



Town of Port Hedland

NOTES

OF THE AIRPORT COMMITTEE OF THE TOWN OF PORT HEDLAND COUNCIL

**THURSDAY 6 DECEMBER 2012
AT 5:30PM**

IN

**COUNCIL CHAMBERS
MCGREGOR STREET, PORT HEDLAND**

NOTE: The Chairperson declared that the Airport Committee meeting could not go ahead as a quorum had not been established within 30 minutes of the time the meeting was due to begin. See information listed on page 5 of these Notes for further details.

*M.J. (Mal) Osborne
Chief Executive Officer*

Terms of Reference**Aim/Purpose**

The Airport Committee is established to ensure that the Port Hedland International Airport is recognised as a leading regional airport in the area of passenger and freight movements and customer satisfaction and to:

- Develop a comprehensive Airport Master Plan and commence implementation of key initiatives that are identified;
- Actively pursue the generation of income from a variety of sources at the Airport including through leases, rentals, advertising, freight and any other means; and
- Upgrade terminal facilities including baggage screening and departure lounges.

Membership

Elected Members:

Councillor Arnold A Carter
Councillor Jan M Gillingham
Councillor Michael B Dziombak
Councillor Julie E Hunt
Councillor Gloria A Jacob

Community Members:

Ms Florence Bennett
Ms Michelle Cook
Mr Serge Doumergue
Mr Chris Whalley

Quorum

The quorum for the Committee is to be a minimum of 50% of its membership.

Delegation

- i) To determine whether a tender is required to be sought or not as specified in LG (F&G) Reg 11F.
- ii) To choose tenderers for products services on behalf of the local government in accordance with LG (F&G) Reg 18.

Tenure

Ongoing

Meeting frequency

Every 4 weeks

Dates of Meetings

The following dates have been set and advertised in accordance with the Local Government Act 1995 for Airport Committee Meetings to be held at 5:30 pm in Council Chambers:

- Thursday, 6 December 2012
- Thursday, 10 January 2013
- Thursday, 14 February 2013
- Thursday, 14 March 2013
- Thursday, 11 April 2013
- Thursday, 9 May 2013
- Thursday, 13 June 2013
- Thursday, 11 July 2013
- Thursday, 08 August 2013
- Thursday, 12 September 2013
- Thursday, 10 October 2013
- Thursday, 14 November 2013

Responsible Officer

Director Engineering Services

(Terms of reference adopted by Council at its Ordinary Meeting held 25 January 2012. Meeting dates adopted and membership amended by Council at its Ordinary Meeting held on 14 March 2012. Additional community members appointed by Council at its Ordinary Meeting held on 9 May 2012. Dates of Meetings amended by Council at its Ordinary Meeting held on 24 October 2012.)

OUR COMMITMENT

To enhance social, environmental and economic well-being through leadership and working in partnership with the Community.

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ITEM 1 OPENING OF MEETING**1.1 Opening**

The Chairperson declared that the Airport Committee meeting could not go ahead as a quorum had not been established within 30 minutes of the time the meeting was due to begin.

In accordance with Section 8 of the Local Government (Administration) Regulations 1996 and 2.4 of the Town of Port Hedland Local Law on Standing Orders, the Chairperson adjourned the meeting to Wednesday 12 December at a time to be determined, pending confirmation from all Committee members.

Subsequently to this, the Chief Executive Officer and the Chairperson considered the matters listed on this agenda and made the decision to present agenda item 10.2 'Request to lease portion of Port Hedland International Airport terminal to Qantas Airways Limited (File No.: 05/05/0011)' to the Ordinary Council meeting of 12 December 2012 for consideration. It was also decided that all other matters listed on this agenda should be presented to the next Airport Committee meeting. All Airport Committee members were advised of the above decisions accordingly.

For record purposes these notes contain a list of the members in attendance on the night, and also the matters included in the agenda.

