

THE NORTHWEST SEAPORT ALLIANCE
AGENDA MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	5G
Date of Meeting	June 6, 2017

DATE: May 23, 2017

TO: Managing Members, The Northwest Seaport Alliance

FROM: John Wolfe, Chief Executive Officer

Sponsor: Tom Bellerud, Director, Business Development (CTB)

Project Manager: Trevor Thornsley, Engineering Senior Project Manager

SUBJECT: Pier 4 Crane Acquisitions and Sole Source Authorization

A. ACTIONS REQUESTED

DUAL VOTE: NWSA / PORT OF SEATTLE / PORT OF TACOMA:

(1) Project authorization and funding in the amount of \$52,000,000 (\$26,000,000 from each Port) for a total authorized amount of \$52,000,000 for work associated with the Crane Acquisition, Master Identification No. (MID) 201019.01;

NWSA ONLY VOTE:

(2) Request sole source authorization to purchase four (4) additional cranes from ZPMC and to retain Liftech Consultants to assist in the purchase of these cranes in accordance with NWSA Master Policy Resolution Section 8, G iii (2) and (3).

B. SYNOPSIS

In alignment with The Northwest Seaport Alliance (Alliance) Strategic Business Plan and to ensure the amended lease commitment to provide and maintain four additional ship-to-shore container cranes at Terminals 3 and 4, Alliance staff have been pursuing the acquisition of four additional container cranes. The acquisition of four additional container cranes capable of serving ultra large container ship (ULCS), in conjunction with other development planned for the General Central Peninsula (GCP), positions the Alliance to increase container throughput and respond to shipping industry changes.

C. BACKGROUND

On April 12, 2012, the Port of Tacoma (PoT) Commission adopted Resolution 2012-04 implementing the PoT's Strategic Plan. Under the Strategic Plan, the PoT is strengthening its regional and international competitive positions by redeveloping the GCP to serve more and larger vessels, increase container throughput, enhance PoT ground transport (road and rail) improvements and respond to shipping industry advancements. During the formation of the

Alliance, the development of the GCP was confirmed as part of the Alliance Strategic Business Plan. Since 2012, several projects have been completed including the Pier 3 Upgrade (2014) and the Pier 4 Phase 1 Removal Action (2016). In addition, in April 2016 the Managing Members authorized construction of the Pier 4 Phase 2 Reconfiguration project to align with the newly upgraded Pier 3 to provide a contiguous pier structure capable of simultaneously handling two (2) 18,000 TEU vessels. On April 2, 2015, the PoT Commission authorized \$25,695,000 for the procurement of two container cranes. A competitive solicitation was issued and offers from two crane manufacturers (Terex and ZPMC) were evaluated and ZPMC was deemed the best value for the new cranes. The cost difference between the two bids was nearly four millions dollars per crane. There is a strong likelihood ZPMC would prevail if the Alliance were to issue another solicitation with the same specifications since there are very few crane manufactures in the world and none in the United States. On January 19, 2016, the Managing Members authorized an additional \$1,830,800 to complete some additional work in support of the new crane acquisition, as well as the need for additional inspection and staff support costs. The contract was executed on February 19, 2016.

Recognizing that upon completion of the Pier 4 Phase 2 Reconfiguration project, two cranes would limit throughput and terminal efficiency, staff considered the alternative to increase the order to four cranes. On April 7, 2016, the Managing Members authorized a project increase of \$22,299,100 for two additional cranes. At that same meeting the Managing Members also approved the Third Amendment to the Lease and Operating Agreement with Husky Terminal and Stevedoring Inc., as well as construction funding authorization for the Pier 4 Phase 2 Reconfiguration project.

Over the past year, NWSA staff have been working with Husky Terminal and Stevedoring Inc. on a new gate complex and backland reconfiguration as a requirement of the third lease amendment. This effort has involved consideration of the future development of the entire GCP and has led to a fourth lease amendment, which includes the procurement of four additional ship-to-shore container handling gantry cranes. All parties have recognized the merit of procuring the same cranes as are currently being manufactured and delivered.

Immediate sole sourcing of these additional four cranes in a second order with ZPMC is justified by noted reductions in cost and delivery schedule and obvious efficiencies with maintenance and operation. Procuring identical cranes will eliminate or reduce time periods required for public bidding, proposal review, technical and commercial negotiations, design and review/acceptance. All technical issues, revisions and additions occurring with the first crane order are previously identified and will be implemented in this second order. Spare parts will be identical between the first and second order cranes, creating efficiencies for maintenance personnel and inventory system.

