

ORDINARY COUNCIL MEETING AGENDA**7 APRIL 2021****12.2 NORFOLK ISLAND AIRPORT PAVEMENT REPAIR AND RECONSTRUCTION DESIGN AND CONSTRUCT PROJECT - FINAL COSTS****Author:** Alistair Innes-Walker, Manager Corporate and Finance**SUMMARY**

The purpose of this report is to advise Council of the final costs arising from the Norfolk Island Airport Pavement Repair and Reconstruction Design and Construct Project.

BACKGROUND

The Civil Aviation Safety Authority (CASA) undertook an assessment of the Norfolk Island Airport in 2017 which found that portions of the existing runway surface and aprons contained deformities such as cracking. If not rectified the deformities could have resulted in the runway, a vital economic link for the Island, being deemed as unsuitable for commercial aircraft.

Due to the seriousness of the situation, Council engaged Dr Greg White (January 2018), on recommendation by CASA and Office of Transport Security (OTS), to commence planning to rectify the urgent repairs to the apron and maintenance on the runway (completed in June 2018).

The Tender for the Norfolk Island Airport Pavement Repair and Reconstruction Design and Construct Project (the Project) was released in September 2018 and closed 18 December 2018.

At the 20 February 2019 meeting Council noted its support for the Norfolk Island Airport Pavement Repair and Reconstruction Design and Construct Project (the Project) and approved the awarding of a contract to Boral Resources (QLD) Pty Ltd ("Boral") as the single source supplier to undertake the Project (Resolution 2019/29) for the tendered price of \$44.96M.

Boral has indicated in their submission that their price did not include treatment of bulk aggregate and sand for transport to Norfolk Island. This was because Biosecurity is assessed according to how "clean" the material is at the source and how the importer will mitigate any risks of contamination. Boral, in lieu of knowing the accurate cost at this stage, had estimated an amount of \$4.2M to cover such a cost, should it be required.

Under the same resolution Council agreed to contribute any shortfall of funding for the Project, over and above any funding provided by the Commonwealth of Australia, by way of a loan from the Norfolk Island International Airport Government Business Enterprise

Also at the 20 February meeting Council approved the awarding of a contract for Project Management Services relating to the Project to Aileron Edge Pty Ltd for tendered price of \$202k. (resolution 2019/30)

In summary the total Project costs approved by Council were;

Principal D&C Tender - Boral Resources	44.96M
Provision for Biosecurity costs	4.2M
Project Manager – Aileron Edge	0.2M
Total Approved Project Costs	\$49.36M

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On 3 April 2019 confirmation was received from the Commonwealth that the Council had been successful in its application for \$43M to assist in funding the Project.

Key dates

- * 5 September 2019 - commencement of work to construct a groyne in Ball Bay to enable Boral to barge in equipment and materials. Construction of Groyne completed in early October
- * 15 October 2019 – first barge arrived with heavy equipment
- * 18 March 2020 – resurfacing of runway and taxiways commenced
- * 21 August 2020 – all airfield works completed and practical completion certificate submitted by Boral
- * 4 December 2020 – Last Boral Demobilisation barge departs Norfolk Island

RELEVANCE TO THE STRATEGIC PLAN AND RESOURCING STRATEGY

Objective 5 – Our community is a great place to live and visit

DISCUSSION

The total cost of the Project is \$47.83M, including the Principal Contractor costs and other Project costs incurred separately by Council. These are detailed below in *Table 1 – Project Costs & Funding Sources*, with a further breakdown of Principal Contractor costs in *Table 2 – Payments made to Principal Contractor*. Sources, with a further breakdown of Principal Contractor costs in *Table 2 – Payments made to Principal Contractor*.

Project Costs	\$,000,000
Principal Contractor - Boral Resources (refer Table 2)	46.46
Project Management - Aileron Edge	0.53
Technical Advisor - Airport Pavement Engineering Specialists	0.32
Misc expenditure incurred by Council (note 1)	0.32
Legal & Audit Costs	0.20
Total Costs	47.83

Funding	\$,000,000
Commonwealth Government contribution	43.00
Norfolk Island Regional Council contribution	4.83
Total Funds	47.83

Table 1 Project Costs & Funding Sources

Note 1 Costs incurred by Council in preparation for, or during the, project such as geotechnical reports, tender costs, removal of infrastructure

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Principal Contractor			\$,000,000
Contract Price			44.96
Payments made under contract			
Costs incurred per Contract schedule			43.44
Contract Variations	Biosecurity Costs (note 2)	3.74	
	Additional costs due to COVID (note 3)	1.00	
	Miscellaneous minor variations (note 4)	0.32	
	NIRC Waste management levy waived (note 5)	-1.84	
	Boral Equipment purchase (note 6)	-0.21	3.01
Total Claims			46.46

Table 2 Payments made to Principal Contractor

Note 2 Costs associated with cleaning material at source and mitigating risks of contamination

Note 3 Costs associated with delays resulting from Declaration of Emergency and restricted entry requirements

Note 4 Smaller variations - upgrade lighting from halogen to LED, Asbestos removal, fence replacements, installation of new Drains

Note 5 Reduction in estimate of waste levy provided for in contract

Note 6 There was a \$1.173M provision in the contract for the purchase of vehicles/ equipment that would be used on the project and then transferred to NIRC after the project was completed. 2 of the vehicles were not required and the costs associated were refunded against the project.

