



PILBARA RPT AIR SERVICE PROPOSAL

“Aviair Pilbara-Link”

Connecting with the Kimberley and Gascoyne

TABLE OF CONTENTS

1. Executive Summary	3
2. History of Aviair	3
3. Details of Proposal	5
3.1. Timeline of Service	5
3.2. Network Information	6
3.3. Aircraft Fleet	7
3.4. Key Personnel	8
3.5. Facilities	11
3.6. Marketing	11
3.6.1. Marketing Campaign	11
3.6.2. Target Market	12
3.6.3. Proposed Marketing Campaign	12
4. Benefits to the Region - Aviair Pilbara-Link	12
4.1. Accessibility	13
4.2. Efficiency	13
4.3. Economic Benefits	13
4.4. Liveability	13
4.5. Safety	13
4.6. Tourism	14
5. Proposed Terms of Agreement	15
5.1. Term of Contribution	15
5.2. Financial Summary	16
5.3. Contract Development	18
6. Conclusion	18

1. EXECUTIVE SUMMARY

Regular Public transport (RPT) is taken for granted by the vast majority of the Western Australian population, with most people living just minutes away from the bus and train network that links and connects the city and the south west of Western Australia.

The remoteness and vast distances of the Pilbara region mean that bus and train linkages across the region have never been developed, but Pilbara-Link seeks to change that with the most comprehensive aviation network ever proposed for the Pilbara.

Aviair, a leading charter and regular public transport air service provider based in Kununurra and Karratha is proposing the commencement of a network of air services that will provide thirty sectors per week, and over 14,000 seats per annum, linking the coast to the rangelands, the north to south, and communities and towns to essential services.

The four Pilbara local government regions of Ashburton, East Pilbara, Hedland and Karratha, along with Broome in the Kimberley, and Exmouth in the Gascoyne, will be connected with a minimum of two return flights to each port each week. In addition, some of these ports will be linked back to Port Hedland's weekly Bali flight and the recently approved Karratha to Singapore flight.

The logistical challenge of moving around the Pilbara is one of the major impediments to local business development and is a significant reason as to why, statistically, the Pilbara is under represented by small and medium businesses in comparison to other regions. For many businesses, this logistics challenge is resolved by basing their offices and their employees in Perth; depriving the Pilbara of the growth and diversity it needs to deliver the Pilbara Cities Vision.

One of the nine Regional Pillars defined in the landmark Pilbara Regional Investment Blueprint, a "diverse and robust small and medium business sector" will "need to be at the heart of the Pilbara's diversified economy" is held back by the lack of connectivity in the region. Also held back is the development of tourism opportunities in the region, with the Blueprint aiming to capitalise on the "unique and iconic environmental and cultural assets of the region" and utilise its substantial "airport infrastructure." A further Pillar, People and Communities, aims to overcome the perception of the Pilbara as a "challenging place to live, work, invest" and to "overcome isolation and remoteness challenges".

The Aviair Pilbara-Link proposal provides real and tangible solutions to many of the challenges identified in the Pilbara investment blueprint and with these challenges resolved, the Pilbara is well placed to deliver on the clear vision of the Blueprint's authors and key stakeholders.

2. HISTORY OF AVIAIR

Michael McConachy and Geoff Hamilton began their journey in the East Kimberley in 2009. They were part of a group who developed the award-winning Freshwater East Kimberley Apartments in Kununurra, an 80-apartment development costing over \$30 million. As Managing Director of the project and based in Kununurra, Michael was closely involved in the development and construction of the property. Freshwater Apartments has won a Gold Medal at the WA Tourism Awards, has been twice voted 7th

best hotel in Australia on Trip Advisor and is the only 4 ½ star accommodation property in Kununurra.

Subsequent to having completed the Freshwater East Kimberley Apartments development, Michael and Geoff turned their sights towards aviation in the East Kimberley with the purchase of Helispirit (formerly Heliwork WA) in 2014. They set about expanding the operation, developed a new helicopter base in Katherine, NT, started a helicopter training school to improve the level of training for new pilots, developed a range of luxury helicopter safaris and have recently opened a new helicopter base in Karratha. Helispirit now operates 22 helicopters and, in the past 12 months, carried over 25,900 passengers throughout the Kimberley, NT and Pilbara.

