

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>5B</u>
Date of Meeting	<u>August 6, 2019</u>

DATE: July 27, 2019

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Dustin Stoker, Chief Operations Officer

Project Manager: Mark Little, Director – Contracts and Purchasing

SUBJECT: Surplus Cranes and Associated Spare Parts

A. ACTION REQUESTED

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or his delegate to relinquish the NWSA's use of five (5) Ship-to-Shore mobile gantry cranes located at Pier 3 and Terminal 7 in the South Harbor.

Request the Port of Tacoma Commission adopt Resolution 2019-11-PT which declares five (5) Ship-to-Shore mobile gantry cranes located at Pier 3 and Terminal 7 and the associated spare parts with a net book value of approximately \$1.7 million surplus and no longer needed for Port purposes. Because the value of the spare parts associated with the cranes exceeds \$18,853, Commission approval of the surplus action is required by the Port's Master Policy Resolution § V.F(1)(b) and RCW 53.08.090.

B. SYNOPSIS

The requested action is for surplus only and will result in no additional cash costs at this time. In the event, the Port is unable to fully dispose of the surplus equipment without additional costs, a future project authorization to dispose/remove the cranes may be requested later this year. The costs to remove the cranes would be an operational cost paid for by the NWSA. Over the next three (3) months, staff intends to advertise the cranes and associated spare parts for sale on the open market so as to avoid or mitigate the cost of disposal, if possible.

C. BACKGROUND

With the modernization of Piers 3 and 4 and the purchase of eight (8) new Super Post-Panamax Ship-to-Shore Cranes (SPPM STS), the four (4) existing smaller cranes (2301, 2302, 2405, and 2406) are no longer needed. Crane 2078, located on Pier 7, is also obsolete and has not been used since 2015. These cranes have reached the end of their useful life, are insufficiently sized to service most modern container vessels and are no longer needed to support operations. Additionally, the cranes occupy valuable space on the piers that can be reclaimed for container handling purposes.

Under the Third Amendment to the Crane Rental Agreement with Husky Terminal And Stevedoring, entered into mid-2017, the NWSA committed to removing the four (4) existing cranes within one (1) year following the date all eight (8) SPPM STS Cranes were made available for use. The last four (4) new cranes were made available to Husky on July 1, 2019. A copy of referenced agreement is attached.

The cranes subject to surplus are summarized as follows:

Crane	Make	Model Year	Gauge	Location
2078	IHI	1978	64 feet	E. Sitcum
2301	Kone	1989	64 feet	Husky
2302	Kone	1989	64 feet	Husky
2405	ZPMC	1996	64 feet	Husky
2406	ZPMC	2001	64 feet	Husky

Assuming approval of this requested action, staff intends to initially market the cranes to potentially interested parties (including other ports) on an “as-is, where-is” basis. If the cranes are not sold before the end of November 2019, then staff will return to the Managing Members for project authorization to dispose and remove the cranes. This will likely involve dismantling the cranes and selling the material as scrap. The spare parts will be offered for sale separately from the cranes.

D. FINANCIAL IMPLICATIONS

The 2019-2023 Capital Investment Plan allocates \$5,200,000 for the removal of the cranes. The cost to remove the cranes will be expensed, if incurred.

The cost to remove the four (4) cranes from Husky terminal was included in the financial analysis of the wharf expansion along with the purchase of the new cranes. The cost to remove one (1) crane on Pier 7 was not included in any financial analysis. These costs were included in 2019 and 2020 in the 2019-2023 NWSA forecast and Plan of Finance.

The write-off of the spare parts will be an expense of the homeport of Tacoma. This is consistent with the NWSA charter and all previous surplus or asset write-offs for assets that were licensed to the NWSA in both the North and South Harbors.

E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

- **No Action Alternative:** If no action is taken the cranes will remain, in place in a mothballed state occupying 10% of the wharf. This would have significant impact on Husky's operational ability to berth two vessels simultaneously. The Third Amendment to the Crane Rental Agreement obligates the NWSA to remove the four (4) existing cranes within one (1) year from the date all eight (8) new cranes are made available for use.
- **Recommended Action:** Declare the cranes and associated spare parts surplus.

F. ENVIRONMENTAL IMPACTS / REVIEW

Staff is conducting a HAZMAT review to assess the cranes for the following materials

- Asbestos-containing materials and assumed asbestos-containing material (e.g., mechanical/wire insulation, surface materials)
- Lead-containing coatings (e.g., paints)
- Suspected PCB-containing materials (i.e., caulking, electrical transformers, fluorescent light ballasts, and fluids)
- Mercury-containing light tubes, switches, and thermostats; and suspected high-intensity discharge (HID) lamps

G. PROPOSED SCHEDULE

DATES	STEPS	NOTES
August 2019	Surplus Action	Managing Member Approval (this request)
August – November 2019	Advertise cranes/spare parts for sale/auction	

December 2019	Request project authorization to remove crane(s)	Managing Member Approval required. The IHI crane would be bid as an option
December 2019	Bid Process	
January 2020	Contract Execution	
February 2020 – June 2020	Crane Removal	

H. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation
- 2017 Crane Rental Agreement Amendment 03
- 2019-11-PT Surplus StS Mobile Gantry Cranes and Associated Spare Parts.
- 2019-11-PT Certification of Surplus

I. PREVIOUS ACTIONS OR BRIEFINGS

- Port of Tacoma Commission Authorization to purchase two (2) SPPM STS Cranes at Husky – April 2015
- Authorization to purchase two (2) SPPM STS Cranes at Husky – April 2016
- Authorization to purchase four (4) SPPM STS Cranes at Husky – June 2017
- Authorization of Third Amendment to Crane Rental Agreement – June 2017