

# NOTICE OF MEETING OF COUNCIL

Notice is hereby given in accordance with Section 59  
of the Local Government Act 2008

## ORDINARY MEETING

# LATE AGENDA ITEM 14.2

## KATHERINE TOWN COUNCIL

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# TUESDAY 24 NOVEMBER 2015

## ORDINARY MEETING

At 6.00pm

Council Chambers, Civic Centre,  
Stuart Highway, Katherine

ROBERT JENNINGS  
CHIEF EXECUTIVE OFFICER



# REPORT

**FOLDER:** Legal Documents / Lease / Katherine Civil Airport Lease

**MEETING:** ORDINARY COUNCIL MEETING – 24 NOVEMBER 2015

**REPORT TITLE:** PROGRESS OF THE LEASE AND OTHER ASSOCIATED MATTERS FOR THE KATHERINE CIVIL AIRPORT

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## Purpose of Report

The purpose of this report is to formally update Council on the progress and future scheduled actions by officers on the lease of the Katherine Civil Airport and the project generally. The report forms part of an ongoing two (2) monthly update to Council on the matter until the item is resolved.

## Background

The lease of the Katherine Civil Airport has been the subject of ongoing discussion and action by Council since at least early 2011. The following resolutions are the latest associated with the matter:

At the 28 October 2014 Ordinary Meeting, Council resolved:

That Council:

1. Agree to an extension of time being granted to the Department of Transport for the completion of the Katherine Airport Business Modelling report;
2. Continues to proactively participate in negotiations with the Department of Defence in relation to the Lease document and Operating Deed for the facility;
3. Receive and note the draft Financial Analysis report compiled by the Northern Territory Government; and
4. Agrees to postpone its final determination on the future of the Katherine Civil Airport until the aforementioned recommendations have been appropriately deliberated upon.

In a closed session of the 28 July 2015 Ordinary Meeting, Council resolved:

That Council:

1. Receive and note the KPMG Business Report – 'Business Model for Katherine Airport' compiled by the Northern Territory Government;
2. Respond to KPMG and other relevant stakeholders on items identified in the Business Report as needing revision;
3. Continue to proactively participate in negotiations with the Department of Defence in relation to all matters, including the Lease document and Operating Deed for the facility;
4. Review, update and enhance the KPMG Business Report financial forecasts based on our review as well as the results of the indicative costings as part of a full report for Council consideration.
5. Keep stakeholders such as tenants and other operators regularly informed of progress;



6. Progress the project using the eight steps identified in the report; and
7. Report back to Council on progress in two month intervals.

At the 22 September 2015 Ordinary Meeting, Council resolved:

That Council:

1. Receive and note the above report;
2. Await the detailed analysis of the report and core analysis from Aerodrome Design and reviewed, updated and enhanced financial forecasts as part of the ongoing reporting for Council consideration at the October or November 2015 meeting;
3. Continue to proactively participate in negotiations with the Department of Defence in relation to all matters, including the Lease document and Operating Deed for the facility; and
4. Keep all key stakeholders including tenants and other operators regularly informed of progress.

Additional comments provided at the meeting identified a need for Council to be able to operate the airport as a commercial entity and the problem of the high level of public liability in the new lease template.

Full reports which bring considerable context and content to the matter were included in the July and September 2015 reports and attachments.

## **Comment**

### **Airport Progress**

Since the latest report to Council, the following items and actions have occurred (September has a combination of previously actions and well as new actions):

- September 2015
  - A proposed meeting date on 31 August 2015 between Department of Defence and Katherine Town Council is cancelled.
  - Update provided by the Lend Lease consultants on the RAAF Tindal JSF - Civil Engineering/Stormwater Drainage project on 9 September 2015. The update report confirms that a reconfiguration of the airport is more likely than relocation.
  - Aerodrome Design conducts an inspection of the airport on 9 September 2015. The draft report is received on 18 September 2015, with the Katherine Town Council initial figures and assumptions placed into the September Council report.
  - Announcement of a Regular Passenger Transport (RPT) service made by the Territory Government on 10 September 2015. The Council makes contact with the relevant officers from the Department of Transport and Airnorth management to prepare the Katherine Airport for this service.
  - Meeting set up with RAAF Tindal Executive Members to progress the partnership for the benefit of both parties and the community.
  - Response sent to KPMG Consultants and other relevant stakeholders on items identified in the Business Report as needing revision.
  - First update report sent to key stakeholders such as tenants and operators.
  - John Coleman (CEO, Department of the Chief Minister) progresses discussions with the Department of Defence.

