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Kangaroo Island Airport Upgrade
Frequently Asked Questions

The Project requires the lengthening and strengthening of the existing sealed runway (01/19) and the construction of a new Terminal facility both capable of managing larger turboprop and regional jet aircraft which will allow the Island to receive direct flights from Melbourne and Sydney in addition to the regular service between Adelaide and the Island.

The works have been split into five main packages:

- Early, enabling works that will be conducted by Council and revolve around site access and preparation works together with upgrade works to the main alternate runway (15/33) which will be used during the period February to end March 2017
- Material raising and crushing – a considerable quantity of crushed rock is required for the upgrade and there are two contracts that have been awarded to NBS and Wilson Earthmoving.
- Airside works – all earthworks, drainage, lengthening, strengthening and sealing of the main runway (01/19) and associated taxiway, apron and lighting requirements. This tender is complete and awarded to BMD whom commenced work in January with completion due for mid-April.
- Terminal works – construction of the new terminal building and associated works. Work will tender in February, be awarded in March 2017 with an expected completion date of end of January 2018.
- Ancillary Enabling Package – all sundry works associated with Terminal upgrade requirements such as security equipment, baggage handling, fixtures, fitting and furniture requirements, existing terminal refreshment, road and car park works etc

All the main works have been awarded on the basis of significant local sub-contractor involvement and there are a range of other small-scale works and then ongoing service provision that will be tendered and let over the course of the next few months which will see the opportunity for further local business involvement.

There will be no interruption to, or restriction of, current services between Adelaide and Kangaroo Island throughout the construction period with the alternate runway being extended by 221m, sealed and lit prior to main works commencing. At this point in time negotiations with potential future airline service providers are positive and ongoing and it is expected that flight services in addition to the current Adelaide / Kangaroo Island sector may commence from November 2017 onwards.

Should you have any questions relating to any aspect of this Upgrade then please feel free to contact Council on kicouncil@kicouncil.sa.gov.au. Answers to these questions will be provided directly and both the question and answer will be posted in this *Frequently Asked Questions* document and posted on the Airport Upgrade Page on the Council website for the benefit of others.

Airport Upgrade Project

Frequently Asked Questions:

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Is all the material required for the works coming from the Island and how much material is required to lengthen and strengthen the new runway?

Yes – all the crushed rock required to upgrade the runway, taxiway and apron areas is coming from Island Quarries generating royalty payments for quarry owners and a revenue stream for local contractors involved in the crushing and carting of the material from quarry to airport.

Hardy's Quarry (produced by NBS)	
PM1 B/20 Crushed Basalt	42,000 tonnes
3mm Aggregate (SA5-2)	1,250 tonnes
7mm Aggregate (SA7-5)	1,900 tonnes
14mm Aggregate (SA14-10)	2,250 tonnes

This volume of material is the equivalent of +/- 1,692 semi-trailer loads travelling one way from quarry to airport.

Willson's Quarry (produced by A&G Willson's Earthmovers)	
PM2 /20 Crushed Basalt	12,500 tonnes

In addition the sealing of the alternate runway 15/33 will require the following:

7mm Aggregate	708 tonnes
10mm Aggregate	826 tonnes

This volume of material is the equivalent of +/-500 semi-trailer loads travelling one way from quarry to airport.

When do these works need to be completed by and why?

The airside construction contract earthworks need to be completed by the middle of April at the latest. This is because the bitumen sealing works have to be completed while the ground temperature is still reasonable (20°C+). In an average year the ideal ground temperature has been lost by the end of April and the number of rain-related interruptions to works also then add to problems such as further reducing quality and increasing the cost of works. A very wet spring in late 2016 meant that material crushing activity and enabling earthworks at the airport could not commence until early December

What would be the likely impact of these timelines not being met on the overall airport upgrade project?

The upgrade works to the main runway 01/19 would not be completed prior to the winter requiring the principal contractor to complete earthworks and then demobilize with a need to then remobilize and returning to the island in November 2017 to compete works and sealing / line marking. This would incur a significant cost to the project and also would

have an impact on commencement of flight service operations from MEL / SYD with the potential to delay service start until early 2018 – this is not ideal.

