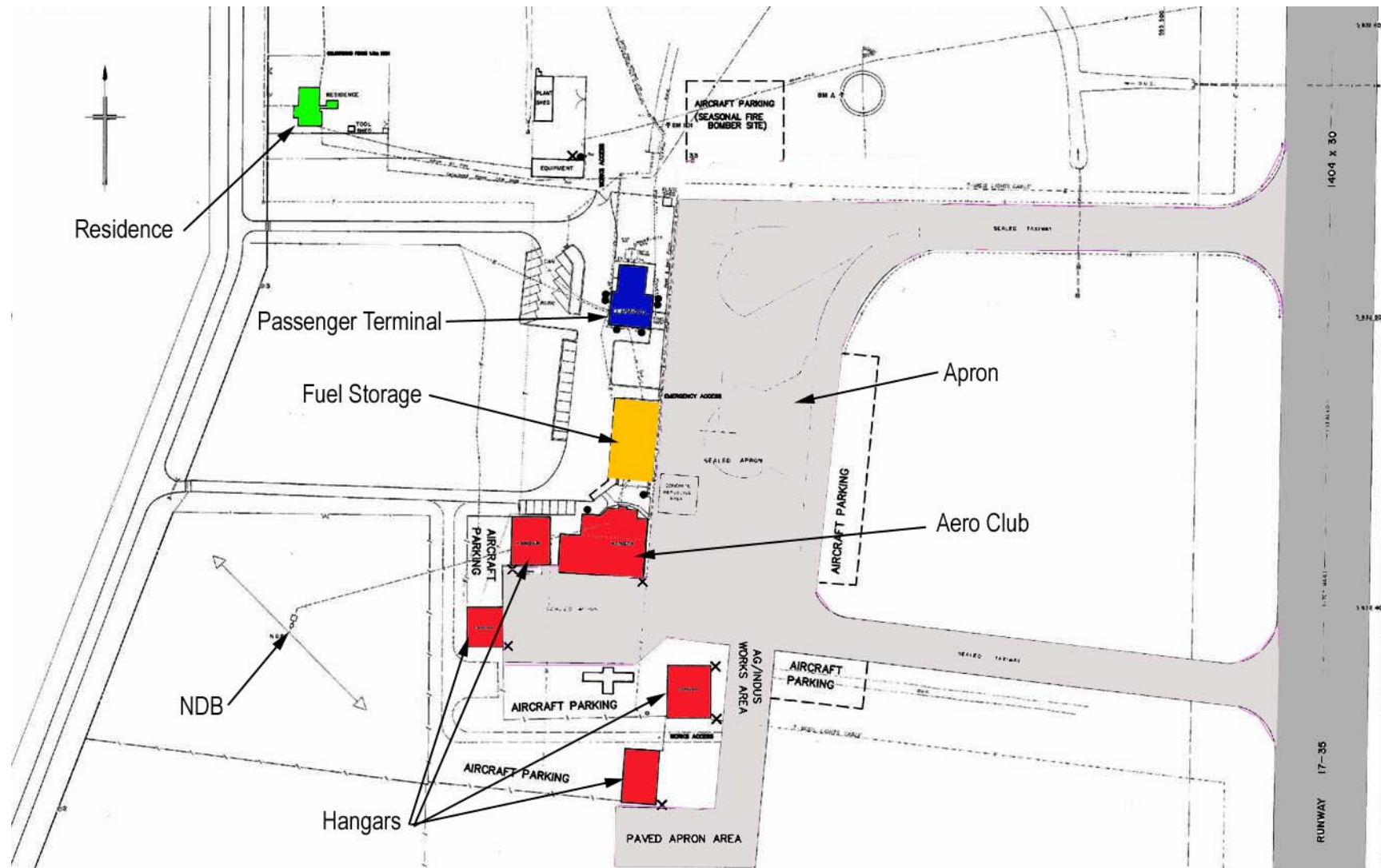
Airport Role – Regional Airport

Regular Public Transport (RPT) services
- Currently 34 movements per week to/from Melbourne either direct or via Warrnambool

Charter

Pilot training
- Ab initio
- Commercial (up to 12 trainees at any one time, course duration up to 2.5 years, local residency)
- Hamilton and Alexandra College aviation course (currently 6 students, years 10 – 12)

Community services
- Air Ambulance
- Police
- Country Fire Authority (CFA) and Department of Sustainability and Environment (DSE) etc.

