

# Feasibility of Private Auto Ferry Service between Washington State and Vancouver Island, B.C.

## EXECUTIVE SUMMARY

January 2021  
Final Report



# Acknowledgments

The study was prepared by:

## Consultant Team:



with

**Progressions**  
**Community Attributes Inc.**  
**Elliott Bay Design Group**  
**Collier Walsh Nakazawa**  
**Norton Rose Fulbright**

**Paul Neal**, Staff Lead, Washington State Legislature Joint Transportation Committee

**The Staff Workgroup and Policy Panel were instrumental in supporting this study.**

## Staff Workgroup

**David Bremer**, Washington State House Democratic Caucus  
**Dave Catterson**, Washington State Legislature Joint Transportation Committee  
**Mickey von Dassow**, San Juan County Economic Development Council  
**Ray Deardorf**, Washington State Ferries  
**Reema Griffith**, Washington State Transportation Commission  
**David Gudgel**, Clipper Vacations  
**Erik Hansen**, Washington State Office of Financial Management  
**Terri Mast**, Inlandboatmen's Union  
**Danny Masterson**, Washington State Legislature Senate Transportation Committee  
**Hannah McCarty**, Washington State Senate Democratic Caucus  
**Travis McGrath**, Puget Sound Pilots  
**Martin Presley**, Washington State Senate Republican Caucus  
**Dana Quam**, Washington State House Republican Caucus  
**Beth Redfield**, Washington State Legislature House Transportation Committee  
**Eric Shjarback**, City of Anacortes  
**Brenda Treadwell**, Port of Anacortes

## Policy Panel

**Gordon Baxter**, Puget Sound Maritime Trades Council, AFL-CIO  
**Captain Eric Von Brandenfels**, Puget Sound Pilots  
**David Bremer**, Washington State House Democratic Caucus  
**Dave Catterson**, Washington State Legislature Joint Transportation Committee  
**Victoria Compton**, San Juan County Economic Development Council  
**Laurie Gere**, City of Anacortes  
**David Gudgel**, Clipper Vacations  
**Rick Hughes**, San Juan County  
**Liz Lovelett**, Washington State Senator, District 40  
**Danny Masterson**, Washington State Legislature Senate Transportation Committee  
**Hannah McCarty**, Washington State Senate Democratic Caucus  
**Matt Miller**, HMS Global Maritime  
**Martin Presley**, Washington State Senate Republican Caucus  
**Dana Quam**, Washington State House Republican Caucus  
**Alex Ramel**, Washington State Representative, District 40  
**Beth Redfield**, Washington State Legislature House Transportation Committee  
**John Sternlicht**, Economic Development Alliance of Skagit County  
**John Vezina**, Washington State Ferries  
**Dan Worra**, Port of Anacortes

# Summary of Findings

## Feasibility

Private ferry service from Washington to Vancouver Island is **feasible**.

A private operator would likely use a foreign flag vessel, therefore, it is **unlikely** the private operator would provide service to the San Juan Islands.

Any private operator would have to **comply with the same regulatory requirements** as the current service.

Private ferry service operators have expressed interest in providing the service.

## Economic Impacts

### Washington State Ferries

Even if the ferry service is privatized, **Washington State Ferries (WSF) still needs to replace the MV *Elwha*** or face a high risk of system-wide service disruption.

Privatizing Anacortes to Sidney service is expected to have a relatively minor impact on WSF funding needs over the next 20 years.

### Anacortes/Fidalgo Island

Anacortes/Fidalgo Island could experience negative economic impact if a 42-car vessel provided service or a positive economic impact with a 80-car vessel.

Establishing a private international ferry terminal in Bellingham would have a negative economic impact on Anacortes/Fidalgo Island and a positive impact on Bellingham.

### San Juan Islands

Without service to the San Juan Islands, San Juan County would lose a direct ferry connection to Sidney resulting in a **negative economic impact** with privatization.

### Regional Maritime Jobs

While WSF is assumed to lose one position year round and a full crew in the summer, private service **could create additional maritime jobs** that may be non-union or unionized labor.

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# Purpose & Approach

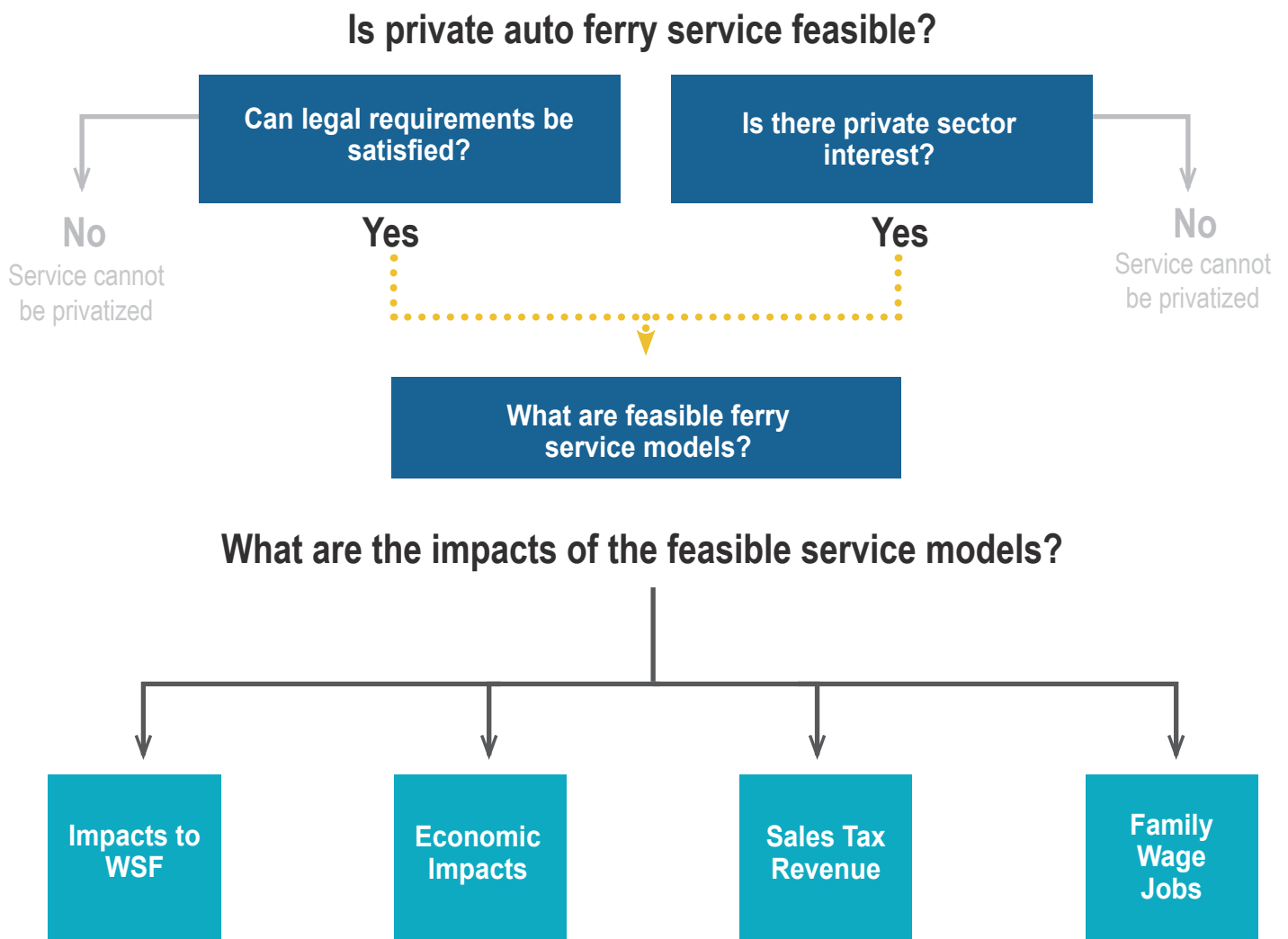
## Purpose

With the retirement of the MV *Elwha*, one of two Washington State Ferries (WSF) vessels capable of providing international service, a private operator approached the Legislature proposing private auto ferry service between Washington State and Vancouver Island. During the 2020 Legislative session, the Senate considered a bill modifying pilotage requirements to facilitate private service (SB 6667). While the bill did not pass, the Legislature commissioned this study, examining the feasibility of replacing the current WSF route between Anacortes and Sidney, B.C., with private auto ferry from Washington State to Vancouver Island, Canada.

This study provides information to decision makers about the feasibility of potential private auto ferry service and the anticipated impacts. This study does not include a comprehensive assessment of a specific route, public-private partnerships, or steps toward implementation.

## Approach

The study was undertaken in a stepped approach. First, this study outlined the feasibility of private auto ferry service and developed potential private ferry service models. Then, impacts of the potential ferry service models were identified and evaluated.



# Purpose & Approach

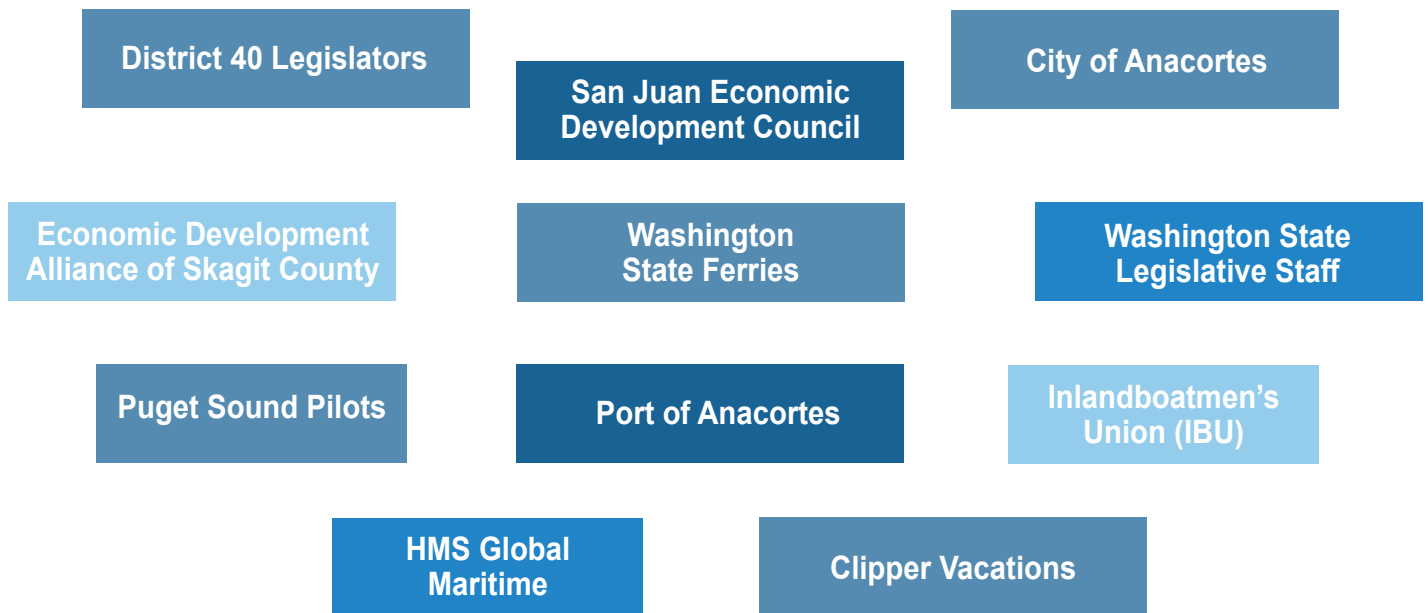
## Staff Workgroup and Policy Panel

The study was strengthened by the Staff Workgroup and Policy Panel, who provided valuable feedback as the approach and findings were developed.

The Staff Workgroup was convened to provide expertise and represented the interests of state and local agencies. The workgroup was consulted at three meetings during the study to review and provide input in advance of presentations to the Policy Panel.

The Policy Panel participants included District 40 Legislators as well as local government elected officials and agency representatives. The Policy Panel was briefed on operational, budget, and economic issues specific to this study.

The Policy Panel discussions identified a number of policy considerations that, while outside the scope of this study, were considered highly relevant to some policy panel members. In an effort to provide a discussion of those concerns while still delivering the study required by the budget proviso, we invited the policy group to write a report chapter addressing their concerns.



The San Juan County Economic Development Council prepared a report on other considerations.

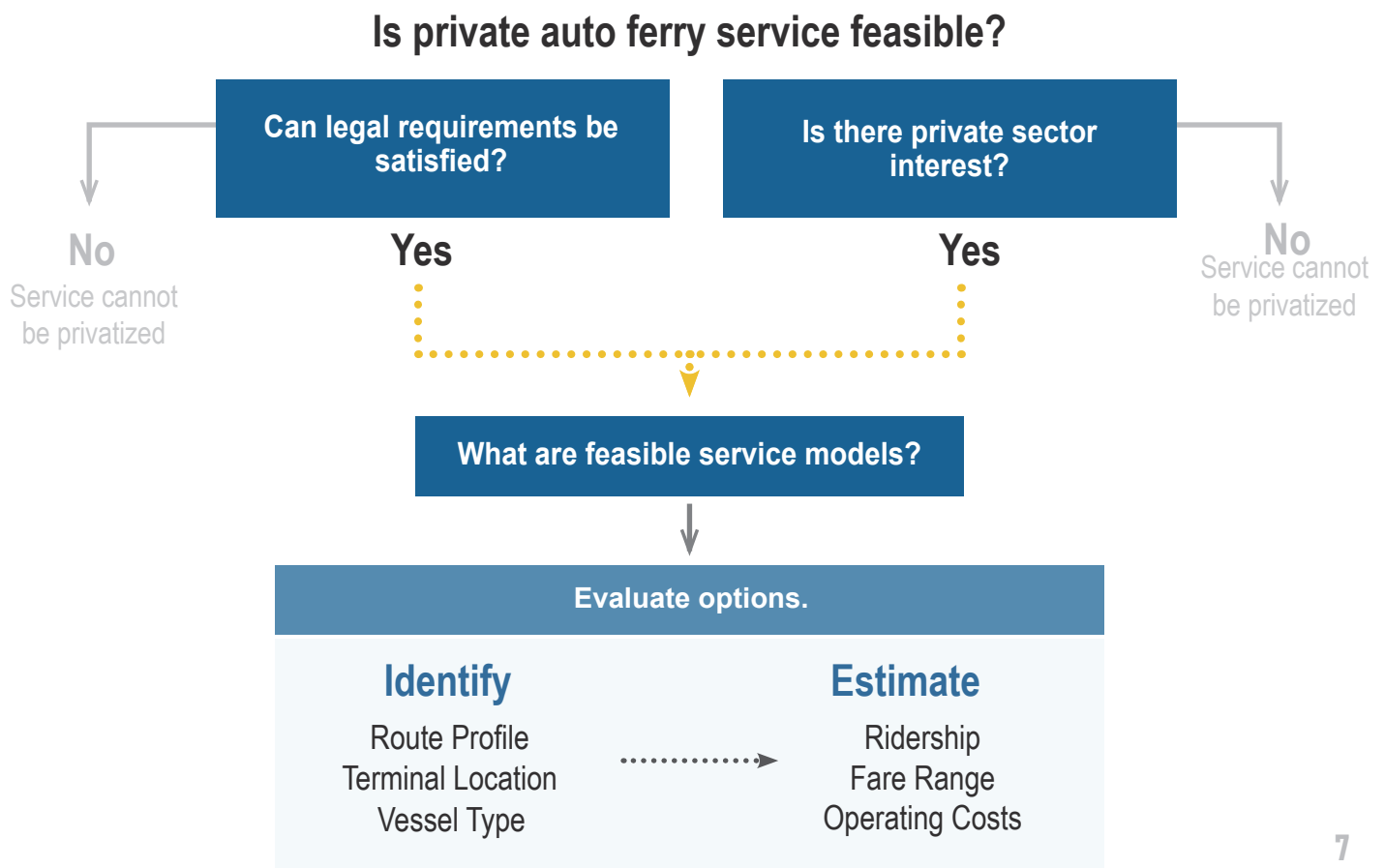
The San Juan County Economic Development Council prepared a report in response to the policy considerations that were not included in the scope of this study. Refer to Part II of the report for the *Additional Considerations Regarding Anacortes-Sidney Ferry Privatization Feasibility*.

## Evaluating feasibility

Two factors defined feasibility for this study including identifying legal requirements surrounding private auto ferry service operating in the Puget Sound and understanding the level of private operator interest in providing this service. With this information, the team developed potential ferry service models that offered a sufficient rate of return to make service financially feasible for a private operator. The team reviewed terminal and route options centered around two distinct vessel types, significantly differing in speed and capacity. Based on the operating profile and level of service, comprised of frequency of departures and vessel capacity, the team estimated the fares necessary for an operator to make a 10% profit.

- >> **Can legal requirements be satisfied?** Identify state statutes that would require amendment to accommodate private auto ferry service business needs.
- >> **Is there private sector interest?** Reach out to private ferry operators to discuss their interests, potential challenges and opportunities to privatizing the Anacortes to Sidney service.
- >> **What are feasible private ferry service model(s)?** Develop ferry service models that provide a return on investment.

The process of reviewing feasibility is illustrated in the feasibility flow model.



## >> Can legal requirements be satisfied?

There are different regulations and standards for U.S. Built and U.S. Flag vessels compared with Foreign Built and Foreign Flag vessels. The following sections outline potential legal constraints for alternative vessels and ferry operations.

### **Foreign Flag vessel is unlikely to provide service to the San Juan Islands.**

Federal law decrees that only U.S. Built and U.S. owned vessels can transport passengers between U.S. ports. U.S. Built vessels suitable for this route are rarely available and the high cost of constructing a new U.S. Built vessel would render this option infeasible. Therefore, this study focuses on a private operator using a foreign built and Foreign Flag vessel without a stop in the San Juan Islands.

### **Pilotage requirements could be cost prohibitive.**

The Washington State law requires vessel operators to hire a Washington State Pilot for all Foreign Flag vessels traveling on Puget Sound and adjacent waters. Washington pilots board vessels and guide them to transit within Puget Sound waters. In the Puget Sound, U.S. and Canadian flag vessels are exempt from this requirement. Employing a pilot for every trip leads to significantly higher operating costs and, in turn, higher fares or cost prohibitive business requirements. The State statute would have to be amended to grant an exemption from pilotage requirements for an auto ferry operator to use a Foreign Flag vessel without a state pilot.

Washington State pilotage laws address safety concerns over ships being piloted in local waters by persons not familiar with those waters. Under current law, three different ferry operations run from Washington to Vancouver Island without pilots.

### **Legislative approval is required to eliminate WSF service.**

Washington State law requires public consultation and legislative approval prior to eliminating a WSF ferry route.

### **If WSF discontinues Sidney service, the ten-mile rule is not an impediment to privatization.**

Washington State law restricts private auto ferry operators from providing ferry service within ten miles of a WSF ferry crossing, which is determined by measuring the distance between two end points of the WSF private ferry service. If both private terminals are located within ten miles of WSF, and exception to the ten-mile rule would be needed. If WSF discontinues Sidney service, and use of the Sidney terminal, the ten-mile rule is not an impediment to privatization.



**Yes, the operator could utilize a Foreign Built, Foreign Flag vessel with no intermediate stops if pilotage requirements were amended.**



## All vessels must adhere to laws and regulations for safety, security and environmental standards.

All commercial vessels operating in U.S. and Canadian waters are heavily regulated with respect to:

- >> **Safety:** The Safety of Life at Sea (SOLAS) convention establishes standards for vessel construction, fire prevention, lifesaving equipment, radio communication and safety management systems.
- >> **Security:** All large ferries operating in U.S. and Canadian waters are subject to the International Ship and Port Facility Security Code requiring certification that the vessel has performed safety assessments and completed safety plans.
- >> **Environmental:** Vessel discharge and emissions are regulated and administered by the U.S. Coast Guard (USCG), the Environmental Protection Agency (EPA), and Washington State Department of Ecology in the U.S. and by Transport Canada in Canadian waters. Ferry operators are required to file an oil spill response plan with the USCG, Washington State, and Transport Canada. Additionally, vessels must comply with marine mammal protections established for Washington State and Canadian waters through operating and communication protocols.

## >> Is there private sector interest?

The team consulted with ferry operators to gauge their interest in providing service from Washington to Vancouver Island and to understand potential opportunities and challenges they see with privatization. Private ferry operators were interested in the potential for the privatization of the service and offered a number of considerations and concerns such as where the terminals could be located, cost of current pilotage requirements, opportunities for a public/private partnership or financial support from Washington State, and the investment needed to comply with U.S. Customs requirements at the terminal.



**Yes, private operators expressed interest in operating international auto ferry service, if WSF discontinued the Sidney run.**

### Operator Considerations:

- Terminal locations
- Pilotage requirements
- Partnership/support from the State
- Potential subsidy
- U.S. Customs requirements

## >> What are feasible private ferry service models?

Potential route profiles were developed to estimate service levels and revenue at a given capacity of the vessel type. These profiles allowed the team to forecast revenue and identify route models and fare levels with a sufficient rate of return for a private operator. The route profiles include terminal locations, vessels, and service levels for four service options.

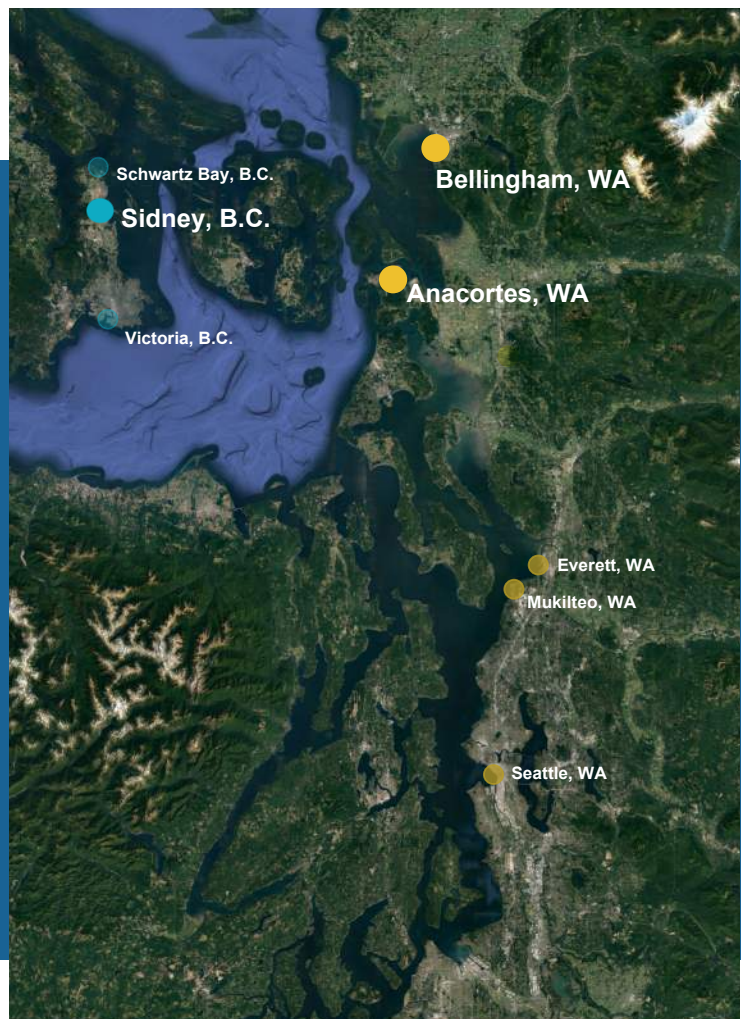
### The vessel would likely be Foreign Flag.

Due to the high cost of new vessel construction and limited availability of U.S. Flag vessels appropriate for this route, service models assumed the private operator would purchase a used Foreign Flag vessel. To provide comparison of a range of vessel options, models were developed for a higher-speed vessel providing more round trips but with less capacity, and a slower-speed vessel with nearly double the car capacity but a longer sailing time than of the high speed ferry. The higher-speed vessel could make three round trips per day and the slower vessel could make two round trips per day. Both models assume the vessel will carry fewer cars per trip than the current WSF ferry.

### Potential terminal locations include Anacortes and Bellingham.

A number of U.S. terminal locations were evaluated, though some locations had challenges and increased travel time that would reduce feasibility. Anacortes and Bellingham were the most feasible U.S. terminal locations identified. In Anacortes, sharing the WSF terminal would be extremely problematic with schedule conflicts, separating Customs and Immigration processing, vessel and terminal arrangements requirements, and collective bargaining agreements. Therefore, a new terminal would be required.

The Bellingham terminal is assumed to be located at the Bellingham Cruise Terminal in the Alaska Marine Highways ferry slip—with existing infrastructure in place, this would make a route from Bellingham faster to implement.



## Fares would likely increase from current WSF fares.

Service levels were determined based on the travel time and number of round trips that could be made in one day. Potential ridership was calculated based on the established service levels and the capacity of the vessels. These models identify potential options, but there are a number of variables to consider that were not included in this analysis, like the impact of price elasticity on potential ridership, promotional opportunities, etc.

Fare levels are presented as a range, with the low end based on comparative fares to Blackball and WSF. At this fare level, a private operator would likely not make a sufficient profit, so a higher end fare level that would provide an adequate rate of return was also determined.



### Concept Feasible Private Ferry Service Options Models

Baseline (WSF)	Speed / Travel Time	Existing WSF One-Way Fare	
		Car & Driver	Passenger
124-Car Vessel Anacortes WSF Terminal	16 knots ~ 2 hours 35 min with stop at Friday Harbor	\$59.65 (Base) \$74.45 (Peak)	\$21.30 (Base & Peak)

Service Model	Speed / Travel Time	Estimated One-Way Fare Range	
		Car & Driver	Passenger
42-Car Vessel Anacortes / Fidalgo Island or Bellingham	30 knots Fidalgo Island: ~ 1 hour 40 min* Bellingham: ~ 1 hour 28 min	\$90 - \$125	\$30 - \$40
80-Car Vessel Anacortes / Fidalgo Island or Bellingham	16 knots Fidalgo Island: ~ 2 hours 25 min Bellingham: ~ 2 hours 40 min	\$80 - \$100	\$25 - \$35

\*Travel times are based on the 42-car vessel traveling north of the San Juan Islands to avoid narrow passages.

