

[ DOCVARIABLE "DVCOMMITTEENAME" \\* CHARFORMAT ] AGENDA[ DOCVARIABLE "DVDATEMEETINGFOR"

[ DOCVARIABLE "DVITEMNUMBERMASKED" \\* CHARFORMAT ] [ DOCVARIABLE "DVSUBJECTWITHSOFTRETURNS" \\* CHARFORMAT ]

Author: [ DOCVARIABLE "dvAuthor" \\* Charformat ], [ DOCVARIABLE "dvAuthorTitle" \\* Charformat ]

The Council is satisfied that, pursuant to Section 10A(2) of the *Local Government Act 1993*, the information to be received, discussed or considered in relation to this agenda item is:

- di commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it
- dii information that would, if disclosed, confer a commercial advantage on a competitor of the council
- diii information that would, if disclosed, reveal a trade secret.

## SUMMARY

The purpose of this report is for Council to approve the successful tender for the Airport Pavement and Repair Resurfacing Project.

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## BACKGROUND

Regional Procurement called an open Single Source tender on behalf of Norfolk Island Regional Council regarding its requirements for the Airport Pavement Repair and Resurfacing Design and Construct (D&C) tender.

The tender was advertised in the following media, and closed 18 December 2018:

- Sydney Morning Herald and TenderLink on 18 September 2018
- Norfolk Island Government Gazette on 14 September 2018

## RELEVANCE TO THE STRATEGIC PLAN AND RESOURCING STRATEGY

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

## DISCUSSION

Twenty four (24) sets of tender documents were downloaded from the Tenderlink Portal resulting in three (3) full tender submissions.

Three (3) tenders in total were received from:

- Boral Resources (QLD) Pty Ltd
- Fulton Hogan Industries Pty Ltd
- Pensar Construction Group Pty Ltd

Each panel member assessed the three (3) tenders separately and as a panel at the tender evaluation conducted on Wednesday 16 January 2019 at Norfolk Island Airport by:

- Lotta Jackson – General Manager
- Bruce Taylor – Manager Group Services
- Alistair Innes-Walker – Manager Commercial Services
- Alan Buckley – Manager Infrastructure & Services
- Anthony Allen – Airport Operations Manager

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- Dr Greg White – Airport Pavement Engineering Specialists APES
- Peter Salafia – Manager Regional Procurement (facilitator)
- Michele Partland – Probity Advisor (observer capacity)

The evaluation summary can be seen below:

Evaluation Criteria	BORAL	FULTON HOGAN	PENSAR PROJECTS
Price	\$45 M		
Physical / Human Resources	Very good staff and sub-contractors	Excellent staff and sub-contractors	Acceptable staff and sub-contractors
Contract Program	Good with construction Feb 2020 to July 2020	Detailed with construction Nov 2019 to May 2020	Good with construction Feb 2020 to July 2020
Previous Experience	Excellent previous experience and Excellent reference checks	Excellent previous experience and Good reference checks	Limited previous experience and Good reference checks
Methodology	Very good methodology	Excellent and detailed methodology	Limited and brief methodology
Technical Solutions	Excellent asphalt/concrete mixture and Very good other design details at tender stage	Excellent asphalt mixture, Limited concrete mixture and Excellent other design details at tender stage	No asphalt mixture, Limited concrete mixture and Limited other design details at tender stage

**Panel Assessment**

Tender No.: SPT171819NIRC	Weighting	Tender Name: Airport Runway Resheeting		
Evaluation Criteria	%	BORAL	FULTON HOGAN	PENSAR PROJECTS
Tender Price - Lump Sum	30.00	30.00		
		\$44,898,007.00		
<b>Total Price</b>	<b>30</b>	<b>30.00</b>		
Quality Assurance	Pass/Fail	PASS	PASS	PASS
Work, Health & Safety	Pass/Fail	PASS	PASS	PASS
Environmental	Pass/Fail	PASS	PASS	PASS
Physical / Human Resources	10.00	8.58	9.67	8.08
Contract Program	10.00	7.83	8.67	8.00
Previous Experience	10.00	9.00	8.75	7.50
Reference Checks	10.00	9.60	6.53	6.60
Methodology	15.00	12.08	12.75	11.92
Technical Solutions	15.00	10.00	10.00	5.00

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Total	100	87.10	
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Boral Resources (QLD) Pty Ltd scored the highest in the Evaluation Matrix and submitted the lowest price (which was weighted at 30% of the evaluation criteria). Please see the full details in the Tender Evaluation Report in **Attachment 1**.

