

# Armidale

Regional Council

BUSINESS PAPER

EXTRAORDINARY MEETING OF COUNCIL

To be held on

Tuesday, 20 December 2016  
9am

at

Armidale Council Chambers

**Members**

Administrator, Dr Ian Tiley

AGENDA

INDEX

1	Civic Prayer and Recognition of Traditional Owners Advice regarding Taping of Meetings	
2	Declarations of Interest	
3	Have Your Say On An Agenda Item	
4	Reports of Officers	
4.1	Our Infrastructure	
4.1.1	Airport Master Plan.....	3
4.1.2	Armidale Regional Airport Terminal Tender and Airport Projects .....	6
5	Closed Session	

---

<b>Item:</b>	4.1.1	<b>Ref:</b> AINT/2016/09386
<b>Title:</b>	Airport Master Plan	<b>Container:</b> ARC16/0757
<b>Author:</b>	Airport Manager / Project Management Office	
<b>Attachments:</b>	1. Armidale Regional Airport - Master Plan 2. Airport Master Plan - Review of Public Submissions 3. Airport Master Plan - Submissions Received	

**RECOMMENDATION:**

- a) **That the Airport Master Plan having been placed on Public Exhibition for 42 days from 22 June 2016 be adopted by Council for implementation with the inclusion of the following:**
- **Under the ‘Opportunity’ Section of the Master Plan, “the nationally and internationally significant and historic Saumarez Homestead and property is in close proximity to the Airport and road access is presently through the airport precinct. The Master Plan envisages improved road access from the proposed New England Highway roundabout with strategic screening by avenue plantings along the access road”; and**
  - **Reference to Corporate Air be updated to reflect the services currently being offered.**
- b) **The Airport Master Plan annexure noting project timing and budgets be updated when more accurate detail becomes available.**

**Introduction**

As part of Council’s overall Master Plan framework, the Airport Master Plan having been placed on Public Exhibition for 42 days from 22 June 2016, is now proposed for adoption. The Master Plan identifies a comprehensive upgrade of the airport terminal, airport apron, runway, vehicle parking and a range of development projects aimed at driving economic and employment growth.

**Report:**

The Master Plan process seeks to identify key initiatives that will inform and be reflected within Council’s Strategic Plans to direct its energy and resources over the coming 20 year planning horizon. The Airport Master Plan was developed over a period of 18 months during which time extensive research was undertaken to identify future trends in aviation, commercial property development and how Armidale’s economic growth could best be supported. The key focus of the Master Plan is to enable and to drive economic and employment growth.

The process to develop the Master Plan includes a significant level of stakeholder engagement from the initial development of a concept, through to the formulation of a final documented plan. The Airport upgrade plan is a comprehensive document that addresses a planned upgrade of the airport terminal, the airport apron, runway and car parking. The plan also details several development proposals to provide fully serviced lots for business offices, commercial development, a highway service centre, hotel and serviced lots suitable for aviation related businesses requiring direct access to the main runway.

During the exhibition period, a number of public submissions (4) were received together with a letter of support. These have been listed in the attached table of comments and suggestions tabulated together with Council’s response in each case. This table should be read as part of this report.

### **Community Engagement and Internal Consultation**

Extensive internal and external consultation has been undertaken. The consultation process incorporated a high level of stakeholder, community and internal staff involvement. The engagement process follows a sequence of initial stakeholder engagement, concept plan development, community discussion and feedback, councillor review and endorsement and finally, adoption for public exhibition and community input.

Internal engagement included extensive discussion with all related council departments/stakeholders including engineering, planning, finance, communications and airport staff.

Community engagement included, but was not limited to:

- All airport stakeholders/tenants
- Airport consultants and architects including Rehbein and Airports Plus
- Armidale Regional Airport User Group (ARAUG)
- Roads and Maritime Services
- Developer presentation held by Planning
- Armidale Regional Ratepayers Association (formerly Armidale Dumaresq Ratepayers Association)
- Service Clubs, including:
  - Rotary (x3)
  - Probus
  - Lions
- Community events including 'Pub Chats' held at the White Bull and New England Hotels
- Armidale Business Chamber
- Various community groups including B&B [Tourism] Association
- Rural Fire Service
- Qantaslink
- REX Airlines
- Various media releases and newsletters.

