

Prepared for:
Lethbridge Airpark

Executive Summary



Business Development Plan

June 2008

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Consultancy team
Jude Walker and Tim Powers

Altegis Group

22 William Street
Newtown Vic. 3220
Telephone: 03 5263 2514
Fax: 03 5263 3731
www.altegis.com.au

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Executive Summary

The Lethbridge Airpark has been in operation since 1992, beginning as a private airfield for the use of the owners, Garry and Patricia Baum, and then progressing to a recreational aviation airpark with a current club membership of approximately 150, the largest in Australia.

The owners are now seeking to expand the airpark capability and develop the business in a planned and thoughtful manner. In order to do this, a review of the current operations, structure and strategic directions was initiated by the owners with financial support from Regional Development Victoria. This review takes account of trends and issues related to the light aircraft industry in both Australia and overseas.

At an international level, statistics show that worldwide passenger traffic has reached an all time high, with a significant rise in the number of 'low cost' carriers and niche short haul providers. This has had a dramatic effect on regional airports around the world, as more commuters see flying as a viable alternative to driving, and as major airports begin to reach capacity. As existing airports grow, they are under more pressure to refocus and plan in a more structured manner. In many cases, those aerodromes with a mix of commercial and recreational flying activities have begun to encourage the smaller recreational aircraft to relocate to other aerodromes. In Australia, this is occurring in an environment in which airports, which were previously Commonwealth owned, have been transferred to private ownership or to local Councils.

General aviation as a sector includes small aircraft, usually 5700 kg or less. In the past, recreational aviation has been a sub-category of general aviation. However, it is now beginning to be differentiated. Research conducted by the Bureau of Transport and Regional Economics has shown that recreational flying is growing at a greater rate than General Aviation. During the period of 1993 to 2003, recreational aviation enjoyed an increase in flying hours of 13% as compared to General Aviation which had a decrease of 2%. General Aviation, which is managed by the Civil Aviation Safety Authority (CASA), is highly regulated and costly. CASA's Charter includes a requirement for full cost recovery and this has significantly increased the bureaucratic and financial burden faced by GA pilots.

Recreational aviation, which is managed by Recreational Aviation Australia (RA-Aus) under the oversight of CASA, involves more self-regulation, without many of the regulatory requirements related to airplane design, parts and manufacturing, which are faced by General Aviation pilots. Whilst RA-Aus is primarily self-regulated, there is no corresponding loss of safety. Mick Poole, Operations Manager for RA-Aus, has advised that one third of the current total of 12,000 planes flying in Australia is registered with RA-Aus.

Access to recreational flying is also becoming easier and more accessible to a wider audience within the community. This is enhanced by the growing variety of light aircraft designs and by improved safety. The industry is also seeing a rise in kit planes and amateur built aircraft.

With the growing popularity of flying as a whole, the global aviation industry is now facing shortages of pilots and other aviation related occupations. This is occurring at a time when countries such as China and India are significantly increasing their aviation fleets. This, combined with increased fuel costs, is impacting on the ability of many airlines to maintain services. In regard to pilot shortages, many large airlines are now reviewing their processes for recruitment and training of pilots.

In the past, individual pilots attained their multi-engined ticket through their own arrangements. Airlines are now looking at the option of a pathway in which someone can gain a General Aviation licence and use that as a springboard into training for heavy commercial planes. They now see that pathways from General Aviation into commercial aviation are a viable option, and airlines such as Rex are seeking to form partnerships with regional airports to deliver pilot training. As pilot shortages in the public transport sector draw skilled and experienced pilots away from

General Aviation, this is now flowing down into the recreational aviation sector, where there is a growing demand for both pilot and instructor training. The recreational pilot's certificate is a logical first step in the process, with the key advantage being one of cost. The cost of training for the RA-Aus certificate is cheaper by the hour, and flying hours performed in an ultra-light can be counted toward the minimum requirements for the GA private pilot's licence under CASA regulations. This is providing opportunities for airports such as Lethbridge Airpark.