ITEM 2 RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE**2.1 Attendance**

Elected Members:

Councillor Arnold A Carter - Chairperson
Councillor Julie E Hunt
Councillor Gloria A Jacob

Community Members:

Ms Florence Bennett

Officers

Ms Natalie Octoman	Director Corporate Services
Mr Russell Dyer	Director Engineering Services
Mr Gordon MacMile	Director Community Development
Miss Josephine Bianchi	Minute Taker

2.2 Apologies

Elected Members:

Councillor Michael B Dziombak – Deputy Chairperson
Councillor Jan M Gillingham

Community Members:

Ms Michelle Cook
Mr Serge Doumergue
Mr Chris Whalley

2.3 Approved Leave of Absence

Nil

ITEM 3 RESPONSE TO PREVIOUS QUESTIONS - ON NOTICE**3.1 Questions from Public at Airport Committee Meeting held on Thursday 22 November 2012**

Nil

3.2 Questions from Elected Members at Airport Committee Meeting held on Thursday 22 November 2012

Nil

ITEM 4 PUBLIC TIME*IMPORTANT NOTE:*

'This meeting is being recorded on audio tape as an additional record of the meeting and to assist with minute-taking purposes which may be released upon request to third parties. If you do not give permission for recording your participation please indicate this at the meeting. The public is also reminded that in accordance with Section 20.3 of the Town of Port Hedland Local Law on Standing Orders nobody shall use any visual or vocal electronic device or instrument to record the proceedings of any meeting unless that person has been given permission by the chairperson to do so'.

4.1 Public Question Time**4.2 Public Statement Time****ITEM 5 QUESTIONS FROM MEMBERS WITHOUT NOTICE****ITEM 6 DECLARATION BY MEMBERS TO HAVE GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPER PRESENTED BEFORE THE MEETING****ITEM 7 CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

That the Minutes of the Airport Committee Meeting held on Thursday 22 November 2012 be confirmed as a true and correct record of proceedings.

NOTE: SIMPLE MAJORITY VOTE REQUIRED

ITEM 8 ANNOUNCEMENTS BY CHAIRPERSON WITHOUT DISCUSSION

ITEM 9 PETITIONS/DEPUTATIONS/PRESENTATIONS/SUBMISSIONS

ITEM 10 REPORTS OF OFFICERS

10.1 *Establishment of a Port Hedland International Airport User Group (File No.: 08/02/0024)*

Officer	Anna Duffield Airport Development Officer
Date of Report	28 November 2012
Disclosure of Interest by Officer	Nil

Summary

This agenda item provides an update on the establishment of a Port Hedland International Airport user group.

Background

Council will invest \$70.5 million over the next five years on the Port Hedland International Airport precinct's redevelopment. A key part of the redevelopment will be engaging with stakeholders and ensuring effective communication with airport users.

As such an airport user group has been established and will meet on a quarterly basis. The group includes representatives from airport tenants such as airlines, hire car companies and aviation providers and organisations that directly service the airport such as transport operators.

Consultation*External*

- Airlines – Skywest, Qantas, Virgin Australia
- Aviation and freight providers – Golden Eagle, Karratha Flying Service, Royal Flying Doctors Service
- Hire car companies – Avis, Budget, Europcar, Hertz, McLaren Raw Hire, North West Rentals, Thrifty
- Transport providers – Carlindie Cabs, Hedland Taxis, Hedland Bus Lines, GoWest Tours, South Hedland Taxis
- Other airport users – Air BP, Northwest Aviation Services, School of the Air

Internal

- Manager Investment and Business Development
- Director Engineering Services
- Chief Executive Officer
- Manager Airport Operations

Statutory Implications

Nil

Policy Implications

Nil

Strategic Planning Implications

6.2 Economic

6.2.12	Gateway City & an attractive destination
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Develop the Port Hedland International Airport as a leading regional airport in the area of passenger and freight movements and customer satisfaction

Budget Implications

Nil

Officer's Comment

The Port Hedland International Airport user group has been established as a two-way forum between key stakeholders of the airport and the Town of Port Hedland.

The user group meetings will be held on a quarterly basis and will be an effective forum to provide updates on latest developments and discuss opportunities and challenges at the airport. It also provides a useful feedback mechanism for how things are working at the airport.

The first meeting, held 26 November 2012, was attended by airlines, hire car companies, bus and taxi companies, ground and passenger handlers, aviation services and freight providers.

The meeting was a fruitful discussion about the opportunities, including Council's \$70.5 million redevelopment program and the challenges at the airport, such as congestion inside and in front of the terminal, redevelopment timeframes and how to accommodate growth.

These concerns have been taken on board by the Town and are being investigated further. One of the first items will be looking at how to alleviate congestion along the front of the terminal with bus and taxi parking.

