Grafton Regional Airport
Business Plan

clarence
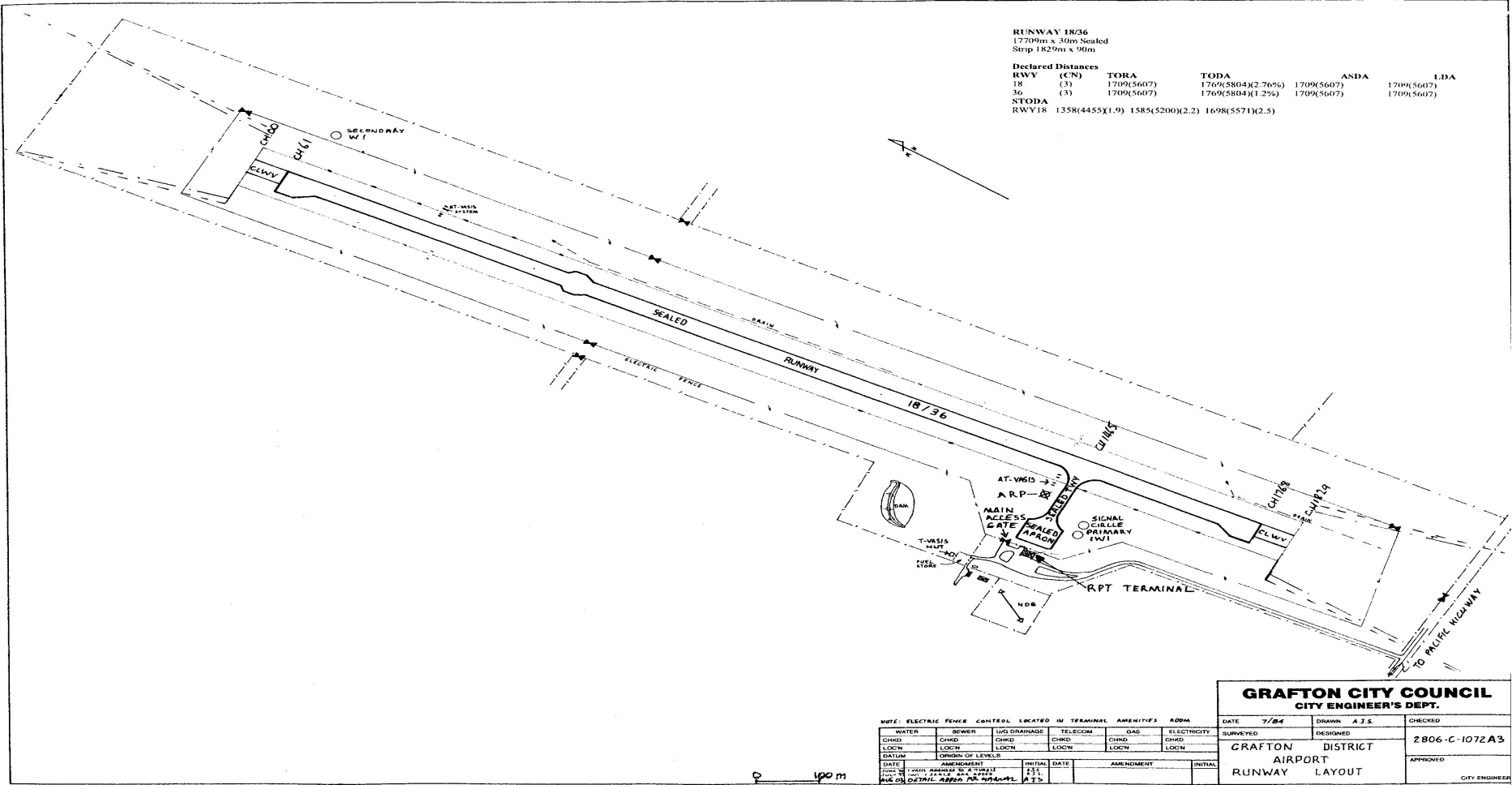VALLEY COUNCIL

2010 - 2013

PURPOSE OF BUSINESS PLAN

The Clarence Valley Council owns and operates the Grafton Regional Airport, situated 12 km south east of Grafton, in Northern New South Wales.

