

16.1 KARRATHA AIRPORT TERMINAL UPGRADE TENDER 27-13/14

File No:	TT.89
Responsible Executive Officer:	Director Strategic Projects & Infrastructure
Reporting Author:	Project Officer
Date of Report:	28 March 2014
Applicant/Proponent:	Project Manager
Disclosure of Interest:	STEA Architect; Project Manager
Attachment(s)	1. Confidential Evaluation Report 2. Confidential Project Budget

PURPOSE

To seek Council's endorsement of the successful tenderer for the Karratha Airport Terminal Upgrade Tender Number RFT 27-13/14.

BACKGROUND

On 16 December 2013, Council via resolution 15720 resolved, in part, to:

AGREE to call tenders for construction of the Karratha Airport Terminal Upgrade (KATU) Project;

ENDORSE the tender selection criteria as follows:

Relevant Experience	20%
Capacity to Deliver	20%
Demonstrated Understanding	20%
Price	40%

NOTE the pre-tender estimate of \$27,060,954 provided by WT Partnership based on the detailed design and documentation;

ADOPT the Project Budget of \$34,459,352 which includes all Fees and Shire direct costs to deliver the project.

Tenders were advertised 1 February 2014 and closed 19 March 2014.

Nine tenders were received by the closing date from:

- Badge Constructions
- Broad Group
- Cockram Construction
- Cooper & Oxley
- Diploma Construction
- Doric Contractors
- Firm Construction
- Pindan Contracting
- TF Woollam

The tenders were evaluated by a five person panel comprising of:

- Project Manager (x2), Shire of Roebourne
- General Manager Airport, Shire of Roebourne
- Architect, STEA
- Cost Manager, WT Partnerships

The tenders were first assessed for compliance with the tender documents. The tenders were then assessed against the qualitative criteria that were weighted.

The criteria and associated weightings were:

Relevant Experience	20%
Capacity to Deliver	20%
Demonstrated Understanding	20%
Price	40%

A copy of the Evaluation Report is contained within the confidential section of the agenda.

Architect and Quantity Surveyor STOP/GO Points

Sanders Turner Ellick Architects Pty Ltd (STEA) has been contracted as the Project Architect under RFT 01-12/13. WT Partnerships is contracted as the Quantity Surveyor under RFT 02-12/13. These contracts were awarded in September 2012.

These tenders articulate three specific STOP/GO points within the contract, two of which have previously occurred and the third which is now in play. The current, and final, STOP/GO point allows the Principal the option to terminate or defer the contract, depending on the outcome of the consideration of tenders. As there is no suggestion to terminate or defer award of this tender then the recommendation is to continue both contracts through the construction phase.

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CE-8 Significant Decision Making Policy, this matter is considered to be of high significance in terms of social and economic impact and Council's ability to effectively perform its role, as it seeks to appoint a tenderer to upgrade the existing Airport Terminal. This will effectively increase the size and capacity of the Terminal, enabling Karratha Airport to comfortably accommodate the high growth in passenger numbers experienced in recent years and maintain efficiency and compliance.

COUNCILLOR/OFFICER CONSULTATION

Consultation has taken place between Officers by way of the tender evaluation process. Councillors will be presented an overview of the Tender Evaluation report and recommendation at the Council Briefing Session scheduled for 16 April.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Tenders were called in accordance with Section 3.57 of the *Local Government Act 1995* and Part 4, Division 2 – Tenders for providing goods or services of the *Local Government (Functions and General) Regulations 1996*.

The Form of Contract to be utilised to engage the preferred tenderer will be AS4000-1997.

In accordance with Section 6.8 of the *Local Government Act 1995* and in order to execute the construction contract, a budget amendment resolved by Absolute Majority is required.

POLICY IMPLICATIONS

Policy CE-13 Tender Evaluation Criteria is applicable.

FINANCIAL IMPLICATIONS

The KATU Project budget of \$34,459,352 was adopted by Council at the December OCM, Resolution 152720. This was based on the pre-tender estimate of \$27,060,954 received from the Cost Manager on 6 December 2013. During the final documentation review, the pre-tender estimate was lifted to a value of \$27,711,803 which reflects the actual cost of award for the Baggage Handling System Tender, various client changes and minor design changes. There is nil impact to the project budget as the uplift in the pre-tender estimate has been carried within contingency sum of the project budget.

To allow for appointment of the construction contractor and the commencement of works in May 2014 a budget amendment is required to the 2013/14 Annual Budget. The following table refers to the amendments required in the current budget.

Acc No	Job No	Account/Job Description	Current Budget (2013/14)	(Inc)/Dec	Proposed Amended Budget	Reason
460502	946024	Karratha Airport Terminal Expansion Project	\$1,374,625	(\$1,637,923)	\$3,012,548	Increase of 2013/14 Annual Budget to allow for appointment of construction contractor in accordance with adoption of Project Budget Res#152720
460551		Transfer to Aerodrome Reserve	\$7,622,178	\$1,637,923	\$5,984,255	Reduce transfer to Aerodrome Reserve to fund Karratha Airport Terminal Expansion Project
		Total	\$1,374,625		\$3,012,548	

The project budget cash flow is a forecast of likely expenditure to June 30.

STRATEGIC IMPLICATIONS

This item is relevant with the Council’s approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2012-2013 provided for this activity:

- Our Program: 1.a.2.2 Operate Karratha Airport to achieve a Commercial Outcome.
- Our Services: 1.a.2.2.1 Provide facilities and terminal accommodation for anticipated passenger densities to service out community and customers.
- Our Services: 1.a.2.2.4 Provide facilities for airlines to operate.
- Project: Commence Planning Karratha Airport Terminal Redevelopment.

