

JOINT TRANSPORTATION COMMITTEE WSF FARE MEDIA STUDY

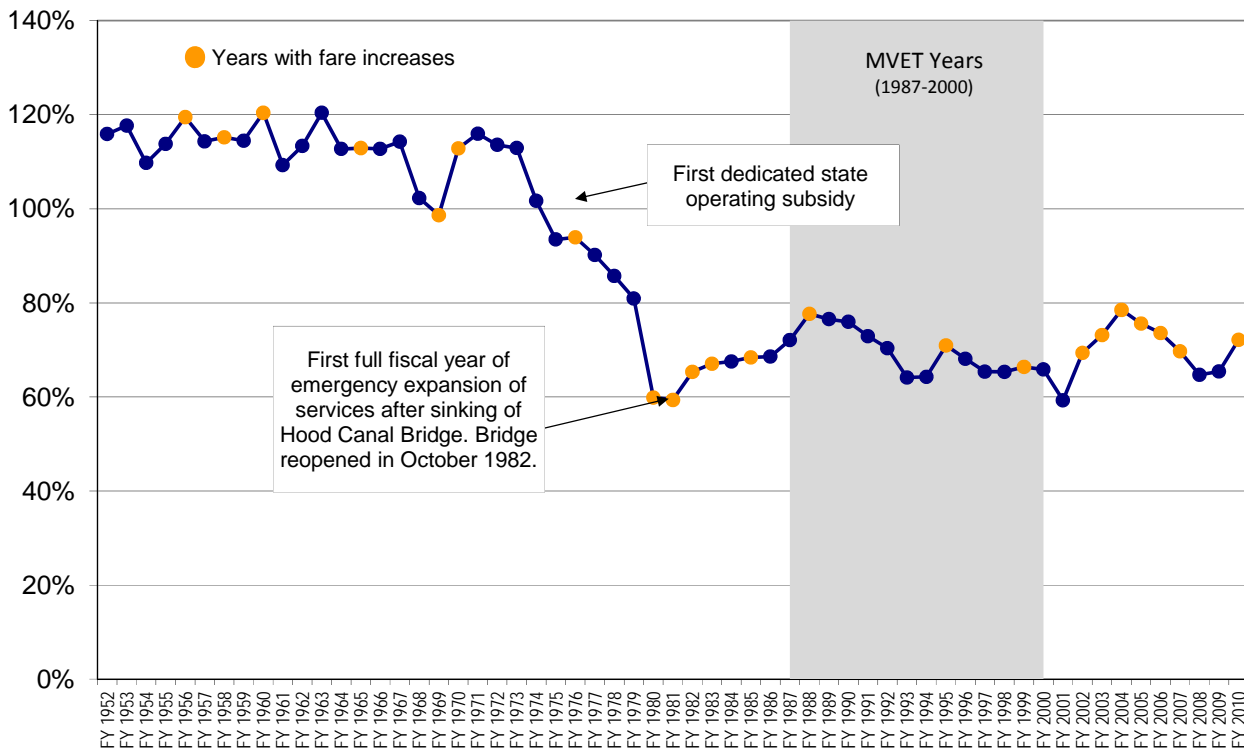
FARE, REVENUE, AND RIDERSHIP TRENDS

FAREBOX RECOVERY AND FARE LEVELS

Since the mid-1970's, WSF operating costs have been funded by a mix of fare revenues and state tax sources. In 1999, voters approved Initiative 695, which replaced the value-based Motor Vehicle Excise Tax (MVET) with a \$30 flat fee. MVET revenues had been a significant contributor to WSF's budget since their inception in 1987, and their elimination resulted in a loss of approximately 20% of WSF's operating revenues and 75% of its dedicated capital funds.

The **farebox recovery rate** is the proportion of fare revenues to WSF operating expenses, with the unfunded portion of operating expenses covered by state tax sources. During the MVET years, farebox recovery dropped to approximately 60%, meaning that state taxes funded 40% of WSF's operations. This funding level corresponds to the lowest levels of fare revenue support over WSF's history. As shown in Exhibit 1, however, the farebox recovery rate has fluctuated widely since state ownership and operation began.