If the terminal is not due to complete until January 2018 how can additional services commence earlier than this?

As the design of the new Terminal has incorporated the old Terminal facilities there will be the ability to maintain Terminal Services throughout the construction period with minimum impact to operations and passengers. Provision of new services (MEL or SYD) are likely to have security scanning requirements for passengers and their bags and there will need to be interim provision of these facilities utilizing the existing Terminal and the baggage handling facilities of the new Terminal. These details will be worked out once the Terminal construction contract is awarded and are, of course, dependent on the successful negotiation with airline service providers for these new services.

What is the approach being used for the consideration of the project design and for the awarding of contacts?

Council has its own procurement policy and the project procurement is being managed through this Policy. There are also additional grant requirements set by the State and Australian Government for the use of their combined $18m of grant funding which are incorporated into the requirements for tendered work. Procurement is managed by the independent Project Management Team and their recommendations then referred to the Project Control Board (PCB) which comprises the Council CEO and DPTI General Managers of Infrastructure Delivery and Transport Planning and Policy. The PCB review and approve all procurement decisions. Prior to this formal structure being in place the award of contracts to the professional service consultant team were carried out with the involvement and concurrence of DPTI General Manager Project Delivery.

How did the material contracts get awarded?

Given the volumes of material required, the PCB determined that material crushing tenders would go to market with a requirement that contractors be DPTI-prequalified as mobile crushing contractors in the State. We note that at that time there were no pre-qualified contractors available on the Island. Both quarry owners with suitable raw material (Hardy's and Willson's) had indicated their willingness to make their quarries available (Hardy) or work with an approved contractor (Willson). Pre-qualified contractors were chosen for the market approach on the basis that they had demonstrable capability to produce large volumes of material to the DPTI specifications that would underpin material requirements. Two submissions were received and evaluated – one a venture with Hardy's as the base quarry and the other with Willson's as the base quarry. After evaluation (against a range of criteria) the contract was awarded to NBS operating out of Hardy's Quarry.
It is to be noted by the PCB that Willson's Earthmoving successfully gained their quarry extension accreditation after the tender process had closed.
The inclement weather and ongoing contract negotiations meant that contract commencement was held up for longer than anticipated and, given the need for works to

be completed by the end of March / mid-April latest by the Principal Airside Contractor, the risk of material not being available when required started to become significant.
To this end a decision was taken by the PCB to mitigate this risk by splitting up the main crushing contract by removing the small quantity of PM2 material (relative) and allocating this to Willson's Earthmoving. As the sole alternative operator on the Island with a small stockpile of in specification material already crushed and given that pricing was competitive to the market call, it was a logical step to contract them to produce this material. This was done in full consultation with NBS and without a price penalty on the original contract. It is noted that although there has been a late start it has allowed the Principal Contractor to offer savings to the project by the conditioning of material at source, cartage direct to works and immediate use rather than the originally envisaged crush, cart and stockpile on site with then conditioning and delivery to works as a separate handling exercise – the removal of double handling of the quantities being applied here is a significant saving for the project.
The decision to seal the alternate runway is a risk mitigation exercise and required the sourcing of additional sealing aggregate which has also been contracted to Willson's Earthmoving.

Who has been awarded the sealing of the second runway contract, and were tenders called for this additional work?

Council are carrying out this work – as Council are the only organisation on the island capable of spray sealing and therefore a natural choice to perform the works. Councils' costs to carry out the work were reviewed by the independent cost consultants and found to be market competitive in their experience and the decision to proceed was agreed at the PCB.

What is the construction standard for the second runway, will it be the same specifications as the main runway and, what will be the additional future maintenance and depreciating cost on this second sealed runway incurred by the Council?

The runway surface is being broomed, primer sealed, then a 10mm / 7mm conventional bitumen spray seal with a sand coating at the turnaround points at each end. This is a similar specification to the existing runway (which is 14mm/7mm/3mm seal). We are performing a "cold-spray-seal" as opposed to a "hot-spray-seal" which is adequate for the intended intensity of use of this strip. The specification for works have been drawn up by Tonkins in consultation with Peter Francis of Aerodrome Design (Council's Airfield Technical Inspectors and the consulting airport experts for the upgrade project).
Future maintenance will be minimal once sealed with predominantly maintenance restricted to line mark refreshment as required. Given that likely use after 01/19 opens again will be minimal it is expected that the life of the surface (and line marking) will be far more than would normally be expected. Line marking will be an ongoing, cyclical cost if deemed necessary. It is likely that the use of 15/33 will be restricted to light traffic or as an alternate taxiway from 01/19 south only once the upgrade is complete. There will be a minimal impact on depreciation of the wearing surface improvements.

