


Item No. 11.4.1
Halifax Regional Council
August 6, 2013

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY:  Original signed by
Councillor Bill Karsten, Chair, Audit and Finance Standing Committee

DATE: July 18, 2013

SUBJECT: **Metro Transit Ferry Recapitalization and Sole Source
Award – Voith Schneider Propellers - Voith Turbo GmbH
& Co.**

ORIGIN

The July 17, 2013 Audit and Finance Standing Committee meeting.

LEGISLATIVE AUTHORITY

Administrative Order #35, the Procurement Policy, requires Council to approve the award of contracts for sole sources exceeding \$50,000 or \$500,000 for tenders and RFP's.

Terms of Reference of the Audit & Finance Standing Committee Section 3.2.6 The Committee may review, as required, any other policies, procedures, forecasts, reports or process as agreed to mutually by the Municipality's CAO and the Committee.

RECOMMENDATION

The Audit & Finance Committee recommends Regional Council:

1. approve the implementation of the recapitalization effort recommended in the Council-Approved Metro Transit Five-Year Strategic Operations Plan and further in the Strategic Ferry Operations Plan, commencing with the Dartmouth III; and
2. in accordance with the Sole Source Policy (Administrative Order 35, Section 8(11A) sub-sections (a) and (b) attached), award the Sole Source purchase of two Voith Schneider propeller units for a new Metro Transit ferry, for a total cost \$1,148,506.93(Net HST included) to Voith Turbo GmbH & Co., with funding from Project No. CMX01123 – New Conventional Ferry, as outlined in the Financial Implications section of the attached report, dated June 26, 2013.

BACKGROUND

At its July 17, 2013 the Audit and Finance Standing Committee received the attached staff report, dated June 26, 2013.

DISCUSSION

The committee voted to move the staff recommendation to Regional Council.

FINANCIAL IMPLICATIONS

The financial implications are as outlined in the June 26, 2013 staff report.

COMMUNITY ENGAGEMENT

The Audit and Finance Standing Committee is open to the public and all agendas, minutes and reports are posted online in advance of meetings.

ENVIRONMENTAL IMPLICATIONS

The staff report, dated June 26, 2013 does not identify any environmental implications.

ALTERNATIVES

The alternatives are as outlined in the staff report, dated June 26, 2013.

ATTACHMENTS

- 1. Metro Transit Ferry Recapitalization and Sole Source Award – Voith Schneider Propellers - Voith Turbo GmbH & Co., staff report, dated June 26, 2013.**

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Matt Godwin, Legislative Assistant, 490-6521



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Audit & Finance
July 17, 2013

TO: Councillor Bill Karsten & Members of the Audit & Finance Committee

Original signed by

SUBMITTED BY: _____
Eddie Robar, Director, Metro Transit

DATE: June 26, 2013

SUBJECT: **Metro Transit Ferry Recapitalization and Sole Source Award – Voith
Schneider Propellers - Voith Turbo GmbH & Co.**

ORIGIN

The approved Project Budget for construction of a New Conventional Ferry.

LEGISLATIVE AUTHORITY

Administrative Order #35, the Procurement Policy, requires Council to approve the award of contracts for sole sources exceeding \$50,000 or \$500,000 for tenders and RFP's. Under the HRM Charter, Section 79, Halifax Regional Council may expend money for municipal purposes. The following report conforms to the above Policy and Charter.

RECOMMENDATION

It is recommended that the Audit & Finance Committee:

1. approve the implementation of the recapitalization effort recommended in the Council-Approved *Metro Transit Five-Year Strategic Operations Plan* and further in the *Strategic Ferry Operations Plan*, commencing with the Dartmouth III; and
2. in accordance with the Sole Source Policy (Administrative Order 35, Section 8(11A) sub-sections (a) and (b) attached), award the Sole Source purchase of two Voith Schneider propeller units for a new Metro Transit ferry, for a total cost \$1,148,506.93(Net HST included) to Voith Turbo GmbH & Co., with funding from Project No. CMX01123 – New Conventional Ferry, as outlined in the Financial Implications section of this report.

BACKGROUND

Metro Transit's existing ferries were constructed in 1978 (Dartmouth III and Halifax III) and 1986 (Woodside I). As such, these ferries are approaching the end of their economic lifespan. Recapitalization of the aging ferry fleet is recommended in the Council-Approved *Metro Transit Five-Year Strategic Operations Plan* and further in the *Strategic Ferry Operations Plan*.

Metro Transit is currently engaged in a project to expand the ferry fleet with one additional vessel in support of planned service improvements on the Woodside ferry route. The additional vessel will cost significantly less than budgeted and, based on the cost of the additional vessel, there are sufficient funds in Project No. CMX01123 (New Conventional Ferry) to procure another vessel in FY 2013/14. Therefore, an opportunity exists to commence implementation of the planned recapitalization program.

As the Halifax III is scheduled for extensive planned maintenance in autumn 2013, the Dartmouth III will be the first vessel replaced under the recapitalization program.

DISCUSSION

Ferries produced under the planned recapitalization effort will incorporate the design of the vessels of the existing ferry fleet. Ferries of this type have proven to be efficient and reliable, and they were designed to integrate with the unique terminal infrastructure that is featured at Metro Transit ferry terminals.

Vessels of the current fleet each feature two Voith Schneider propellers as components of the main propulsion system. The unique characteristics of these units contribute to the efficiency and manoeuvrability of the ferries (which permits them to operate safely in relatively high winds), and they have proven to be extremely reliable in operation. Maintenance of commonality in propulsion systems across the ferry fleet will simplify training, maintenance and sparing, as operators will have to maintain proficiency with a single propulsion arrangement only.