# Impacts of Privatization

## What are the impacts of feasible service models?

Once it was determined that there were feasible ferry service models for private auto ferry service from Fidalgo Island or Bellingham to Sidney, the team estimated the potential impacts to WSF and local communities that could result from privatizing auto ferry service. The following categories of impacts were identified.

### >> **Impacts to WSF if Sidney service were discontinued:**

- Impacts to service levels to the San Juan Islands
- Financial impacts for vessel capital investments, reduced operating costs, and revenue loss

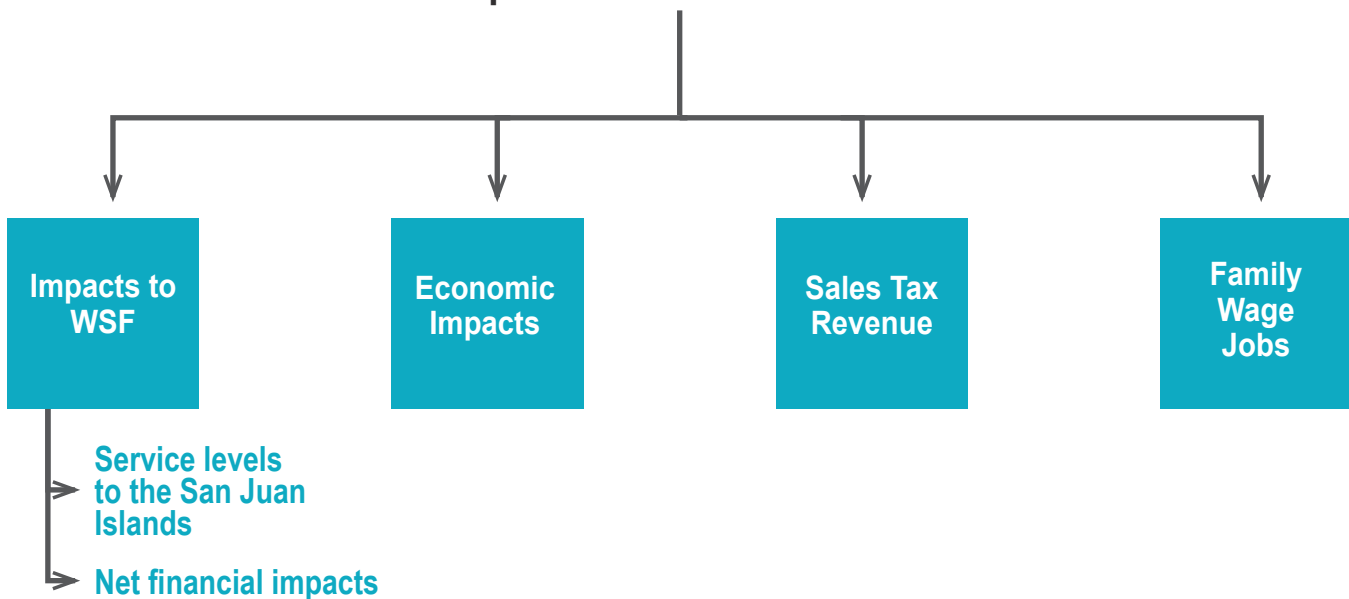
### >> **Economic impacts:** Changes in visitor spending in San Juan Islands and Anacortes if service is privatized, and potential terminal construction.

### >> **Sales tax revenue:** Impacts of privatization on sales tax revenue for Anacortes, the San Juan Islands, and Washington State.

### >> **Family wage jobs:** Net change in family wage jobs.



## What are the impacts of the feasible service models?



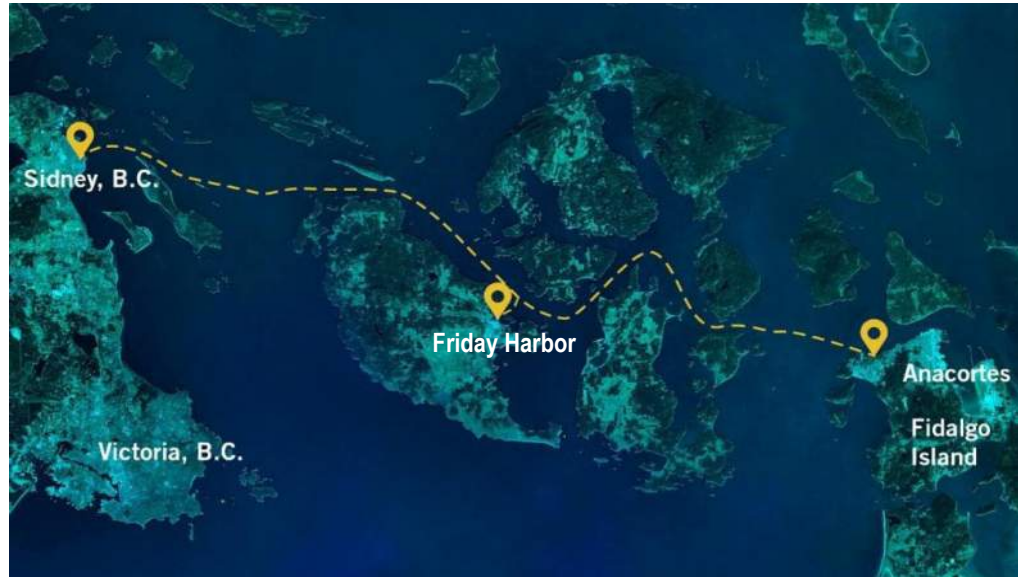


# Impacts of Privatization

## >> Impacts to WSF: service levels to the San Juan Islands

### Current Service

The current Anacortes to Sidney route provides service 9 months of the year and provides domestic service to Friday Harbor in the spring and fall. The international service is integrated with domestic service in the San Juan Islands. When the vessel is not providing international service, it is providing domestic service to the San Juan Islands.



### Service & Service Hours

	Spring and Fall		Summer		Winter
	Service	Service Hours	Service	Service Hours	No Service
To Sidney & Friday Harbor	1 RT to Sidney with stop in Friday Harbor for domestic passengers	7 hours	2 Rt to Sidney with on stopping in Friday Harbor	13 hours	–
To San Juan Islands	4 RT to San Juan Islands	11 hours	1 RT from Anacortes to Lopez	3 hours	–
Total		18 hours		16 hours	–

### Current domestic San Juan Island service levels could change with privatization.

Privatization would most likely end San Juan Island to Sidney service. However, domestic service to the San Juan Islands during the spring and fall could remain the same, or an alternative schedule could be selected that adds one round trip between Anacortes and Friday Harbor. During the summer, elimination of the Sidney vessel would result in the loss of one round trip from Anacortes to Lopez Island. If the vessel continued to reside in the San Juans, some of the operational hours could be redistributed to keep the Anacortes to Lopez sailing and to provide up to two additional round trips to the San Juan Islands. However, this would be above the level of service for the San Juan Islands recommended in the 2040 WSF Long Range Plan.

### Potential Service Schedules

#### >> Spring and Fall:

- No change from current schedule *or*
- + 1 round trip between Anacortes and Friday Harbor :

#### >> Summer:

- 1 round trip between Anacortes and Lopez *or*
- + 2 round trips between Anacortes and the San Juan Islands

*Click here for more information on impacts to WSF's San Juan Islands service.*



# Impacts of Privatization

## >> Impacts to WSF: financial impacts

Because the route is international, it can only be served by a vessel meeting SOLAS certification requirements. With the retirement of the MV *Elwha* in 2019, the MV *Chelan* is the only SOLAS vessel remaining in the fleet. For redundancy and service reliability, WSF prefers two SOLAS vessels be available to provide Anacortes to Sidney service. In the past, whichever of the two SOLAS vessels not providing service to Sidney was assigned to maintenance relief status or put into service on other routes.

### Privatization of the Sidney service does not change the number of vessels required in the WSF fleet.

WSF recently retired one of its two SOLAS vessels ahead of schedule. While that second SOLAS vessel was assigned to the San Juans in the summer it was operating primarily in domestic service, it spent the other 9 months as a backup vessel. Loss of that vessel significantly increases the risk of service disruption across the entire system. Privatization would ameliorate that risk during the summer but would leave the system exposed to a high risk of service disruption during the other 9 months of the year. The following table illustrates how the loss of the MV *Elwha* leaves the fleet without a service relief vessel even if Sidney is privatized. If the vessel is not replaced, the fleet size will be insufficient, resulting in deferred maintenance and increased service reliability risks until 2028. Discontinuing the Sidney service reduces the vessels required for service in the summer, but it does not change the vessels required for service in the fall/spring or winter schedules.

#### WSF Fleet Requirements

Fleet	Before MV <i>Elwha</i> Retirement (FY19)			Vessel Assignments (FY21 and Beyond)			With Privatization		
	Summer	Fall / Spring	Winter	Summer	Fall / Spring	Winter	Summer	Fall / Spring	Winter
Service Vessels	19	18	17	19	18	17	18	18	17
Service Relief (Stand-by) vessels	1	1	1	0	0	0	1	0	0
Maintenance Relief (in maintenance or providing maintenance relief)	2	3	4	2	3	4	2	3	4
<b>Total Fleet</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>21</b>



# Impacts of Privatization

## Capital savings would be realized if the fleet does not need SOLAS vessels.

To maintain service levels reliably, WSF needs maintenance relief and spare vessels. Because the SOLAS vessel provides domestic service throughout the year, discontinuing the Sidney service does not reduce the number of vessels in the vessel acquisition plan from the WSF Long Range Plan. While WSF would still need as many vessels, it would no longer need to incur the additional costs associated with SOLAS compliance. Therefore, discontinuing the Sidney service would reduce the capital investment need by approximately \$20 million (2019 dollars) per vessel when SOLAS retrofits would otherwise occur (based on the cost of outfitting the MV *Chelan* in 2003 inflated to 2020 dollars).

# \$20 to \$40 million

## WSF's operating program loss would increase.

Although discontinuing Sidney service would eliminate all of the revenue generated by the route, it would not eliminate all of the costs currently associated with the Sidney service. Although some operating expenditures such as a portion of or all vessel deck crew, fuel and Sidney terminal costs can be eliminated, other operating costs such as engine room staff and terminal costs associated with domestic service cannot. Additionally, there are overhead and administrative costs that will not be eliminated and must be absorbed by the remaining routes.

The Anacortes to Sidney service is integrated into the other San Juan Islands ferry routes within the WSF system, with the SOLAS vessel providing service to other islands when not in route to Sidney. To evaluate the potential cost savings and revenue loss, alternative San Juan service scenarios were identified for both the Spring/Fall and Summer. Depending on the service scenario selected, annual net operating loss could increase between -\$0.9M and -\$2.3M.

### Estimated Impacts to WSF's Annual Revenue and Expenditures

Post-Privatization San Juan Operating Scenario	Annual Net Operating Loss Reconciling Privatization Cost Savings & Revenue Losses
<b>Scenario 1:</b> Discontinue summertime 5th boat Spring & Fall: No service change Summer: 1 less Anacortes-Lopez round trip	<b>-\$2,311,000</b>
<b>Scenario 2:</b> Continue summertime 5th boat & add service in spring and fall Spring & Fall: 1 additional round trip between Anacortes and Friday Harbor Summer: 2 additional domestic round trips	<b>-\$947,000</b>



# Impacts of Privatization

## Privatizing Sidney service is expected to have a relatively minor impact on WSF funding needs over the next twenty years.

There are financial trade-offs to WSF if the Sidney service is privatized. Capital investments to meet SOLAS that can be avoided are estimated at about \$40M based on past SOLAS conversions. However, the net operating program loss would be about \$2.3M annually, unless the replacement vessel can be deployed domestically in the San Juans or elsewhere in the system to generate revenue during the summer and shoulder months.

As discussed above, WSF could theoretically enhance domestic service following privatization, but a specific scenario is speculative. For this reason, the table at the right calculates cumulative WSF program impact with no domestic service enhancement. With no service enhancement, at the end of 20 years, WSF's consolidated cash flow position attributed to privatization would be -\$6M. If WSF were able to recover half of the net revenue loss by increasing domestic service elsewhere during the summer, the net cash flow position after 20 years would be +\$17M.

Year	Net Operating Loss	Capital Program Savings	Cumulative WSF Program Impact
2021	\$2.3		-\$2.3
2022	\$2.3		-\$4.6
2023	\$2.3		-\$6.9
2024	\$2.3		-\$9.2
2025	\$2.3		-\$11.5
2026	\$2.3		-\$13.8
2027	\$2.3		-\$16.1
2028	\$2.3	\$20.0	+\$1.6
2029	\$2.3		-\$0.7
2030	\$2.3		-\$3.0
2031	\$2.3		-\$5.3
2032	\$2.3		-\$7.6
2033	\$2.3		-\$9.9
2034	\$2.3		-\$12.2
2035	\$2.3		-\$14.5
2036	\$2.3	\$20.0	+\$3.2
2037	\$2.3		+\$0.9
2038	\$2.3		-\$1.4
2039	\$2.3		-\$3.7
2040	\$2.3		-\$6.0



## Net Cash Flow Position in 20 Years

**-\$6M to +\$17M**





# Impacts of Privatization

## >> Economic impacts

The visitors, jobs and business revenue generated from the existing WSF service would be lost to San Juan County if WSF discontinues the service and a private operator does not provide service to the San Juan Islands. This study is based on pre-COVID travel conditions and the assumption was made that travel patterns would return to pre-COVID levels.

## San Juan County

### Baseline Economic Impacts of Current WSF Service



#### Visitor Profile

Day Visitors:	920
Overnight Visitors:	3,670
Total:	4,590



#### Visitor Spending

Jobs:	21
Business Revenue:	\$2.3M

Without service to the San Juan Islands, privatization would have a negative economic impact on San Juan County.



#### Visitor Profile

Day Visitors:	0 (-920)
Overnight Visitors:	0 (-3,670)
Total:	0 (-4,590)



#### Visitor Spending

Jobs:	0 (-21)
Business Revenue:	\$0 (-\$2.3M)



[Click here for more information on economic impacts to San Juan County.](#)



# Impacts of Privatization

If a private service operated from Fidalgo Island, the number of visitors, jobs related to tourism and business revenue to Fidalgo Island would change slightly compared to the existing Anacortes to Sidney service. A private operator could invest in additional marketing and promotion that could change the number of visitors.

## Anacortes / Fidalgo Island

### Baseline economic impacts of current WSF service



#### Visitor Profile

Day Visitors:	1,560 - 18,050
Overnight Visitors:	5,680 - 11,680
Total:	7,240 - 29,730



#### Visitor Spending

Jobs:	9 - 24
Business Revenue:	\$1.0M - \$2.6M

Privatization using a 42-car vessel would have a slightly negative economic impact on the Anacortes/Fidalgo Island area.



#### Visitor Profile

*Change from baseline*

Day Visitors:	1,280-14,840 (-280 / -3,210)
Overnight Visitors:	4,660-9,590 (-1,020 / -2,090)
Total:	5,940-24,430 (-1,300 / -5,300)



#### Visitor Spending

Jobs:	8 - 20 (-1 / -4)
Business Revenue:	\$0.9M - \$2.1M (-\$0.2M / -\$0.5M)

Privatization using a 80-car vessel would have a slightly positive economic impact on the Anacortes/Fidalgo Island area.



#### Visitor Profile

*Change from baseline*

Day Visitors:	1,740-20,170 (+180 / +2,660)
Overnight Visitors:	6,350-13,050 (+660 / +13,050)
Total:	8,090-33,220 (+850 / +4,030)



#### Visitor Spending

Jobs:	11 - 27 (+2 / +3)
Business Revenue:	\$1.2M - \$2.9M (+\$0.1M / +\$0.3M)

Private ferry service from Bellingham would have a negative economic impact on the Anacortes/Fidalgo Island area.



#### Visitor Profile

*Change from baseline*

Day Visitors:	0 (-1,560 / -18,050)
Overnight Visitors:	0 (-5,680 / -11,680)
Total:	0 (-7,240 / -29,730)



#### Visitor Spending

Jobs:	0 (-9 / -24)
Business Revenue:	0 (-\$1.0M / -\$2.6M)

*\*Economic impacts are likely to transfer to the Bellingham area.*

[Click here for more information on economic impacts to Anacortes/Fidalgo Island.](#) 18



# Impacts of Privatization

## >> Sales tax revenue: local jurisdictions

Local sales tax revenue collected by Anacortes/Fidalgo Island and San Juan County that is generated through visitor spending that occur in these communities.

### Baseline local sales tax revenue

#### Anacortes/Fidalgo Island

**Taxable Retail Sales:** \$0.5M - \$1.2M  
**Local Sales Tax:** \$4,400 - \$10,700

#### San Juan County

**Taxable Retail Sales:** \$1.2M  
**Local Sales Tax:** \$18,500

Without service to the San Juan Islands, local sales tax revenue would decrease with privatization.

#### San Juan County

**Taxable Retail Sales:** \$0 (-\$1.2M)  
**Local Sales Tax:** \$0 (-\$18,500)

Private service from Anacortes / Fidalgo Island could slightly decrease or increase local sales tax revenue.

#### Anacortes/Fidalgo Island (42-car vessel)

**Taxable Retail Sales:** \$0.4M - \$1.0M (-\$0.1M / -\$0.2M)  
**Local Sales Tax:** \$3,600 - \$8,800 (-\$800 / -\$1,900)

#### Anacortes/Fidalgo Island (80-car vessel)

**Taxable Retail Sales:** \$0.6M - \$1.3M (+\$0.1M)  
**Local Sales Tax:** \$4,900 - \$12,000 (+\$500 / +\$1,300)

Private service from Bellingham could decrease local sales tax revenue due to the transfer of economic impacts to Bellingham area (42-car & 80-car vessel).

#### Anacortes/Fidalgo Island

**Taxable Retail Sales:** \$0 (-\$0.5M / -\$1.2M)  
**Local Sales Tax:** \$0 (-\$4,400 / -\$10,700)



# Impacts of Privatization

## >> Sales tax revenue: Washington State

The State collects sales tax on visitor spending that occurs in Anacortes/Fidalgo Island and San Juan County. Without service to the San Juan Islands, Washington State sales tax revenue would decrease with privatization.

### \$ Baseline state sales tax revenue

Anacortes/Fidalgo Island:	\$32,400 - \$78,400
San Juan County:	\$76,900
<b>Total:</b>	<b>\$109,300 - \$155,300</b>

### \$ 42-car private service would decrease State sales tax revenue.

Anacortes/Fidalgo Island:	\$26,600 - \$64,400 (-\$5,800 / -\$14,000)
San Juan County:	\$0 (-\$76,900)
<b>Total:</b>	<b>\$26,600 - \$64,400 (-\$82,700 / -\$90,900)</b>

### \$ 80-car private service options would have a modest impact on State sales tax revenue, depending on terminal location.

Anacortes/Fidalgo Island:	\$36,200 - \$87,600 (+\$3,800 / +\$9,200)
San Juan County:	\$0 (-\$76,900)
<b>Total:</b>	<b>\$36,200 - \$87,600 (-\$73,100 / -\$67,700)</b>



"AnacortesWashingtonCapSante" by Mattes, used under CC BY 3.0 / Cropped from original



Photo by Kelly Lesoing



# Impacts of Privatization

## >> Family wage jobs

Impacts to family wage jobs are likely to be regional—not limited to San Juan County and Anacortes / Fidalgo Island area.

### Maritime jobs may increase.

While WSF jobs could be slightly reduced, new maritime jobs would be created with private auto ferry service.

#### WSF Jobs

Many of the WSF jobs (management, terminal staff, and many vessel positions) would remain if the Sidney service were discontinued. By discontinuing Sidney service, WSF would lose one purser position, and depending on the service level changes, WSF could also lose up to 18 seasonal positions in the summer.

#### Private Auto Ferry Service Jobs

There is a potential for new maritime jobs associated with new private auto ferry service. These include vessel, terminal, and management positions necessary to operate the service. While it is possible these could be union jobs, it is more likely they would be non-union.

**42-car vessel options**

**31** full-time equivalent jobs

**80-car vessel options**

**26** full-time equivalent jobs

### Fewer family wage jobs might be generated from visitor spending.

Visitor spending generates family wage jobs for some households. Some of these related jobs would be lost if service were to be privatized. The majority of the jobs lost are the result of eliminating the San Juan Island-Sidney segment of the Anacortes to Sidney service.

Baseline visitor spending jobs

**30 to 45** jobs

**42-car vessel options**

**8 to 20 (-22 / -25)** jobs

**80-car vessel options**

**11 to 27 (-19 / -18)** jobs

### A new Anacortes terminal would generate temporary construction jobs.

Construction impacts largely benefit the community where construction occurs. It is anticipated a new terminal would be required for private auto ferry service from Anacortes. Temporary benefits could be realized for construction of a new ferry terminal.

- An estimated **38%** of construction jobs are on-site jobs.
- Average wages from construction jobs are expected to be **\$62,500** if the terminal is constructed in Skagit County.

**20 to 30** full-time equivalent temporary jobs

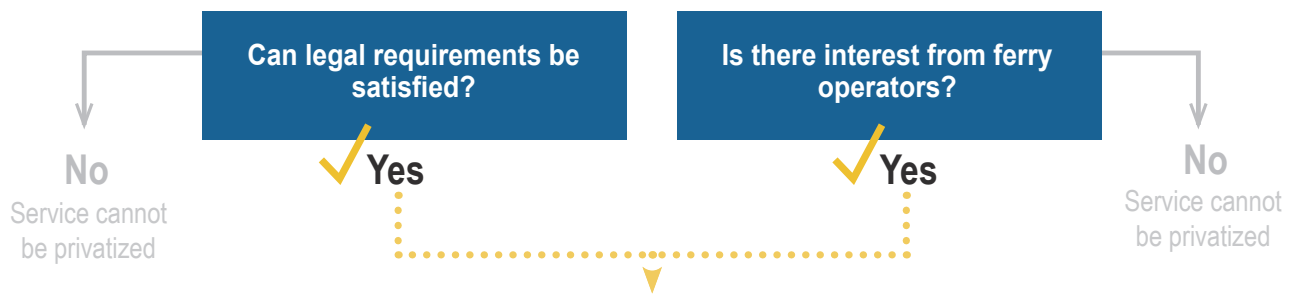
# Conclusion

Private auto ferry service that uses a Foreign Flag vessel is legal and feasible with amendments to the state statute. Fares for a private service are expected to be higher than current WSF fares.

Overall, WSF's operating loss would increase immediately if the Anacortes to Sidney service is discontinued, with the capital cost savings not realized until a SOLAS retrofit would otherwise occur. Service levels to the San Juan Islands would need to be reevaluated, as there are options for changing the service levels during the spring/fall and summer seasons.

San Juan Islands would lose the economic benefits from the Sidney ferry service. If a private terminal were located in the Anacortes/Fidalgo Island area, there would be a relatively small loss or gain in visitor spending and local sales tax revenue depending on the vessel size. If the terminal moved to Bellingham, economic benefit would shift to that area. State sales tax revenue from the San Juan Islands would be reduced. Maritime jobs would increase with a private operator, but family wage jobs supported by visitor spending would decrease.

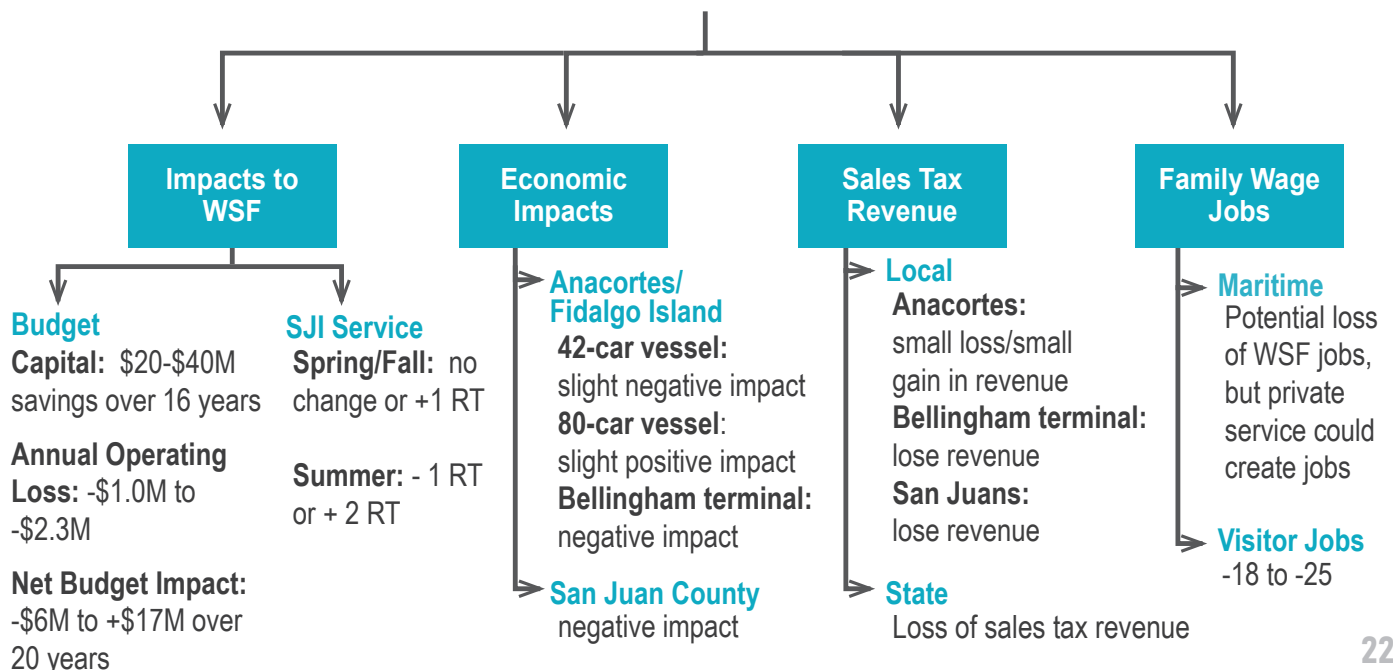
## Is private auto ferry service feasible?