Clarence Valley Council requires a business plan for the Airport which will:

1. Present a 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 Clarence Valley Council 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); and

5. Recommend future major capital and maintenance works required.

6. Document the commercial aspects of the Airport infrastructure.

RUNWAY 18/36
17709m x 30m Sealed
Strip 1829m x 90m

Declared Distances

RWY	(CN)	TORA	TODA	ASDA	LDA
18	(3)	1709(5607)	1769(5804)(2.76%)	1709(5607)	1709(5607)
36	(3)	1709(5607)	1769(5804)(1.2%)	1709(5607)	1709(5607)

STODA
RWY18   1358(4455)(1.9) 1585(5200)(2.2) 1698(5571)(2.5)

NOTE: ELECTRIC FENCE CONTROL LOCATED IN TERMINAL AMENITIES ROOM

WATER	SEWER	U/G DRAINAGE	TELECOM	GAS	ELECTRICITY
CHKD	CHKD	CHKD	CHKD	CHKD	CHKD
LOC'N	LOC'N	LOC'N	LOC'N	LOC'N	LOC'N
DATUM	ORIGIN OF LEVELS				

DATE	AMENDMENT	INITIAL	DATE	AMENDMENT	INITIAL

GRAFTON CITY COUNCIL
CITY ENGINEER'S DEPT.

DATE 7/84	DRAWN A.J.S.	CHECKED
SURVEYED	DESIGNED	

GRAFTON   DISTRICT
AIRPORT
RUNWAY   LAYOUT

Z806-C-1072A3

APPROVED

CITY ENGINEER

BOUNDARY DETAILS

AIRPORT OVERVIEW

History:
The Airport received its initial licence as an air passenger terminal in 1959, enabling it to open on 22 November 1959.

The development of the airport at Glenugie recognised the importance to the Clarence Valley of Regular Public Transport (RPT) services, and also recognised the limitations of the South Grafton Airfield.

The funds derived from the operations at the airport are utilised to maintain and improve the infrastructure.

The Council has determined that the various business and cost centres will 'pay their way' through contributions towards "Activity Based Costings".

Grafton Regional Airport is a substantial regional aerodrome with its aviation infrastructure in generally good condition. The facilities are well maintained and the Airport presents as being generally of good standard.

Brisbane is the closest capital city, lying 254km from Grafton.

Location: 419 Airport Road, Glenugie, NSW 2460
Land area: 119.97 ha
Zoning: 1A General Rural
Elevation: 34m above sea level
Airport code: YGFN

Management of Airport:
Management of the airport is separated between 'Airside', the secure/regulated part of the airport, and 'Landside', the passenger terminal and car park.

The 'Airside' is managed by the Airport Operations Manager who is CASA certified. His responsibilities include the integrity and safety of the runway and all associated navigation and control systems. Runway and systems inspections are carried out daily.

'Landside', the terminal facilities and customer car park, are managed by Council's Assets Business Coordinator.

Contact:
Formal communications regarding Grafton Regional Airport should be made through:
General Manager
Clarence Valley Council
Locked Bag 23
Grafton 2460
Ph: 02 6643 0200

AIRPORT INFRASTRUCTURE

One Runway - Runway 18/36
- 1,709m x 30m
- Runway strip 150m
- Flexible sealed pavement
- PCN 12 (Medium Strength Sub-Grade)
- ICAO Code 3C runway

Taxiways
- One sealed taxiway linking between Runway 18/36 and apron with taxiway edge lighting in blue. The holding point is indicated with orange lights

Apron
- Sealed apron to terminal - Marked for SAAB 340 aircraft parking - Unsealed apron is available for parking of aircraft below 5,700 kg
- On Apron refuelling area

Pavement Inspections
- Pavement inspections for the runway, taxiway and apron are conducted annually, as required by CASA.

General Aviation Parking
- Several grass parking areas to north of Apron
- Helicopter parking area in GA parking area

AIRPORT FACILITIES

The major facilities of the Airport include:

Airport Buildings
- Passenger terminal
- Public area – tea and coffee making facilities
- 3 x car hire booths
- Drink and food vending machine
- Public telephone
- Disabled toilet facilities are being planned

- 4 bedroom Airport residence, currently privately rented
- Attached office inaccessible from the residence and designated as office space for Council Staff, utilised by Rural Fire Service pilots when on standby during fire season.