Attachments

1. Presentation delivered at Airport User Group – 26 November 2012

Officer's Recommendation

That the Airport Committee note the establishment of the Port Hedland International Airport user group

NOTE: SIMPLE MAJORITY VOTE REQUIRED



Airport user group

26 November 2012



Overview

- Introduction Mal Osborne
- Redevelopment program Russell Dyer
- Feedback All

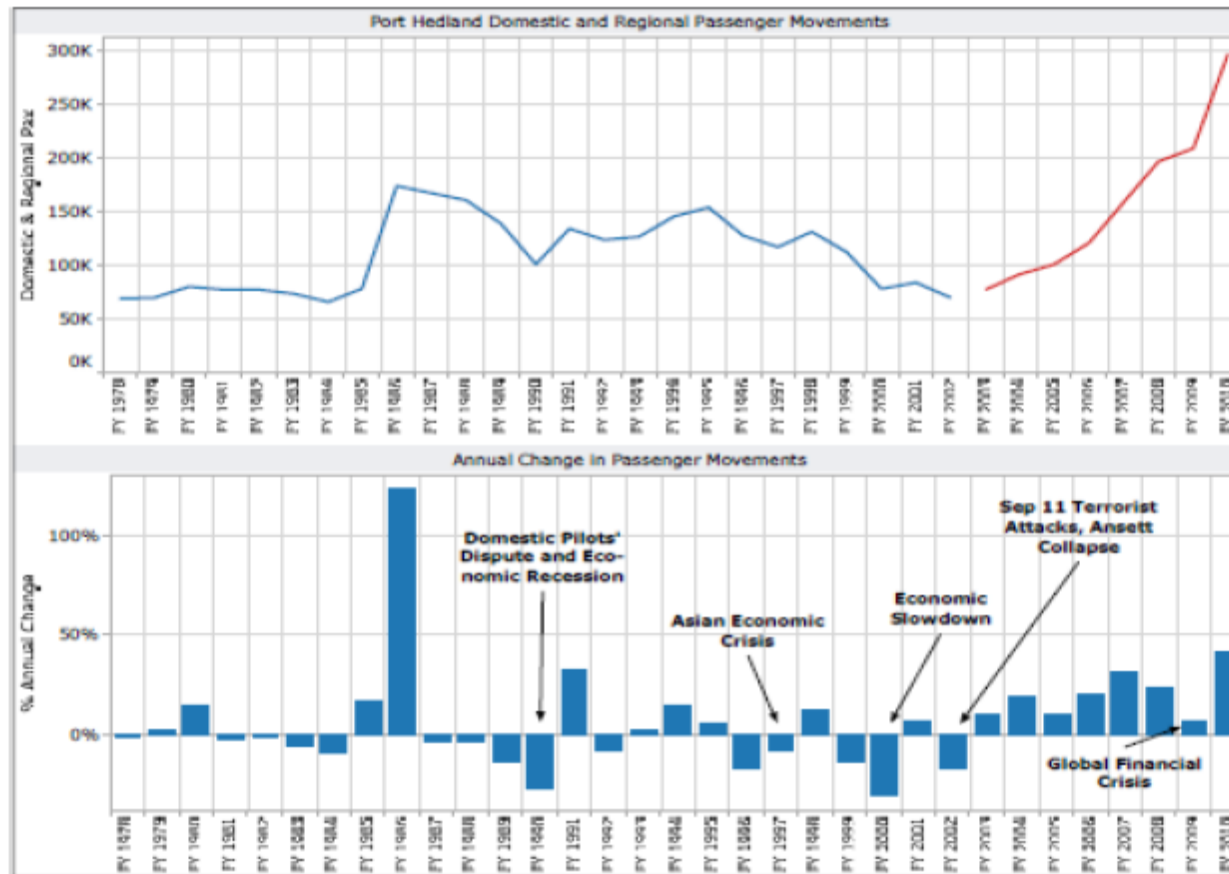


Port Hedland International Airport – now

- Accommodates 450,000 passengers every year
- Nearly 70 flights a week across four airlines plus charter and freight flights
- Rapid increase in passenger movements, plus limitations on co-ordinating flight times with other airports, has put strain on operations and terminal space