Further clarification was sought in relation to this question, see below subsequent questions and answers:

a) ***Will the 15/33 second runway be extended and widened to the same standards as the main runway?***

15/33 has been extended from 1164m x 30m to 1385m x 30m. 01/19 is 1402m. The 17m difference in length is not material and REX have confirmed that this does not present them with any operational issues.

b) ***Have geotechnical assessments on the second runway been undertaken to support the sealing without structural upgrade to the pavement - 'broomed and sealed' per answer to FAQ8?***

Yes – this was done prior to discussion about the strip being used in an unsealed condition to validate the revision to the Pavement Classification Number (PCN) which would then allow use by heavier aircraft than previously specified.

c) ***Has the second runway surface been surveyed and levels checked to ensure correct runway profiles for sealing?***

Yes.

d) ***What will the cost be for applying a 4-coat cold bitumen seal (FAQ8 - primer sealed then with 14mm/7mm/3mm aggregates) on the second runway?***

A budget of $600,000 including line marking has been set.

e) ***Has a 'cost-benefit analysis' been carried out to justify the expenditure on an additional sealed runway?***

No, simply because it was not about cost but about risk to services. If work on 01/19 is not completed before the onset of winter then we would have been left with an unsealed strip for winter. This would not allow guaranteed service during winter – irrespective of plane type used. Given the weather in the back end of 2016 and the tight timeframes to complete works in the first three months of 2017, the PCB considered this a prudent decision.

f) ***Will the sealing work be supervised by independent qualified engineers to ensure meeting the required specifications?***

Tonkins are involved in the specification and sealing process and have been on site to confirm methodology and outcome. Tonkins and AeroDesign Engineers will confirm specification has been attained and release for use.

g) ***What is the difference between 'cold' and 'hot' bitumen spray seals in terms of specifications and costs and on what basis was the 'cold-spray-seal' option selected?***

Hot spray is more expensive an option and can only be carried out by mainland contractors. If we were preparing a permanent long-term surface (15-20 year life) for RPT use then hot spray would have been used. For the as-allowed-for short-term use (possible

maximum use for 6 months by REX Saab 340 aircraft over winter) our Engineers determined that a cold spray surface would meet requirements in full. It will also then provide a long-life, low cost option for general aviation use for the future. Council have the capability to deliver this and it was determined to have little benefit for the additional costs and delays of scheduling a mainland contractor to come to the island.

What changes if any have been made to the original airport proposal, the layout plan, scope of works, budget and works program?

The Terminal Design has changed considerably from the original desktop design work carried out for the Business case document by GHD. The Terminal has moved east and now integrates the new with the existing rather than subsuming it. This was done in recognition of the working life still available in the existing terminal building and in the interests of managing costs. The specifications used to underpin this new design have not changed.
The Airside specification has been amended from the original desktop design specification in response to geotechnical investigation of the existing airfield pavements and their requirement to be upgraded to meet new pavement engineering requirements. It has been engineered to meet the needs of Code 3 aircraft as per the original intent. There are certain Code 4 Aircraft that are permitted to operate on narrow (30m rather than 45m wide) airstrips that will also be able to utilise the facilities as well. The design specification permits use of the original design aircraft – a Code 3 100 seat regional jet aircraft.

When will the revised plan be made available for public viewing?

The plans have been on display in Dauncey Street since before Christmas and are now on display at the airport. The Council webpage on this Airport Upgrade has been updated and a set of plans provided for Community interest.

What will the likely capital development cost be, and will Council be required to pay for the cost if it goes over the budget?