Car Parking
- Large asphalt parking lot
- Free parking

Fuel
- Arcav Pty, trading as Aero Refuellers, provide Jet A-1; Avgas will be available in early 2011.
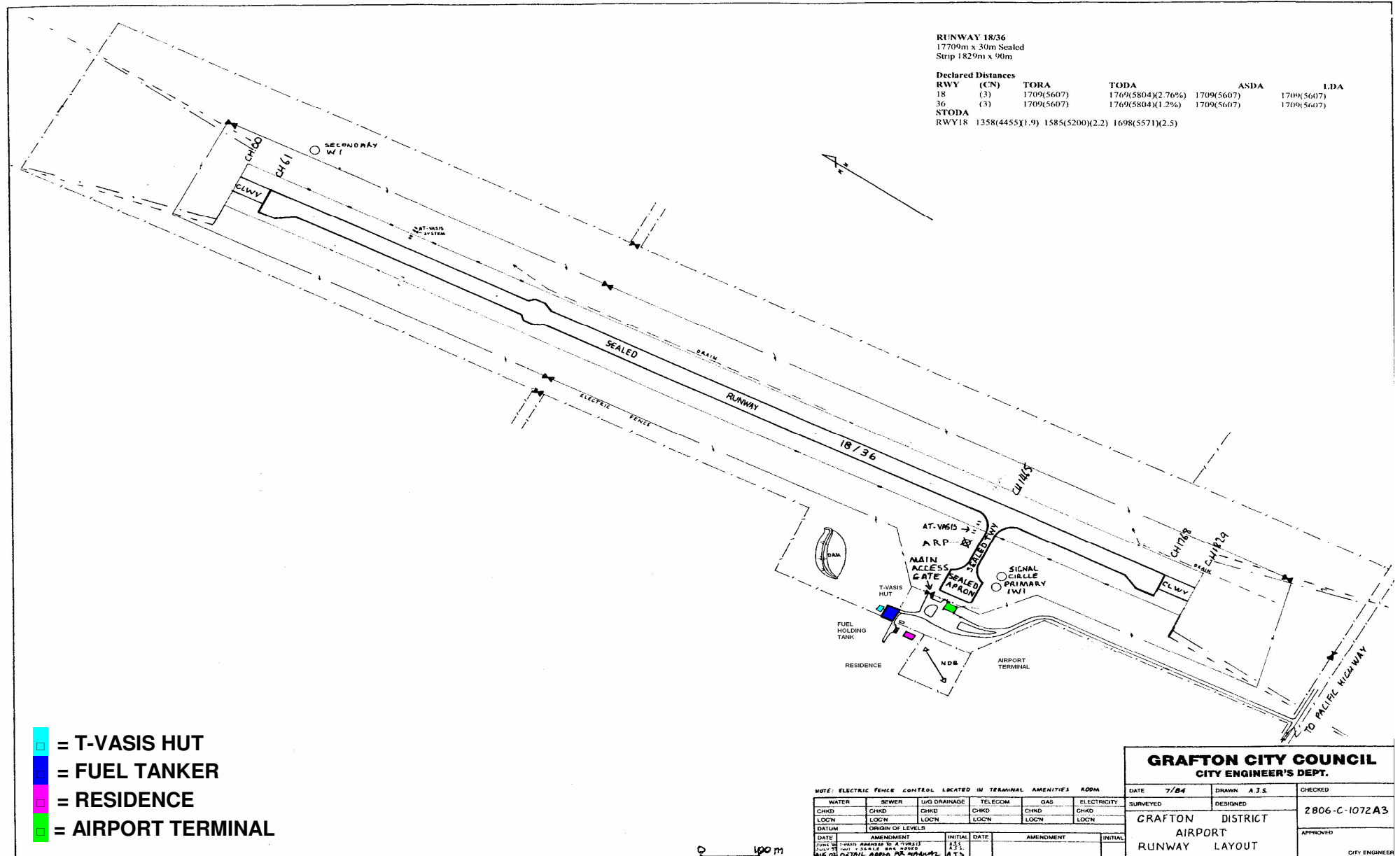
Navigation and Approach Aids
- PAPI approach aids, both ends of Runway
- Low intensity runway edge lights on Runway
- NDB (Non-Directional Beacon) - provided and maintained by Airservices Australia
- Automatic Weather indicating System – Frequency 126 decibel 225
- Primary Wind Indicator (illuminated) located on western side of RWY 18/36 south of RPT apron
- Apron Flood Lights
- Pilot Activated Airport Lighting Control Equipment (PAALC) can be activated on frequency 122.4

