

Agenda

Special Meeting (Sunshine Coast Airport Quarterly Update)

Thursday, 18 May 2017

commencing at 2.00pm

Caloundra Chambers, 1 Omrah Avenue, Caloundra

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1 DECLARATION OF OPENING

On establishing there is a quorum, the Chair will declare the meeting open.

2 RECORD OF ATTENDANCE AND LEAVE OF ABSENCE**3 OBLIGATIONS OF COUNCILLORS****3.1 DECLARATION OF MATERIAL PERSONAL INTEREST ON ANY ITEM OF BUSINESS**

Pursuant to Section 172 of the *Local Government Act 2009*, a councillor who has a material personal interest in an issue to be considered at a meeting of the local government, or any of its committees must –

- (a) inform the meeting of the councillor's material personal interest in the matter; and
- (b) leave the meeting room (including any area set aside for the public), and stay out of the meeting room while the matter is being discussed and voted on.

3.2 DECLARATION OF CONFLICT OF INTEREST ON ANY ITEM OF BUSINESS

Pursuant to Section 173 of the *Local Government Act 2009*, a councillor who has a real or perceived conflict of interest in a matter to be considered at a meeting of the local government, or any of its committees must inform the meeting about the councillor's personal interest the matter and if the councillor participates in the meeting in relation to the matter, how the councillor intends to deal with the real or perceived conflict of interest.

4 REPORTS DIRECT TO COUNCIL**4.1 ECONOMIC DEVELOPMENT AND MAJOR PROJECTS****4.1.1 SUNSHINE COAST AIRPORT EXPANSION PROBITY STATEMENT****File No:** InfoCouncil**Author:** Director
Economic Development and Major Projects Department**Appendices:** App A - Argyle Corporate Advisers: Sunshine Coast Airport
Project Probity Statement (8 February 2017) 13 [↓](#)

PURPOSE

The purpose of this report is to provide Council with the Probity Statement associated with the implementation of the funding strategy for the Sunshine Coast Airport (SCA or the Airport) Expansion Project (the Project).

EXECUTIVE SUMMARY

Council engaged Royal Bank of Canada Capital Markets (RBC) to complete preliminary market testing to identify parties interested in partnering with Council in the delivery of the Project and to determine a viable transaction structure for this to occur.

On 13 June 2016, RBC's findings were presented to Council, and Council resolved to call for Expressions of Interest (EOI) from parties wishing to partner with Council in the delivery of the Project.

At its Ordinary Meeting of 25 January 2017, Council resolved to authorise the Chief Executive Officer to finalise and execute all documents, including Transaction Documents, with Palisade Investment Partners Limited (Palisade) as the Commercial Partner for the Sunshine Coast Airport Expansion Project.

This occurred and, on 9 February 2017, Palisade was announced as the Commercial Partner.

This project is very significant to the future of both Council and the Sunshine Coast community and, as such, probity was an important consideration.

On 13 June 2016, at the same time as Council resolved to call for EOIs, Council adopted a probity plan to guide the process.

Appendix A to this report is a Probity Statement from the independent Probity Advisor, Argyle Corporate Advisers (Argyle).

OFFICER RECOMMENDATION**That Council:**

- (a) receive and note the report titled "Sunshine Coast Airport Expansion Probity Statement" and**
- (b) receive and note the Probity Statement from Argyle Corporate Advisers in relation to the Sunshine Coast Airport Project (Appendix A).**

FINANCE AND RESOURCING

Argyle Corporate Advisers was engaged following a procurement process in accordance with Council's Procurement Policy, through the Queensland Government's Whole-of-Government Standing Offer Arrangement for Probity Advisors. The final cost of the services was \$79,100.

CORPORATE PLAN

Corporate Plan Goal: *A smart economy*

Outcome: 1.2 - New capital investment in the region

Operational Activity: 1.2.1.2 - Source the required investment to facilitate expansion of the Sunshine Coast Airport

CONSULTATION

Portfolio Councillor Consultation

There has been no consultation with Portfolio Councillors in preparing this report.

Internal Consultation

Project Director (Major Projects)

External Consultation

Argyle Corporate Advisers

Community Engagement

There has been no community engagement undertaken in the preparation of this report.

PROPOSAL

At its meeting of 13 June 2016, Council resolved to call for Expressions of Interest (EOIs) from parties wishing to partner with Council in the delivery of the Sunshine Coast Airport Expansion Project.

The transaction requirements are as follows:

- The Commercial Partner is responsible for operating, investing and developing the Airport.
- The Commercial Partner will lead the negotiation with airlines to maximise aeronautical charges to cover the investment made in the Airport infrastructure (terminal upgrades, aprons and runway).
- The Commercial Partner pay Council upfront proceeds to reflect the benefits of immediate ownership and the associated risks of implementing a business plan for the Airport.

The call for EOIs was advertised on 18 June 2016 with a closing date of 12 July 2016. These Expressions of Interest were assessed against the evaluation criteria and those who met the criteria shortlisted. The 14 shortlisted respondents were invited to participate in the indicative bid stage of the funding strategy process.

The invitation was issued on 5 August 2016 and remained open until tender box close on 14 September 2016. At tender box close, four indicative bids had been received.