The project is still budgeted to be delivered within the $18M budget and this budget total includes the normal allowances made for construction contingencies.
At this point in time there are only two items that are not known, contracted costs – baggage handling equipment and the Terminal Construction cost. The Terminal Package will go out to tender in January and therefore by mid/end of February we would expect to have full price certainty on the Project. State and Federal Funding agreements preclude any additional funds being made available through those agreements and therefore any project over-runs that cannot be managed by the substantial contingencies will need to be met by Council. It is noted that neither agreement precludes additional funds being sourced from other Departments of both Governments in arrangements made outside of the specific formal infrastructure agreements with the Australian Government via Regional Development Australia and Minister for Transport and Infrastructure, SA.

The airport upgrade FAQ refers to "Code 3" and "Code 4" aircraft. Where can I find a definition of what this means?

The codes refer to the following (courtesy of Wikipedia, our Technical Expert, Peter Francis of Aerodesign and CAAP235-A1) – technically a plane code is made up of two elements – the first a number – relates to the aircraft reference field length – i.e. aeroplane reference field length is the runway length required at the time of the aircraft certification to reach certain performance criteria at standard temperature and pressure. It is not necessarily directly related to the physical runway length.

The second element is linked to Wingspan and outer main gear span. Whichever is the greater of the two measurements takes precedence.

Interestingly then a SAAB340 35 seat aircraft needs around 1400m at MTOW is therefore a Code 3 plane whereas a Dash-8 Q300 49 seat aircraft can manage with a <1200m runway and is a code 2 plane.

Definition - The ICAO Aerodrome Reference Code is a two part categorisation of aircraft types which simplifies the process of establishing whether a particular aircraft is able to use a particular aerodrome. It is included in ICAO Annex 14. It has two 'elements', the first is a numeric code based on the Reference Field Length for which there are four categories and the second is letter code based on a combination of aircraft wingspan and outer main gear wheel span.

Table 1 – ICAO Annex 14 Aerodrome Reference Code

Aerodrome Reference Code				
Code Element 1		Code Element 2		
Code number	Aeroplane reference field length	Code letter	Wing span	Outer main gear wheel span
1	Less than 800 m	A	Up to but not including 15 m	Up to but not including 4.5 m
2	800 m up to but not including 1200 m	B	15 m up to but not including 24 m	4.5 m up to but not including 6 m
3	1200 m up to but not including 1800 m	C	24 m up to but not including 36 m	6 m up to but not including 9 m
4	1800 m and over	D	36 m up to but not including 52 m	9 m up to but not including 14 m
		E	52 m up to but not including 65 m	9 m up to but not including 14 m
		F	65 m up to but not including 80 m	14 m up to but not including 16 m

Description - Element 1 of the Code is as follows:

Field length means the balanced field length (which is when the take-off distance required is equal to the accelerate-stop distance required) if applicable, or take-off distance in other cases. Aeroplane reference field length is defined as "the minimum field length required for take-off at maximum certificated take-off mass, at sea level, in ISA conditions in still air and with zero runway slope as documented in the AFM or equivalent document.

Element 2 of the Code is derived from the most restrictive of either the aircraft wingspan or the aircraft outer main gear wheel span. The categories are as follows:

It should be noted that Element 2 is often used on its own since it has direct relevance to detailed airport design.

Now you would think that element 2 and runway width were linked but they are not – directly anyway. Whilst the ICAO (table 2 below) provides a reference table for minimum runway width linked to aircraft certification code, Aircraft manufacturers can certified against certain standard sealed width runways and then, based on test data can provide for operations to “narrow” width runways in their Aircraft Manuals. Aircraft operators can then operate their aircraft to these runways providing they operate within the parameters identified by the manufacturers – e.g. despite being a 4C aircraft and originally certified against a 45m wide runway, the Boeing Aircraft Manual for the B737-300/400 and 800 provides for operations to a ‘narrow’ 30m wide runway – it can therefore operate from this.

Table 2 – ICAO Reference Code Minimum Runway Width

Code number	Code letter					
	A	B	C	D	E	F
1	18 m	18 m	23 m	–	–	–
2	23 m	23 m	30 m	–	–	–
3	30 m	30 m	30 m	45 m	–	–
4	–	–	45 m	45 m	45 m	60 m

Another example - in the case of Coober Pedy the Saab 340 did not have a narrow width supplement so operations were going to be limited to a 10 knot cross wind. Rex response was to cancel bookings. The government response was to provide funds to widen the runway to 30m. However the Fokker F50 does have a narrow width supplement so it happily operates off the 18m seal at Olympic Dam. The Saab is not permitted to operate at the same venue.