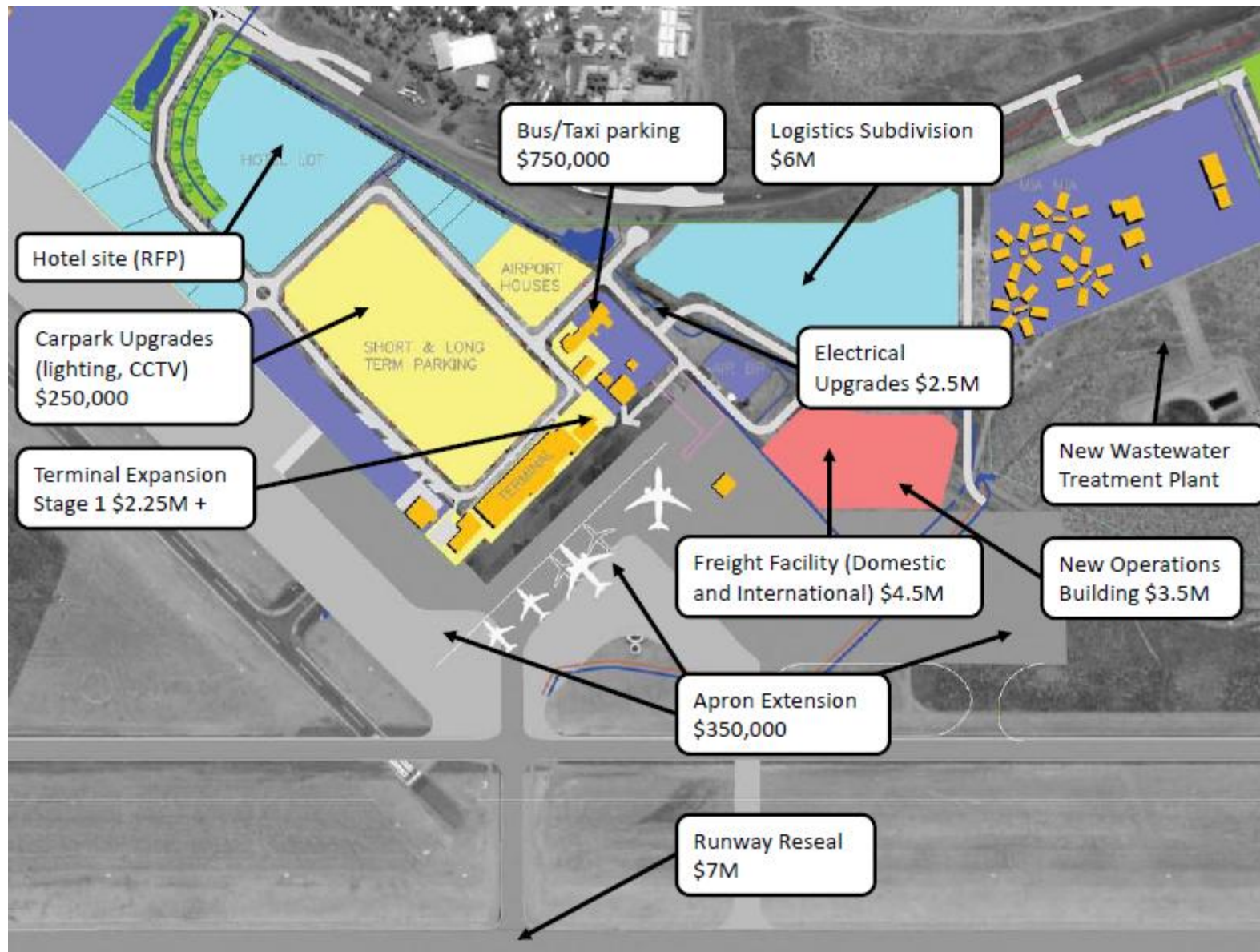
Port Hedland International Airport – now



