



P.O. Box 1749
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Item No. 11.1.4
Halifax Regional Council
August 7, 2012

TO: Mayor ~~Kelly~~ and Members of Halifax Regional Council

SUBMITTED BY: Original Signed
Richard Butts, ~~Chief~~ Administrative Officer

Original signed
Mike Labrecque, Deputy/Chief Administrative Officer

DATE: July 12, 2012

SUBJECT: Sole Source Award – Voith Schneider Propellers - Voith Turbo GmbH & Co.

ORIGIN

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

RECOMMENDATION

It is recommended that Halifax Regional Council, 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 \$1,102,967.32 (Net HST included) to Voith Turbo GmbH & Co., with funding from Project No. CMX01123 – New Conventional Ferry, as outlined in the Budget Implications section of this report.

BACKGROUND

Metro Transit's existing ferries were constructed in 1978 (two vessels) and 1986 (one vessel). As such, these ferries will soon approach the end of their economic lifespan. Unlike most other vehicle purchases, the opportunity does not exist to purchase ferries "off the shelf".

A fourth conventional ferry has been identified by staff as a priority investment to improve the harbour ferry. The fourth ferry is also recommended in the Council-Approved *Metro Transit Five-Year Strategic Operations Plan* and further in the *Strategic Ferry Operations Plan*.

DISCUSSION

The new build ferry project 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 sparring, 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 at least 11 months. Design work is currently in progress, with a competition for vessel construction to immediately follow. In order to ensure the 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” the propellers to Voith Turbo GmbH & Co. This purchase in the amount of \$1,102,967.32 (net HST included) will be reviewed by Procurement and Legal Services to address and negotiate and 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. 1601/HDHGVER	\$1,102,967.32

Recommended*

BUDGET IMPLICATIONS

Based on the quote of \$1,057,637.00 plus net HST of \$45,330.32 for a net total of \$1,102,967.32, 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	\$3,916,461.23
Less: Voith Turbo	<u>\$1,102,967.32*</u>
Balance	\$2,813,493.91

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 the New Conventional Ferry.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality’s Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

Council could choose to not proceed with the procurement of Voith Schneider propellers for the New Conventional Ferry or defer the purchase. However this would preclude Metro Transit from having the new ferry in-service by 2014 as planned.

ATTACHMENTS

Appendix A - Voith Propellers – Letter from EYE Marine

Appendix B – HRM Administrative Order #35, Amendment #5, May 15, 2012

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, Ferry Operations, Metro Transit, 490-1505

Original Signed

Procurement Review:

Anne Feist, Manager, Procurement, 490-4200

Original signed

Report Approved By:

Eddie Robar, Director, Metro Transit, 490-6720

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
/

Christian Jensen, P.Eng.
Senior Naval Architect

Cc/
TT

Appendix "B"

Halifax Regional Municipality Administrative Order # 35 Procurement Policy, Amendment # 5, May 15, 2012.

Section (11), Alternative Procurement Practices may be used as follows:

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.