Private flying

Air freight
- Toll Priority bank and courier services

Airwork
- Agriculture
- Flora/fauna surveys
- Photo surveys, etc.

Operators based at airport
- Sharp Airlines
  - employs 8 at Hamilton out of total staff of 24
- Hamilton Aero Club

Airport-based aircraft
- 8 single-engine aircraft
- 1 microlight aircraft

Airport Context

The SGSC recognises that the Airport contributes to the Region's economic well-being, including a strategy in the SGSC Council Plan 2005-09 to *"support Increased use of Hamilton Airport"* within the broader objective of economic prosperity.

A recent study by the National Institute of Economic and Industry Research (NIEIR) for the Regional Aviation Association of Australia (RAAA) concluded that *"regional communities with regular air services are doing better on a number of clear quantitative measures than those without"* .

Consultation with businesses using the airport provides anecdotal evidence that the location of the Airport and the availability of reliable scheduled passenger services significantly assists in attracting and supporting new industries such as Iluka Resources, which is investing some $270m in a mineral separation plant near Hamilton.

Hamilton Airport is an uncertified but registered aerodrome (pursuant to CASR Part 139).

As a registered aerodrome, Hamilton Airport has its aerodrome information published in the En-Route Supplement Australia (ERSA) and changes to aerodrome information or conditions affecting aircraft operations can be notified through the Notice to Airmen (NOTAM) system.

Aviation Activity

Estimated aviation activity at Hamilton Airport for 2005 is shown opposite.

Aviation traffic is not currently monitored or recorded at the Airport.

A passenger or aircraft movement is either a take-off or a landing. Therefore an aircraft arriving and departing counts as two movements.

Type of traffic	Aircraft movements	Passenger movements
Scheduled RPT (34 p.w.)	1,750	7,000
Charter	200	1,000
Air Ambulance	300	-
Toll Priority (bank)	570	-
Training	3,600	-
Itinerants and private	1,500	-
Military	20	-
Corporate	100	-
CFA etc	50	-
TOTALS	**8,100**	**8,000**

Scheduled Passenger Services

Sharp Airlines introduced scheduled passenger services at Hamilton in February 2004.

Currently the airline operates 12 round-trip services per week (24 movements) to Melbourne Essendon Airport (via Warrnambool), twice daily Monday to Friday and once daily in weekends, plus week day direct services to/from Melbourne Essendon Airport

Sharp intends to add an additional daily service on week days during 2005, bringing the total to 34 weekly movements.

As the number of daily services increases the quality of connections at Melbourne to trunk services to major cities such as Sydney and Perth will be enhanced.

Sharp Airlines operates 8 seat Piper PA31 Chieftain aircraft and anticipates that equipment may be upgraded to 19 seat pressurised turbo-prop aircraft in the future when traffic levels warrant.

Sharp assesses that 90-95% of its passengers are business travellers for a wide range of organisations including:
- Western District Health Services
- Roche Mining (FIFO)
- Iluka Resources
- Pastoral and Veterinary Institute
- Other government agencies.

The primary destinations for business travellers are Melbourne and Perth, the latter due to the high use of the services by mining companies, based in Perth.

The balance or 5-10% of passengers are visiting friends and relatives (VFR), with virtually no leisure or tourism traffic at this stage.

Indicative Runway Requirements

For the foreseeable future, Melbourne will remain as the primary destination and connecting hub for services from Hamilton, and therefore this sector will define operational criteria such as aircraft type, runway length, pavement strength and terminal building capacity.

