



Submission to the Aviation White Paper

10 March 2023

Regional Development Australia Adelaide Hills, Fleurieu and Kangaroo Island (RDA AHFKI) play an active and key role on behalf of all three levels of government in the economic development of its region. We welcome the opportunity to contribute to the Aviation White Paper and help shape the ongoing role of aviation.

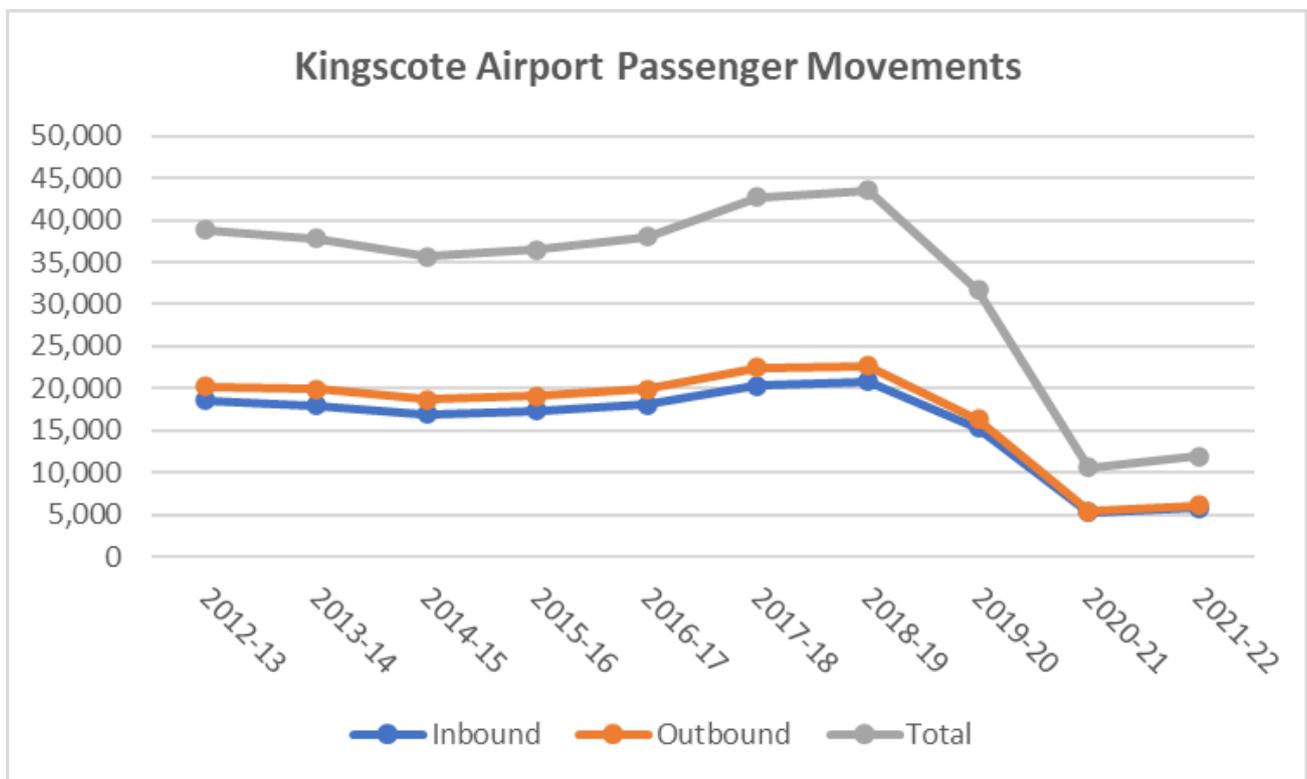
Our submission summarises the experience, skills and insights of our region's key aviation stakeholders on Kangaroo Island, a remote region with a significant interest and reliance on a successful aviation industry through Kangaroo Island (Kingscote) and Adelaide airports. This submission is submitted jointly and on behalf of:



Background – Kangaroo Island (Kingscote) Airport

Kangaroo Island (Kingscote) Airport (KGC) is the islands sole public airport, located approximately 12km south-west of the islands major township of Kingscote and is operated by Kangaroo Island Council. The airport is classified a Tier 4 Major Regional Regular Passenger Transport (RPT). A significant terminal and runway upgrade was opened in 2018.

Maintaining operation of a regional airport with a relatively high dependency on the leisure market is challenging and subject to seasonal demand, often influenced by airline frequency, capacity and scheduling. The below graph shows the impact on air travel of the Black Saturday bushfires (2019-20) which burnt almost 50% of the island, and Covid-19 (2020-21) which brought international visitation to a halt.