Council's investment in the project will be \$4.83M after allowing for the \$43M funding contribution from the Commonwealth. For this investment Council has.

1. ensured the Airport runway is fully functioning and compliant for the next 10-12 years, securing a vital economic link for the Island.
2. taken possession of vehicles and equipment valued at ~\$1M, including 2 dual cabs, a Pneumatic tyre roller, a steel drum roller, and two skid steers.

GOVERNANCE/POLICY IMPLICATIONS

Nil

LEGAL IMPLICATIONS

Nil

ENVIRONMENTAL IMPLICATIONS

Nil

SOCIAL IMPLICATIONS

Other benefits that have accrued to the Community from the Project are.

1. The Boral project team injected an estimated \$4.5M+ into the local economy during the COVID-19 triggered tourist downturn. This was vital in enabling local businesses, such as

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accommodation houses and food/beverage outlets, to keep operating and employing locals, in difficult economic circumstances.

2. Council was able to engage Boral under a separate contract to reseal 9km's of the Island's most heavily used roads while on Island undertaking the Airport Reseal project.
3. Members of the community were able to purchase machinery, materials, services, and equipment from Boral when the Project was completed. Council also took the opportunity purchase additional equipment, over and above the equipment included in the contract (noted above) including a skid mounted spray truck, power screen, and with assistance from the Commonwealth, the Desalination unit bought to the Island by Boral. This investment by Council ensures older equipment/machinery can be replaced and adds additional capability for Council to provide services for the community.
4. Council staff and other community members were provided opportunities to learn new skills when employed by Boral at various times during the project.

FINANCIAL IMPLICATIONS

The final claim from Boral Resources has been submitted for payment certification by Council and has been included in the total cost reported above (\$47.83M).

CONCLUSION

Council's investment in the Project (\$4.83M) was a significant, but necessary, commitment of Council's cash reserves. In combination with other related cash commitments that arose from having Boral on the Island, such as the Roads Resealing project and equipment purchases, it has however undoubtedly been a contributor to the challenging cash position the Council now faces.

The Funding Agreement with the Commonwealth (\$43M) required a commitment from the Council to contribute any shortfall of funding for the Project, over and above any funding provided by the Commonwealth of Australia. However the Council's decision to proceed must be measured against the risk of having a potentially non-compliant and unsafe airport runway, and the implications this would have for the local Norfolk Community particularly tourism, freight, and medical evacuation.

Analysis of the quantum of Council's investment must also note.

- (a) the impact that the COVID pandemic, and the State of Emergency declared on Norfolk Island, had on project costs (an increase of \$1M),
- (b) the additional costs incurred for Biosecurity measures (\$3.7M) in response to community concerns and Commonwealth requirements, over and above what had been required with previous airport reseal projects.

As identified above there have been benefits that have accrued to the Norfolk Community, which represent a financial pay back to the Community from Council's investment either,

- (c) directly by the cash injection into the local economy from Boral Staff and contractors while on Island (~\$4.5M), and
- (d) indirectly via new equipment replacing old equipment with high maintenance costs together with improved skill sets for council staff and community members, providing more service capability and efficiency.

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A regular maintenance schedule for the Runway and aprons is being implemented to maximise the useful life of the new pavements. Council staff will also be developing strategies to ensure that issues identified during the Project such as, but not limited to, the sourcing of materials and the preparedness of local contractors, are addressed and planned for before the next pavement reseal is scheduled.

Council also acknowledges the efforts of the Principal contractor, Boral Resources, and Council's Project Manager, Aileron Edge, to deliver the Project in difficult economic circumstances, with minimal disruption to passenger movements. Of note there were no time lost injuries in over 123,000-man hours taken to deliver the Project

RECOMMENDATION

That Council notes

1. The total cost of the Norfolk Island Airport Pavement Repair and Reconstruction Design and Construct Project ("Project") is \$47.83M, including the Principal Contractor costs and other Project costs incurred separately by Council.
2. Council's investment in the Project is \$4.83M after allowing for a \$43M funding contribution from the Commonwealth.
3. Council acknowledges the efforts of the Principal Contractor and Project Manager in delivering the Project under difficult economic circumstances.
4. Council staff have commenced a regular maintenance schedule for the Airport runway and aprons to maximise the useful life of the new pavements

Planning will commence in 2021/22 to begin preparing for the next scheduled pavement reseal.

ATTACHMENTS

Nil