In 2016 Michael and Geoff expanded again with the purchase of Aviair (formerly Slingair). In the first 12 months of operation they expanded the fixed-wing fleet from 5 to 14 aircraft and introduced a range of new aircraft types to increase the scope of the business. Aviair provides scenic flights to the Purnululu and Mitchell River National Parks, operates charter flights for a range of corporate and government clients, provides Kimberley/Pilbara RASS services and operates RPT services between Kununurra and Halls Creek. As of July this year, Aviair will also be operating RPT services from Kununurra to Kalumburu. In the last 12 months Aviair has transported over 9,300 passengers in their modern, air-conditioned fleet of aircraft.

In late 2016, Aviair expanded its operations in the Pilbara with the purchase of Karratha Flying services (KFS). (Aviair has been providing RASS services in the Pilbara for the past five years). The purchase was a natural progression for the Aviair business with the clear demand for improved and more regular charter and RPT air services in the region. Since the purchase of the KFS business, Aviair has upgraded the Karratha base maintenance facility to Part 145 standards in line with the company's Kununurra maintenance facility. The Part 145 maintenance approval allows for aircraft maintenance to the high standard required for aircraft used for RPT air transport. This is of a superior standard and compliance than that for general air charter operations and Aviair operates the only two permanent Part 145 maintenance facilities between Perth and Darwin (to the company's knowledge).

Aviair has become a leading Aviation operator in the Kimberley and Pilbara regions of Western Australia, and remote Australia generally. Aviair conducts services for, and is approved by, a myriad of Multi-National Companies, various Government Departments and Australia's largest mining corporations. Such clientele require specialised and professional services, and safety requirements well beyond that mandated by CASA. Aviair is proud to hold its current market position and services its clients with the highest level of professionalism.

Having built a strong platform of relationships in Northern Australia, Aviair is known for providing reliable and professional aviation services. Aviair continues to provide aviation services to clients including:

- Rio Tinto – Pilbara Iron
- Cobham/Chevron
- Broadspectrum/Maroomba Airlines
- BHPBIO
- Department of Infrastructure and Regional Development RASS flights, departing Kununurra, Port Hedland, and Newman
- Department of Defence
- Department of Parks and Wildlife

- Department of the Attorney General
- Department of the Premier and Cabinet
- Kalumburu Remote Community School
- Kimberley Land Council
- Qantas Business Travel – Perth (for the transfer of community children to and from school)
- Fortescue Metals Group
- HWE Mining
- Pluton Resources
- Argyle Diamonds – Rio Tinto
- Tourism operators such as Australian Pacific Tours and the Kimberley Coastal Camp
- Department of Fire and Emergency Services
- Search and Rescue, AMSA
- Royal Flying Doctor Service (Kununurra & Derby)
- Toll Express

3. DETAILS OF PROPOSAL

The Aviair Pilbara-Link proposal is for the provision of Regular Public Transport (RPT) air services linking the key towns in the Pilbara, as well as the towns of Broome in the Kimberley, and Exmouth in the Gascoyne.

The service will be initially provided in 9 seat passenger aircraft until the routes are established and can justify larger aircraft. It is the intention of Aviair to increase the size of aircraft used on the routes where it is demonstrated that larger aircraft are warranted within the second or third year of operating the services.

It is proposed that a financial contribution of \$1,515,000 per annum is provided by the Pilbara Regional Council (PRC) under the terms of a formal agreement in support of the service for the initial two years commencing on or around 5th March 2018. The PRC will take the lead in sourcing the funding from its members and other key stakeholders.

In addition to the \$1.515m contribution, local government will provide landing fee and airport user charge relief (or equivalent value where airports are not owned by local government). Where local government does not own the airports, it may be the airport owner(s) that provide the airport fee relief.

3.1. Timeline of Service

It is proposed that the Aviair Pilbara-Link air service commences in March 2018. The proposed timeline below outlines the various stages of the development for the project.

