

10 November 2014

Office of the Hon Jeff Seeney MP  
Attn. Deputy Chief of Staff Ms. M. Sharp

Re: Sunshine Coast Airport Expansion (SCA) Consultation Process

Dear Ms Sharp,

### Summary

The closing date of 13th November does not permit adequate time to assess the ongoing viability of the proponent which is a commercial business unit of the Sunshine Coast Council (SCC). An extension of the closing date until the financial performance information requests of correspondence dated 4 October are made available for consideration by Coolum Residents Assoc. Inc. (CRA) and Development Watch Inc. (DW) is requested.

### Discussion

Please refer to correspondence Ref. MC14/3346(1) addressed to CRA's Special Projects Officer dated 25 September 2014.

In paragraph three reference is made to the Sustainable Planning Act (2009) and its application to the planning scheme of SCC. It is noted that the SCA's 13/31 runway development project is currently in the planning scheme of SCC and the ongoing public consultation process closes on 13 November next.

One of the key purposes of the Sustainable Planning Act (SPA) is to advance ecological sustainability defined as:

- protection of ecological processes and natural systems at local, regional, State and wider levels: and
- economic development: and
- maintenance of the cultural, economic, physical and social wellbeing of people and communities.

In order to further the public consultation process relating to the 13/31 development proposal of SCA, CRA has examined its economic performance history as set out in attachment "A".

Prior to adoption of the 2007 Master Plan SCA had not performed as a viable commercial business entity of Maroochy Council. The EIS submission currently under review by the Coordinator General does not address historic economic performance of SCA.

Despite numerous requests the essential financial information for the 2013/14 fiscal year has not been provided. Nor has balance sheet information requested for the fiscal years 2006/07 to 2013/14 been provided. Please extend the closing date for public submissions until two weeks after this information has been made available.

Yours sincerely, etc.



Ray Barber Solicitor *Vice President*

Enc. Letter Development Watch Inc. to Mayor & CEO dated 4 October

Attachment "A"

**Analysis of Sunshine Coast Airport (SCA) Financial Performance**

Council has supposedly operated SCA on a commercial basis since the early 1990s.

The initial runway 13/31 expansion Master Plan was developed by Michael Kellaway International, an expert consulting company in the field of airport planning and development, in late 1994. An earlier Master Plan recommended an expansion of the main passenger terminal costed at \$9.4 million. Council actually spent some \$16 million on capital works including land purchases for a possible future runway and \$8 million being funded by increased Council debt. The 97/98 Annual Report records an accounting write down in SCA assets of \$10.3 million due to over capitalization of the terminal, suggesting that much of the \$16 million spent following adoption of the earlier Master Plan was not in fact commercial.

Council has failed to provide adequate financial transparency for SCA since issue of the 2000/01 Annual Report, when balance sheet items were no longer reported for its commercial business units. Reported Council equity in the SCA was \$24.7 million in 2000/01. Since that time there have been manipulations of costs and asset valuations with equity falling to about \$15 million in 02/03. Since then accounting manipulations have increased Council's equity purported to be \$ 53.5 million for 2012/13.

Following adoption of the 1994 Master Plan, Michael Kellaway International provided future passenger usage forecasts. Quarterly forecasts were developed from May until August 1996, for the period commencing January 1996 up until December 2000. As is the case for the 2007 Master Plan, three point range forecasts were developed. At that time passenger head fees provided some 75% of SCA revenues.

Actual passenger movements for financial year's 97/98, 98/99, and 99/2000 are available from Council's Annual Reports. Comparisons between actual and the forecast range are informative.

Annual passenger movements versus Kellaway forecasts

Year	97/98	98/99	99/2000
Expected	413,699	460,809	507,922
Lower bound forecast	358,441	388,536	415,881
Actual	279,256	286,237	306,701

These results suggest passenger forecasting is a difficult exercise and even expert opinion can be inaccurate. Actual passenger movements were in fact below the range forecast just one year after the Kellaway study was completed. Given such a history, one must be sceptical about annual passenger forecasts provided in the EIS that have no legitimate forecasting methodological basis (see A.2 Section 2.3.1)

Comparisons of SCA full year operating results with Budget (\$millions) since the adoption of the 2007 Master Plan follow:

**Analysis of 06/07 operating performance**

	Budgeted	Actual
Operating Revenue	11.4	9.6 (16% below budget)
Operating expense	7.8	6.4 (Note goods&services 43% below)
Operating surplus	3.6	3.3 (8% below budget)

**Analysis of 07/08 operating performance**

	Budgeted	Actual
Operating Revenue	9.7	10.2 (\$2.1 unanticipated)
Operating expense	5.2	5.1
Operating surplus	4.5	5.1

**Analysis of 08/09 operating performance**

	Budgeted	Actual
Operating Revenue	12.5	12.3
Operating expense	5.2	7.5 (44% above budget)
Operating surplus	5.7	4.8 (16% below budget)

**Note:** Unbudgeted borrowings of \$9 million, and asset revaluation of \$4.5.

**Analysis of 09/10 operating performance**

	Budgeted	Actual
Operating Revenue	13.6	12.0 (12% below budget)
Operating expense	7.5	7.1 (5% below budget)
Operating surplus	6.1	4.9 (20% below budget)

### Analysis of 10/11 operating performance

	Budgeted	Actual
Operating Revenue	14.7	13.9 (5% below budget)
Operating expense	8.9	8.1 (9% below budget)
Operating surplus	5.8	5.8

Note: Writedown of \$4.9 million, passengers 908,000

### Analysis of 11/12 operating performance

	Budgeted	Actual
Operating Revenue	15.5	13.3 (14% below budget)
Operating expense	9.3	12.2 (31% above budget)
Operating surplus	6.2	1.1 (82% below budget)

Passengers 908,851

### Analysis of 12/13 operating performance

	Budgeted	Actual
Operating Revenue	14.5	14.1 (3% below budget)
Operating expense	10.0	13.0 (30% above budget)
Operating surplus	4.5	1.1 (75% below budget)

Passengers 790,002 versus lower bound forecast 932,481.

### Summary from 06/07 to 12/13

Cumulative operating shortfall-Actual vs Budget	\$10.4 million
Cumulative budgeted finance/interest costs	\$10 million

### Analysis of 13/14 operating performance

	Budgeted	Actual
Operating Revenue	15.9	?
Operating expense	12.2	?
Operating surplus	3.7	?

Passengers ? versus lower bound forecast 956,725.

No balance sheet information has been provided for this commercial business entity since Council's 2000/01 Annual Report. CRA and DW have been informed that 2013/14 actual financial performance data will not be provided until the Annual Report is issued in December well after the 13 November closing date for submissions.

Planning Considerations beyond 2015 – Larger aircraft and Land Acquisition (January 1995) by Michael Kellaway International Page 8 asserts:

***It can be stated that B747 operations at the Sunshine Coast will not occur while Brisbane International Airport has capacity and in any event Council could be well advised to allow Brisbane to make all the necessary investment required to support very expensive airport expansion.***

Construction of a second runway at Brisbane Airport involving private sector investment of some \$1.4 billion has now commenced, effectively doubling its capacity by 2020.

### **Conclusions**

Past financial performance of Sunshine Coast Airport is not that of a viable commercial business entity. This fact together with the unreliable nature of future passenger growth forecasts representing the major source of revenue growth renders adoption of the 2007 Master Plan involving some additional \$400 million investment in the 13/31 runway economically unwarranted.

RJK 9 November 2014