

HOUSE BILL REPORT

HB 1987

As Reported by House Committee On:
Transportation

Title: An act relating to procuring new auto ferries.

Brief Description: Procuring new auto ferries.

Sponsors: Representatives Mitchell, Fisher, Woods and McIntire; by request of Office of Financial Management.

Brief History:

Committee Activity:

Transportation: 2/19/01, 2/26/01 [DP].

Brief Summary of Bill

- Washington State Ferries is authorized to procure four new auto ferries using a request for proposal process rather than an invitation for bids.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 27 members: Representatives Fisher, Democratic Co-Chair; Mitchell, Republican Co-Chair; Cooper, Democratic Vice Chair; Ericksen, Republican Vice Chair; Hankins, Republican Vice Chair; Lovick, Democratic Vice Chair; Ahern, Anderson, Armstrong, G. Chandler, Haigh, Hatfield, Hurst, Jackley, Jarrett, Marine, Morell, Murray, Ogden, Reardon, Rockefeller, Romero, Schindler, Simpson, Sump, Wood and Woods.

Minority Report: Do not pass. Signed by 1 member: Representative Mielke.

Staff: Paul Neal (786-7315).

Background:

In the 2000 supplemental operating budget, the Legislature appropriated \$243,000 for the Office of Financial Management (OFM) to hire an outside auditing firm to conduct an independent performance audit of the Washington State Ferries (WSF) capital program. The auditing firm of Talbot, Korvola, & Waswick, LLP, undertook the audit and

delivered their report in January of 2001.

The audit reviewed the WSF capital program's procurement processes and came up with a number of recommendations. Recommendation number 6 stated: We recommend Washington State Ferries use a modified request for proposal process to procure large new ferry construction--.

The audit noted that the WSF is required, under current statute, to use a fixed price - invitation for bid- (IFB) process that is not well suited to the design and construction of a new auto ferry. Under that system, sealed bids for a project are submitted and the lowest responsible bidder is selected. The audit noted that many other entities such as Alaska Marine Highway, the U.S. Navy, and Victoria Clipper use a Request for Proposal (RFP) process. The audit noted the IFB process can work well when complete, adequate, and realistic specifications are present. If those conditions are not present, i.e. when design and construction of a new class of vessels is contemplated, the audit concluded that an RFP process, allowing evaluation of technical and performance factors in addition to price are more appropriate.

In recommending that the WSF be given authority to procure new vessels using an RFP process, the audit stated: Construction of a large, expensive vessel must be a partnership between the owner and the builder.

The construction partnership must utilize and integrate the relative strengths of the parties.

Both parties must be intimately involved in vessel design and equally share in ownership of that design.--

Summary of Bill:

The WSF is authorized to procure four new auto ferries using a three-step RFP process: 1) a limited number of shipyards are selected to participate in development of proposals; 2) technical proposals are developed in consultation with the WSF; and 3) successful proposer is selected to design and construct the vessels.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The design-build process is well suited to design and construction of a

new class of ferries. A clearer up-front delineation of responsibilities with the builder doing a large part of the design work will shift some risk to the builder. Giving the builder more ownership and knowledge of the design prior to construction should help avoid some of the problems that have occurred in past ferry construction contracts. Some concerns were raised about the lack of a timeline and the potential for payment to unsuccessful bidders.

Testimony Against: None.

Testified: Doug Vaughn, Office of Financial Management; Randy Ray, Todd Shipyards; Rollie Webb, Todd Shipyards; Joe King and Len McComb, JC Martinac Ship Building Corp; Gordon Baxter, Puget Sound Metal Trades Council/Build Them in Washington; and Terry McCarthy, Washington State Ferries.