Financial forecasts reviewed and updated based on the results of the indicative costings. A full report is identified to be completed for a future Council meeting.

Late report prepared for Ordinary Council Meeting in September.

- October 2015

Second meeting with RAAF Tindal Executive Members on 7 October 2015 to progress the partnership for the benefit of both parties and the community.

Meeting with John Coleman (CEO, Department of the Chief Minister) and Andrew Kirkman (CEO, Department of Transport) on 13 October 2015 to discuss a number of matters, including the importance of the airport to the region and any potential territory government support.

First of the Regular Passenger Transport (RPT) flights commenced on Monday 19 October 2015. There are now three (3) flights per week on a 30 seater plan that runs from Darwin, to Katherine, to Tennant Creek and Alice Springs, with a return trip stopping in the same places. The pilot program is subsidised by the Northern Territory Government and is for a period of two years.

Lease document reviewed by KTC Officers and points for discussion forwarded to the Department of Defence on 28 October 2015.

Meeting with Department of Transport occurred on 30 October 2015 to discuss Territory Government support for the project.

The meeting with the Department of Defence regarding the lease occurred on 30 October 2015. The meeting was very positive with key items listed below being discussed:

- A single point of contact in Darwin that has the authority to make decisions on the majority of matters.
- Insurance value to be confirmed (this item will require additional consultation with Canberra).
- Whether variations to the perimeter fence (such as openings) be made to increase the commercial viability of the airport.
- Whether works to the aprons could utilise external contractors either after or before RAAF works so as to reduce mobilisation costs.
- The calculation of the additional rent provision. This item will require additional consultation with Canberra.
- Comments from KTC notes on the Operating Deed.

A second update report was sent at the end of October 2015 to key stakeholders such as tenants and operators.

A letter seeking support was sent to the NT Minister for Transport regarding the airport aprons.

- November 2015

A RAAF Tindal and KTC working group meeting was held on 5 November 2015 to progress the partnership for the benefit of both parties and the community.

Although a requirement for core testing was identified around 9 September 2015, the core testing was performed on 17 November 2015. Some of this delay can be attributed to the contractors themselves being out of contact as a result of field works.

The geotechnical investigations were performed by contractors HiQa Geotechnical and Jason Rapley, and Council officers. Four (4) test sites were core drilled and excavated to an approximate depth of 700mm (surface area of approximately 400mm<sup>2</sup>) with



substantial spoil being bagged for laboratory testing through each of the compacted pavement layers.

Preliminary sensory analysis would seem to indicate that the base layers are consistent throughout the tested area and are of reasonable integrity – this detail cannot be confirmed (for the purpose of financial reliability in determining remediation works), until the resulting indicators are reported back to Council of the gravel's behaviour under test conditions; plasticity index (PI – gravel compound components), grading (size and conformity) and California Bearing Ratios (CBR – tolerance of exerted pressure), it is anticipated that draft analysis and reporting may be available before 4 December 2015.

The financial forecasts model is being further refined to reflect the RPT flights. A future report will include an updated assessment once the core testing has been analysed and responses from the Department of Defence received.

As a result of the two (2) month period for the core testing to occur and a slight deferment in the response from the Department of Defence to the questions posed at the 30 October 2015 meeting, this report takes the form of a status update only. It was originally proposed that a detailed report to Council would be completed by this time on the apron investigations.

### **What's Next?**

The next tasks to be completed are:

- Ongoing negotiation of the lease and operating deed with the Department of Defence to further determine the budget and other impacts.
- Continue to refine the efficiency and general accuracy of airport budget information to increase the effective running of the airport.
- Build a new financial model once the core testing and responses to the issues are received from the Department of Defence.
- Provide ongoing updates to all stakeholders.
- Continue to work with NT Government to seek support for the airport.
- Progress a full report and recommendation to Council with lease and other considerations once the above actions are complete.

### **OFFICER RECOMMENDATION**

**That it be recommended to Council to receive and note the above report.**



Robert Jennings  
**CHIEF EXECUTIVE OFFICER**

**Delegation:**

Chief Executive Officer, Robert Jennings

**Note:**

Technical text on the core testing was sourced from the Director of Works and Services/ Deputy CEO