



FACT SHEET: SUNSHINE COAST AIRPORT EXPANSION PROJECT **GLADSTONE AIRPORT: A COMPARATIVE STUDY**

In 2007, a decision was made to expand Gladstone Airport Corporation to meet projected demands. This included Fly In Fly Out workers (FIFO) involved in the LPG developments in the region. In making the decision to expand, Gladstone Regional Council based passenger movement projections on current demand. It would appear that these figures had not taken into account the construction phase on current projects. Once construction was complete and the production phase commenced the number of workers contracted and passenger numbers were significantly reduced.¹

Cost for the Gladstone Airport Expansion was \$70.5 million with a \$5.5 million grant from the Federal Government. The initial debt was \$65 million.²

In general, airports' income is mostly derived from passenger levies and this can be as high as 90% of income in some airports. At Gladstone Regional Airport, 84% of income was derived from passenger levies.³ Any drop in passenger numbers would have a far-reaching impact on the Gladstone Airport Corporation's (GAC) ability to service debt resulting from the expansion.

The Gladstone Regional Council (GRC) had provided rate-payers with assurances that the airport would be self-funded and rate-payers would not be called upon to service any airport expansion debt through additional rates. Income from the airport was predicted to provide a positive return from investments.⁴

Unfortunately, inaccurate modeling left a considerable shortfall in the ability of the GAC to fund their debt and the sole shareholder, GRC, had to assume responsibility for the payment of \$28 million and meet these obligations through rates increases.⁵

This emphasises a need to have accurate and realistic forecasting for passenger numbers, if future expansion is reliant on accurate projected increases to service debt.

The Sunshine Coast Council (SCC) has been seeking to expand the Sunshine Coast Airport (SCA) with a minimum investment of \$347m, based on increasing passenger numbers and is unclear on funding. It is again unfortunate that forecast modeling based on both optimal (1.4 million passenger movements) and minimum (1.3 million passenger movements) for Sunshine Coast Airport are significantly higher than the 2007-2015 actuals (less than 900,000 for the period 2007 to 2015).⁶ The SCA passenger forecasts in the Environmental Impact Statement reflect how the SCA has underperformed since 2007 in relation to forecasted passenger movements. Presently they are tracking approximately 40% below the EIS forecast for 2015. The current airport is marginal in terms of profitability without any increased investment debt impacting on viability.⁷ It would seem that a shortfall in predicted numbers of this magnitude would make debt repayment for the SCC impossible without seeking assistance from rates' funding. It is important to note that the comparative debt of the Gladstone Council for the Gladstone Airport expansion is relatively small in relation to the debt that will be needed for the SCA expansion.

Lessons can be taken from the Gladstone example. A Public Benefit Assessment for the Gladstone Airport extension clearly indicates a need for community affordability.⁸ If the Sunshine Coast Council considers carefully the risks inherent in a venture of the magnitude of SCA expansion, they may conclude that it is not a risk to which they want to expose ratepayers or council.

References

- ¹ Mara Pattison-Sowden The Observer 15 November 2014
- ² Gladstone Regional Council Fact Sheet (Date Unspecified)
- ³ Mara Pattison-Sowden op. cit
- ⁴ Airport Runway Reconstruction Project Update #19 (29 January 2011)
- ⁵ Mara Pattison-Sowden op. cit
- ⁶ Environmental Impact Statement: Sunshine Coast Airport Expansion
- ⁷ Unaudited Draft Statements: Airport Business Unit Statement of Income and Expenses 12/01/2015
- ⁸ Public Benefit Assessment of Reform Options for Gladstone Airport- Gladstone Regional Council Draft Report, June 2011
- ⁹ EIS document Passenger Forecasts figure 2.2