## What are feasible service models?

- Fidalgo Island**  
42-Car or 80-Car Vessel
- Bellingham**  
42-Car or 80-Car Vessel

## What are the impacts of privatization?



# State of Washington Joint Transportation Committee

## Feasibility of Private Auto Ferry Service between Washington State and Vancouver Island, B.C.

Final Report

January 2021

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**Prepared by:**

KPFF Consulting Engineers  
Progressions  
Elliott Bay Design Group  
Community Attributes  
Collier Walsh Nakazawa  
Norton Rose Fulbright Canada

**JTC Project Manager:**

Paul Neal

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Appendix B – Economic Impact Analysis

Appendix C – Legal Memo and Attachments

Appendix D – Letters from Stakeholders

## Part I: Response to the Proviso

This section includes the consultant report in response to Budget Proviso ESHB 2322 §204(6).

# Chapter 1: Approach and Background

During the 2020 session, a private ferry operator approached the Legislature proposing private auto ferry service between Washington State and British Columbia, Canada. Senate Bill 6667, permitting a private auto ferry to operate between Anacortes and British Columbia, was referred to the Senate Transportation Committee. The bill, which proposed modification to pilotage requirements, received a hearing but was not scheduled for a vote. Rather, the Legislature Commissioned this study<sup>1</sup> to examine the feasibility of replacing the current Washington State Ferries (WSF) route between Anacortes and Sidney, B.C., with private auto ferry service along a similar route. The findings will inform Washington State’s ferry capital investment decisions in response to the retirement of the MV *Elwha*, one of two vessels capable of serving the international route.

**Study is first step in Privatization Decision**  
 This feasibility study is a first step in Legislative consideration of privatization of the Sidney run. The study analyzes legal requirements and possible private ferry service options to assess the feasibility and impacts of privatization. Whether a private operator would provide service and the specifics of such service are outside the scope of this study. Accordingly, this study does not provide legal advice or specific recommendations for implementation of new ferry service.

The following sections provide an overview of the approach to this analysis and background information on the WSF system and the existing Anacortes to Sidney service.

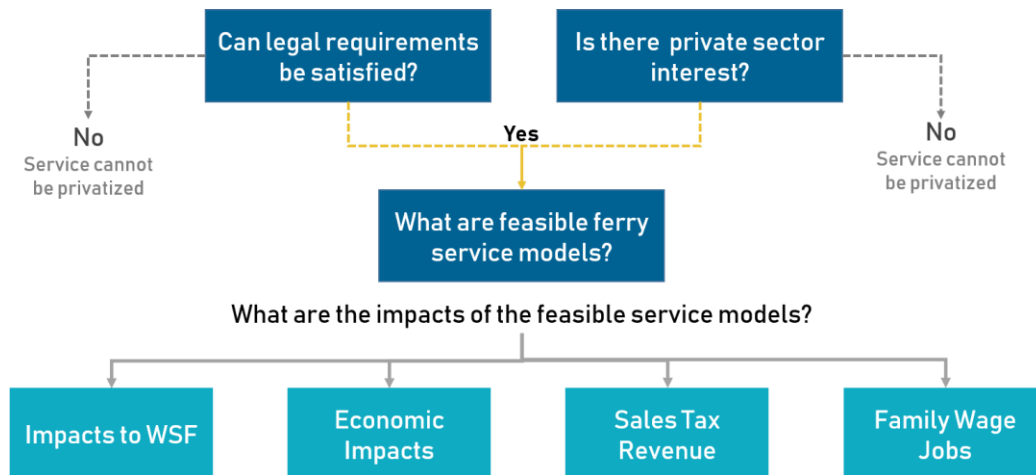
## Approach

This study addresses two primary questions:

1. **Feasibility:** Is it feasible to replace WSF’s Sidney service with a private ferry operator providing a similar service?
2. **Impact Analysis:** What are the impacts of privatizing the Sidney service?
  - a. Potential impacts to WSF and marine employment if the service is privatized.
  - b. Economic impacts of current service to the San Juan Islands and Anacortes/Fidalgo Island and changes in economic impacts if service were privatized.

This analysis is represented graphically in Figure 1:

**Figure 1: Approach to the Study**



<sup>1</sup> 2020 supplemental Transportation Budget proviso, ESHB 2322 §204(6), see Appendix A

## Feasibility

The first step taken to address the primary questions of this study was to create a definition of feasibility, informed by the guidance from a Staff Workgroup and Policy Panel assembled specifically for this effort. For this study, feasibility includes:

- Complying with federal regulations
- Complying with state statutes and regulations or identify amendments needed to make it feasible
- Achieving sufficient rate of return on investment

With this definition in mind, feasibility was assessed through:

- » **Performing Legal and Regulatory Analysis.** Review of the laws and regulations affecting privatization of the route and international operations.
- » **Assessing Private Interest.** Interview potential private operators to understand their interests, along with opportunities and challenges to consider with privatization.
- » **Developing Feasible Private Ferry Service Models.** Develop operating profiles for private auto ferry service options including potential terminal locations, vessel types and sizes, level of service, costs, and fares.

### Assumes post-COVID Condition

The Proviso was passed prior to the COVID-19 pandemic. This study is based on pre-COVID travel conditions and the assumption was made that travel patterns would return to pre-COVID levels.

## Impact Analysis

Once feasibility was determined, the feasible service models were used to analyze the potential impacts of privatization. The impact analysis was conducted for the following elements:

- » **Impacts to WSF.** Identify potential impacts to San Juan Islands ferry service levels if WSF discontinues operating the Anacortes to Sidney service and outline financial impacts for vessel capital investments, reduced operating costs and revenue loss.
- » **Local Economic Impact of Current Service:**
  - **Economic and Fiscal Impacts from Visitor Spending.** Analyze the economic and fiscal impacts to Anacortes/Fidalgo Island and San Juan County of visitor spending from ferry-induced travel on the current Anacortes to Sidney route using 2019 as the baseline level of service.
  - **Family-Wage Jobs.** Discuss family-wage jobs attributed to the current Anacortes to Sidney service.
- » **Economic Impacts if Service is Privatized.** Identify the change in economic and fiscal impacts to the Anacortes/Fidalgo Island area and San Juan County from privatizing the Anacortes to Sidney ferry service based on the feasible private ferry service models. This includes an assessment of visitor spending, sales tax revenue, and family-wage jobs.

## Staff Workgroup and Policy Panel

The study was supported and supplemented by a Staff Workgroup and a Policy Panel, who provided valuable feedback throughout the study.

The Staff Workgroup provided expertise and represented state and local agency interests. There were three workgroup meetings during the project to review and provide input on preliminary work products prior to Policy Panel presentations.

The Policy Panel participants included District 40 Legislators as well as local government elected officials and agency representatives. The Policy Panel was briefed on operational, budget, and economic issues specific to this scope of work and asked to provide input.

## Constituent Policy Concerns

The Policy Panel discussions identified a number of policy considerations that, while outside the scope of the study, were considered highly relevant to some policy panel members. In an effort to provide a discussion of those concerns while still delivering the scope of work required by the budget Proviso, we invited the policy group to write a report chapter explaining their concerns. The Economic Development Council of San Juan County along with other contributors prepared the document. The resulting report, written in opposition to privatization, is included as Part II of this report.

## Background

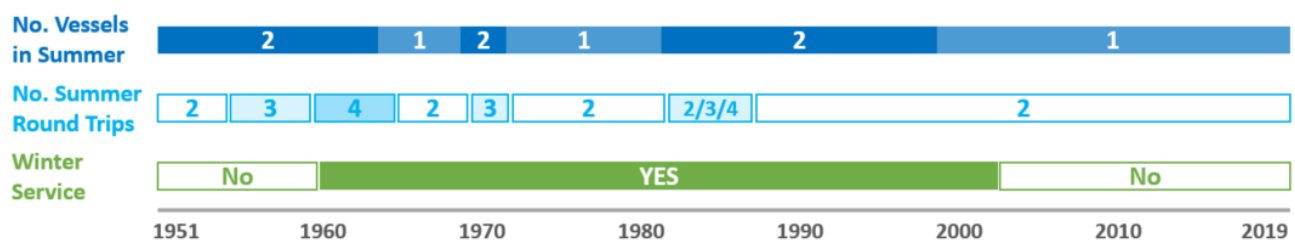
The following sections offer a brief history of the Anacortes to Sidney ferry service along with an overview of the WSF fleet that provide the foundation for this study.

### Route History

Ferries have operated between Anacortes and Sidney, B.C. (Sidney) for nearly a century. For the first 29 years, the route was run by a private operator. WSF took over the route in 1951, and has operated the route ever since with varying levels of service.

WSF proposed eliminating the Anacortes to Sidney route during the 1970s due to limited financial resources and necessary infrastructure upgrades. However, Washington State decided to maintain the service despite this proposal and two more like it in 1997 and 2002. By 2004, Washington State had decided to maintain the route in the summer, fall and spring but suspend operations during the winter. Figure 2 provides an overview of the timeline of WSF service on the route, detailing fluctuations in the number of vessels assigned to the route in the summer, the number of summer round trips offered, and if service was provided in the winter.

**Figure 2: Timeline of Anacortes to Sidney Ferry Service from 1951**

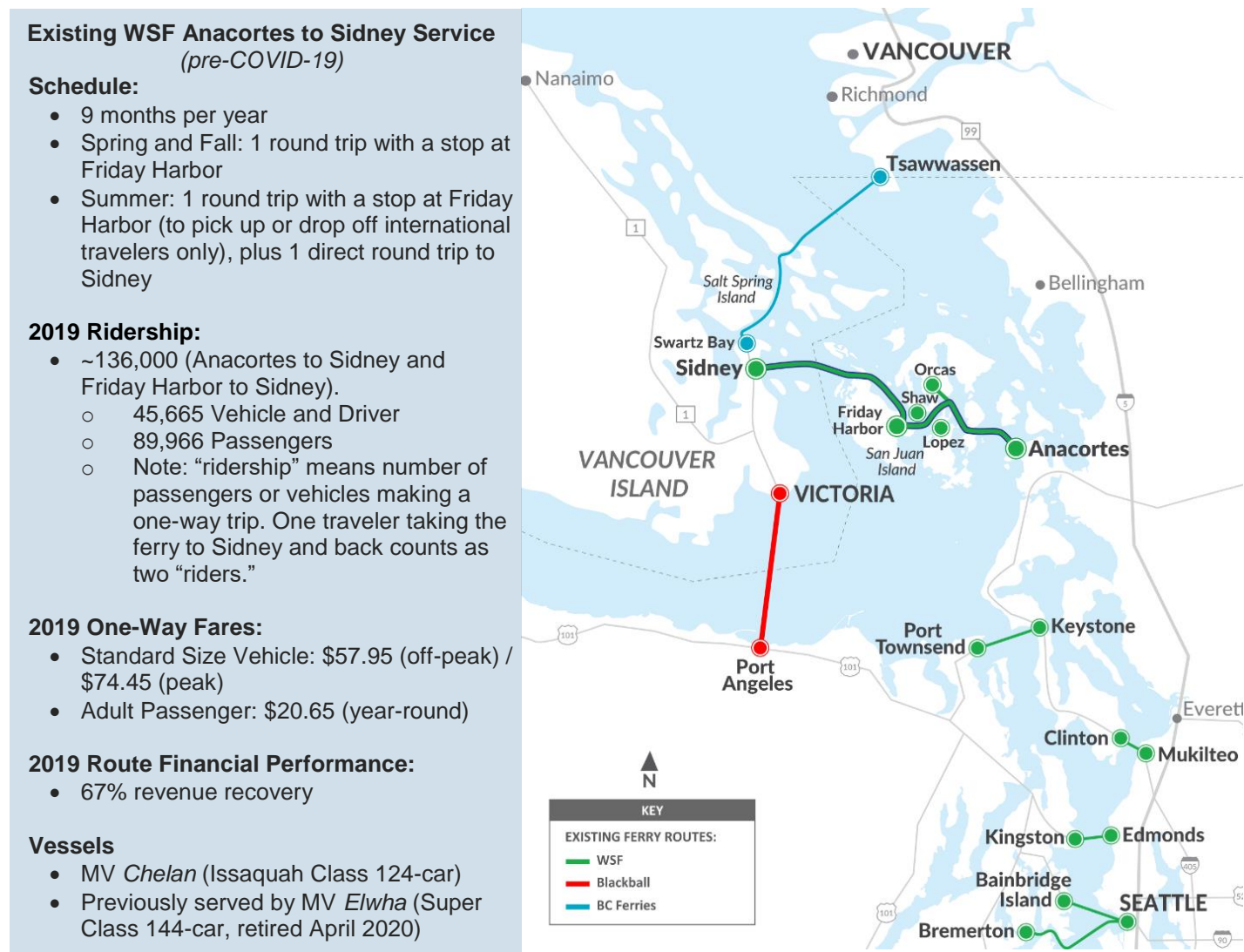


## Existing Anacortes to Sidney Service

WSF has operated the same level of service from Anacortes to Sidney since 2004: one daily round trip to Sidney in the spring and fall, and two daily round trips to Sidney in the summer. In each service season, one round trip to Sidney includes a stop in Friday Harbor. Beginning in March 2020, the Canadian Government has barred WSF from continuing the Sidney service during the COVID-19 pandemic.

More information on the service schedule, ridership, and fares can be found in Appendix B. Figure 3 outlines the Anacortes to Sidney service statistics and provides a route map that includes other ferry service to Vancouver Island.

**Figure 3: Existing Anacortes to Sidney Service and Ferry Service to Vancouver Island**



## WSF Fleet

To maintain service levels across the system, the WSF fleet includes:

- » Vessels in service.
- » Maintenance relief vessels that are assigned to routes as vessels rotate out of service for scheduled maintenance. Throughout the year, vessels are rotated out of service to complete planned maintenance and preservation activities. The 2040 WSF Long Range Plan (LRP) recommended 12 weeks of annual out-of-service time be allowed for each vessel in the fleet to catch up on the existing maintenance backlog and complete all preservation activities required for vessels to reach their planned 60-year useful life. To provide this level of maintenance, an average of at least five maintenance relief vessels is needed at one time to deliver service.
- » Service relief vessel(s) that are on standby to provide service when unplanned maintenance needs arise. Historically, at least one service relief vessel has been reserved to fill in for emergency repairs or other unplanned events. The LRP also recommended that the size of the service relief pool be increased to two vessels to maintain service levels. Increasing the service relief pool reduces the risk of decreased service levels, missed trips and lost revenue.

With the recent retirement of the MV *Elwha*, WSF currently has 21 vessels, 19 of which are assigned to routes during the summer season, 18 in spring and fall and 17 in winter. With the reduced size of the fleet following the early retirement of the MV *Elwha*, WSF does not have a service relief vessel to deploy to a route for unplanned maintenance, thus exposing the entire system to potential service disruptions.

To both adequately maintain their vessels and sustain current service levels, WSF plans to increase the size of their fleet. The LRP proposes that the fleet grow to 26 vessels by 2040. Thirteen new vessels are called for to replace those vessels planned to retire over the next 20 years, plus one vessel to implement service changes on the Edmonds to Kingston route and two vessels. This vessel acquisition plan ensures there are four maintenance relief and two service relief vessels year round.

Table 1 provides the number of vessels in service, service relief (or stand-by) vessels, and maintenance relief vessels before the early retirement of the MV *Elwha* (Fiscal Year 2019), vessel assignments after retirement of the MV *Elwha* (Fiscal Year 2021), and those proposed with the LRP through 2036.

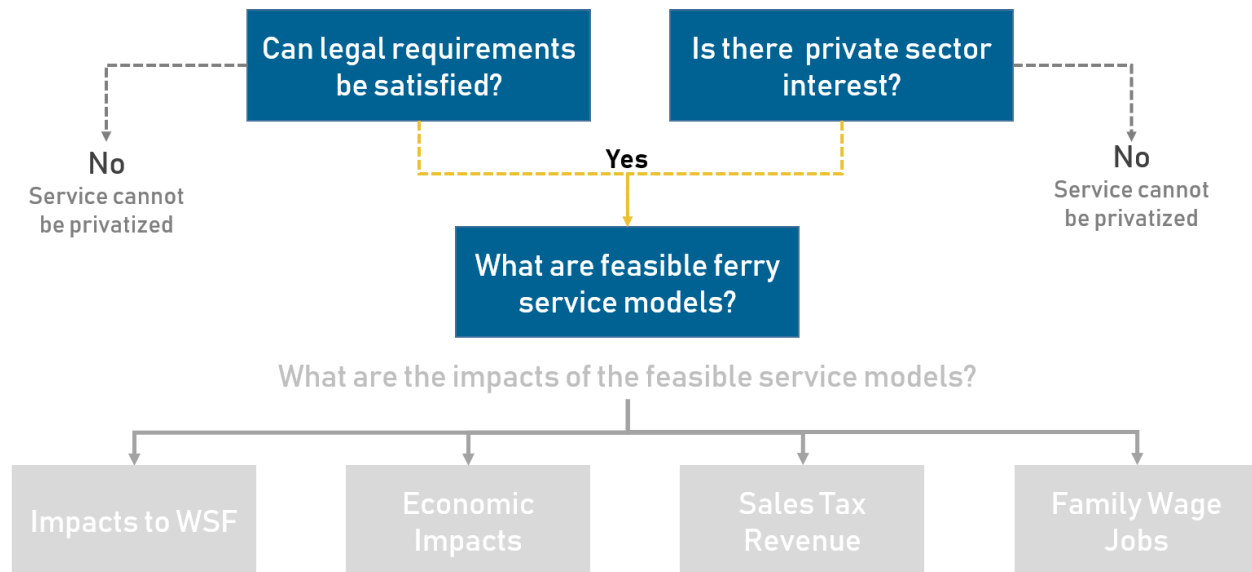
**Table 1: WSF Fleet Allocation**

Fleet	Before <i>Elwha</i> Retirement (FY 19)			Vessel Assignment (FY 21 and Beyond)			Proposed in LRP (by 2036)		
	Sum	F/Sp	Win	Sum	F/Sp	Win	Sum	F/Sp	Win
Service Vessels	19	18	17	19	18	17	20	19	19
Service Relief (Stand-by) Vessels	1	1	1	0	0	0	2	2	2
Maintenance Relief Vessels	2	3	4	2	3	4	4	5	5
Total Fleet	22	22	22	21	21	21	26	26	26
<b>Change from LRP Baseline</b>	-	-	-	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>4</b>	<b>4</b>	<b>4</b>

## Chapter 2: Feasibility

This chapter focuses on evaluating the feasibility of private auto ferry service by outlining the legal and regulatory framework that may affect private ferry operators providing ferry service from Washington State to British Columbia. Feasibility also includes gauging interest from private operators and developing feasible private ferry service models to analyze impacts. Figure 4 details this process.

**Figure 4: Review Stages of the Study – Feasibility**



### Legal and Regulatory Framework

The legal analysis focused on terminal location considerations and the overlay of international, U.S., and Canadian laws that regulate vessel operations and international service that may be relevant to initiation of private service or cessation of the existing Anacortes to Sidney service. Chapter 219, Laws of 2020, §204(6)(a)(viii).

This chapter provides that review by analyzing:

- » Vessel-dependent laws and regulations
- » Safety and environmental standards applicable to all commercial vessels
- » Laws, regulations, and contract provisions specific to the operation of ferry service between Washington State and Vancouver Island



## Requirements Dependent on Vessel Flag and Place of Construction

Some Federal and State requirements for operating the contemplated service vary depending on the vessel, specifically, where the vessel was built and what flag it flies (flag state).

### Only U.S. Built and U.S. Owned Vessels can Ferry Passengers between U.S. Ports

A large ferry cannot call in multiple U.S. ports on the same voyage (“coastwise trade”) unless built in the U.S. and wholly owned by U.S. citizens<sup>2</sup>. That is, only a U.S. Built and U.S. Owned vessel could provide the Anacortes to Sidney service currently offered by WSF, with a stop in Friday Harbor to board and disembark passengers on the way to or from Sidney, B.C.

No private companies interested in providing ferry service between Washington State and Vancouver Island have a U.S. Built and Owned ferry available to service the route. A review of the current vessel market performed by Elliott Bay Design Group found few U.S. Built ferries available. Those that are available are generally older vessels, such as the MV *Evergreen State*, constructed in 1954. Any prospective operator would likely have to invest significant funds into the vessel before it could be put back into service. A prospective ferry operator would, therefore, likely have to build a new boat in the U.S. and meet the U.S. ownership requirements to use a U.S. Built and Owned vessel for the contemplated service.

The cost of building a new ferry in the U.S. would render private service unfeasible; see Private Ferry Service Models section of this chapter. Therefore, this analysis assumes that any prospective operator would employ a Foreign Built vessel. That vessel could ferry passengers between Washington State and Vancouver Island but could not load and unload passengers and cars in the San Juan Islands. Accordingly, the feasible private ferry service models explored do not include a stop in the San Juan Islands.

### Foreign Flag Vessels Must Use a Pilot in Washington Waters

Both Washington State and Canada require Foreign Flag vessels operating in their waters to board a pilot to guide the vessel through local waters. These Washington State and Canadian regulations are referred to as “pilotage requirements.”

A vessel’s flag depends upon its country of registry. In general, there are two types of vessel registries. Traditional maritime nations generally limit their registry to their own nationals or to entities that qualify as citizens. Along with the U.S.<sup>3</sup>, these “national flags” account for less than 50% of the world’s documented vessels. When measured by gross tonnage, the largest fleets of documented vessels worldwide are registered in Flag States allowing non-citizens to register their vessels in those jurisdictions (open registers). The top six Flag States, all of which are open registers, are Panama, Liberia, the Marshall Islands, Hong Kong, Singapore and Malta.

Under Washington law, Foreign Flag vessels operating in the Puget Sound pilotage district must employ a Washington State Pilot and pay pilotage rates as established by the Washington Utilities and Transportation Commission<sup>4</sup>. U.S. and Canadian Flag vessels operating exclusively in this pilotage district are categorically exempt<sup>5</sup> from this requirement. Foreign Flag vessels do not enjoy that exemption.

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<sup>2</sup> 46 C.F.R. §67.5.

<sup>3</sup> In order to be eligible for documentation in the U.S., a vessel must be wholly owned by U.S. citizens. 46 CFR §67.5.

<sup>4</sup> RCW 88.16.070

<sup>5</sup> RCW 88.16.070(1).

Canada also has a compulsory pilotage statute<sup>6</sup>. However, Canadian law exempts ferries<sup>7</sup> on Canada's west coast from mandatory pilotage. Therefore, Canadian law would not require a ferry operating between Washington State and Vancouver Island to employ a Canadian licensed pilot. This exemption applies regardless of the vessel's flag.

Reading the U.S. and Canadian pilotage laws together, current Washington law requires a Foreign Flag ferry providing service between Washington State and Vancouver Island to have a Washington State pilot on board while in Washington State waters<sup>8</sup>.

## **Safety of Life at Sea (SOLAS) Requirements – Safety, Crew, and Vessel Inspection**

The international laws governing commercial vessels are largely dictated by international treaties. The most important international treaty concerning the safety of commercial vessels is the International Convention for the Safety of Life at Sea (SOLAS), 1974, as amended, which includes the International Safety Management Code and the High-Speed Craft Code. SOLAS requires signatory Flag States to ensure that the vessels on their registry comply with minimum safety standards. It includes standards for vessel construction, fire prevention, lifesaving equipment, radio communications, and safety management systems. 162 sea-faring nations are SOLAS signatories.

Vessel safety standards are enforced through a rigorous compliance regime. SOLAS compliance is typically enforced through vessel inspections by approved third party inspection organizations (Classification Societies) and by documentation issued by the Flag States, along with inspections by Port States. The U.S. Coast Guard may conduct a Port State Control Inspection for any vessel coming into a U.S. port and may detain non-complying vessels.

- » **SOLAS Vessels:** A foreign passenger vessel registered in a signatory Flag State visiting U.S. ports with U.S. citizens as passengers or embarking with passengers from U.S. ports must obtain a Certificate of Compliance (COC) from the U.S. Coast Guard and must have a valid Passenger Ship Safety Certificate<sup>9</sup>.
- » **Non-SOLAS Vessels:** Foreign vessels of Flag States that are not signatories to SOLAS are also subject to inspection by the U.S. Coast Guard. In the absence of SOLAS documentation from the Flag State, such vessels must satisfy U.S. regulatory standards, and are issued Certificates of Inspection (COI) upon compliance.<sup>10</sup>

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<sup>6</sup> Pilotage Act, RSC 1985, c P-14, Pacific Pilotage Regulations, CRC, c 1270.

<sup>7</sup> A ferry is defined as a ship carrying passengers or goods on a fixed schedule from one terminal to another. Pacific Pilotage Regulations, CRC, c 1270, ss 2 and 9.

<sup>8</sup> A limited class of small foreign flag passenger vessels and yachts may apply for a pilotage exemption, RCW 88.16.070(2). That exemption may only be granted to passenger vessels that are: (1) not more than two hundred feet in overall length and one thousand three hundred gross tons (international); (2) manned by U.S. or Canadian licensed officers; and (3) operated exclusively in the waters of the Puget Sound pilotage district and lower British Columbia. This exemption would not accommodate the types and sizes of car ferries proposed in this study as the most likely replacements for the MV *Elwha*. Therefore, current law requires a private operator of a foreign flag car ferry (other than Canadian flag ferries) to employ a Washington State Pilot on every crossing.

<sup>9</sup> 46 C.F.R. 2.01-6(a)(1).

<sup>10</sup> 46 C.F.R. 2.01-6(b).

In addition to regular U.S. Coast Guard Port State Control inspections for compliance with a foreign vessel's COC or COI, the U.S. Coast Guard's targeting system identifies certain Foreign Flag vessels for additional inspections<sup>11</sup>. The targeting system rates Flag State Administrations based upon the detention ratio for vessels flying their flag<sup>12</sup>. Vessels that have a history of deficiencies in U.S. or foreign ports are also singled out for additional inspections.

The Canadian Port State Control system operates similarly to the U.S. except that it is conducted through Transport Canada. Passenger ships on international voyages must comply with all relevant regulations dictated by the International Maritime Organization, including those in SOLAS<sup>13</sup>.

The crew requirements (crew size, qualifications, nationality, and training) for a Foreign Flag ferry are determined by the Flag State of the vessel. If the ferry is a Canadian flag vessel, Canadian law requires all the crew to be Canadian citizens or permanent residents<sup>14</sup>. On other Foreign Flag ferries, crew requirements are determined by the law of the Flag State and by the administrator of the vessel registry in question.