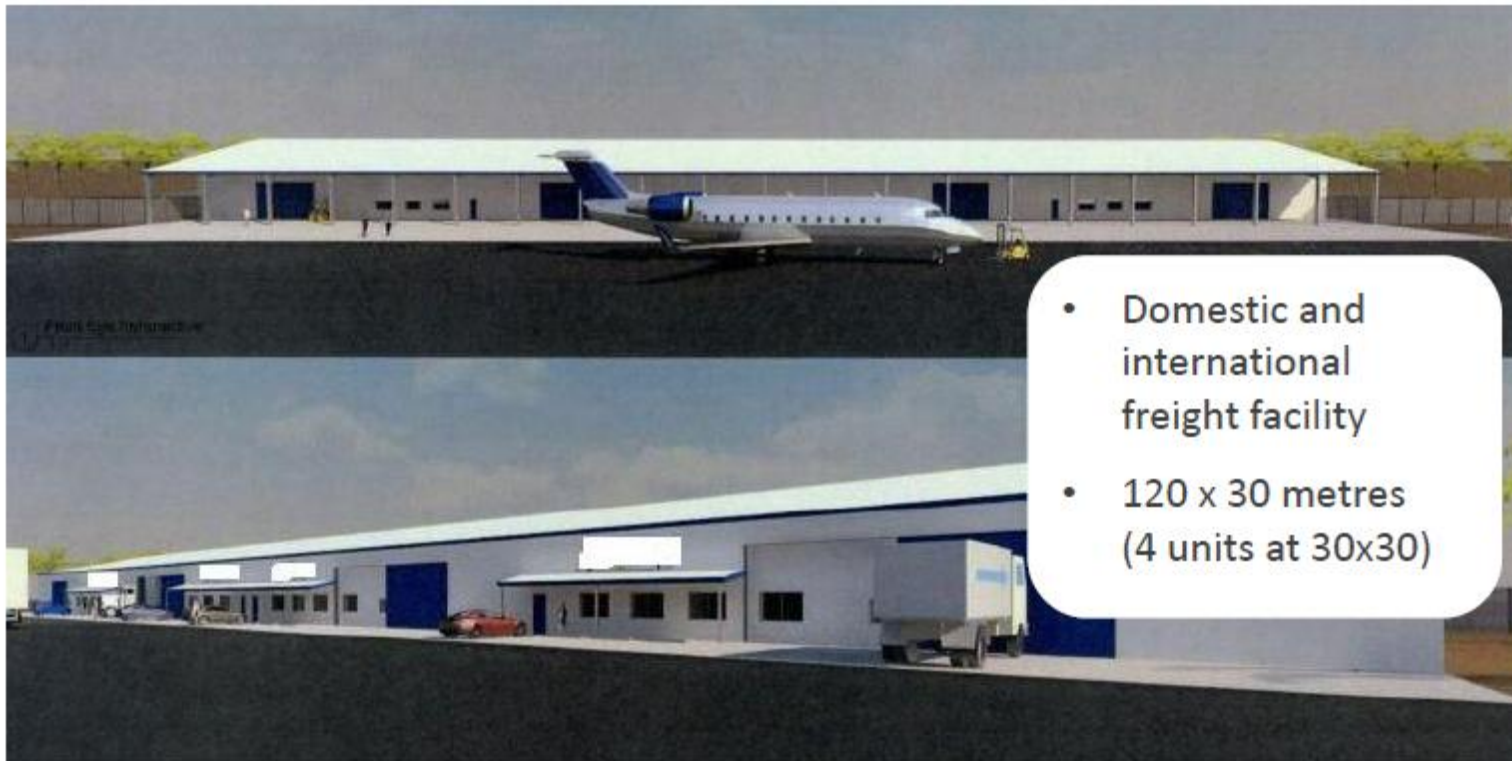
Port Hedland International Airport – future

- Accommodate more than 700,000 passengers/year
- Modern and well-serviced airport that provides a welcoming gateway to the North West and direct routes to Asia
- Expanded regional, national and international flights (more airlines, more routes, more services)
- Economic diversification
- More than just supporting FIFO – tourism, business development, education, defence, better passenger experience for all





New Freight Facility



- Domestic and international freight facility
- 120 x 30 metres (4 units at 30x30)

Note conceptual drawing only



New Operations Building



Note conceptual drawing only



Terminal Extension



Note conceptual drawing only

Greater capacity

- Terminal expansions
 - Cater for current and future demand shortage
 - Increased International capacity
 - To be delivered in stages based on market needs
- Runway reseal
 - Cater for larger aircraft without restrictions
- Apron extensions
 - Larger aircraft, more at one time
 - Business development along apron (freight, hangars)

Marketing program

- Program underway to build community and industry awareness of our vision for airport
 - New website
 - New logo
 - Media releases on key milestones (aviation award, new Virgin Australia flights, kids visit to airport)
 - School art competition (artwork on display at airport)



www.porthedlandairport.com.au

The screenshot shows the homepage of the Port Hedland International Airport website. At the top left is the airport's logo, a stylized bird/plane icon with the text "Port Hedland INTERNATIONAL AIRPORT". To the right of the logo is the tagline "Gateway to the Northwest and Beyond". Below this is a navigation menu with links: HOME, FLIGHTS, TERMINAL INFO, OPERATIONS, CORPORATE, OUR REGION, PROJECTS, CONTACT. A map of Western Australia is displayed, with several cities marked: Ball, Broome, Port Hedland, Karatha, Geraldton, Perth, Melbourne, and Brisbane. Below the map is a secondary navigation bar with icons and text for "terminal info", "airport parking", and "visitor info".