After the assessment of the Indicative Bids by the Evaluation Panel, two of the respondents were invited to submit a Binding Bid. The invitation to submit a Binding Bid was based on an immediate lease structure and Council retaining an economic interest in Sunshine Coast Airport by way of annual royalty of at least 5% of gross revenue.

In addition, the terminal works were removed from the Project and the responsibility for

delivering the terminal works transferred to the successful bidder. The rationale for removing the terminal works from the Project is as follows:

- Disruption to Airport operations
- Uncertainty of terminal scope of works
- Terminal design efficiency
- Airline negotiation considerations.

At its Ordinary Meeting of 25 January 2017, Council resolved to authorise the Chief Executive Officer to finalise and execute all documents, including Transaction Documents, with Palisade Investment Partners Limited as the Commercial Partner for the Sunshine Coast Airport Expansion Project.

This occurred and, on 9 February 2017, Palisade was announced as the Commercial Partner.

Palisade submitted a bid on behalf of itself and the funds it manages. Palisade's equity is backed by Palisade's Diversified Infrastructure Funds, LGIAsuper (\$9.5 billion superannuation fund for Queensland Local Government employees) and VicSuper (\$16 billion Victorian based superannuation fund).

Palisade has substantial experience in the airport sector through its investment in Airport Development Group which owns the Darwin, Alice Springs and Tennant Creek Airports. Palisade also has recently invested in Gold Coast Light Rail Stage 2 and has indicated it will actively seek opportunities to deploy further capital into the Sunshine Coast Airport and the broader Sunshine Coast region.

The Binding Bid from Palisade included a new runway lease premium of \$275 million (payable in 2022), a total lease payment of \$82 million of which \$67 million is due at financial close (2017) and \$15 million in 2022. In addition, Council will receive a 5% revenue share from completion (2017), generating \$205 million over the term of the lease. With responsibility for the terminal upgrade being transferred to Palisade the new runway project budget has been reduced by \$28 million bringing the total proceeds to Council to \$605 million.

Probity

At its Special Meeting of 13 June 2016, Council adopted a Probity Plan.

A Probity Advisor was appointed prior to release of the Expression of Interest and has remained involved with the Project to this point, including attendance at the Evaluation Panel meetings conducted for the EOI and the Indicative Bid phases.

Each member of the Evaluation Panel signed a Probity Confidentiality and Conflicts Declaration (the Declaration) prior to the receipt of Expressions of Interest.

Argyle Corporate Advisors was appointed as independent probity advisor for the Project. A copy of the Probity Statement provided by Argyle on 8 February 2017 is at Appendix A.

The following are extracts from that Statement:

- *We have overseen the Expression of Interest (EOI), Indicative Bids and Binding Bid Stages of the procurement process from a probity perspective.*
- *The work done has been governed by a Probity Plan drafted by Argyle and endorsed by Council.*
- *Probity functions have included attendance at Interactive Workshops with Bidders, oversight of the Virtual Data Room process, review of Bidder Responses,*

participation in meetings of the Evaluation Panel where those Responses were evaluated and reviewing the Evaluation Report with advice from appointed advisors.

- *We confirm that the Evaluation Report on the Binding Bid Stage dated 7 December 2016, including recommendations, is consistent with our observations of the process undertaken.*
- *We have also reviewed the outcome of actions taken by Council since that date in the negotiation of contractual terms with the Preferred Proponent including a review of relevant documents and through discussions with Council officers where appropriate.*
- *We advise that there are no unresolved probity issues and that, in accordance with our enquiries, there have been no complaints regarding the procurement process at the date of this statement.*

Legal

Key regulatory and legislative issues that will need to be addressed through the Transaction Process include the following:

- Compliance with Council's Procurement Policy (in accordance with relevant provisions of the Local Government Act)
- Compliance with relevant provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

Policy

The Project is consistent with the Sunshine Coast Airport Master Plan 2007.

Risk

The transaction process undertaken by Council is a large and complex one. The outcomes are important for Council, the community, and customers of Sunshine Coast Airport. In undertaking such a process, it is important that these stakeholders along with potential investors and other levels of government are confident that it has been undertaken in a fair and equitable manner.

To achieve this objective, Council adopted a Probity Plan and engaged an independent Probity Advisor. The independent has provided the appended Probity Statement on the Project.

Previous Council Resolution

Council Resolution (SM16/1)

That Council:

- receive and note the report titled "Sunshine Coast Airport Expansion Project - Probity Plan"*
- adopt the Sunshine Coast Airport Transaction Probity Plan (Appendix A) and*
- authorise the Chief Executive Officer to amend the Sunshine Coast Airport Transaction Probity Plan to ensure that it remains current.*

Council Resolution (SM16/13)

That Council

- (a) *authorise the Chief Executive Officer to progress matters relating to this report, as discussed in confidential session, in relation to the Sunshine Coast Airport Expansion Project and*
- (b) *proceed with the calling of Expressions of Interest for parties wishing to partner with Council in the delivery of the Sunshine Coast Airport Expansion, in accordance with section 228 of the Local Government Regulation 2012, noting that the calling of Expressions of Interest is in the public interest for the following reason:*
 1. *that the process will allow Council to evaluate submissions with a view to identifying the solution which best aligns with the interests of the public and Council.*

Related Documentation

- Expression of Interest documentation
- Procurement Plan – Sunshine Coast Airport Commercial Partner
- Sunshine Coast Airport Probity Plan including Probity Code of Practice

Critical Dates

There are no critical dates associated with this report.