### **Restrictions Applicable to All Vessels**

Vessels plying the Salish Sea are traveling on, and have the potential to harm, a common resource. This includes the sea itself and the life that inhabits it. Accordingly, regulations have been promulgated regulating all commercial traffic on the Salish Sea, regardless of Flag State.

### **Regulation of Vessel Discharges and Emissions**

Foreign Flag vessels operating in U.S. and Canadian waters are subject to an extensive framework of international conventions, U.S. federal and state laws and regulations, and Canadian laws and regulations governing vessel discharges and emissions.

The 1973 International Convention for the Prevention of Pollution from Ships as modified by the Protocol of 1978 and the Protocol of 1997 (MARPOL) is the most important international convention regulating the prevention of marine pollution from ships, and containing standards for ship-generated wastes.

- » MARPOL Annex I regulates discharges of oil and oily water mixtures and requires that all vessels be fitted with oil pollution prevention equipment.
- » MARPOL Annex II regulates the discharge of noxious liquid substances from ships.
- » MARPOL Annex III regulates the transportation of hazardous packaged materials.
- » MARPOL Annex IV regulates the discharge of solid waste including sewage.
- » MARPOL Annex V regulates the discharge of garbage from ships.
- » MARPOL Annex VI limits NO<sub>x</sub> emissions from vessels and the sulfur content of the fuel that they burn.

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<sup>11</sup> U.S. Coast Guard Marine Safety Manual, Vol. II at Section D, Ch. 4 at D4-7.

<sup>12</sup> A list from the U.S. Coast Guard's 2019 Port State Control Annual Report showing Flag Administrations targeted by the Coast Guard for additional inspection based upon their detention ratios is attached in Appendix C.

<sup>13</sup> Marine Transportation Security Regulations, SOR/2004-144 s. 1.

<sup>14</sup> Canada Shipping Act 2001, SC 2001 c. 26 ss. 81 (1) & 88(1) (CSA 2001).

The Act to Prevent Pollution from Ships (APPS) implements MARPOL Annexes I, II, V and VI in the United States, and applies to all Foreign Flag vessels operating in navigable waters of the United States or at a port under U.S. jurisdiction<sup>15</sup>. The U.S. Coast Guard administers APPS, under which it promulgates and enforces regulations<sup>16</sup>. With respect to emissions from ships, the U.S. EPA jointly enforces MARPOL Annex VI along with the U.S. Coast Guard pursuant to a memorandum of understanding.<sup>17</sup> The U.S. Coast Guard has authority to board and inspect any vessel in U.S. waters to determine its compliance with MARPOL<sup>18</sup>. Canada has implemented MARPOL through the CSA 2001 and its regulations. Transport Canada administers MARPOL's requirements and has the authority to board Foreign Flag vessels operating in Canadian waters to enforce compliance.

Other U.S. and State environmental statutes applicable to Foreign Flag vessels operating in Puget Sound include, among others, the Clean Water Act<sup>19</sup>, the Oil Pollution Act of 1990<sup>20</sup>, the Vessel Incidental Discharge Act,<sup>21</sup> and the Washington State Vessel Oil Spill Prevention and Response Act<sup>22</sup>.

### Participation in Marine Response Organizations

Regardless of the flag of the vessel, the ferry operator would be required by Washington, U.S., and Canadian law to have an approved oil spill prevention and response plan in place, and be a member of an approved marine spill response organization in both Washington State and British Columbia.

In Washington State, the ferry operator is required to have an approved spill response plan on file with both the U.S. Coast Guard and Washington State<sup>23</sup>. In order to operate in the Puget Sound region, the ferry operator may either submit its own vessel response plan, or obtain coverage under the Washington State Maritime Cooperative (WSMC) oil spill contingency plan<sup>24</sup> or the National Response Corporation (NRC) vessel oil spill contingency plan.<sup>25</sup>

In British Columbia, the operator of a ferry of 400 GT or greater is required to be a member of the Western Canadian Marine Response Corporation ("WCMRC") and to pay annual fees to the organization. WCMRC is the only Transport Canada-certified marine response organization on Canada's West Coast. Its mandate is to ensure there is a state of preparedness in place when a marine spill occurs and to mitigate the impacts on B.C.'s coast. This includes the protection of wildlife, economic and environmental sensitivities, and the safety of both responders and the public.<sup>26</sup> Even if participation is not mandatory, many ship owners belong to the WCMRC to take advantage of a reduced fee tariff should the WCMRC be called out to respond to a spill.

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<sup>15</sup> 33 U.S.C. §§1901(a)(4), 1902.

<sup>16</sup> 33 C.F.R. §151.01

<sup>17</sup> Memorandum of Understanding between the EPA and the USCG for the Enforcement of MARPOL Annex VI (June 27, 2011), <https://www.epa.gov/sites/production/files/documents/annexvi-mou062711.pdf>.

<sup>18</sup> 33 U.S.C. §§1904(c), 1904(d).

<sup>19</sup> 33 U.S.C. §1251 et. seq.,

<sup>20</sup> 33 U.S.C. §2701 et. seq.,

<sup>21</sup> Frank LoBiondo Coast Guard Authorization Act of 2018, Pub. L. No. 115-282, §§901-903 (codified at 33 U.S.C. § 1322(p)(4)(A)).

<sup>22</sup> RCW ch. 88.46 is administered by the Washington State Department of Ecology.

<sup>23</sup> RCW 88.46.060

<sup>24</sup> *About the Cooperative*, Washington State Maritime Cooperative, <https://wsmcoop.org/about-us>.

<sup>25</sup> *NRC Covered Vessels Washington State Contingency Plan (NRC Plan)*, NRC, <http://nrcwaplan.nrcc.com/>.

<sup>26</sup> *Our Story*, Western Canada Marine Response Corporation, <http://wcmrc.com/>.

## Protection of Southern Resident Orca Whales from Vessels

Depending on the location of the terminal in Washington State, and the intended ferry route to British Columbia, measures to protect southern resident orca whales and their habitat would likely require the ferry route to be adjusted or the speed of the ferry to be slowed in order to reduce its potential impacts on the whales.

Appendix C includes a recent notice issued by Transport Canada regarding a study examining amendments to the current Traffic Separation Scheme to protect critical habitat areas of the southern resident orca whales. An important voluntary measure is the ECHO Program (FAQ page attached). In 2019, the WSF vessel servicing the route to Sidney from Anacortes slowed to 11 knots speed through the water. It is a seasonal speed restriction and in 2019 as many as 82% of large commercial vessels participated. There are also designated sanctuary areas in Canadian waters to protect the southern resident orca whales, although these should not impact the ferry routes.

U.S. and Washington State law also provide protections for the southern resident orca whales which dictate vessel speed and distance to be maintained when whales are present in U.S. and State waters. The National Oceanic and Atmospheric Administration regulations prohibit vessels from approaching within 200 yards of a southern resident orca whale in U.S. waters<sup>27</sup>. A 2019 Washington State statute prohibits any vessel from approaching within 300 yards of a southern resident orca whale and from exceeding a speed greater than seven knots over ground if they are within one-half nautical mile of a southern resident orca whale<sup>28</sup>.

## Security

All large ferries operating in U.S. and Canadian waters and entering U.S. or Canadian ports are subject to the requirements of the International Ship and Port Facility Security Code (ISPS Code). The ISPS Code is a comprehensive security regime which requires ships and the marine terminals that serve them to perform safety assessments, complete safety plans and designate safety officers. A Certificate of Compliance with the ISPS Code is issued by the Flag State Administration upon compliance with the standards of the Code<sup>29</sup>.

## Provisions Specific to a Washington State to Vancouver Island Ferry Service

There are specific regulatory considerations for private auto ferry service from Washington State to Vancouver Island including the ten-mile rule provision in the RCW, lease considerations, and collective bargaining provisions.

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<sup>27</sup> 50 C.F.R. §224.103

<sup>28</sup> RCW 77.15.740.

<sup>29</sup> In the U.S., the ISPS Code is implemented through the Maritime Transportation Security Act ("MTSA") and its regulations. 33 C.F.R. §101.115. In Canada, the ISPS Code is implemented through the Marine Security Act, SC 1994 c. 40 and the Marine Transportation Security Regulations, SOR/2004-114.

## Ten-Mile Rule

Washington State law prohibits a private ferry operator from operating a terminal within ten miles of a WSF terminal. The relevant statute states that if the Department of Transportation "operates any ferry crossings upon...Puget Sound or any of its tributary or connecting waters, there shall not be constructed, operated, or maintained any other ferry crossing...over any such waters within ten miles of any such crossing...maintained by the department..."<sup>30</sup> The statute states that the ten-mile distance means ten statute miles measured by airline distance, and that the "ten-mile restriction shall be applied by comparing the two end points (termini) of a state ferry crossing to those of a private ferry crossing"<sup>31</sup>. In 2003, this statute was amended to exempt operators of passenger-only ferry service<sup>32</sup>.

In 1990, the Washington State Attorney General's Office issued an opinion stating that the ten-mile prohibition "does not apply if one terminus of a commercial crossing is within ten miles of the terminus of a state crossing but the other terminus of the commercial crossing is more than ten miles from the other terminus of the state crossing."<sup>33</sup> The Legislature amended RCW 47.60.120 in 1993 to enact the Attorney General's Office's analysis into statute.

This ten-mile restriction would only be relevant to potential private ferry operations if:

- The private ferry operator sailed from a private terminal in the Anacortes, which would presumably be within ten miles of the WSF Anacortes terminal; and
- WSF continued to use the Sidney terminal. Unless WSF still operated the Sidney terminal, the Canadian private ferry terminal would be more than 10 miles from a WSF terminal.

For purposes of this analysis, we assume that privatization would only be feasible if Washington State discontinued the Anacortes to Sidney service. Unless that assumption is incorrect, the ten-mile rule would not impact the potential private service.

- The statute contains a provision allowing the WUTC to grant a waiver from the ten-mile restriction to a commercial ferry operator applying for certification to operate an intra-state ferry service under RCW chapter 81.84. Although the international route does not fall under RCW chapter 81.84,<sup>34</sup> a private ferry operator that wished to confirm that the location of its proposed terminals did not violate the ten-mile rule could seek input from the WUTC.

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<sup>30</sup> RCW 47.60.120(1).

<sup>31</sup> RCW 47.60.120(2).

<sup>32</sup> RCW 47.60.120(5)

<sup>33</sup> AGO 1990 No. 16, at 7. Although opinions of the Attorney General as to statutory construction are not controlling, they are entitled to considerable weight. Bellevue Fire Fighters v. City of Bellevue, 100 Wn.2d 748, 750 n. 1, 675 P.2d 592 (1984). There is no Washington case law on the issue.

<sup>34</sup> WAC 480-51-022: "Exempt vessels and operations. The rules of this chapter do not apply to the following vessels or operations: ... (2) Passenger-carrying vessels that depart and return to the point of origin without stopping at another location within the state where passengers leave the vessel." In other words, WUTC regulations apply to commercial ferries that transport passengers between two Washington destinations, not between the U.S. and Canada.

## **Public Consultation and Legislative Approval**

Washington State law requires the Department of Transportation to “consult with affected ferry users” through public hearing and review by ferry advisory committees before making a substantial change in ferry service levels or eliminating a ferry route. Legislative approval is also required prior to elimination of a ferry route.<sup>35</sup> This approval is, effectively, a condition precedent to feasible privatization of Sidney ferry service.

### **Sidney/WSF Lease**

Washington State has a 20-year terminal lease with the Town of Sidney that extends until the end of 2031. The terms of the lease provide that it can be terminated by Washington State upon written notice to the landlord, and without penalty or liability, in the event that the Washington State Legislature ceases to provide operational funding for the Anacortes to Sidney service. It may also be assigned to a third party upon the written consent of the Landlord. However, the lease specifically states that assignment does not release the State from its obligations under the terminal lease, and a thorough review of the master lease for the water lot should also be undertaken if the State is considering assignment of the terminal lease to a third party.

### **Collective Bargaining Agreement Limitations**

A private operator that operates outside the WSF terminal facilities is not bound by collective bargaining agreements. Their employees can choose to become unionized or remain non-union.

However, if a private operator uses WSF facilities with non-union vessel crew, there could be challenges. WSF terminal staff are union employees and a private operator with non-union vessel crew would need to reach an agreement with WSF and the unions on how shoreside services are provided.

## **Private Ferry Service Models**

To assess the impacts of a private ferry service between Washington State and British Columbia, the project team developed feasible private ferry service models for analysis. This process was informed by interviews with private operators and an assessment of potential ferry routes, terminal locations, vessel sizes, costs, and an estimate of ridership to forecast potential fare ranges.

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<sup>35</sup> RCW 47.60.330.

## Private Operators

To understand the opportunities and challenges of providing private service between Washington State and Vancouver Island, the team interviewed five private ferry operators. All operators expressed interest in continued involvement in the study. Table 2 lists those operators interviewed and the ferry service they provide.

**Table 2: Operators Interviewed**

Operator	Existing Ferry Routes/Services
Clipper Navigation (Förde Reederei Seetouristik)	<ul style="list-style-type: none"> <li>• Seattle – Victoria</li> <li>• Seattle – San Juan Islands</li> <li>• Whale watching excursions</li> </ul>
BC Ferries	<ul style="list-style-type: none"> <li>• 25 routes throughout B.C.</li> </ul>
Hornblower (HMS Global Maritime)	<ul style="list-style-type: none"> <li>• Tour and transportation ferry services in New York, San Francisco Bay Area, Boston, and others</li> </ul>
Black Ball Ferry	<ul style="list-style-type: none"> <li>• Port Angeles – Victoria</li> </ul>
Bay Ferries	<ul style="list-style-type: none"> <li>• Maine – Nova Scotia</li> <li>• New Brunswick – Nova Scotia</li> <li>• Prince Edward Island – Nova Scotia</li> </ul>

Several challenges were identified by the operators:

- » **Terminal location:** For the Washington State terminal, operators noted the financial advantage of using an existing terminal in Bellingham, although it was noted that the Anacortes area presents a more optimal location for the route. Some operators suggested the existing WSF terminal in Anacortes would be their preferred location, while others felt the challenges of sharing the terminal with WSF operations and WSF’s unionized labor force would be too formidable. On the British Columbia end of the route, operators expressed interest in a landing site in or near the inner harbor of Victoria or the existing Sidney terminal. BC Ferries would consider shifting service to their existing Swartz Bay terminal.
- » **Customs and border protection:** Complying with the requirements of the international route results in impacts to operations and costs, with even more requirements if the route carries commercial traffic.
- » **Pilotage:** In order to make private ferry operations feasible, an exemption would be requested to avoid the high cost of pilotage on the route. Any such exemption would have to meet the safety standards and requirements stated in Chapter 2.

The importance of political and financial support for a new private operator was emphasized in interviews. Suggestions for financial support from WSF and Washington State during transition of service include assistance with terminal leases and legal issues, and direct financial support through subsidies.



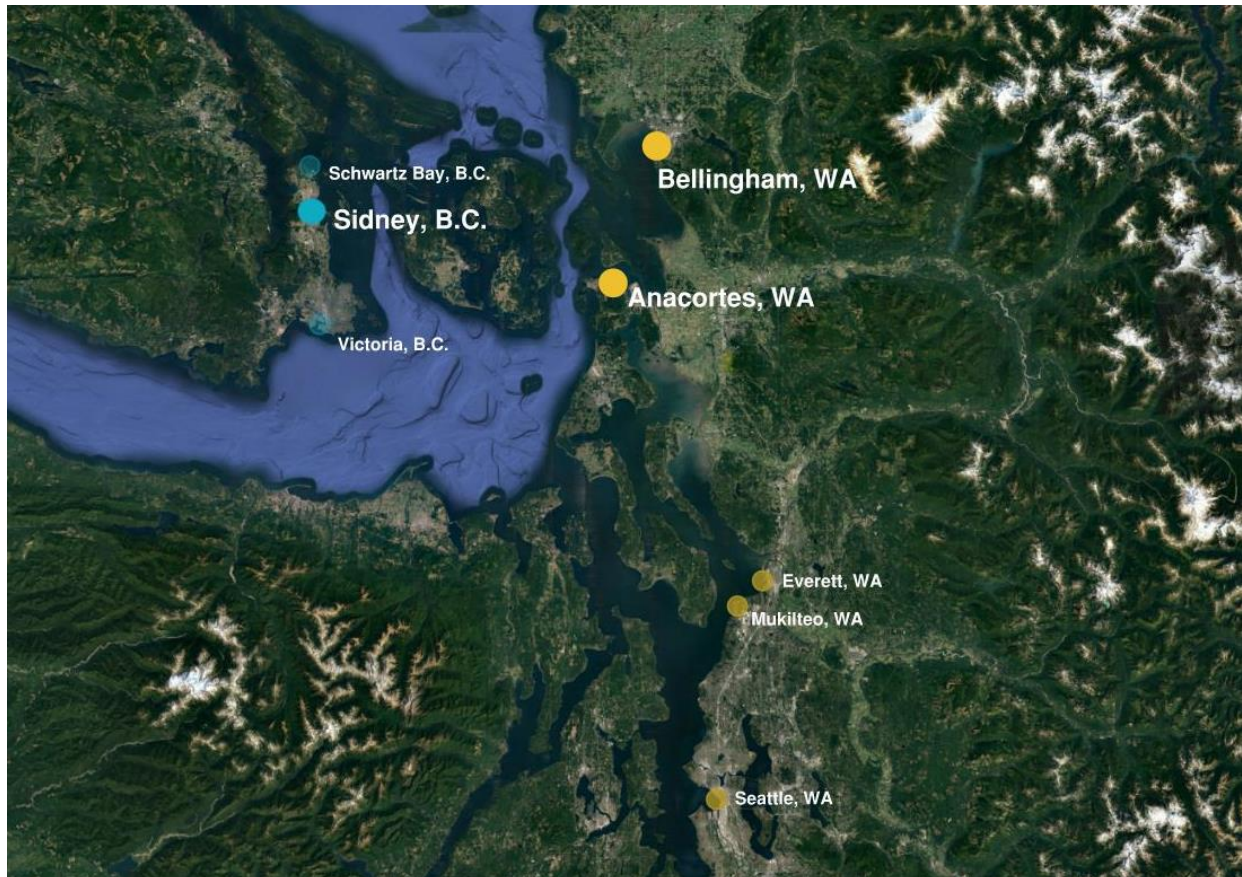
## Potential Terminal Locations

To support private ferry service, an existing or newly-constructed auto ferry terminal would have to address the following considerations:

- » **Location:** Terminal location affects how time-competitive ferry service is compared to alternative routes, thus affecting ridership and financial feasibility.
- » **Customs:** An international ferry route would require terminals to have a secure area for holding and processing passengers and vehicles, as well as facilities for Customs Agents.
- » **Size:** Auto ferry service would require an upland area for vehicle queuing and parking. The amount of weather-protected terminal space required for queuing and passenger waiting is dictated by service levels and vessel size.
- » **Amenities:** Terminals for this type of service would need to provide space for amenities such as ticketing, concessions, and restrooms.

There are many prospective terminal locations when considering potential auto ferry service between Washington State and British Columbia. As this would be replacing the existing Anacortes to Sidney service, this analysis focuses on potential terminal locations on the Washington State shore and Vancouver Island in British Columbia. Figure 5 identifies potential terminal locations evaluated.

**Figure 5: Potential Terminal Locations Evaluated**



On the Washington State side, many options require construction of a new terminal or agreements with WSF utilize an existing auto ferry terminal. Southern terminal locations like Everett, Mukilteo, and Seattle would increase the travel time, resulting in fewer possible daily round trips. Based on a similar route profile to the current WSF route, Anacortes/Fidalgo Island and Bellingham were selected as potential locations for use in service scenario modeling.

There were three terminal options considered for Vancouver Island. Because of the need to build a new terminal in Victoria Harbor and existing B.C. Ferries use of the terminal at Swartz Bay, the assumption was made that the route would continue connecting to the current Sidney, B.C., terminal. Table 3 provides a summary of potential terminal locations for Washington State and Vancouver Island along with considerations for each location.

**Table 3: Summary of Potential Terminal Locations**

Route End	Terminal Locations	Considerations
Washington State	Anacortes/Fidalgo Island	Highly unlikely that the WSF terminal could be used, so a new terminal would need to be constructed
	Bellingham	The existing Bellingham Cruise Terminal used by Alaska Marine Highways System could be used with minimal improvements
	Everett	Would require new terminal construction
	Mukilteo	Would require new terminal construction, or an agreement with WSF
	Seattle	Would require new terminal construction, or an agreement with WSF and location would result in a long sailing time
Vancouver Island	Sidney	Current WSF terminal, owned by the Town of Sidney
	Victoria	Challenges with customs and would require new terminal construction
	Swartz Bay	Preferred potential landing site for BC Ferries, the terminal owner, but likely unavailable to other operators

### Customs/International Considerations

For any international ferry service, passengers and vehicles would need to be cleared by U.S. Customs and Border Protection and the Canada Border Service Agency upon entry into the respective countries. Any ferry operator providing international ferry service would need an agreement with both U.S. Customs and Border Protection and the Canada Border Service Agency to determine the facilities required at the terminal for clearance of passengers and vehicles.

## Vancouver Island Ferry Terminal

Because of the regulatory restrictions on building a new terminal in Victoria Harbor and limited opportunity to use the terminal at Swartz Bay, the assumption was made that the route would continue connecting to the current Sidney, B.C., terminal on the Vancouver Island side. For this reason, Canadian development regulations are not included in this study. Figure 6 provides an aerial of the existing ferry terminal in Sidney, B.C.

**Figure 6: Sidney, B.C., Ferry Terminal**



## Washington State Ferry Terminals

On the Washington State side, the potential terminal sites for Anacortes/Fidalgo Island would require building a new terminal. A ferry terminal located at the existing Bellingham Cruise Terminal is anticipated to require only minor modifications.

### *Development Regulations*

There are a number of regulatory considerations and agency approvals required when working in the marine environment. The type of approval and timeline for review depends on the environmental impact of the improvements. Construction of a new terminal would require significant work within and adjacent to the marine environment, which could require lengthy Federal, State, and Local project approval processes.

The following Federal, State, and Local approvals could be required depending on the magnitude of the improvements needed for a ferry terminal:

» **U.S. Federal**

- In-water and overwater work requires approval from the U.S. Army Corps of Engineers through Section 10 of the Rivers and Harbors Appropriation Act for work within navigable waters and Section 404 for discharge of fill material into waters of the United States. The U.S. Army Corps of engineers consults with pertinent tribes, federal agencies such as National Marine Fisheries and U.S. Fish and Wildlife Services, and state and local agencies.
- Projects also must comply with the Endangered Species Act that is administered by the National Marine Fisheries and U.S. Fish and Wildlife Services.

» **U.S. State**

- Hydraulic projects in or near state waters are reviewed by Washington State Department of Fish and Wildlife (RCW 77.55.011(11)). Activities requiring review are found in the Hydraulic Code Rules (Chapter 220-660 WAC).
- Aquatic leases are required with the Washington Department of Natural Resources.

» **U.S. Local**

- Cities and counties planning under the Growth Management Act administer critical area regulations that include fish and wildlife habitat conservation areas (RCW 36.70A.030(5)).
- Cities and counties administer the Shoreline Master Program for work within the shoreline jurisdiction (within 200 feet of the Ordinary High Water Mark).

***Anacortes/Fidalgo Island***

A private ferry operator would need to identify a terminal location and obtain the necessary approvals to modify or construct a terminal and begin operations. The existing WSF ferry terminal in Anacortes was not considered for private service model development; however, an operator could pursue discussions with WSF. In addition to the collective bargaining discussion in Chapter 2, challenges at the WSF terminal include:

- » Schedule conflicts
- » Vessel fit-up
- » Vessel tie-up locations
- » Vessel and terminal crew arrangements
- » Maintaining a separate secure area for Customs and Immigration processing

The City of Anacortes defines ferry terminals as Passenger Terminals, which are permitted uses in Marine Mixed Use (MMU), Commercial Marine (CM), and Light Manufacturing (LM) zones located along the waterfront. These uses are also allowed as conditional uses in the CM2 zone per Anacortes Municipal Code (AMC) Table 19.41.050. Additionally, ferry terminals are defined as Transportation Facilities in the City of Anacortes Shoreline Master Program and are permitted in the Urban, Urban Maritime, and Aquatic shoreline environments per Table 5.1 Shoreline Use and Modification Matrix<sup>36</sup>. Figure 7 highlights the approximate areas where ferry terminals are an allowed use under both the City of Anacortes zoning code and Shoreline Master Program.

**Figure 7: Areas in Anacortes where Ferry Terminals are Allowed Uses**



<sup>36</sup> City of Anacortes Shoreline Master Program <https://www.anacorteswa.gov/DocumentCenter/View/861/2010-Shoreline-Master-Program-PDF>

## **Bellingham**

In Bellingham, there is an existing auto ferry slip at the Bellingham Cruise Terminal that could be used for private auto ferry service to Vancouver Island. This ferry slip is primarily used for the Alaska Marine Highways ferry service and would require schedule coordination.

Figure 8 provides an aerial overview of the Bellingham Cruise Terminal.<sup>37</sup>

**Figure 8: Aerial of the Bellingham Cruise Terminal**



## **Vessel Options**

Regulations and inspections of each vessel are determined by that vessel's flag state, as described in the Legal and Regulatory Framework section. U.S. Flag vessels are subject to regulation by the U.S. Coast Guard. For Foreign Flag vessels operating in the U.S., the U.S. Coast Guard performs Port State Control Inspections to determine if a vessel is in compliance with their specific requirements and standards set by international treaties.

Used U.S. Flag vessels suitable to the route are rarely available for purchase or lease, making that option highly unlikely. Accordingly, a ferry operator could only obtain a U.S. Flag vessel by building a new vessel in the U.S. The high cost of this option and corresponding debt service would render this operation financially unfeasible. For these reasons, the private ferry service models assume the acquisition of a used Foreign Flag vessel.

The analysis included an assessment of current and forecast ridership levels for the existing Anacortes to Sidney ferry service to determine appropriate vessel sizes for service model analysis.