RUNWAY 18/36
17709m x 30m Sealed
Strip 1829m x 90m

Declared Distances

RWY	(CN)	TORA	TODA	ASDA	LDA
18	(3)	1709(5607)	1769(5804)(2.76%)	1709(5607)	1709(5607)
36	(3)	1709(5607)	1769(5804)(1.2%)	1709(5607)	1709(5607)
STODA					
RWY18	1358(4455)(1.9)	1585(5200)(2.2)	1698(5571)(2.5)		

SECONDARY W I

AT-VASIS SYSTEM

CLWV

SEALED RUNWAY 18/36

DRAIN

ELECTRIC FENCE

AT-VASIS

ARP

MAIN ACCESS GATE

SEALED RWY

SEALED APRON

SIGNAL CIRCLE
PRIMARY IWI

T-VASIS HUT

DAM

FUEL HOLDING TANK

RESIDENCE

NDB

AIRPORT TERMINAL

CLWV

TO PACIFIC HIGHWAY

= T-VASIS HUT
= FUEL TANKER
= RESIDENCE
= AIRPORT TERMINAL

NOTE: ELECTRIC FENCE CONTROL LOCATED IN TERMINAL AMENITIES ROOM

WATER	SEWER	U/G DRAINAGE	TELECOM	GAS	ELECTRICITY
CHKD	CHKD	CHKD	CHKD	CHKD	CHKD
LOC'N	LOC'N	LOC'N	LOC'N	LOC'N	LOC'N
DATUM	ORIGIN OF LEVELS				

GRAFTON CITY COUNCIL
CITY ENGINEER'S DEPT.

DATE	7/84	DRAWN	A.J.S.	CHECKED
SURVEYED		DESIGNED		

2806-C-1072A3

GRAFTON DISTRICT AIRPORT
RUNWAY LAYOUT

APPROVED

CITY ENGINEER

0   100 m

AIRPORT ROLE – REGIONAL AIRPORT

Regular Public Transport (RPT)
- Currently 36 flights per week to/from Sydney via Taree
- Charter Services

Other Air Operations
- Air Ambulance
- Corrective Services
- Rural Fire Services (RFS)
- Private Flying – including helicopters
- Air Freight
- Flight School - Touch and Go
- Agriculture
- Flora/Fauna Surveys
- Aerial Photographic Surveys, etc

Operators Based at Airport
- Rex Airlines, employs 5 staff at Grafton, subcontracted out from Grafton Travel
- Aero Refuellers
- 6 AROs on roster 365 days per year
- 1 Airport Operations Manager

AIRPORT CONTEXT

Clarence Valley Council takes the view that the airport contributes to the Region's economic well being, and supports a strategy to maintain and grow services and to increase the use of the airport.

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 is a significant factor in their decision to locate in the Grafton area.

Grafton Regional Airport is a certified aerodrome (pursuant to CASR Part 139). Grafton Regional Airport has its aerodrome information published in the En-Route Supplement Australia (ERSA) and changes to aerodrome information or conditions affecting aircraft operations will be notified through the Notice to Airmen (NOTAM) system.

AVIATION ACTIVITY

Based on Avdata information there were 1778 Regular Public Transport (RPT) movements into and out of Grafton Airport during 2009/2010. Other aircraft movements totalled 892, of which 170 were Royal Flying Doctor (RFDS) aircraft. No further breakdown is available for other aircraft types.

It should be noted that movements associated with aircraft based temporarily at Grafton by the Rural Fire Service are not included in the above numbers.

Passenger movements (based on information provided by REX) are as indicated in the table below.

Number of Passengers 2007/2008	Number of Passengers 2008/2009	Number of Passengers 2009/2010
21393	19360	18041

Passenger totals for the first 21 weeks of 2010/2011 are 7853, compared to 7876 for the same period the previous year.

During the ten years 1991 to 2000 Grafton Airport had an average annual movement of 22,909. This suggests that Grafton has not yet met its potential.

SCHEDULED PASSENGER SERVICES

Regional Express Airlines (REX) introduced a scheduled passenger service at Grafton in February 2007.

Prior to this services had been operated by a succession of airlines which included Qantas Link, Horizon, MacAir and Big Sky Express. All of these eventually ceased providing service for a variety of reasons, Big Sky Express services ceased in November 2006 with the airline in financial difficulties

Currently REX operates 18 round-trip services per week (36 services) to Sydney Domestic Terminal (via Taree), Three return flights daily Monday to Friday, two outbound and one inbound flight on Saturday, and two inbound and one outbound flight on Sunday.