Implementation

The Probity Statement at Appendix A to the report is now available to the public and no further action is required.

**ARGYLE CORPORATE ADVISERS****SUNSHINE COAST REGIONAL COUNCIL
SUNSHINE COAST AIRPORT PROJECT
PROBITY STATEMENT**

Argyle Corporate Advisers (Argyle) are the independent probity advisors appointed to the Sunshine Coast Airport - Commercial Partner Project by Sunshine Coast Regional Council (Council).

We have overseen the Expression of Interest (EOI), Indicative Bids and Binding Bid Stages of the procurement process from a probity perspective. The work done has been governed by a Probity Plan drafted by Argyle and endorsed by Council. Probity functions have included attendance at Interactive Workshops with Bidders, oversight of the Virtual Data Room process, review of Bidder Responses, participation in meetings of the Evaluation Panel where those Responses were evaluated and reviewing the Evaluation Report with advice from appointed advisors.

We confirm that the Evaluation Report on the Binding Bid Stage dated 7 December 2016, including recommendations, is consistent with our observations of the process undertaken. We have also reviewed the outcome of actions taken by Council since that date in the negotiation of contractual terms with the Preferred Proponent including a review of relevant documents and through discussions with Council officers where appropriate.

We advise that there are no unresolved probity issues and that, in accordance with our enquiries, there have been no complaints regarding the procurement process at the date of this statement.

Peter Bruton
Probity Advisor

8 February 2017

Second Floor, Suite 2.1, 308 Queen Street, Brisbane,
PO Box 7139, Riverside Centre, QLD 4001
Telephone (617) 3211 8961 **Facsimile** (617) 3236 3925 **Email** pbruton_argyle@powerup.com.au
Origin Securities Pty Ltd as Trustee for Origin Securities Trust trading as Argyle Corporate Advisers
ABN: 83 359 456 317 ACN: 086413783
AFS Licence No: 237662

4.1.2 SUNSHINE COAST AIRPORT EXPANSION PROJECT - DESIGN AND CONSTRUCTION: UPDATE

File No:	Special Meeting
Author:	Project Director (Sunshine Coast Airport Expansion) Economic Development and Major Projects Department
Attachments:	Att 1 - Sunshine Coast Airport Expansion Project: Project Plan (10 May 2017) (Under Separate Cover) - Confidential

PURPOSE

The purpose of this report is to update Councillors on the status of preparations for the delivery of the Sunshine Coast Airport Expansion Project (the Project).

EXECUTIVE SUMMARY

Preliminary and early works activities associated with the delivery of the Sunshine Coast Airport Expansion Project continue to progress in accordance with the program.

The procurement of the Design Consultant and the Runway Construction Contractor have each advanced to the next stage.

The Design Consultancy Services Contract is expected to be finalised with confirmation of the successful bidder to be announced early in May 2017. Stage 1 of the Runway Construction Contractor Tender has been evaluated and a report has been submitted recommending the shortlistings in order to proceed to Stage 2.

In addition, the procurement of the Scope of Works and Technical Criteria (SWTC) Consultancy has been prepared for release pending the award of the Design Consultancy Services Contract.

Discussions continue with AirServices Australia with regard to the new location for the Air Traffic Control Tower and the transfer of Commonwealth Land (Lot 898).

Environmental Approvals necessary to enable the project to proceed have progressed through the pre-lodgment stage, with four applications now having been lodged formally. A further 15 applications will be lodged by the end of June 2017.

The Cultural Heritage Management Plan continues to progress. A traditional Smoking Ceremony involving the Mayor, Councillors, and Council representatives and a Walk on Country was undertaken by the Traditional Owners, the Kabi Kabi First Nation People, on 24 March 2017. This engagement has strengthened Council's relationship with the new claimants. Further discussions with the Traditional Owners have since been held, and investigatory excavations and a supplementary cultural heritage survey will be undertaken in the near future depending on site access following the rain events in March and April. An anthropological survey to capture the story-line as related by surviving elders will also be undertaken.

Utility service providers Unitywater and Energex continue to progress their activities and remain on schedule.

The upgrade of Finland Road by Council's workforce is progressing well and remains ahead of schedule despite the wet weather disruptions. The upgrade is forecast to be completed in late June 2017.

OFFICER RECOMMENDATION

That Council receive and note the report titled “Sunshine Coast Airport Expansion Project – Design and Construction: Update”.

FINANCE AND RESOURCING

The adopted Council budget for 2016/17 has been amended to exclude the terminal upgrade works and the adjustments made as part of Budget Review 3, 2016/17.

The budget for the 2016/17 financial year has been amended and the expected expenditure is \$11.1 million.