The growth in popularity of recreational flying, together with the privatisation of many airports at a time when they are reaching capacity and the growing need for pilot training, has resulted in an environment in which there is increasing opportunity for regional airports. However, this is coming at a time when existing regional airports are being encroached upon by urban sprawl, and a number of local aerodromes have closed as a result. Those airports which have remained open are under increasing pressure to develop improved business models that better target specific markets in clientele, commercial business and developing trends. This is an opportune time for Lethbridge Airpark to grow in a controlled and planned manner.

This growth includes the possibility of including businesses engaged in light aircraft design and manufacture. Between 1993 and 2003, the average age of active fixed wing VH registered aircraft has increased from 21 to 29 years. These VH aircraft are registered with CASA and are heavily regulated. There is a substantial opportunity for manufacturers of recreational aircraft which have the cost advantage derived from better fuel economy and less restrictive design regulations. Parts and maintenance of non-type certified sport aircraft are also much less costly than for VH and other type-certified aircraft. Type-certified aircraft must also be maintained by CASA Licensed Aircraft Maintenance Engineers (LAMEs). At present, there is also a severe shortage of LAMEs in many parts of Australia and this continues to be a high demand service at regional aerodromes.

The future for recreational and sport aviation is one of opportunity and new directions. Whilst the regulatory framework has evolved to allow new designs, much of what has come before is clearly linked with traditional thought and design. As the recreational aviation market hits a critical mass, there is an opportunity for this to change. The G21 Region is well situated to support an innovative leap forward in design and manufacture, with a strong recreational aviator community, Deakin University's leading capabilities on material design and development, combined with the Region's attraction to baby boomers with a significant disposable income.

The Australian Government has recognised the growing importance of the aviation sector in general and General Aviation in particular. On 10 April 2008, the Minister for Infrastructure, Transport, Regional Development and Local Government outlined the Commonwealth Government's intention to develop a National Aviation Policy Statement or White Paper. This follows on from the previous Government's work in developing a General Aviation Action Agenda, which is shortly to be released. These two initiatives indicate that the expansion of Lethbridge Airpark is occurring at a time of major change for the industry.

Victoria is rich in the number and size of airports located within the State. As well as Melbourne Airport, Avalon is now becoming a major commercial aviation facility, and is the largest airport in South-Western Victoria. Avalon is currently seeking approval to expand its domestic services and to become Victoria's second international airport. Essendon and Moorabbin are the two major airports servicing the General Aviation and recreational aviation sectors. However, both are reaching capacity. As a result, Essendon Airport is moving towards servicing the corporate jet and high end general aviation users.

There are a number of regional Victorian airports. These include Yarrowonga in northern Victoria, Mangalore and Ballarat in central Victoria, and Latrobe Regional Airport in the south-east of Victoria. Business at all of these airports is increasing with development of aviation service hubs. Within the G21 Region, there are a number of smaller airports. As well as Lethbridge Airpark, the larger of these include Geelong Airport which is due to close as part of the Armstrong Creek development, and Barwon Heads Airport which is also expanding. Ceres, Torquay and Colac comprise the smaller airports within the area. Of the Regional airports, Lethbridge Airpark is the best placed, through location and availability of area, to expand significantly.

Lethbridge Airpark is already home to the largest recreational flying club in Australia, with a membership of approximately 150. Flying club members were invited to attend a forum and to complete a survey to ascertain their perceptions of the industry, their flying activity, customer drivers, local strengths and weaknesses, and services they would like to see at the airpark. Further, they were asked to present their opinions on future business opportunities as well as any concerns they may have with future development.

Fully 50% of flying club members who responded to the survey live outside the G21 Region, many in Melbourne, where they have come under increasing pressure from development and high costs for flying. 70% of respondents gained their initial pilot's licence or registration before the year 2000, with 26% of them gaining a licence prior to 1990. Many survey respondents identified flying as a lifelong ambition.

Members use Lethbridge Airpark for 64% of their flights and 64.7% own their own planes. One of the reasons for the popularity of the airpark is the fellowship and social activities provided by the flying club, as well as the expertise and support of the members.

The cost of flying, lack of a convenient airpark for some, misconceptions about safety, and lack of awareness about recreational aviation were all cited as barriers to the future increase in recreational aviation. Lethbridge Airpark was felt to be a destination airport for many of them due to its convenient location, situated as it is within easy travelling distance of Melbourne, Geelong and Ballarat. Other advantages of the airpark include its clear airspace and ease of navigation, as well as the facilities and services already on site.

