


**Item No. 11.1.3**


**Halifax Regional Council  
February 25, 2014**

**TO:** Mayor Savage and Members of Halifax Regional Council

Original signed by 

**SUBMITTED BY:**

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

**DATE:** January 30, 2014

**SUBJECT: Metro Transit Ferry Services Sole Source Award -Voith Schneider  
Propellers – Voith Canada Inc. – Change In Price/ Currency  
Exchange Rate**

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**ORIGIN**

August 6, 2013, Halifax Regional Council – awarded the Sole Source purchase of two Voith Schneider propeller units for a new Metro Transit ferry, for a total cost \$1,260,504.88. (Net HST Included) to Voith Turbo GmbH & Co., with funding from Project No. CM000001.

**LEGISLATIVE AUTHORITY**

- HRM Charter, Section 79: Halifax Regional Council may expend money for municipal purposes.
- 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 RFPs.

The following report conforms to the above Policy and Charter.

**RECOMMENDATION**

It is recommended that Halifax Regional Council:

1. Revise its August 6, 2013 award for the purchase of two Voith Schneider propeller units for a new ferry such that:

**RECOMMENDATION CONTINUED ON NEXT PAGE**

- a) the vendor is identified as Voith Canada Inc.; and
  - b) the purchase price is identified as 826,185 Euros (or its Canadian Dollar equivalent as of the date of contract execution), plus applicable taxes;
2. Authorize the CAO to execute an agreement with Voith Canada Inc. for the purchase of two Voith Schneider propellers; and
  3. Authorize an increase to Project Account No. CM000001 - Ferry Replacement, in the amount of \$1,270,000.00 with a corresponding decrease and funding from Project Account No. CMX01123 - New Conventional Ferry (the account authorized for use via the August 6, 2013 Council Report) as indicated in the Financial Implications Section of this report.

### **BACKGROUND**

On August 6, 2013, Halifax Regional Council awarded 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. This purchase is based on a factory price of 826,185 Euros, as the propellers are to be manufactured at the vendor's factory in Germany and then shipped to Canada.

As per the August 6<sup>th</sup> Council Report, HRM staff (Procurement and Legal Services) were to finalize the terms and conditions of sale including warranty and payment terms with the vendor. Negotiations with the vendor took longer than anticipated but are now complete. Since Council's August 6<sup>th</sup> award, the Canadian Dollar value has fallen versus Euro which has resulted in a corresponding increase to the purchase price in Canadian Dollars. This procurement will continue to be affected by the fluctuating exchange rate until it is executed.

### **DISCUSSION**

Staff from Procurement, Legal Services, and Risk and Insurance Services have negotiated acceptable terms and conditions of an agreement with the vendor to purchase two Voith Schneider propeller units. Staff from Legal Services has recommended that Council amend its original August 6<sup>th</sup> award for the following reasons:

- 1) The agreement will be with Voith Canada Inc. The original award was to Voith Turbo GmbH & Co., which is a related but separate legal entity.
- 2) As a result of fluctuations in the exchange rates (approximately 9.75 % decrease in the Canadian dollar against the euro since August), the purchase price in Canadian Dollars has increased approximately \$111,998 (net HST included). Voith Canada Inc. will hold the factory price constant at 826,185 Euros through the end of March 2014. However, the price in Canadian Dollars will continue to fluctuate with the market until the agreement is executed. It is therefore preferable that Council approve the award in Euros rather than Canadian Dollars.

**FINANCIAL IMPLICATIONS**

Based on a quoted price of 826,185 Euros, the approximate cost as of the date of this report is \$ 1,208,700.00 plus net HST of \$ 51,804.88 for a net estimated total of \$1,260,504.88. Funding is available in the approved Project Budget from Project No. CM000001 – Ferry Replacement. The budget availability has been confirmed by Finance.

**Budget Summary: Project No. CM000001 - Ferry Replacement**

Cumulative Unspent Budget	\$ 0.00
Add: Transfer from CMX01123	\$ 1,270,000.00
Less: Voith Canada Inc.	<u>\$ 1,260,504.88*</u>
Balance	\$ 9,495.12

**Budget Summary: Project No. CMX01123 – New Conventional Ferry**

Cumulative Unspent Budget	\$1,971,718.52
Less: Transfer to CM000001	<u>\$1,270,000.00</u>
Balance	\$ 701,718.52

The balance of funds in CMX01123 will be used for the construction of a New Conventional Ferry (Christopher Stannix).

**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 this proposed procurement.

**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 pursuing its ferry recapitalization program.

**ATTACHMENTS**

(A) Item No. 11.4.1 HRC Award, August 6, 2013- Metro Transit Ferry Recapitalization and Sole Source Award - Voith Schneider Propellers - Voith Turbo GmbH & Co.;

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, 490-1505


Report Approved by: \_\_\_\_\_  
Eddie Robar, Director, Metro Transit, 490-6720

Financial Approval by: \_\_\_\_\_  
Greg Keefe, Director of Finance & ICT/CFO, 490-6308

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**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  
Councilor 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.**

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**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.**

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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

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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.

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**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.

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## **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



July 17, 2013

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
<b>Less: Voith Turbo</b>	<b><u>\$1,148,506.93*</u></b>
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.

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**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

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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:

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Anne Feist, Manager, Procurement, 490-4200

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**E.Y.E. MARINE CONSULTANTS**

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

Tel: (902) 463-8940

Fax: (902) 463-6319

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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

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**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.