Two vessel classes were identified for analysis, both smaller than the current WSF vessel which has excess capacity during the shoulder seasons.

- 42-car higher-speed (197-foot, 428-passenger) aluminum catamaran
- 80-car slower-speed (300-foot, 500-passenger) conventional mono-hull

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<sup>37</sup> <https://www.portofbellingham.com/193/Bellingham-Cruise-Terminal>

## Feasible Private Ferry Service Models

Based on the terminal location and vessel size assumptions, potential operating profiles and example service schedules for feasible service models were developed. Because the bias of traffic is from Washington State to Canada, it is assumed that the vessel would homeport at the Washington State terminal, thus requiring a U.S. crew. Table 4 provides the assumptions used for private ferry service models.

**Table 4: Private Ferry Service Model Assumptions**

	80-car / Anacortes	42-car / Anacortes	80-car / Bellingham	42-car / Bellingham
<b>Terminals</b>				
<i>Washington</i>	Anacortes / Fidalgo Island (new terminal)	Anacortes / Fidalgo Island (new terminal)	Bellingham (existing terminal)	Bellingham (existing terminal)
<i>Vancouver Island</i>	Sidney, B.C. (existing terminal)	Sidney, B.C. (existing terminal)	Sidney, B.C. (existing terminal)	Sidney, B.C. (existing terminal)
<i>Nautical Miles</i>	36 n.m.	43.4 n.m. (route travels north of San Juan Islands)	41.7 n.m.	41.7 n.m.
<b>Vessel</b>				
<i>Size</i>	300-foot, 500-pax, 80-car conventional mono-hull	197-foot, 428-pax, 42-car aluminum catamaran	300-foot, 500-pax, 80-car conventional mono-hull	197-foot, 428-pax, 42-car aluminum catamaran
<i>Service Speed</i>	16 knots	30 knots	16 knots	30 knots
<i>Crew Size</i>	10	13	10	13
<i>Flag State</i>	Foreign Flag	Foreign Flag	Foreign Flag	Foreign Flag
<i>Purchase</i>	Used, \$15 M cost plus \$3 M modifications	Used, \$5 M cost plus \$1 M modifications	Used, \$15 M cost plus \$3 M modifications	Used, \$5 M cost plus \$1 M modifications
<b>Ridership</b>				
<i>Load factor based on WSF 2019 ridership</i>	Summer – 95%, Shoulder – 60%	Summer – 98%, Shoulder – 70%	Summer – 95%, Shoulder – 60%	Summer – 98%, Shoulder – 70%
<i>Estimated Total Persons Carried</i>	132,581	97,447	132,581	97,447
<b>Annual Revenue</b>				
<i>Vehicle &amp; Driver Revenue</i>	\$3.57 M	\$2.95 M	\$3.57 M	\$2.95 M
<i>Passenger Revenue</i>	\$2.37 M	\$1.94 M	\$2.37 M	\$1.94 M
<i>Non-Fare Revenue (\$4 per passenger)</i>	\$0.53 M	\$0.39 M	\$0.53 M	\$0.39 M
<i>Total Revenue</i>	\$6.48 M	\$5.28 M	\$6.48 M	\$5.28 M
<i>Annual Operating Costs</i>	\$5.22 M	\$5.94 M	\$5.42 M	\$5.89
<i>Estimated Annual Debt Service (vessel purchase)</i>	\$1.95 M	\$0.65 M	\$1.96 M	\$0.65 M

## Service Level and Fare Projections

Four separate feasible service models were developed to account for the differing operating profiles of the conventional and higher-speed vessel classes, and the service schedule differences between the potential Anacortes/Fidalgo Island and Bellingham terminal locations. These feasible ferry service models were used to assess impacts. A summary of service model options is presented in Table 5.

Fare levels are presented as a range. The low end is a competitive fare to WSF and the Black Ball Ferry line, finding that a private operator would likely not make a sufficient profit at those fare levels. The higher end represents the fare level required to make a 10% profit based on the assumptions used to develop the service models. Costs for the service models include estimated costs for purchase of a used vessel (costs of debt), terminal lease costs, and operating costs associated with vessel operations and crewing. The ridership estimates do not include a fare elasticity analysis.

**Table 5: Feasible Ferry Service Model Options**

Service Model Options	Annual Service Seasons	Trips per Day	Estimated Ridership Based on Capacity	Estimate Fare Range
42-car Vessel Anacortes/Fidalgo Island Terminal or Bellingham	<ul style="list-style-type: none"> <li>• 3 months (Peak)</li> <li>• 6 months (Shoulder)</li> </ul>	<ul style="list-style-type: none"> <li>• 3 (Peak)</li> <li>• 1 (Shoulder)</li> </ul>	<ul style="list-style-type: none"> <li>• 97,447 Total Passenger Trips</li> </ul>	<ul style="list-style-type: none"> <li>• \$90-\$124 Car &amp; Driver</li> <li>• \$30-\$41 Passenger</li> </ul>
80-car Vessel Anacortes/Fidalgo Island Terminal or Bellingham	<ul style="list-style-type: none"> <li>• 3 months (No Service)</li> </ul>	<ul style="list-style-type: none"> <li>• 2 (Peak)</li> <li>• 1 (Shoulder)</li> </ul>	<ul style="list-style-type: none"> <li>• 132,451 Total Passenger Trips</li> </ul>	<ul style="list-style-type: none"> <li>• \$80-\$100 Car &amp; Driver</li> <li>• \$27-\$33 Passenger</li> </ul>

Non-fare revenue sources such as enhanced concessions or tourist packages could increase profitability for a private service above the levels currently achieved by WSF. The service models included a net non-fare revenue of \$4.00 per person. WSF has limited resources to promote the current Anacortes to Sidney route, and a private operator would be more likely to market and promote the service. This would provide more opportunity for a private operator to increase revenue by packaging ferry tickets with other tourist needs, such as hotels and sightseeing activities.

### Service Reliability

The service model options only assume one vessel would provide the private ferry service. However, having only one vessel could result in service disruptions in emergency situations or when unplanned maintenance is needed. To reduce the risk of service disruptions, an operator should consider having a back-up vessel to be ready to deliver the ferry service.

There is also a risk to service reliability if non-union ferry crew were to go on strike. Per the Collective Bargaining Agreement, WSF union crew are not able to strike, and therefore maintain service levels.<sup>38</sup>

<sup>38</sup> Collective Bargaining Agreement, The State of Washington and Inlandboatmen's Union of the Pacific 2019-2021



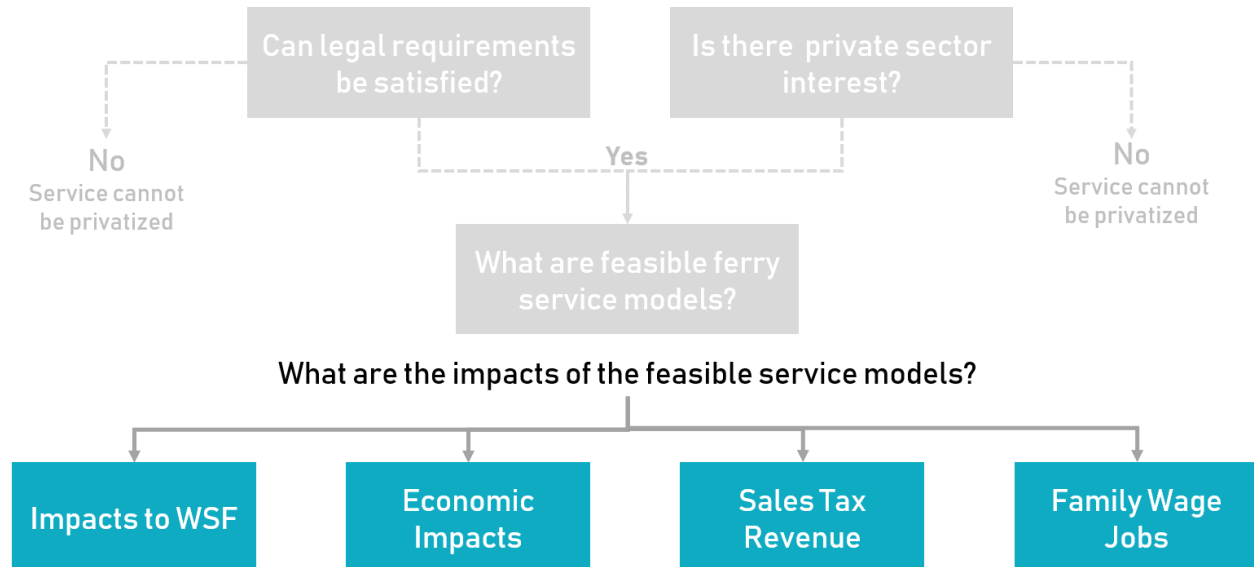
## Chapter 3: Impact Analysis

Based on the feasible private ferry service models provided in Chapter 2, this chapter includes the following:

- » Assessment of impacts to WSF capital expenditures, service levels, operating costs and revenue loss if WSF discontinued the Anacortes to Sidney service.
- » Evaluation of how the existing Anacortes to Sidney service contributes to visitor spending, sales tax revenue, and family-wage jobs in the Anacortes/Fidalgo Island area and San Juan County.
- » Analysis of economic impacts with respect to visitor spending, sales tax revenue, and family-wage jobs associated with the feasible service models to the Anacortes/Fidalgo Island area and San Juan County.

This stage of review is depicted in Figure 9.

**Figure 9: Review Stages of the Study: Impact Analysis**



### Impacts to WSF

This section discusses the financial and service level impacts to WSF if the Sidney route is privatized and WSF discontinues the Anacortes to Sidney service. Details on the existing service schedule, fares and ridership can be found in Appendix B.

### Sidney Integration with San Juan Islands Ferry Service

WSF has operated ferry service between Anacortes and Sidney with intermediate stops on Friday Harbor for nearly 70 years. The level of service has varied over the years with a high of four round trips in the summers of 1960 through 1964 and once again in 1986. In 2019, WSF ran one round trip during the spring and fall seasons and two round trips during the summer.

The international service to Sidney has always been integrated to some degree with the domestic service to the San Juan Islands, with sailings frequently serving both destinations and the vessel operating on the Sidney route also providing scheduled service directly between Anacortes and the San Juan Islands. In 2019, the vessel serving the Sidney route was integrated with the domestic service with service hours allocated to Sidney service and other domestic service.

- » **Spring/Fall 2019:** One daily round trip from Anacortes to Sidney with a stop in Friday Harbor for domestic passengers. The daily operating hours for the vessel that includes Sidney were allocated as follows:
  - **To Sidney & Friday Harbor:** 7 hours
  - **To San Juan Islands:** 11 hours
  - **Total Daily Hours:** 18 hours
  
- » **Summer 2019:** The Sidney vessel operated one daily round trip between Anacortes and Lopez Island and two daily round trips to Sidney, with one of the round trips stopping at Friday Harbor<sup>39</sup>. The daily operating hours for the vessel that includes Sidney were allocated as follows:
  - **To Sidney & Friday Harbor:** 13 hours
  - **To San Juan Islands:** 3 hours
  - **Total Daily Hours:** 16 hours

### **WSF Fleet: San Juan Islands and Sidney**

Historically, WSF has operated four vessels year-round in the San Juan Islands with a fifth vessel added in the summer to support the extra round trip to Sidney and provide additional service to meet increased summer ridership demand for the San Juan Islands. The fifth vessel is deployed elsewhere in the WSF system when not in use for summer service in the San Juan Islands, allowing maintenance work to be done on other vessels in the fleet.

To operate internationally, WSF has to comply with the SOLAS treaty standards for construction, equipment, and operations including crewing requirements. For service reliability, the WSF fleet has historically included two SOLAS-certified vessels, with only one of the vessels operating at any one time as a SOLAS vessel for Sidney. In recent years, the MV *Chelan* has been the primary international vessel with the MV *Elwha*, until its retirement, operating domestically in the San Juan Islands and available to operate internationally as needed.

In recent years WSF has had to retire vessels at a faster rate than they could be replaced, causing the size of the fleet to drop from 23 vessels in 2018 to 21 vessels today. The shrinking size of the fleet has increased the challenges of accomplishing required vessel maintenance and refurbishment while maintaining reliable service.<sup>40</sup>

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<sup>39</sup> The stops on Friday Harbor only serve international travelers during the summer.

<sup>40</sup> 2040 WSF Long Range Plan

## Capital Cost Impacts

The MV *Chelan* is currently the only SOLAS vessel in the fleet, and has an operating life expectancy to 2036. Without a back-up SOLAS vessel, WSF operates the Anacortes to Sidney route with a higher risk of service disruption. To replace SOLAS equipment and maintain service reliability, WSF has two capital investment options for supporting the Sidney route:

- » **Option 1:** Add SOLAS equipment to the vessel built to replace the MV *Chelan* that would cost approximately \$20 million<sup>41</sup> (\$2019) by 2036. This allows WSF to defer additional SOLAS investment for nearly 15 years and has the lower capital investment cost, but it poses a higher risk of service disruption.
- » **Option 2:** Add SOLAS equipment to an existing vessel or planned new vessel in the near term<sup>42</sup> and add SOLAS equipment to the vessel built to replace the MV *Chelan* by 2036. This option would cost roughly \$40 million (\$20 million in the near term and \$20 million by 2036 in 2019 dollars) and provides a back-up vessel to reduce the risk of service disruptions, restoring the level of service available prior to the retirement of the MV *Elwha*.

The two options are depicted in Table 6.

**Table 6: Investment Options for SOLAS Replacement**

Investment Option		Investments (\$2019 millions)	When
<b>Option 1</b>	<b>Add SOLAS equipment to the vessel built to replace the MV <i>Chelan</i></b>	<b>\$20M</b>	<b>2036</b>
<b>Option 2</b>	Equip an existing vessel or planned new vessel for SOLAS	\$20M	Near Term
	Add SOLAS equipment to the vessel built to replace the MV <i>Chelan</i>	\$20M	2036
	<b>Total Investment</b>	<b>\$40M</b>	<b>By 2036</b>

If WSF discontinues ferry service to Sidney, a SOLAS vessel would not be necessary. This would allow WSF to avoid the expense of equipping a vessel for SOLAS in the near term and adding SOLAS equipment to the vessel built to replace the MV *Chelan*—potentially saving \$20 million to \$40 million by 2036. Privatizing service to Sidney would not reduce number of vessels proposed in the LRP build plan because privatizing would not reduce the number of vessels required year-round for San Juan Island service or reduce the level of maintenance relief required throughout the system.

<sup>41</sup> SOLAS equipment estimates are based on the 2003 cost to equip the *Chelan* inflated to 2019 dollars. WSF is conducting a study of options for expanding SOLAS capacity in their fleet which will include better informed cost estimates and schedule alternatives.

<sup>42</sup> This study did not assess the feasibility of holding an existing vessel out of service for the additional time required to equip the vessel for SOLAS.

WSF only deploys a fifth vessel to support Sidney for three months during the summer. This fifth vessel is required the other nine months of the year to meet system-wide vessel maintenance needs. Privatization, however, would provide an additional three months a year of maintenance relief and potentially service relief during the summer. Table 7 illustrates the vessel assignments for Fiscal Year (FY) 2019, FY 2021 and beyond without the MV *Elwha*, and the fleet allocation with privatization.

**Table 7: WSF Fleet Allocation**

WSF Fleet	Baseline - Before <i>Elwha</i> Retirement (FY 19)			Vessel Assignment (FY 21 and Beyond)			With Privatization		
	Sum	F/Sp	Win	Sum	F/Sp	Win	Sum	F/Sp	Win
Service Vessels	19	18	17	19	18	17	18	18	17
Service Relief (Stand-by) Vessels	1	1	1	0	0	0	1	0	0
Maintenance Relief Vessels	2	3	4	2	3	4	2	3	4

### San Juan Island Service Levels without Sidney Service

Discontinuing the Sidney service from the San Juan Island routes could be accomplished in more than one way. To evaluate the financial and service level impacts, several service scenarios were developed making assumptions about what the domestic service plan for the San Juan Islands might be without the international route. Other potential scenarios could be envisioned, but these four options are representative and feasible. Additionally, WSF might choose to deploy the additional service hours during the summer somewhere other than the San Juan Islands.

The alternative service scenarios were restricted to San Juan Islands service. The following list outlines the service scenarios for Spring/Fall and Summer schedules and potential resulting impacts.

#### » Spring/Fall

- **Scenario 1:** Maintain the current 11 hours of domestic service and keep the Anacortes to Friday Harbor-only legs of the Anacortes-Friday Harbor-Sidney trip. Impacts include:
  - The current level of service to the San Juan Islands would be maintained
  - Vessel crews would lay over for four hours in Friday Harbor
  - Fuel savings would be realized by not sailing to Sidney
  - Some labor savings would be realized by eliminating the purser position required for international travel
- **Scenario 2:** Maintain the current 11 hours of domestic service, keep the Anacortes to Friday Harbor-only legs of the Anacortes-Friday Harbor-Sidney trip and add one Anacortes-Lopez-Friday Harbor round trip. Impacts include:
  - The level of service would be increased by one round trip

- Fuel savings would not be realized since Sidney-specific service hours are redirected to the San Juan Islands, but additional domestic revenue would be generated
- Some labor savings would be realized by eliminating the purser position required for international travel

» **Summer**

- **Scenario 1:** Eliminate the fifth vessel during the summer which would cut domestic service by one round trip between Anacortes and Lopez Island. Impacts include:
  - Reduces the level of service to the San Juan Islands by eliminating the Anacortes to Lopez trip each morning
  - WSF would need to conduct further analysis to determine if additional stops at Lopez Island can be added to other scheduled San Juan Islands trips to minimize the impact to Lopez Island travelers
  - Some additional labor savings would be realized by eliminating the purser position required for international travel
- **Scenario 2:** Retain the fifth boat to operate approximately 8 hours per day to increase the number of domestic trips. Impacts include:
  - Maintains the morning Anacortes to Lopez Island trip
  - Adds two round trips between Anacortes and the San Juan Islands
  - Eliminates one entire crew daily
  - Some additional labor savings would be realized by eliminating the purser position required for international travel
  - Eliminates the need to hire summer deck crews for the Sidney vessel
  - Recaptures some of the revenue loss from the loss of the Sidney route through increased domestic service
  - Docking constraints could limit the number of potential extra service trips
  - Demand levels may not warrant the additional service capacity

## Operating Cost and Operating Revenue Impacts with Privatization

To evaluate the financial impacts of discontinuing the existing WSF Sidney service, the cost savings and revenue losses were estimated for each potential service scenario. For all scenarios, the termination of Sidney service would mean the crew size could be reduced by one deck position, the costs of the Sidney terminal would be eliminated, and one-time capital investment savings realized at the time of vessel replacement. However, in all cases the revenue loss exceeds the cost savings resulting in a negative financial impact to the WSF operating program. Table 8 provides the annual operating cost and operating revenue impacts of each of the service scenarios.

### Net Annual Operating Financial Position

Pairing the Spring/Fall and Summer service scenarios, the annual net operating loss for WSF ranges from approximately \$0.95 million to \$2.3 million in \$2019.

**-\$2.3 million:** Spring/Fall Scenario 1 plus Summer Scenario 1

**-\$0.95 million:** Spring/Fall Scenario 2 plus Summer Scenario 2

**Table 8: Annual Operating Cost and Operating Revenue Change by Service Scenario**

Season	Service Scenario	San Juan Islands Service Level Change	Operating Cost Change	Operating Revenue Change	Net Financial Position (Cost + Revenue)
Spring/ Fall	1	No change	-\$580,000	-\$1,354,143	<b>-\$774,000</b>
	2	+1 roundtrip	-\$444,000	-\$485,000	<b>-\$41,000</b>
Summer	1	-1 roundtrip	-\$1,507,000	-\$3,044,000	<b>-\$1,537,000</b>
	2	+2 roundtrips	-\$888,000	-\$1,794,000	<b>-\$906,000</b>

Notes:

Spring/Fall Scenario 1: Maintain the current 11 hours of domestic service and keep the Anacortes-to-Friday Harbor-only legs of the Anacortes-Friday Harbor-Sidney trip.

Spring/Fall Scenario 2: Maintain the current 11 hours of domestic service, keep the Anacortes to Friday Harbor only legs of the Anacortes-Friday Harbor-Sidney trip and add one Anacortes-Lopez-Friday Harbor round trip.

Summer Scenario 1: Eliminate the fifth vessel during the summer, which would cut domestic service by one roundtrip between Anacortes and Lopez.

Summer Scenario 2: Retain the fifth boat to operate approximately 8 hours per day to increase the number of domestic trips.

## Summary of WSF Impacts

The key findings of the WSF impact analysis are summarized below.

### Financial Impacts:

- » Privatizing the Sidney route does not reduce the required number of active vessels or reduce the number of vessels built over the next 20 years to replace retired vessels. The 16 replacement vessels identified in the LRP would not change.
- » Potential capital investments can be reduced between \$20 million to \$40 million (\$2019) for SOLAS outfitting.
- » There is a financial tradeoff between the operating and capital programs. Not outfitting a vessel for SOLAS could save WSF up to \$40 million in the capital program. However, the net revenue loss would adversely impact the operating program by up to \$2.3 million annually. Table 9 depicts WSF's combined operating and capital net cash flow position at the end of 20 years of -\$6.0 million.
- » If WSF were able to recoup half of the Sidney revenue loss by increasing domestic service in the San Juan Islands or elsewhere, the net cash flow position would be about +\$17 million by 2040.

### Service Impacts:

- » There are four vessels assigned to San Juan Island service year-round, with a fifth vessel assigned for the summer only to support the additional trip to Sidney. The fifth vessel serves as a maintenance relief vessel the remaining nine months of the year. The SOLAS vessel is dedicated to Sidney service 13 of 16 hours a day for the summer but only 4 of 18 hours a day in the spring and fall.
- » Privatizing the Sidney route could free up a vessel during the summer to reduce the risk of service disruptions.
- » Integrating Sidney service during the spring and fall and adding a vessel in the summer affords WSF an opportunity to increase service mitigating revenue loss from discontinuance of Sidney run.

Table 9: Net Cash Flow Position

Year	Net Operating Loss	Capital Program Savings	Cumulative WSF Program Impact
2021	-\$2.3 M		-\$2.3 M
2022	-\$2.3 M		-\$4.6 M
2023	-\$2.3 M		-\$6.9 M
2024	-\$2.3 M		-\$9.2 M
2025	-\$2.3 M		-\$11.5M
2026	-\$2.3 M		-\$13.8M
2027	-\$2.3 M		-\$16.1M
2028	-\$2.3 M	\$20.0 M	\$1.6 M
2029	-\$2.3 M		-\$0.7 M
2030	-\$2.3 M		-\$3.0 M
2031	-\$2.3 M		-\$5.3 M
2032	-\$2.3 M		-\$7.6 M
2033	-\$2.3 M		-\$9.9 M
2034	-\$2.3 M		-\$12.2 M
2035	-\$2.3 M		-\$14.5 M
2036	-\$2.3 M	\$20.0 M	\$3.2 M
2037	-\$2.3 M		\$0.9 M
2038	-\$2.3 M		-\$1.4 M
2039	-\$2.3 M		-\$3.7 M
2040	-\$2.3 M		-\$6.0 M

## Economic and Fiscal Impacts of Current Service – Baseline

The Anacortes to Sidney service accounts for approximately 7 percent of the traffic through WSF’s Anacortes ferry terminal. It is particularly important for visitor access to the northern Puget Sound region contributing to the local tourism business in Anacortes and the San Juan Islands. Some ferry riders contribute to the local economy during their travels, spending money on lodging, food and beverage, fuel, other retail, and ground travel services. As most riders are on vacation, they also visit attractions, events, museums, and guided tours.

This section quantifies the economic and fiscal impacts to Anacortes/Fidalgo Island and San Juan County from visitor spending associated with travel on the existing Anacortes to Sidney service. The economic impacts have been estimated for the WSF 2019 service year. The economic impact analysis including data and assumptions is outlined in Appendix B.

Economic and fiscal impacts include:

- » Visitors and visitor spending
- » Local and state sales tax revenue from visitor spending
- » Family-wage jobs supported by maritime industry and visitor spending

The baseline was assumed to be a post-COVID-19 service year when operations resume and ridership returns to pre-COVID-19 levels. Existing conditions were established based on available data on ridership, schedule, fares, and trip patterns.

### Range of Economic and Fiscal Economic Impacts

There is insufficient available data to determine the number of ferry travelers from Sidney, or travelers on their way to Sidney, that choose to stop in Anacortes/Fidalgo Island for food, shopping, or lodging, assumptions had to be made for visitor travel and spending behavior. A sensitivity analysis was performed to understand the impacts of varying the assumptions for the share of riders on the Anacortes to Sidney ferry that generate spending in Anacortes/Fidalgo Island.

The assumptions in the sensitivity analysis only impacted the number of visitors to Anacortes/Fidalgo Island; as a result, visitor numbers and resulting economic impacts to the area are expressed as a likely range. Since the sensitivity analysis did not change the number of visitors to San Juan County, the economic impacts are not presented as a range for San Juan County.

### Baseline Economic and Fiscal Impacts to Anacortes/Fidalgo Island

The existing Anacortes to Sidney service brings people to the Anacortes/Fidalgo Island area where they spend money. Some travelers stay in the Anacortes area overnight, generating additional visitor spending. The following sections provide the estimated number of visitors, visitor spending, and local and state sales tax revenue generated by visitor spending for Anacortes/Fidalgo Island.

#### Other Economic Impacts

This study focuses on economic and fiscal impacts based on visitor spending to the Anacortes/Fidalgo and San Juan County regions. Other economic impacts generated by the existing Anacortes to Sidney service, such as commute trips, property taxes, and other spending or other geographic areas, were not considered in this study.

Other economic impacts to the Puget Sound region from WSF operations related to fuel and maintenance can be found in Appendix B.



## Annual Visitors to Anacortes/Fidalgo Island from the Existing Anacortes to Sidney Service

The existing Anacortes to Sidney service brings over 7,000 to nearly 30,000 visitors to the Anacortes/Fidalgo Island area each year. Many of those visitors stay overnight. Table 10 provides the estimated range and types of visitors and total visitors to Anacortes/Fidalgo Island from the Anacortes to Sidney service.