CORPORATE PLAN

Corporate Plan Goal: *A new economy*

Outcome: 1.2 - New capital investment in the region

Operational Activity: 1.2.1.3 - Commence construction of the new east-west runway

CONSULTATION**Portfolio Councillor Consultation**

Progress was reported to Portfolio Councillors at the Project Control Group meeting on 4 May 2017.

Internal Consultation

- Director Economic Development and Major Projects
- Project Director (Major Projects)
- Procurement Specialist, Procurement and Contracts Branch
- Solicitor, Legal Services Branch
- Coordinator Planning and Major Projects, Sunshine Coast Airport
- Consultant Advisor

External Consultation

- Corview Group Pty Ltd
- Jacobs Engineering Group Inc
- King & Wood Mallesons
- Unitywater
- Energex Ltd
- Converge Heritage and Community

Community Engagement

The Project Environmental Impact Statement (EIS) and the Additional Environmental Impact Statement (AEIS) were made available for public consultation in 2014 and 2015 respectively.

PROPOSAL

Early work activities such as detailed ground survey, submissions for Environmental Approvals, and procurement of the Design Consultancy and the Runway Construction Contractor continue with the following activities having been undertaken:

- The Design Consultancy Services Contract is expected to be finalised and confirmation of the successful bidder to be announced following approval by Council's Chief Executive Officer.
- The submissions received during Stage 1 of the Runway Construction Contract Tender have been evaluated and a report has been completed with a recommendation on a short list of submitters to proceed to Stage 2.
- In addition, the procurement of the Scope of Works and Technical Criteria (SWTC) Consultancy has been prepared for release pending the award of the Design Consultancy Services Contract.
- The Project Management Plan has been updated and submitted for approval. A further update will be undertaken when the Design Consultant submits their Project Plan.

Works Packages

The early stage of the delivery of the Project has seen the enabling activities and the preliminary works progress well and in a timely manner.

1. Enabling Activities

1.1. Survey

The contracted surveyor has provided detailed ground survey data of the terrain. This will form the basis of the design development including the flood modelling. 95% of the survey has been completed and, due to the recent wet weather conditions experienced in early April, works on the drain areas will be undertaken when water levels recede.

Other survey works have been undertaken and include a mobile laser scan and an aerial LiDAR, contributing to a better level of accuracy for the design development works.

1.2. Environmental Approval Submissions

The environmental aspects including the preparation of submissions for approvals from the relevant departmental agencies continues to progress. Port of Brisbane Pty Ltd has confirmed their in-principle support for the proposal to alter the existing operational Works (Tidal Works) permit for the Spitfire Channel, as well as support in obtaining other permits necessary to undertake the proposed dredging works.

An issue has arisen associated with the recent outbreak and spread of White Spot disease in prawns in Moreton Bay and the issue is being monitored in conjunction with relevant Government agencies.

1.3. Dredged Sand Volume

A recalculation of the sand volume requirement has been undertaken, identifying that an additional amount may be required to facilitate the consolidation of the underlying marine clays at the north-western end of the new runway. Further discussions on this matter were held with the Office of the Coordinator-General on 27 April 2017. A Value Engineering workshop will be held to identify measures to minimise any additional requirement. The use of innovative techniques associated with consolidation of compressible clays may even eliminate the additional requirement altogether.

1.4. Acid Sulphate Soils

Approximately 84 boreholes have been drilled as part of Geotechnical investigations relating to acid sulphate soils (ASS) and potential acid sulphate soils (PASS) on the site. Interim results from some 50 boreholes confirm the acidity of the site and indicates moderate to high potential for potential acid sulphate soils as anticipated. Further drilling will be performed in the coming weeks and will concentrate on the Wallum Heath Management Area. An Interim Report based on the data collated to date was presented to the Office of the Coordinator-General and the Department of Environment and Heritage Protection on 27 April 2017.

1.5. Cultural Heritage Management Plan

Work has recommenced on the development of the Cultural Heritage Management Plan. This work was placed on hold following a Determination Hearing involving the bone-fides of the previous Claimants. That hearing altered the make-up of the Claimant group, and negotiations were suspended until the new group were registered.

Since then, a traditional Smoking Ceremony and Walk on Country was performed by the Traditional Owners, Kabi Kabi First Nation People, on 24 March 2017. The ceremony was a significant recognition by the traditional owners, acknowledging the runway project works. A supplementary cultural heritage survey has been requested by the Traditional Owners, and an anthropological survey to capture the story-line as related by surviving elders will also be undertaken.

1.6. Public Utility Plant Relocations

Utility service providers Unitywater and Energex continue to progress their activities and the associated works remain on schedule. Unitywater's relocation activities are well underway with the new pipeline having been installed. Unitywater are now installing valves and other hardware ready for testing to be undertaken in May and June. Discussions with Energex have been held to progress the design and documentation activities associated with the relocation of their assets from within the Project's construction footprint.

2. Preliminary Works

2.1. New Control Tower

The revised location of the new Control Tower will now provide full view of the aviation precinct and southern taxiways from a tower of approximately the same height as the existing facility. A meeting with AirServices Australia was held on 27 April 2017 to progress these issues and to establish a working group comprising AirServices Australia and Project representatives to oversee the necessary planning.

