

SENATE BILL REPORT

SB 5760

As of March 20, 2023

Title: An act relating to addressing vessel procurement at the Washington state ferries.

Brief Description: Addressing vessel procurement at the Washington state ferries.

Sponsors: Senators Liias, King, Randall, Holy, Rolfes, Nguyen, Van De Wege, Hunt and Wilson, C..

Brief History:

Committee Activity: Transportation: 3/20/23.

Brief Summary of Bill

- Authorizes procurement of up to five hybrid electric Olympic class vessels.
- Creates a new procurement process allowing up to two contracts to be awarded.
- Requires Washington State Ferries (WSF) to implement a best-value selection process for bids.
- Authorizes use of various procurement options, and allows for use of incentives for design efficiencies and expedited construction.
- Requires WSF to hire third party experts to advise and assist with the procurement process.
- Exempts WSF from current procurement statutes.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Jenna Forty (786-7755)

Background: Background. The Washington State Ferries(WSF) Long Range Plan

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

recommended a fleet size of 26 vessels by 2040. The current fleet is 21 vessels. The Olympic class vessels—diesel propulsion—were the most recently built, with four vessels delivered from 2014 to 2018. In 2019, a contract extension was authorized by the Legislature for five hybrid electric Olympic class ferries. Contract negotiations were unsuccessful and the contract was terminated in 2022. The first hybrid electric Olympic class vessel was initially planned for delivery in 2023, as part of both the Long Range and System Electrification plans to replace the aging Evergreen state and Super class vessels. System plans called for the new class of four vessels to replace the Issaquah class with delivery starting 2027.

Current law. Current law requires that WSF use a design bid approach to acquire new vessels, and only a single contract may be awarded. Statutes require a three step design build process for the procurement and require that all vessels be built in Washington. WSF is required to accept the lowest price bid, unless bids received are 5 percent more than the engineer's estimate, in which case all bids are rejected and a new request-for-proposal (RFP) must be issued that is not subject to the requirement of building within Washington State. Statute requires that WSF hire a third-party independent owners representative to act as an intermediary between WSF and bid proposers, and subsequently successful proposer.

Summary of Bill: A procurement of up to five hybrid electric Olympic class vessels is authorized, using design-build, design-bid build or lease to own options. The current 144 vehicle hybrid electric Olympic class vessel design will be offered to potential bidders, and WSF may award incentives for design modifications that accelerate delivery or add life-cycle maintenance and crewing efficiencies. The procurement allows for up to two contracts to be awarded, with a minimum of two vessels per contract, with options for up to five total.

WSF is required to use a best value selection process to evaluate bids. A discount between 5 and 10 percent may be awarded to vessels constructed in Washington, as well as recognition of costs incurred for transport and oversight of shipyards located greater distances from Seattle. As part of the best value selection, WSF may also consider apprenticeship utilization and water pollution control when evaluating bids.

WSF is required to employ third party experts to assist and advise through the procurement process. The contractor is required to report on a semiannual basis to the Office of Financial Management and the transportation committees of the Legislature on the procurement project schedule, risks, and budget.

The procurement is exempt from current law requirements.

Appropriation: None.

Fiscal Note: Requested on March 17, 2023.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: This bill is essential to viability of the ferry system. WSF has to pay more for vessels than any other ferry system. It's a waste of taxpayer money. Build in WA increases cost by 50%, and only has short term benefits.

Legacy approach can't leverage market innovation and has slow delivery. Twenty-five percent of boats and systems are overdue for replacement, and the current process cannot meet the need. There are currently not enough boats to accommodate maintenance schedules. This bill gives ferries tools to get the best value.

OTHER: Thirty years ago members worked to instill Build in WA, to make sure construction benefits Washington workers and economy. JLARC report was well done, but did not consider benefits of Build in WA. The effort for a smooth procurement and best value selection are positive, but not fond of moving away from built in WA. Shipyards lose money on first vessel and need all five to be profitable. Prevailing wage and worker health and safety need to be spelled out in the bill. Do not build vessels at the expense of the workforce.

Shipyards have invested to compete to build these vessels. The WSIPP report quantifies the loss to building out of WA. The bill needs to account for economic benefits lost to state, worker and environmental standards.

Persons Testifying: PRO: Senator Marko Liias, Prime Sponsor; Walt Elliott; Tom Thiersch, Ferry Advisory Committee.

OTHER: Jeff DeVere, Nichols Brothers Boat Builders - Everett Ship Repair; Gordon Baxter, Puget Sound Metal Trades Council, AFL-CIO.

Persons Signed In To Testify But Not Testifying: No one.