



Special Meeting

Council Chambers
Date: 5 September 2018
Time: 9:00am

AGENDA

THE SPECIAL MEETING OF THE MAREEBA SHIRE COUNCIL WILL BE HELD AT COUNCIL CHAMBERS, ON **WEDNESDAY, 05 SEPTEMBER 2018** AND THE ATTENDANCE OF EACH COUNCILLOR IS REQUESTED.

PETER FRANKS
CHIEF EXECUTIVE OFFICER

ORDER OF BUSINESS

MEMBERS IN ATTENDANCE

APOLOGIES/LEAVE OF ABSENCE/ABSENCE ON COUNCIL BUSINESS

BEREAVEMENTS/CONDOLENCES

DECLARATION OF ANY MATERIAL PERSONAL INTERESTS/CONFLICTS OF INTEREST

CONFIRMATION OF MINUTES

BUSINESS ARISING OUT OF MINUTES OF PREVIOUS MEETING

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INFRASTRUCTURE SERVICES

TECHNICAL SERVICES

ITEM-1 **VARIATION TO CONTRACT TMSC2017-27 MAREEBA AIRPORT UPGRADE PROJECT**

MEETING: Special

MEETING DATE: 5 September 2018

REPORT OFFICER'S TITLE: Director Infrastructure Services

DEPARTMENT: Infrastructure Services

EXECUTIVE SUMMARY

The purpose of this report is to recommend approval of a variation to contract TMSC2017-27 Mareeba Airport Upgrade - Construction of Airside Infrastructure.

FGF Developments Pty Ltd was awarded the tender for Contract TMSC2017-27 at Council's Ordinary Meeting on 21 March 2018. The tendered scope of works consists of the extension of the Aviation Commercial Precinct (Stage 1) under Separable Portion A and Airside Works (Stage 2) under Separable Portion B. The contract was structured under separable portions based on the available funding to provide the opportunity for work to commence on the Aviation Precinct while further funding was sought for the runway and taxiways.

The Australian Government announced on 10 July 2018 a further \$5 million commitment towards Stage 2 of the Mareeba Airport Upgrade project under the Building Better Regions Fund (BBRF). A deed of agreement between the Australian Government and Council was executed on 30 August 2018 to secure the additional funding for further upgrade of the runway and taxiways. Of the additional \$5 million of funding, 20% of the costs will be allocated to design, project management, CASA approvals and contingency, with the remaining \$4 million available for construction costs. This brings the total available funding for construction of the runway, taxiways and airfield lighting to approximately \$8.255 million.

Council has invited FGF Developments Pty Ltd to provide pricing for construction of the amended scope of works for Separable Portion B as a variation to contract TMSC2017-27. It is proposed to undertake this work as a variation to the current contract as it presents value for money and will help ensure that Council is able to deliver the additional scope of works in accordance with the timeframes stipulated in the deeds of agreement with the funding contributors.

OFFICER'S RECOMMENDATION

"That Council:

1. Awards FGF Developments Pty Ltd the variation to Separable Portion B of Contract TMSC2017-27 Mareeba Airport Upgrade - Construction of Airside Infrastructure for further upgrade of the runway and taxiways as detailed in the deeds of agreement up to a value of \$4 million (excluding GST); and
2. Delegates authority to the Mayor and Chief Executive Officer to further negotiate with FGF Developments Pty Ltd and finalise the variation to Separable Portion B of Contract TMSC2017-27 Mareeba Airport Upgrade - Construction of Airside Infrastructure if required."

BACKGROUND

Funding

Council has received \$13 million from the Queensland State Government's Royalties for Regions program and \$5 million from the Australian Government's National Stronger Regions Fund towards the upgrading of the Mareeba Airport. Both these grants are for specific aspects of the project.

Additional funding was sought under the Australian Government's Building Better Regions Fund (BBRF) to undertake lengthening and strengthening of the runway, taxiways and airfield ground lighting, over and above that funded within existing grant arrangements.

The Australian Government announced on 10 July 2018 a further \$5 million commitment towards Stage 2 of the Mareeba Airport Upgrade project under BBRF. A deed of agreement between the Australian Government and Council was executed on 30 August 2018 to secure the additional funding for further upgrade of the runway and taxiways, increasing the total budget for the Mareeba Airport Upgrade project to \$23 million.

Of the additional \$5 million of funding, 20% of the costs will be allocated to design, project management, CASA approvals and contingency, with the remaining \$4 million available for construction costs.

Contract TMSC2017-27

The tender for Contract TMSC2017-27 Mareeba Airport Upgrade - Construction of Airside Infrastructure was awarded to FGF Developments Pty Ltd (FGF) following an extensive tender process.

Council first invited Expressions of Interest (EOI) for construction of the airside infrastructure before considering whether to invite written tenders from short-listed tenderers. Responses for EOI-MSC2016-04 - Expressions of Interest - Mareeba Airport Upgrade: Construction of Airside Infrastructure closed at 11:00am Tuesday, 31 January 2017 and ten (10) responses were received. Four (4) firms were selected and invited to tender on the work under Tender TMSC2017-04.

Tenders for TMSC2017-04 closed on 9 May 2017 and all tender submission prices exceeded the available budget. Council recalled these tenders following amendment of the scope of works and invited the four (4) shortlisted firms to re-tender under a new tender package, TMSC2017-27.