2.2. Water Monitoring

Baseline surface water and ground water quality monitoring scheduled to be undertaken between August 2016 and September 2017 is well underway. Data from this monitoring will form the basis for quality compliance trigger values to be used during the construction and post-construction phases. Interim reports for both Surface Water and Ground Water based on the data collated to date will also be presented to the Office of the Coordinator-General and the Department of Environment and Heritage Protection on 27 April 2017.

2.3. Offset Delivery Plan

The draft submissions of the Offset Delivery Plan for the approvals for the relocation of the Mount Emu She-oak have been received from the consultant, as well as the protected plants permit application.

2.4. Finland Road Upgrade

The Finland Road Upgrade is 60% complete and marginally ahead of schedule, despite the wet weather disruptions.

2.5. Finland Road Closure (portion of)

A Wayleave Agreement has been confirmed by Energex who has subsequently removed objections to the closure of the portion of Finland Road within the Airport Expansion Project footprint. Agreement has been signed and sent to Energex for registering to the Department of Natural Resources and Management.

Works Program

The most critical activities in the Works Program remain those associated with the dredging and sand placement for the embankment and preload and, in particular, the associated environmental approvals and monitoring requirements that are a condition of the Environmental Impact Statement approval. This is more significant than would usually be the case for a project of this nature because of the limited window of opportunity during which these environmentally constrained activities can be undertaken and the long lead time specified for monitoring to establish background data before works can commence.

The preliminary Works Program currently shows practical completion by June 2020 with full commissioning by the end of September 2020.

The Works Program will be updated upon receipt of the Design Consultant's Project Plan and again when the Principal's Reference Design has been completed so that it accurately reflects the Work Breakdown Structure adopted in the development of the design.

State Government Approvals

A further 27 State Government Agency approvals, permits or authorities will be required in accordance with the Coordinator-General's and the Minister for the Environment's overarching approvals.

Governance

The Sunshine Coast Airport Expansion Project Control Group (PCG) met on 4 May 2017. Meetings of this PCG are scheduled as determined by the frequency of Special Meetings.

The Sunshine Coast Airport Project Steering Group (PSG) met on 28 April 2017 and will continue to meet on a monthly basis.

The Transition Project Control Group (Sunshine Coast Airport) is required under the financial transaction documentation and comprises two representatives each from Council and from the airport operator – Palisade Investment Partners Limited (Palisade). This group has met on three occasions and will continue to meet on a regular basis.

The Airport Expansion Technical Reference Group (TRG) consists of a representative from the Sunshine Coast Airport, an appointed Consultant on behalf of Palisade Investment Partners (Airworks Consulting Pty Ltd), and a representative from the Expansion Project Team. This group will continue to meet on a fortnightly basis to discuss technical issues associated with the delivery of the runway and aprons.

Project Team

The Project Team continues to oversee the control mechanisms required to be applied to meet the mandatory governance requirements that underpin the project delivery process.

Currently, the team consists of five full-time and a shared resource from each of Council's Communication Branch and Procurement and Contracts Branch. As the project matures, additional resources will be engaged as identified in the Project Organisational Structure. Recruitment for the positions of Project Manager (Construction) and Program Scheduler are scheduled to be finalised before the end of financial year.

External consultants continue to be engaged to acquire the mandatory environmental approvals required prior to the commencement of the construction works.

Legal

The construction of the Project will be subject to the procurement requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

Policy

The delivery of the Project is consistent with the Sunshine Coast Planning Scheme 2014, the Sunshine Coast Airport Master Plan 2007, and the Regional Economic Development Strategy 2013-2033.

Risk

A risk and opportunities register has been developed which includes mitigation strategies for each of the risks. At this points the main risks can be summarised as follows:

- Variations to the flood and drainage modelling undertaken to date
- Variations to the survey results obtained to date
- Differences in forecast geotechnical conditions
- Delays in arrangements for the control tower
- Tasks on the critical timeline not being completed on schedule
- Estimated costs being exceeded.

Opportunities identified over and above the obvious benefits that were identified during the EIS process include the potential for competitive tendering to deliver actual costs lower than those previously estimated.

Previous Council Resolutions**Council Resolution** (SM17/1) Special Meeting 23 February 2017

That Council receive and note the report titled "Sunshine Coast Airport Expansion Project – Construction: Update".

Council Resolution (SM16/1) Special Budget Meeting 16 June 2016

That Council:

- (a) *receive and note the report titled "Adoption of the 2016/2017 Budget and Forward Estimates for the 2017/2018 to 2025/2026 Financial Years"*
- (b) *adopt the 2016/2017 Budget Schedules (Appendix A) including Forward Estimates and*
- (c) *adopt the 2016/2017 Capital Works Program, endorse the indicative four-year program for the period 2017/2018 to 2020/2021, and note the five-year program for the period 2021/2022 to 2025/2026 (Appendix B).*