A 30m wide seal sits in a 150m wide airfield corridor – a 45m seal sits in a 300m wide airfield corridor. The latter is an issue for our airport as we do not have the width of airfield

corridor without significant expense. Also all the operating aircraft that we are likely to require do not require 45m width at this point in time.

So our runway at 1812m long and 30m wide will allow operations of all code 3C aircraft and some that are certified 4C for narrow runway operations. This currently covers all regional 100 seat jets in RPT operation in Australia. I note that Sunshine Coast Airport is currently receiving daily flights direct Sydney and Melbourne and has seasonal flights with Air New Zealand to Auckland from its 1797m long x 30m wide runway, operating Airbus A320 and Boeing B737 aircraft (circa 200 seats and both operating on narrow width supplements) but nothing larger than that.

There are stories going around that the decision to seal runway 15/33 means that the extension to runway 01/19 will be shorter than originally intended. Is this the case and, if so, what implications will this have for the usefulness of the entire project?

No, this is not the case. The decision to seal 15/33 did not drive the specification to 1812m – the available operating aircraft requirements did. The decision to seal 15/33 was a pure risk mitigation exercise – with the poor weather and late season meaning a later start to material crushing and airside contract start coupled with the need to have sealing complete before ground temperature drops below 20°C (typically on average end of March most years) there is a risk that sealing of 01/19 may not be able to complete in time for winter – had we not sealed 15/33 then this would mean that we would only have an unsealed strip for winter – simply not acceptable. The airside work came in under budget which provided the additional funds to seal 15/33 and negate that risk.

At this stage we have one major unconfirmed cost and that is the Terminal – once that has come back from tender and we have the lump sum cost for this – hopefully again below budget – we may then have the capability to consider additional works that add value – extra length of runway to the maximum of 2100m is always an option if we determine that this is a prudent application of funds.

Will the upgraded airport require additional emergency service provisions?

Even with the upgrade of the airport the likely passenger numbers and frequency of aircraft using the airport is still well below the mandated thresholds that trigger the need for on-site emergency service staff and resources. CASA compliance is a prerequisite for airport operation and therefore any airline flying into this compliant airport in the future will understand the level of facilities provided - whether running intra or inter-state services - and will have no issues with that prescribed level of service.

What is in place at the Airport in the event of an incident / accident requiring emergency services?

The Airport is required to conduct regular emergency exercises (every two years) under compliance requirements and does this as required. Exercises are both desktop and practical so that emergency service participants (CFS, SES, SAPOL, SAAS, Staff) can

practice response to different scenarios. Council staff participate fully in KIESOAG (Kangaroo Island Emergency Services Operations Advisory Group) and attend the monthly meetings where issues associated with emergency response and preparedness are discussed and KIESOAG members contribute to airport scenario planning and then implementation.

As we are not required to provide equipment or a response to emergencies specifically then we do not hold any equipment on site other than portable fire extinguishers and the Fire Hydrant / Hose facilities provided adjacent to the terminal building and to the front of the apron. Council currently employs one member of Staff to manage airport services and compliance who is backed up for the daily mandatory Airport Reporting Activities outside of his employment hours by qualified Airport Reporting Officers. Once morning inspection activities are complete there can be no Council-staff present for the balance of the day with Ground Services for our regular passenger transport (RPT) services and Charter operators currently managed by the ground handling company retained by the RPT provider. There is no requirement for first response emergency training for any of their staff or our staff. In the event of an incident our Staff have a requirement to manage the runway access process i.e. the management of airside / runway / taxiway / apron access using appropriate approved markings / cones / gable markers etc. For this purpose there is a trailer kept at the airport with this equipment loaded ready to go and this would be their focus and would be vital to ensure that any other aircraft operating in the area are advised of the issue and kept clear of the airport or the area specifically impacted by an incident.