From Sydney passengers can make connections to the rest of the REX regional network or to other domestic and international flights. An agreement between REX and Virgin Blue allows passengers boarding at Grafton to check their baggage through to domestic destinations without the need to claim it in Sydney. Currently it is not possible to issue a boarding pass for an onward leg at Grafton, however, the major airlines have online check-in available within 24 hours of a flight.

Rex Airlines operates 34 seat SAAB 340. Rex estimates that 60% of its passengers are business travellers employed in a wide range of organisations which include:

• Clarence Valley Council
• Roads & Transport Authority
• Department of Agriculture

- Other Government Agencies
- Other local businesses

The primary destinations for business travellers are Sydney and Melbourne.

Of the remaining passengers 30% of passengers are visiting friends or relatives, 7% is leisure or tourism traffic and 3% medical.

Council maintains a good working relationship with REX Airlines and REX understands Council's operational model for the Airport.

INDICATIVE RUNWAY REQUIREMENTS

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

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

AIRPORT FINANCIAL PERFORMANCE

2009/2010 Income and Expenses (excluding depreciation and capital expenditure) for the Airport are shown below.

INCOME ($ p.a.)	
Landing Fees (RPT)	$121,541
Landing Fees (other)	$10,271
Other Income	$5,866
Total Income	**$137,679**
EXPENSES ($ p.a.)	
Administration & Operations Costs	$232,563
Depreciation	$91,263
Total	**$323,826**

The annual net cost of the airport to Council, excluding capital works and depreciation, is just under $100,000

RPT income is based on a passenger fee of $7 per movement for the first 20,000 passengers and $5.00 thereafter. As passenger numbers did not exceed 20,000 during 2009/10 the lower rate was not applied. Other income is for General Aviation movements.

The above charges were applied from 1st July 2009 in accordance with the agreement with Regional Express, and represented an increase from the previous year. The fall in passenger numbers, which followed a general industry downturn after the global financial crisis, meant that this increase did not achieve the increase in income originally expected.

Clarence Valley Council currently accepts that the financial deficit, as well as periodic major capital investment, is unlikely to be funded through user charges and will therefore need to be funded by general Council revenues and whatever government grants that may be accessed.

However, Clarence Valley Council also recognises that it is a desirable long-term goal that the Airport be managed with an objective that ultimately revenues from users cover the costs of operation plus depreciation.

Current asset valuations and depreciation allowances (2009/10) are shown below.

Asset	Valuation ($)	Depreciation pa 2009/10 ($)	Depreciation to 30/6/2010 ($)
Pavement	3,799,109.00	0	1,509,815.61
Building – Terminal	528,228.85	12,791.12	363,779.85
Building – Residence	196,000.00	4,047.59	137,877.08
Airport Road	250,000.00	0	0
Plant & Equipment	96,819.83	13,223.21	23,541.66
Furniture & Fittings	14,756.62	1,089.52	7,273.00
Airside Lighting & Fencing	238,069.26	64,162.61	124,399.04
Total Assets	**5,122,983.56**	**95,314.05**	**2,166,686.24**

OWNERSHIP AND OPERATING MODEL

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

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

The low level of traffic is unlikely to make the airport an attractive business proposition for a prospective operator unless heavily subsidised by Council. Furthermore, it is unlikely that a Lessee could operate the Airport any more efficiently than is currently being achieved by Clarence Valley Council.

The last option (sale) is considered unlikely to be feasible as the Airport business at such a small regional airport, 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 Airport and use the land for other purposes with better returns.

Because Clarence Valley Council is able to demonstrate and advocate the regional economic benefits of the Airport, the Council is able to source available government funding support, should it be available.

Therefore it is recommended that the present Clarence Valley Council ownership and operating model be retained. The short term goal of the current operational model is to maintain the existing REX Airline services, while increasing passenger numbers.