A letter from EYE Marine, consultants to HRM for the design of the New Conventional Ferry is attached as Appendix A; this letter supports the case for sole sourcing and verifies that the model of propeller under quote (12R4 EC/75-1) is the correct model for the intended design.

As per Appendix "B", the subject sole source purchase from Voith is in accordance with HRM's Procurement Policy (Administrative Order 35), **Sole Source/Single Source Purchases** - Section 8(11A) sub-sections (a) and (b) as follows:

- (a) To ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licences, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representative.
- (b) Where there is an absence of competition for technical reasons and the goods or services can be supplied only by a particular supplier and no alternative or substitute exists.

Lead time to produce Voith Schneider propellers is in the order of 11 months. A tender competition for construction of the first replacement ferry is planned for summer 2013. In order to ensure the

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propellers are available for timely integration with the hull and propulsion systems during the build program, it is necessary to procure these units now. Following Council's approval of this award, HRM will issue a letter of "Intent to Purchase" to Voith Turbo GmbH & Co., for a total cost \$1,148,506.93 (net HST included), and related matters will be reviewed by Procurement and Legal Services to finalize the terms and conditions of sale and purchase, including warranty and payment terms, before a purchase order is issued.

	Quotation	Quoted Price Net HST included
VoithTurbo GmbH & Co.*	Quotation No. SQ002455	\$1,148,506.93

Recommended*

FINANCIAL IMPLICATIONS

Based on the quote of \$1,101,305.00 plus net HST of \$47,201.93 for a net total of \$1,148,506.93, funding is available in the approved Project Budget from Project No. CMX01123 – New Conventional Ferry. The budget availability has been confirmed by Finance.

Budget Summary: Project No. CMX01123 New Conventional Ferry

Cumulative Unspent Budget	\$5,999,510.75
Less: Voith Turbo	<u>\$1,148,506.93*</u>
Balance	\$4,851,003.82

This item was not budgeted as a separate item within the overall ferry project.

The balance of funds will be used for the construction of a New Conventional Ferry.

COMMUNITY ENGAGEMENT

No community engagement has been undertaken specifically for this project; however, the Metro Transit Five Year Strategic Operation Plan study did include public consultation.

ENVIRONMENTAL IMPLICATIONS

Staff has not identified any environmental implications associated with recapitalization of the ferry fleet or this proposed procurement.

ALTERNATIVES

The Audit & Finance Committee could choose not to proceed with the implementation of the ferry recapitalization program or the procurement of Voith Schneider propellers for the New Conventional Ferry or defer the purchase. However, this would preclude Metro Transit from recapitalizing the aging ferry fleet.

ATTACHMENTS

Appendix A - Voith Propellers – Letter from EYE Marine
Appendix B – HRM Administrative Order #35

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html>, then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Glen Bannon, Manager, Transit Operations, Metro Transit, 490-1505

Original Signed

Procurement Review:

Anne Feist, Manager, Procurement, 490-4200



E.Y.E. MARINE CONSULTANTS

Suite 1, 327 Prince Albert Road, Dartmouth, NS B2Y 1N7

Tel: (902) 463-8940

Fax: (902) 463-6319

Project #11075

Date: June 20, 2012

Attention: Peter Hackett

Re: New HRM City ferry: Propeller Selection

As we have discussed, it is our intention to complete a ferry design of similar type to the existing ferries HRM and Metro Transit currently operate. In order to make the new vessel as maneuverable and efficient as the existing ferries we can only use a similar propeller to the ones currently installed.

The current vessels have Voith-Schneider propellers. These propellers are unique in that they are vertical axis propellers rather than the typical screw type. These propellers provide extremely good maneuvering characteristics along with the ability to provide high levels of thrust in any direction. These propellers have been very successful in the current fleet of ferries and we feel they are the only reasonable choice for the new ferry to ensure the same high level of maneuverability and efficiency.

Voith-Schneider propellers are offered through Voith-Turbo in Germany. They are the patent holders and the only available supplier of such propellers. These units are long lead time items and thus it is our recommendation that you order these propeller units prior to awarding the build contract to ensure the units are available and on-site early in the build process.

The Voith-Schneider propeller required is model# 12R4 EC/75-1 and we will require two of them for this design. If you have any questions regarding this please call me.

Regards,

Original signed by

Christian Jensen, P.Eng.
Senior Naval Architect

Cc/
TT

Appendix B

Administrative Order 35 (excerpt)

8(11) A. Sole Source/Single Source Purchases. These occur:

- (a) To ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licences, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representative.
- (b) Where there is an absence of competition for technical reasons and the goods or services can be supplied only by a particular supplier and no alternative or substitute exists.
- (c) For the procurement of goods or services the supply of which is controlled by a supplier that is a statutory monopoly.
- (d) For the purchase of goods on a commodity market.
- (e) For work to be performed on or about a leased building or portions thereof that may be performed only by the lessor.
- (f) For work to be performed on property by a contractor according to provisions of a warranty or guarantee held in respect of the property or the original work.
- (g) For the procurement of a prototype of a first good or service to be developed in the course of and for a particular contract for research, experiment, study or original development, but not for any subsequent purchases.
- (h) For the purchase of goods under exceptionally advantageous circumstances such as bankruptcy or receivership
- (i) For the procurement of original works of art.
- (j) For the procurement of goods intended for resale to the public.
- (k) For the procurement from a public body or a not-for-profit corporation.
- (l) For the procurement of goods or services for the purpose of evaluating or piloting new or innovative technology with demonstrated environmental, economic or social benefits when compared to conventional technology, but not for any subsequent purchases.