



City of Busselton

Geographe Bay

Late Item

Council Agenda

14 November 2018

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CITY OF BUSSELTON

LATE ITEMS FOR THE COUNCIL MEETING TO BE HELD ON 14 NOVEMBER 2018

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15. COMMUNITY AND COMMERCIAL SERVICES REPORT

15.1 RFT15/18 CONSTRUCTION OF FREIGHT HUB CIVIL AND SERVICES INFRASTRUCTURE

SUBJECT INDEX:	Busselton Margaret River Airport
STRATEGIC OBJECTIVE:	An innovative and diversified economy that provides a variety of business and employment opportunities as well as consumer choice.
BUSINESS UNIT:	Commercial Services
ACTIVITY UNIT:	Airport Development
REPORTING OFFICER:	Project Officer Contracts and Tendering - Ben Whitehill
AUTHORISING OFFICER:	Director, Community and Commercial Services - Naomi Searle
VOTING REQUIREMENT:	Absolute Majority
ATTACHMENTS:	Nil

PRÉCIS

The City of Busselton issued RFT15/18 to engage experienced contractors who have the necessary expertise to undertake the construction of the freight hub civil and services infrastructure at Busselton Margaret River Airport.

The City received three submissions in response to the request for tender. This report summarises the tender responses and makes a recommendation for the appointment of preferred tenderers.

BACKGROUND

The freight hub component of the Airport Development involves the construction of the freight hub civil and services infrastructure. The freight hub project is 50% funded by the Federal Government's Building Better Regions Fund and 50% funded by the City of Busselton.

The scope of works consist of, although not limited to, the following items;

- Construction of landside road network;
- Construction of airside road including connection to code 4E apron;
- Earthworks to seven freight hub lots;
- New service installations (potable and fire water, power and NBN network);
- Airside fence realignment;
- Airside drainage basin expansion.

There was also optional scope (at the City's option) for additional roads. The optional scope will not be undertaken as there is no budget for these works.

STATUTORY ENVIRONMENT

Part 4 (Tenders) of the Local Government (Functions and General) Regulations 1996 requires that tenders be publicly invited for such contracts where the estimated cost of providing the total service exceeds \$150,000. Compliance with the section 3.57 of the Local Government Act 1995 is required in the issuing and tendering of contracts.

Regulation 20 of the Local Government (Functions and General) Regulations 1996 permits a local government, after inviting tenders and having chosen a successful tenderer, to make a minor variation in the goods or services required and enter into a contract with the successful tenderer for the varied requirement without again inviting tenders. A minor variation is defined as a variation that the local government is satisfied is minor having regard to the total goods or services that tenderers were invited to supply.

Regulation 21A of the Local Government (Functions and General) Regulations 1996 prevents a contract for the supply of goods or services from being varied with a successful tenderer unless the variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract or if the variation is a renewal or extension of the term of the contract as described in the regulations.

RELEVANT PLANS AND POLICIES

The Busselton Regional Airport Expansion – Stage 2 is identified in the City’s Corporate Business Plan: “Subject to the outcome of the Busselton Regional Airport business case and the provision of external funding, progress with Stage 2 expansion of the airport to provide for interstate flights”.

The Busselton Regional Airport Master Plan (2016-2036) identifies future stages for development and the award of this tender will enable the City to progress those future stages.

The City’s purchasing, tender selection criteria, occupational health and safety and engineering technical standards and specifications were all relevant to this tender and have been adhered to in the process of requesting and evaluating tenders.

FINANCIAL IMPLICATIONS

The Busselton Margaret River Regional Freight Hub is fully funded with \$1.47 million of Federal Government funding and \$1.47 million of City Busselton funding. The award of this tender, and any associated variations, will not exceed the overall project budget.

LONG-TERM FINANCIAL PLAN IMPLICATIONS

As part of the development of the State Government Business Case proposal for the project an operational financial model was developed which incorporated a 10-year financial plan. The model considered revenues and costs associated with the upgraded facility, including up-front and recurrent capital and ongoing operational expenditure. The model demonstrates that the upgraded facility will be self-sustainable, generating a modest profit into the future, to be transferred into the City’s Airport Infrastructure Renewal and Replacement Reserve at the end of each financial year.

The Long Term Financial Plan (LTFP) is currently based on the ‘here and now’ scenario (stage 1), and will require updating to reflect this project, including ongoing operational and capital revenue and expenditure based on the development. This work has commenced and will be incorporated into future LTFP reviews.

STRATEGIC COMMUNITY OBJECTIVES

This report is consistent with the City of Busselton’s Strategic Community Plan (2017) community goals and objectives.

Key Goal Area 4 - Economy:

- 4.1 An innovative and diversified economy that provides a variety of business and employment opportunities as well as consumer choice.

Key Goal Area 5 - Transport:

- 5.1 Public transport services that meet the needs of the community.

RISK ASSESSMENT

A risk assessment was carried out and risks of medium and high associated with the awarding of the tender and the additional works proposed as minor variation are listed below:

<i>Risk</i>	<i>Controls</i>	<i>Consequence</i>	<i>Likelihood</i>	<i>Risk Level</i>
Delays with awarding the tender result in the Federal Government withdrawing funding from the project.	Officers are aware of obligations under the respective funding agreements.	Major	Unlikely	Medium

CONSULTATION

Project Governance Committee (South West Development Commission, City of Busselton, Tourism WA, Department of Treasury, Department of Transport and Department of Regional Development as observer only). Officers have also had discussions with potential tenants about their requirements.

