

Town of  
Port Hedland



## **Business Plan**

A PROPOSAL BY THE TOWN OF PORT HEDLAND TO ENTER INTO A MAJOR LAND TRANSACTION FOR THE LONG TERM LEASE OF PORT HEDLAND INTERNATIONAL AIRPORT

Local Government Act 1995 (WA)  
(Section 3.59)



## CONTENTS

1.0	Introduction .....	2
2.0	Background .....	3
2.1	Airport.....	3
2.2	Property Information .....	3
2.3	Lease Area .....	4
2.4	Description of the Proposed Transaction .....	4
3.0	Local Government Act 1995 Requirements .....	6
3.1	Creation of a Business Plan.....	6
3.2	Expected Effect on the Provision of Facilities and Services by the Local Government 3.59 (3)(a) .....	6
3.3	Expected Effect on Other Persons Providing Facilities and Services in the District 3.59 (3)(b) .....	6
3.4	Its Expected Financial Effect on the Local Government 3.59 (3)(c).....	7
3.5	Its Expected Effect on Matters Referred to in the Local Government's Current Forward Plan 3.59 (3)(d) .....	8
3.6	The Ability of the Local Government to Manage the Undertaking or the Performance of the Transaction 3.59 (3)(e) .....	8
3.7	Other matters 3.59 (3)(f) .....	9
3.8	Public Consultation .....	9
3.9	How to Make Public Submissions .....	9





## 1.0 Introduction

Port Hedland International Airport (**Airport**) is the gateway to Western Australia's North West and the strongly growing Pilbara region.

In the year ending June 2014, 512,000 passengers arrived and departed from the Airport, following increases of 75% and 21% over the last 5 and 10 years respectively. The Airport has nearly 70 flights a week, including daily flights to Perth and direct weekly flights to Brisbane, Melbourne and Bali. The Town of Port Hedland (**Town**) has planned for substantial investment over the next five years to create a modern and well-serviced airport that will provide a welcoming gateway to the North West.

The redevelopment plans include redevelopment of the Terminal and surrounding precinct, infrastructure upgrades, new subdivisions and new business opportunities. The new Terminal precinct will have a future capacity for more than 700,000 passengers per year. Plans are also in place to expand the Airport's regional, national and international flights with more airlines, more routes and more services.

Given these future plans, the Town is considering the granting of a long-term lease (**Lease**) over the Airport to a private sector party (**Lessee**) (the **Proposed Transaction**) so as to bring the appropriate funding capacity to the Airport and to transfer risk to the private sector. The Airport will continue to be owned by the Town. The Town has appointed The Airport Group as the advisor who is retained to guide the Town through the Proposed Transaction.

The Proposed Transaction will be considered a "major land transaction" for the purposes of the *Local Government Act 1995 (WA)* (**Act**). This Business Plan has been prepared in accordance with the requirements of Section 3.59 of the Act, which is required where a local government intends to enter into a major land transaction. The purpose of this Business Plan is to provide members of the public with the opportunity to consider the Proposed Transaction and provide comments to the Town during the six week public consultation period, prior to formal determination by the Town as to whether to proceed with the Proposed Transaction.





## 2.0 Background

### 2.1 Airport

The Airport is situated along Great Northern Highway between Port Hedland and South Hedland due east of Wedgefield industrial Estate.

The main point of entry is Waldren Drive which links the various Airport related facilities and incidental land uses including parking areas.

The land is currently zoned "Airport" under the Town of Port Hedland's Town Planning Scheme No. 5 and forms part of the Airport Development Plan Area.

"Airport" is a commercial zone and the objective of the Airport precinct is to:

- a) Protect options for future airport infrastructure within the precinct;
- b) Ensure that development within the precinct meets prevailing noise and height limitation standards associated with the operation of aircraft; and
- c) Ensure that any commercial development reinforces the transportation functions of the Airport.

### 2.2 Property Information

The Airport consists of four main precincts and designated airside facilities, which are as follows:

- Precinct one – Terminal & Regular Public Transport precinct. This is the most developed component of the Airport and includes a variety of land uses. Most are directly or incidentally related to the function of the runway and terminal, including car hire, terminal services, Royal Flying Doctor Service and Bureau of Meteorology, as well as freight and general aviation.
- Precinct two – Transient Worker Accommodation precinct. This precinct has been predominantly developed with two Transient Workforce Accommodation developments; the Mia Mia Airport site, and the 1200 person Port Haven Village site. Airservices Australia's navigation and communications infrastructure and Telstra's communications infrastructure is also located within this precinct.
- Precinct three – The ARFFS and Control Tower is located in this precinct, and it is expected that a portion of the Kingsford Smith Business Park may be included in this precinct as part of the Lease.
- Precinct Four – This precinct is located at the junction of Great Northern Highway and Port Hedland Road. This precinct is bounded by the Great Northern Highway, which effectively "wraps" around the precinct, and both runways. This precinct is undeveloped.