**Table 10: Total Annual Visitors to Anacortes/Fidalgo Island by Type, Baseline<sup>43</sup>**

Visitors	Anacortes/Fidalgo Island	
	Low Range	High Range
<b>Day Visitors</b>	<b>1,560</b>	<b>18,050</b>
<b>Overnight Visitors</b>	<b>5,680</b>	<b>11,680</b>
Paid Accommodation	4,310	10,310
Unpaid Accommodation	1,370	1,370
<b>Total Visitors</b>	<b>7,240</b>	<b>29,730</b>

## Economic Impacts of Existing Travel Expenditures to Anacortes/Fidalgo Island

Visitor spending from people traveling on the existing Anacortes to Sidney service support about 9 to 24 jobs. These jobs are mostly within the tourism, hospitality, and retail sectors. Visitor spending also supports about \$1 million to \$2.6 million in business revenue annually to the Anacortes/Fidalgo area. Table 11 provides the number of jobs supported by visitor spending and business revenue in Anacortes/Fidalgo Island resulting from the Anacortes to Sidney service.

**Table 11: Anacortes/Fidalgo Island Annual Visitor Spending Economic Impact, Baseline<sup>44</sup>**

Jobs and Business Revenue	Anacortes/Fidalgo Island	
	Low Range (\$2019)	High Range (\$2019)
<b>Jobs</b>	9	24
<b>Business Revenue</b>	\$1.0M	\$2.6M

<sup>43</sup> Sources: 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Community Attributes, 2020.

<sup>44</sup>Sources: 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Washington State Employment Security Department, 2019; Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Community Attributes, 2020.

## Sales Tax Revenue for Anacortes/Fidalgo Island and Washington State from Visitor Spending

Visitor spending also generates local and state sales tax revenue. Based on the taxable retail sales and applying the effective local and state sales tax rates, the annual local sales tax revenue generated by the Anacortes to Sidney service is estimated at approximately \$4,400 to \$10,700. The annual state sales tax revenue is about \$32,400 to \$78,400. Table 12 summarizes the taxable retail sales as well as local and state sales tax revenue generated from visitor spending in the Anacortes/Fidalgo Island area.

**Table 12: Anacortes/Fidalgo Island Sales Tax Revenue from Annual Visitor Spending, Baseline, \$2019<sup>45</sup>**

Annual Sales Tax Revenue	Anacortes/Fidalgo Island	
	Low Range (\$2019)	High Range (\$2019)
Taxable Retail Sales	\$0.5 M	\$1.2 M
Local Sales Tax Revenue	\$4,400	\$10,700
State Sales Tax Revenue	\$32,400	\$78,400

## Baseline Economic and Fiscal Impacts to San Juan County

Annually, an estimated 4,590 people visit San Juan County via the Anacortes to Sidney service and the majority of those visitors stay overnight. Visitors traveling from the San Juan Islands to Sidney are not included under the assumption that most of them are San Juan County residents and the majority of their spending occurs in Sidney. Table 13 provides the types of visitors visiting San Juan County from the Anacortes to Sidney service.

**Table 13: Total Annual Visitors by Type visiting the San Juan Islands, Baseline, 2019<sup>46</sup>**

Visitors	San Juan County
Day Visitors	920
Overnight Visitors	3,670
Paid Accommodation	2,940
Unpaid Accommodation	730
<b>Total Visitors</b>	<b>4,590</b>

<sup>45</sup> Sources: Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Community Attributes, 2020. The effective local and state sales tax rates were applied to the taxable retail sales estimates: 0.89% for Anacortes/Fidalgo Island, 1.56% for San Juan County, and 6.5% for Washington state

<sup>46</sup> Sources: 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Community Attributes, 2020.

## Economic Impacts of Existing Travel Expenditures to San Juan County

The Anacortes to Sidney service supports 21 jobs in San Juan County related to visitor spending. As with the jobs in the Anacortes/Fidalgo Island area, these are mostly jobs within the tourism, hospitality, and retail sectors. Additionally, the Anacortes to Sidney service generates approximately \$2.3 million in business revenue. Table 14 provides the number of jobs supported by visitor spending and the annual business revenue in San Juan County resulting from the current Anacortes to Sidney service.

**Table 14: San Juan County Annual Visitor Spending Economic Impacts, Baseline, \$2019<sup>47</sup>**

Economic Impacts	San Juan County (\$2019)
Jobs	21
Business Revenue	\$2.3 M

## Sales Tax Impacts to San Juan County and Washington State from Visitor Spending

Based on the taxable retail sales and applying the effective local and state sales tax rates, the annual local sales tax revenue generated by the Anacortes to Sidney service is estimated at approximately \$18,500. The annual state sales tax revenue is about \$76,900. Table 15 summarizes the taxable retail sales and local and state sales tax from visitor spending in San Juan County.

**Table 15: San Juan County Sales Tax Revenue from Annual Visitor Spending, Baseline, \$2019<sup>48</sup>**

Sales Tax Revenue	San Juan County (\$2019)
Taxable Retail Sales	\$1.2 M
Local Sales Tax Revenue	\$18,500
State Sales Tax Revenue	\$76,900

<sup>47</sup> 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Washington State Employment Security Department, 2019; Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Community Attributes, 2020.

<sup>48</sup> Sources: Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Community Attributes, 2020. The following effective local and state sales tax rates were applied to the taxable retail sales estimates: 0.89% for Anacortes/Fidalgo Island, 1.56% for San Juan County, and 6.5% for Washington state

## Baseline Impacts to Family-Wage Jobs

The existing Anacortes to Sidney service provides union-wage jobs in the Puget Sound region. Additionally, visitor spending provides family-wage jobs for some households in the Anacortes/Fidalgo Island and San Juan County areas.

- » **Existing Maritime Jobs:** The San Juan Islands ferry route supports union jobs that pay living wages in both Skagit and San Juan counties. These jobs are located throughout the Puget Sound region. With the Sidney service being integrated with the San Juan Islands ferry route, the maritime jobs are not providing service solely to Sidney, but also providing domestic service to the San Juan Islands as well.
- » **Jobs Supported by Visitor Spending:** Visitor spending related to the Anacortes to Sidney service supports 30-45 living-wage jobs for some households (with one or fewer children or more than one worker) in both Skagit and San Juan counties.

Table 16 provides the number of family-wage jobs (for some families) attributed to visitor spending.

**Table 16: Family Wage Jobs Attributed to Visitor Spending**

Job Type	Number of Jobs
Visitor Spending Jobs (Family-Wage for Some Households) in Anacortes/Fidalgo Island and San Juan County	30-45

## Economic and Fiscal Impacts of Privatization

Privatization of the existing Anacortes to Sidney ferry service would result in positive or negative economic and fiscal impacts to the Anacortes/Fidalgo Island area and San Juan County. This section compares the baseline economic impacts of the Anacortes to Sidney service with the estimated economic and fiscal impacts of the private ferry service models. This analysis uses the private ferry service models identified in Chapter 2 that include:

- » **New Anacortes/Fidalgo Island Terminal:** Ferry service from the Anacortes area to the existing Sidney ferry terminal
  - 42-car, Foreign Flag, higher-speed ferry
  - 80-car, Foreign Flag, slower-speed ferry
- » **Bellingham Cruise Terminal:** Ferry service from the Bellingham Cruise Terminal to the existing Sidney ferry terminal
  - 42-car, Foreign Flag, higher-speed ferry
  - 80-car, Foreign Flag, slower-speed ferry

## Economic and Fiscal Impacts to Anacortes/Fidalgo Island

The economic impacts of visitor spending to Anacortes/Fidalgo Island for the private service models with an Anacortes/Fidalgo Island area terminal are not significantly different than the baseline. If the private auto ferry service were to use a Bellingham terminal, the economic impacts would transfer from Anacortes/Fidalgo Island to the Bellingham area. This assumes demand for travel to Sidney by ferry via Bellingham would be the same as via Anacortes.

### Visitor Spending Economic and Fiscal Impacts

If a private operator were to use a 42-car vessel from an Anacortes/Fidalgo Island terminal, the Anacortes/Fidalgo Island area could experience a slightly negative impact on the economy. A larger vessel operating from Anacortes could bring more ridership and result in a slightly positive impact on the economy. If the private operator located the terminal in Bellingham, the economic impacts would shift from Anacortes/Fidalgo Island area to Bellingham. These findings are quantified in Table 17.

**Table 17: Comparing Service Options with the Baseline (Existing WSF Service), Annual Visitors and Visitor Spending Economic Impacts<sup>49</sup>**

Category	Baseline Range	80-Car Private Vessel from Anacortes		42-Car Private Vessel from Anacortes		80- or 42-Car Private Vessel from Bellingham	
		Low Range	High Range	Low Range	High Range	Low Range	High Range
<b>Estimated Number of Annual Visitors to Anacortes/Fidalgo Island</b>							
<b>Day Visitors</b>	1,560-18,050	1,740 <b>(+180)</b>	20,710 <b>(+2,660)</b>	1,280 <b>(-280)</b>	14,840 <b>(-3,210)</b>	0 <b>(-1,560)</b>	0 <b>(-18,050)</b>
Overnight – paid accommodation	4,310-10,310	4,820 <b>(+510)</b>	11,520 <b>(+11,520)</b>	3,540 <b>(-770)</b>	8,470 <b>(-1,840)</b>	0 <b>(-4,310)</b>	0 <b>(-10,310)</b>
Overnight – unpaid	1,370-1,370	1,530 <b>(+160)</b>	1,530 <b>(+1,530)</b>	1,120 <b>(-250)</b>	1,120 <b>(-250)</b>	0 <b>(-1,370)</b>	0 <b>(-1,370)</b>
<b>Total Visitors</b>	<b>7,240-29,730</b>	<b>8,090 (+850)</b>	<b>33,220 (+4,030)</b>	<b>5,940 (-1,300)</b>	<b>24,430 (-5,300)</b>	<b>0 (-7,240)</b>	<b>0 (-29,730)</b>
<b>Economic Impacts of Annual Visitor Spending to Anacortes/Fidalgo Island (\$2019, millions)</b>							
<b>Business Revenue</b>	\$1.0-2.6 M	\$1.2M <b>(+\$0.2M)</b>	\$2.9M <b>(+\$0.3M)</b>	\$0.9M <b>(-\$0.1M)</b>	\$2.1M <b>(-\$0.5M)</b>	\$0 <b>(-\$1.0M)</b>	\$0 <b>(-\$2.6M)</b>
<b>Total Jobs</b>	9-24	11 <b>(+2)</b>	27 <b>(+3)</b>	8 <b>(-1)</b>	20 <b>(-4)</b>	0 <b>(-9)</b>	0 <b>(-24)</b>

<sup>49</sup> Sources: 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Elliott Bay Design Group, 2020; Community Attributes, 2020.

## Sales Tax Impact

The change in annual local tax revenue to Anacortes/Fidalgo Island from privatization depends on the type of vessel and terminal location:

- » **Anacortes terminal, 42-car vessel:** loss of \$800 to \$1,900 in annual local sales tax.
- » **Anacortes terminal, 80-car vessel:** gain of \$500 to \$1,300 in annual local sales tax.
- » **Bellingham terminal (42-car/80-car vessel):** loss between \$4,400 and \$10,700 in annual local sales tax from transfer of visitor spending to the Bellingham area.

The state sales tax revenue could decrease with a smaller vessel or increase with a larger vessel and it would not be impacted by the terminal location. These local and state sales tax revenues are illustrated for the baseline and each private ferry service model in Table 18.

**Table 18: Anacortes/Fidalgo Island Annual Sales Tax Revenue Impacts from Visitor Spending, \$2019<sup>50</sup>**

	Baseline		80-car from Anacortes		42-car from Anacortes		80-car or 42-car from Bellingham	
	Low Range	High Range	Low Range	High Range	Low Range	High Range	Low Range	High Range
<b>Taxable Retail Sales</b>	\$0.5 M	\$1.2 M						
<b>Local Sales Tax Revenue</b>	\$4,400	\$10,700	\$4,900 (+\$400)	12,000 (+\$1,300)	3,600 (-\$800)	8,800 (-\$1,900)	-\$4,400	- \$10,700 0
<b>State Sales Tax Revenue</b>	\$32,400	\$78,400	\$36,200 (+\$3,800)	87,600 (+\$9,200)	26,600 (-\$5,800)	64,400 (-\$14,000)	-\$5,800	\$9,200

<sup>50</sup> Sources: Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Community Attributes, 2020.

Note: Local sales tax is tax revenue collected by Anacortes/Fidalgo Island and San Juan County that is generated through visitor spending and supported economic activities that occur in these communities. State sales tax is revenue collected by the state that is generated through visitor spending and supported economic activities that occur in Anacortes and San Juan area.

## Economic and Fiscal Impacts to San Juan County

The private ferry service models do not include a stop in the San Juan Islands. As a result, San Juan County would experience a negative economic and fiscal impact as a result of privatization.

### Visitor Spending and Fiscal Impacts to San Juan County

Based on the service models that do not include service to the San Juan Islands, San Juan County would lose the visitors and associated visitor spending if WSF discontinued the Sidney service. This would have a negative economic impact to San Juan County. Table 19 quantifies these impacts.

**Table 19: Comparing the Service Options with the Baseline Visitor and Economic Impacts for San Juan County<sup>51</sup>**

Category	San Juan County Baseline Visitor Estimates	Impact of Discontinuing Anacortes to Sidney Service
<b>Annual Visitors</b>		
<b>Day Visitors</b>	920	-920
Overnight – paid	2,940	-2,940
Overnight – unpaid	730	-730
<b>Total Visitors</b>	<b>4,590</b>	<b>-4,590</b>
<b>Annual Economic Impacts</b>		
<b>Business Revenue (\$2019 millions)</b>	\$2.3 million	-\$2.3 million
<b>Total Jobs</b>	21	-21

### Sales Tax Impact

Since San Juan County would no longer experience the economic benefits of visitor spending from Anacortes to Sidney ferry-induced travel, San Juan County would experience a reduction of approximately \$18,500 in local sales tax revenue. Similarly, the state would lose the sales tax revenue of approximately \$76,900. The annual taxable retail sales and local and state sales tax revenue for the baseline and private ferry service models are illustrated in Table 20.

**Table 20: San Juan County Sales Tax Revenue Impacts with Privatization**

	San Juan County Baseline	Impacts from Privatization
<b>Taxable Retail Sales</b>	\$1.2 million	-\$1.2 million
<b>Local Sales Tax Revenue</b>	\$18,500	-\$18,500
<b>State Sales Tax Revenue</b>	\$76,900	-\$76,900

<sup>51</sup> Sources: 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Elliott Bay Design Group, 2020; Community Attributes, 2020.

## Impacts to Family-Wage Jobs

Impacts to family-wage jobs are anticipated to be regional rather than local. Impacts to maritime jobs, family-wage jobs related to visitor spending, and temporary jobs from potential terminal construction are described in the following sections.

### Maritime Jobs

Overall, maritime jobs would likely increase with privatizing service. Maritime jobs at WSF would likely be reduced by one position and up to 18 seasonal employees, but non-union jobs could be created with new private auto ferry service.

#### *WSF Jobs*

Because the Anacortes to Sidney service is integrated in the San Juan Islands route and the WSF system, there are few staff dedicated specifically to the Sidney service. With privatization, it is anticipated there would be a reduction in one deck position (purser).

Depending on how the San Juan Island service levels change, if service to Sidney were discontinued, there could be a reduction in up to 18 summer seasonal positions that are temporary and part-time.

#### *Private Jobs*

Maritime jobs associated with private auto ferry service could be union jobs, but would likely be non-union. Non-union wage rates for vessel and terminal operations typically pay living wages in Skagit and San Juan Counties. Therefore, private auto ferry service is anticipated to increase living-wage jobs in the region. Table 21 provides the anticipated jobs with privatization.

**Table 21: WSF and Private Service Model Positions**

Staff position	Private – 80-Car Vessel	Private – 42-Car Vessel
Vessel and Terminal	24	29
Management	2	2
<b>Total</b>	<b>26</b>	<b>31</b>

### Jobs Related to Visitor Spending

The current Anacortes to Sidney service supports family-wage jobs (30 to 45 jobs) for some households. Each private auto ferry option would result in fewer family-wage jobs from visitor spending. If the terminal is located in Bellingham, these jobs would not be supported in Anacortes/Fidalgo Island, but Bellingham would see a corresponding increase in jobs supported through visitor spending.

### Temporary Impacts of Terminal Construction

Service model options with a terminal in Anacortes would require construction of a new terminal, as the existing WSF terminal is unlikely to accommodate the service provided by a private operator. A new terminal could cost between \$20 and \$30 million<sup>52</sup> and is estimated to support between 20 and 30 jobs annually. As local construction companies can complete these types of jobs, the economic impact of these jobs and associated spending could be experienced in the Anacortes/Fidalgo Island area and Puget Sound region.

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<sup>52</sup> Reference terminal capital expenditures include the Lummi terminal in 2018 with cost at \$27 million and the Alaska Marine Highways terminals ranging between \$18 to \$30 million per terminal.



## Chapter 4: Conclusion

This study determined that private auto ferry service from Washington State to Vancouver Island, Canada, is feasible, but there would be impacts.

### Feasibility

Feasibility considered the legal constraints to private ferry service, private sector interest, and what the potential service models would look like.

### Legal Considerations

Private auto ferry service is legal, but it is anticipated a private operator would not provide ferry service to the San Juan Islands due to the challenges with acquiring a U.S. Built, U.S. Owned vessel and coastwise trade restrictions. Additionally, the state statute would need to be amended to eliminate the requirement of a state pilot that could make private auto ferry service financially infeasible. Legislative action would be required if the State were to discontinue the Sidney ferry service.

### Private Sector Interest

Private operators expressed interest in this service. The operators also mentioned opportunities and challenges to privatization including the terminal location, customs and border protection requirements, and financial support.

### Private Ferry Service Models

To assess impacts, feasible private ferry service models were developed that included routes from the Anacortes/Fidalgo Island area and Bellingham to Sidney, B.C. The vessels include a faster, smaller vessel with capacity for 42 cars that could make three round trips per day as well as a conventional vessel with capacity for 80 cars that could make two round trips per day. Fares for the private auto ferry service would likely be higher than current WSF fares.

### Impacts

Once it was determined private auto ferry service is feasible, the study assessed impacts to WSF, economic and fiscal impacts to the Anacortes/Fidalgo Island area and San Juan County, impacts on local and state sales tax revenue and the impacts to family-wage jobs.

### Impacts to WSF

Discontinuing the Anacortes to Sidney service would likely have a modest financial impact to WSF over a 20-year period. With only a portion of the vessel service hours dedicated to Sidney and the remaining service hours provide domestic service, privatization results in a greater net loss to WSF's operating program. Additionally, the WSF fleet still requires the same number of vessels to reliably maintain service levels and privatization results in a potential \$20-\$40 million savings by 2036.

### Economic and Fiscal Impacts

The existing Anacortes to Sidney service brings visitors to the Anacortes/Fidalgo Island area and San Juan County. With privatization, it is unlikely a private operator would provide service to the San Juan Islands and San Juan County would experience a negative economic impact-- 21 jobs from visitor spending and \$2.3 million in business revenue.

Economic and fiscal impacts for the Anacortes/Fidalgo Island area vary with the size of the vessel if private auto ferry service operates from the Anacortes Fidalgo Island area. However, if the private auto ferry service operated from Bellingham, there would be a negative economic impact to the Anacortes/Fidalgo Island area.

### **Sales Tax Revenue**

Without ferry service to the San Juan Islands, it is anticipate privatization would reduce the local sales tax revenue for San Juan County by about \$18,500. For the Anacortes/Fidalgo Island area, the impacts of privatization on local sales tax revenue would depend on the vessel size if the terminal was located in the Anacortes/Fidalgo Island area. However, if the private operator located the terminal in Bellingham, Anacortes/Fidalgo Island would lose the sales tax revenue.

State sales tax revenue would slightly increase or decrease overall (-\$5,800 or +\$9,200) depending on the size of the vessel.

### **Impacts to Family Wage Jobs**

If WSF discontinued the Sidney service, one deck position and up to 18 summer seasonal positions would be eliminated. New private auto ferry service would generate between 26 and 31 jobs depending on the vessel size. Additionally, discontinuing ferry service could reduce the number of family wage jobs for some households associated with visitor spending.

## Part II: Policy Issues Discussion by Local Stakeholders

The Legislature's Proviso directed a study of the feasibility of privatizing the Sidney run. It did not direct an analysis of additional policy considerations. In the Staff Workgroup and Policy Panel discussions, stakeholders raised concerns about privatization that were outside the scope of the Proviso. Recognizing the strong local interest in discussing these issues, JTC staff offered the stakeholders an opportunity to prepare a report to present the additional potential issues and impacts of privatization.

The San Juan County Economic Development Council, along with other contributors listed on page 3 of this section, prepared the report included as part of Part 2, *Additional Considerations Regarding Anacortes-Sidney Ferry Privatization Feasibility*. This document is an advocacy analysis presenting the document's authors' arguments and data in opposition to privatization. While outside the scope of the feasibility study, these concerns may be relevant to consider should the Legislature decide to pursue authorizing privatization.

**ADDITIONAL CONSIDERATIONS  
REGARDING ANACORTES-SIDNEY  
FERRY PRIVATIZATION FEASIBILITY**

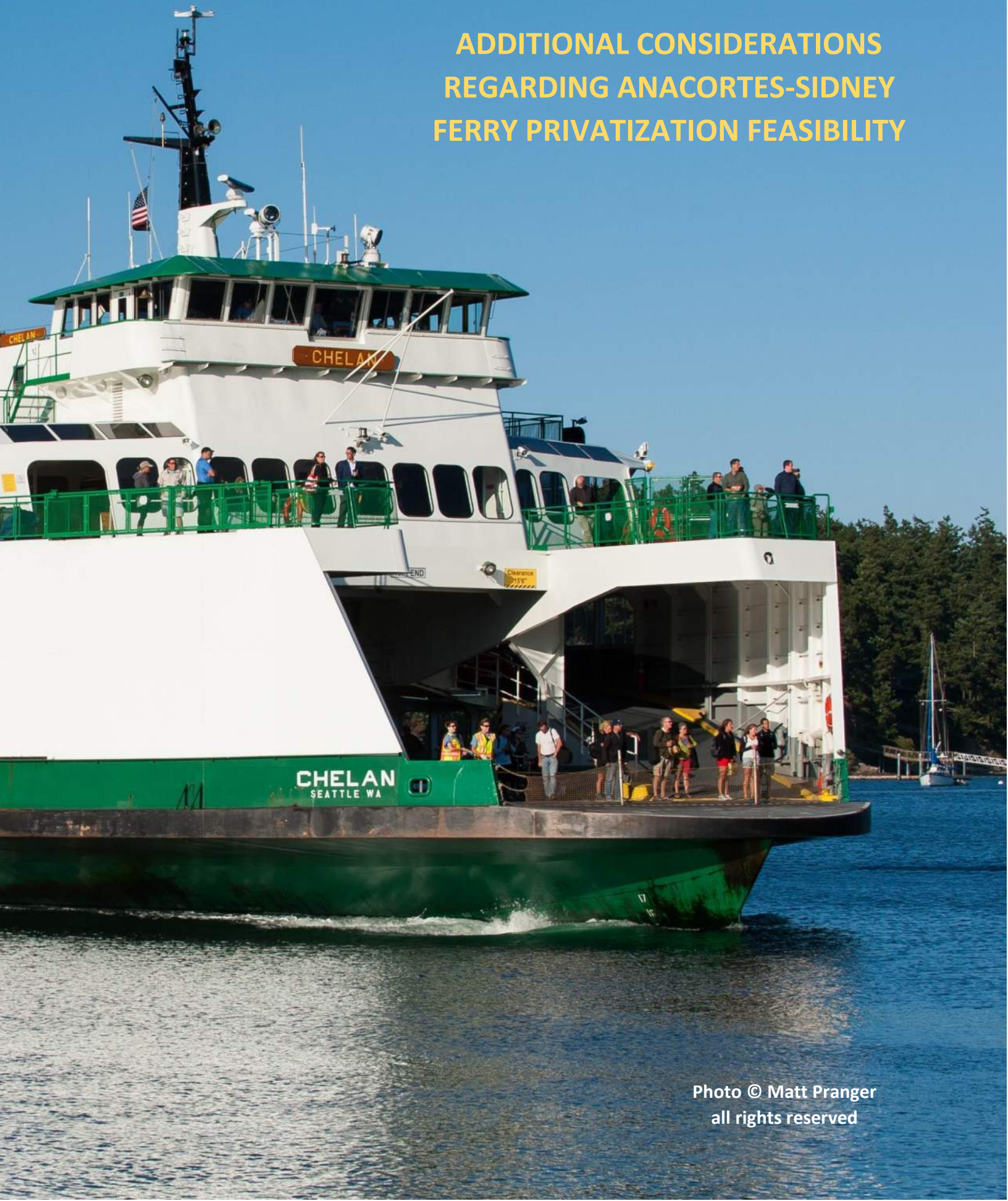


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## AUTHORS

Victoria Compton and the board and staff of the San Juan County Economic Development Council,  
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Rick Hughes, Council member, San Juan County

Jamie Stephens, Council member, San Juan County

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Mayor Farhad Ghatan, Council member, Town of Friday Harbor

Duncan Wilson, Town Administrator, Town of Friday Harbor

Mayor Laurie Gere, City of Anacortes

Thomas Wooten, Chairman, Samish Indian Nation

Deborah Hopkins, Executive Director, San Juan Islands Visitors' Bureau

Stephanie Hamilton, past Director, Anacortes Chamber of Commerce

Dan Worra, Director, Port of Anacortes

Captain Eric Von Brandenfels, President, Puget Sound Pilots

Terri Mast, Treasurer, Inland Boatmen's Union, national office

Captain Dan Twohig, Regional Representative, Masters Mates & Pilots

Dennis Duff, President, FASPAA

Dr. Joseph Gaydos (UC Davis, Director/SeaDoc Society)

Richard Berkowitz, Vice-President, Pacific Coast Operations, Transportation Institute Captain

Travis McGrath, Puget Sound Pilots

Mark Lioni, CEO, Cap Sante Inn

Jill Mackie, Vigor Industrial

Jim Corenman, Chair, WSF Ferry Advisory Committee Chair

Michael Hebert, Jones Act Division of Enforcement, US Customs & Border Protection Percy Frisby,  
Director, Friends of the Alaska Marine Highway System

## KEY FINDINGS<sup>1</sup>

- Anacortes-Sidney ferry provides critical rural transportation for residents of the region, moving goods, services and people
- Anacortes-Sidney ferry has farebox recovery rate similar to many other routes in the system
- Privatizing the ferry could:
  - Reduce rigorous safety protocols mandated by WSF, but not likely to be implemented by a private operator
  - Remove safety standards provided through use of local pilots and crews
  - Reduce family-wage jobs
- High potential of economic losses to Washington state shipbuilding & marine repair/service industries
- Potential of:
  - Negative impacts to Tribal treaty rights & transportation
  - Negative impacts to regional industries like tourism, real estate, construction
  - Loss of equitable prices for working poor, seniors, students
  - Negative impacts on environment
  - Loss of Friday Harbor, Anacortes stops on route

<sup>1</sup> References for this section are contained in preceding chapters

## SUMMARY

A quick glance at farebox recovery suggests that the Anacortes-Sidney ferry is not profitable for Washington State Ferries and, with significant changes to service, could potentially be for private operators. But a deeper dive into the data shows that the route is economically equivalent or better than others in the ferry system and offers considerable economic benefit to the region, acting as critical rural transportation for residents of the region, moving goods, services and people.

