ACIL ALLEN

Central Coast Airport

Business case

9 March 2025

About ACIL Allen

ACIL Allen is a leading independent economics, policy and strategy advisory firm, dedicated to helping clients solve complex issues.

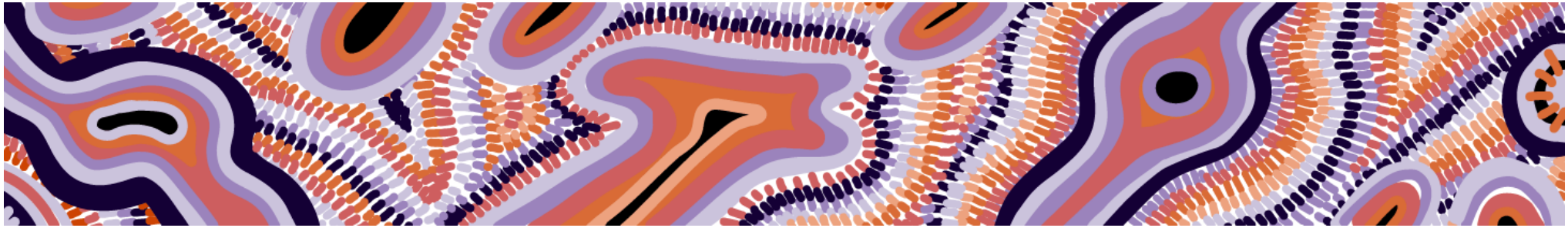
Our purpose is to help clients make informed decisions about complex economic and public policy issues.

Our vision is to be Australia's most trusted economics, policy and strategy advisory firm. We are committed and passionate about providing rigorous independent advice that contributes to a better world.

Report to:

Central Coast Council

ACIL Allen acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Custodians of the land and its waters. We pay our respects to Elders, past and present, and to the youth, for the future. We extend this to all Aboriginal and Torres Strait Islander peoples reading this report.



Goomup, by Jarni McGuire

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Glossary

Abbreviations	Definitions
ALA	Aircraft Landing Area
ARO	Airport Reporting Office
CBA	Cost Benefit Analysis
CCA	Central Coast Airport (also referred to as Warnervale Airport)
CCAC	Central Coast Aero Club
CCC	Central Coast Council
EOC	Emergency Operations Centre
FY	Financial year
JGA	Jack Grant Avenue, Warnervale
NPV	Net present value
PS	Provisional sum
RFS	Rural Fire Service

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Summary

Summary

ACIL Allen has been engaged by the Central Coast Council to develop a business case using its information and materials to inform ratepayers and the Council regarding future options for the Central Coast Airport.

Context

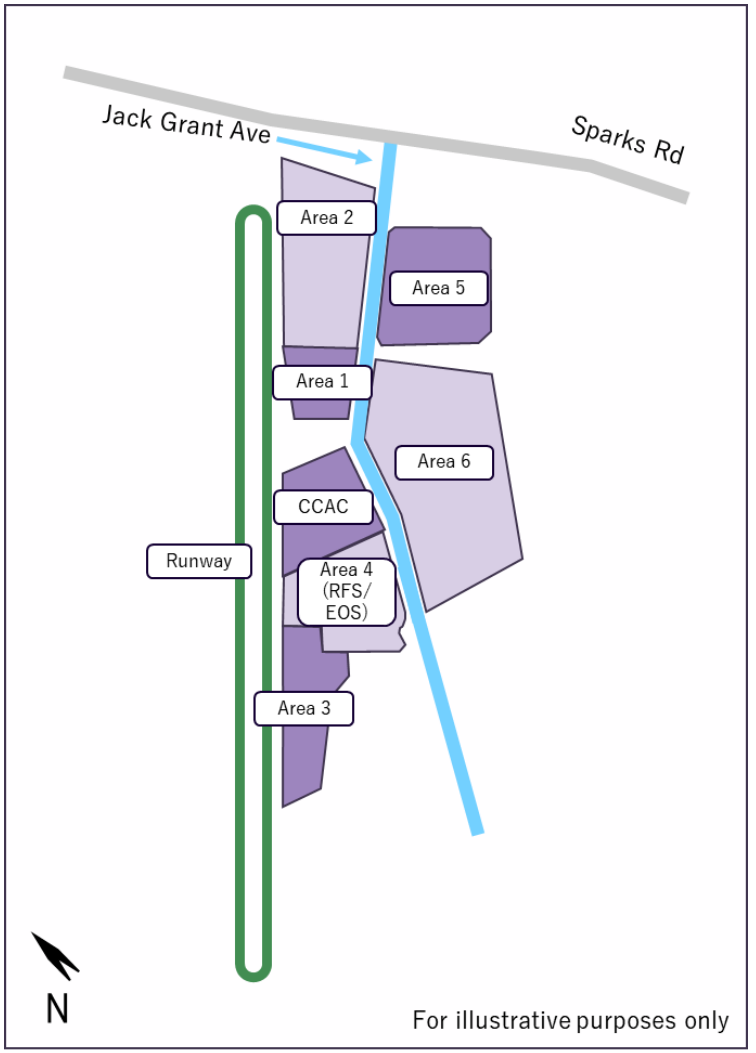
The Central Coast Airport is an aircraft landing area (ALA) owned and operated by the Central Coast Council. It is currently limited to aviation activity for smaller aircraft with a maximum take-off weight of 5,700 kg, which limits its capacity for expansion. The Airport is currently operating at a loss of $158,094 per year.

Council has developed a Draft Master Plan designed to stimulate economic growth and generate local job opportunities in the region.[1] The master plan includes upgrading the runway and associated infrastructure to category 1B which will enable the airport to support movements of small turbo-prop aircraft.

The expansion will enable a number of developments, including consolidating the operations of the rural fire service (RFS) and emergency services at the airport, consolidating the activities of the Central Coast Aero Club (CCC), a pilot training at the airport, and supporting development of land for commercial lease in 5 areas adjacent to the runway and airport operations (Figure ES 1).

This Business Plan has been prepared to support decision making in relation to implementing the Draft Master Plan.

Figure ES 1 Potential development areas



Source: ACIL Allen

[1] (Central Coast Council, 2025)

The scenarios

ACIL Allen reviewed 4 scenarios.

Table ES 1 Scenarios

Scenario	Investment
No change – base case (Scenario 1)	Runway – No change Ground leases – None Infrastructure – No change RFS – Does not relocate
Runway upgrade and 4 area leases (Scenario 2)	Runway – Upgraded Ground leases – Areas 1, 2, 3 & 5 derisked and leased Infrastructure – Additional/upgraded roads, sewerage RFS – Relocates to Area 4
Runway upgrade and 4 area leases, with Govt. contribution (Scenario 3)	Runway – Upgraded Ground leases – Areas 1, 2, 3 and 5 derisked and leased Infrastructure – Additional/upgraded roads, sewerage RFS – Relocates to Area 4 NSW Government contributes 80% of runway upgrade
Runway upgrade and 5 area leases (Scenario 4)	Runway – Upgraded Ground leases – Areas 1, 2, 3, 5 & 6 derisked and leased Infrastructure – Additional/upgraded roads, sewerage RFS – Relocates to Area 4

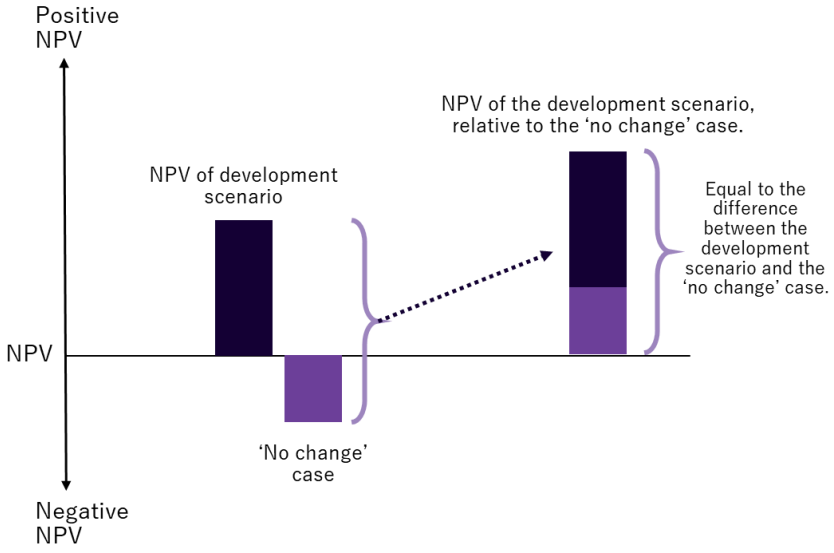
Source: CCC

Cost Benefit Analysis Approach

A Cost Benefit Analysis (CBA) was used to assess the cash flows created by additional revenues and additional costs in Scenario 2, 3 and 4 compared to Scenario 1 over a 20- and 40-year period. A conceptual overview of this approach is illustrated in Figure ES 2.

The CBA is presented as the Net Present Value (NPV) of each of the three options from the perspective of the ratepayers of the Central Coast Council.

Figure ES 2 Estimating the NPV impact of Scenarios 2,3 and 4 relative to the no-change Scenario 1.



Source: ACIL Allen

Revenue and cost projections were supplied to ACIL Allen by the Council project team. These assessments were the subject of specialist advice to the Council, from property advisors and a quantity surveyor.

A key assumption in the analysis was an estimate that commercial leasing rates of $60 per sqm were achievable [2].

Net present value of the 3 scenarios

The CBA analysis was based on calculating the Net Present Value of the cash flows over 20 and 40 years. The results of the analysis are summarised in Table ES 2.

Table ES 2 Net Present Value relative to the 'no-change' Scenario (base case)

Scenario	NPV over 20 years	NPV over 40 years
Scenario 2	$18,012,472	$45,820,972
Scenario 3	$24,934,503	$52,743,004
Scenario 4	$5,867,024	$51,133,812

Source: ACIL Allen

Note: The NPVs have been calculated using a 5% real discount rate

All 3 development scenarios are positive over both time frames, although a clear difference emerges in Scenario 4, between 20 and 40 years, as it takes longer to recoup the significant costs associated with the leasing of Area 6 in Scenario 4.

Scenario 3 delivers the highest Net Present Value to Council and ratepayers over both 20 and 40 years due to the assumption of a co-contribution payment from Government for construction of the upgraded runway. Scenario 2 and Scenario 4 do not benefit from this co-contribution.

[2] This was based on advice provided to the CCC by Colliers in January 2025

Sensitivity analysis

The results of the CBA were tested against changes in assumptions for discount rates, lease revenues, cost increases and area developments.

The results show that the NPVs under Scenarios 2 and 3 are reasonably robust against a higher discount rate, a lower leasing rate or higher costs over the 40-year life of the project. The outcome for Scenario 3 is underpinned by the assumed co-contribution to the runway upgrade.

The analysis was stress tested for a halving of the land lease rate, a 15% increase in costs and a case where only 3 of the 5 areas are leased. This shows that only Scenario 3 retains a positive NPV over 20 and 40 years and Scenario 2 only achieves a positive NPV if assessed over 40 years. Scenario 4 has a similar result as Scenario 2.