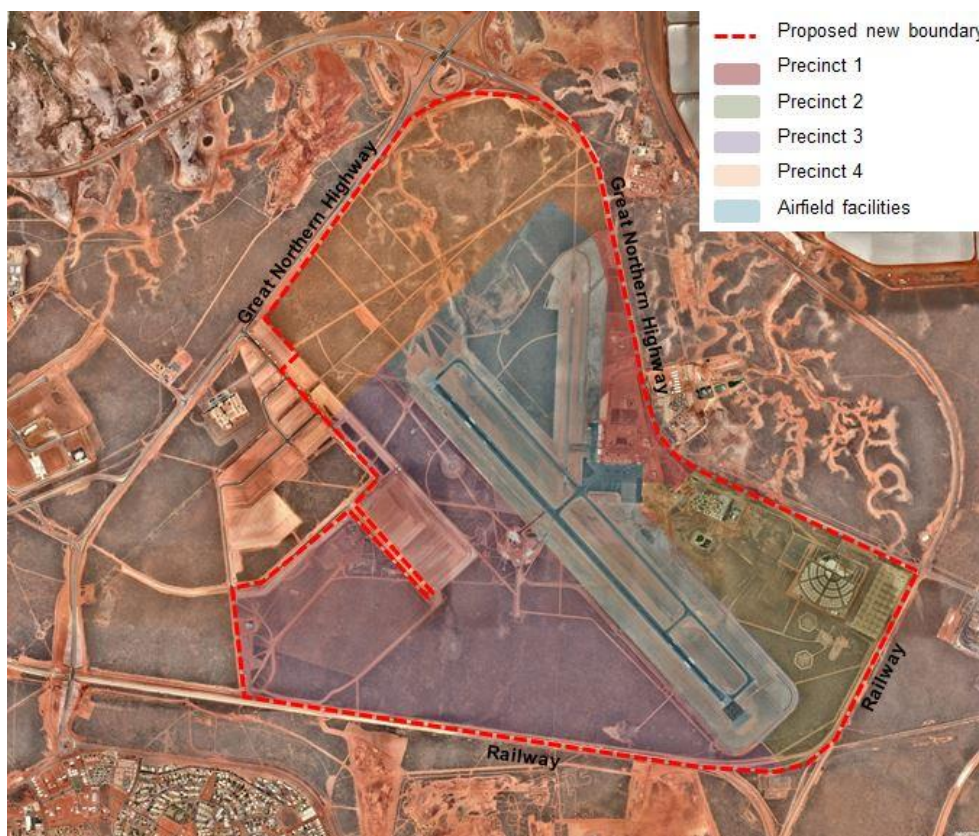


- Airside facilities – consisting of the existing airfield movement areas and comprises of two runways and adjoining taxiways. The main runway 14/32 is 2500m long and 45m wide with turning bays at each end. Runway 18/36 is 1000m long and 18m wide.

The land on which the Airport is located is owned in freehold by the Town. The Airport is largely contained on portions of Lots 15, 16, 29, 436, 9000, 9001, 9002 and 9003 as shown indicatively on Deposited Plan 402661 (version 2).

### 2.3 Lease Area

The proposed area of the Airport that will be the subject of the Lease is shown in red below. The Transient Workforce Accommodation sites, whilst included in the area shown below, may be excluded from the lease area in the final Lease documentation.



The marking on the map is indicative only.

### 2.4 Description of the Proposed Transaction

The Town is proposing to grant a long term lease to a private sector party for fair value. The Town may enter into a profit sharing arrangement with the Lessee.





The Town would be looking to the Lessee to fund the future infrastructure and redevelopment of the Airport as passenger numbers grow, and to take responsibility for the operations and maintenance of the Airport. The Proposed Transaction will enable the Town to fund other priority public infrastructure over time. The Town may reserve certain rights in relation to land use, planning and potential commercial outcomes. The Town will retain land use planning control in accordance with the current Town of Port Hedland Planning Scheme.







### 3.0 Local Government Act 1995 Requirements

#### 3.1 Creation of a Business Plan

Section 3.59 of the Act and Part 3 of the *Local Government (Functions and General) Regulations 1996* set out the requirements for Local Government in or entering into a major land transaction. A Business Plan must be prepared by the Town to include an overall assessment of the major trading undertaking or major land transaction and is to include details of:

- a) Its expected effect on the provision of facilities and services by the Local Government;
- b) Its expected effect on other persons providing facilities and services in the district;
- c) Its expected financial effect on the Local Government;
- d) Its expected effect on matters referred to in the Local Government's forward plan;
- e) The ability of the Local Government to manage the performance of the transaction; and
- f) Any other matter prescribed for the purpose of the subsection.

#### 3.2 Expected Effect on the Provision of Facilities and Services by the Local Government 3.59 (3)(a)

The Town will no longer be responsible for providing facilities and services at the Airport. Such services include management oversight of the Airport, airport operational and compliance management, all Airport administrative matters and financial management of the Airport. The Lessee will provide those services.

On this basis, it is expected that the Town will be released from the administration and running of the Airport.

The Town does not expect that the effects of the release of its operational and administrative obligations will be of an adverse nature.