Council Resolution (SM16/13) Special Meeting 13 June 2016

That Council

- (a) *authorise the Chief Executive Officer to progress matters relating to this report, as discussed in confidential session, in relation to the Sunshine Coast Airport Expansion Project and*
- (b) *proceed with the calling of Expressions of Interest for parties wishing to partner with Council in the delivery of the Sunshine Coast Airport Expansion, in accordance with section 228 of the Local Government Regulation 2012, noting that the calling of Expressions of Interest is in the public interest for the following reason:*
 1. *that the process will allow Council to evaluate submissions with a view to identifying the solution which best aligns with the interests of the public and Council*

Council Resolution (OM16/12) Ordinary Meeting 28 January 2016

That Council

- (a) receive and note the report titled "Sunshine Coast Airport Expansion Project Delivery Team" and*
- (b) authorise the Chief Executive Officer to establish a Sunshine Coast Airport Expansion Project Delivery Team and implement a Project Governance Structure to oversee the delivery of the project.*

Related Documentation

- *Sunshine Coast Airport Expansion Project Environmental Impact Statement*
- *Sunshine Coast Airport Expansion Project Additional Information to the Environmental Impact Statement.*
- *Project Plan.* A detailed Project Plan has been prepared for the Project. The Project Plan will be reviewed and amended, as required, as the Project progresses through different stages.

Critical Dates

The critical activities associated with the delivery of the Project include acquiring the State Government Agency approvals, permits or authorities required in accordance with the Coordinator-General's and the Minister for the Environment's overarching approvals per the Environmental Impact Statement approval.

As per the environmental approvals, dredging must occur during the specified periods stated to ensure minimal impact on the marine and coastal environments.

Works are expected to progress rapidly once the Design Consultancy Services Contract has been awarded.

Implementation

Work as detailed in this report will continue.

4.1.3 SUNSHINE COAST AIRPORT - TRANSITION PROCESS

File No: InfoCouncil
Author: Project Director (Major Projects)
Economic Development and Major Projects Department

PURPOSE

The purpose of this report is to provide Council with an update on the transition process for the Sunshine Coast Airport (SCA or the Airport) to transfer to a standalone entity to complete the arrangements with Palisade Investment Partners.

EXECUTIVE SUMMARY

On 9 February 2017, Council entered into an agreement with Palisade Investment Partners Limited (Palisade) for Palisade to be Council's Commercial Partner at the Sunshine Coast Airport. The agreement includes a 99 year lease of the site and operation of the Airport business.

The Sunshine Coast Airport has been wholly operated by Council since its inception. The entirety of the operation are embedded as a branch within Council. The Airport is currently dependent upon Council for many services including its human resources, budgeting and other corporate services.

To allow Palisade to fully assume management and operational responsibilities for the Airport, it is necessary to transition the existing operations from the current position to a standalone entity not dependent on Council.

Following execution of the Commercial Partner agreement, Council established a structure and process for ensuring the effective and efficient transition of Sunshine Coast Airport to a standalone entity. This report provides an update on that process.

OFFICER RECOMMENDATION

That Council receive and note the report titled "Sunshine Coast Airport – Transition Process".

FINANCE AND RESOURCING

Council approved a budget of \$538,000 as part of Budget Review and a draft 2017/18 budget has been prepared.

CORPORATE PLAN

Corporate Plan Goal: *A smart economy*
Outcome: 1.2 - New capital investment in the region
Operational Activity: 1.2.1.2 - Source the required investment to facilitate expansion of the Sunshine Coast Airport

CONSULTATION

Portfolio Councillor Consultation

Progress has been reported to Portfolio Councillors at a Project Control Group meeting held on 4 May 2017.

Internal Consultation

- Chief Executive Officer
- Director Economic Development and Major Projects
- Director Corporate Services
- Project Director (Sunshine Coast Airport Expansion)
- Solicitor, Legal Services Branch
- Manager Communication
- Manager Finance
- Manager Human Resources
- Coordinator Departmental Projects
- Coordinator IT Transition
- Consultant Advisor

External Consultation

Palisade Investment Partners Limited (consultation through Transition Steering Committee and Transition Project Control Group)

Community Engagement

No community engagement was undertaken in the preparation of this report.

PROPOSAL

On 9 February 2017, Council entered into an agreement with Palisade Investment Partners Limited for Palisade to be Council's Commercial Partner at the Sunshine Coast Airport. The agreement includes a 99 year lease of the site and operation of the Airport business.

The Sunshine Coast Airport has been wholly operated by Council since its inception. The entirety of the operation are embedded as a branch within Council. The Airport is currently dependent upon Council for many services including its human resources, budgeting and other corporate services. To allow Palisade to fully assume management and operational responsibilities for the Airport, it is necessary to transition the existing operations from the current position to a standalone entity not dependent on Council.

Following execution of the Commercial Partner agreement, Council established a structure and process for ensuring the effective and efficient transition of Sunshine Coast Airport to a standalone entity. The structure and processes include the following:

Project Management Plan

The Project Management Plan (the PMP) outlines the overarching structures and responsibilities of Council for transitioning the Airport to a standalone business. These include identification of human and other resources required to complete the transition and creation of various teams and committees charged with completing or overseeing the activities associated with a successful transition.