The unsealed runway 10/28 is used for crosswind purposes on approximately 10 days p.a. and more frequently for ab initio pilot training. There is a clear benefit for retaining this runway due to:

- Its existence in good condition
- The relatively low maintenance cost of the gravel surface
- The high cost of diversion of scheduled passenger services, if the runway were not there
- The benefits for flying training

The existing runways are likely to remain satisfactory for the projected aircraft types and the levels of traffic that might be operated at Hamilton, subject to continuation of satisfactory maintenance of the infrastructure.

Indicative take-off runway length based on 30°C temperature, Hamilton (HML) – Melbourne (MEL), and pavement strength requirements are as follows.

Aircraft	Seats	Runway Length (m)	Aircraft Pavement Classification Number (ACN)
Piper PA31	8	1,250	4*
Metro 23	19	1,350	6
Beech 1900D	19	1,400	4
Jetstream J32	19	1,500	4
SAAB 340B	35	1,400	7
Dash 8 Q300	50	1,300	10

assumed

Airport Financial

Budgeted Income and Expenses (excluding depreciation and capital expenditure) for the Airport operation in 2005/06 are shown below.

INCOME ($ p.a.)	
RPT services	35,000
Leases and other	13,000
Total Income	**48,000**
EXPENSES ($ p.a.)	
Utility costs	15,000
Maintenance	94,000
Total Expenses	**109,000**

RPT income is based on a passenger fee of $5 per movement (arriving and departing) but there are no other aviation activity charges levied on other users.

Maintenance expenses are rising much faster than revenues due to demands arising from the start of RPT services as well as the recent Transport Security Program requirements.

The SGSC currently accepts that the financial deficit, as well as periodic major capital investment, is unlikely to funded through user charges and will therefore need to be funded by government grants that SGSC may be able to access, and from general Council rate revenues.

However, the SGSC also recognises that it is a desirable long-term goal that the airport be managed in a fiscally responsible way such that revenues from users cover the costs of operation plus depreciation.

Current asset valuations and depreciation allowances (2005/06) are shown below.

Asset	Valuation ($m)	Depreciation ($000's p.a.)
Pavements etc.	1.43	38.7
Buildings and other	0.39	6.5

Ownership and Operating Model

There are several potential ownership models that could be considered for a small regional airport such as Hamilton. These include:

- Council owned and operated (status quo)
- Operational lease
- Sale to private operator

The low level of traffic is unlikely to be an attractive business proposition for a prospective airport operator. Furthermore, it is unlikely that a lessor could operate the airport any more efficiently than is currently being achieved under SGSC ownership.

The last option (sale) is considered unlikely to be feasible as the airport business, now and in the foreseeable future, is not a viable venture for an investor. There is also a risk that a purchaser would later close the aerodrome and use the land for other purposes with better returns.

Because the SGSC is more able to demonstrate and advocate for the regional economic benefits of the Airport, the Council is better able to source available government funding support.

Therefore it is recommended that the present SGSC ownership and operating model be retained.

Issues and Concerns

T-VASIS

- Difficulty sourcing replacement parts
- High maintenance costs

Higher safety – need for:

- Lighting activation by ARFU (positive response confirming activation)
- Automatic Weather Information Broadcast (AWIB)

Transport Security Program (TSP) implementation and cost implications

User charges

- Capacity for RPT to afford user-pays funding of asset management (vs. taxpayer funding of the infrastructure)
- Equity of charging across various user sectors
- Requirement for SGSC to be fiscally responsible in asset management, funding costs of operations and depreciation
- Costs and funding of long-term airport asset renewal

SWOT - Strengths

- Existing aerodrome
- Very sound infrastructure
- Large land holding
- Proactive Council
- Sharp Airline school and RPT services
- Aero Club
- Regional prosperity
- Mining and industrial activity in the region
- Twin link taxiways allow good traffic management
- Reasonable base of itinerant traffic

SWOT - Opportunities

Further development of air services
- Growth from mining and industrial traffic
- More direct HML-MEL services resulting from increased demand ex Warrnambool (Woodside) reducing need for triangulation with Hamilton
- Increased frequency to Melbourne
- Larger more comfortable aircraft types
- New route to Adelaide (long-term)

Property development
- Develop leasable office building for flying school and other users (freeing up terminal space)
- Develop/offer hangar space to private operators
- Develop airpark residential
- Non-aeronautical (e.g. agriculture, light industrial)
- Disposal of land not required for aviation purposes in the long-term

Funding applications
- Regional Development Victoria
- DOTRS (Security upgrade)
- AusLink

Increased aviation revenues
- Annual usage charges (negotiated)
- Per aircraft movement – Avdata service
- Passenger charges – in place, growth incentives
- Long term parking, say >7 days?