23 June 2017	Consideration by Pilbara Regional Council & key stakeholders
14 July 2017	In Principal Investment Decision.
21 July 2017	Signing of Heads of Agreement
4 August 2017	Aviair to provide Draft Contract to PRC for review
18 August 2017	Signing of formal agreement between Aviair & PRC

31 August 2017	CASA requirements for routes and ports met (required for new routes)
15 September 2017	Dept. of Transport approval for proposed routes (required as above)
27 October 2017	All filming for advertising completed
27 November 2017	Media Release issued
4 December 2017	Marketing commences
5 March 2018	Aviair Pilbara-Link Services to commence

3.2. Network Information

The proposed Aviair Pilbara-Link network and schedule have been developed to maximise the benefit to the Pilbara region. Where possible, connections will be made with the Virgin Denpasar service to Bali from Port Hedland, the proposed Singapore service from Karratha, and the Airnorth service in Broome which links through to Kununurra and Darwin.

All routes will have a minimum of two services per week as the importance of frequency is recognised as a critical component in making the air routes successful. Aviair will reserve the right to alter the type of aircraft used on the various routes, however the aircraft will have a minimum of 9 passenger seats available on each of the sectors (subject to allowable weight).

The chart and map below demonstrate the proposed routes and aircraft types. In selecting aircraft types for the various routes, it is acknowledged that some of the resource companies require twin engine aircraft for their staff. Notwithstanding the lack of evidence around improved safety statistics for this requirement, Aviair is proposing to use twin engine aircraft on the routes that are more likely to be used by the mining resource companies.

Flight Route	Aircraft Type	No. Weekly Services
KARRATHA → PORT HEDLAND	B200	2
PORT HEDLAND → BROOME	B200	2
KARRATHA → PORT HEDLAND → BROOME	B200	2
BROOME → PORT HEDLAND	B200	2
PORT HEDLAND → KARRATHA	B200	2
BROOME → PORT HEDLAND → KARRATHA	B200	2
KARRATHA → BROOME	B200	1
BROOME → KARRATHA	B200	1
KARRATHA → PORT HEDLAND	B200	1
PORT HEDLAND → KARRATHA (Once a week link to Virgin Denpasar Flight)	B200	1
KARRATHA → NEWMAN	B200	2
NEWMAN → KARRATHA	B200	2
NEWMAN → PORT HEDLAND	B200	2
PORT HEDLAND → NEWMAN	B200	2

KARRATHA → PARABURDOO	B200	2
PARABURDOO → KARRATHA	B200	2
KARRATHA → ONSLOW	C208	2
ONSLOW → LEARMONTH	C208	2
KARRATHA → ONSLOW → LEARMONTH	C208	2
LEARMONTH → ONSLOW	C208	2
ONSLOW → KARRATHA	C208	2
LEARMONTH → ONSLOW → KARRATHA	C208	2

B200	King Air B200 (Twin Engine, Seats 9)
C208	Cessna Caravan C208B (Single Engine, Seats 13)

PROPOSED AVIAIR PILBARA RPT ROUTES



3.3. Aircraft Fleet

Aviair's aircraft are chosen to suit remote Australia, the needs of the customers and the harsh environment in which Aviair operates.

With on-site maintenance facilities at Karratha and Kununurra (approved by CASA to perform maintenance under Part 145 which is required for RPT aircraft), Aviair can ensure high 'on-time-performance', limited unscheduled maintenance delays, and sufficient aircraft availability.

The fleet includes -:



2 Super King Air B200
Twin Engine | Passenger Seats 9

With a large pressurised cabin, the Super King Air provides passengers with generous head, shoulder and leg room, suitable for both passenger transport and freight carriage.



8 Cessna Caravan C208B
Single Engine | Passenger Seats 13 (Limited to 9 for RPT Operations)

Comfortable and air-conditioned, the Cessna Caravans are a significant part of Aviair's fleet. Perfect for scenic flights due to their high wing design and excellent carrying capacity, the Caravans are proven performers in remote regions of the country. They are also a very reliable and safe low capacity RPT platform.



3 Pilatus PC12
Single Engine | Passenger Seats 9

Newly refurbished and comfortably travelling at speeds of 460kp/h with heights up to 30,000 feet, the PC12 provides similar load carrying and functionality to the Super King Air at reduced operating costs.

3.4. Key Personnel



Michael McConachy
Managing Director / Accountable Manager

Michael McConachy has owned and operated his own Project Management business, Agrivision International Pty Ltd, since 1999. He has had 25 years of management experience in a range of industries including agriculture, property development, construction, and aviation.

