

# HOUSE BILL REPORT

## HB 2108

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### As Reported By House Committee On:

Transportation Policy & Budget

**Title:** An act relating to jumbo ferry construction.

**Brief Description:** Constructing a fourth jumbo ferry.

**Sponsors:** Representatives K. Schmidt, Mitchell, Hankins and Radcliff.

### Brief History:

#### Committee Activity:

Transportation Policy & Budget: 2/25/97, 4/15/97 [DPS].

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## HOUSE COMMITTEE ON TRANSPORTATION POLICY & BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 23 members: Representatives K. Schmidt, Chairman; Hankins, Vice Chairman; Mitchell, Vice Chairman; Blalock, Assistant Ranking Minority Member; Cooper, Assistant Ranking Minority Member; Backlund; Buck; Cairnes; Chandler; Constantine; DeBolt; Gardner; Hatfield; Johnson; Murray; O'Brien; Ogden; Radcliff; Robertson; Scott; Skinner; Wood and Zellinsky.

**Minority Report:** Without recommendation. Signed by 3 members: Representatives Mielke, Vice Chairman; Fisher, Ranking Minority Member; and Romero.

**Staff:** Vicki Fabre (786-7313).

**Background:** As a result of projected growth in travel on central Puget Sound ferry routes (122 percent from 1993-2015), the 1993 Legislature authorized the construction of three new Jumbo Mark II Class ferries (218 vehicles, 2500 passengers). Construction of the new vessels is financed in part with a \$210 million bond authorization passed by the 1992 Legislature, with debt service paid from existing capital revenue sources. Legislation authorizing the Jumbo Mark II Class ferries (SHB 1635--RCW 47.60.770-778) established a competitive bid procedure and required the new vessels to be constructed within state boundaries. Todd Shipyard was awarded the construction contract in January 1995. A new vessel will come on line each year, beginning in the spring of 1997.

Renovation of the Super Class ferries was also considered integral to providing necessary service and backup support for the corridor. The Super Class ferries (160 vehicles, 2500 passengers) were constructed in 1967. Of this class, only one (the Elwha) has been refurbished. The remaining three Super Class ferries (the Kaleetan, Hyak and Yakima) are at the end of their service life and are scheduled for refurbishment over the next three biennia. Washington State Ferries (WSF) predicts that future renovations of the Super Class ferries will have to include more stringent regulatory upgrades imposed by the U.S. Coast Guard, which will add to refurbishment cost. According to WSF, when refurbishment costs exceed 66 percent of replacement cost, the decision to refurbish is questionable; and new construction that provides greater capacity and backup support may be a better option. For the Super Class ferries, the two-thirds break point is \$128 million to refurbish three vessels. However, the estimated renovation cost for the three vessels is \$151 million.

A WSF implementation and funding study for the three Jumbo Mark II Class ferries found that economies in construction are experienced when more than one vessel is constructed in a series in the same shipyard. Proponents of legislation authorizing a fourth Jumbo Mark II ferry contend the state should defer major refurbishment of the Super Class vessels and take advantage of the economies and efficiencies achieved from construction of the Jumbo Mark II Class series to meet the predicted growth in ridership and improve the efficiency of operations in the corridor.

**Summary of Substitute Bill:** Legislative intent is declared and the Legislature finds that the existing, aging Super Class ferries cannot provide reliable service to accommodate the economic growth in the central Puget Sound region and forecasted cross-sound travel demands.

The Legislature also finds that, because the present construction of three Jumbo Mark II Class ferries has resulted in the development of procedures that will result in cost savings and efficiencies, it is advantageous to the state to take advantage of such cost savings by utilizing existing agreements, contracts, methods, equipment and techniques to construct a fourth Jumbo Mark II Class ferry vessel.

The Department of Transportation (DOT) is authorized to enter into agreements, amending existing contracts, for the construction and acquisition of a fourth Jumbo Mark II Class ferry that must be of comparable quality and design and incorporate like controls, engines and a propulsion system as those utilized in the three Jumbo Mark II Class ferries presently under construction.

The authority to enter into an agreement to construct the fourth Mark II Jumbo Class ferry is contingent on a legislative appropriation authorizing construction under a fixed-price contract and confirmation by an independent audit that the amount appropriated by the Legislature for construction is the true and fair price.

The amended contract must require that: (1) contractors comply with applicable environmental, worker health and safety, and prevailing wage rate laws and regulations; (2) the ferry be constructed within state boundaries; (3) all warranty work be performed in the state, insofar as practicable; and (4) construction occur under a fixed-price contract and within the appropriation established by the 55th Washington State Legislature in the 1997-99 transportation budget.

The Legislative Transportation Committee (LTC) is required to contract for an independent evaluation and verification of costs associated with the construction of the Jumbo Mark II Class ferry vessels. The independent verification of costs must be completed no later than August 1, 1997.

**Substitute Bill Compared to Original Bill:** The authority to enter into an amended agreement is contingent on a legislative appropriation authorizing the construction and equipping of a fourth Jumbo Mark II Class ferry under a fixed-price contract and confirmation by an independent audit that the amount appropriated by the Legislature is a true and fair price for the vessel.

The amended contract must include requirements that: (1) ensure construction under a fixed price contract and within the appropriation established by the Legislature in the 1997-99 transportation budget; and (2) provide for sufficient surety bonds to ensure performance.

The LTC is required to contract for an independent evaluation and verification of costs associated with the construction of the Jumbo Mark II Class ferry vessels. The independent verification of costs must be completed no later than August 1, 1997.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** The expenditure of \$151 million for major renovations on the Super Class ferries will only extend the life of the vessels for 20 years and does not increase capacity or revenue. By taking advantage of the economies and efficiencies achieved in the construction of the three Jumbo Mark II Class vessels through an amended, fixed-price contract (\$87.1 million) for a fourth vessel, the state will save money and produce an additional \$30 million in revenue over a 25-year period, add needed capacity to the system for 40+ years, and support critical maintenance and backup service requirements.

**Testimony Against:** The authorization to construct a fourth Jumbo Mark II Class ferry, under an amended contract between the DOT and the current shipbuilder (Todd Shipyard), prevents participation by other Washington shipbuilders and sets a dangerous precedent for construction projects throughout the state. Adding a fourth vessel to the existing contract, without competitive bidding, unduly exposes the state to cost overruns which should be protected under the original contract terms. A fourth vessel of the Jumbo Mark II capacity is not a priority need of the state ferry system's fleet.

**Testified:** Dan Sexton, United Association of Plumbers and Pipefitters (pro); Joe Martinac, Jr., Martinac Shipbuilding (con); and Scott Murphy, Nichols Brothers (pro).