RISK MANAGEMENT CONSIDERATIONS

The recommendation to award the tender to the named contractor is based on the combined assessment of a five member panel who have considered all aspects of the nine submissions received.

The risks associated with the rejection of the recommendation are recognised as follows:

- **Operational Impact:** the risk in rejecting the recommendation and not advancing the STOP/GO hold point would have a negative affect on the operation of the airport. Various prescriptive maintenance works have been reduced in scope or deferred, pending the upgrade project which will address these issue in the overall design of the Terminal upgrade scope.
- **Financial:** the contractor is seen to have offered the best value solution to address all aspects of this complex project.
The risk in appointing an alternative may result in additional monies being expended for the same scope of works.
- **Aviation Security:** the contractor has demonstrated a full appreciation of the requirements of the aviation regulatory bodies as well as an understanding of the workings of the Karratha Airport.
The risk in appointing an alternative or rejecting the recommendation may result in a contractor that has minimal understanding of aviation security thus presenting potential exposure to breaches of safety and compliance.
- **Experience;** the recommended contractor has significant proven experience in the aviation construction sector. The risk in appointing an alternative or rejecting the recommendation would be seen to be reducing the availability of specialist skills that are offered by the recommended contractor.

IMPACT ON CAPACITY

There is an impact on capacity and resourcing to carry out the Officer's recommendation.

The project will be overseen by the Director of Strategic Projects and Infrastructure. The Airport General Manager will act as Client, and the Project Reference Group and Airport Advisory Group will be involved in order to keep the Terminal operating successfully throughout the construction period.

Project Management responsibilities will be absorbed internally by the Strategic Projects Department, specifically through the allocation of a dedicated Project Manager, Project Officer, and Project Administration Officer.

RELEVANT PRECEDENTS

On 17 June 2013 Council adopted the Karratha Airport Master Plan and Land Use Plan. It was noted within this document that the terminal upgrade project would "address current shortfalls and operational issues of the building and provide a new look and feel to the terminal whilst remaining within the existing terminal footprint. The outcomes of this Master Plan and Land Use Plan will feed into the terminal refresh project".

On 16 December 2013 Council also adopted the Karratha Airport Business Case 2013-2023 which endorsed the funding of this project through the Aerodrome Reserve in 2014/15 and 2015/16.

These previous approvals show a clear advancement towards the redevelopment of the Karratha Airport Terminal and the award of this tender is the next milestone in that progression.

VOTING REQUIREMENTS

Simple and Absolute Majority.

OPTIONS

Option 1

As per Officer's recommendation.

Option 2

1. That Council by Simple Majority pursuant to Section 3.57 of the *Local Government Act 1995* RESOLVES to:
 - a) NOT support the Officers recommendation and PROPOSE a substitute Tenderer,
 - b) AGREE to execute the next stage of the appointed architects Sanders Turner Ellick Architects Pty Ltd (STEA) and cost manager WT Partnership contracts; and;
2. That Council by ABSOLUTE Majority pursuant to Section 6.8 of the *Local Government Act 1995* RESOLVES to APPROVE a budget amendment that results in a nil impact on the 2013/14 operating surplus/deficit as follows:

Acc No	Job No	Account/Job Description	Current Budget (2013/14)	(Inc)/Dec	Proposed Amended Budget	Reason
460502	946024	Karratha Airport Terminal Expansion Project	\$1,374,625	(\$1,637,923)	\$3,012,548	Increase of 2013/14 Annual Budget to allow for appointment of construction contractor in accordance with adoption of Project Budget Res#152720
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		Total	\$1,374,625		\$3,012,548	

Option 3

That Council by Simple Majority pursuant to Section 3.57 of the *Local Government Act 1995* RESOLVES to:

1. NOT support the Officers recommendation and NOT propose a substitute Tenderer;
2. NOT execute the next stage of the appointed architects Sanders Turner Ellick Architects Pty Ltd (STEA) and cost manager WT Partnership contracts; and
3. NOTE that a budget amendment is not required in the 2013/14 Financial Year.

CONCLUSION

Tenders have been invited for the redevelopment of the Karratha Airport Terminal Upgrade in accordance with the Request for Tender approved by Council at its meeting held 16 December 2013.

The Evaluation Panel believes that the recommended tenderer provides the best value for money option having tendered under the projected budget, and is seen as an appropriate solution to the project requirements. The recommended tenderer has demonstrated a clear understanding of the operational needs of the Airport and the staging plans to be incorporated in the construction process. It is the opinion of the Evaluation Panel that the

recommended tenderer will provide a successful outcome to the unique constraints posed by this project.

OFFICER’S RECOMMENDATION

1. That Council by **SIMPLE** Majority pursuant to Section 3.57 of the *Local Government Act 1995* **RESOLVES** to:
 - a) **APPOINT** T.F Woollam & Son Pty Ltd ABN 94 009 676 064 for a contract value of \$27,261,810 based on the assessment of the compliance criteria, qualitative criteria and pricing structures offered under RFT 27-13/14 Karratha Airport Terminal Upgrade; and
 - b) **AGREE** to execute the next stage of the appointed architects Sanders Turner Ellick Architects Pty Ltd (STEA) and cost manager WT Partnership contracts

2. That Council by **ABSOLUTE** Majority pursuant to Section 6.8 of the *Local Government Act 1995* **RESOLVES** to **APPROVE** a budget amendment that results in a nil impact on the 2013/14 operating surplus/deficit as follows:

Acc No	Job No	Account/Job Description	Current Budget (2013/14)	(Inc)/Dec	Proposed Amended Budget	Reason
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