Table ES 3 Stress test analysis

Scenario	Central case	$30/sqm & 15% cost increase	$30/sqm, 15% cost, Only areas 1,2& 3
Scenario 2	$	$	$
NPV 20	$18,012,472	-$5,023,330	-$6,425,285
NPV 40	$45,820,972	$9,232,805	$3,199,965
Scenario 3			
NPV 20	$24,934,503	$1,898,702	$496,747
NPV 40	$52,743,004	$16,154,836	$10,121,996
Scenario 4			
NPV 20	$5,867,024	-$35,471,744	-$6,425,285
NPV 40	$51,133,812	-$12,486,466	$3,199,965

Source: ACIL Allen

Note: The NPVs have been calculated using a 5% real discount rate

Wider economic and social impacts

The proposed program will generate around $64 million in direct investment over the next 10 years. It is estimated it will generate around 200 new jobs potentially bringing around $10 million in income into the region.

These developments can be expected to generate wider economic impacts from both supply chain effects, and the impact of additional consumption expenditure as consumers increase their spending at the airport as well as outside the airport precinct.

The proposed investments can also be expected to yield social benefits in terms of improved emergency response measures by co-locating the RFS and emergency management at an emergency operating centre at the airport.

Detailed modelling of these wider socio-economic impacts was beyond the scope of this project. However, based on an assessment of the multipliers under similar situations elsewhere in Australia, the wider economic impact could be of the order of $88 million over the next 10 years.

Financing implications

Each scenario generates a financing requirement for the Council, which would need to be managed over the next 9 to 14 years until the revenues from aviation activities and commercial ground leases turn the accumulated cash flows positive (see Figure ES 3).

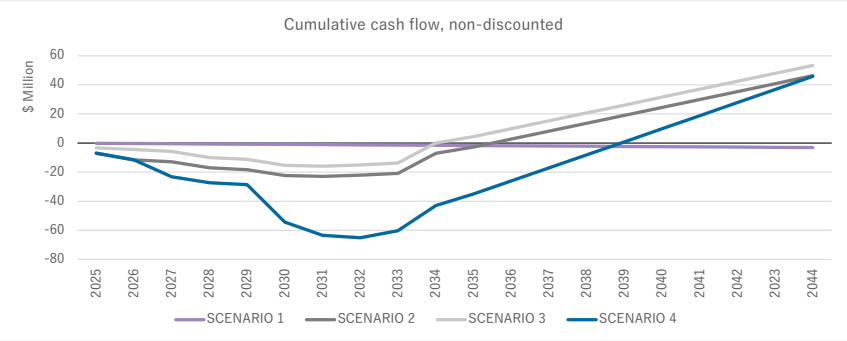
— Scenario 2 maximum financing requirement is $22.9 million in 2032.

— Scenario 3 maximum financing requirement is $15.9 million in 2031

— Scenario 4 maximum financing requirement is $65 million in 2032.

From the point of view of managing financing risk, Scenario 3 would be the preferred Scenario, followed by Scenario 2. Scenario 4 should only be considered when there is more certainty about potential ground leases and development costs.

Figure ES 3 Cumulative cash flows over 20 years



Source: ACIL Allen

Overall risk management

The sensitivity testing and financing implications showed that, while the NPVs of the Scenarios 2, 3 and 4 are positive under the assumed input parameters, there are revenue, cost and financing risks that will need to be managed.

Staging development of the runway upgrade and infrastructure investment would allow Council to assess the impact of any changes in the underlying assumptions and adjust the development path at the end of each stage.

Also, as each stage of the development is completed, future value will be created as depicted in the higher NPVs over 40 years compared to 20 years. This allows some room for Council to adjust its strategies at the end of each stage.

Conclusions

Based on the projections of revenues and costs supplied by the CCC, the CBA analysis produced positive NPVs for each of the 3 development scenarios examined.

Scenario 3 is the most economically attractive option for the Central Coast Council. Scenario 2 is also positive at the assumed input parameters.

Scenario 4 offers high potential over 40 years but has financing risks because of the time needed to recover the capital costs of purchasing and developing area 6.

The investments can also be expected to generate wider economic and social benefits, which suggest that there may be a public good argument that would support an application to government for co-funding part of the development, as assumed in Scenario 3.

There are commercial and financing risks that will need to be managed in all cases.

Recommendations

The proposed developments offer positive economic benefits for the Council as well as for the region. There would appear to be a case for the Council to approach government for co-funding of the runway upgrade and associated investments. Under this scenario, Option 3 is the most economically attractive option.

Without co-funding Scenario 2 is the next most attractive option.

Scenario 4 should only be considered if experience shows that the revenues and costs assumed for the central case can be realised.

Given the need to manage the economic and financing risks, it would be prudent to stage the developments so that Council can undertake periodic reviews of assumptions to maximise the value of options for future development.

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Main Report

1 The case for change

The Central Coast Airport is currently operating at a loss, leading the Council to explore potential options for development of the runway and adjacent areas.

1.1 Central Coast Airport (CCA)

Current situation

The Central Coast Airport is located on 44 hectares on the south-west side of Sparks Road and west side of Jack Grant Avenue (JGA), in Warnervale.

The airport is approximately 2km east of the Pacific Motorway and is strategically located to take advantage of existing economic activity in the surrounding areas, including the Warnervale Business Park and employment zones in the region.

It is also approximately 12 minutes from Tuggerah Westfield by car and has 50 hotels and motels within a 12km radius. It is 8km from Wyong Public Hospital (Colliers, 2024).The airport is owned and operated by the Central Coast Council which also operates the Airport Reporting Office (ARO).

The CCA is currently used for General Aviation purposes, including for private and recreational flying, flight training and emergency services. CCA is home to the Central Coast Aero Club (CCAC), which has been active at the airport for over 45 years .

Figure 1.1 Central Coast Airport and surrounding suburbs

Source: ACIL Allen

Current facilities limit business growth

The airport has a single sealed runway stretching 1,193 metres in length and a parallel gravel taxiway. Runway characteristics are provided in Appendix B.

The surrounding land largely falls into one of 2 land use categories: general industrial; or environmental conservation. The runway cannot be extended due to wetlands to the south and Sparks Road to the north of runway.

The runway is classified as an Aircraft Landing Area (ALA) that currently limits aviation activity to smaller aircraft with a maximum take-off weight of 5,700 kg. This constrains the kind of aviation activity that can be facilitated at the Airport.

Figure 1.2 Aerial view of the Airport and surrounding area

Source: Google Maps

The CCAC holds 2.25ha of land on the airport site containing underground fuel storage, a number of aircraft hangar facilities, an aviation maintenance hangar, a club house and external viewing area where flight movements are observed.

The airport is open to both the CCAC and other pilots for various aviation activities including landings, take-offs, touch and go, and aircraft parking. The CCAC operates from a freehold site at the Airport, holding a license deed that grants the Club rights to use the Airport for certain aviation-related activities until June 30, 2027. The Aero Club employs 25 full-time staff, along with 5 seasonal staff, and is engaged in flight training and recreational aviation activities.

While the existing infrastructure and layout of the ALA cannot be substantially modified due to the constraints on surrounding land and length of runway, there are opportunities to make modifications that could support additional aviation activities at the airport.

Current arrangements do not cover operating costs

The airport currently charges a fixed annual rate to the CCAC for use of the airport facilities and equivalent landing charges for use by others. In a year, the Airport makes approximately $67,109 in revenue, however costs approximately $225,203 to operate.

Therefore, the Airport is currently running an annual operating at a loss of approximately $158,094.

As a result, Council is required to use other revenue streams, including rates revenue generated from ratepayers, to subsidise the provision of the infrastructure.

The current runway constraints limit the potential to increase aircraft movements. While there is an opportunity to renegotiate airport fees with the CCAC in 2028, any potential increase is unlikely to offset operating costs.

1.2 Prospects for redevelopment

Council has considered options for redevelopment over the last 10 years after it was given control of the Airport in 2015. A central theme of these considerations

has been for the Airport to become an aviation hub and key driver of economic and employment growth in the Central Coast Region.

Work was subsequently undertaken to develop a master plan for the Airport in line with this objective. A key issue, however, was the impact of constraints on extending the runway. This would have been necessary to upgrade the runway to category 2B which would allow for commercial aircraft including freight.

The runway can however be upgraded to category 1B that would cater for smaller aircraft including turboprop and lighter sport aircraft such as the Beechcraft King Air shown in Figure 1.3.

Council conducted further work to estimate future demand for aircraft movement based on a Category 1B runway and undertook market sounding for land owned by Council adjacent to the runway to develop options for redevelopment.[3]

The findings from this process suggested that the Airport could generate an estimated 200 new aviation-related jobs, with a potential total investment value in new developments on sites of around $64 million over 10 years. Many of the organisations involved in the market sounding indicated that could relocate to the Airport within a relatively short-term timeframe, ranging from 9 months to 3 years.

Figure 1.3 Example of an aircraft allowed for under Category 1B

Source: CareFlight (n.d.) CareFlight Air Ambulance.

The market sounding process identified the following opportunities for investment, development and activities at the CCA:

- general aviation services, principally charter aircraft movements and recreational use
- partnership with the University of Newcastle in relation to its new Bachelor of Aviation program
- relocation of the Rural Fire Service (RFS) to the airport as a base of operations. This would in turn spur additional emergency services activities at the airport.
- a range of commercial tenancy opportunities seeking “big box” format retail, warehousing, logistics and similar space to serve the region.

[3] Colliers (2024). Warnervale Airport - Market Analysis - Volume 1 (draft)

Further details on these opportunities are provided below.

The market sounding revealed significant opportunities to address the limitations of existing aviation facilities in the region. Several potential tenants currently operate at congested airports, such as Bankstown, Cessnock, and Maitland, where they face challenges like limited hangar space and operational restrictions.[4]

The development of a Bachelor of Aviation program at the University of Newcastle presents an opportunity to create a new education pathway, accommodating up to 90 students, with practical flight training requirements to be carried out at the Airport.

Additionally, the relocation of the Rural Fire Service (RFS) to the airport would facilitate construction of a new $20 million-dollar Emergency Control Centre (EOC). This facility would better serve the community, with all care flights, RFS operations, and POLAIR landing and take-offs occurring at the upgraded airport. The relocation would potentially cater for 21 full-time equivalent (FTE) positions, 3–4 hybrid staff with head office responsibilities, and 8 to 10 mitigation crew. A fit for purpose Fire Control Centre may also open up future opportunities for remote work.

Six areas adjacent to the runway have been identified for potential development to support business activity both in aircraft related activities and land development options.

A Draft Master Plan for the Central Coast Airport was released in February 2025 which sets out the strategy for development of the airport, the consultative process that was conducted and a strategic development pathway for implementing the plan.[5]

This business case explores 3 options for development, including a cost benefit analysis of the options and financial and other issues that the development raises.

1.3 Objectives for investment in airport operations and land development

The objectives for the proposed investments are to:

- identify an option that will realise a positive economic outcome for Council that is financially sustainable
- realise value from Council land holdings and assets while minimising environmental impacts
- create an aviation centre that will achieve regional economic objectives, attract business investment, develop tourism and create employment opportunities in the region
- establish an Emergency Operations Centre at the airport to support the Rural Fire Service and Emergency Services
- consolidate aviation training at the airport to support the region.