ISSUES AND CONCERNS

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 Clarence Valley Council to be fiscally responsible in asset management, funding costs of operations and depreciation
- Costs and funding of long-term airport asset renewal

THE BUSINESS ENVIRONMENT

Analysis of reasons for continued ownership, maintenance and operation of Grafton Regional Airport:

STRENGTHS	WEAKNESSES
• Existing airfield • Sound infrastructure • Large land holding • Proactive Council • Good relationship with RPT operator • Commercial activity in the region • Conveniently located • Ample free car parking	• Low population base • Building configuration/condition • Fares higher than can be obtained at other regional airports • Existing RPT Service flights transit Taree en route to Sydney
OPPORTUNITIES Property development Non-aeronautical (e.g. agriculture, light industrial) Disposal of land not required for aviation purposes in the long-term Develop a long-term tenant in café in terminal Funding applications: • Security upgrade	**THREATS** • Infrastructure maintenance costs and asset renewal • Strong competition from other regional airports – especially Coffs Harbour • Increased security requirements leading to increased operational costs • Low passenger numbers + increase cost could cause RPT operator to pull out.

ECONOMIC FACTORS

Oil prices peaked near to $160 per barrel late in 2007, only to fall dramatically as a result of the global financial crisis. Prices subsequently recovered to around $75 - $80 per barrel and have remained steady at around this level.
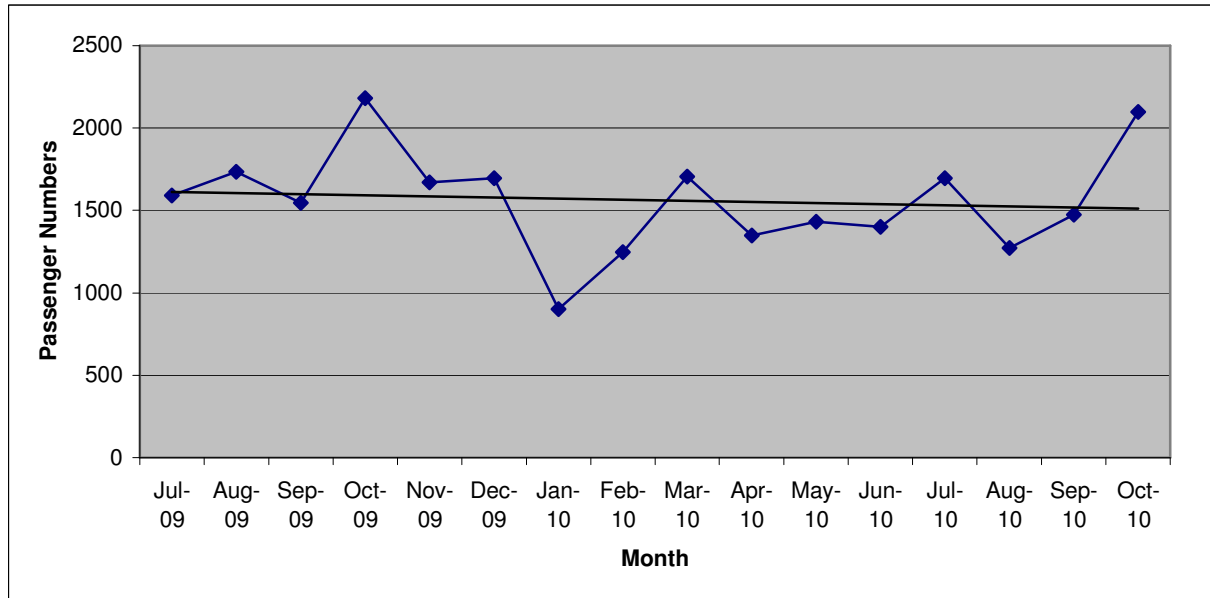
There remains the possibility of further volatility in oil prices, which would have a major impact on the airline industry.