The main content area is divided into three columns:

- latest news:** A list of three news items with small images and dates (23, 21, 7 Oct). The first item is "Port Hedland International Airport (and national) awarded". The second is "New Port Hedland International Airport website goes live". The third is "Hedland students share airport views to air". A "Read more" link is below.
- arrivals/departures:** A section with a sunset background and an airplane silhouette. Text reads: "View our online Flight Schedule for current arrival and departure times." Below is a "Click for more" link.
- precinct redevelopment:** A green box with white text: "\$70.5 million will be invested over the next five years on refurbishments, infrastructure upgrades, land releases and new business opportunities." Below is a "Click for more..." link.

At the bottom of the page, there is a row of logos for airlines: QANTAS, Virgin Australia, Skywest, and airnorth. To the right of these is the "Home of Port Hedland" logo.

Next steps

- Appointment of new program director early 2013
- Ongoing stakeholder consultation
 - “wish list” for redevelopment
- Infrastructure projects complete early 2013
 - bus parking
 - car park lighting
 - apron extensions
- Tenders issued for terminal, freight facility and operations facility

Feedback



10.2 Request to lease portion of Port Hedland International Airport terminal to Qantas Airways Limited (File No.: 05/05/0011)

Officer	Anna Duffield Airport Development Officer
Date of Report	19 November 2012
Disclosure of Interest by Officer	Nil

Summary

This agenda item provides an update on Qantas Airways Limited lease negotiations and proposal to dispose of portion of Port Hedland International Airport terminal for check-in, office, lounge and baggage handling services by way of lease.

It seeks Airport Committee endorsement to present the item to the next Ordinary Council Meeting on 12 December 2012.

Background

Qantas Airways Limited (Qantas) currently occupy 176.2m² within the Port Hedland International Airport terminal for check-in, office, lounge and baggage handling services.

In February 2007, after protracted negotiations, a retrospective lease agreement was executed with a base rental of \$36,736.20 per annum exclusive of GST. The lease had a term of five years – commencing on 1 July 2002 and expiring 30 June 2007 – with an option to extend for another five years.

Records indicate this extension was never formally executed and subsequently Qantas have been operating under the holding over provision of the original lease since 1 July 2007.

At its Ordinary Council Meeting on 9 March 2011 it was decided (decision number 201011/282) that Council:

1. *Consent to a disposal of property by way of a lease to Qantas Airways Limited, of 176.2sqm, being for check-in and baggage handling facilities and a 'Qantas Club' Lounge, as per section 3.58 of the Local Government Act 1995 (private treaty), on the following terms:*
 - i. *an initial term of ten (10) years commencing 1 July 2007;*
 - ii. *with two five (5) year options;*
 - iii. *at a rental of \$810.44 per square metre; and*
 - iv. *for an area of 176.2 square metres*
 - v. *a Consumer Price Index (CPI) review to take place annually*

- vi. *a market review to be conducted annually during the terminal redevelopment*
 - vii. *the next market review to take place on 1st July 2011*
2. *Authorises the Chief Executive Officer (or his delegate) to:*
- i. *place an advertisement giving local public notice of the deposition in accordance with section 3.58(3)(a) of the Local Government Act; and*
 - ii. *sign and execute the amendments to the existing leasing agreement, should no adverse public submissions be received by Council.*

CARRIED 8/0

REASON: Council believes a market review needs to be carried out annually during the terminal redevelopment.

This resolution was based on valuations conducted in August 2007 for a suite of Town properties. This valuation indicated a base rental of \$142,800 per annum exclusive of GST. This was an elevated valuation and not in line with subsequent market valuations for commercial space or ground leases. For example, a market valuation conducted in May 2011 indicated a base rental of \$85,000 per annum, exclusive of GST for the Qantas space.