Steps in the process

The cost benefit analysis involved 7 steps for assessing the costs and benefits of development options as shown in Figure 1.4.

The objective

The first step is establishing the objectives of the development. The principal objectives are to promote the sustainable long-term development of the airport ensuring its financial viability, the success of airport related businesses and to contribute to the prosperity of the region.

[4] Colliers (2024). Warnervale Airport - Market Analysis - Volume 1 (draft)

[5] Central Coast Council (2025). Central Coast Airport Master Plan, February 2025

The base case and options

Four potential scenarios were generated in consultation with Council Staff. They included a scenario based on continuing the current arrangement plus 3 scenarios representing alternative development and financing options.

Scenario 1 represents a base case in which there is no change in the arrangements for the airport. For the remaining 3 scenarios, the process involves a runway upgrade as well as land servicing and additional infrastructure to support leasing of the surrounding areas to commercial parties. These 3 scenarios include the relocation of the RFS and emergency services to the area.

The resulting outputs from the three scenarios would be increased commercial activities from airport operations and land leases. The resulting outcomes would be growth in revenues to the Council from ownership and operation of the airport which, in turn, would convert the loss-making operation to a cash flow positive activity of the Council after a period of investment.

Delivery of a positive cash flow from the operation of the airport would improve the overall financial position of the Central Coast Council in the longer term.

Benefits would also accrue to commercial operations at the airport with increased employment in the region. This would stimulate wider economic activity for the region which is consistent with broader economic strategies for the region.

Figure 1.4 Cost Benefit process

1	Objectives	To promote sustainable long-term development of the airport ensuring the financial viability of the airport and success of airport related businesses to contribute to the region's prosperity.
2	Define the base case and options	This analysis sets out 4 scenarios representing a base case of no change and three options for development.
3	Forecast costs and benefits	Cash flows of costs and benefits were developed for the 4 scenarios. The projections were extended over 40-year reflecting the long-term nature of the commercial leases that are expected to be involved.
4	Calculate the NPV for each option	The analysis calculated the Net Present Value of the cash flows for the three options (Scenarios 2,3 and 4) compared to the base case (Scenario 1) to assess whether the investment involved in each case produces a positive return over time. The results were calculated over a 20-year and 40-year period.
5	Assess the sensitivities and risks	The sensitivity of the results were tested against changes in assumptions of revenues and costs as well as for different discount rates to assess the risks involved.
6	Distributional and wider impacts	The impact of each option on wider economic and social considerations is assessed. This is a high-level assessment based on the impact of the investments and employment more broadly.
7	Identify preferred option	The preferred option is identified from the NPV analysis and the distributional and wider impacts.

Source: ACIL Allen

Community and business support

Council engaged Woolcott Consultants to conduct consultations with the community in 2021. The consultations found that there was a strong level of support for the proposal in overall terms, there was a relatively low level of opposition (around 10%) mainly concerned with potential noise levels. [6]

A Draft Airport Masterplan was released for public consultation in December 2023. A Consultation Report prepared by the Council executive identified generally positive feedback towards the plan, with 64% of online submission form responses and 83% of telephone survey respondents indicating they were supportive of the project.[7]

In 2024, Colliers undertook a market sounding of businesses and stakeholders to identify potential occupants, their interest and needs for acquiring or leasing space at the airport. [8]The soundings found that:

- There was a general interest in occupying space at the airport.
- Some parties would consider occupying space in its current condition in advance of the provision of utility services however all expressed an interest in connecting to services when they become available.
- One party was interested in establishing manufacturing of helicopter equipment that would employ around 700 staff.
- Another was willing to bear the cost of hanger facilities and amenities on commercial terms.
- Some respondents preferred freehold title, although all respondents will consider leasehold.
- Leasehold interest ranged from 20 years to 99 years. However, larger users would require 40 years or more to amortise their required capital expenditure.
- Occupation timelines ranged from immediate to 2 years. Indicating an urgent need to implement the Masterplan.

Regardless of the specific needs, all respondents agree on the potential for job creation, with an estimated 184 new positions being created in the Central Coast area.

[6] (Woolcott, 2021)

[7] Central Coast Council. 2024. *Draft Central Coast Airport Masterplan Consultation Report*. Accessed online at http://www.engagement.yourvoiceourcoast.com/

[8] (Colliers, 2024)

2 The scenarios

This section discusses the specifics of each Scenario examined in this Business Case.

2.1 Overview

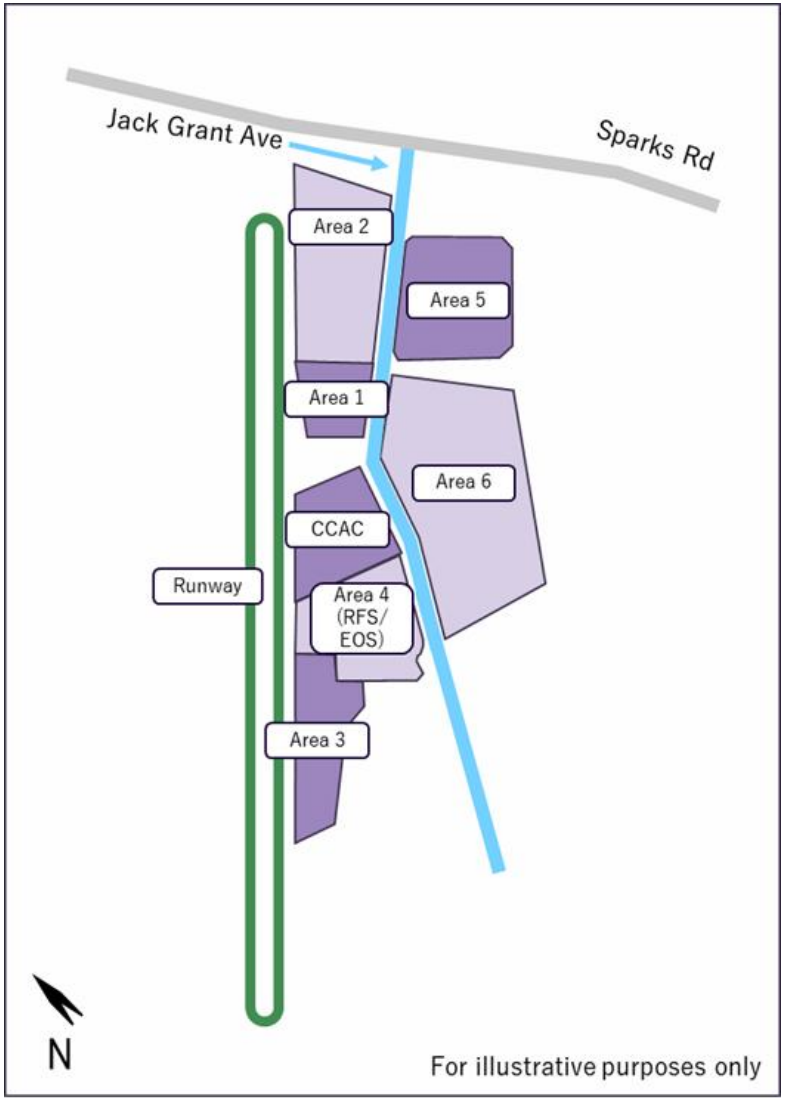
Four scenarios have been formulated for review in this business case. The first scenario reflects the current situation with no additional investment. It represents a 'no-change' scenario (base case) against which the other 3 scenarios are compared.

The 3 scenarios assume that the Council continues to own and operate the airport but undertakes investments to upgrade the runway and facilities and develop the Council owned land around the airport. This means while the Council takes the financial risk of the investment, it is also able to benefit from the financial return on this investment over time.

Figure 2.1 highlights a simplified map of the potential areas for development and excludes the supporting infrastructure that would be developed in each scenario.

Details of the scenarios are set out in **Error! Reference source not found.**, followed by a detailed map that outlines the location of all key capital works in Figure 2.2.

Figure 2.1 Simple map of potential areas – does not include other infrastructure



Source: ACIL Allen

Table 2.1 Description of the Scenarios

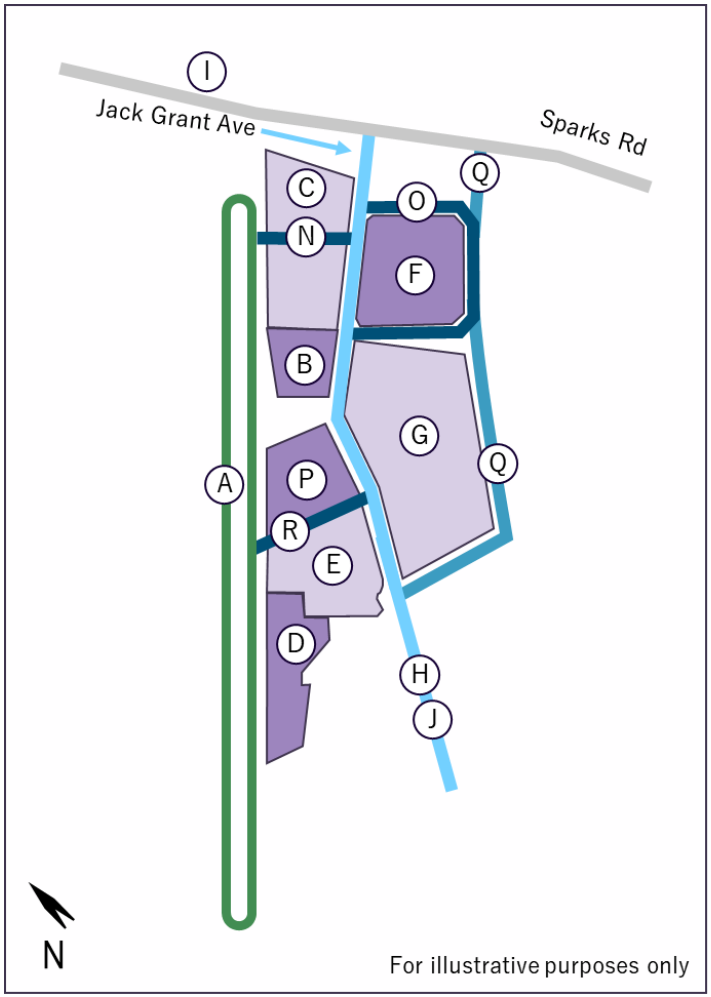
Item	Scenario 1 'No change'	Scenario 2 Investment in Airport and land development funded by CCC	Scenario 3 Airport funded jointly by CCC (20%) and NSW Government (80%). Land development funded by CCC	Scenario 4 Investment in runways and land development funded by CCC, with additional acquisition and development of Area 6
Overview	This case assumes no change to current operations.	This scenario invests in an upgrade of the Airport, as well as development infrastructure for the leasing of Areas 1, 2, 3 and 5, and supporting the relocation of RFS to Area 4.	This scenario is the same as Scenario 2, except for the NSW Government's co-contribution to the runway upgrade.	This scenario is the same as Scenario 2, except for the additional acquisition and leasing of Area 6, and additional infrastructure to support this.
Runways and associated investments	No investment in runway upgrade	Runway and taxiways upgraded to Code 1B – funded by CCC	Runway and taxiways upgraded to Code 1B with 20% funded by Council and 80% by NSW government	Runway and taxiways upgraded to Code 1B
Infrastructure	No upgrade	Extension of JGA and addition of loop road off JGA Berm for flooding protection Sewer upgrade Electricity substations and private pillars Taxiway across JGA to Area 5	Extension of JGA and addition of loop road off JGA Berm for flooding protection Sewer upgrade Electricity substations and private pillars Taxiway across JGA to Area 5	Extension of JGA and addition of loop road off JGA Berm for flooding protection Sewer upgrade Electricity substations and private pillars Taxiway across JGA to Area 5 and Area 6 Construction of new road off Sparks Road to connect Area 6
Aircraft movements	No growth in aircraft movements	Aircraft movements and unit prices to increase over the period	Aircraft movements and unit prices to increase over the period	Aircraft movements and unit prices to increase over the period
Aircraft movement fees	Fees remain constant	Fees renegotiated	Fees renegotiated	Fees renegotiated
Ground leases	No development of real estate	Areas 1, 2, 3 and 5 derisked and leased.	Areas 1, 2, 3 and 5 derisked and leased.	Areas 1, 2, 3 and 5 derisked and leased. Area 6 acquired (currently privately held) and derisked and leased.