In 2009, Michael was responsible for the development of an 80-apartment resort in Kununurra (and is also the Managing Director of a leading Kimberley based building company). Michael has been flying for over 23 years and holds a current CPL (A) and CPL (H) pilots licence.

Michael also holds the positions of Chair for the Kimberley Development Commission and Chair of the East Kimberley Marketing Group.

In 2014, Michael and Geoff Hamilton purchased Helispirit (formerly Heliwork WA) in Kununurra. Helispirit operates 7 remote bases throughout the Kimberley and has newly opened a helicopter base in Karratha. In 2016, Michael and Geoff added to the business with the purchase of Aviair Pty Ltd, and later in the year, Karratha Flying Services Pty Ltd. They have also developed the Australian Helicopter Academy providing commercial training for helicopter pilots.

Michael is committed to providing general aviation services of the highest standard throughout the Northern Territory, and the North West of Western Australia.



Geoff Hamilton
Director / Accountable Manager

Geoff has an Honours degree in engineering and an MBA. After pursuing a career as a professional engineer for 10 years he established a number of businesses – including two childcare groups and a management training company.

His business interests in Northern Australia include a partnership with Michael McConachy that has developed the Freshwater East Kimberley Apartments complex in Kununurra and also the aviation businesses, HeliSpirit and Aviair.

Geoff is a commercial pilot of both fixed and rotary wing aircraft. He has 4,100 hours of flying experience and regularly visits the region in his Cessna Citation jet aircraft. He and his wife Jan own and operate a 1,600ha farm in central Tasmania.

Geoff is a Graduate of the Australian Institute of Company Directors.



Brendon Grylls
Business Development Consultant

Brendon Grylls bring a wealth of regional development experience to the Aviair team. A background in small business, farming and manufacturing preceded a 16 year term in state parliament.

Brendon is well known for his advocacy of regional issues, the Royalties for Regions program and his leadership of the Nationals WA during the 8 year Liberal/National Government. Having developed and delivered the Pilbara Cities program and the Ord Stage 2 project in the East Kimberly, as well as a host of new infrastructure and service programs across the North West, he is well placed to understand the opportunities in the Pilbara and the innovation required to solve complex project delivery issues. Based in Karratha with his family, Brendon has played a key role in the development of the Pilbara-Link proposal.



Phil Todhunter
Safety and Compliance Manager

Phil holds a Master's of Management in Technology Management from the University of NSW and a number of other specialist safety related qualifications.

Phil has 30 years' experience in safety and project management roles within the Department of Defence, State Government and

private industry (including with Transfield and Thales). Phil has been a Manager within the aviation businesses of HeliSpirit and Aviair, since 2014.

Phil has come into this role to further develop the company's safety management system and to ensure that safety and compliance with relevant legislation is an integrated component of all HeliSpirit and Aviair activities. He plays a key role in developing strategies to ensure performance standards are met and compliance with legislative requirements is achieved at all times.



Kevin Lloyd
Chief Pilot

Kevin has been the Chief Pilot at Aviair since 2015 and has many years of experience as a Chief Pilot in the aviation industry within both Australia and New Zealand. With over 6,600 hours of flight time and experience flying a range of aircraft types, Kevin is also approved by CASA as a Flight Examiner and a Check Pilot. Kevin is responsible for the training and flight checking of all Aviair pilots.



Brett Cooper
Head of Maintenance

Brett has been employed at Aviair for 21 years as a Licensed Aircraft Maintenance Engineer. His experience is extensive and encompasses a large range of aircraft types, and he holds ratings for type rated aircraft, including the Pilatus PC12. Brett is the Responsible Manager for Aviair's CASR Part 145 Approved Maintenance Organisation.



Sonja Mitchell
Marketing Manager

Sonja Mitchell was awarded the "Individual Award for Excellence" Australia's North West Tourism 2006, recognising a personal contribution to the development of the Kimberley tourism industry over many years. Sonja has been involved in the Slingair/Heliwork WA (now Aviair/HeliSpirit) operation for many years including as Operations Manager and then CEO of Slingair. Since 2007, Sonja has specialized in tourism marketing, working for a number of businesses across Western Australia. In 2014 she began work as Sales and Marketing Manager for HeliSpirit and in early 2016 this role expanded to include Aviair as well. Sonja is a Board Member of the Tourism Council of Western Australia.