Consultation

External

- Qantas – Manager Airports Commercial Projects
- Qantas – Property Leasing Controller
- Australian Valuation Partners

Internal

- Manager Airport Operations
- Manager Investment and Business Development
- Director Engineering Services

Statutory Implications

Local Government Act 1995(WA)

“3.58 . Disposing of property

(1) In this section —

***dispose** includes to sell, lease, or otherwise dispose of, whether absolutely or not;*

***property** includes the whole or any part of the interest of a local government in property, but does not include money.*

(2) Except as stated in this section, a local government can only dispose of property to —

(a) the highest bidder at public auction; or

- (b) *the person who at public tender called by the local government makes what is, in the opinion of the local government, the most acceptable tender, whether or not it is the highest tender.*
- (3) *A local government can dispose of property other than under subsection (2) if, before agreeing to dispose of the property —*
 - (a) *it gives local public notice of the proposed disposition —*
 - (i) *describing the property concerned; and*
 - (ii) *giving details of the proposed disposition; and*
 - (iii) *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; and*
 - (b) *it considers 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.*
- (4) *The details of a proposed disposition that are required by subsection (3)(a)(ii) include —*
 - (a) *the names of all other parties concerned; and*
 - (b) *the consideration to be received by the local government for the disposition; and*
 - (c) *the market value of the disposition —*
 - (i) *as ascertained by a valuation carried out not more than 6 months before the proposed disposition; or*
 - (ii) *as declared by a resolution of the local government on the basis of a valuation carried out more than 6 months before the proposed disposition that the local government believes to be a true indication of the value at the time of the proposed disposition.*
- (5) *This section does not apply to —*
 - (a) *a disposition of an interest in land under the Land Administration Act 1997 section 189 or 190; or*
 - (b) *a disposition of property in the course of carrying on a trading undertaking as defined in section 3.59; or*
 - (c) *anything that the local government provides to a particular person, for a fee or otherwise, in the performance of a function that it has under any written law; or*
 - (d) *any other disposition that is excluded by regulations from the application of this section.*

[Section 3.58 amended by No. 49 of 2004 s. 27.] “

Policy Implications

Nil

Strategic Planning Implications

6.2 Economic

6.2.1 Diverse Economy

Create local employment and investment and diversify the economy

6.2 Economic

6.2.12 Gateway City & an attractive destination

Develop the Port Hedland International Airport as a leading regional airport in the area of passenger and freight movements and customer satisfaction

6.4 Local leadership

6.4.1 Strategic

Deliver responsible management of infrastructure, assets, resources and technology

Budget Implications

In October 2012, the Town obtained a market valuation report for terminal space currently occupied by Qantas. The report indicated a value of \$79,290 per annum exclusive of GST– equivalent to \$450 per square metre.

Should Council resolve to dispose of the portion of terminal space to Qantas, the lease agreement will generate \$79,290 exclusive of GST in annual revenue. This will be attributed to GL code 1210326.

The lease fee will be subject to annual increase by way of CPI, and a market valuation will be performed every 3 years. The lessee will be responsible for any legal costs associated with the preparation of lease. The lessee will also be responsible for operational costs including but not limited to rates and utility consumption charges.

It is proposed that a lease is executed for five years with a commencement date of 1 December 2012.

Officer's Comment*Current rental arrangements*

As noted in the background of this item, Qantas' lease for terminal space at Port Hedland International Airport has been operating pursuant to a holding over provision since July 2007. In effect Qantas are a monthly tenant of the Town.

Qantas currently occupy 176.2 square metres within the terminal for check-in (including counter and self-service kiosks), office, lounge and baggage handling services.

Qantas currently pay \$41,822.64 (ex GST) per annum – equivalent to the original negotiated based rental of \$36,736.20 plus CPI increases for the initial 5 year period.

Revocation of previous decision

At the Ordinary Council Meeting on 9 March 2011 Council authorised the Chief Executive Officer to enter a ten-year lease with Qantas, commencing 1 July 2007, at a base rental of \$810.44 per square metre exclusive of GST.

This resolution was based on valuations conducted in August 2007 for a suite of Town properties. This valuation indicated a base rental of \$142,800 per annum exclusive of GST. This was an elevated valuation and not in line with subsequent market valuations for commercial space or ground leases. For example, a market valuation conducted in May 2011 indicated a base rental of \$85,000 per annum, exclusive of GST for the Qantas space.

Negotiations with Qantas halted following this council decision as agreement could not be reached on the proposed retrospective terms.

It is therefore recommended that Council revoke decision number 201011/282 and enter a new lease agreement on new terms, reflective of the current valuation.

Airport redevelopment

As per the Port Hedland International Airport Master Plan, the terminal will be refurbished and expanded over the coming years. Council will invest \$70.5 million over the next five years on the precinct's redevelopment. As part of the redevelopment, the space that Qantas occupy may change, including relocation and expansion.

It is recommended that the lease includes a provision for market rental review at the practical completion of the redevelopment.