Item	Scenario 1 'No change'	Scenario 2 Investment in Airport and land development funded by CCC	Scenario 3 Airport funded jointly by CCC (20%) and NSW Government (80%). Land development funded by CCC	Scenario 4 Investment in runways and land development funded by CCC, with additional acquisition and development of Area 6
RFS and Emergency Services	No transfer of RFS or Emergency services to the airport No EOC RFS remains at Arizona Road	RFS relocates to Area 4, constructing a new EOS. Council contributes 11% to construction, but no ongoing costs. Current RFS site in Charmhaven is subdivided and sold.	RFS relocates to Area 4, constructing a new EOS. Council contributes 11% to construction, but no ongoing costs. Current RFS site in Charmhaven is subdivided and sold.	RFS relocates to Area 4, constructing a new EOS. Council contributes 11% to construction, but no ongoing costs. Current RFS site in Charmhaven is subdivided and sold.
CCAC and aviation training	No change to current arrangements with CCAC. No addition of University of Newcastle to site.	CCAC and University of Newcastle consolidate aviation training at the Airport.	CCAC and University of Newcastle consolidate aviation training at the Airport.	CCAC and University of Newcastle consolidate aviation training at the Airport.

Source: Scenarios identified by Central Coast Council

Visualisation of activities in each scenario

Figure 2.2 Activities in each scenario



	Item	Scenarios
Runway		
A	Widening and upgrade of runway	2,3,4
Areas		
B	Development of Area 1	2,3,4
C	Development of Area 2	2,3,4
D	Development of Area 3	2,3,4
E	Development of Area 4 (Emergency services)	2,3,4
F	Development of Area 5	2,3,4
G	Development of Area 6	4
Infrastructure		
H	Construction of extension of Jack Grant Ave	2,3,4
I	Berm flooding (PS)	2,3,4
J	Sewer upgrade (PS)	2,3,4
K	2 No. Substation (PS) (not displayed on map)	2,3,4
L	2 No. Private pillars (PS) (not displayed on map)	2,3,4
M	Augmentation of 2 No. existing substations (PS) (not displayed on map)	2,3,4
N	Construction of new taxiway across JGA to Area 5	2,3,4
O	Construction of Jack Grant Ave Loop road	2,3,4
P	Development of freehold site excluded – remains as CCAC	2,3,4
Q	Construction of new road off Sparks Rd	4
R	Construction of new taxiway across JGA to Area 6	4

Source: ACIL Allen

Note: 'PS' denotes a cost with a provisional sum.

3 Cost Benefit Analysis (CBA)

The cost benefit analysis was undertaken from the point of view of the Central Coast Council. Costs and benefits have been provided by the Council.

3.1 Methodology

The 4 Scenarios were modelled to provide insight as to the costs and benefits of each Scenario to the Council. The primary measure used to assess the value of each Scenario is a financial measure called Net Present Value (NPV).

The NPV represents the current value of a stream of benefits, minus a stream of costs. The present value is the value today of a benefit or cost at some time in the future. It is calculated using a discount rate that represents the time value of money for an organisation.

In short, investments with a positive NPV create value. Investments with a negative NPV destroy value. See Attachment A for further explanation of NPV and discount rate.

The NPV calculations were calculated for a central case.[9] Sensitivity analysis was also undertaken the test the sensitivity of the results for changes in the assumptions.

[9] A 'central case' is used to describe the model when using standard assumptions, as opposed to the assumptions used in sensitivity analysis.

Box 3.1 Discount rate and net present value

Discount rate

The discount rate represents the earnings that funds could generate if they are not invested in the project being evaluated.

$$Discount\ rate = time\ value\ of\ money$$

The discount rate is used the calculate the present value (PV) of benefits or costs in the future.

NPV

NPV represents the present value of future benefits less the present value of future costs.

$$NPV = Present\ value\ of\ benefits - present\ value\ of\ costs$$

Source: ACIL Allen

3.2 The central case

The cost benefit analysis was undertaken for a central case. This case was based on costs, revenues and timing that were considered the most realistic for the CBA analysis. These data were then applied to a CBA analysis for the 4 scenarios described in Chapter 2.

General assumptions

NPVs calculated for Scenarios 2, 3 and 4 were on based the additional costs and revenues compared to those of Scenario 1. The cash flows for the first 10 years are provided in Appendix C.

The modelling considers a time frame of 20 years and 40 years. Some potential lessees expressed an interest in leases of up to 40 years and, in some cases, beyond 40 years

A r discount rate of 5% is used, which is in line with NSW government guidelines for cost benefit analysis. The analysis also tests results for a 3% and 7% discount rate.

The model uses real dollars rather than nominal dollars, which means inputs and forecasts are not adjusted for inflation.

Costs

Costs have been provided to ACIL Allen by the CCC. They draw predominately on work done by quantitative surveyors the Altus Group, which also considers previous cost estimations for Council. The most recent estimates are derived from Warnervale Airport Cost Plan 1-3 by Altus Group (2025), as well as Industrial Subdivision Cost Estimate Version 1 by Altus Group (2025).

Some of these costs are noted to be Provisional Sums (PS), which are placeholder values with a lower degree of certainty as other cost items. The PS items in the model are noted in Appendix D.

Revenues

Revenues have been provided to ACIL Allen by the CCC and can be separated into ground lease revenue, and airport revenue, which consists of CCAC revenue, other runway revenue, and fuel services.

Ground lease revenue estimates were provided by CCC and calculated by applying a lease rate per square metre of lettable area. The leases utilise 2 rates, $15 per square metre per annum (sqm p.a.) for derisked but undeveloped land, and $60/sqm p.a. for developed land. The increase in value is attributed to a combination of projected growth in demand and the additional infrastructure. [10]

Runway revenues were also provided by CCC utilising growth rates for unit price and movements. These estimations by CCC were informed by their understanding of demand for these facilities, their current pricing system, and prior research into movement growth, such as reports by t070 in 2023 and L+R Airport Consulting in 2024. [11]

Limitations

ACIL Allen has relied on projections of costs and revenues supplied to it by the Central Coast Council as inputs into its economic model. The timing of expenditure and receipt of revenues has been discussed with Council staff and adjusted as needed in line with their advice.

Subject to change

This business case reflects the information available to the Council (and therefore to ACIL Allen) at the time of writing and modelling.

We would expect future work to examine assumptions, information and forecasts to continue to produce the most relevant and accurate insights. As a result of new

[10] The $60/sqm per annum figure was based on advice to the CCC from Colliers in January 2025.

[11] (to70, 2023), (L+R Airport Consulting, 2024)

information and conditions, assumptions may change in the future, therefore changing the model and the conclusions drawn from the modelling.

From this, we conclude that the model should be understood as dynamic, and its findings subject to change if the underlying assumptions change.

3.3 Inputs and Assumptions

This section outlines the details of notable costs and revenues in the scenarios examined in this model.

Costs

Costs can be categorised as capital costs or operating (or ongoing) costs.

Capital costs

Capital costs commence in 2025 with the upgrade of the runway to Code 1B followed by related investments in infrastructure. Investment in extension of Jack Grant Avenue commences in 2025 and is completed in 2027.

In parallel to these upgrades, work commences on the ground lease areas with the first investment in derisking Area 1 taking place in 2025. These derisking activities consists of leveling and grading, services capped off, power, communications, water mains and stormwater are connected, and a 2-lane entry road is constructed. The budget also accommodates connection to the sewerage upon its completion. These same derisking activities commence in the following years in Areas 2, 3 and 5 concluding in all Areas by 2032. Development of Area 4 and construction of the EOS will be the responsibility of the RFS and are estimated to cost $16-20 million. Council will contribute ~11% to these costs. Investment in additional flood protection will be required in 2030 in concert with the establishment of the RFS and the EOS in Area 4.

For Scenario 4 only, additional costs to acquire, derisk and provide supporting infrastructure for Area 6 occur later, starting in 2030.

Additional capital costs are incurred in 2035 for the construction of additional facilities (amenities and a car park) to accompany the relocation of the ARO within in Area 1.

Within the costs provided by Altus Group is a margin of 4% on the forecast contract sum, which is allocated to project management and staff capitalisation costs for the Council.

See Appendix D for more information on costs, including exclusions.

Table 3.1 Timing of capital costs

Item	Timing (FY)	Scenarios
Runway		
Runway upgrade	2025-26	2,3,4
Areas (and related)		
Derisking Area 1	2025	2,3,4
Derisking Area 2	2025-26	2,3,4
Derisking Area 3	2028-29	2,3,4
Contribution to construction of RFS/EOC (Area 4)	2031-33	2,3,4
Derisking Area 5	2031-32	2,3,4
Acquisition and derisking of Area 6	2030-32	4
Rezoning/subdivision of RFS at Charmhaven	2033-34	2,3,4
Supporting infrastructure		
Sewerage connection	2028	2,3,4
Additional flood protection (construction of a berm)	2030	2,3,4
Extension of JGA	2028-29	2,3,4
Electricity infrastructure (various)	2025-28	2,3,4
Construction of taxiway across JGA to Area 5	2027	2,3,4
Construction of JGA 'loop road' around Area 5	2030	2,3,4

Item	Timing (FY)	Scenarios
Construction of taxiway across JGA to Area 6	2031	4
Relocation of the ARO/supporting facilities	2035	2,3,4

Source: ACIL Allen with information from CCC

Operating costs

Operating costs continue from 2025 and are based upon the Council's current (2024-25) expenditure for the operation of the Airport. Additional operating costs are relatively minor in comparison to the capital costs. This is because, for the most part, the activities at the redeveloped airport will be undertaken by third parties or amount to property management services which the Council is already undertaking.

CCC estimate that the upgraded runway will require an additional $25,000 per year (from 2026) for runway pavement maintenance, and that the upgraded ARO/supporting facilities will require an additional $5,000 per year (from 2035).

Additional operating costs commence in 2035 with the upgrade and expansion of the ARO.

Revenues

Revenues are categorised between runway-related revenues[12] or ground leases.

Runway related revenues

Revenues in Scenario 1 ('do nothing' case) are assumed to be constant (no growth). In the other scenarios however, aircraft movements (and unit prices) are projected to increase with the upgrading of the runway.