Weekly passenger numbers since the start of the REX service are shown in the chart
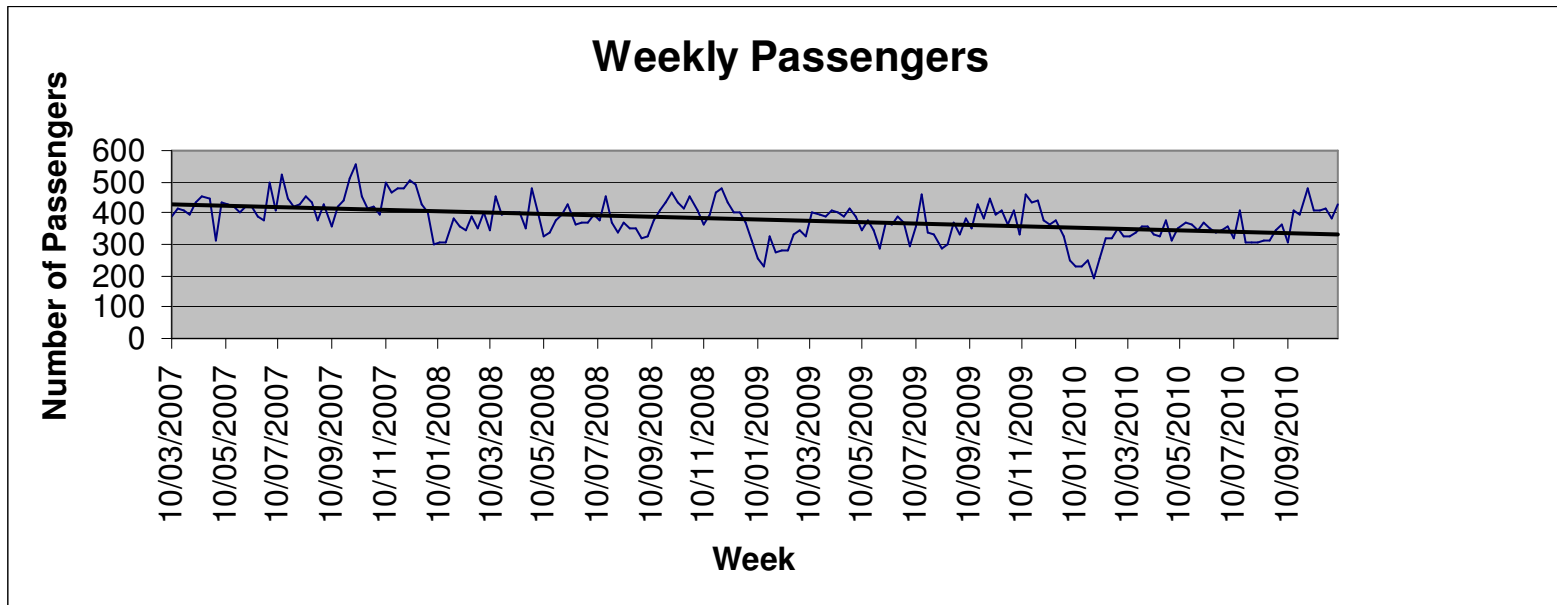
below:

The table below shows monthly passenger numbers for the period from July 2009 to October 2010

After a drop in passenger numbers which coincided with the global financial crisis numbers have now stabilised, however there is no indication of numbers returning to those seen in 2007/2008

Another factor which impacts RPT service from Grafton are issues related to Taree Airport. The Grafton to Sydney service operates via Taree. Whilst this is regarded as something of a nuisance by many passengers there is Grafton to Taree and Taree to Sydney passenger numbers which contributes to the viability of the route.

Unless REX makes a decision to withdraw service from Taree a direct service from Grafton to Sydney is unlikely, since another aircraft would be needed to serve Taree. The main demand for a direct service is the first out/last back flights, the most popular options for both airports.

COMPETITOR ANALYSIS

Grafton's main competitors for domestic travellers to and from the Clarence Valley Region are Ballina/Byron Airport, Coffs Harbour Airport and Lismore Airport.

All three airports are run by the local councils, and all have the advantage of a high population density within the areas that they serve. Both Ballina/Byron Bay and Coffs Harbour are recognised holiday destinations to a much greater extent than is the Clarence Valley, and Lismore has direct REX services to Sydney.

As a result of serving a much larger customer base all of these airports offer a higher level of facility than Grafton is able to support.

International travellers can access a range of destinations from the Gold Coast airport, 3 hours drive north of Grafton. Whilst it is possible to connect with international flights via Sydney it is not possible to make through bookings to the traveller's ultimate destination.

Information on flight schedules was based on internet information gathered during the compilation of this report, and may be subject to change.

Distance to Airports Matrix

	Coffs	Grafton	Lismore	Ballina
Grafton	85.8	14.8	132	136
Maclean	131.8	56.8	88.7	92.8

Ballina/Byron Airport

Ballina Airport is located within 5kms of the Ballina CBD and offers services to Sydney as well as a limited service to Melbourne:-

Regional Express (REX) operates three direct return services to Sydney on weekdays with connections to other domestic destinations.

Jetstar offers a limited afternoon service to Sydney with one flight daily aimed primarily at traveller inbound to Ballina.
Jetstar also operates direct flights to Melbourne on some weekdays

Virgin Blue also offers a single flight daily to Sydney, as for Jetstar flight times also suggest that this service is aimed at inbound travellers.