CFS / SES / SAPOL / SAAS volunteers / agency staff do receive some aviation specific training and have access to standard operating procedures (SOPs) for dealing with the types of risk associated with aviation-specific incidents - these skills and SOPs are integrated into the exercises carried out at the airport as you would expect. Their response time to an incident will be a product of availability of personnel, equipment and proximity to the airport when an emergency eventuates. Should there be an incident then it would be likely that a multi-unit call would be made and crews from the main centres mobilised to respond - assuming that they were not already deployed then the closest response units would likely be from Kingscote.

Has any RPT service provider undertaken to commence a service as indicated in the "Investment Case" - even on a trial basis? No. No provider has undertaken to commence a service and the Investment Case does not indicate this.

Answer now – No – negotiations continue.

Has any RPT service provider entered into a heads of agreement or Memorandum of understanding with council or other body to commence an RPT service as outlined in the investment case? If so for what period of years? No.

Answer now – as above.

How many KI producers have committed via contract, Letter of Intent, memorandum of understanding, or other robust costed agreement to use the mooted air services to the eastern states?

Answer – none at this stage.

When will this service or any other service commence

from Adelaide - a competitive service to REX airlines?

from Sydney?

from Melbourne?

Answer – these are still in negotiation.

What are the "directly from overseas in the future" locations expected to fly to KI and how frequently?

Answer – at this stage direct flight service from overseas are not being canvassed.

Why was the high cost option to build a second sealed airstrip chosen rather than the "alternate airlines" option?

Answer – 15/33 was sealed to provide a guarantee of service through winter 2017 should the works on 01/19 be delayed to the point where sealing cannot be effectively performed. Operations from aircraft off an unsealed 15/33 during winter whilst possible would not guarantee this required level of service. The alternate airlines / aircraft types was originally an option for the predicted 4-6 week period that 01/19 would be out of commission and was never envisaged as a solution to extended operations through winter should these eventuate in a worse-case scenario.

Is it correct that a cheaper (lesser cost) terminal and a shorter main runway have been the cost savings to facilitate the second sealed runway?

Answer – No.

With Adelaide serviced during daylight 1-2 hourly jets from both Sydney and Melbourne and linking with current REX schedules every few hours to KI for a total cost of approx $300 one way, (often less) what more efficient daily schedules will be available to 'time poor' and 'cost conscious' travellers from Melbourne to KI and will the frequency choices from Sydney improve on the current services for any given return flight to and from KI/Sydney of 4-5 hourly 'windows'

Answer – this is still part of the negotiations.

What incentives from the SA govt (SAT or other) or council are likely to be or have been offered to ASP's (Air Service Providers such as Virgin or Qantas groups or other) to entice them to commence flying to KI?

Answer – this is commercial in confidence and is part of the negotiations.

When council was selected as the only sealing service available for the second airstrip, did council then call tenders for the supply of aggregate for this work in accordance with council's Procurement Policy?

Answer – no – the selection of the only quarry / crushing plant on the Island capable of producing the material to specification was logical and the market price for the material had been established by the call to market for the original crushing contract so we had confidence in the price received. The alternate quarry on the Island is the quarry being used by the nominated crushing contractor to produce the bulk of materials being used for the airport upgrade and did not have the capacity to produce the additional material. Utilising the established local quarry business was a logical risk mitigation step to reduce pressure on the nominated crushing contractor so that material could be available as early as possible for the airside contractor to commence works and permit the nominated crushing contractor some additional time to mobilise, establish operations and start generating volume. The Project Control Board assessed and agreed that this was appropriate.

Will the upgraded airport require additional emergency service provisions?

Even with the upgrade of the airport the likely passenger numbers and frequency of aircraft using the airport is still well below the mandated thresholds that trigger the need for on-site emergency service staff and resources. CASA compliance is a prerequisite for airport operation and therefore any airline flying into this compliant airport in the future will understand the level of facilities provided - whether running intra or inter-state services - and will have no issues with that prescribed level of service.

What procurement process was carried out to secure the now failed Crushing Contract and what is the current state of play around the failure of NBS and impact on Island Businesses?

