

Spotlight on Infrastructure

Auckland Airport resets post-COVID infrastructure plans

The groundwork is being laid for a new purpose-built domestic facility to be merged into the eastern end of the existing international terminal at Auckland Airport. A significant and central project to the Airport's post-COVID infrastructure plans, it will mean jet flights arriving and departing for major New Zealand towns and cities will be moved into a new domestic hub integrated into the current international terminal.



Tim McKenzie
Infrastructure
Programme Director



Sam Devlin
Senior Legal Counsel

The first critical stage of the project is expected to get underway early next year and will include relocating important back-of-house infrastructure that lies within the footprint of the planned domestic hub, demolishing the eastern baggage hall, and relocating key utilities and the airport operations centre.

We recently spoke to Auckland Airport's Tim McKenzie, Infrastructure Programme Director, and Sam Devlin, Senior Legal Counsel and Russell McVeagh alumnus, to find out more about the Airport's infrastructure reset following the disruption of the pandemic, and their views on the opportunities and challenges for their own Infrastructure programme, and the wider Infrastructure sector.

Refreshing the plan

Prior to the outbreak of COVID-19, Auckland Airport had begun delivering on over \$2 billion of core aeronautical infrastructure projects with all eight 'anchor projects' in either construction or feasibility and design. Recognising the uncertainty around future aeronautical demand, the team carried out significant work in the 2021 financial year to reprioritise and reset its infrastructure development programme.

With international passenger numbers at historic lows, the impacts to the Airport have been "profound", McKenzie says. Previously around 30,000 people were arriving and departing at the international terminal every day, which has fallen by around 97%.

"It has been a hugely testing time for people who are deeply committed to the aviation industry. In a construction context, following an initial response, the focus became getting out of complex contractual positions and resetting the future plan.

"While the projects, and the main components or building blocks of our infrastructure programme, have remained consistent, the sequence of how they are delivered is now different.

"Time has enabled us to establish better solutions than what otherwise might have been available from the pre-COVID approach because of capacity in the airport system, and the plan is now even more robust. The level of engagement and shared vision has also developed comprehensively among key industry stakeholders.

"We've been really deliberate in our planning, in terms of how we've packaged work so that focus and momentum is retained in key areas, and resources are more effective in the areas deployed," he says.

The infrastructure programme currently centres around the undertaking of the new domestic facility which Devlin says will result in providing customers with a seamless connection for international travel. A new transport hub with upgraded pedestrian, transport links, and car parking will also offer a smooth connection into the terminal building.

The reset for future projects beyond what has been confirmed for next year, hinges on a "trigger based" infrastructure plan which is linked to the recovery of the wider global aviation market amongst other factors. Devlin says the Airport is currently focusing on enabling the projects that can get underway in the next 12 months, following on from their achievements of completing runway touchdown zone and wider airfield upgrades in the last year, when they were able to take advantage of the low aviation and low passenger environment. This made it safer to bring forward scheduled projects and upgrading core utilities that are vital to the functioning of the airport.

Auckland Airport is continuing to advance four anchor projects as part of its wider infrastructure programme:

- \$1 billion-plus new domestic hub
- \$160 million in upgrades to roading and new transit system (Northern Network and SH20B improvements)
- Approximately \$200 million transport hub
- Around \$75 million in ongoing upgrades to the existing domestic terminal.

Anchor projects that remain on hold are:

- Expanded international airfield and taxiway capacity
- New cargo precinct
- New international arrivals area
- Second runway.

Challenges and opportunities for the Airport's Infrastructure programme

Delivering in an operational environment which they hope will be back to its full potential soon, and in a way that preserves the integrity of their customer's experience, is a key challenge for delivery. Responding to the various needs of a wide-range of stakeholders and integrating those requirements within the development processes, is another key challenge but significant opportunity.

McKenzie says, "It is like an ecosystem, whilst your direct work may be in one location, that has a number of indirect flow on effects elsewhere, so there's a real need to think laterally around impact and approach."

"Everything we're doing is to provide a robust and improved service to our customers and it requires significant stakeholder engagement with a focus on assets and products that are functional," says Devlin.

Working with advisors who understand the complexity of the airport environment, and who can establish activity in a way which is clear and well defined at the outset has been critical to help manage risks and overcome recent challenges. McKenzie says that the COVID environment has meant new considerations have materialised quickly, change rapidly and requires the expertise of key advisors.

"It sounds obvious but the better a contract or project is set up from the start, the more likely it will be successful. The initial support from our consultants and advisors is fundamental in setting up those contract structures, and its important our consultants, partners and advisers have a thorough understanding about the Airport."

Sam Devlin

"Fundamentally you need that outside in perspective which draws on different experience or deep subject matter expertise, because that contributes to better business decisions being made, or chart a course which enables flexibility to make decisions as information improves," says McKenzie.

In terms of exiting from construction contracts, the team really challenged themselves around the approach, with the expectation that COVID was here for now, but wouldn't be around forever, and that existing relationships would be important again in the future. While it was clear there would be a future pipeline of work for contractors, there remained a large amount of uncertainty to navigate around what that future is.

"We felt we exited contracts transparently, with suppliers understanding the need, with strong relationships intact and a willingness to work together again," McKenzie says.

With work commencing on the early stages of key projects, the next major phases of activity, including the \$1 billion-plus domestic hub will be determined by a range of factors, including the speed of aviation's recovery.

"Contractors are working with us now in an early contractor involvement capacity through the concept design and they'll continue to be carried through the design process. They've got good visibility of the project and can assist in mitigating risks and enabling opportunities, from both the main contractor perspective but also with an understanding of subtrades and supply chain, so it's an ongoing part of developing the programme out.

"Similarly, in the airfield space we're working on longer term agreement arrangements, effectively giving contractors clear visibility of pipeline and improved certainty."

Tim McKenzie

Challenges and opportunities for the Infrastructure sector

Capacity, securing resources and supply chain issues are identified as key challenges for the sector which have impacted clients' ability to meet their aspirations.

McKenzie believes that while some of these challenges have been brought about by the pandemic, in many cases it has been the exacerbator of underlying long term issues and take many years to resolve.

Devlin says that in the face of these challenges, he sees collaboration as a major opportunity, with the Airport placing a strong emphasis on early supplier involvement as part of this.

"Looking forward, if partners understand the future pipeline of work, then we think that creates buy-in to take the time to fully understand our business, and that's what we're trying to achieve," he says.

McKenzie agrees that early collaboration helps to smooth out resource demands across time, understand and temper periods of heavy demand, or provide time to build availability to service demand. This pipeline perspective allows suppliers more certainty to invest in their people and capability, in new technology and equipment.

McKenzie also regards digitisation as a huge opportunity for the construction and infrastructure sector, leveraged off BIM platforms, and providing whole of life value to an asset owner. "We should expect a lot of innovation to be driven from this space, through design, construction and operational commissioning, operations and maintenance."

Since the outbreak of the pandemic, Auckland Airport has continued to progress more than \$222 million in core resilience and maintenance projects and to limit disruption to travellers.

These include:

- \$160 million in upgrades to the core roading network and to create a new transit system
- \$37 million replacement of runway slabs and pavement renewal
- \$7 million renewal of airfield fuel lines.