Proposed lease

In accordance with section 3.58 of the Local Government Act 1995, the Town sought a current market valuation for the space that Qantas currently occupy. The valuation indicates a rate of \$79,290 per annum, exclusive of GST.

Should Council agree to dispose of portion of the Port Hedland International Airport terminal to Qantas by way of lease, the disposal would be locally advertised for public comment for a requisite period of two weeks.

Should no adverse submissions be received within the requisite advertising period, a lease will be offered to Qantas on the following terms and conditions:

- a) Lease area of 176.2m²
- b) A base rental of \$79,290 per annum, exclusive of GST
- c) An annual increase to the base rental by the Consumer Price Index, Perth as published by the Australian Bureau of Statistics
- d) Market Valuation every three years during the term as well as Redevelopment Market Valuation on the practical completion of the terminal redevelopment
- e) A term of five years commencing on 1 December 2012
- f) Option to extend for five years
- g) For the permitted use of the operation of a domestic airline, including but not limited to check-in counter, lounge, offices and baggage make up area.

Conclusion

By entering a new lease agreement, this enables a fresh look at the terms of the lease and ensures compliance with section 3.58 of the *Local Government Act 1995*.

It is the officer's opinion that this provides a transparent solution to resolve the protracted negotiations and enables current ToPH officers a clean slate moving forward.

To pursue this option would be fair and equitable to both parties and would mitigate any potential issues that could arise in utilising historical negotiation foundations previously set.

Attachments

Nil

Officer's Recommendation

That the Airport Committee recommend this agenda item to the 12 December 2012 Ordinary Council Meeting with the following recommendations.

That Council:

1. Revoke its decision (201011/282) from the 9 March 2011 to:
 - 1.1 Consent to a disposal of property by way of a lease to Qantas Airways Limited, of 176.2sqm, being for check-in and baggage handling facilities and a 'Qantas Club' Lounge, as per section 3.58 of the Local Government Act 1995 (private treaty), on the following terms:
 - an initial term of ten (10) years commencing 1 July 2007;

- with two five (5) year options;
 - at a rental of \$810.44 per square metre; and
 - for an area of 176.2 square metres
 - a Consumer Price Index (CPI) review to take place annually
 - a market review to be conducted annually during the terminal redevelopment
 - the next market review to take place on 1st July 2011
- 1.2 Authorises the Chief Executive Officer (or his delegate) to:
- place an advertisement giving local public notice of the deposition in accordance with section 3.58(3)(a) of the Local Government Act; and
 - sign and execute the amendments to the existing leasing agreement, should no adverse public submissions be received by Council.
2. Agree to dispose 176.2m2 portion of the Port Hedland International Airport terminal to Qantas by way of lease in accordance with section 3.58 (3) of the Local Government Act 1995 (private treaty) on the following terms and conditions:
- Lease area of 176.2m2
 - A base rental of \$79,290 per annum, exclusive of GST
 - An annual increase to the base rental by the Consumer Price Index, Perth as published by the Australian Bureau of Statistics
 - Market Valuation every three years during the term as well as Redevelopment Market Valuation on the practical completion of the terminal redevelopment
 - A term of five years commencing on 1 December 2012
 - Option to extend for five years
 - For the permitted use the operation of a domestic airline, including but not limited to check-in counter, lounge, offices and baggage make up area.

should no adverse submissions be received during the requisite advertising period.

NOTE: SIMPLE MAJORITY VOTE REQUIRED

ITEM 11 LATE ITEMS AS PERMITTED BY CHAIRPERSON/COUNCIL

Nil

ITEM 12 MOTIONS OF WHICH PREVIOUS NOTICE HAVE BEEN GIVEN

Nil

ITEM 13 CONFIDENTIAL ITEMS

NOTE: Section 5.23 of the Local Government Act 1995 states:

“ ... (2) If a meeting is being held by a council or by a committee referred to in subsection (1)(b), the council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following —

(e) a matter that if disclosed would reveal —

(ii) information that has commercial value to a person; or

(iii) information about the business, professional,

commercial or financial affairs of a person, where the trade secret or information is held by, or is about, a person other than the local government;

.... ”

13.1 Update on terminal building electricity charges at the Port Hedland International Airport

ITEM 14 APPLICATIONS FOR LEAVE OF ABSENCE

ITEM 15 CLOSURE

15.1 Date of Next Meeting

The next Airport Committee Meeting of Council will be held on Thursday 10 January 2012.

15.2 Closure

There being no further business, the Chairperson declared the meeting closed at ___ pm.