All decisions relating to Contract Award for the Airport Upgrade Project are managed through the Project Control Board. This entity comprises two DPTI General Managers (Jon Whelan and Don Hogben) and the Council's CEO. Whilst it was always an intent to use DPTI-prequalified Crushing Contractors for the works it was at the insistence of the DPTI representatives of the PCB that the Project Team use DPTI Tender, Evaluation and Contract documentation and processes throughout the procurement process rather than Council's. At the time this did not seem to be an issue. The independent Project Managers for the Airport Project (RCP), were directed to meet with DPTI Contracts Officers and adopt the documentation and processes. It is noted that there is no financial due diligence process within the DPTI tender / evaluation process for prequalified contractors. The full evaluation pack was provided to the PCB and neither of the DPTI Officers raised the issue of financial due diligence. Despite requests DPTI have not provided any answer to Council with regards to what process exists outside of the initial prequalification process to ensure that prequalified contractors maintain their prequalification status. It is believed therefore that there is no process in place within Government for this. DPTI Officers have chosen to suggest that Council should have undertaken a separate financial due diligence process. We note that, had we utilised the standard Council Tender and Evaluation documentation and processes we would have requested and considered financial information. Whether this would have changed the outcome is a moot point – NBS Directors chose to enter liquidation voluntarily – they were not taken there by creditors so it is entirely possible that accounts presented would not have revealed their situation clearly enough to make a difference.

After a select tender approach to all SA-based DPTI-pre-qualified Mobile Crushing Contractors in September 2016, NBS were contracted to provide Council with crushed material for the Airport. This was a sole contract with NBS and did not involve any contract with another party in this matter.

NBS declared that they were working from Hardy's Quarry and provided a contract delivered-airport price for material meeting specification. It is noted that within their quotation a breakup of monies paid for crushing, testing, haulage, stockpile and then a figure for quarry owners rate for a rolled up rate of $24.77/t was provided in their submission for either DPTI-specification PM1 or PM2 material. It is noted that the original quantum of supply was in excess of 55,000t of material across 5 specifications (PM1/2 and three aggregates (14/7/3mm)).

It is assumed that Mr Hardy had a contract or some form of formal agreement between his business and NBS for the supply of rock suitable for crushing by NBS. Given the quantum of material and financial implications of such it is assumed that Mr Hardy carried out his own due diligence before committing to supply NBS with this material and use of his Quarry for crushing.

As advised by Mr Hardy, the rock in his Quarry is too hard to excavate into a size suitable for crushing with conventional crushing machinery and to generate the 50,000t of raw material required a program of drill and blasting was required. After NBS had entered voluntary liquidation, Mr Hardy advised Council that he had organised this with a separate contractor and undertook to fund the works through per tonne payments across the course of the crushing contract and that this method of payment was acceptable to the Drill & Blast Contractor. It is noted that in the Tender Schedules provided by NBS there is no

separated cost or mention of Drill & Blast. It is assumed to be captured in the quoted rate for the Quarry Owner.

3,000t of material was crushed by NBS in the period up until their entry to voluntary liquidation. They appear to have made no payments to anyone for any costs associated with that material. They did not deliver the material to site as per their contract with Council and therefore essentially they are – at this stage – not owed any money by Council as they did not deliver anything associated with their contract conditions.

However, the 3000t of material could be purchased by Council at the agreed rate / tonne and then the constituent costs of that 3,000t being two identified elements – "Quarry Owner Rate" (essentially Mr Hardy's revenue) and "Crushing, testing, haulage, stockpile Rate" (essentially NBS revenue) be separated out and settled appropriately to ensure that Mr Hardy received his stated sum for that proportion of the 3000t. All things being equal this would then leave the balance – being NBS revenue – to cover the suppliers of fuel and services to NBS and then any balance would effectively be to the benefit of the Liquidator. It is noted that this material was sampled utilising DPTI-approved hand sampling techniques (DPTI TP 226 6.1.10). The samples were then sent to an independent laboratory for testing (FMG Research House, Adelaide – NATA-accredited laboratory No. 544). The material tested had too many fines in it to meet the claimed specification of PM1B but is deemed acceptable for use as PM2 material. We note that under NBS pricing the material is the same cost / tonne - $24.77 delivered – regardless of specification.