#### 3.3 Expected Effect on Other Persons Providing Facilities and Services in the District 3.59 (3)(b)

It is not anticipated that the Proposed Transaction will have any adverse impact on other persons who provide services and facilities within the Town. The current service providers at the Airport (who are engaged by the Town) will have the opportunity to continue providing those services under the Lessee. The development of land at the Airport will continue to be controlled under the current Town planning framework. In addition, the Proposed Transaction will not affect the development of other areas within the Town.





### 3.4 Its Expected Financial Effect on the Local Government 3.59 (3)(c)

The Proposed Transaction will have the following financial effects on the Town:

1. Remove the responsibility of operation of the Airport from the Town. As part of the Proposed Transaction the responsibility for the day to day operation of the Airport will transfer to the Lessee. This will include airport management oversight, airport operational and compliance management, all airport administrative matters and financial management. The costs of this ongoing administrative oversight will no longer be met by the Town and will become the responsibility of the Lessee.
2. Remove the revenue streams that are derived from Airport operations. The current dividends and internal revenue transfers that are provided from Airport operations will cease under the Lease. These revenue streams will be replaced by a different set of revenue streams. These may include the receipt by the Town of a one off capital payment for the granting of the Lease, or a combination of a one off capital repayment, periodic rent and a share of profits. These may also include the payment of rates and other outgoings by the Lessee.
3. As described above, it is expected that a substantive capital payment will also be brought to account on the Town's balance sheet.
4. Shift the obligation for ongoing long term capital investment from the Town to the private sector. Under the terms of the Lease, the responsibility for future capital investment in the Airport (including redevelopment and asset upgrades) will be shifted to the Lessee. This should have the net effect of freeing up future capital and Town resources for other community based projects.
5. Removes the obligation of transferring revenue received through the sale of land from the Kingsford Smith Business Park to the Airport reserve, (initial \$40 million in sales revenue).
6. Allow for the leverage of investment from the private sector, including the provision of investment opportunities that the Town is unable to currently access, and the attraction of business to the Airport. This may include future commercial and business development opportunities, which would generate further economic development opportunities for the Town.
7. Transfer the risk of operations away from the Town. Under the Lease, the Airport operational risks would be transferred to the Lessee. This will release the Town and its rate payers from future risk obligations that may arise from running the Airport.







3.5 Its Expected Effect on Matters Referred to in the Local Government's Current Forward Plan 3.59 (3)(d)

**Town of Port Hedland *Strategic Community Plan 2012-2024***

Section 5.56 of the Act requires that a Local Government is to plan for the future of the district.

In accordance with this provision, the Town has developed the *Strategic Community Plan 2014-2024* which articulates the Council's strategic direction to 2024 and acts as the foundation to building an integrated planning and reporting framework. The Proposed Transaction will contribute directly to achieving the following 1-4 year Council priority set out in the plan.

*Strategic Community Plan 2014-2024*

- *2 Supporting a Diverse Economy – 2.2 a nationally significant gateway city and destination*
- *developing Port Hedland International Airport as the gateway to the North West.*

The Proposed Transaction will have the effect of supporting, and helping to achieve, a diverse economy. For example, as noted above, the leverage of investment from the private sector, including access to investment opportunities that the Town is unable to currently access, should generate further economic development for the Town, and contribute to a more diverse and robust economic base.

The Town of Port Hedland *Strategic Community Plan 2014-2024* can be sourced from the Town of Port Hedland website [www.porthedland.wa.gov.au](http://www.porthedland.wa.gov.au).

3.6 The Ability of the Local Government to Manage the Undertaking or the Performance of the Transaction 3.59 (3)(e)

The management of the Proposed Transaction is within the resources and capacity of the Town.

The Town has contracted the necessary expertise and resources to assist it in the management of this project.





### 3.7 Other matters 3.59 (3)(f)

At the same time as the public consultation for the major land transaction, the Town will commence a tender process for the procurement of the Lessee. The proposed process has two stages, with the first stage inviting expressions of interests and the second stage inviting tenders (to be conducted in two parts – the submission of non-binding tenders, followed by the selection of the two most acceptable tenderers who will submit binding tenders). The Town has retained the ability to discontinue the procurement process if the Council decides not to proceed with the Proposed Transaction.

The Town is not aware of any other matters that are relevant to the Proposed Transaction.

### 3.8 Public Consultation

The Act requires the public consultation period is to be undertaken for a minimum period of six (6) weeks. Submissions received by the Town during the consultation period are to be considered by the Council at a meeting on 24 June 2015, prior to any determination being made to proceed.

### 3.9 How to Make Public Submissions

Members of the public are invited to provide feedback to the Town on this proposal by 2:30pm on Monday 8 June 2015. All public submissions must be in writing and addressed to:

M.J. (Mal) Osborne  
Chief Executive Officer  
Town of Port Hedland  
RE: Port Hedland International Airport  
PO Box 41  
Port Hedland WA 6721

Submissions may also be received via email:  
[council@porthedland.wa.gov.au](mailto:council@porthedland.wa.gov.au)

