

PERFORMANCE AUDIT: WASHINGTON STATE FERRIES FERRY CONSTRUCTION PROGRAM

OVERVIEW AND OBJECTIVES / DECEMBER 2011



WASHINGTON
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Overview

Washington State Ferries (WSF), within the Washington State Department of Transportation, has traditionally received revenue for operating and capital expenses from sources that are no longer available. A primary example is the state's repeal of the Motor Vehicle Excise Tax in response to a citizen initiative in 2000. The department estimates the tax would have generated more than \$9 billion for transportation projects over the past decade, including \$1.2 billion for the ferry system.

Meanwhile, the state must replace its rapidly aging fleet to ensure safe and reliable transportation. Nine of the system's 23 auto-passenger vessels are between 40 and 65 years old and will need to be replaced within the next 20 years. Since 2001, state law has required that all new ferries be built in Washington.

Washington shipbuilders recently completed three 64-car ferries within the nearly \$213 million project budget. The Legislature also funded construction of a 144-car ferry at a cost of \$115 million and provided partial funding for a second. When combined with owner-furnished equipment, construction management, and contingencies, the total cost of the first 144-car ferry is expected to be \$147 million with completion scheduled for early 2014.

In the face of competing transportation priorities and limited funding for ferry construction, some legislators and citizens question whether WSF is doing everything possible to hold down shipbuilding costs.

Audit Objectives

Given the funding constraints and the continued need to replace ferries, the Auditor's Office is conducting a performance audit of the ferry construction program to determine what factors influence costs and whether Washington taxpayers are getting the best value for their money.

We are designing the audit to answer these questions:

- How do the construction costs of Washington state ferries compare with those of comparable ferries built elsewhere?
- What factors affect the cost of constructing ferries, and to what extent do those factors impact total construction spending?
- Does WSF use leading practices to develop, manage and monitor its ferry construction contracts?

Timing

We plan to publish the results of the audit in November 2012.