Commonality between electrical and machinery systems of both crane orders will furthermore assist towards maximizing effectiveness of fault diagnosis/repair and minimizing downtime. Presence of eight identical new cranes on the terminal will eliminate use of substandard existing cranes in primary duty, and dramatically ease high-capacity crane scheduling for duty-cycle use over vessels of all sizes. Should invasive maintenance or repair remove one crane from service, the remaining seven will be suitable for continuing high-volume activity. Procurement involved Liftech Consultants and Leader Firm International providing technical and quality assurance (QA) assistance for the first crane order. They have proven to be knowledgeable and successful, and thus will remain in place for continuity with the second

crane order. These efforts and issues all combine to reduce procurement time and cost, increase efficiency for the NWSA and its tenants and improve overall terminal competitiveness.

D. PROJECT DESCRIPTION AND DETAILS

This project is the bidding, fabrication, assembly, delivery, installation, endurance testing and commissioning of four additional ship-to-shore rail-mounted container-handling gantry cranes for Pier 4 at the Alliance South Harbor. This also includes training personnel in the operation of the equipment; providing spare parts and manuals of equipment operation and maintenance.

The new cranes will be specified to meet the same requirements of the ULCS, 18,000 TEUs, with an outreach of 24-containers wide and a lift height of 165 feet above the pier deck as the cranes currently on order.

Project Objectives

The objectives for this procurement include:

- Ensure the amended lease commitment to provide four additional container cranes, bringing the total number of new container cranes to eight at Terminals 3 and 4 (ITS/Husky)
- Provide cranes capable of servicing ULCS

Scope of Work

The scope of work in addition to the fabrication and delivery of the cranes includes:

- Amend the existing crane specifications as needed
- Submit the amended specifications to ZPMC for pricing
- Acquire and review proposal from ZPMC
- Issue a contract for the additional cranes
- Perform manufacturing audit within the contractor's facilities using inspection firms located near the fabrication facility
- In-plant review of final assembly and shop testing of cranes prior to shipment
- Condition inspection of cranes upon delivery to the Alliance South Harbor
- Facilitate completion of commissioning, training and documentation

The work identified in this scope of work and authorized by this request will be completed for the Alliance by the PoT consistent with the Service Agreements that are in place between the Alliance and the PoT.

Schedule

Award Contract	July 2017
Crane Delivery	TBD
Substantial Completion	TBD

E. FINANCIAL IMPLICATIONS

Project Cost Details

	This Request	Total Estimated Cost	Cost To Date	Remaining Cost
Bidding	\$50,000	\$50,000		
Construction	\$51,950,000	\$51,950,000		
Total	\$52,000,000	\$52,000,000		

Source of Funds

The 2017-2021 Capital Improvement Plan did not allocate for four additional cranes. With this authorization the Capital Improvement Plan will be updated to reflect the additional \$52,000,000. Both homeports have identified funding mechanisms for the additional capital.

Financial Impact

The design and construction costs will be capitalized and depreciated over a 20-year period, resulting in annual depreciation expense of approximately \$2,600,000. The depreciation is estimated to start in early 2019.

F. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternate 1: Defer acquisition of the four additional cranes to a later date

Pros:

- Defers additional financial commitment at this time

Cons:

- The size of the existing cranes limits the size of vessel calling at the terminal and restricts throughput growth
- Crane costs will likely continue to increase
- Does not support the planned operations of The Alliance

Alternate 2: Procure Four Additional Cranes

Pros:

- Maintains alignment with the Alliance Strategic Business Plan to redevelop the GCP to provide for future container throughput and respond to industry changes
- Support the planned operations of The Alliance

Cons:

- Significant capital investment

Alternative 2 is the recommended course.

G. ENVIRONMENTAL IMPACTS/REVIEW

Permitting: Applicable environmental permits were received as part of the Pier 4 Upgrade project.

Remediation: Not applicable. No existing remediation on site will be effected as part of the crane installations, as there will be no ground-disturbing activities.

Water Quality: Not applicable. There are no new or replaced impervious services as part of the crane installations.

Air Quality: Not applicable. No notifications, permits or new source review is necessary from the Puget Sound Clean Air Agency, as the cranes are powered by electricity.

H. ATTACHMENTS TO THIS REQUEST

- PowerPoint presentation

I. PREVIOUS ACTIONS OR BRIEFINGS

<u>DATE</u>	<u>ACTION</u>	<u>AMOUNT</u>
May 15, 2013	PoT Executive Authorization	\$150,000
April 2, 2015	PoT Commission Project Authorization for acquisition of two STS container cranes	\$25,695,000
January 19, 2016	Managing Members Project Authorization costs associated with testing and inspection	\$1,830,800
April 7, 2016	Managing Members Project Authorization for acquisition of two additional STS container cranes, for a total of four container cranes	\$22,299,100
	TOTAL	\$49,974,900