Arrange for Jet A1 fuel availability
- Could attract new aircraft and revenues

Attract based aircraft from nearby airstrips
- Airwork operators (e.g. crop-spraying)
- Private operators

SWOT - Weaknesses

- Low population base
- No fee/revenue system
- No Automatic Weather Information Broadcast (AWIB) facility
- Lighting activation not by Automatic Frequency Response Unit (ARFU) method
- Insufficient space in terminal building for Sharp flying school and passenger public space

SWOT - Threats

- Airfield maintenance costs

- Good and improving road access to Melbourne as a realistic alternative to flying

- Competition - other no fee aerodromes

- Competition - other town development sites

- Bird hazards

- Kangaroos on airfield

- Airport security costs increasing

- Older technology landing aids - T-VASIS and runway lighting increasingly expensive to maintain, ultimately require replacement

- Costs for long-term asset renewal

Action Plan – 1

	Action	Measurable outcome	Priority
1	Maintenance	All infrastructure and facilities maintained in good operating condition and progressively upgraded/renewed (e.g. gravel runway resheet, apron surface, runway edge lighting)	On-going
2	Foster a close working relationship (partnership) with Sharp Airlines to encourage air services growth on a "win-win" basis	Increased passenger traffic resulting in higher service frequency and/or larger (pressurized) aircraft types on Melbourne route. Possible new routes/destinations.	On-going
3	Implement a pricing and user charges policy that shares the cost recovery burden more equitably	Higher revenues through a more equitable but affordable basis.	High
4	Investigate business case for developing a leasable office building to provide facilities for flying school and other potential tenants	Frees up space currently used for flying school (classrooms and offices) in the passenger terminal and provides potential for on-going revenues to support funding of future asset renewal and operations	High