The revenues from CCAC are based on a projected annual average movement growth of 3% over the 20 period to 2045. Other runway revenues (and aircraft parking) are projected at 6% annual average movement growth for the 20-year period to 2045. It is assumed that the price per unit for CCAC and other runway movements (and aircraft parking) will increase at 5% per annum for the 10 years to 2035. Price per movement will increase following renegotiations in with CCAC in 2027, with increases in place from 2028. The current rate for aircraft movements for the CCAC are average at around $ 3 per movement. This contract is due for renegotiation in 2027. This analysis has assumed an average annual growth of 5% of this unit price following the renegotiation.

The CCAC is charged on an annual basis assuming an estimated level of activity. It has been assumed that revenue from aircraft movements is constant from 2045 onwards

The RFS and Emergency Services are not charged for aircraft movements.

Charges for aircraft movements are based on CCAC movements and other aircraft movements including tourism, aerial services and recreational flights.

During construction of the runway, CCC advised that runway-related revenue would be discounted by 25% as the runway may not be able to be used at certain times.

[12] All values for aviation revenue (including baseline value, future growth rates, and charging policies) were provided by CCC.

Ground leases

Market soundings have indicated that some parties are interested in taking up leases as early as late 2025. The timing of revenues from ground leases is summarised in Figure 3.2.

For modelling, CCC have provided key assumptions that were used to calculate ground lease revenues. These values have been based on advice to the Council by Colliers:

— The first 2 years of each lease will be discounted by 90% to encourage uptake and to discount while derisking activities are ongoing. This takes place regardless of whether the lease is signed at the higher or lower rate.

— Leases will have a market review after 5 years, in which the rates can be adjusted to reflect upgrades to infrastructure and increased demand.

— Lease rates of $15 per square metre apply to land that is being/has been derisked (power, communications, water mains, stormwater and entry road connected), but not yet connected to sewerage and/or upgraded roads.

— A lease rate of $60 per square metre applies to land with increased value due to road upgrades and connection to sewerage.

The impact of these rates is discussed in further detail in Chapter 4.1.

Table 3.2 Assumptions behind revenues

Item	Timing (FY)	Scenarios	Comment
Aircraft movements	From 2025	2, 3, 4	Revenue growth from aircraft growth is calculated by 2 components: unit price growth and movement growth. CCAC unit price will increase from 2027 when the CCAC lease is renegotiated at approximately 5% p.a. until 2035, after which time it remains constant. The base case includes neither unit price nor movement growth. Movement growth rate is 3% per year until 2045, where it remains constant.
Other aircraft charge and aircraft parking	From 2025	2, 3, 4	Revenue growth from other aircraft growth and aircraft parking is determined by 2 components: unit price growth and movement growth. The base case includes neither unit price nor movement growth. The unit charge will increase at 5% p.a. from 2025 to 2035, where it will remain constant. Movement rate will increase at 6% per year from 2025 to 2045, after which time it will remain constant. This also includes $4,000 per annum in fuel fees from 2027.
Area 1 revenue	From 2025	2, 3, 4	Leased at $15/sqm. First 2 years discounted by 90%. Lease rate increases once land is fully serviced. Raised to $60/sqm after 5 years.
Area 2 revenue	From 2027	2, 3, 4	Leased at $15/sqm. First 2 years discounted by 90%. Lease rate increases once land is fully serviced. Raised to $60/sqm after 5 years.
Area 3 revenue	From 2028	2, 3, 4	Leased at $15/sqm. First 2 years discounted by 90%. Lease rate increases once land is fully serviced. Raised to $60/sqm after 5 years.
Area 4 revenue	-	-	There is no revenue from Area 4 as CCC will not charge RFS for use of the land.
Area 5 revenues	From 2031	2, 3, 4	Leased at $60/sqm. First 2 years discounted by 90%.

Item	Timing (FY)	Scenarios	Comment
Area 6 revenues	From 2030	4	In Scenario 4 only. Leased at $60/sqm. First 2 years discounted by 90%.
Sale of rezoned/subdivided RFS site	2034	2, 3, 4	The sale is assumed to occur in 2034.

Source: ACIL Allen with information from CCC

3.4 Cash flows

Cash flows over 20 years are displayed in Figure 3.1. Scenarios 2, 3 and 4 all show costs greater than revenues in the first years of investment. All begin to generate revenues greater than costs by 2032 or 2033, which continues to be the case for the rest of the time period.

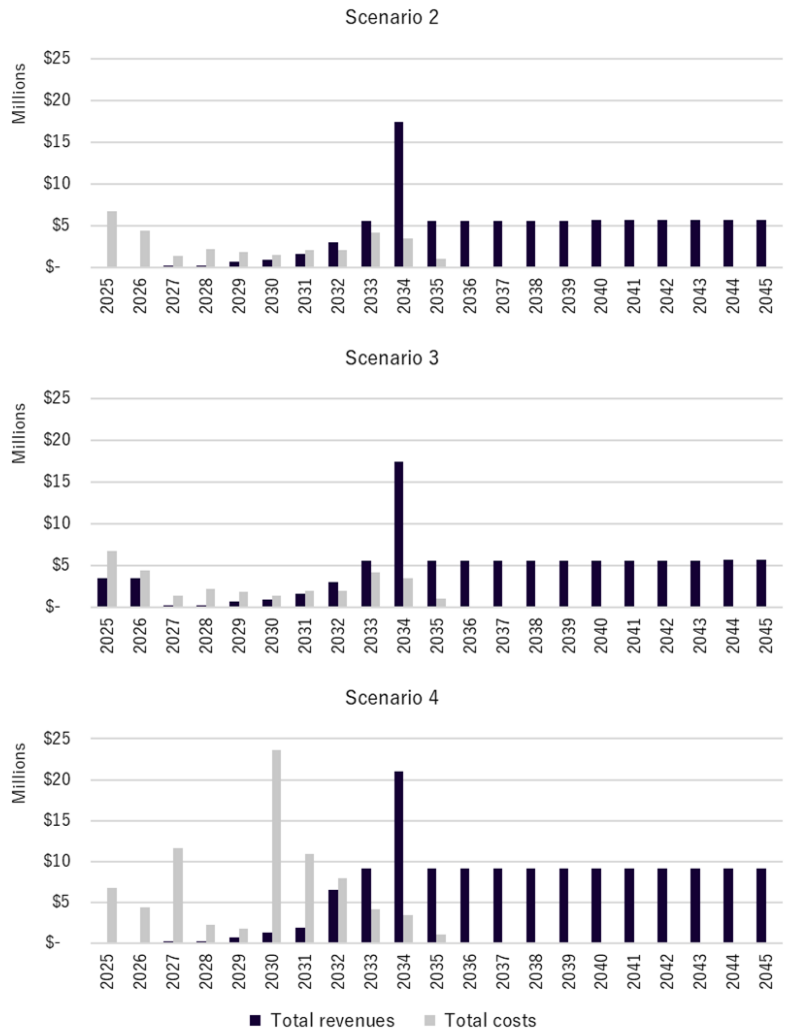
In these scenarios, 2034 sees a significant jump in revenues due to the sale of subdivided land, which was previously occupied by the RFS site in Charmhaven.

Scenario 3 generates income early (in 2025 and 2026) from the co-contributions provided by NSW Government for the construction of the runway. Otherwise, Scenario 3 is identical to Scenario 2.

Scenario 4 incurs far greater costs in comparison to Scenarios 2 and 3. This is due to the further development and associated costs (including the acquisition of land) to lease Area 6. These developments are expensive, however they also provide increased lease revenue in the longer term compared to the other scenarios.

Cash flow overviews of the first 10 years of investment are provided in Appendix C.

Figure 3.1 20-year cash flows, relative to Scenario 1 (the no-change case)



Source: ACIL Allen

3.5 Net present values (NPVs)

The NPVs for Scenarios 2, 3 and 4 are based on the additional costs and benefits involved in the development plan. They are calculated as the difference between each Scenario and Scenario 1 which represents the 'no-change' case. In practice, this means the results are calculated by subtracting the NPV of the 'no-change' case from the NPVs of Scenarios 2, 3 and 4. The NPV of Scenario 1 is negative as illustrated in Figure 3.2.

The results are summarised in Table 3.3

Table 3.3 Net Present Value relative to the 'no-change' Scenario (base case)

Scenario	NPV over 20 years	NPV over 40 years
Scenario 2	$18,012,472	$45,820,972
Scenario 3	$24,934,503	$52,743,004
Scenario 4	$5,867,024	$51,133,812

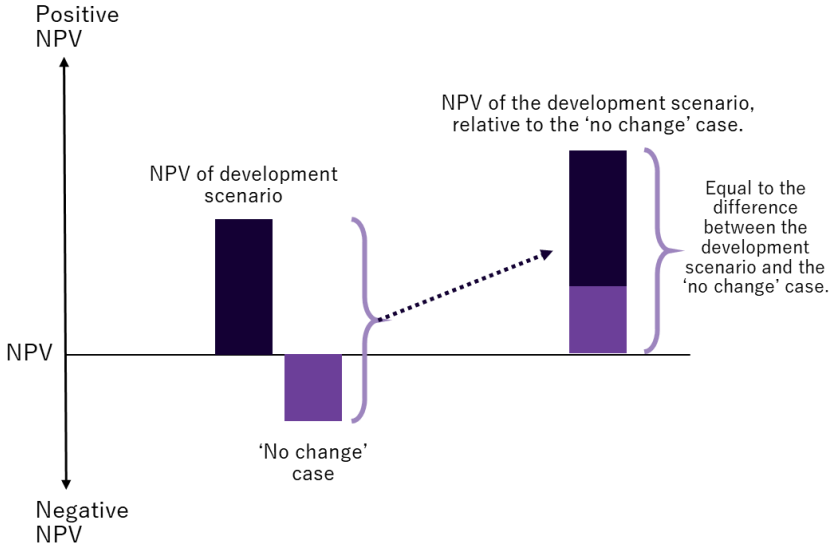
Source: ACIL Allen

Note: The NPVs have been calculated using a 5% real discount rate

All 3 development scenarios are positive over both time frames, although a clear difference emerges in Scenario 4, between 20 and 40 years, as it takes a longer timeframe to recoup the significant costs associated with the acquisition and subsequent leasing of Area 6 in Scenario 4.

Scenario 3 delivers the highest Net Present Value to Council and ratepayers over both 20 and 40 years due to a co-contribution payment for construction of the upgraded runway. Scenario 2 and Scenario 4 do not benefit from this co-contribution.

Figure 3.2 Explanation of the relationship between 'no change' case and development case in the calculation of NPVs



Source: ACIL Allen

Note: For illustrative purposes only. The values are do not correlate with any modelling results.

Net Present Value

20 years

The NPV over 20 years is $18.0 million in Scenario 2, $24.9 million in Scenario 3 and $5.9 million in Scenario 4.

40 years

The NPV over 40 years is $45.8 million in Scenario 2, $52.7 million in Scenario 3 and $51.1 million in Scenario 4.

4 Sensitivity analysis

This section tests the results of the NPVs to changes in input assumptions.