### **Financial Implications**

Funding for implementation of the Airport Master Plan is proposed from a number of sources including Federal and State funding, land sales and Council's current and future budget allocations. The funding for the three projects included in Item 4.1.2 is identified in that report.

### **Good Governance**

All aspects of the airport design have been undertaken in accordance with CASA regulations, MOS Part 139 and independently checked/audited by Airports Plus/Ray Oakley. Tendering for the design, project management and construction of the upgraded airport terminal has been undertaken in strict compliance with Council's procurement policy. Specification and design of the proposed new roundabout to be constructed on the NE Highways has been overseen by RMS.

### **Integrated Planning and Reporting Framework**

The Airport Master Plan has been prepared in support of the CSP strategic objective '*to upgrade the Armidale Regional Airport to ensure that it maintains regional status*'. The Master Plan also supports the dual strategic objectives of '*increasing tourism activity*' and '*stimulating economic activity*'. In particular, the Master Plan enables development of employment land, critical to the economic advancement of Armidale.

**Sustainability Assessment**

Maintenance of all works proposed in the Airport Master Plan has been considered in terms of sustainability and affordability. In many cases, such as the sale of land, the maintenance liability and the ongoing role of council has reduced with better lot layout and provision of services as a by-product.

---

<b>Item:</b>	4.1.2	<b>Ref:</b> AINT/2016/10190
<b>Title:</b>	Armidale Regional Airport Terminal Tender and Airport Projects	<b>Container:</b> ARC16/0594
<b>Author:</b>	Director Regional Services	
<b>Attachments:</b>	<ol style="list-style-type: none"><li>1. Armidale Regional Airport Terminal - Evaluation Matrix- <i>As this attachment deals with commercial information of a confidential nature that would, if disclosed, prejudice the commercial position of the person who supplied it (Section 10A(2)(d)(i) of the Local Government Act 1993). Council closes part of this meeting, in accordance with Council's Code of Meeting Practice, as consideration of this matter in open Council would be contrary to the public interest.</i></li><li>2. AW Edwards alternative staging approach (two stages)</li><li>3. Tender Process - External Probity Review- <i>As this attachment deals with commercial information of a confidential nature that would, if disclosed, prejudice the commercial position of the person who supplied it (Section 10A(2)(d)(i) of the Local Government Act 1993). Council closes part of this meeting, in accordance with Council's Code of Meeting Practice, as consideration of this matter in open Council would be contrary to the public interest.</i></li></ol>	

**RECOMMENDATION:**

**That Council;**

- a) **Accept from AW Edwards Pty Ltd a tender in the sum of \$8,982,684 (excluding GST) for the extension and upgrade of the Armidale Regional Airport terminal.**
- b) **Note the total estimated cost of the terminal upgrade is \$10.5 million (ex GST) inclusive of design, construction and project delivery management, with the same to be funded from State Government Regional Tourism Infrastructure funding of \$6.55 million, \$1.119 Commonwealth Development funding and the balance of \$2.831 million funded by Council through a combination of current 2016/2017 General Fund revenue provision (\$2.5 million) and balance from savings identified subsequent to the Armidale Regional Council merger.**
- c) **Note the occurrence of a meeting with the Hon Barnaby Joyce on 12th December 2016 where the Administrator sought additional Commonwealth funding towards the terminal upgrade and on 14th December a submission thereon was provided to the Deputy Prime Minister.**
- d) **Endorse the immediate commencement of design work for the airport apron upgrade and extension and for the calling of tenders as soon as possible for this project whose estimated total cost is approximately \$3.1 million (ex GST).**
- e) **Note the NSW State Government has committed \$1.5 Million of State Regional Tourism Infrastructure funding for the apron upgrade, and that the balance of the apron project funding is currently being sought from the Commonwealth.**
- f) **Note recent representation to the Commonwealth has included a meeting with the Hon Barnaby Joyce on 12th December 2016 (where the Administrator sought Commonwealth**