In addition to the above listed personnel, Michael and Geoff's affiliated businesses have a staff of up to 110 with 95% located in the regional areas of the Pilbara and Kimberley. Michael and Geoff are strong advocates of local and indigenous employment which has been demonstrated over many years of operation in the region.

3.5. Facilities

Aviair's passenger terminal in Karratha is fully air-conditioned, modern and located adjacent to the main Karratha Airport terminal. The building includes two passenger lounges, check-in facilities, security and quarantine facilities, and (free) client parking.



Aviair's Karratha base is ideally located for the Pilbara-Link RPT Services, offering excellent aircraft availability and thereby eliminating the risk of delays due to aircraft maintenance. This level of efficiency enables Aviair to operate regular, on time services at the best possible operating cost whilst maintaining the highest of safety standards.

3.6. Marketing

Aviair will be responsible for the development and funding of a targeted marketing campaign to introduce the new Pilbara-Link services both within the Pilbara region and throughout Western Australia. It is anticipated that \$50,000 will be spent on marketing in the months leading up to the commencement of the service and up to an additional \$35,000 per annum in on-going marketing campaigns.

3.6.1. Marketing Campaign

The marketing campaign will promote awareness of the Aviair brand and the new services in the first instance, and will then focus on a 'call-to-action' to book and utilise the service.

A twelve week comprehensive campaign covering all media channels will initially be commissioned, and this will then be followed with a softer ongoing campaign. The campaign will include;

- Media releases distributed to all news media for immediate impact through editorial and reports.
- Awareness via TV, social media and radio advertisements.
- Booking encouragement via print, digital, radio, social media.
- High profile members of the community will be profiled and used as "ambassadors" and influencers throughout the campaign.
- Tourism WA, Australia's North West tourism and Australia's Coral Coast tourism will be engaged to promote the tourism offering. In addition, all wholesale and retail tourism channels will be made aware of the services with advice on how to book.

Aviair has a specialist Marketing and Sales team which currently consists of nine staff. They are highly experienced in all aspects of marketing both tourism and RPT air services. They will also be responsible for ticket sales through direct bookings (telephone) and Aviair's integrated online booking system.

3.6.2. Target Market

Predominantly (75%) local residents, corporates, and locally based government agencies in the towns of Karratha, Wickham, Roebourne, Dampier, Port and South Hedland, Broome, Newman, Tom Price, Paraburdoo, Onslow and Exmouth.

Additional markets (25%):

- Visitors to the region who seek links between Broome, Karijini and Exmouth
- Businesses and government agencies from outside the region
- Service providers to the destination towns

3.6.3. Proposed Marketing Campaign

Media	Platform	Promoting	Timeframe
30 second TV advertisement	GWN TV	The new service, destinations, frequency	27 th December to 26 th March
	WIN TV	The new service, destinations, frequency	27 th December to 26 th March
Production of TV ad			September/October 2017
Print advertisements	NW Telegraph, Pilbara news, Broome advertiser	Schedule and rates	1 st January to 31 st March
Radio advertisements	Red FM, Spirit Radio, community radio stations	The new service, accessibility	1 st February to 31 st March
Digital	Internet – adwords and remarketing directing people to the website to book	Easy booking, accessibility	27 th December to 26 th March
Social media	Facebook ads, Twitter, Instagram	The new service, destinations, frequency. Directing to website	1 st December to 1 st April
Tourism channels	Email and face to face presentations	Routes, schedules, fares	December 2017, January 2018
Media releases	All	The new service	December 2017 and March 2018

4. BENEFITS TO THE REGION - AVIAIR PILBARA-LINK

In Line with Pilbara Blueprint, *“The Pilbara Regional Investment Blueprint sets out a bold, aspirational Vision for the region in 2050.*

Central to the Blueprint it is recognition that the region needs more than ‘business as usual’ growth and development. The Pilbara needs to chart a more aspirational future based on a diversified economy and enhanced liveability”.