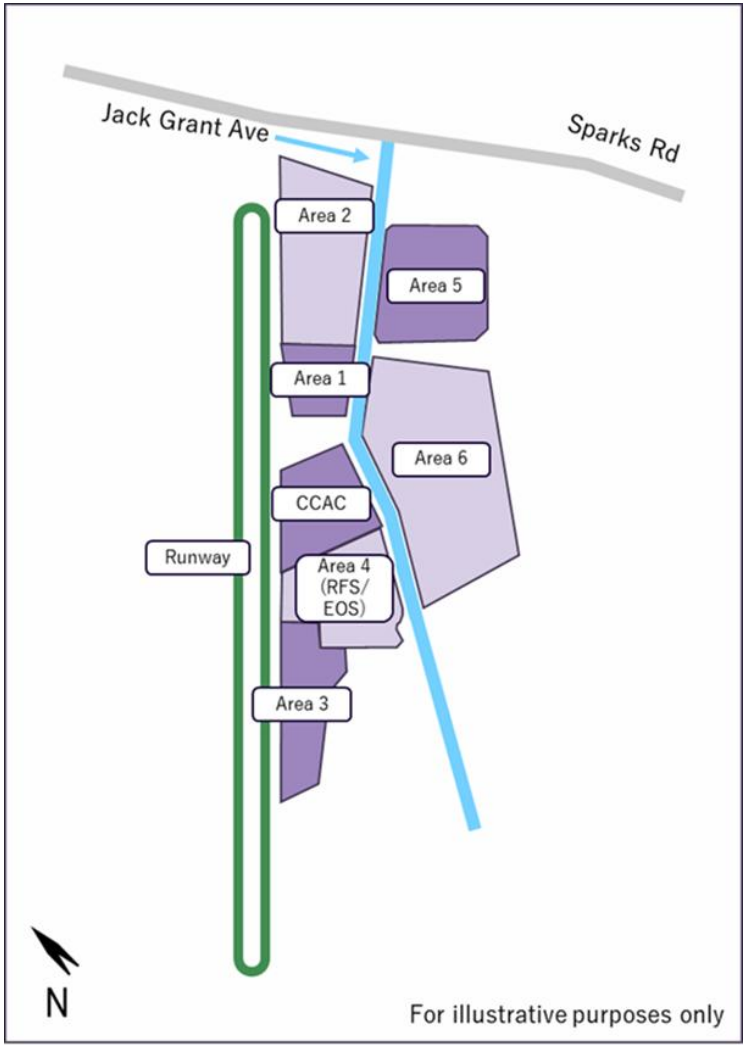
4.1 Sensitivity testing

The results of the CBA were tested against changes in assumptions in discount rates, lease revenues, cost increases and area developments.

Changes in the discount rate

The NPVs were calculated for 3%, 5% and 7% for NPVs calculated over 20 and over 40 years. The results are shown in Figure 4.1.

Figure 4.1 Simple map of potential areas – does not include other infrastructure



Source: ACIL Allen

Table 4.1 NPVs for changes in the discount rate

Scenario	Discount rate 3%	5%	7%
Scenario 2	$	$	$
NPV 20	$27,819,641	$18,012,472	$10,706,408
NPV 40	$75,660,739	$45,820,972	$27,224,046
Scenario 3			
NPV 20	$34,807,238	$24,934,503	$17,565,325
NPV 40	$82,648,335	$52,743,004	$34,082,964
Scenario 4			
NPV 20	$18,915,917	$5,867,024	-$3,454,605
NPV 40	$96,791,847	$51,133,812	$23,432,873

Source: ACIL Allen

Note: Discount rates are in real terms and do not take into account inflationary effects.

The results show that the NPVs are positive for cash flows calculated over 20 years and 40 years at discount rates of 3% to 5%. With a 7% discount rate, the NPV of Scenario 4 over 20 years is negative but is positive over 40 years.

Changes in land lease rates and costs

NPVs were also calculated for lower land lease rates or higher costs.

— land lease rates were reduced to $30/sqm from $60/sqm.

— costs were increased by 15%

The results are shown in Table 4.2.

Table 4.2 Impact of lower lease rates or higher costs

Scenario	Central case	$30/sqm	15% cost increase
Scenario 2	$	$	$
NPV 20	$18,012,472	-$518,900	$13,508,042
NPV 40	$45,820,972	$13,759,427	$41,294,350
Scenario 3			
NPV 20	$24,934,503	$6,403,131	$20,430,074
NPV 40	$52,743,004	$20,681,459	$48,216,381
Scenario 4			
NPV 20	$5,867,024	-$25,342,155	-$4,262,565
NPV 40	$51,133,812	-$2,334,684	$40,982,031

Source: ACIL Allen

Note: Discount rates are in real terms and do not take into account inflationary effects.

For a $30/sqm land lease rate, the table shows that:

— Scenario 2 NPVs are positive apart from the 20-year case

— Scenario 3 NPVs are positive.

— Scenario 4 NPVs turn negative for both 20- and 40-year cashflows and are negative for the 20-year cash flows.

For an increase in costs of 15% the table shows that:

— both Scenarios 1 and 2 remain positive

— the NPV for Scenario 4 turns negative if evaluated over only 20 years but is strongly positive if evaluated over 40 years.

4.2 Stress Test Scenario

The cash flows were stress tested for combination of $30/sqm lease rates, 15% cost increase and only being able to lease Areas 1, 2 and 3. The results are shown in Table 4.3.

Table 4.3 Stress Test Scenario Analysis Summary

Scenario	Central case	$30/sqm & 15% cost increase	$30/sqm, 15% cost, Only areas 1,2& 3
Scenario 2	$	$	$
NPV 20	$18,012,472	-$5,023,330	-$6,425,285
NPV 40	$45,820,972	$9,232,805	$3,199,965
Scenario 3			
NPV 20	$24,934,503	$1,898,702	$496,747
NPV 40	$52,743,004	$16,154,836	$10,121,996
Scenario 4			
NPV 20	$5,867,024	-$35,471,744	-$6,425,285
NPV 40	$51,133,812	-$12,486,466	$3,199,965

Source: ACIL Allen

Note: The NPVs have been calculated using a 5% real discount rate

The results in Table 4.3 show that:

— Scenarios 2 is negative with a combination of $30/sqm land rates, a 15% increase in costs and only Areas 1, 2 and 3 being leased, if assessed over 20 years' but is positive if assessed over 40 years.

— Scenario 3 is robust against a combination of $30/sqm, a 15% increase in costs and only leasing Areas 1, 2 and 3.

— Scenario 4 is the most vulnerable to a combination of $30sqm, a 15% increase in costs and only being able to lease areas 1, 2 and 3 if assessed over 20 years. The investment required for Area 6 requires more than 40 years to recover the costs.

4.3 Conclusions on sensitivities

The NPVs under Scenarios 2 and 3 are reasonably robust against the higher discount rate tested, lower leasing rates or higher costs over the 40-year life of the project.

Scenario 2 is vulnerable to a combination of $30/sqm lease rates, a 15% rise in costs and only leasing Areas 1, 2 and 3 if assessed over 20 years. However, it can create a positive outcome over 40 years.

Scenario 3 is in a stronger position because of the assumed co-funding of airport works by from government.

Scenario 4 is exposed to risks associated with a lower leasing rate, higher costs and only being able to lease 3 areas. This is because the investments required for development of area 6 requires the 40-year time period to recover its costs.

4.4 Overall conclusions from Cost Benefit Analysis

The CBA analysis shows that the proposed investments for Scenarios 2 and 3 produce positive NPVs over a 20- and 40-year period based on the assumptions outlined in Table 3.2.

Scenario 4 exhibits a positive NPV over a 40-year period but is less robust against lower leasing rates, higher costs because Area 6 requires more time to recover the investment costs.

The main risks are lower leasing rates and higher costs. The Council will also need to be confident that it can lease at least 3 areas to maintain a positive NPV.

On the basis of these considerations Scenario 3 is the strongest in economic terms, followed by Scenario 2. Scenario 4 has higher risks and Council would need high confidence that the assumptions made for leasing rates and development costs are achievable.

5 Wider economic and distributional effects

The proposed investments have potential positive impacts for the Central Coast region.

5.1 Overview

The economy of the Central Coast has recovered from the downturn in growth that occurred in 2020 with COVID-19. Gross Regional Product was around $19 billion in 2023 and growing at an annual rate of slightly under 4%.

The largest industry sectors in the region are manufacturing, construction, transport, postal and warehousing, finance and insurance, professional services, health care and social assistance. Emerging sectors include health care and social assistance, construction, transport postal and warehousing and professional, scientist and technical services.

There are a total of around 140,000 employees in the region with the larger employment numbers being in construction, retail trade, education and training and health care and social assistance.

The medium weekly income was around $1,000 to $1,249 which is lower than average weekly earnings for NSW of $1,923 as at May 2024. Unemployment in the September quarter of 2024 was 3.1%.[13]

[13] The above statistics have been sourced from the Australian Bureau of Statistics, from Id community economic resources (https://economy.id.com.au/central-coast-nsw/workers-income) and from (NEMA, 2025)

5.2 Impact Assessment

Impact on employment

The proposed investments and commercial developments are estimated to deliver around 200 new jobs directly associated with airport operations and related commercial development.

The jobs created by aviation related, and commercial activities are likely to add to a cohort of skilled workers from aviation services, training and education and commercial and retail activities.

Assuming that these additional jobs attract the medium income levels for the region, the project would bring additional wages and salaries of around $10 million per annum.

Impact on investment

The project will generate a total of around $64 million of investment over the next 10 years. Of this amount around $30 million would be invested by Council as part of the upgrade of the airport and related infrastructure. In addition, it is expected that the commercial development associated with the lessees will generate around $34 million of additional investment.

Impact on economic activity in the region.

There are direct and indirect impacts that can be expected to result from the investments and employment because of the proposed expansion of the airport's activities. Indirect effects are those impacts that arise as the increased investment and employment feeds through to the rest of the economy. There are

supply chain effects and wider economic affects generated by increased consumption .

Supply chain effects

Supply chain effects arise from additional economic activity by factors of production supplying services to development and construction activities involved in implementing the investments at the airport.

Consumption effects

Consumption effect arise as firms spend their additional income on other goods and services and as other consumers increase their spending on activities at the airport as well outside the airport precinct. Training, tourism, emergency services and medivac services are some examples that can potentially bring additional visitor expenditure into the region.

Social impacts

The proposed investments can also be expected to yield social benefits in terms of improved emergency response measures by co-locating the RFS and emergency management at an emergency operating centre adjacent to the airport.

5.3 Overall impact

The overall impact of the investment activity is the sum of the direct and indirect effects of the investment.

Detailed modelling of the indirect effects of the investment activity was beyond the scope of this report. However, a scan of broadly similar activities in other comparable airport situations suggests that the multiplier for total impacts could be of the order of 1.4 times the direct impacts, assuming 50% of the spend was on civil works, 30% in construction and 20% in building construction.

If this were the case, the total impact on the regional economy could be up to $88 million in additional economic activity over the next 10 years.

6 Financing implications and risk management

The project will require financing over the first 10 to 14 years until the revenues build to turn the accumulated cash flows positive. These financial risks will need to be managed over this period.

6.1 Financing requirements

In order to finance the investments, the Council will incur an accumulating cash deficit that would have to be addressed through a combination of financial measures – such as generating additional rates revenue, increasing borrowings, or modifying a capital works program.