**funding towards the apron project) and a follow up submission to the Deputy Prime Minister dated 14th December.**

- g) Be provided in the first quarter of 2017 a report on airport paid overnight car parking options, with a recommended preferred option for introducing airport car parking fees to help build sustainable airport reserves and fund future capital expenditure.**
- h) Note that in the event of the Commonwealth not providing grant support, Council fund its share of the airport apron project through an interest only loan, with interest offset by the introduction of airport parking fees.**
- i) Fund its share of the \$3.1 million ex GST Highway Roundabout total project cost through an interest only loan, with interest offset by parking fees recognising the balance of the Highway Roundabout to be funded from: promised State Government \$1million contribution, required contribution from the developer on eastern side of the New England Highway, and the probability of \$1 million of Commonwealth matching contribution given the recent Federal election campaign promise of the Hon Barnaby Joyce.**
- j) Implement in respect to any borrowing required for any of these three airport projects a sinking fund from 2017-2018 budget onwards to repay principal in full at the end of the loan term.**
- k) Note all projects should be complete in 2018 subject to the provision of promised State and Federal funding.**

**Introduction:**

Armidale Regional Airport serves the Northern Tablelands community from Walcha to the south and Glen Innes to the north.

Regional customer demands have outgrown the existing terminal space with three airlines (Qantas, REX and Fly Corporate) serving the region providing direct flights to Sydney and Brisbane.

Council's airport masterplan identifies a series of airport related work that will over time stimulate and facilitate economic growth. The three most important projects are;

- a) The Armidale Regional Airport Terminal upgrade and extension to cater for growing northern tablelands passenger movement;
- b) Extension of the existing airport apron to compliment aircraft parking and passenger movement needs and,
- c) The New England Highway Roundabout that will serve highway traffic accessing the future airport industrial subdivision and service centre.

The upgrade and extension of Armidale Regional Airport Terminal has for some time been flagged as a regional priority through Council's Community Strategic Plans, Council's draft Airport Master Plan and business cases citing the airport as one of the major catalysts for economic development and jobs growth in the region.

A sustainable financial way forward for delivering the three major airport projects has been identified.

The airport terminal upgrade project will now commence consequent to representations from State MP Adam Marshall and joint funding from the NSW Government, the Federal government and Armidale Regional Council.

This report addresses the financial delivery of the terminal, apron and roundabout along with project delivery status.

The acceptance of a tender for the airport terminal is a major milestone for regional development and progress at both Armidale Regional Council and the wider NSW Northern Tablelands region.

**Report:**

**1. AIRPORT TERMINAL**

The status of progress on the airport terminal is as follows;

- a) The updated estimate for the project is \$10.5 million ex GST.
- b) Council had allowed in its 2016/2017 budget to fund \$2.5 million of the airport terminal project from its general fund. Current Federal funding is \$1.119 million and a Deed of Agreement there on will come to Council when received early in 2017. The NSW State Government is committed to providing \$6.55 million by way of an existing Deed of Agreement. In the context of the above funding and revised \$10.5 million estimate allowing for the existing preferred construction tender, design and project management, Council will need to raise approximately \$331,000 to fund the terminal. Such can be accommodated from 2016/2017 budget savings identified as part of the Council merger process.
- c) The terminal project has been the subject of an open tender process which is discussed below.

Project development and terminal design has spanned the last two financial years. Tight robust contract documentation was developed as between Council's consultants GHD Woodhead Pty Ltd and Council's Director of Regional Services. The tender documents and the associated risk allocation were reviewed by Clifton Legal, Armidale.

The tender process commenced on 6 September 2016 with advertising on Tenderlink and within metropolitan and local newspapers. A briefing and information session was held on site for all tenderers.