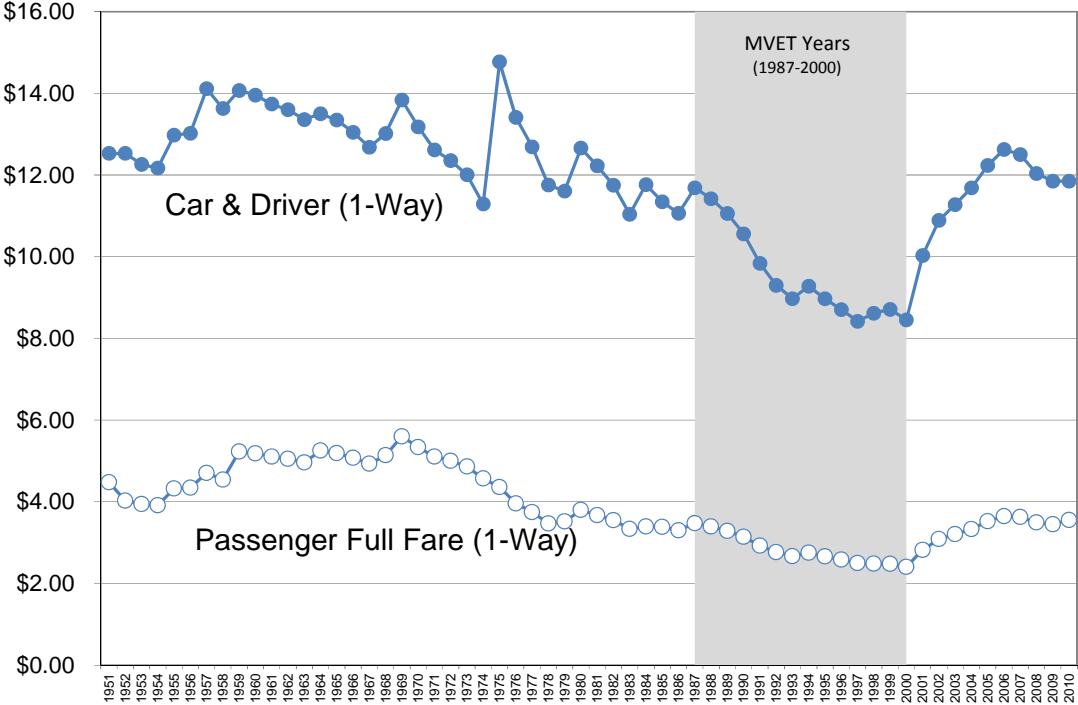
**Exhibit 1
Farebox Recovery Rates over WSF History**



One of the impacts of lost MVET funding has been a significant increase in fares over a relatively short period of time. Since 2000, fares have increased approximately 40% to 130%, depending on the fare and route.

Exhibit 2 shows historical fares for the central sound routes from 1951-2010, adjusted for inflation and shown in constant 2010 dollars. This graph shows how fares dropped during the heavy state support period of the MVET Years, and have only been increased in recent years to bring them back in line with historical fare levels.