The cumulative cash flows for all 4 Scenarios are shown in Figure 6.1 over 20 years and in Figure 6.2 over 40 years.

Scenario 1

— Cumulative cash flows never turn positive

Scenario 2

— Maximum financing requirement of $22.9 million in 2031
— Cumulative cash flow turns positive in 2036

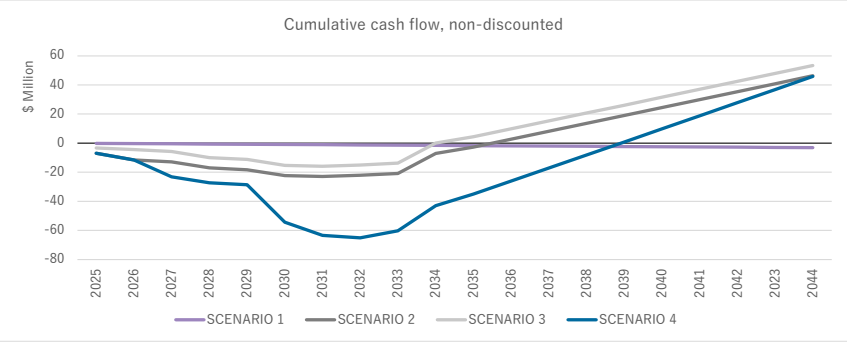
Scenario 3

— Maximum financing requirement of $15.9 million in 2031
— Cumulative cash flow turns positive in 2034

Scenario 4

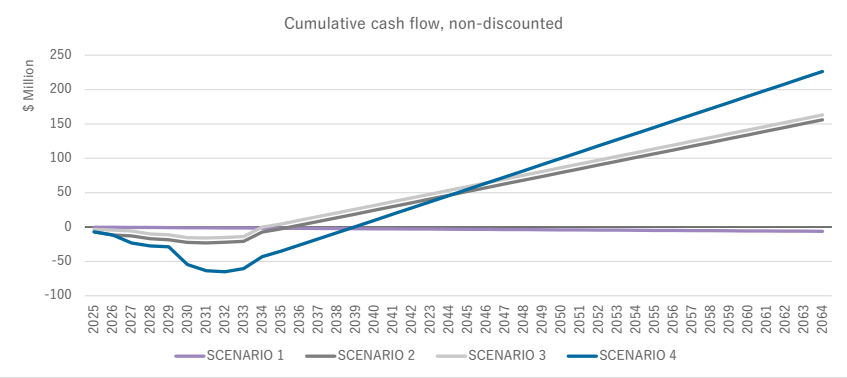
— Maximum financing requirement of $65.1 million in 2032
— Cumulative cash flow turns positive in 2039

Figure 6.1 Cumulative cash flows over 20 years



Source: ACIL Allen

Figure 6.2 Cumulative cash flows over 40 years



Source: ACIL Allen

6.2 Managing financing risk

Scenario 1 exhibits an ongoing financial shortfall accumulating to minus $3.2 million at year 20 and minus $6.2 million by year 40. While this does not reach the maximum financing requirements of the other Scenarios it is an ongoing financing requirement from the Council budget.

The financing requirements of Scenarios 2, 3 and 4 in the first 9 to 14 years depending on the scenario are ultimately offset by revenue growth that delivers a positive return on the original investment under the central scenario

From the point of view of managing financing risk, Scenario 3 would be the preferred Scenario followed by Scenario 2. Scenario 4 should only be considered when there is more certainty about potential ground leases and development costs.

6.3 Overall risk management

The sensitivity testing identified potential risks that could affect the longer-term viability of the investment

In the preparation of its 2025 Master plan for the airport the Council undertook extensive consultations and sought professional advice on potential revenues and costs of the proposed developments.

While these assessments are the best advice available at this time, there is always the chance that one of the assumptions may be affected by unforeseen events.

The sequential staging of developments of the runway upgrade and the investment in supporting infrastructure for the land developments will allow the Council to assess ongoing developments in the light of experience. This will allow the Council to assess the impact of changes in the economic and cost environment along the way and to decide at each stage what the best path to take.

Also, as each stage of the development is completed, future value will be created as depicted in the higher NPVs over 40 years compared to 20 years. This allows some room for Council to adjust its strategies at the end of each stage.

It will be important for Council to build such assessments into future management strategies to maximise the value of the investment to Council and to the wider economy.

7 Governance

Specific risk management procedures and project management arrangements will be required.

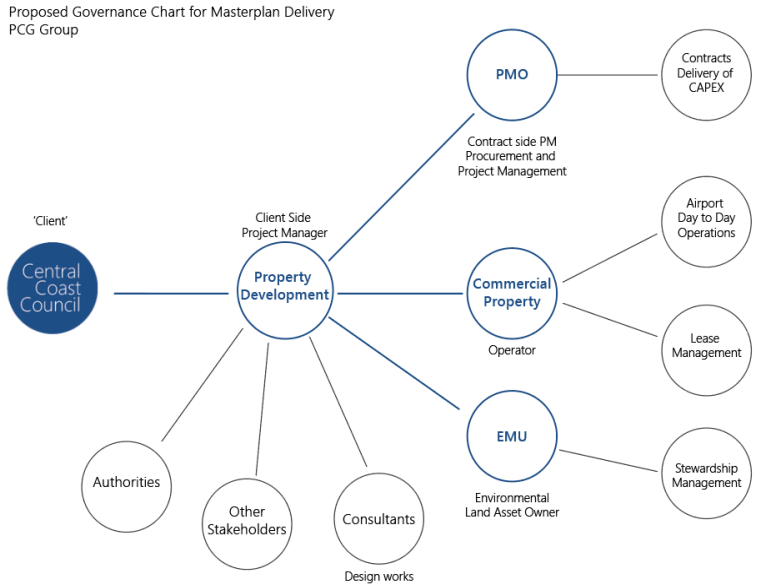
7.1 Management and project management

In light of the length of time over which the returns to investment in the airport are to be recovered and the management of risk over that time, a strong governance arrangement will be required to implement project management protocols to monitor emerging events and maximise project outcomes.

To this end, Council proposes to establish a project management group (PMG) to provide oversight of the project, mitigate any emerging risks and provide a decision-making group to ensure the project stays on track, within scope and withing budget.

A proposed arrangement for the PMG is provided in Figure 7.1. An important requirement will be to have a clear line of communication between the various Council departments and the Project Manager who will play a coordinating role across the Council administrative arms managing external agents including planners, contractors and government agencies.

Figure 7.1 Proposal for the Project Management Group



Source: Central Coast Council

8 Conclusions and recommendations

This Chapter outlines the key conclusions and recommendations from the CBA and financial analysis.

8.1 Conclusions

On the basis of the projections of revenues and costs supplied by the CCC, the CBA analysis produced positive NPVs for each of the 3 development scenarios examined.

The findings are sensitive to lower than assumed ground lease rates, and higher costs. However, Scenario 3 exhibits positive NPVs for cash flows calculated over 20 and 40 years even under a stress test that assumed land lease rates are halved, costs are increased by 15% and only 3 out of 5 areas are leased.

Each of the scenarios will require the Council to finance investments for around 9 to 14 years before the accumulated cash flows turn positive. Scenario 3 creates the lowest financing requirement followed by Scenario 2. Scenario 4 creates the greatest financing requirement where cumulative cash flows do not turn positive until after 2039.

Wider economic benefits can be reasonably expected to arise from the investment of over $60 million in the first 10 years in airport and related developments from supply chain and increased consumption impacts. The program is also expected to result in a net increase in employment of around 200 jobs bringing around $10 million per year in increased income from salaries and wages into the region.

The location of the RFS and EMO at the airport could also be expected to realise wider social benefits from more efficient emergency management arrangements.

The wider economic benefits suggest that there is a public good argument that could support an application to government for co-funding of parts of the airport development.

However, these conclusions and the decisions going forward must be measured against the financial risks associated with the proposal – particularly in relation to:

— The revenue projections developed by the CCC which, while founded on past experience, are based on linear growth projections that continue for 20 years.

— The significant financing requirement for the investments proposed, in the context of the CCC's overall asset investment program and financial capacity.

8.2 Recommendations

Scenario 3 offers the most robust economic case for development with NPVs over 20 and 40 years positive even with lower land lease rates, higher costs and only 3 areas leased.

With the wider economic and social benefits expected to arise with the development, Council could consider approaching government for a co-funding contribution for upgrade of the runway and related facilities.

Without government funding, Scenario 2 is the next most attractive option. However, under stress test conditions, this Scenario would require more than 20 years to deliver a positive NPV. Managing the financing requirement over the 11 years until accumulated cash flows turn positive, would require careful management.

Scenario 4 should only be considered if experience shows that the revenues and costs assumed for the central case can be realised.

Further consideration of the underlying demand, and therefore revenue, for aviation services in the region would be beneficial to the robustness of the estimates of future cash flows.

Given the need to manage the financing requirement, it would be prudent to stage developments with regular reviews of assumptions to assess implementation strategy periodically.

This points to the need to establish strong governance and project management arrangements to monitor the emerging operating environment and maximise project outcomes.

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Attachments

A Discounting and Net Present Value

This section outlines why Net Present Value is used for financial modelling.

A.1 Discounting

Imagine you have the choice between receiving $100 today or $100 a year from now. Most people would prefer to get the money today because they can use it immediately or invest it to earn more money. This idea is called the time value of money.

Discounting is the process of determining how much a future amount of money is worth today. It helps us understand that money we receive in the future is worth less than the same amount received today because of the potential earning capacity, inflation, and risks associated with the investment.

A.2 Net Present Value (NPV)

Net Present Value (NPV) is a way to evaluate the profitability of an investment or project. It calculates the present value of all future cash flows (both incoming and outgoing) related to the investment, using a discount rate.

Here's a simple analogy:

Imagine you want to invest in an improvement for $10,000 that will generate an additional income of $2,100 per year for the next 5 years.

To decide if it's a good investment, you calculate the present value of those $2,100 payments using a discount rate (which reflects the time value of money).

If the total present value of the $2,100 payments is more than $10,000, the NPV will be positive, meaning it's a good investment. If it's less, the NPV will be negative, indicating it's not a good investment.

In essence, NPV helps you determine whether the money you invest today will grow enough in the future to make the investment worth it.

B Runway characteristics

This Appendix provides details of the characteristics of the runway and taxiway at the CCA.

B.1 Runway characteristics

Table B.1 Runway characteristics

Runway Length (m)	1,198 m
Displaced Threshold (m)	RWY 02 – 86 m RWY 20 – 210 m
Runway WID (m)	10 m
Pavement Type	Sealed
Pavement Surfacing	Asphalt/Bitumen
Take Off Distance Available (m)	RWY 02 – 1,112 m RWY 20 – 988 m
Landing Distance Available (m)	902 m
Pavement Classification Number (PCN)	Unrated

Source: (to 70, 2022)

C Details of the Scenarios

This section provides additional detail into the cash flows of each Scenario over 10 years, relative to the base case.