Additionally, crucial issues such as potential reduction in safety, loss of living wage jobs, loss of the beneficial impacts on other industries like real estate and shipbuilding, and Tribal and environmental impacts *must* be taken into consideration when weighing the possibility of privatizing or terminating the run. For purposes of this study, privatization would automatically terminate Friday Harbor traffic; moving the Anacortes departure point to a port in another region would constitute full termination of this route.

## INTRODUCTION



Figure 1 Riders on annual inaugural Sidney ferry run.  
© Stephanie Hamilton, Anacortes Chamber of Commerce

The Sidney ferry has provided essential rural community transportation service to the area for nearly 100 years. Over this century, the route has continued to provide important jobs to area Washingtonians, play a critical role in local tourism, and support businesses, Tribal members and other residents throughout the region.

Other chapters of the Anacortes-Sidney ferry privatization feasibility assessment document cover aspects of economic and other impacts of privatizing the Sidney ferry run, however, there are additional and necessary issues to examine for full consideration of the ramifications. Notably, workforce, safety, implications for the environment, and Tribal considerations deserve good faith assessment before any consideration of the privatization of public services or the monetization of public property.

To that end, this chapter covers only an outline of potential impacts germane to privatizing or terminating the Anacortes-Sidney ferry run - any prudent private company would consider these and many other issues that could be impactful to a business venture, and Washington State Ferries and state legislators must also weigh them into any calculations.

As WSF’s Anacortes-Sidney ferry is the only vehicle marine link between the region surrounding Anacortes and Vancouver Island, WSF provides a crucial transportation connection for area residents, as well as for nonresidents visiting our state. Given that the Sidney ferry offers both travel to BC and domestic travel, the ferry is part of this rural region’s lifeline system.

**“Reduction in service would be devastating to this community.”<sup>1</sup>**  
 Mayor Laurie Gere, Anacortes

The state has an essential responsibility to consider these other issues, including those germane to the state’s environmental assets, society, Tribal considerations and the workforce, whose health and welfare are the state’s responsibility.

Some of these issues are outlined within this chapter, but this listing is not exclusive and further study is required to focus on areas such as the environment (including the endangered Southern Resident Killer Whales), workforce impacts or Tribal treaty rights impacted by privatization of ferries or vessels that may be used by a private operator. Additionally, not every nuance and economic impact is captured within this document, nor in data from the Hovee and JTC studies – they reflect only the best estimate that they could make at the time, within the parameters of the inquiry.

Given that Anacortes and San Juan County’s tourism economy - and other industries such as construction and real estate – are almost entirely dependent upon ferry travel, and therefore sensitive to reductions in service or other disruptions such as the current pandemic-related downturn, it is critical to study and outline potential economic consequences caused by privatizing the ferry route, including elimination of Friday Harbor service on the route.

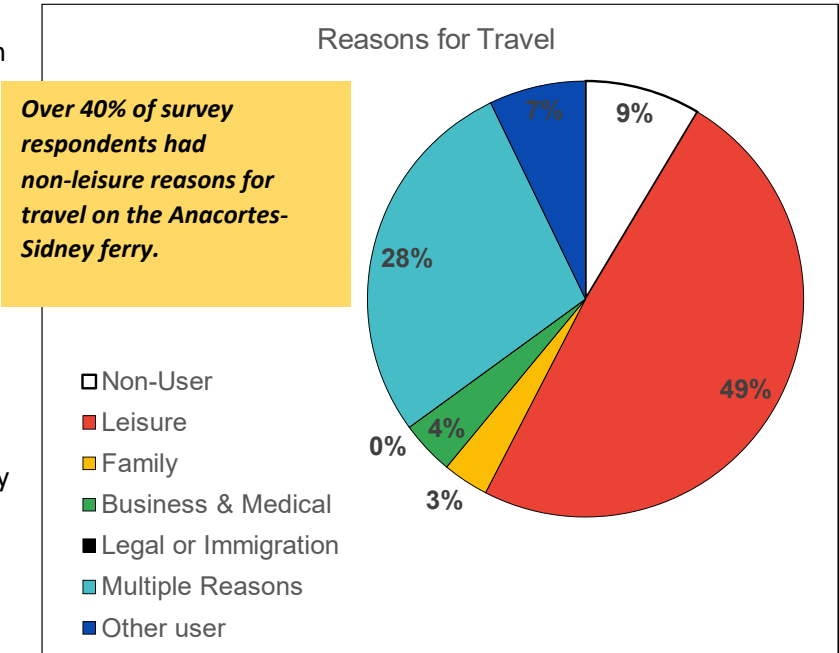
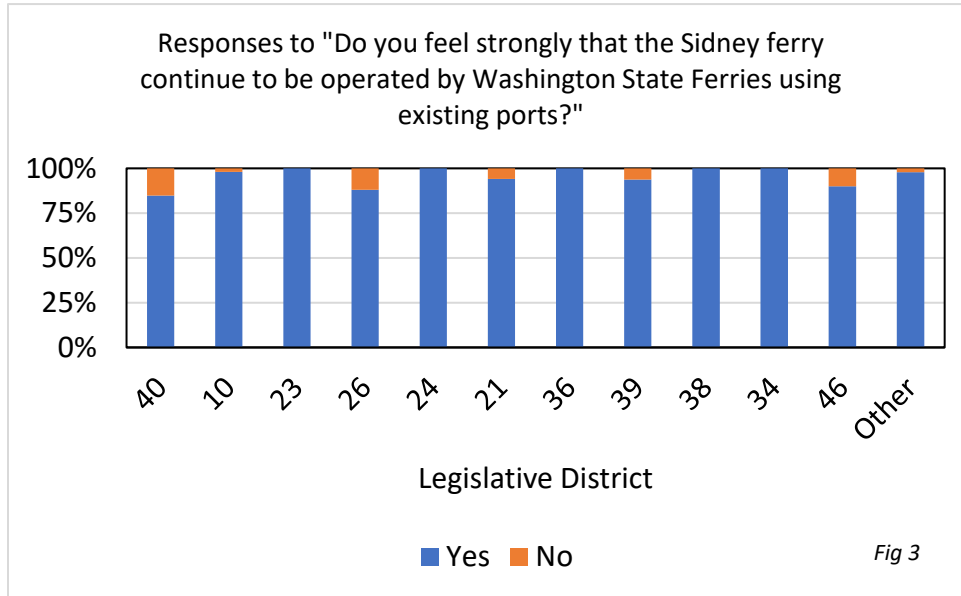


Figure 2, Reasons for travel in San Juan County EDC Anacortes-Sidney privatization public survey, all 851 respondents. “Other user” includes those who listed reasons not listed above

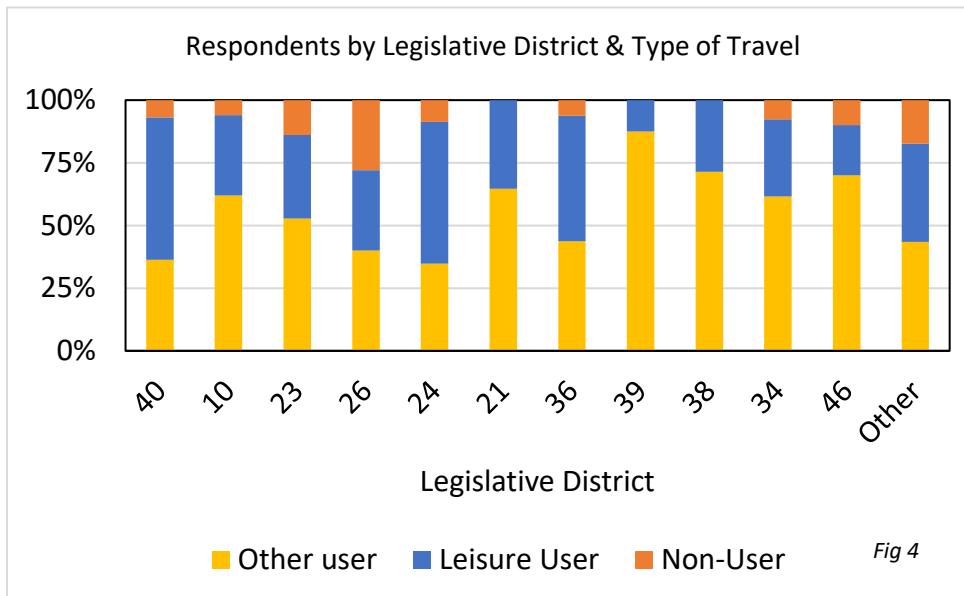


The importance of this ferry run to the residents of Anacortes, San Juan County and the region is borne out by the remarkably high response rate to the San Juan County EDC’s opinion survey (525 responses from SJC and Anacortes and 326 from elsewhere), the overwhelming preference for preserving the Sidney Ferry run in its current form, and sentiments expressed in respondents’ written comments.<sup>1</sup> 93% of survey respondents from San Juan Island and Anacortes reported using the ferry, and 37% reported reasons for travel other than, or in addition to, leisure. Some respondents favored



privatization but many of those wanted it under restrictive conditions, some of which may not be possible within current law.

Survey respondents in all legislative districts with 10 or more responses in the region made it clear that they felt the Anacortes-Sidney ferry should continue to be operated by WSF using existing ports.



When analyzed by district, the responses ranged from over 80% up to nearly 100% *against* privatization, and that passengers used the Anacortes-Sidney ferry for a wide variety of reasons (see Figs 3 and 4<sup>2</sup> at left).

<sup>1</sup> [www.sanjuansedc.org/sidneyferry](http://www.sanjuansedc.org/sidneyferry)

<sup>2</sup> Figure 3 & 4, San Juan County EDC Anacortes-Sidney privatization public survey, all 851 respondents, responses sorted by legislative district. Over 40% of survey respondents had non-leisure reasons for travel on the Anacortes-Sidney ferry.

## SELECTION FROM OVER 700 SURVEY RESPONDENTS' COMMENTS

<p>"I live on San Juan Island and have family in Victoria and the Sidney ferry allows me to see them over the summer very easily." "Please keep the Sidney ferry running so I can see my family more and be able to visit BC easier."</p>	<p>"I'm part of the Tribal Canoe Journeys and also have family and friends in BC." And "Please contact the tribes in Washington state. They have lots of tribal members who depend on this ferry and route."</p>	<p>"With many friends and family in Canada this ferry service is a needed connection to loved ones. In a larger scope it is the connection and a bond of nations."</p>
<p>"It would be a disaster for everyone but the private operator and those officials that would like to see it."</p>	<p>"We have family in Victoria and it is essential that the ferry continue to stop in Friday Harbor"</p>	<p>"This is a lifeline to San Juan Island and Vancouver Island for work, family and friends."</p>
<p>"The international boat operates at less than full capacity and could be better used serving the islands. Let a private operator take over."</p>	<p>"Washington State Ferries takes security, affordability, and access seriously. Keep transit public and affordable!"</p>	<p>"It is important to privatize the Sidney ferry because WSF needs to understand that the service they provide to the citizens of Washington is awful!"</p>
<p>"The Sidney sailing is unique to our community because it connects residents and businesses of San Juan County to a culturally significant destination. Furthermore, the inclusion of Friday Harbor provides tourism opportunities, for travelers bound for Canada, to spend time and tourism dollars that support our local economy."</p>	<p>"The Sidney ferry is a publicly owned international portal, just like Peace Arch and part of the state highway system. It's important to preserve such an important state asset, just like we do highways that serve farms in Eastern Washington."</p>	<p>"Washington State Ferries is the I-5 equivalent to residents of San Juan County. It provides the critical infrastructure necessary for families and businesses to thrive in this state. The Sidney Sailing is no less important than sailings bound to Shaw Island. There is no substitute for the experience and reliability provided by the men and women who work for WSF. I am strongly opposed to privatization."</p>
<p>"I suggest that the entire San Juan Islands ferry system---including the Sidney, BC, run---be re-privatized. The Black Ball company still exists: Apply to them for help."</p>	<p>"The run is very popular and many people stop in Friday Harbor and Anacortes as well as Sidney. We enjoy taking the ferry from Friday Harbor to Sydney and bussing to Victoria every summer."</p>	<p>"BC ferries are a mess after they tried to have a private company run them. My Canadian family will drive down from Vancouver and take the Anacortes ferry to Sidney rather than deal with BC ferries."</p>
<p>"The ferry to Vancouver Island through is a vital leg in a popular tourist circuit from Seattle north then over to Victoria, then taking in the Olympic Peninsula before returning to Sea Tac. In our 20 years living on Orcas, we have hosted many friends and family doing this circuit. The negative impact on the San Juan Islands should not be ignored, especially as we attempt to recover economically from the Covid19 pandemic."</p>	<p>"Victoria, BC is the closest large city to the San Juan Islands and provides access to important commercial and cultural resources, in addition to tourism. When I lived in Seattle, I combined family trips to Sidney/Victoria with a stay on San Juan Island and loved the opportunity. Keeping the route operated by WSF ensures continued, reliable service."</p>	<p>"I have many times counted on the Anacortes-Sidney ferry for transportation to and from Vancouver Island for an important legal case I have been a party to over the past several years, and before that, for visiting family. It's a valuable service and it would be a loss to many people if the route was discontinued by WSF. "</p>

More comments: [www.sanjuansedc.org/sidneyferry](http://www.sanjuansedc.org/sidneyferry).

As the run could be preserved as a public asset at relatively low cost (retrofitting an existing vessel to SOLAS standards), the bottom line is one of “don’t mess with something that’s not broken.”

Additionally, WSF policy based on the WSF 2040 Long-Range Plan specifically includes expansion of service for the Anacortes-Sidney ferry run, including the addition of hybrid SOLAS vessel for the run.<sup>3</sup>

*“The Sidney ferry has been an integral part of the Town of Friday Harbor’s economy for years. Historic and cultural ties between our islands and countries are of great value and must be preserved.”*

*Mayor Farhad Ghatan, Friday Harbor*



Figure 5 Mayor of Friday Harbor, Farhad Ghatan.  
Photo © Friday Harbor Grand B&B

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<sup>3</sup> <https://wsdot.wa.gov/sites/default/files/2020/09/16/WSF-LongRangePlan-2040Plan.pdf>

### *Economic Impact Context*

The five-county region – particularly San Juan County – is already struggling with catastrophic job losses resulting from the Covid-19 pandemic. Given that local recovery from the Great Recession significantly lagged that of the state and many other counties (small counties took the longest), Sidney-ferry-related jobs could likely be lost forever.<sup>14</sup>

As noted in the Northwest Washington Labor Report produced by the Washington State Employment Security Department (Dr. Anneliese Vance-Sherman), jobs in the leisure and hospitality sector lost year-over-year, and unemployment claims as a percentage of total workforce for the five-county region were as follows in September of 2020. Unemployment insurance claims information is one of the only data resources that were available early in the pandemic, but provides insight into job losses in the region over the spring and summer. The figures for initial unemployment claims represent the point of first contact.<sup>15</sup>

#### Skagit<sup>16</sup>

1,800 leisure/hospitality jobs lost YOY

29,613 initial unemployment claims against total workforce = 47.5% of workforce.

#### Island

640 leisure/hospitality jobs lost YOY

14,513 initial unemployment claims against total workforce = 41.3% of workforce.

#### SJC

1,210 leisure/hospitality jobs lost YOY<sup>17</sup> [-67.2% of sector]

3,025 initial unemployment claims against total workforce = 50.2% of workforce

6,000 leisure/hospitality jobs lost YOY<sup>18</sup>

216,279 of initial unemployment claims against total workforce = 50.2% of workforce.

#### Whatcom

2,300 leisure/hospitality jobs lost YOY

55,086 initial unemployment claims against total workforce = 47.4% of workforce.<sup>19</sup>

*Pandemic-related job losses by county for leisure and hospitality are as high as -67% of the workforce.<sup>9</sup>*

<sup>14</sup> <https://esd.wa.gov/labormarketinfo/labor-force>

<sup>15</sup> The figures for initial unemployment claims represent the point of first contact, which includes some fraudulent claims and ineligible claims). They also represent re-opened claims, which means the same person could be counted multiple times if their work is not stable.

<sup>16</sup> All figures are rounded to the nearest significant figure by Dr. Vance-Sherman, per standard practice.

<sup>17</sup> This represents -67.2% lost of San Juan County's hospitality workforce, Dr. Vance-Sherman email, 11/19/20

<sup>18</sup> Snohomish Labor Market Review, Sept 2020, Dr. Anneliese Vance-Sherman

<sup>19</sup> NW Labor Market Review, Sept. 2020, Dr. Anneliese Vance-Sherman; esd.wa.gov

### *Union Jobs Impacts & Pilotage Considerations*

In terms of union job impacts, privatizing the ferry would very likely immediately reduce the number of union jobs in the region, as a private operator would likely not hire union workers.

One particularly negative aspect of this would involve the elimination of local pilotage and trained union crews on Sidney-bound vessels. WSF's reliance on trained, experienced and local pilots and crew ensures that state vessels are operated by those workers most knowledgeable about the intricate navigation, local wind and current patterns, environment and vessel traffic – including the very complicated vessel traffic system – of Puget Sound and the Salish Sea.

Captain Eric vonBrandenfels, President of the Puget Sound Pilots, notes that WSF relies on the “critical role that American flag vessels and mariners serve in support of our national safety and security interests”<sup>20</sup>

Indeed, local pilots’ purpose and mission in the region is specifically to “protect the state’s life, property and the environment of Puget Sound.”<sup>21</sup>



Figure 8, Pilot in the wheelhouse,  
<https://www.pspilots.org/community/for-women-mariners/>

In legislation proposed to privatize the Sidney-Anacortes run, pilots were considered no longer mandatory under a private owner, instead the proposed legislation opened up the no-pilot exemption to larger vessels.

Captain VonBrandenfels notes that, "relaxation of the small passenger ferry exemption to accommodate a proposed large ferry advances a for-profit interest at the expense of the public interest and mandate to protect human lives, property and the marine environment as intended by the Washington State Pilotage Act."<sup>22</sup>

Washington State law (RCW 88.16.005), declares that... *it is the policy of the state of Washington to prevent the loss of human lives, loss of property and vessels, and to protect the marine environment of the state of Washington through the sound application of compulsory pilotage provisions in certain of the state waters...it is a policy of the state of Washington to have pilots experienced in the handling of vessels aboard vessels in certain of the state waters with prescribed qualifications and licenses issued by the state.* [2] Exemption from this law poses risk to life, property and the marine environment.

<sup>20</sup> Eric vonBrandenfels, President, Puget Sound Pilots, letter dated August 3, 2020

<sup>21</sup> Masters, Mates & Pilots website, [www.bridgedeck.org](http://www.bridgedeck.org), accessed 11/3/20.

<sup>22</sup> Eric vonBrandenfels, President, Puget Sound Pilots, letter dated August 3, 2020

Reducing or eliminating reliance on the most trained, experienced, and licensed local pilots and crew would dilute the safety and reliability of any private passenger vessel service.

These reductions in union jobs and not requiring pilotage could negatively impact the entire maritime transportation system. Crews on foreign flagged vessels are far more vulnerable to cumulative fatigue in situations like the present pandemic where they may not be allowed to debark vessels because of outbreaks. Foreign flagged vessels and crews operating in our sensitive marine environment are also less likely to be trained specifically to respond to emergent situations like maritime rescues and oil spills in the Puget Sound region.

Additionally, non-WSF crews may not have the expertise necessary to respond to maritime terrorism threats; WSF crews are trained specifically in this and other safety arenas (see section on safety below).

Captain VonBrandenfels summed up the impacts from union job losses:

“Losing these stable, quality American jobs to a foreign ferry operation in the region is not in the best interests of maintaining safe, secure and reliable service, or growing the economic vitality of maritime jobs and businesses in our state.

Finally, in the words of Terri Mast, National Secretary-Treasurer, Inland Boatmen’s Union, “it would be especially ill-advised for our country, at a time when efforts should be directed to preserving and creating American jobs, to weaken or reduce American jobs by giving them to foreign seafarers working in our waters.”<sup>23</sup>

#### *Real Estate, Construction & Other Industry Impacts*

Part of the driving force of region’s real estate market is the fact that residents can travel easily to a culturally significant destination, via the Sidney ferry.<sup>24</sup>

As shown in comments left by participants in the San Juan County EDC’s Anacortes-Sidney privatization survey, some travelers depend on it for family visits (“I live on San Juan Island and have family in Victoria...please keep the Sidney ferry running so I can see my family more and be able to visit BC easier.”). Others see it as a major amenity to living in the San Juans (“We love going over to nearby Vancouver Island. We can see it from our house and enjoy popping over there when we can.”).<sup>25</sup>

*Real estate sales are influenced by the region’s proximity to a culturally significant destination.<sup>11</sup>*

*Real estate sales for Skagit and San Juan Counties alone exceeded \$1BN in 2019. These sales also drive regional construction trades and service industry jobs and business income.*

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<sup>23</sup> Letter dated August 3, 2020

<sup>24</sup> [www.sanjuansedc.org/sidneyferry](http://www.sanjuansedc.org/sidneyferry)

<sup>25</sup> San Juan County EDC public survey regarding Anacortes-Sidney ferry privatization, August 2020

The real estate industry in the region drives significant portions of the local economy – affecting construction, building trades, and other real estate-related industries and services.

Real estate jobs for San Juan County alone stood at nearly 1,000<sup>26</sup> in 2018, and real estate sales for Skagit and San Juan counties exceeded \$1BN in 2019<sup>27</sup>. This represents a sizeable tax and economy base for the region, partly driven by access to the cultural attractions on Vancouver Island, accessed through the Anacortes-Sidney ferry.

Construction jobs represent a further 1,262 jobs (2018) 11% of the total jobs in San Juan County<sup>28</sup>. These jobs are dependent on the county’s status as a destination for visitors and retirees.

These are just two of the industries that the Sidney ferry benefits directly or indirectly. EDC survey data and WSF Origin/Destination data both show that some riders use the ferry for purposes other than or additional to leisure. A single person who travels to make a business deal worth \$10,000 would have over 40 times the economic impact of a leisure traveler (based on Hovee’s estimates of visitor spending and length of stay). A group that travels to Sidney to meet with BC officials to create trade incentives for the region would have even larger impacts.

Even a small percentage of business travelers can make a substantial economic impact. While it is harder to monetize the benefits of having access to friends, family, or schools, those economic impacts are likely to be long-term.

*The University of Washington's Friday Harbor Laboratories uses this ferry annually at least once to take class field trips to a site on western Vancouver Island... If the Sidney ferry is cut, we will not be able to get to this site because of the extra time and expense of going north to get the Schwartz Bay ferry. This would be a large loss to our educational programs.*

*From the Sidney ferry privatization survey*

## **OTHER ECONOMIC IMPACTS & CONSIDERATIONS**

### *Loss of Friday Harbor run*

One major consideration and potential negative impact for the region from private operation by a foreign-owned operator would be the fact that the Passenger Vessel Service Act (PVSA, 46 USC 55103), states that “a vessel may not transport passengers between ports or places in the United States to which the coastwise laws apply, either directly or via a foreign port, unless the vessel is Coastwise Qualified (U.S.-built, owned and documented), or, if exempt from U.S. Coast Guard documentation (state registered or undocumented) still meets the requirements of being U.S. built & U.S. owned.”<sup>29</sup>

<sup>26</sup> Bureau of Economic Analysis website ([www.bea.gov](http://www.bea.gov)), accessed 11/3/20, table CAEMP25N. Includes all jobs, including part-timers, proprietors, and contractors.

<sup>27</sup> *Northwest MLS Annual Review 2019*, page 27

<sup>28</sup> Bureau of Economic Analysis website ([www.bea.gov](http://www.bea.gov)), table CAEMP25N, accessed 11/18/20

<sup>29</sup> *Passenger Vessel Services Act*, Customs & Border Patrol publication, Sept, 2019, in an email from Michael J. Hebert Jones Act Division of Enforcement, U.S. Customs & Border Patrol, sent 11/17/20.

Under the restrictions of the PVSA, any private, foreign-owned operator would be unable to continue offering a stop at San Juan Island between Anacortes and Sidney, which would eliminate a critical run and negatively impact the local economy. While this run represents only a component of the full range ferry service between the mainland and the islands, it provides much-needed service to a county that is accessible only by water and air.

Given that the ferries are, for the islands, entirely akin to a highway system and funded partly by federal highway monies, it's vital that this federally-recognized marine highway affords the same type of access to area residents as over-the-road highways, including those rules related to accessibility and equitability (e.g., the federal law that over-the-road buses that serve the public be held to the same rates, terms and conditions as public transportation buses.)<sup>30</sup>

#### *Potential for discrimination*

Increasing costs or limiting the ferry through privatization can create a discriminatory situation for specific groups of people including those with reduced incomes, seniors and, potentially, those with special needs (e.g., transportation of service animals).<sup>31</sup>

The expected reduction of route (loss of Friday Harbor stop) and schedule (elimination of a route that's mostly used by visitors) would also create a discriminatory situation for a specific type of traveler (visitors), which represents discrimination of one particular type of industry.