Boral has indicated in their submission that their price does not include treatment of bulk aggregate and sand for transport to Norfolk Island. This is 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, has estimated an amount of \$4,200,000.00 to cover such a cost, should it be required. We will work with Boral and biosecurity to source the cleanest material source possible to minimise the biosecurity risk, and therefore reduce the cost.

In response to the potential additional cost, Dr Greg White, Airport Pavement Engineering Specialists APES, has estimated potential cost savings as follows: (Note that these potential opportunities would need to be discussed with Boral, and they are only estimates at this point in time)

- Removal of concrete pads and replace with asphalt resurfacing. \$3 M – already identified by Boral.
- Removal of the southern portion of Runway 04/22. 900 m<sup>3</sup> of asphalt at \$1006 = \$900 k, plus portion of overheads and barging = \$1.5 M – but the cross runway will be reduced by 600 m length.
- Reduce the northern portion of Runway 04/22 from a runway to a taxiway. 1250 m<sup>3</sup> of asphalt at \$1006 = \$1.2 M, plus taxiway lights instead of runway lights, plus a portion of overheads and barging = \$2.0 M – but no cross runway.
- Removal of purchasing and supply of equipment for NIRC. \$1.1 M, plus potential for a portion of the barging saving.
- Remove AGL upgrade from the scope. \$3.0 M. But this still needs to be done and will need to form a separate project. However, it is less time critical than the pavements, which are at risk of imminent failure.
- Deletion of the ‘Other works directed by the Principal’ PC sum. \$300 k.
- Explain the limited input required by the designer, because Boral have allowed a lot more than I believe is necessary. \$100 k.

Further, Dr White has highlighted that all tenderers offered to re-establish the Cascade Quarry. However, none offered to do so completely at their risk (regarding quality, time and cost). The problem with that offer is:

- Volume estimated to be available in the current NIRC environmentally approved area. 15,000 tonnes.
- Volume required for the job. 30,000 tonnes.
- Based on a Commonwealth EIS, quarry design, development approvals and likely land resumptions, it is estimated a minimum 2 years to gain approvals for an expanded quarry operation.
- The runway is unlikely to remain serviceable over that timeframe.
- If the runway becomes unserviceable during that period, even localised emergency works will require an asphalt plant to be imported, as well as sand, bitumen and construction equipment (likely six months to organise).

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Please also see attached *Norfolk Island Airport Risk Assessment (Attachment 2)* as a result of CASA indicating that such a risk assessment would be required (**Attachment 3**).

As mentioned on several occasions, documents have been available for viewing by the Councillors in the General Manager's office, including the CASA surveillance report (November 2017) that detailed airport pavement deficiencies which resulted in the issuing of a "Safety Observation".

The words used in the CASA standards (safety finding and observation) are not in all circumstances prescriptive enough for a "safety finding" to be issued. Where a "safety finding" is not issued, CASA may issue a "Safety Observation". A safety observation may be perceived to be a lower level of finding but it is still formal notification to the authorisation holder that there is an issue to address to ensure safe operations.

The CASA required *Aerodrome Technical Inspection Survey 2017*, conducted by Mr Andrew Stewart, Jasco Airport Services, also issued an "Observation" for the deteriorating condition of the airport runway.

Due to the seriousness of the situation, Council immediately (January 2018) engaged Dr Greg White, on recommendation by CASA and Office of Transport Security (OTS), to commence the project to rectify the urgent repairs to the apron and maintenance on the runway (completed in June 2018), and commenced the planning for the Airport Pavement and Repair Resurfacing Project that is now before Council.