OFFICER COMMENT

The primary objective of RFT15/18 was to appoint a suitably experienced and qualified contractor for the construction of the Freight Hub Civil and Services Infrastructure at Busselton Margaret River Airport.

The documentation for RFT15/18 was issued on 9 October 2018. The request for tender closed on 30 October 2018 and the City received a total of three submissions as detailed below.

	Company	Location
1.	APH Contractors Pty Ltd (APH)	Picton
2.	Ertech Pty Ltd (Ertech)	Wangara
3.	J.A.K. Civil Pty Ltd (JAK Civil)	Australind

A tender evaluation panel was formed to evaluate the tender submissions. The evaluation panel members were as follows:

- Naomi Searle, Director – Community and Commercial Services;
- Andrew McColgan, Project Manager – APP Corporation; and
- Ben Whitehill, Project Officer – Contracts and Tendering.

As part of the tender evaluation process an initial compliance check was conducted to identify submissions that were non-conforming with the immediate requirements of the RFT. This included compliance with contractual requirements and the provision of requested information. All tenders were found to comply with the terms and conditions and mandatory requirements of the RFT.

Accordingly, each tender was scored according to the criteria in the tender documentation as follows:

Criteria	Weighting
Relevant Experience	15 %
Local Benefit	5 %
Key Personnel Skills and Experience	10 %
Demonstrated Understanding	10 %
Price	60 %

The net tendered price was scored using the 'average based scoring method' recommended by WALGA in the 'Local Government Purchasing and Tender Guide'.

The panel members individually assessed the qualitative criteria and then applied an average to provide a final rating. The scores were then added together to indicate the rankings for each tender.

Following the initial evaluation process, the panel sought clarifications from the two highest scoring tenderers ERTECH PTY LTD and APH CONTRACTORS PTY LTD.

The confidential report attached provides further detail in relation to the relative merits of each of the individual tenderers. Officers recommend that ERTECH PTY LTD should be nominated as the best value for money tender the reasons outlined in the confidential report.

CONCLUSION

It is recommended that Council delegates authority to the CEO to negotiate and agree final terms and conditions with and to award a contract for a finalised lump sum price to ERTECH PTY LTD for the Construction of Freight Hub Civil and Services Infrastructure.

If, in the discretion of the CEO, agreement with ERTECH PTY LTD cannot be reached, then Council delegates authority to the CEO to negotiate and agree final terms and conditions with and to award a contract for a finalised lump sum price to APH CONTRACTORS PTY LTD for the Construction of Freight Hub Civil and Services Infrastructure

It is also recommended that Council delegates authority to the CEO to:

- a) to propose variations to the required works and services which variations are considered minor by the CEO;
- b) to determine whether the variations are minor in accordance with Regulation 20 of the *Local Government (Functions and General) Regulations 1996*;
- c) to agree any other variations to be included in the contract as a result of the varied works and services and which are considered reasonable by the CEO.

OPTIONS

The Council may consider the following alternate options:

1. The Council may choose not to accept the Officer's Recommendation and award the tender to an alternate tenderer. In the view of the Officers this could result in a tender being awarded to a tenderer that has not presented the "best value for money" offer.
2. The Council may choose not to accept the Officer's Recommendation and not award the tender. This would mean going back out to tender, resulting in significant delays to the contract award and the development of the freight hub.
3. The Council may not choose to delegate authority to the CEO to propose and determine minor variations in accordance with Regulation 20 of the Local Government (Functions and General) Regulations 1996.
4. Not proceed with the development.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Negotiations with the preferred tenderer can be undertaken immediately after the Council has endorsed the Officer's recommendation. Subject to finalisation of the contract the successful tenderer will receive formal written notification of the resolution. All unsuccessful tender applicants will also be notified at this time. It is expected that the finalisation of the contract will take approximately one week.

OFFICER RECOMMENDATION

ABSOLUTE MAJORITY DECISION OF COUNCIL REQUIRED

That the Council:

1. Endorses the outcome of the evaluation panel's assessment in relation to RFT15/18 – Construction of Freight Hub Civil and Services Infrastructure, which has resulted in the tender submitted by ERTECH PTY LTD being determined as the best value for money tender and the tender submitted by APH CONTRACTORS PTY LTD as the second best value for money tender.
2. Delegates authority to the CEO to negotiate and agree final terms and conditions with and to award a contract for a finalised lump sum price to ERTECH PTY LTD for the Construction of Freight Hub Civil and Services Infrastructure.
3. If, in the discretion of the CEO, agreement with ERTECH PTY LTD cannot be reached pursuant to resolution 2 above, then delegates authority to the CEO to negotiate and agree final terms and conditions with and to award a contract for a finalised lump sum price to APH CONTRACTORS PTY LTD for the Construction of Freight Hub Civil and Services Infrastructure.
4. For the purposes of:
 - a) Finalizing negotiations and awarding a contract pursuant to resolutions 2 and 3 above; and
 - b) Execution of the contract and successful delivery of the project, delegates authority to the CEO to negotiate and agree on variations in accordance with Regulation 20 and 21A of the *Local Government (Functions and General) Regulations 1996* subject to such variations not exceeding the overall project budget.