The key to the success of this bold vision is for the region’s leaders and stakeholders to embrace “the more than business as usual” approach. The Aviair Pilbara-Link proposal is one such example that can deliver a tangible outcome to diversify the economy and enhance liveability, but it can only be delivered with the commitment, experience and ‘skin in the game’ from Aviair, and a partnership with local government via the Pilbara Regional Council.

4.1. Accessibility

The Accessibility of the region will be dramatically improved with more than 1,500 sector flights per year and 14,000 new seats to link the region. Six hour drives can be replaced by one hour flights, and Exmouth can link with the Pilbara and Kimberley, Broome can link their tourism product with resource sector workers living south of them, and Tom Price and Newman can build their linkages west towards the coast.

4.2. Efficiency

The Efficiency of the region will be enhanced as small and medium business, Government agencies and the resource sector begin to plan to fly rather than drive, e.g. mental health professional servicing the East Pilbara from the coast can see more clients if the 13 hours of driving (Karratha to Newman return) is not a part of a client visit inland, in fact it could be an extra nine hours of face to face client time which will deliver a huge boost to productivity and customer satisfaction.

4.3. Economic Benefits

The Economic Benefits of the region will be substantial. Iron Ore and LNG exports from the region are expected to exceed \$100 billion in the near future, and the renowned mineralisation of the Pilbara and its waters are attracting new mineral developments and continued exploration activity. Moving the workforce for these industries quickly and safely across the region will substantially improve the sector's profitability and safety risk factors.

With the main base for the Aviair Pilbara-Link services to be located in Karratha, the region immediately benefits from increased employment and economic activity by a regionally owned and operated business. It is estimated that the initial Pilbara-Link service will employ approximately 5 pilots, three engineers, two administration staff, and several part time support staff permanently based in the Pilbara. There will also be a regular stream of senior Managers and support staff visiting the region. As the demand for flights and the size of aircraft increases over the initial 2- 3 years of the service, the number of associated staff is likely to increase considerably.

4.4. Liveability

The Liveability of the Pilbara has been identified by the Blueprint as a key driver of population growth and therefore diversification. The Blueprint establishes an aspirational resident population target of 200,000 by 2050. For the Pilbara to become a place of choice for people to live, it will need to provide better cross regional linkages that can be best provided efficiently and safely by air travel. Pilbara wide direct flight access to the domestic tourism hot spots of Broome / The Kimberley and Exmouth, as well as Bali and the international Hub of Singapore, will substantially improve the liveability of the region and break down the perception of remoteness.

4.5. Safety

The number one concern for all business is the safety of their workforce. Fatigue on long drives or the risk of animal collision which Pilbara workers face on a daily basis is a clear safety risk for many businesses, underlined by crash statistics for the period 2012-

2016 on the Port Hedland – Newman road. During this period, 128 major crashes led to 59 injuries and 10 fatalities (as reported by Main Roads). Pilbara-Link establishing as a RPT service connecting the region will offer a much safer way to move across the Pilbara for Business and Tourism requirements.

4.6. Tourism

The Pilbara is home to some of the world's most incredible natural landscapes and coastlines, offering a myriad of tourism products which will be made more accessible through the proposed Aviair Pilbara-Link.

Exmouth, Cape Range National Park and Ningaloo Reef

- Swim with whale sharks
- Diving, snorkelling and glass-bottomed boat tours
- Canoeing, kayaking and surfing
- Sport fishing tours

Karratha, Dampier Archipelago and surrounds

- Rock Art and beaches of Murujuga National Park
- Helicopter flights over the Burrup Peninsula and Dampier Archipelago
- Flora and wildlife including bird watching and wildflower trails
- Staircase to the Moon
- Port Hedland port and industry tours

Karijini National Park

- Explore gorges, rock tunnels and waterfalls
- Camping and eco lodge accommodation
- Climb Western Australia's second highest mountain



Aviair has been operating scenic air tours in the Kimberley region of Western Australia since 1984. Each year it carries more than six thousand passengers over the Bungle Bungle (Purnululu National Park), with additional scenic flights to Mitchell Falls and Argyle Diamond Mine multiple times a week.