**Source: Bureau of Infrastructure and Transport Research Economics*

Although customer numbers continue to recover, public transport services at Kangaroo Island (Kingscote) Airport are currently limited to one operator flying 4-7 days per week depending on season and holidays. Current flight timetables and unreliability of services significantly limit the ability to undertake day return trips in either direction and provide confidence for tour operators and their customers.

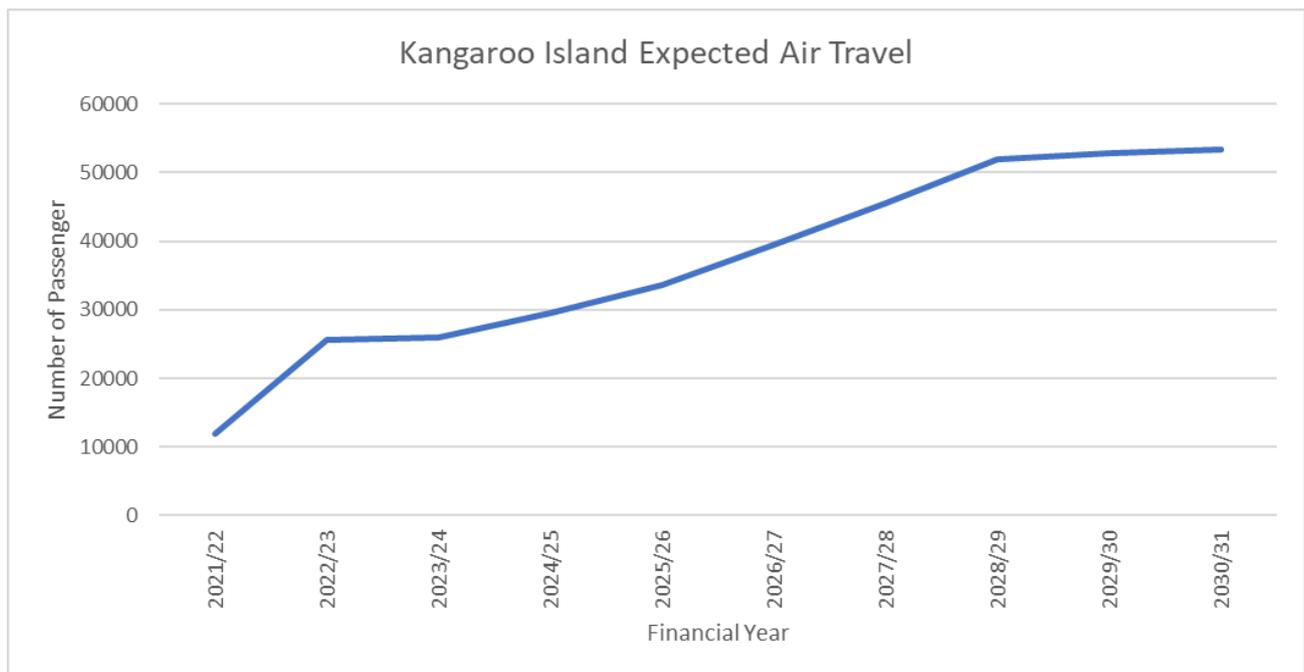
The airport is also used by general aviation, charter services, Royal Flying Doctor Services (RFDS), when needed Country Fire Service (CFS) contracted fire bombers, and SA Police (SAPOL).

Forecast

Kangaroo Island is an international tourism icon. The Kangaroo Island brand has engendered worldwide interest, curiosity and appeal. Recent accolades include:

- New York Times recently nominated Kangaroo Island the seventh-best place to visit in the world.
- Stokes Bay on the Island's North Coast has been recognised by Tourism Australia and awarded Best Australian Beach for 2023 and Emu Bay and Vivonne Bay have been named in the nation's top twenty beaches in recent years.
- The Island's North Coast has been identified as a unique 'Hope Spot' by international marine conservation non-profit Mission Blue (<https://missionblue.org/>).

Based on the very high levels of public and private sector island investment, increasing worldwide recognition, and international travel recovery post COVID-19, forecast tourism growth is expected to see an additional 41,376 air trips to and from Kangaroo Island by 2030. This has significant potential to contribute more to the South Australian and national economies. The following graph shows expected air visitation for Kangaroo Island out to 2030/31.



Source: Hudson Howells, 2022

This expected tourism growth will stimulate growth in air services, especially from other cities including Sydney and Melbourne, for which business cases are currently being prepared for consideration by airlines.

The impact of this growth will be significant for airport infrastructure, especially aircraft size and security requirements. The airport will need to be able to accommodate the growing and preferred 737, A220 and A321XLR aircraft fleets which will necessitate a runway extension and new mandatory security screening requirements.