Surveyed members felt that there was substantial opportunity for development of aviation related services such as mechanical and maintenance services, aviation supplies, sales of aircraft and on-site accommodation. However, they also felt that there needed to be an increase in infrastructure including sealed runways, better taxiways, landline telephones, and retail outlets, including food. They also felt that there was a need for a GA flying school to be established at the airpark.

In developing all of these new services and businesses, members were concerned that the friendly, relaxed atmosphere should be retained and that the flying club should remain active. They also felt it important that costs did not rise substantially.

A number of flying club members also expressed an interest in either expanding their existing business presence at Lethbridge Airpark, or in opening a new business there. These included two Licensed Aircraft Maintenance Engineers, an agent who sells imported planes and a business which would specialise in manufacturing, installing and maintaining aircraft exhaust systems. Each of these business owners described their vision for the future possibilities at Lethbridge Airpark. These included increased employment opportunities and import replacement possibilities.

In examining possible models for the expansion of Lethbridge Airpark, five potential strategic options were identified. These included the airpark becoming:

1. A commercial airport for large scale passenger and freight transport
2. A location for general manufacturing, warehousing and logistics firms wishing to transport their products by air
3. A dedicated training facility for pilots wishing to build a pathway to the large scale commercial airlines
4. A destination airport for tourism
5. A light aircraft aviation hub.

The G21 Region has been working with the Victorian State Government to identify and address passenger and freight issues affecting the Region and the G21 structure includes a Transport Pillar, which has recently taken on the role of a Regional Round Table within the Supply Chain Victoria Transport, Distribution and Logistics (TDL) Industry Round Table structure. The construction of the Geelong Ring Road and the plan for an intermodal freight interchange provide the G21 Region with the opportunity to become a transport hub.

However, whilst there are growing opportunities for both passenger and freight related aviation activities within the G21 Region, an enormous investment would be required to develop Lethbridge Airpark as a commercial airport for large scale passenger and freight transport, with no guarantee of success. This is therefore not the recommended option.

With regard to the development of Lethbridge Airpark for general manufacturing, warehousing and logistics firms, Golden Plains Shire has indicated their intention to grow the local economy and to utilise infrastructure and service assets to support development for businesses in the Shire. Industry parks are becoming more common with economies of scale provided by locating similar operations in the one area. There are also a number of industries in the surrounding district which would benefit from having access to a quick-time response for transport of their goods. These include the market garden and seafood industries. However, Lethbridge Airpark is probably not the optimum location for very large scale general industrial development to occur and, as above, this option would require large scale investment. This is therefore not the recommended option.

The third possible option involves Lethbridge Airpark becoming a dedicated training facility for pilots and other aviation related occupations. As has been discussed, there is a global shortage of pilots and airports are needed to conduct pilot training. There is also a need for an increase in training for Licensed Aircraft Maintenance Engineers. With Avalon Airport near by, Lethbridge Airpark is well placed to deliver these services. However, a number of other regional airports are already positioned to deliver pilot training and some, such as Mangalore, have already entered into partnerships with large airlines. Lethbridge Airpark would either have to become a Registered Training Organisation (RTO) in its own right, a long and cumbersome process, or enter into a partnering arrangement with an existing RTO. The systems and structures which would need to be put into place for Lethbridge Airpark to become a dedicated training facility mean that this is not the recommended option.

The fourth identified strategic option is for Lethbridge Airpark to become a destination airport for tourism. Tourism is a growing industry and brings significant economic benefit to Victoria. The G21 Region has access to a number of attractive tourist destinations. These include the Great Ocean Road and the Goldfields district around Ballarat. In recognition of the importance of tourism, G21 is developing a regional marketing plan which will present a unified approach to promoting the region. With the proposed closure of the Geelong Airport, Lethbridge Airpark is well placed to become an intrinsic part of the necessary infrastructure needed for tourism within the region to grow. However, Lethbridge Airpark is not likely to become a primary tourism destination in itself, and it is not recommended that the airpark try to become a dedicated tourism operation.