Although Karijini has not been included in the final proposed schedule of air routes, Aviair is committed to better understanding this key tourism asset and working with local tour operators and accommodation providers to develop world class tourism packages similar to those provided by Aviair to the Bungle Bungle in the Purnululu National Park. Aviair will endeavour to develop and provide this service either independently or in conjunction with the Pilbara-Link service, however will not be seeking additional financial contribution for this service. Aviair is a national leader in this type of aviation based tourism product and is committed to investigating a self-funded service to Karijini.

The Blueprint has identified tourism as a key driver of diversifying the Pilbara economy. A recent study by AEC Group noted that driving distances, access and a lack of awareness of tourism experiences were some of the challenges facing the sector. The Aviair Pilbara-Link proposal addresses these three impediments, providing new connectivity and access to existing and establishing tourism product. The study also found that for every \$100 dollars spent at local business, retailers provided a flow on of \$89 dollars in the local economy, five times the benefit than if that \$100 was spent in the iron ore industry.

A copy of the AEC report is available on the Pilbara Regional Council website.

<http://www.prc.wa.gov.au/wp-content/uploads/2015/06/Pilbara-Tourism-Product-Development-Plan-Final.pdf>

5. PROPOSED TERMS OF AGREEMENT

5.1. Term of Contribution

The annual funding contribution of \$1.515 million is requested in full for a period of the initial two years only, with the third year to be 50% of the initial amount, and the fourth year to be fully self-sustaining with nil funding contribution. It is proposed that the contribution is paid monthly in advance.

March 2018 – February 2019 (1 st Year)	\$1,515,000
March 2019 – February 2020 (2 nd Year)	\$1,515,000
March 2020 – February 2021 (3 rd Year)	\$757,500

TOTAL CONTRIBUTION:	\$3,787,500
----------------------------	--------------------

Ongoing financial support after the third year is not being sort by Aviair as Management is aware that the air service needs to be self-sufficient where possible. It is the intention of Aviair to 'prove up' the routes as outlined in this document so that larger aircraft can be used in the future to provide the service. Moving from 9-seat to 19 (or larger) seat aircraft will provide seat cost savings which should be comparable to the seat contribution that is proposed by the contribution over the initial 3 years.

Therefore, the maximum exposure sought from Aviair for the provision of the Pilbara Link project is \$3,787,500 over the initial three years of the air service.

5.2. Financial Summary

The financial summary below highlights the key financial drivers to the proposed Pilbara-Link air service. The spreadsheet outlines the proposed average fares for each of the sectors, and compares those fares to the cost of driving between the two ports. It also provides a guide to the likely airfares of travelling between the ports via Perth on the larger commercial airlines (based on the average cost of booking 7 – 14 days prior to departure at the time of review). These comparisons alone quickly justify the proposed average fare of the Pilbara-Link air service.

The summary also compares the travel times by road with the air service between the various ports. Once again, this provides a compelling argument in favour of using the Pilbara-Link service in the majority of instances.

The predicted utilisation of the service is estimated at an average of 5.25 passengers per sector (58% loading) over the entire network. This will clearly vary between the various routes and time of operation, however the research that Aviair has done would indicate that these are achievable targets. It needs to be recognised that should the predicated loadings not be achieved, Aviair will be responsible to meet any of the financial short-fall, thereby being a key financial stakeholder in the Pilbara-Link service. The Directors of Aviair have a demonstrated history of taking well considered financial risk in significant projects in regional Australia, and have used that experience to develop the Pilbara-Link proposal.

Notwithstanding the fact that there is significant commercial in confidence intellectual property in the detailed and complex financial model supporting the financial summary below, Aviair is prepared to discuss and disclose significant additional financial information should the project develop to a Heads of Agreement.

PILBARA RPT - FINANCIAL SUMMARY
Assumptions:

Cost per km by car	\$0.75
Average Number of Pax/Sector	5.25
Average Load Factor	58%