CASA and JASCO have been informed of the progress to date, and the *Aerodrome Technical Inspection Survey 2018*, when mentioning the failings of the pavement, states that "Plans are currently underway to have the runway overlaid again" and "A pavement engineer has been engaged to assist with the planned overlay" (pp 1-2). This report has been forwarded to CASA.

Council received on 14 February 2019, the *Grant Opportunity Guidelines for the Resurface of Norfolk Island Airport (Attachment 5)*. The introduction to the guidelines, section 1, refers to the CASA surveillance report and specifies that the objective of the grant opportunity is:

- to ensure that Norfolk Island Airport runways and apron are resurfaced to address the relevant safety observations identified in the 2017 CASA assessment.
- to provide safe access to Norfolk Island by large commercial aircraft.

## GOVERNANCE/POLICY IMPLICATIONS

Council acceptance of tenders is addressed in clause 178 of the Local Government (General) Regulations 2005. The relevant paragraphs are reproduced below, the complete clause is attached in **Attachment 4**.

### ***178 Acceptance of tenders***

- (1) After considering the tenders submitted for a proposed contract, the council must either:*
- (a) accept the tender that, having regard to all the circumstances, appears to it to be the most advantageous, or*
- (b) decline to accept any of the tenders.*

## LEGAL IMPLICATIONS

It is a requirement to have the airport pavement safe in accordance with CASA standards, for aircraft to be able to land.



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## ENVIRONMENTAL IMPLICATIONS

We will work with Boral and biosecurity to source the cleanest material source possible to minimise the biosecurity risk.

## SOCIAL IMPLICATIONS

To decline to accept any of the tenders would delay the reseal of the runway with the strong possibility of the runway becoming unserviceable.

## FINANCIAL IMPLICATIONS

Council budgeted for \$2million in this year's budget (2018/19) for the planning and preparation of this project and to date we have committed \$500,000. The remainder of this budget will continue to be used for the planning phase of this project.

The cost of the project, from the recommended tenderer is \$44.898 million. The Assistant Minister for Regional Development and Territories has advised that Commonwealth funds are available for this project.

Council has been informed that the amount of funding available is \$43million, and for this funding to be available, a set of conditions must be met, starting with the support of the elected body. The funding guidelines specifically states:

*"You must provide evidence from your Elected Members that the project is supported, can be completed within specification and that the Council will meet any costs of the project not covered by grant funding."*

*"We cannot waive the eligibility criteria under any circumstances".*

Therefore, Council (the elected members) is required to be supportive of the project and be prepared to pay for any funding shortfall. Boral's costing is close to the available grant funding, and it is anticipated that negotiations will be possible to find savings. This will minimise the cost to Council and, it is recommended that any such outlay by Council, will be in the form of a loan held by the airport.

The cost of not resealing the runway would be measured against the situation of being unable to land passenger, freight and medical evacuation aircraft. Also see Risk Assessment with the rated risk as 9 "Catastrophic".

## CONCLUSION

The Tender Evaluation Panel recommends acceptance of the Boral Resources (QLD) Pty Ltd tender rather than declining to accept any of the tenders.

To secure the funding for the project, Council is required to resolve to support the project and cover any shortfall in funding.

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## RECOMMENDATION

That

1. Council, the Elected Members, supports the Airport Pavement Repair and Reconstruction Design and Construct (D&C) Project;
2. Council approves Boral Resources (QLD) Pty Ltd to be awarded contract SPT171819NIRC as the Single Source supplier to Norfolk Island Regional Council for the Airport Pavement Repair and Reconstruction D&C Project;
3. Council contributes any shortfall of funding for the project, over and above the funding provided by the Commonwealth of Australia, by way of a loan from the Norfolk Island International Airport Government Business Enterprise.

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## ATTACHMENTS

1. **Evaluation Report Pavement Repair and Resurfacing Design and Construct Project**
2. **Norfolk Island Airport Risk Assessment**
3. **Email from CASA**
4. **Acceptance of Tenders - section 178 Local Government (General) Regulations 2005**
5. **Grant Opportunity Guidelines - Resurface of Norfolk Island Airport**