



Regional Partnerships Recommended Project

Project ID: RP02061

Package No:

Project Title: International Historical Aircraft Restoration Centre

Organisation Name: Historical Aircraft Restoration Society Inc

Organisation Contact: Mr John Cleary **Phone:**

Location: Albion Park Rail, NSW

Primary Electorate: Throsby

Local ACC: Illawarra ACC

ACC Contact: Mr John Grace **Phone:** (02) 4227 4500

Project Summary

The Illawarra Regional Airport is located at Albion Park Rail approximately 25kms south of Wollongong. The airport has undergone significant growth over the past five years and is slowly becoming an aviation 'hub' through the development of a successful light aeronautics industry cluster and the recent introduction of QantasLink flights. Despite this development, unemployment in the area is still higher than the state and national average at 8.9 per cent.

The applicant was established in 1979 as a not-for-profit incorporated association, dedicated to salvaging and restoring Australian military and civil aircraft for public display. It now has over 450 paid members and an extensive network of volunteers. The applicant has a number of subsidiaries including one for aircraft maintenance and another for aircraft restoration. The maintenance subsidiary is located at the Illawarra Regional Airport.

This project involves the expansion of the applicant's aircraft restoration subsidiary from its current location at Bankstown Airport to larger space at the Illawarra Regional Airport. This will allow the consolidation of the restoration business with the applicant's maintenance business – an existing tourism attraction that maintains and displays seven historically significant Australian civil and military aircraft the applicant has salvaged and restored since its establishment.

Overall, this project will establish an international historic aircraft restoration centre consisting of a three-storey building with public viewing access, retail outlet, technical library, educational facilities and office space. The new centre will adjoin the existing maintenance hangar which is a hub for retired tradespeople and aviation enthusiasts and is run almost entirely on volunteer labour. Over 50 volunteers a week donate their time across various functions such as administration, accounting, trades and project management and 30 volunteers have recently received formal training in tour guide management.

Regional Partnerships funding will be used towards construction costs.

Total Project Funding

Regional Partnerships Funding Bid:	\$0 (GST Exclusive)
Cash co-funding:	\$500,000
In-Kind co-funding:	\$268,500
Total project value:	<u>\$768,500</u>

Project Duration: Twelve Months
ACC Priority: 4 - High Priority

Project Assessment

This project is assessed as meeting the Regional Partnerships guidelines.

• Outcomes

This project will strengthen growth and opportunities by generating employment and positively affecting the manufacturing, light industrial and tourism sectors. Specific outcomes include:

- 10 full time jobs by November 2006, consisting of three jobs relocated from the existing Bankstown facility and seven new positions. These jobs will be made up of skilled, office positions and apprenticeships and will target indigenous and disabled workers. This employment will also address skills shortages which is a major issue in the region.
- Local jobs created during the construction phase.
- Increased revenue which will enable the applicant to undertake more salvage, restoration and preservation work on Australia's historically significant civil and military aircraft for public display.
- Supporting industry development in the region, particularly in the manufacturing and light industrial sector and will complement the emerging light aeronautics industry cluster located at the Airport (assisted with Regional Partnerships funding).
- Significantly add to the tourism infrastructure in the region. The applicant predicts the new centre will draw 3,600 tourists in its first year and 4,500 in its second year.
- Further development of an important focal point for many retired professional and tradespeople in the region who volunteer their services to the organisation.

This project is considered competitive neutral. The only two businesses in Australia that do provide commercial historical aircraft restoration have indicated their support for this project - Flying Fighter Adventures Pty Ltd (QLD) and Australian Aircraft Restoration Group (VIC).

This application satisfies this criterion.

• Partnerships and Support

The Regional Partnerships bid of \$0 represents 0 per cent of total project costs and 0 per cent of cash funds. The other funding partners and their contributions are:

Cash:

s47G	\$100,000
Historical Aircraft Restoration Society Inc (Applicant)	\$400,000
Total	\$500,000

In-Kind:

s47G

\$51,000

\$63,000

\$20,000

\$29,000

\$100,000

\$5,500

Total

\$268,500

Partnership support for this project is considered adequate. The applicant is contributing 53 per cent of the cash and 44 per cent of the total project costs which will be funded through accumulated sponsorship donations. The applicant's contribution will go toward construction costs. s47G will contribute largely to materials and labour and comprises 13 per cent of the cash. The project does not comprise relocation costs from any of the partners as this will be funded via voluntary labour and donations. A quote for some of the work has been provided.

All in-kind contributions are considered reasonable and consist of raw materials and labour to construct the building, along with general assistance during the project's implementation.

The Department is not aware of any other government programs that are available to support this kind of project.