The objectives of the PMP are to:

- prepare the Sunshine Coast Airport business to function autonomously, and fully independently of Council
- minimise risks of disruption to Airport operations
- motivate and engage the workforce by generating “buy in” to the Palisade business plan and its key objectives
- prepare for commercialisation phases including key initiatives to drive performance
- support the delivery of the runway project on time and within budget
- ensure that Council business can continue to be effectively delivered, both during and post separation
- ensure compliance with all statutory obligations, delegated powers and the approved project plan and
- keep Council/CEO well informed of the process and risks, and ensure that all material decisions are made by Council/CEO.

Governance Framework

A Governance Framework has been created to ensure proper governance and reporting is maintained within Council. The Project Management Plan and the Governance Framework inform the following committees and team.

Sunshine Coast Airport Project Steering Group

The Airport transition and the runway expansion project are interrelated and to some degree co-dependent. The Sunshine Coast Airport Project Steering Group (the PSG) is the meeting point of those projects and considers the progress of each as interrelated projects and each in isolation.

Membership of the Sunshine Coast Airport Project Steering Group comprises the following:

- Chief Executive Officer (Chair)
- Director Economic Development and Major Projects
- Director Infrastructure Services
- Chief Legal Officer
- Project Director (Major Projects)
- Project Director (Sunshine Coast Airport Expansion)

Transition Steering Committee (Sunshine Coast Airport)

A Transition Steering Committee has been established to guide the execution of a Transition Plan and the effective transition of Sunshine Coast Airport away from Council. The Transition Steering Committee (Sunshine Coast Airport) (the TSC) comprises representatives from both Palisade and Council. It should be noted that Palisade does not have any decision-making power over Council.

Membership of the TSC comprises the following:

- Director Economic Development and Major Projects (Chair)
- Director Corporate Services
- Senior Investment Manager (Palisade)

- Consultant (Palisade)

By virtue of their positions within Council, the following Council officers are permanent additions to the TSC:

- General Manager Sunshine Coast Airport
- Project Director (Major Projects)

Transition Plan

A Transition Plan (the TP) has been developed to guide and inform the individual activities associated with the transition. The TP has been adopted by the TSC as an effective plan for undertaking the transition. The TP identifies a number of work streams that are required for the transition.

Those work streams are:

- Conditions Precedent and Legals
- Finance and Budget
- People and Culture
- Governance, Safety and Controls
- IT Arrangements
- Assets, Environment and Planning
- Stakeholder Engagement
- Transition Management.

A key attachment to the Transition Plan is the Transition Actions Register.

Transition Actions Register

The Transition Actions Register (the TAR) identifies the individual tasks within each work stream that Council officers will be required to complete, or will cause to be completed. The Council officers have been identified as part of a Council Transition Team.

Transition Team

The Transition Team (the TT) consists of Council officers and, where necessary, external resources. Each member is responsible for the activities associated with a stream of work. The TT has been established to execute the Transition Plan and facilitate the effective transition of the Sunshine Coast Airport business away from Council.

The Transition Team comprises the following officers:

- Director Economic Development and Major Projects (Transition Sponsor)
- Project Director (Major Projects) (Transition Manager)
- Solicitor (Conditions Precedent and Legals)
- Manager Finance (Finance and Budget)
- Manager Human Resources (People and Culture)
- Coordinator Departmental Projects (Governance, Safety & Controls)
- Coordinator IT Transition (IT Arrangements)
- Consultant (Assets, Environment and Planning)
- Manager Communication (Stakeholder Engagement)

The Transition Team meets weekly to review progress of the transition against the Transition Plan and the Transition Actions Register. The TT also serves as the first collective group identification of risks to a successful transition.

Sunshine Coast Airport Team

The Sunshine Coast Airport Team (the SCAT) holds a very unique position in this transition process. The team comprises the human resources within Council being transitioned into a new business and, very importantly, they remain responsible for the successful ongoing operations of SCA. For this reason, the role of SCAT has been clearly articulated.

The role of the Sunshine Coast Airport Team during execution of this Transition Plan will be to:

- maintain effective and efficient Airport operations
- identify any tasks, risks or opportunities associated with an effective transition process and
- inform the General Manager Sunshine Coast Airport of any such tasks, risks or opportunities.

With this approach, the SCAT can keep the Airport operations moving forward, while being able to provide valuable input into the transition of the Airport.

Major transition activities

Since commencement, the Transition Team has achieved a significant amount in pursuit of a successful transition. The major activities that have been achieved or underway include the following:

Completion Date

Council is advancing the transition process with the intent of transferring operations to Sunshine Coast Airport Pty Ltd (SCAPL) on or before 1 October 2017.

Conditions Precedent and Legals

Matters relating to SCAPL and associated trust arrangements are underway including the required internal and external approvals.

IT Arrangements

Three Council officers have been dedicated to this process on a temporary basis. These officers are responsible for procurement and implementation of the IT related goods and services required for a standalone function. Responsibilities include engagement with the Sunshine Coast Airport Team, Palisade, Council, and potential contractors.

A major activity within the IT stream has been the procurement of an Enterprise Resource Planning (ERP).

Finance

Council approved a budget of \$538,000 as part of Budget Review and a draft 2017/18 budget has been prepared. These allocations will specifically address the transition costs, including the provision of Council officers dedicated to the transition process.