Action Plan – 2

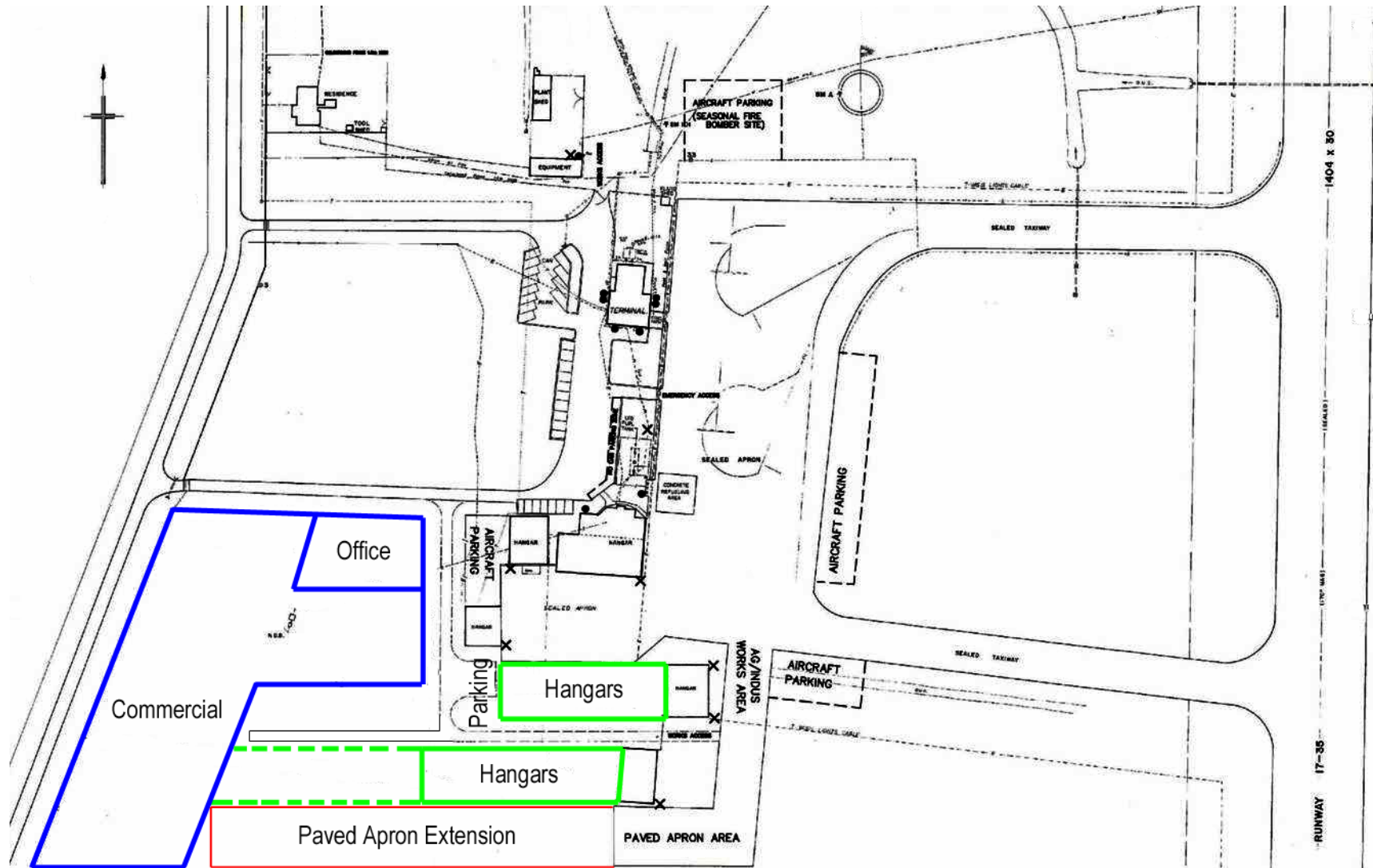|	Action	Measurable outcome	Priority
5	Transport Security Program (TSP) funding and implementation	Funded by government grant and upgrading works (fencing, lighting etc.) successfully implemented	High
6	Lighting activation by Automatic Frequency Response Unit (ARFU)	More reliability and positive assurance that lighting has been activated	High
7	Automatic Weather Information Broadcast (AWIB)	Improved quality and frequency of weather information updates	High
8	Convert T-VASIS to AT-VASIS (single-sided)	Reduced maintenance costs and increased spares inventory for old technology equipment	High

Action Plan – 3

	Action	Measurable outcome	Priority
9	Undertake an asset valuation and pricing study to assess long-term asset renewal costs	Sound valuation and pricing policy	Medium
10	Undertake research and develop a marketing strategy to attract airwork and private operators currently located at nearby airstrips	Increased demand for hangar sites, more aviation activity, resulting in higher revenues. Potential for introduction of aircraft maintenance services at the Airport	Medium
11	Facilitate the provision of Jet A1 storage and dispensing facilities	Assists in attracting aviation activity from a broader range of aircraft	Medium
12	Extend the TSP committee to be an on-going Airport User Committee	Improved communication with users resulting in greater community support for the Airport and its development programs	Medium

Action Plan – 4

	Action	Measurable outcome	Priority
13	Investigate business case for disposal of land not required for either aviation or property development	Lower overall maintenance costs and creation of a "sinking fund" to support funding of future asset renewal and operations	Medium
14	Investigate business case for potential non-aeronautical property developments on airport land (e.g. "airpark" residential)	Lower overall maintenance costs and potential for on-going revenues to support funding of future asset renewal and operations	Medium
15	Replace AT-VASIS with PAPI (single-sided)	New technology at lower cost to ensure on-going availability and reliability	Medium

Activity Area Development Plan

Possible Land Use

Land Development (Commercial / Residential Airpark)

Land Disposal