Letters of support have been received from NSW Senator Concetta Fieravanti-Wells; Federal Member for Throsby, Ms Jennie George; Australia's Museum of Flight, Nowra; Temora Aviation Museum; Flying Fighter Adventures Pty Ltd and Australian Aircraft Restoration Group. The tourism bodies of Wollongong, Shellharbour and Kiama have also provided letters of support.

This application satisfies this criterion.

• **Applicant Viability**

The applicant is assessed as being a medium risk.

To date, no Australian government funds have been received by the applicant. An executive committee has successfully managed the organisation for 26 years, and has developed strategies which have resulted in it achieving a growing membership base, a continually increasing fleet of aircraft, growing equity and sound operational and financial management. They are therefore expected to have the capacity to manage Australian Government funds. Any risk mitigation strategies will be built into the Funding Agreement.

The applicant originally relied on membership fees, individual donations, takings and appearances at air shows to deliver revenue, which it re-invested into its activities. However, it now has a number of subsidiaries including HAP Pty Ltd - maintenance and HAR Pty Ltd – restoration, primarily established for limited liability purposes. Both subsidiaries repatriate all profits back to the applicant, via tax deductible donations. All subsidiary assets are owned by the applicant.

The Department did not conduct an independent viability assessment as it was considered that standard market assessments including factors such as supply, demand or price elasticity could not be applied with any degree of accuracy to such a specialised business as salvage and restoration of historical aircraft. However, an internal assessment of the previous three years' financial records of the applicant indicate their asset and equity base is steadily increasing with a total asset base of \$3.7m in 2004, primarily consisting of restored aircraft. Cashflow did fluctuate from year to year although this is largely due to the 'project driven' nature the organisation operates in. In 2004, cashflow was \$159,000 and in 2003 it was \$652,000 - both considered healthy.

This applicant satisfies this criterion.

• **Project Viability**

The project is assessed as being a low risk.

The applicant, through its subsidiary, is currently committed to complete at least seven aircraft restoration projects for private collectors and museums. These contracts are worth up to \$2.5m and they expect this will fully commit their current capacity for up to five years. The Department is satisfied this proves demand for the project. The applicant predicts they will need to employ seven new staff with the restoration business which seems reasonable given the large backlog of work on contract.

The widespread volunteer support and membership base, broad cash and in-kind funding support and qualified and experienced project manager will ensure that the project implementation is carried out diligently. Plans of the new centre along with a comprehensive business plan have been provided to the Department. The completed centre will also be operated and managed by experienced personnel. While the applicant has managed to sustain its operations to date, this additional facility will increase its revenue assisting with future sustainability of the new consolidated centre.

The applicant secured a five year lease with Shellharbour City Council for the use of the land at the airport when their Development Application for the new facility was approved. They are currently in discussions with Council about the potential for a longer-term lease. The current lease goes to 2010.

Students from the tourism faculty at Dapto TAFE will develop and implement a tourism strategy for the new consolidated centre when it opens, which will further strengthen the potential of the new facility to become the premiere tourism drawcard in the region.

This application satisfies this criterion.

• **Area Consultative Committee Recommendation**

The Illawarra Area Consultative Committee has **Recommended** this project as a **High Priority** for its region.

The International Historical Aircraft Restoration Centre will provide both direct and indirect employment and economic outcomes through the establishment of an international centre of excellence for aircraft restoration trades. The creation of this unique enterprise will also provide a major tourist attraction drawing visitors from within NSW and from throughout Australia and overseas. HARS marketing will target the specialised historic aircraft tourist market (a significant international market) as well as general visitation to the Illawarra and South Coast regions (including Nowra).

The IACC Board believes that the applicant's estimates of outcomes are quite conservative, particularly in respect to indirect outcomes. As well as direct job outcomes of 10 on-site, the IACC panel concluded that there will be very significant flow-on effects to related businesses in tourism, hospitality, local aeronautics engineering and engineering supply businesses.

The new Centre will provide additional impetus to the growth of the new aeronautics industry in the Illawarra region, providing ongoing employment and skills-development opportunities for local people.

HARS has demonstrated its strong project & business management capabilities over many years and especially with the recent construction of its major hangar infrastructure at the Illawarra Regional Airport. The organisation has the proven ability to operate financially sustainable enterprises.

• **Other Considerations**

This project is recommended for funding as it represents value for money. It will create seven direct new jobs; allow a business to expand to meet domestic and international demand; attract more tourists to the region and continue to serve as an important community function attracting over 30 volunteer shifts per week. This project will also compliment the emerging aeronautics sector at the Illawarra Regional Airport and support local manufacturing and light industrial sector.

DOTARS Recommendation
Recommended

Recommended Funding:

FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	GST Amount	Total
\$220,000	\$30,000	\$0	\$0	\$25,000	\$275,000

RP02061 - International Historical Aircraft Restoration Centre

Parliamentary Secretary's Decision

Agreed Disagreed Further Information Required