The role of aviation in supporting regional economies.

The significance of air access for regional and remote communities and industry cannot be understated.

Socially, air transport:

- Enables access to essential medical and allied health services via:
 - o Fly in – fly out service delivery on-island
 - o Fast and efficient access to the full range of mainland health care not available on the island
- Provides essential connectivity for islanders with the mainland, including for:
 - o Healthcare appointments
 - o Overcoming isolation
 - o Holidays
 - o Cultural and sporting trips
 - o Education (trips for local schools, boarding etc)
 - o Visiting friends and relatives
- Provides a logical and practical base for responses to natural disasters, as experienced in the 2019-20 bushfires.

Economically, air transport:

- Provides direct and indirect local employment
- Increases the chances of investment in regions including on Kangaroo Island, high-end accommodation and developments such as The Cliffs world-class destination golf course which may not have occurred without an island airport
- Provides labour force flexibility including accessibility for consultants, specialist personnel, and contractors
- Enables greater engagement between industries and all levels of government
- Facilitates high value, perishable and also urgent freight deliveries
- Provides in many instances, when taking into account the value of time, reduced transport costs
- Enables shorter duration and/or higher value visits (including international) in the visitor economy
- Enables connectivity between island businesses and essential mainland business and corporate services

Socially and economically, responses to natural disasters are better served with air accessibility. This is particularly so for an island.

The owner/operator and stakeholders of Kangaroo Island (Kingscote) Airport submit;

- The importance socially and economically of remote Australian airports, particularly in an island setting, **cannot be underestimated.**
- Remote, and particularly remote island airports, require a Commonwealth program to subsidise airlines to provide **minimum public transport service levels** (for example, minimum three days a week with intra-day return flight options), which will enable efficient transport for the economic and social purposes outlined above.

Operating Model for Remote Airports

Kangaroo Island Council incurs a significant deficit (average of \$1 million per annum) in owning and operating the Kangaroo Island (Kingscote) Airport. This is a major drain on Council revenues that delivers substantial tourism and economic benefits beyond the island for South Australia and the nation.

Kangaroo Island Council has prepared an Economic Development Master Plan (Executive Summary attached) for its airport - designed to reduce its operating deficit, however the plan acknowledges there are limited options.

Kangaroo Island Council are very concerned about the lack of funding options for future airport maintenance and upgrades including for the facilitation of larger aircraft.

The recovery of air travel following COVID-19 is expected to be slower and longer than previous aviation downturns. Kangaroo Island Council and industry stakeholders are concerned about the sustainability of airport operations through the recovery.

Based on the horizon of this White Paper out to 2050, the owner/operator and stakeholders of Kangaroo Island (Kingscote) Airport submit;

- **Strong support** for Australian Airports Association's call in January this year for, amongst others:
 - o The relaunch of grant funding programs for Regional Airports (\$100 million) and Remote Airstrips (\$50 million) respectively over four years from FY 2023-24 to provide a level of certainty for regional and remote airport funding.
 - o Full government funding for Remote Airstrip Upgrade Program (RAUP) and Regional Airports Program (RAP) projects under \$300,000.
 - o \$200 million to deliver a 4-year program to drive greenhouse gas (GHG) reductions at airports to help achieve government's Net Zero by 2050 targets.

- **Urgently Request** that consideration be given to new operating and infrastructure development funding model/s that:
 - o alleviate the financial impost on Kangaroo Island Council
 - o recognise the critical importance of the role of Kangaroo Island (Kingscote) Airport in the:
 - ongoing and increasing role in the islands social wellness
 - economic contribution to the state and national economies when compared with other regional airports.

Contacts:

Stephen Shotton

Director of Regional Development

Regional Development Australia Adelaide Hills, Fleurieu & Kangaroo Island

M: 0407 713 239

E: stephens@rdahc.com.au

Greg Georgopoulos

Chief Executive Officer

Kangaroo Island Council

M: 0416 181 927

E: greg.georgopoulos@kicouncil.sa.gov.au



Airport Economic Development Master Plan 2021 - 2041

Final Report

March 2021

Dr Su Kim (The University of Adelaide) and
Hudson Howells

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EXECUTIVE SUMMARY

The purpose of this project is to develop an Economic Development Master Plan that can assist regional Councils in improving the long-term financial sustainability of their regional airports. The project was undertaken by the University of Adelaide (Principal investigator: Dr Su Kim) as a recipient of the South Australian Local Government Association (LGA) 2019-20 Research & Development Scheme Grant. Hudson Howells has been engaged to provide their consulting services to fulfil the airport industry-related expertise and skills required to complete the project.