	AIRCRAFT TYPE	PROPOSED AVERAGE FARE	NUMBER OF WEEKLY SERVICES	TOTAL ANNUAL CONTRIBUTION	FLIGHT TIME (hrs)	DISTANCE BY ROAD	TIME BY ROAD	COST BY ROAD	EQUIV. COST BY LARGE COMM. AIRLINE
KARRATHA → PORT HEDLAND	B200	\$199.00	2	\$94,050	0.68	241	2.5	\$180.75	\$706
PORT HEDLAND → BROOME	B200	\$426.00	2	\$136,661	1.25	612	5.95	\$459.00	\$650
KARRATHA → PORT HEDLAND → BROOME	B200	\$625.00	2	\$230,712	1.93	834	8.27	\$639.75	\$610
BROOME → PORT HEDLAND	B200	\$426.00	2	\$136,661	1.25	612	5.95	\$459.00	\$681
PORT HEDLAND → KARRATHA	B200	\$199.00	2	\$94,050	0.68	241	2.5	\$180.75	\$746
BROOME → PORT HEDLAND → KARRATHA	B200	\$625.00	2	\$230,712	1.93	834	8.27	\$639.75	\$777
KARRATHA → BROOME	B200	\$625.00	1	\$87,328	1.73	834	8.27	\$625.50	\$610
BROOME → KARRATHA	B200	\$625.00	1	\$87,328	1.73	834	8.27	\$625.50	\$777
KARRATHA → PORT HEDLAND	B200	\$199.00	1	\$47,025	0.68	241	2.5	\$180.75	\$706
PORT HEDLAND → KARRATHA (Once a week link to Virgin Denpasar Flight)	B200	\$199.00	1	\$47,025	0.68	241	2.5	\$180.75	\$746
KARRATHA → NEWMAN	B200	\$399.00	2	\$127,919	1.17	612	6.37	\$459.00	\$669
NEWMAN → KARRATHA	B200	\$399.00	2	\$127,919	1.17	612	6.37	\$459.00	\$669
NEWMAN → PORT HEDLAND	B200	\$349.00	2	\$92,763	0.98	454	4.88	\$340.50	\$669
PORT HEDLAND → NEWMAN	B200	\$349.00	2	\$92,763	0.98	454	4.88	\$340.50	\$737
KARRATHA → PARABURDOO	B200	\$360.00	2	\$47,667	0.82	537	6.08	\$402.75	\$730
PARABURDOO → KARRATHA	B200	\$360.00	2	\$47,667	0.82	537	6.08	\$402.75	\$631
KARRATHA → ONSLOW	C208	\$249.00	2	\$59,656	0.9	307	3.17	\$230.25	\$591
ONSLow → LEARMONTH	C208	\$199.00	2	\$37,726	0.62	367	3.72	\$275.25	\$538
KARRATHA → ONSLOW → LEARMONTH	C208	\$399.00	2	\$124,136	1.52	521	5.38	\$390.75	\$656
LEARMONTH → ONSLOW	C208	\$199.00	2	\$37,726	0.62	367	3.72	\$275.25	\$578
ONSLow → KARRATHA	C208	\$249.00	2	\$59,656	0.9	307	3.17	\$230.25	\$618
LEARMONTH → ONSLOW → KARRATHA	C208	\$399.00	2	\$124,136	1.52	521	5.38	\$390.75	\$735

Contribution req.(excl. airport charges) \$1,515,100

5.3. Contract Development

Aviair will work directly with the PRC to finalise the contract between the parties. It is proposed that Aviair provides the PRC with a draft contract for the PRC's review and response. This will be drafted once an 'in principal' agreement has been finalised under a Heads of Agreement.

6. CONCLUSION

Aviair's Pilbara-Link is a 'game changer' for the Pilbara region, connecting people, communities and businesses like they have never been connected before, fostering new business and tourism ideas, and harnessing the frontier and entrepreneurial spirit one of the most spectacular, culturally significant and productive regions in the nation.

The Chairperson's message for the 2016 PRC annual report called for 'a focus on development initiatives that will build and support sustainable communities of the north-west. The region already enjoys access to resources, proximity to market, presence of huge multinational corporations, and interest from overseas investors. Our challenge is to come together to unlock as much of this potential as possible'.

Aviair's Pilbara Link is a development initiative that will build and support Pilbara communities, it will provide faster, safer and better access to its resources, it brings the community even closer to its markets, supports the huge multi nationals and the fledging business start-up's and links overseas investors across the vast expanses of the region.

The Pilbara Regional Council in partnership with Aviair can bring this project from business case to reality and the Directors and the team at Aviair look forward to working closely with the PRC and all stakeholders to 'unlock as much of this potential as possible.'