FGF Developments Pty Ltd was assessed as the preferred tenderer for Contract TMSC2017-27 Mareeba Airport Upgrade - Construction of Airside Infrastructure and was awarded the tender at Council's Ordinary Meeting on 21 March 2018. The scope of works consists of the extension of the Aviation Commercial Precinct (Stage 1) under Separable Portion A and Airside Works (Stage 2) under Separable Portion B.

A summary of the accepted tender price is as follows:

FGF Developments	Separable Portion A	Separable Portion B	Total
GST exclusive	\$8,701,784.92	\$4,254,067.43	\$12,955,852.35
GST inclusive	\$9,571,963.41	\$4,679,474.18	\$14,251,437.59

The contract was structured under separable portions to suit the funding available at that time, with the scope of work for Separable Portion B based on resurfacing the existing runway with no additional strengthening or lengthening. Meanwhile, further funding was sought under BBRF to lengthen and strengthen the runway.

Variation for amendments to Separable Portion B: Stage 2 - Airside Works

Following the announcement of the additional \$5 million commitment under BBRF, FGF was invited to provide pricing for the amended scope of works as a variation to Separable Portion B of Contract TMSC2017-27 to help ensure that Council is able to deliver the additional scope of works in accordance with the timeframes stipulated in the deeds of agreement. The pricing for the proposed variation to TMSC2017-27 is still being finalised by the contractor to ensure it complies with the available budget and scope as defined in the deeds of agreement.

Should Council proceed with this work as a variation to the current contract, the approved contract price for Separable Portion B would increase from \$4,254,067.43 to a maximum of \$8,254,067.43 (excluding GST).

The changes to the scope of work for Separable Portion B include lengthening of the runway by approximately 175 metres each end, strengthening of the existing runway and amendments to airfield lighting to suit the amended design.

In accordance with Section 4.11 of Council's Procurement Policy, variations should be considered in the context of whether the variation, in substance, alters the nature of the contract such that further or more favourable tenders may be received if the changes were to be advertised by tender.

In the case of the proposed variation to TMSC2017-27, it is considered that while the variation constitutes an alteration to the nature of the contract, it is unlikely that a more favourable outcome would result if Council invited tenders from the open market.

This is due to several reasons:

- Time and costs associated with dissolving Separable Portion B of Contract TMSC2017-27 prior to Council being able to invite open tenders for this work;
- Costs associated with re-tendering the amended scope of work would be significant;

- Time associated with re-tendering the amended scope of work would delay commencement of construction until after the 2018/19 wet season;
- Timely delivery of the amended scope of work as a variation to TMSC2017-27 does not require additional mobilisation as FGF is able to commence this work immediately using personnel and equipment already on-site, thus providing cost savings compared with establishment of new resources under a separate contract;
- The variation price offered by FGF for the amended scope of work has been compared with the tenders previously offered by FGF and other contractors under TMSC2017-04 and TMSC2017-27 and represents value for money;
- FGF has demonstrated adequate capacity and capability to deliver the amended scope of work based on performance to date under TMSC2017-27.

In consideration of the above, variation price offered by FGF Developments Pty Ltd for the amended scope of works under TMSC2017-27 Separable Portion B (Airside Works) has been assessed as the preferred option for delivery of the additional work.

RISK IMPLICATIONS

Financial

Latent conditions during the construction phase is a project risk and a nominal allowance has been made within the project budget to cover latent conditions and other variations.

As detailed in the funding agreements Council has signed with the State and Australian governments, Council is responsible for funding ineligible costs and overruns. Undertaking this work as a variation to the current contract will help ensure that Council is able to deliver the additional scope of works in accordance with the timeframes stipulated in the deeds of agreement with the funding contributors.

Infrastructure and Assets

Through strengthening the runway, the risk of pavement damage by larger aircraft will be reduced.

Political and Reputational

As detailed in the funding agreements Council has signed with the State and Australian governments, Council is required to meet various milestone and reporting targets.

Legal and Compliance

The upgrade to airside infrastructure will address many aerodrome compliance issues identified through Civil Aviation Safety Authority (CASA) inspections.

LEGAL/COMPLIANCE/POLICY IMPLICATIONS

Contract TMSC2017-27 is being delivered under Australian Standard AS4000-1997 General Conditions of Contract. Tender and procurement activities have been completed in accordance with Council's procurement policy.

FINANCIAL AND RESOURCE IMPLICATIONS

Capital

Funding for this project has been made available from the Australian and State Governments.

Is the expenditure noted above included in the current budget?

Yes

Operating

While the additional upgrade of the runway and taxiways will increase operational costs, it is expected that additional revenue will be received to offset these costs through landing and parking fees associated with increased usage of the aerodrome.

Is the expenditure noted above included in the current budget?

Yes

LINK TO CORPORATE PLAN

Transport and Council Infrastructure

The provision of quality services and infrastructure for our growing community that is planned and managed using sound asset management principles.

Economy and Environment

A resilient economy that promotes and supports the shire's natural assets and local industry and encourages investment while preserving and future proofing for generations to come.

Governance

Sound decision making based on effective frameworks and clear strategic direction to achieve regulatory compliance and affordable levels of service delivered to the community.

IMPLEMENTATION/COMMUNICATION

All communications are required to follow set out protocols within the funding agreements between the Commonwealth and State Governments.

Monthly progress reports will be presented to Council throughout the project.

ATTACHMENTS

1. Nil

Date Prepared: 31 August 2018

NEXT MEETING OF COUNCIL

The next meeting of Council will be held at 9:00 am on Wednesday 19 September 2018