We have adopted a case-study approach due to the nature of variability associated with business plans that can vary across different regional airports. We particularly selected Kingscote Airport as it underwent a major reform and opened a brand-new terminal in 2018 but proved to be an unsustainable business model. However, it is expected that the research outcomes for this project will be utilised by other regional Councils in development of their economic and business plans for their airports since this case study will serve as a practical framework illustrating a realistic example as to how regional Councils can promote economic future-proofing for airport activity hubs.

Through the Airport Economic Development Master Plan (EDMP), economic activities will be stimulated in the region by encouraging growth at the Airport of specific local activities/industries, as well as attracting and supporting new complementary activities/industries and individual businesses.

An EDMP should therefore identify and implement key economic strategies that will increase employment and Gross Regional Product (incomes) per capita in the defined region and contiguous economic areas. In this case, Kangaroo Island as defined by the Kangaroo Island Council area (or Local Government Area).

The following infographic details the process developed by Hudson Howells to research and develop the Kingscote Airport Economic Development Master Plan and is recommended for consideration by other regional airport owners and managers.

Airport Master Plan Process

The following general process has been developed by Hudson Howells for the research and development of Regional Airports Economic Development Master Plans and has been applied to this Kangaroo Island Airport Economic Development Master Plan.

STEP ONE

PROJECT AND REGIONAL AIRPORTS BACKGROUND

Provision of a background to regional airports generally in Australia and specifically the subject airport for which the Economic Development Master Plan is being prepared.



STEP TWO

SOCIO-ECONOMIC ANALYSIS

Global, national, state and regional socio-economic analysis to identify key issues and trends relevant to regional airport development



STEP THREE

STAKEHOLDER CONSULTATION

Identification and consultation with Key Stakeholders in the airport's economic development to identify opportunities and challenges (constraints) for future development of the airport.



STEP FOUR

KEY ISSUES, OPPORTUNITIES AND CHALLENGES

Consolidation of the Steps 1 - 3 research and consultation, additional research and prioritisation of future airport economic development opportunities.



STEP FIVE

RECOMMENDED AIRPORT ECONOMIC DEVELOPMENT MASTER PLAN

Development of a Vision for the Airport Economic Development Master Plan and summary prioritisation of development opportunities



STEP SIX

NEXT STEPS

Following acceptance of the Airport Economic Development Master Plan, the next steps to be taken for implementation.



Based on the research and consultation undertaken for this project, a vision can be stated for what success will look like following implementation of this Economic Development Master Plan for Kingscote Airport and includes:

- Change in the CASA designated name from Kingscote Airport to Kangaroo Island Airport with an accompanying Marketing Strategy.
- Recovery and further increase of inbound passengers and aircraft movements to pre bushfire and Covid-19 levels.
- Urban development (residential, commercial, industrial, recreational) on contiguous farm land surrounding the Airport.
- More businesses located in the Airport Terminal and Airport Precinct.
- The Airport and contiguous lands being a magnet for island connectivity and economic development.

A recommended Vision for the Airport Economic Development Master Plan is:

By 2030, the Kangaroo Island Airport Precinct will be recognised as an exciting and developing urban destination supporting business and employment growth in a creative and sustainable environment.

This vision will be realised by achieving the following Master Plan development objectives:

High Priority

- Contiguous Residential and Commercial Urban Development.
- General Aviation and Aircraft Hangers.
- Business and Industrial Park.
- Business/Innovation Hub.
- Aviation Fuel/Refuelling Facility.
- Events.
- Recreation.

Medium Priority

- Flight Training.
- Emergency Services Hub.
- Solar Farm.
- Aircraft Maintenance Support Facilities.

Low Priority

- Freight and Cold Storage Infrastructure.
- Airpark.
- Farming/agribusiness.

In pursuit of the above opportunities, it is strongly recommended that Master Plan stakeholders give consideration to financial viability and the Community Benefit/Cost balance prior to developing Strategies and Action Plans for implementation. Opportunities that are financially viable and have positive community benefit/cost balances should be prioritised for implementation. However, it is important to recognise that regional economic development opportunities often do not meet financial viability criteria but do have positive community benefit/cost outcomes and therefore warrant serious consideration for public funding, including applications for grant funds for implementation.

Subject to acceptance of this Airport Economic Development Master Plan, the following next steps are recommended for implementation:

- Visual depiction of the Airport Economic Development Master Plan showing:
 - Proposed Airport Precinct developments.
 - Proposed Terminal developments.
 - Proposed Contiguous Land developments and rezoning.
- Strategies and Action Plans for each development objective.
- Grant funding applications to support developments where there are strong community benefit/cost outcomes expected.