Car parking charges apply to travellers leaving their vehicles in the airport car park.

Ballina Airport is 136 kms North of Grafton, and is unlikely to be attractive to passengers travelling from the immediate Grafton area. The situation may be different in the north of the region, from Maclean Ballina is 92.8 kms compared to 56.8 kms to Grafton airport.

Coffs Harbour Airport

Coffs Harbour airport is Grafton's closest competitor, located 86 km from the Grafton CBD.
The Airports web page claims 300,000 passenger movements a year, considerably more than Grafton's 20,000!

Qantas currently offers five flights to and from Sydney on weekdays with similar numbers of services at weekends.
Virgin Blue operates two flights to Sydney and back on weekdays, with a single direct flight to Melbourne on Saturdays
Brindabella Airlines operate two return services to Brisbane on weekdays with a single return service at weekends.

Lismore Airport

Lismore Airport is located 132 km from the Grafton CBD, but it is significantly closer to Maclean, Yamba and Iluka and so attracts some of its passengers from these areas. REX operates a direct service to Sydney with three return flights daily at similar times to those from Grafton. Cheapest available flights tend to be a little cheaper from Lismore, however the position is reversed for flexible fares.

Fares Comparison

Comparing fares across airlines is extremely difficult due to the preponderance of special offers. It is also hard to avoid the conclusion that the airlines deliberately make comparison difficult. The following figures were obtained by looking for fares to Sydney assuming a morning departure 2 weeks ahead. The figures are a sample only, running the same enquiry on a different day is likely to obtain a different result!

Airport	Airline	Fare Type	Fare
Ballina	REX	Cheapest	$118
Ballina	REX	Flexible	$371
Lismore	REX	Cheapest	134
Lismore	REX	Flexible	377
Grafton	REX	Cheapest	$149
Grafton	REX	Flexible	$342
Coffs	Virgin	Cheapest	$88
Coffs	Virgin	Flexible	$325
Coffs	Qantas	Cheapest	$118
Coffs	Qantas	Flexible	$386

Summary

Coffs Harbour represents the biggest threat to Grafton, offering a range of flight options and opportunities for cheap flights via "specials". The downside to this is a lengthy road journey to the airport with the possibility of delays through road works, accident or heavy traffic, combined with additional time to check in at the busy Coffs Harbour Airport. A further negative is the introduction of across the board parking charges, with a day's parking now costing $12.

Lismore can be an attractive option for those living in the Northern part of the region, with direct flights and fares which can be up to $15 (one way) cheaper, and parking is only $4 per night in a secure compound.

Business Strategy

The viability of Grafton Airport is completely dependant on the existence of the Regular Public Transport service to Sydney.

As well as contributing over $100,000 towards the income of the airport it constitutes, by a very large margin, the most traffic through the facility.

Whilst there are other significant users (eg Royal Flying Doctor Service, Rural Fire Service) it will be extremely costly for Council to keep the airport open to support these in the absence of RPT to underpin operations.

Maintaining an RPT service from Grafton is therefore a key element in the airport business strategy.

As has been discussed earlier in this document there are a number of factors to be addressed:-

> The current economic downturn and consequent effect on passenger numbers
> Competition from other airports, predominantly Coffs Harbour
> The impact of closure of Taree airport

The short term element of the business strategy is therefore one of survival. Council provides assistance to REX to keep passenger numbers at a level whereby the route remains commercially viable for REX.

Marketing Strategy

With business travellers the largest group of airport users clearly this is the market segment that needs to be targeted first. In addressing this market it is necessary to stress the advantages of the airport compared to the competition. The approach taken is to try to convince customers that the perceived advantages of alternatives

(lower fares, direct flights) are outweighed by the advantages Grafton can offer. Advertising to date has stressed the following:-

- Easier access to the airport
  - o Pacific Highway Traffic
  - o Roadworks
  - o Drive through centre of Coffs Harbour
- Ample free parking
- Fast, relaxed check in
- Three return flights a day

Advertising channels used have been aimed at the business market. Advertisements have been placed in recent editions of the Clarence Valley Business Review and more recently on local radio stations. REX has also participated in marketing the service, with the Regional Manager making representations to local businesses.

The ongoing strategy is to continue to focus on business travellers with the message that Grafton is a better travel option than the alternatives.