It is clear that the balance of the drill and blast rock is still in Mr Hardy's Quarry, unprocessed, and therefore still Mr Hardy's asset. Based on Mr Hardy's advice to Council this would not become NBS property until crushed therefore the costs associated with this unprocessed rock still sit with Mr Hardy. Clearly this is a concern to him and the drill & blast company he contracted to produce the rock as neither can get paid for this unless the rock is processed by another party.

In the aftermath of NBS entry to voluntary liquidation a number of different crushing options have been considered and PM2 material in small quantities has been sourced locally from Willson's Quarry. This enabled works on the airport to continue to a point where all sub-base earthworks and preparation is now complete. Tonkins (the Project's Consultant Engineers have independently tested and approved the use of this material for this purpose.

Since the departure of NBS, Council's Project Managers have been working hard to identify another crushing contractor capable of producing the material to specification and able to work with the raw material required. Negotiations have been prolonged and have involved both quarry owners on the Island. Negotiations are close to finalising and will see a new contract drawn up between a DPTI-prequalified contractor and Council. This Contractor will be working out of Mr Hardy's Quarry. We have sought clarification from Mr Hardy that he will have a formal agreement in place with this Contractor for the supply of raw material and that the Drill & Blast Contractor is happy for this material to be utilised and paid for on a per tonne processed basis as per the original agreement advised by Mr Hardy. With these two key issues resolved crushing can commence and material can get delivered. This resolves Mr Hardy's issue around the commitments he has with the Drill & Blast Contractors.

This still then leaves 3000t of material that Mr Hardy will not have been paid for and therefore – as he rightly claims – is arguably still his. The Liquidator will claim that this was processed by NBS and therefore is an "asset" for which they could seek payment in order to cover outstanding debts etc for NBS operations (the Liquidator is in the difficult position of this "asset" not being in their hands though and therefore not easily realised through sale).

There are two Island businesses that Council has been approached by, with documented evidence that they are owed money for services by NBS. These businesses are suppliers of fuel and freight and therefore are simply creditors of NBS. Council has taken the position that the funds attributable to the settlement of the known costs associated with the provision of crushed material will generate a residual sufficient to cover these two amounts – provided that Mr Hardy releases the material for Council to purchase and only claims the contracted sums allowed for within the tender schedules provided by NBS. Given that his costs associated with Drill & Blast and other works will be recovered in total from the new contract with the alternate Crushing Contractor then this would seem to be a fair and equitable outcome – even allowing for the additional costs, grief and upset that the whole sorry mess has imparted on all parties – something we cannot get compensation for.

There are laws around the governance of Liquidation and the Liquidator does not have to agree to Council's proposal. They can claim that they should get all the benefit from sale of "asset" and then their process is to divide the proceeds of sale across every creditor (including their fees) that NBS may have had at the time of their entry into voluntary liquidation. This usually results in cents in the dollar payments rather than full settlement of debts. Mr Hardy has a strong claim to the 3000t of material if he is not paid what he is contractually owed for it and, given its in his quarry, he has a very strong position. Nevertheless the Liquidator could stop Mr Hardy from disposing of that material by injunction if they so choose to and this would leave everyone in an expensive stalemate.

Council hope that the Liquidator will agree to our proposal. Council hope that, given the renegotiation of the crushing contract which will see Mr Hardy once again able to sell all of the raw material rock to the Crushing Contractor and able therefore to meet the costs of the Drill & Blast Contractors on a per tonne basis. Council hope then that Mr Hardy agrees to release the 3000t of material so get his Quarry Owner Rates for that 3000t only and this would then allow the balance of funds to be used to settle the Island-based fuel and freight suppliers - whilst long-winded, Council could then take delivery of 3000t of material, pay the contracted rate for it knowing that all Island-based businesses that are owed money have had their debts settled in full.

The entry of NBS into voluntary liquidation has caused all parties involved an inordinate amount of stress and additional cost – it is hoped that by simply following an established process that we can get the result we all desire. Given no-one wanted this it is understandable that those involved will get upset and look to attach responsibility for the issues caused to others than themselves. The reality is that no-one escapes some responsibility in these situations and the real responsibility lies with the business that undertook to provide a contract service, involving other parties, and less than 8 weeks later determined to place their business into voluntary liquidation. Unfortunately there is no recourse that any of us have with the business and their Directors for that decision.