The final and recommended option is for Lethbridge Airpark to become a light aircraft aviation hub. In this option, the airpark would focus on its core strengths to build on the growing market for recreational aviation and General Aviation. The focus on light aircraft provides a clear identity for the airpark and gives a reason for pilots and flying enthusiasts to come to Lethbridge Airpark. Focussing on light aircraft does not limit the opportunities for pilot training and tourism operations to be provided at Lethbridge Airpark. With the growth in popularity of flying as a sport, there is an increasing need for both recreational and General Aviation pilots to be trained, as well as for instructor training for both of these sectors. The existing flying club will attract more individuals to the airpark and provide an ongoing customer base for such services, as well as for tourism activities.

This pool of people using the facilities at Lethbridge Airpark also provides the opportunity for the development of a range of aviation related services such as maintenance and repairs, sale of parts, design and manufacture of aircraft, sale of kits and aeroplane painting and detailing. The increased use of the airpark will also lead to the future need for expansion of food and accommodation facilities. A full range of potential businesses can be seen on page 76.

One of the major attractions for Lethbridge Airpark has been the availability of safe, undercover hangarage facilities and this is seen as a significant growth opportunity. However, in order to

maximise space, careful planning will need to be put into the layout and appearance of new hangars.

With airports such as Essendon and Moorabbin reaching capacity, the time is right for Lethbridge Airpark to position itself as a major facility for light aircraft. This option is likely to be supported by Golden Plains Shire and G21 as it will result in Lethbridge Airpark becoming a major regional asset with minimal impact on the local environment. Whilst the owners will need to address the possible concerns of neighbouring property owners, the airpark is far enough away from major residential and development zones that it is unlikely to be crowded out of its present position in the foreseeable future.

In moving forward with this strategic option, the owners will need to develop a Master Plan to ensure that the facilities are best placed to make the most efficient use of the land and to ensure that safety and security issues are addressed. The Master Plan should identify a staged development of the airpark. For example, runway works and construction of additional hangarage should occur early in the development, whereas options such as accommodation might occur later.

In developing the Master Plan, the airpark owners will need to consider the need for expanded facilities and infrastructure. These include building additional facilities to house office and training capability, extending and paving runways, relocating taxiways, erecting safety fencing to separate planes and cars and to keep children off the airfield. Electricity, telephone and internet services will also need to be available.

A range of management policies and procedures will need to be developed. These include safety management, environmental and Occupational Health and Safety management and emergency response plans. The owners will also need to consider moving away from the single owner model to a more appropriate management structure such as an owners' corporation. In order to fund the proposed expansion, the owners will also need to source major public or private investment.

The potential opportunities provided by the proposed expansion of Lethbridge Airpark are significant. In order to proceed, however, the owners will need to pay careful attention to the planning process. This report recommends the following steps should be taken in order to ensure a successful outcome:

1. Confirm acceptance of the preferred strategic option.
2. Seek Regional Development Victoria approval of the proposed recommendations.
3. Present the report to Golden Plains Shire for their endorsement.
4. Present the report to the Board of G21 for their endorsement and seek their support in lobbying the State Government on behalf of the project.
5. Work with an organisation which can prepare the application for rezoning and submit this to Council.
6. Work with a consultant to prepare a Master Plan for a staged development of the airpark.
7. Conduct all necessary tests with regard to soil, noise footprint, etc. to ensure minimal environmental impact from development.
8. Seek financial and legal advice on future requirements and investment.
9. Develop an appropriate ownership model and management structure for the airpark.
10. Develop relevant policies and procedures.

11. Develop a major marketing and promotional campaign aimed at attracting both aviation related businesses and new customers to the airpark.

12. Commence development.

Should the expansion be developed using a staged, planned process, Lethbridge Airpark will be well placed to become a major regional aviation hub for light aircraft. This will make the airpark an asset of regional significance. In order for this to occur, support will be needed from local government and G21 to lobby to the State Government for rezoning approval and to assist in planning for the airpark development.

The owners of Lethbridge Airpark will need to demonstrate a professional and responsible approach to the development and, in order to do this, they will need to work with both public and private organisations to develop a comprehensive Master Plan.

Should they be successful, Lethbridge Airpark will, in the future, contribute to the economic prosperity of the G21 Region as a whole by providing opportunities for new and existing aviation related businesses to grow and employ more staff.