Three tenders were received from major construction contractors. All tenders exceeded Councils' pre tender budget prepared by an external quantity surveyor consultancy. However it is important to note that range of price between the bids was narrow with \$217, 148 separating the lowest and highest price tenders. This indicates the tenders are not overpriced and reflect the real cost of the project.

Council's base conforming tender called for a construction methodology that split the construction into four stages. Tenderers were invited to provide alternative approaches along with their benefits. The recommended tender known as Alternative Two provided by AW Edwards is a two stage construction approach created from:

1. Aggregating base conforming tender stages one and two for the western terminal extension and associated civil works, and
2. Aggregates base conforming tender stages three and four for the northern extension of the terminal and existing terminal refurbishment.

The demarcations for the alternative two stage approach is shown in report attachment three "AW Edwards alternative staging approach (two stages)".

Physical works should commence in early 2017 and be completed by Christmas 2017 unless weather delays dictate otherwise.

Council considered providing a temporary terminal for passengers and thereby one set of operating conditions throughout the project duration, in lieu of operating out of the existing terminal during staged construction. However, this was estimated to cost an additional \$200,000 to \$300,000 which could not be justified.

Specific baggage and passenger security screening options will not be implemented at this time. The timing of security screening implementation will be subject to future funding availability and changes in operational requirements dictated by either Federal Aviation Security or the introduction of larger aircraft operating out of Armidale (i.e. Dash Q-400).

Notwithstanding the above, the recommended tender achieves;

1. Facility space increase needs,
2. Architectural finishes and fit out intent outlined in past media, and
3. Delivery of a quality air terminal facility pivotal to regional growth needs.

The recommended AW Edwards tender Alternative Two presents Council with an achievable program, minimal business disruption and is considered to be best value for money.

## 2. AIRPORT APRON.

The status of progress on the airport apron is as follows;

- a) Concept design is complete.
- b) The project has been estimated at \$3.1 million ex GST and this estimate has been checked by a third party project delivery company.
- c) The NSW State Government through the Regional Tourism and Infrastructure fund has committed to a \$1.5 million grant via a signed Deed of Agreement. Council needs to fund the project balance.
- d) Geotechnical testing of onsite materials is needed along with detailed design.
- e) The preferred method of project delivery is consultant engagement to undertake detailed design and project management of a subsequent contract for the construction build.
- f) The appointment of a consultant to undertake geotechnical work, detailed design, engagement of an apron construction contractor and subsequent contract management will occur in the first half of 2017.
- g) The tender documentation for the consultant engagement will be available to go out to tender in January 2017.

## 3. NEW ENGLAND HIGHWAY ROUNDABOUT.

The roundabout project status is;

- a. Design is near complete.
- b. Third party quantity surveyor estimates in the amount of approximately \$3.1 million have been obtained.
- c. Council has received RMS advice that State's contribution of \$1 million will not be available until 2017/2018 and the Federal funding promise of \$1 million is yet to be confirmed with a formal agreement.

- d. Council needs Development Application approval to its industrial subdivision for which the roundabout is pivotal, and such at present is subject to the environmental consideration process.
- e. The intended delivery approach is via contract and project delivery could be accomplished over approximately 6 months from the letting of a contract.
- f. The most probable timeframe for all project delivery pre-requisites being satisfied is during the 2017/2018 financial year.

### **Community Engagement and Internal Consultation**

The airport terminal project has been the subject of external engagement via the master planning process, meetings and presentations to stakeholders during the design process, and through briefings on progress to the Armidale Regional Airport Users Group which represents stakeholders across the NSW Northern Tablelands region.

Internal consultation has occurred through project teams initiated for the separate project stages of 'development' and now 'delivery'. Community consultation and engagement will occur as part of airport fee adjustments and or the introduction of new parking fees to cover new capital expenditure costs.

### **Financial Implications**

Council's 2016/2017 budget makes allowance to fund the terminal in the amount of \$2.5 million.

