

SENATE BILL REPORT

SB 5858

As of February 27, 2013

Title: An act relating to modifying certain requirements for ferry vessel construction.

Brief Description: Modifying certain requirements for ferry vessel construction.

Sponsors: Senator King.

Brief History:

Committee Activity: Transportation: 2/26/13.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Hayley Gamble (786-7452)

Background: Washington State Ferries (WSF) may use design-build as a contracting option for construction of new ferries, whereby design and construction are completed by the bidder. Current design-build laws available to WSF include a provision that any vessels constructed must be built in Washington.

Current law requires the Department of Transportation (DOT), including WSF, to stipulate in contracts over \$2 million, that at least 15 percent of the labor hours must be performed by apprentices. An agency awarding a contract may adjust apprenticeship requirements for several reasons, including lack of apprentices, a high ratio of labor to materials, and other reasons with the review of the Governor's Office. The Secretary of DOT must adjust apprenticeship requirements for a specific project if there is a lack of apprentices available or if the ratio of material costs to labor hours is disproportionately high. The Department of Labor and Industries is responsible for approving apprenticeship programs and practices.

An independent owners' representative is a position used by some entities as a third-party intermediary to facilitate construction projects. Their roles may include project quality oversight and change order management.

A recently completed audit of WSF vessel construction costs by the State Auditor's Office contained several recommendations for improving vessel construction.

Summary of Bill: WSF must use a design-build purchasing process for new auto vessels. WSF also must use an independent owners' representative as a third-party intermediary to;

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serve as WSF's primary advocate and communicator with the design-build proposers, perform project quality oversight, manage change orders, and ensure the contract is adhered to.

WSF must use a fixed-price contract, which is defined as a contract that requires the contractor to deliver a project for a set price. Change orders are allowable but should be used on a limited basis. To accommodate change orders, WSF must identify up to 5 percent of the contract price as contingency funds in their legislative appropriation request. The Office of Financial Management must hold these funds in reserve and may approve their release.

Build in Washington requirements are removed from the WSF design-build statute.

In new vessel construction projects contracts, or options executed on existing contracts for new vessels, executed after the enactment of this legislation, WSF specifications must include using apprentices for at least 5 percent of the labor hours on the project. This provision applies to new vessel construction projects over \$2 million.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: OTHER: There are economic benefits to building vessels in Washington, both direct and indirect. Building in Washington has revitalized the ship building industry and made it more efficient. The apprenticeship program has allowed Vigor to train their labor pool, however there are still some shortages in certain professions. Nichols Brothers has doubled their workforce due to recent ferry construct contracts, and has completed the certification for apprenticeship. This bill has some money savings provisions that should be investigated, including design-build. A Canadian study indicates apprenticeship programs can save money. People from out-of-state could end up doing the work that is currently done in Washington. The current apprenticeship program is an effective program. Washington has the cleanest and safest shipyards in the county. We are in the process of rebuilding the workforce in the northwest. Building in Washington has a great positive effect on the economy.

Persons Testifying: OTHER: Fred Kiga, Vigor Industrial; Jennifer Ziegler, Nichols Brothers Boat Builders, Gordon Baxter, Industry Unions representative; Robert Scott, Pacific NW Regional Carpenters, Puget Sound Metal Trades.