

# HOUSE BILL REPORT

## SHB 2221

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### As Passed Legislature

**Title:** An act relating to maintenance and preservation of ferries.

**Brief Description:** Adjusting procedures for ferry maintenance and preservation.

**Sponsors:** By House Committee on Transportation (originally sponsored by Representatives Mielke, Rockefeller and Jackley).

**Brief History:**

**Committee Activity:**

Transportation: 3/7/01, 3/8/01 [DPS].

**Floor Activity:**

Passed House: 3/12/01, 95-0.

Passed Senate: 4/5/01, 49-0.

Passed Legislature.

### Brief Summary of Substitute Bill

- Washington State Ferries (WSF) is authorized to enter into single source contracts for maintenance and preservation dry docking for those classes of vessels for which only one bidder is available.
- WSF is authorized to use a request for proposal process when procuring large equipment and systems.
- WSF is authorized to evaluate factors other than price in selecting a successful proposer.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 29 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, Edmonds, Hatfield, Hurst, Jackley, Jarrett, Marine, Mielke, Morell, Murray, Ogden, Reardon, Rockefeller, Romero, Schindler, Simpson, Skinner, Sump, Wood and Woods.

**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 4 states:

"We recommend Washington State Ferries examine and pursue alternative procurement approaches and statutory authorization regarding vessel maintenance and repair services."

Specifically, the audit was referring to the current requirement that ferries contract out maintenance and preservation requiring dry docking using the invitation for bid (IFB) process. For certain classes of WSF vessels, there is only one dry dock facility in Puget Sound available. The audit noted that the U.S. Navy faces a similar situation for some of its ships stationed at the Everett Home Port, and that it has entered into single-source multi-year service contracts. The Navy believes this form of contract has been beneficial to both parties and has reduced cost.

Recommendation 5 states:

"We recommend Washington State Ferries seek legislative changes allowing the procurement of auto ferry equipment and systems through the RFP-Best Value process without first requesting an exception to the Invitation For Bid Process."

The audit noted that WSF sometimes procures large equipment and systems for its vessels, which have a service life of 60 years or more. Using a procurement mechanism based solely upon price can result in decisions that initially appear appropriate but result in an inferior level of service and reliability and ultimately contribute to increased costs over the assets life. The audit report suggested that evaluating decisions based upon "best value" would be more appropriate than strictly basing decisions on lowest immediate cost. A best value analysis would require using a request for proposal (RFP) process rather than IFB.

Under current law, WSF must use the IFB process for procurement unless the secretary of transportation grants permission to use an RFP process.

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**Summary of Bill:**

WSF is authorized to enter into single source contracts for maintenance and preservation dry docking for those classes of vessels for which only one bidder is available.

WSF is authorized to use an RFP process when procuring large equipment and systems. WSF is authorized to construct its RFP announcement to include factors other than price to be evaluated in making a final selection. Only those factors specifically listed in the RFP announcement may be used to evaluate proposals. A number of allowable factors are enumerated including price, maintainability, reliability, transportation, installation cost, cost of spare parts, and the ability, reputation and experience of the proposer.

If WSF is procuring propulsion systems or equipment that include an engine, it must use lifecycle cost analysis including consideration of fuel consumption.

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**Appropriation:** None.

**Fiscal Note:** Requested on March 7, 2001.

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

**Testimony For:** The process improvements recommended in the audit and incorporated in the bill will help WSF to run its procurement and maintenance contracting more efficiently.

**Testimony Against:** Original version of the bill renders it unclear whether WSF would use lifecycle cost analysis in procuring engines. Lifecycle cost is appropriate and the bill should be amended to clarify that.

**Testified:** (Support) Terry McCarthy, Washington State Ferries.

(Opposed) Mark Triplett, NC Machinery.