In the context of progressing all three airport projects Council needs to fund approximately \$5.2 million in total, or \$2.7 million after allowance for the existing \$2.5 million 2016/2017 budget provision.

Potential options for funding the \$2.7 million balance are:

1. Extra Federal support.
2. Part allocation from the \$9 million Stronger Communities Fund.
3. Making part use of \$2.1 million of potential 2016/2017 funding adjustments, savings and project deferrals that were identified by the Executive leadership team (note such to be confirmed at the December 2016 budget review).
4. Use of interest only loans to deal with the Council funding contribution requirement in the event of Federal assistance not materialising.
5. A combination of the above.

Regarding extra Federal funding support, such appears to be a possibility following a meeting involving Council's Administrator and the Hon Barnaby Joyce on 12 December 2016 (where at the Administrator sought Commonwealth funding towards the apron project) and subsequent follow up written submission to the Deputy Prime Minister dated 14 December.

If loans are to be pursued as a means of project finance, Council needs to be mindful of the following;

1. An interest only loan commits Council to interest repayments over the term of the loan with the entire principal being due at the end of the term.
2. The best value for Council focuses on sourcing loan funding from NSW Treasury Corporation (T-Corp). Council will need to provide an updated Long Term Financial Plan including the expected loan commitments to T-Corp, prior to the approval and release of funds. This report can be prepared following the second quarter (December) review of Councils 2016/17 budget.

3. Additionally, sound financial management dictates that a sum equivalent to the annualised principal should be set aside as a “sinking fund” to repay that loan at the conclusion of the term. As an example, if the Council borrows \$2 Million over 5 years, it needs to set aside \$400,000 (as cash) each year to repay the loan at the end of the term. This process requires a sound financial strategy supported by the organisation.

For any financial strategy looking at long term financial sustainability, an updated review of potential revenue streams is needed along with more use of the ‘user pays’ principle via the introduction of paid overnight parking on the Council airport carpark consistent with other regional airports. This will assist with long term financial sustainability and help pay for airport capital expenditure services being developed. At present, options for paid parking need further investigation and community engagement.

#### **Good Governance (Terminal Upgrade Project)**

The procurement for the terminal construction contract followed a Procurement Plan V2.1 written by the Director of Regional Services specifically for the terminal procurement. It contained procedural requirements and process pertaining to probity and process.

The tender evaluation process by a panel of three Council staff and one external consultant required assessment of ‘Non Price’ criteria first, devoid of financial data so that due consideration could be applied to the tender submissions without the influence of knowing tender prices. Then tender prices were evaluated and clarifications sought from all tenderers. Dunn & Bradstreet (D&B) financial and outstanding legal action reports were undertaken on the two tenderers scoring the highest points ranking.

The recommended tender from AW Edwards Pty Ltd was scored as providing best value for money in all criteria.

Probity compliance has been validated by independent parties external to Council (i.e. the summary from Clifton Legal states - “Having undertaken a review of the Tender and Evaluation Process, we are satisfied that Council has complied with the Probity and Procurement processes in accordance with the Plan. We note our comments above in relation to the minor issues identified. It is our opinion that these variations are of a minor nature, and do not unfairly prejudice or favour any tendering party. We believe that the aims of Council’s Probity Policy and the Plan have been met and that the process identified has been adhered to. We are satisfied that the process has been transparent, conducted at arms-length, and been fairly applied to all parties”.

#### **Integrated Planning and Reporting Framework (Terminal upgrade project)**

This project features in the current Community Strategic Plan, Operational Plan and Delivery Plan.

#### **Sustainability Assessment (Terminal upgrade project)**

As part of the tender process, assessment was made of savings alternatives provided by tenderers. Unfortunately most purported savings required use of materials needing increased long term maintenance or a foundation/structural approach which would both delay the project with redesign and generate long term extra maintenance cost potential for Council. Council has been mindful of the need to not only fulfil design intent, but also obtain best ‘whole of life’ outcomes consistent with sustainability consideration.