C.1 Indicative 10-year cash flows relative to the base case

Below, Table C.2 and Table C.3 outline the cash flows for Scenarios 2, 3 and 4 respectively, relative to the base case over a 10-year period. Only the difference between the base case and the Scenario is displayed. For example, in Scenario 2, 'Aviation based revenues' are negative, as they are lower than the base case for the first 2 years while the runway is under construction, but after construction, revenues gradually rise due to increased demand and increased unit price of the runway.

Scenario 1 is not displayed below because it is the base case, and these tables display the difference between the Scenario and the base case. Therefore, we cannot compare the base case to the base case.

Table C.1 Scenario 2 cash flows relative to the base case

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenues											
Aviation based revenues	-$13,451	-$9,820	$14,567	$22,490	$31,203	$40,785	$51,325	$62,922	$75,683	$89,729	$96,988
Area 1 lease	$15,675	$15,675	$156,750	$156,750	$156,750	$156,750	$627,000	$627,000	$627,000	$627,000	$627,000
Area 2 lease	$0	$0	$46,200	$46,200	$462,000	$462,000	$462,000	$1,848,000	$1,848,000	$1,848,000	$1,848,000
Area 3 lease	$0	$0	$0	$28,350	$28,350	$283,500	$283,500	$283,500	$1,134,000	$1,134,000	$1,134,000
Area 5 lease	$0	$0	$0	$0	$0	$0	$187,800	$187,800	$1,878,000	$1,878,000	$1,878,000
Area 6 lease	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue sale/lease of former RFS Arizona Rd Land	$0	$0	$0	$0	$0	$0	$0	$0	$0	$11,863,600	$0
State/Cwth co-contribution	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total revenues	$2,224	$5,855	$217,517	$253,790	$678,303	$943,035	$1,611,625	$3,009,222	$5,562,683	$17,440,329	$5,583,988
Capital costs											
Runway upgrade costs	$4,431,789	$4,431,789	$0	$0	$0	$0	$0	$0	$0	$0	$0
Roads and other infrastructure	$1,848,080	$0	$1,078,515	$1,206,604	$1,122,600	$1,451,583	$0	$0	$0	$0	$0
Supporting developments (inc. ARO)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,000,000
Area 1 infrastructure	$484,533	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Area 2 Infrastructure	$0	$0	$304,556	$304,556	$0	$0	$0	$0	$0	$0	$0
Area 3 Infrastructure	$0	$0	$0	$685,722	$685,722	$0	$0	$0	$0	$0	$0
Area 5 Infrastructure	$0	$0	$0	$0	$0	$0	$1,323,016	$1,323,016	$0	$0	$0
Area 6 Infrastructure	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Acquisition of Area 6 Land	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Co-contribution to RFS	$0	$0	$0	$0	$0	$0	$682,200	$682,200	$682,200	$0	$0
Subdivision and administration of sale of RFS Charmhaven on Arizona Rd	$0	$0	$0	$0	$0	$0	$0	$0	$3,457,328	$3,457,328	$0
Total capital costs	$6,764,402	$4,431,789	$1,383,070	$2,196,881	$1,808,322	$1,451,583	$2,005,216	$2,005,216	$4,139,528	$3,457,328	$1,000,000
Operating costs											
Upgraded runway	$0	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
ARO	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$5,000
Total operating costs	$0	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$30,000
Net cash flow	-$6,762,178	-$4,450,934	-$1,190,553	-$1,968,091	-$1,155,019	-$533,548	-$418,590	$979,006	$1,398,155	$13,958,001	$4,553,988

Source: ACIL Allen

Table C.2 Scenario 3 cash flows relative to the base case

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenues											
Aviation based revenues	-$13,451	-$9,820	$14,567	$22,490	$31,203	$40,785	$51,325	$62,922	$75,683	$89,729	$96,988
Area 1 lease	$15,675	$15,675	$156,750	$156,750	$156,750	$156,750	$627,000	$627,000	$627,000	$627,000	$627,000
Area 2 lease	$0	$0	$46,200	$46,200	$462,000	$462,000	$462,000	$1,848,000	$1,848,000	$1,848,000	$1,848,000
Area 3 lease	$0	$0	$0	$28,350	$28,350	$283,500	$283,500	$283,500	$1,134,000	$1,134,000	$1,134,000
Area 5 lease	$0	$0	$0	$0	$0	$0	$187,800	$187,800	$1,878,000	$1,878,000	$1,878,000
Area 6 lease	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue sale/lease of former RFS Arizona Rd Land	$0	$0	$0	$0	$0	$0	$0	$0	$0	$11,863,600	$0
State/Cwth co-contribution	$3,545,431	$3,545,431	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total revenues	$3,547,654	$3,551,285	$217,517	$253,790	$678,303	$943,035	$1,611,625	$3,009,222	$5,562,683	$17,440,329	$5,583,988
Capital costs											
Runway upgrade costs	$4,431,789	$4,431,789	$0	$0	$0	$0	$0	$0	$0	$0	$0
Roads and other infrastructure	$1,848,080	$0	$1,078,515	$1,206,604	$1,122,600	$1,451,583	$0	$0	$0	$0	$0
Supporting developments (inc. ARO)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,000,000
Area 1 infrastructure	$484,533	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Area 2 Infrastructure	$0	$0	$304,556	$304,556	$0	$0	$0	$0	$0	$0	$0
Area 3 Infrastructure	$0	$0	$0	$685,722	$685,722	$0	$0	$0	$0	$0	$0
Area 5 Infrastructure	$0	$0	$0	$0	$0	$0	$1,323,016	$1,323,016	$0	$0	$0
Area 6 Infrastructure	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Acquisition of Area 6 Land	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Co-contribution to RFS	$0	$0	$0	$0	$0	$0	$682,200	$682,200	$682,200	$0	$0

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Subdivision and administration of sale of RFS Charmhaven on Arizona Rd	$0	$0	$0	$0	$0	$0	$0	$0	$3,457,328	$3,457,328	$0
Total capital costs	$6,764,402	$4,431,789	$1,383,070	$2,196,881	$1,808,322	$1,451,583	$2,005,216	$2,005,216	$4,139,528	$3,457,328	$1,000,000
Operating costs											
Upgraded runway	$0	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
ARO	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$5,000
Total operating costs	$0	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$30,000
Net cash flow	-$3,216,747	-$905,503	-$1,190,553	-$1,968,091	-$1,155,019	-$533,548	-$418,590	$979,006	$1,398,155	$13,958,001	$4,553,988

Source: ACIL Allen

Table C.3 Scenario 4 cash flows relative to the base case

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenues											
Aviation based revenues	-$13,451	-$9,820	$14,567	$22,490	$31,203	$40,785	$51,325	$62,922	$75,683	$89,729	$96,988
Area 1 lease	$15,675	$15,675	$156,750	$156,750	$156,750	$156,750	$627,000	$627,000	$627,000	$627,000	$627,000
Area 2 lease	$0	$0	$46,200	$46,200	$462,000	$462,000	$462,000	$1,848,000	$1,848,000	$1,848,000	$1,848,000
Area 3 lease	$0	$0	$0	$28,350	$28,350	$283,500	$283,500	$283,500	$1,134,000	$1,134,000	$1,134,000
Area 5 lease	$0	$0	$0	$0	$0	$0	$187,800	$187,800	$1,878,000	$1,878,000	$1,878,000
Area 6 lease	$0	$0	$0	$0	$0	$354,000	$354,000	$3,540,000	$3,540,000	$3,540,000	$3,540,000
Revenue sale/lease of former RFS Arizona Rd Land	$0	$0	$0	$0	$0	$0	$0	$0	$0	$11,863,600	$0
State/Cwth co-contribution	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total revenues	$2,224	$5,855	$217,517	$253,790	$678,303	$1,297,035	$1,965,625	$6,549,222	$9,102,683	$20,980,329	$9,123,988
Capital costs											
Runway upgrade costs	$4,431,789	$4,431,789	$0	$0	$0	$0	$0	$0	$0	$0	$0

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Roads and other infrastructure	$1,848,080	$0	$11,365,603	$1,206,604	$1,122,600	$4,316,885	$2,865,302	$0	$0	$0	$0
Supporting developments (inc. ARO)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,000,000
Area 1 infrastructure	$484,533	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Area 2 Infrastructure	$0	$0	$304,556	$304,556	$0	$0	$0	$0	$0	$0	$0
Area 3 Infrastructure	$0	$0	$0	$685,722	$685,722	$0	$0	$0	$0	$0	$0
Area 5 Infrastructure	$0	$0	$0	$0	$0	$0	$1,323,016	$1,323,016	$0	$0	$0
Area 6 Infrastructure	$0	$0	$0	$0	$0	$5,983,458	$5,983,458	$5,983,458	$0	$0	$0
Acquisition of Area 6 Land	$0	$0	$0	$0	$0	$13,250,000	$0	$0	$0	$0	$0
Co-contribution to RFS	$0	$0	$0	$0	$0	$0	$682,200	$682,200	$682,200	$0	$0
Subdivision and administration of sale of RFS Charmhaven on Arizona Rd	$0	$0	$0	$0	$0	$0	$0	$0	$3,457,328	$3,457,328	$0
Total capital costs	$6,764,402	$4,431,789	$11,670,158	$2,196,881	$1,808,322	$23,550,343	$10,853,976	$7,988,674	$4,139,528	$3,457,328	$1,000,000
Operating costs											
Upgraded runway	$0	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
ARO	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$5,000
Total operating costs	$0	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$30,000
Net cash flow	-$6,762,178	-$4,450,934	-$11,477,641	-$1,968,091	-$1,155,019	-$22,278,308	-$8,913,351	-$1,464,452	$4,938,155	$17,498,001	$8,093,988

Source: ACIL Allen

D Costs

D.1 Exclusions

Reports used to estimate costs for this modelling have certain exclusions, which are costs that are identified as not being included in an estimate. Some exclusions may be relevant to examine in further detail in order to reduce potential ambiguity or unexpected costs in the delivery of future developments, while some exclusions may have been intentionally left as they will not be relevant to the work.

The Altus Group (2025) Warnervale Airport - Cost Summary 1-3 report provides a list of exclusions:

- Freehold site (CCAC)
- Curfew hours
- Traffic controllers
- Operational equipment
- Refurbishments to existing airport
- Modifications to existing runway and apron areas
- Fuel lines and fuelling points
- Ground power unit
- Biodiversity credits
- Escalation
- Staging
- Additional Capital Works Insurances by CCC
- GST.

There are further exclusions in Altus Group's (2025) Industrial Subdivision Cost Estimate Version 1 for the subdivision of the RFS site in Charmhaven. The exclusions listed are as follows:

- Escalation beyond January 2025
- Location and disposal of contaminated materials
- Excavation in rock

- Offsite disposal of excavated material
- Landscaping
- Gas services connection
- Boundary fencing
- Finance costs
- Design fees
- Authority fees
- Development fees
- GST.

D.2 Provisional sums

A number of provisional sums have been utilised in this model from Altus Group (2025) Warnervale Airport - Cost Summary 1-3. The items with provisional sums include:

- Berm for flooding protection
- Sewer upgrade
- Electrical infrastructure, including 2 No. substations, 2 No. private pillars, augmentation of 2 no. existing substations.
- Emergency lighting for the runway
- Landscape management for 2 years for runway.

The capital and operating costs for the ARO/supporting developments are also a provisional sum provided by CCC and should be subject to further work to estimate potential costs.

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