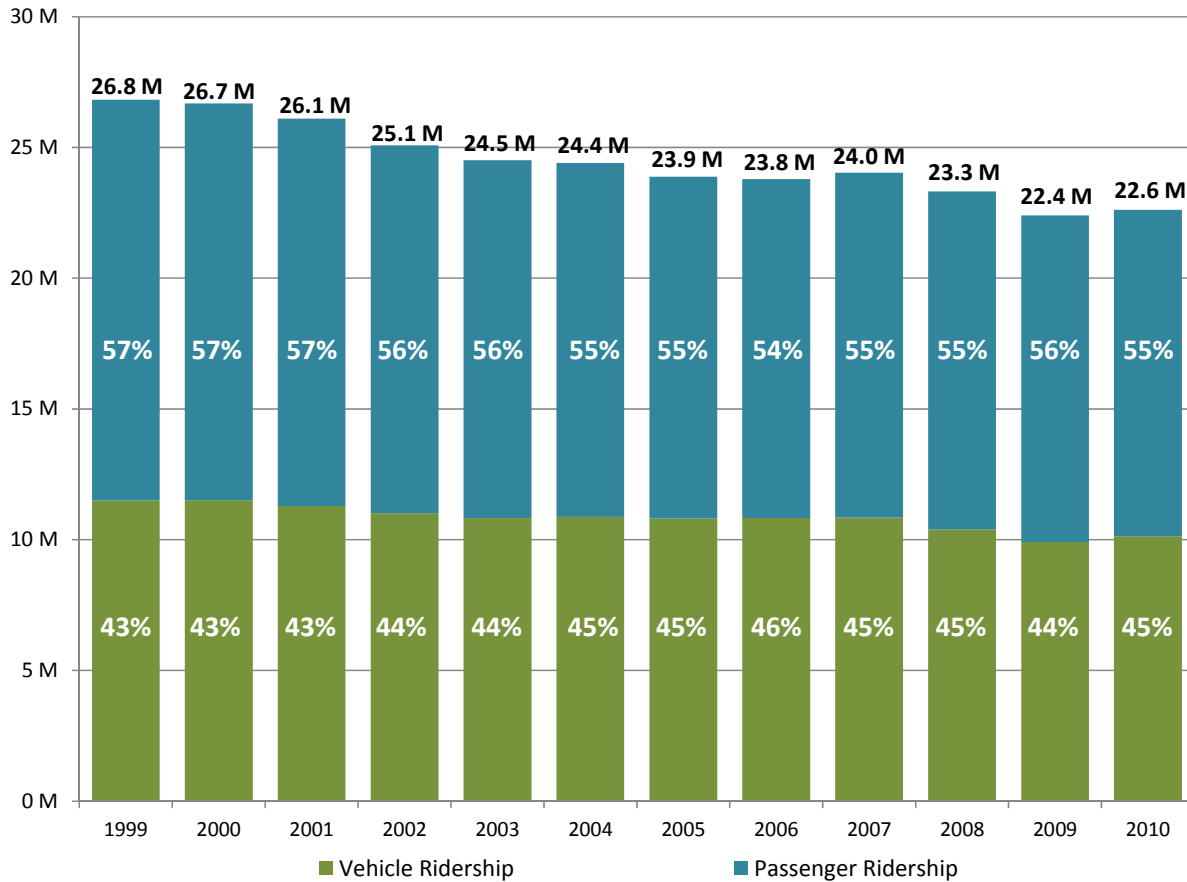
Exhibit 2
Historic Central Sound Fares (Adjusted for Inflation)



RIDERSHIP

WSF had its highest annual ridership in 1999, when customers made 26.8 million trips. In 2010, WSF ridership totaled 22.6 million—a drop of approximately 16%. Exhibit 3 shows how vehicle and passenger ridership have changed over the past decade. In FY 2009, ridership reached its lowest level since 1990.