The Sunshine Coast Airport Team and the Transition Manager, in consultation with Finance Branch, are developing respective budgets for the 2017/18 financial year, noting that both will operate within Council for the period 1 July 2017 to financial completion on or before 1 October 2017.

People and Culture

Council officers, including those from Council's Human Resources Branch, have been engaging with SCAT members regarding the impending transition. An HR Business Partner has been attending Sunshine Coast Airport on a weekly basis to talk with, and answer questions of, SCAT members on the transition process regarding their respective employments, and the process that will be adopted as financial completion date approaches.

Airport staff members remains a priority for Council. Ongoing engagement with the HR Business Partner will continue with the Business Partner being informed of relevant information as and when it becomes available.

Information is continuing to be made available including email updates on the process, correspondence from the Palisade CEO and a Fact Sheet outlining information agreed with Palisade.

Caloundra Aerodrome – post transition

Sunshine Coast Airport currently provides a number of valuable airside related services to Caloundra Aerodrome. Post transition, these services will no longer be provided by SCA. Council will still need to ensure provision of those services to ensure the Caloundra Aerodrome remains a viable and compliant operation.

Council is currently exploring options for alternate delivery of those services.

Legal

Both Council's Legal Services Branch and external solicitors, King & Wood Mallesons, are engaged when required.

Policy

The Contract resulting from the Tender for a Commercial Partner was conducted in compliance with Council's Procurement Policy and legislation. The transition process forms part of the performance of that Contract.

Risk

A comprehensive risk assessment and mitigation strategy has been developed for the transition process. Primary risks identified are as follows:

- Meeting all Conditions Precedent to contract completion
- Meeting all transition requirements to leave Sunshine Coast Airport as a standalone entity within timeframe of financial completion scheduled no earlier than 1 July 2017 and no later than 1 October 2017.
- Ensuring Airport operations are left uninhibited by the transition process.

Previous Council Resolution

Council Resolution (OM17/3) Ordinary Meeting 25 January 2017

That Council authorise the Chief Executive Officer to progress the implementation of the funding strategy for the Sunshine Coast Airport Expansion Project as discussed in confidential session.

Council Resolution (OM16/216) Ordinary Meeting 8 December 2016

That Council authorise the Chief Executive Officer to progress the implementation of the funding strategy for the Sunshine Coast Airport Expansion Project as discussed in confidential session.

Council Resolution (SM16/30) Special Meeting 10 November 2016

That Council note the update on the implementation of the funding strategy for the Sunshine Coast Airport Expansion Project as discussed in confidential session.

Council Resolution (SM16/1) Special Budget Meeting 16 June 2016

That Council:

- a) *receive and note the report titled "Adoption of the 2016/2017 Budget and Forward Estimates for the 2017/2018 to 2025/2026 Financial Years"*
- b) *adopt the 2016/2017 Budget Schedules (Appendix A) including Forward Estimates and*
- c) *adopt the 2016/2017 Capital Works Program, endorse the indicative four-year program for the period 2017/2018 to 2020/2021, and note the five-year program for the period 2021/2022 to 2025/2026 (Appendix B).*

Council Resolution (SM16/13) Special Meeting 13 June 2016

That Council

1. *authorise the Chief Executive Officer to progress matters relating to this report, as discussed in confidential session, in relation to the Sunshine Coast Airport Expansion Project and*
2. *proceed with the calling of Expressions of Interest for parties wishing to partner with Council in the delivery of the Sunshine Coast Airport Expansion, in accordance with section 228 of the Local Government Regulation 2012, noting that the calling of Expressions of Interest is in the public interest for the following reason:*
 - a) *that the process will allow Council to evaluate submissions with a view to identifying the solution which best aligns with the interests of the public and Council.*

Council Resolution (OM16/12) Ordinary Meeting 28 January 2016

That Council

- a) *receive and note the report titled "Sunshine Coast Airport Expansion Project Delivery Team" and*
- b) *authorise the Chief Executive Officer to establish a Sunshine Coast Airport Expansion Project Delivery Team and implement a Project Governance Structure to oversee the delivery of the project.*

Related Documentation

Sunshine Coast Airport Transition Project Management Plan
Sunshine Coast Airport Transition Plan
Sunshine Coast Airport Transition Actions Register

Critical Dates

Meeting all transition requirements to leave Sunshine Coast Airport as a standalone entity within timeframe of financial completion scheduled no earlier than 1 July 2017 and no later than 1 October 2017.

Implementation

Work will continue as outlined in this report.

5 CONFIDENTIAL SESSION

5.1 ECONOMIC DEVELOPMENT AND MAJOR PROJECTS

**5.1.1 CONFIDENTIAL - NOT FOR PUBLIC RELEASE - SUNSHINE COAST
AIRPORT EXPANSION PROJECT - FUNDING STRATEGY**

File No: Council meetings

Author: Director
Economic Development and Major Projects Department

This report is confidential in accordance with section 275 (e) of the *Local Government Regulation 2012* as it contains information relating to contracts proposed to be made by Council.

6 NEXT MEETING

7 MEETING CLOSURE