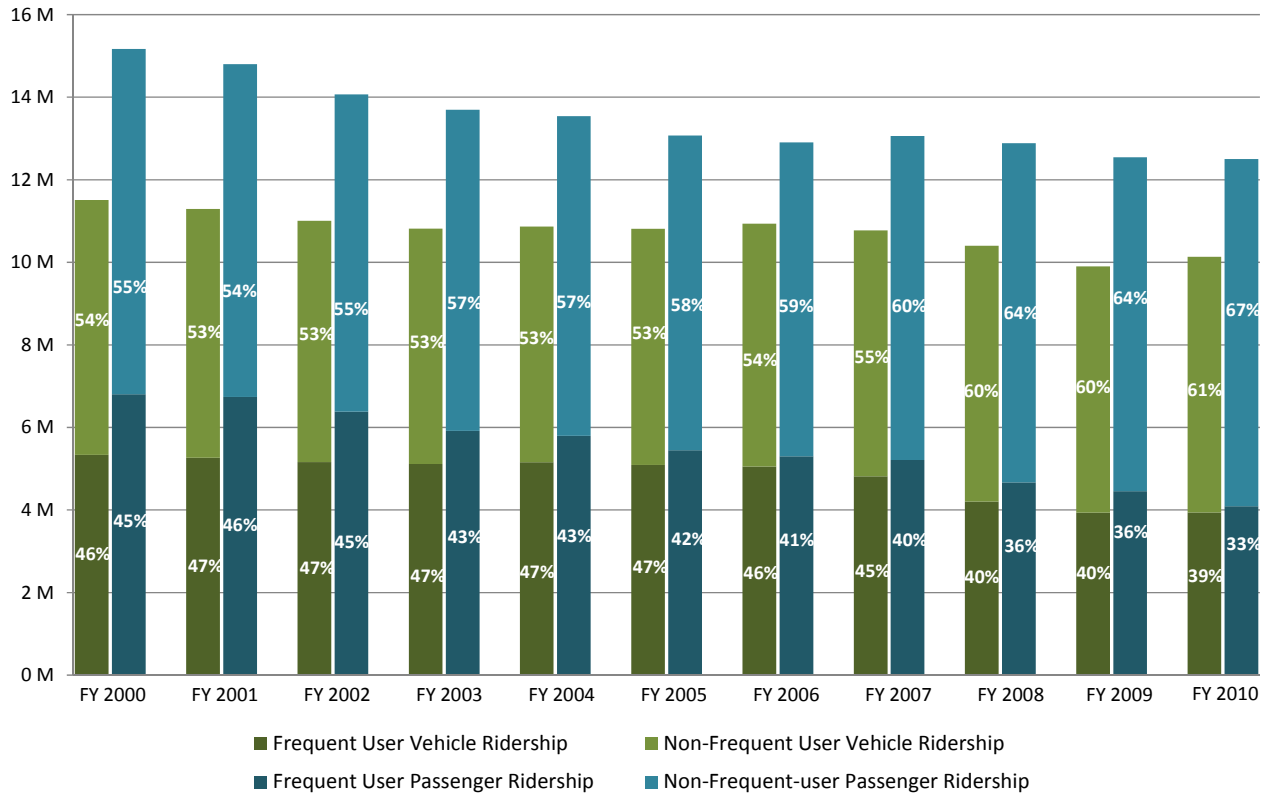
Exhibit 3
Ferry Ridership FY 1999 – FY 2010



The composition of WSF ridership is also changing. As shown in Exhibit 3, vehicle ridership has declined approximately 12% since 1999, while passenger ridership has declined by almost 19%.

WSF is also seeing fewer commuters and more discretionary trips as a percentage of total ridership. Exhibit 4 shows that both frequent-user vehicle ridership (customers traveling with a multi-ride card) and frequent-user passenger ridership (customers traveling with a multi-ride card or monthly pass) have decreased more quickly than overall system ridership.

Exhibit 4
Ferry Ridership by Fare Media (FY 2000 – FY 2010)



Many factors have likely contributed to the drop in commuter and frequent riders, and overall composition of WSF ridership:

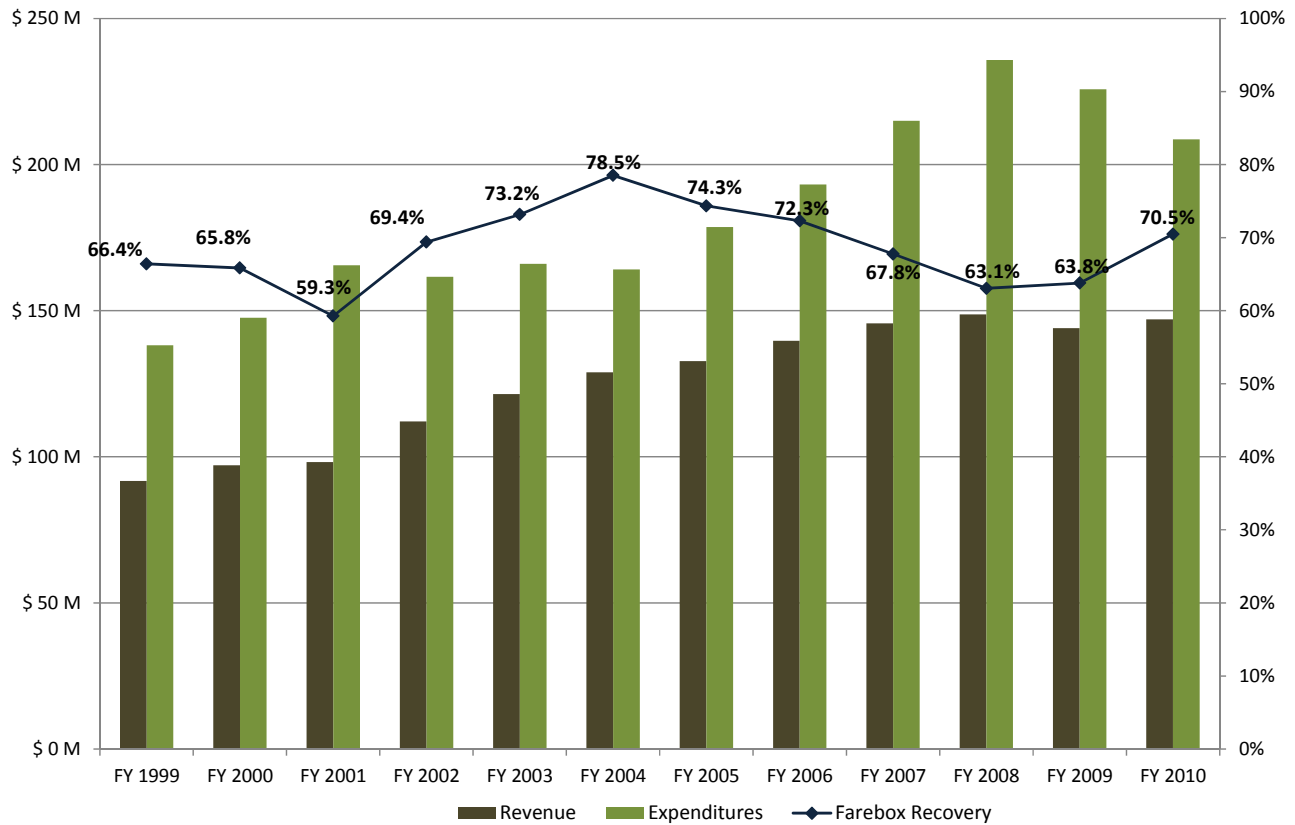
- Ferry communities are aging, resulting in a higher percentage of non-working or retired members of the population in the West Sound.
- The distribution of jobs in the region has shifted. Jobs have increased in the West Sound, resulting in less need for cross-sound commuting by West Sound residents. Also, jobs in the East Sound have spread out, and are no longer as concentrated in downtown Seattle, which has the easiest ferry access.
- Lower overall employment levels have reduced the number of commuters—each commuter lost equates to many more trips annually than a loss of an infrequent ferry traveler.
- Substantial cumulative fare increases over the last decade on all riders may have had a longer-term fare elasticity effect. The increases in fares may take a while to work through the system, and we are seeing the effects they have had now that customers have had time to change their behavior, including place of residence and employment.
- In addition to the overall fare increases, the frequent-user discount for passenger commuters was reduced from 30% to 20% in 2003 and 2004. This resulted in an additional fare increase for passenger commuters above the general fare increases experienced by all riders.
- Telecommuting has become more prevalent, resulting in fewer trips per commuter.

- The change to the Wave2Go fare system in 2007 reduced the ability of customers to easily share the 20-ride commuter book. This meant some of these passengers switched to paying individual full fare rates.

SYSTEM-WIDE REVENUE AND EXPENDITURES

Revenue has increased from \$92 million in FY 1999 to \$147 million in FY 2010. Although ridership has decreased, fare increases have steadily increased total revenues. However, Exhibit 5 also shows that expenditures increased more quickly than revenues in recent years.

Exhibit 5
Historical Revenue, Expenditures, and Farebox Recovery (FY 1999 – FY2010)



- From 2008, WSF expenses dropped from \$236 million to \$209 million. This decrease was largely due to decreased vessel operating expenses, such as fuel, and decreases in management and support costs.
- Both fare revenue and miscellaneous revenue, such as concessions, have increased since FY 1999, although both reached their high in FY 2008, likely due to higher ridership numbers than in FY 2009 or FY 2010.
- Since 2004, fare increases have generally been in line with inflation while WSF costs (especially fuel costs) have grown faster than inflation, putting the farebox recovery rate back at approximately 70%.
- Cost recovery has not improved significantly over the decade, even though revenues have been increasing. Costs have increased much faster than revenues, especially for fuel.