As it is against federal regulations to discriminate against legitimate types of transportation on the state highway system, a private operator could potentially face litigation. As former 40th District Rep. Jeff Morris commented during numerous Committee hearings over his two decades of service, "It is illegal to discriminate against particular types of legal transportation on State or Federal Highways and WSF has always been considered an extension of our State Highway system."

To sum up, eliminating a ferry because it is perceived as a "tourist boat," discriminates against one particular type of economic activity: any decision to eliminate a route that is primarily used by visitors discriminates against that industry sector. The equivalent would be considering elimination of little-used highways in Eastern Washington that serve as farm-to-market

*Under the restrictions of the PVSA, any private, foreign-owned operator would be unable to continue offering a stop at San Juan Island... negatively impacting the local economy.*

*From the public survey –  
"I am an American studying in Victoria, BC.*

*The Sidney ferry is the fastest and easiest way for me to travel to visit my family in Friday Harbor."*

<sup>30</sup> [https://www.ibtta.org/sites/default/files/documents/2017/CRS%20Interstate%20tolls\\_2017-08-04.pdf](https://www.ibtta.org/sites/default/files/documents/2017/CRS%20Interstate%20tolls_2017-08-04.pdf),

<sup>31</sup> <https://www.federalregister.gov/documents/2010/07/06/2010-15101/transportation-for-individuals-with-disabilities-passenger-vessels>



*The Sidney ferry route could be made one of the most profitable runs with an improved focus on marketing – benefiting the system as a whole.*

routes for just a few farms. As the Sidney ferry is popular with residents from all over the state, losing the ferry would eliminate the method that many Eastern Washington residents use to travel to Canada. As former Representative Norm Johnson (Yakima) commented during a hearing, “the only time his constituents used WSF was as tourists. Eliminating ferry service like Anacortes to Sidney was eliminating the only reason for Eastern Washington Legislators to support ferry service anywhere.”

In addition, many residents depend on this ferry route for visiting family as discussed above, and for business or other activities – in addition to leisure activities, as discussed above. The impact is greater for those Tribes whose traditional Tribal jurisdiction preceded their

statehood and familial relations, which is outlined more fully below.

Finally, It should not be forgotten that the state’s gain in B&O taxes from private operation of this route will constitute a burden on a regional economy encumbered by either the loss of the route, or by externalizations imposed by its operator.

#### *Title VI Considerations*

Title VI of the Civil Rights Act of 1964 protects people from discrimination based on race, color, and national origin in programs and activities receiving federal financial assistance.<sup>32</sup>

This part of the Civil Rights Act ensures that public transportation – including private transportation subsidized by governments – is regulated to make it illegal to discriminate against passengers. For example, over-the-road buses that serve the public must be held to the same rates, terms, and conditions as public transportation buses<sup>33</sup> This includes discrimination against certain attributes (race, age, poverty) or against situations (e.g., transportation of service animals).

While private operators potentially can be exempt from some aspects of this legislation, it is possible that the operator would be required to hold their business to the standards of Title 6 – including equitability of fares that affect seniors and the working poor – if that operator planned to use state-owned facilities (e.g., docks), to receive subsidies or special considerations by legislative bodies, or, conceivably, to replace a public vessel on a marine highway route.<sup>34</sup>

#### *Comparison to other ferry routes*

While some may question the continued existence of a ferry run with less passenger activity than some others in WSF’s system, the Sidney ferry is equivalent to many other runs within the system in terms of farebox recovery – the Bremerton, Fauntleroy/Vashon, Pt Defiance, Coupeville runs have lower farebox

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<sup>32</sup> <https://www.transit.dot.gov/title6>

<sup>33</sup> <https://www.transit.dot.gov/regulations-and-guidance/civil-rights-ada/part-37-transportation-services-individuals-disabilities#sec.37.169>

<sup>34</sup> <https://www.transportation.gov/civil-rights/civil-rights-awareness-enforcement/faqs>

recovery. Indeed, the Anacortes-Sidney run is nearly 58% more profitable than the Point Defiance-Talehquah run.

Given that WSF has done little to no marketing of the run, and the forecast that Vancouver Island's population will double in the next 21 years,<sup>35</sup> the Sidney run could easily be made to be one of the most profitable runs with an improved focus on marketing, thus benefiting the system as a whole. Additionally, having a gateway to international travel makes the entire ferry system more attractive to visitors and thus more successful. In the words of Howard Schonberger, head of the Ferry Lovers of Washington (F.L.O.W.), the "international ferry is one of the highlights of this area's charm...the importance of ferries transcends provincial penny pinching"<sup>36</sup>

#### *Economic Losses to Shipbuilding & Marine Repair/Service Industries*

In addition to the loss of passenger spending in the region, the maritime industry that supports Washington State Ferries would lose economically, as a private operator would not be required, nor have any incentive to use Washington state products and labor.



Figure 9, Vigor shipyard workers building a WSF vessel. Photo courtesy of Vigor.

<sup>35</sup> [https://www2.gov.bc.ca/assets/gov/data/statistics/people-population-community/population/people\\_population\\_projections\\_highlights.pdf](https://www2.gov.bc.ca/assets/gov/data/statistics/people-population-community/population/people_population_projections_highlights.pdf)

<sup>36</sup> <https://www.sanjuanjournal.com/opinion/sidney-ferry-is-part-of-san-juans-charm-ferry-home-companion/>

With some exceptions, WSF is required to have ferries built within the state of Washington.<sup>37</sup> Additionally, the Apprenticeship Act of 2006 requires that shipyards building new ferries have state-approved apprenticeship programs, benefiting our new and reskilled workers. WSF, too, trains local workers, in local programs.

These requirements help build Washington state maritime businesses and have contributed to making the Washington state maritime sector one of the most robust in the world.

Additionally, the Jones Act and the PVSA require that American ferry hulls be built in the United States; foreign-flag vessels have no such requirements. Finally, shipbuilding and repair in Washington state are regulated by environmental, labor, health, and safety authorities, the Coast Guard and the Americans with Disabilities Act.<sup>38</sup>

Finally, if federal money is made available to ferry service operations as is has in the past, Washington state would lose that resource for international transportation as well.

To summarize, it seems unreasonable to give a state-sanctioned monopoly to a private operator – potentially a foreign company – competing with local businesses, without the same “build, train and repair local” requirements held to by WSF.

#### Market growth

The graph below from the Hovee study<sup>39</sup> shows comparative ferry ridership trends for the Anacortes-Sidney and domestic Anacortes-San Juan Island routes, through the years 2007-19.

#### Comparative Ferry Ridership Trends (2007-19)

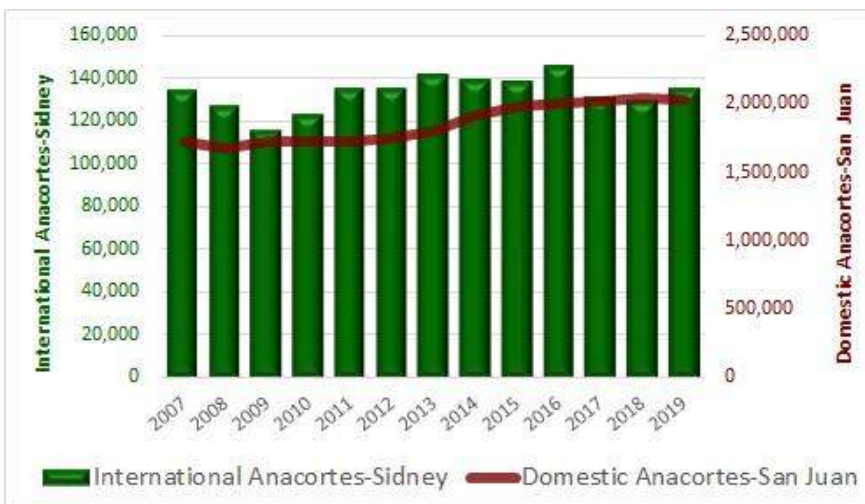


Figure 10, Source: E.D. Hovee, *Anacortes-Sidney Economic Impact Analysis*, from WSF, *Travel Statistics Rider Segment Report(s)*, multiple years. Note that some travelers to or from Sidney may use a domestic Anacortes-San Juan ferry for one or two legs of their travel, using Friday Harbor as a short or long stopover.

As seen in the chart on the next page, ridership dropped for both the domestic and international routes for 1-2 years before recovery from the Great Recession of 2007-09, but then recovered more quickly for the Sidney route than for domestic service. The drop after 2017 shows a decline from a ferry temporarily diverted to a route elsewhere in the system. If service were continued through 2019, growth would very likely have continued to climb.

<sup>37</sup> <https://app.leg.wa.gov/rcw/default.aspx?cite=47.60.814>

<sup>38</sup> [https://www.wsipp.wa.gov/ReportFile/1649/Wsipp\\_Washington-State-Ferry-Vessel-Procurement\\_Report.pdf](https://www.wsipp.wa.gov/ReportFile/1649/Wsipp_Washington-State-Ferry-Vessel-Procurement_Report.pdf)

<sup>39</sup> E.D. Hovee, *Anacortes-Sidney Economic Impact Analysis*, from WSF

While passenger counts across the full WSF system declined over a 5-year period including and extending beyond the Great Recession of 2007-09 – and other routes declined less sharply – the other routes took over twice as long to recover as the Sidney-Anacortes route after the 2007-2009 recession.

### Comparative Ferry Ridership (As Compared to 2007)

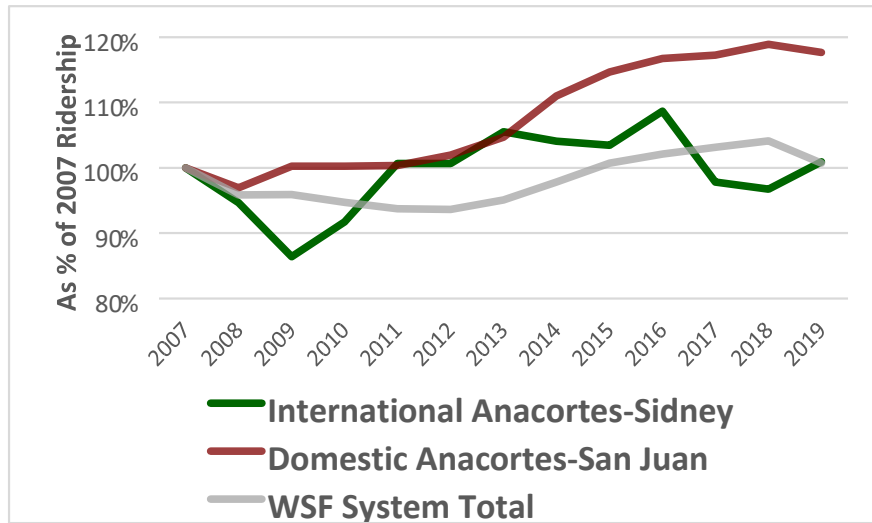


Figure 11, Source: E.D. Hovee, *Anacortes-Sidney Economic Impact Analysis*, from WSF, *Travel Statistics Rider Segment Report(s)*, multiple years.

#### Potential erosion of the value proposition of ferries

Private businesses must typically work to do business at the lowest cost possible to increase profits: this can impact safety, reliability and quality of service. While a private operator’s cost-cutting decisions can affect its businesses’ value proposition to customers, potential loss of reliability and safety could also erode consumer confidence in marine transportation as a whole, which would affect the entire WSF system.

Additionally, expanding the waiver for a private vessel to operate within 10 miles of another Washington State Ferry could erode the ferry system’s market share of maritime tourism.

#### Economic Considerations Regarding Regional Tribes

For regional Tribes, tourism is a crucially important sector. For the Samish Indian Nation, for example, the only economic development businesses operated by the Tribe is the Fidalgo Bay RV Resort in Anacortes, which relies heavily on visitor travel.

*“The Washington State Ferry system is part of the highway system. Privatizing the Sidney ferry is equivalent to the state closing a road. Giving the road to a private business.*

*Then allowing that business to profit off of what people have come to expect as a public service.”*

Comment from public survey

Chairman of the Samish, Thomas Wooten notes that any reduction in ferry service correlates to a reduction in economic activity locally: “Fidalgo Bay Resort had a decline of reservations from 2018 to 2019, correlating with unexpected seasonal ferry shortages in the San Juan Island system, including cancellations of the Anacortes/Sidney sailings on several instances last year.”

*Over \$216M of economic activity in the region derives directly or indirectly from Southern Resident Killer Whale tourism every year.<sup>40</sup>*

#### *Potential Impacts on*

#### *the Regional Whale Watch Economy*

An independent study<sup>40</sup> by Earth Economics estimated that, with over \$216M of economic activity in the region derives directly or indirectly from Southern Resident Killer Whale (SRKW) tourism every year, the industry is a powerful economic driver for the region and generates more than \$12 million in state and local tax revenue annually and supporting over 1,800 jobs.

As the vessel specified by the private operator participating in the JTC’s policy workgroup<sup>41</sup> for the Sidney ferry privatization study is a “High Speed Craft” (HSC) under 200’ (to come in under with the

requirement that vessels under 200’ be piloted by a local pilot), serious consideration needs to be devoted to potential noise and strike implications. While one vessel is expected to be on the route, the speed and noise of the craft require serious consideration in terms of environmental impacts – vessels such as these are among “the fastest passenger vessels in the Western Hemisphere.”<sup>42</sup>



Figure 12, High Speed Craft shown at dock in Tangier. Photo © Neill Rush, <http://www.shipspotting.com/gallery/photo.php?lid=529723>

Similar vessels in the "High Speed Craft" (HSC) category such as the *Tangier Jet* (IMO number 9127758, see fig. 10) are water-jet drives, not conventional low-speed propellers, and they have a different noise signature than WSF vessels. An HSC such as this is typically 16,000 hp, with three times greater propulsion (power) than a typical WSF vessel, running much faster than WSF ferries at speeds up to 33 kts (38 mph) – over twice as fast.<sup>43</sup>

For comparison, the WSF Chelan is 5,000 hp (one third of the power of an HSC) with lower noise – noise generally increases with speed and horsepower. The Chelan

<sup>40</sup> *The Whales in our Waters*, Earth Economics, <https://www.eartheconomics.org/srkw>

<sup>41</sup> Vessel cited by David Gudgel, CEO of Victoria Clipper in a meeting on June 19, 2020.

<sup>42</sup> <https://www.clippervacations.com/vessel-information/>

<sup>43</sup> <https://www.frs.world/frs-fleet/ships/hsc-tarifa-jet>

generally operates at 16 kts (18 mph), slowing to 12-13 kts (14 mph) crossing Haro Strait, and even slower when whales are reported in the area.

Higher speeds typically increase underwater noise, which negatively impacts marine wildlife. As Dr. R. Williams, Sea Mammal Research Unit, Scottish Oceans Institute, noted, “recent studies have shown a broad range of negative effects in a variety of taxa. Underwater noise from shipping is increasingly recognized as a significant and pervasive pollutant.”<sup>44</sup>

Noise can also hamper marine mammal foraging,<sup>45</sup> making it harder for the already struggling SRKW populations to forage for food.

Additionally, higher speeds can increase marine wildlife strikes and create disruptions to marine life such as fish, mammals and birds, including nesting, foraging and spawning activities.

Finally, WSF vessels are far more sustainable, using less fuel, than high-speed crafts used by many private operators around the world, including Förde Reederei Seetouristik (FRS), the German parent company of Clipper Navigation in Seattle.

Surprisingly, legislation has been proposed to *increase* the allowable vessel size to 300 feet,<sup>46</sup> which would enable private operators to run vessels such as the Tarifa Jet (IMO number 9150999, see fig 11) without local pilotage. These vessels can travel at speeds up to *48.3 miles per hour* (42 knots), increasing the chance of wildlife strikes and noise disruption.

WSF has a mandate to be vigilant<sup>47</sup> about the Southern Resident and

*“Underwater noise from shipping is increasingly recognized as a significant and pervasive pollutant.”*

Dr. R. Williams, Sea Mammal Research Unit, Scottish Oceans Institute



Figure 13, Tarifa Jet © This work has been released into the public domain by its author, Isiwai at Wikipedia Commons.

[https://commons.wikimedia.org/wiki/File:Tarifa\\_ferry\\_to\\_Tanger.jpg](https://commons.wikimedia.org/wiki/File:Tarifa_ferry_to_Tanger.jpg)

<sup>44</sup> Impacts of anthropogenic noise on marine life; R. Williams et al, [Ocean & Coastal Management](#) 115 (2015) 17e24

<sup>45</sup> *Noise levels received by endangered killer whales *Orcinus orca* before and after implementation of vessel regulations*, Marla M. Holt et al, <https://doi.org/10.3354/esr00841>, accessed 8/10/20.

<sup>46</sup> <http://lawfilesext.leg.wa.gov/biennium/2019-20/Pdf/Bills/Senate%20Bills/6667.pdf?q=20201117144946>

<sup>47</sup> <https://wsdot.wa.gov/news/2019/10/02/washington-state-ferries-implements-whale-report-alert-system>

other orca whales, with policies to slow or cease vessels' speed when orcas are sighted and to report whales to the Whale Report Alert System (WRAS), granted only to commercial maritime operators such as ferries and tugs.

As noted by Amy Scarton, WSF Director, "because we operate our 22 ferries on Puget Sound...we have an obligation to ensure WSF is doing everything we can to protect our environment, including marine life."<sup>48</sup>



Figure 14, Southern Resident Killer Whale, © Joseph Gaydos, UC Davis

Given that 33% of non-local, boat-based whale watching participants surveyed by Earth Economics<sup>49</sup> said they would no longer choose to visit the Puget Sound Region if Southern Resident Killer Whales (SRKW's) became extinct, the potential for negative impacts from a high-speed craft navigating Puget Sound waters without a local pilot and operating with a profit motive rather than as a public transport system is sobering.

That loss of 33% of whale watching participants would equate to an annual loss of \$34 million in direct economic activity from whale watching activities, \$2.2 million in state and local tax revenue, and 330 jobs. As noted in the Earth Economics study, "these results are likely an underestimate of Washington's whale watching economy and the economic losses that would occur in the face of SRKW extinction, because our analysis focused explicitly on whale watching occurring in San Juan County, and we know that the industry extends far beyond that border."<sup>50</sup>

That loss of 33% of whale watching participants would

The economics of private auto ferry operation of the Anacortes-Sidney route and the economics of the far larger regional Southern Resident Killer Whale (SRKW) whale watch industry (substantially congruent with the five county region treated by the Hovee Study) are categorically different.

Although we expect that the impact of any one boat on the SRKW population is likely to be small, even for a loud and fast boat, that impact should be included in the total economic impact considerations, because the combined direct and indirect economic benefits of the SRKW are so large.

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<sup>48</sup> *ibid*

<sup>49</sup> *The Whales in our Waters*, Earth Economics, <https://www.eartheconomics.org/srkw>

<sup>50</sup> [https://static1.squarespace.com/static/561dcdc6e4b039470e9afc00/t/5c48a1e442bfc14525263268/1548264128844/SRKW\\_EarthEconomics\\_Jan2019-Digital.pdf](https://static1.squarespace.com/static/561dcdc6e4b039470e9afc00/t/5c48a1e442bfc14525263268/1548264128844/SRKW_EarthEconomics_Jan2019-Digital.pdf)

Finally, the Salish Sea’s wildlife is important for regional Tribes. Thomas Wooten, Chairman of the Samish Indian Nation states: “Of utmost concern is ensuring no more disruption to the marine life in our sovereign waters within the Salish Sea. I am voicing concerns that private business solutions would not be subject to vessel slowdown requirements regarding marine life protection that are in place for Washington State Ferries. Additionally, higher speed, louder vessels would also further stress our endangered Southern Resident Orcas and the transient Orca populations.”<sup>51</sup>

## POTENTIAL REGIONAL ECONOMIC LOSS

*for whale watching if SRKW’s were to go extinct*

- Loss of \$34M in direct economic activity
- Loss over \$11M in labor income
- Loss of \$2.2M in state & local tax revenue
- Loss of 330 jobs

Figure 15, Data from graphic, Potential Economic Loss for Whale Watching if SRKWs were to go extinct, Earth Economics, 2019

The private operation proposal under discussion by the JTC jeopardizes the whale watch economy to reduction or loss by the lack of direct and timely state operational control over auto ferry operation through the Salish Sea – Southern Resident Killer Whale territory. The SRKW whale watch industry relies entirely upon the health and welfare of these endangered whales whose governmentally recognized vulnerability to motor vessel operation is the subject of ongoing state and federal rulemaking.

### TRIBAL CONSIDERATIONS

Ferries are vital transportation assets for Washington and British Columbian Tribes<sup>52</sup>, and the Salish Sea Tribes are close both geographically and socially. The Sidney ferry enables closely-knit Tribal members to visit family and go to Tribal events on Vancouver Island and in Washington state.

“Without the Anacortes-Sidney ferry connection, our ability as a Tribe to come together for important religious, cultural, social, and family event will be greatly diminished.”

*Thomas Wooten, Chairman of the Samish Indian Nation*

<sup>51</sup> Thomas Wooten, Chairman, Samish Indian Nation, letter to regional legislators, August 26, 2020

<sup>52</sup> *Where the Water Meets the Road*, DeSimone & Sullivan,

<https://www.fhwa.dot.gov/publications/publicroads/14marapr/03.cfm>, accessed 11/10/20



In the words of Thomas Wooten, Chairman of the Samish Indian Nation<sup>53</sup>:

“The Samish Indian Nation has many tribal members on both sides of the border. Our enrolled members who are residents of Vancouver Island include the few remaining fluent speakers of our traditional Samish language.

“The Samish Indian Nation members who are residents of Vancouver Island include the few remaining fluent speakers of our traditional Samish language.”

*Thomas Wooten, Chairman of the Samish Indian Nation*

“Also, our dugout canoes travel [for] a month in the San Juan Islands to and from Vancouver Island each summer on the Inter-Tribal Canoe Journeys...our support crews need ferry access to avoid costly, time consuming detours via either Port Angeles or the lower mainland of BC.

“Likewise, our sacred Winter Ceremonies require frequent travel back and forth to spiritual events on the mainland and on Vancouver Island.

“Without the Anacortes-Sidney ferry connection, our ability as a Tribe to come together for important religious, cultural, social and family event will be greatly diminished for the members who live here and on Vancouver Island.

“The Samish Indian Nation has many citizens on both sides of the United States /Canada border, and a large majority of our Canadian citizens reside on Vancouver Island. Access

between our scattered citizenry is important for cultural, spiritual, social, and family events throughout the year, so reliable ferry transportation between Anacortes & Sidney matters to Samish.”

An in-depth study of Tribal treaty rights for all Tribes in the surrounding region must be made – including fishing rights – before the consideration of privatizing any ferry route in Washington state.

With the Boldt decision of 1974, Tribal fishing rights were reaffirmed by the U.S. Supreme Court. These rights establish Tribes as managers of natural marine resources in Washington state.

Recent federal court rulings, show “that that Tribal participation is today necessary in nearly all aspects of natural resource management in the region...for the benefit of our own people but for all of the people of the Pacific Northwest.”<sup>54</sup>

Regional Indian Nations must be included in the deliberation of any increased negative impacts on salmon, the Southern Resident Killer Whales or other marine wildlife and environments.

Chairman Wooten notes that: “any decision by Washington legislature to reduce or eliminate the Anacortes/Sidney ferry run threatens our livelihood, and an alternative choice to privatize the sailings threatens the Salish Sea, and our sacred relationships with the Southern Resident Orcas.”<sup>55</sup>

<sup>53</sup> Thomas Wooten, Chairman of the Samish Indian Nation, letter to regional legislators dated January 21, 2009.

<sup>54</sup> <https://nwtreatytribes.org/about-us/>

<sup>55</sup> *Ibid*

## SAFETY CONSIDERATIONS

Captain Dan Twohig, regional representative of Masters, Mates & Pilots notes that while private operators may have fewer requirements for specialized training, WSF crews are trained in "Active Shooter" scenarios, including working with the USCG, the State Patrol and local law enforcement. A private operator would have no fiscal incentive to allow USCG vessels to practice armed boardings of ferries moving at full speed.

WSF also allows the State Patrol to conduct helicopter "fast rope" drops of the SWAT teams who then conduct a mock assault on the ship. Explosive Ordnance Disposal (EOD) teams also conduct training on WSF vessels to use dogs and robots to sniff out bombs. Some of this training (e.g., armed boardings on moving vessels and fast rope assaults), is inherently dangerous and very unlikely to be sponsored by a private operator. However, this type of training is critically necessary for crews operating in the post 9/11 world of increased terrorist threat.

While foreign vessels also operate under the Standards of Training, Certification and Watchkeeping (STCW) which is found in International Maritime Organization (IMO) regulations for vessels sailing to foreign ports, there is currently a memo of understanding between the USCG and Transport Canada that waives some of these requirements on vessels in frequent commerce between Puget Sound and British Columbia.

This STCW exemption was originally designed for tugboats moving cargo back and forth but has been interpreted since to include ferries, as the STCW is designed for ships that sail across oceans to foreign ports. Thus, the WSF Sidney run is currently exempt from meeting some STCW standards on that run mostly involving sea time requirements that are difficult to obtain on inland vessels.

Currently, while USCG now requires full lifeboats on every WSF vessel, WSF also continues to hold themselves to a higher standard of training that is required of the Subchapter W Alternative Compliance Plan, which includes coordinated drills between ships and additional training both on and off the ships.

As part of this Subchapter W program, WSF deck officers are all certified as Vessel Security Officers under the STCW and trained in anti-terrorism (anti-piracy) procedures. This training is then passed down to the crews through the weekly onboard training conducted by the deck officers on each



Figure 16, Pacific Maritime Institute training, photo © Sharon Kivisto, San Juan Islander, <https://sanjuanislander.com/news-articles/ferries/20792/wsf-training>

watch. By adhering to this stringent training program, WSF crews are some of the best-trained inland ferry crews in the world.

Additionally, WSF operates under a Safety Management System (SMS) that is the gold standard for ferry operations around the globe. These SMS protocols contain policies and procedures for almost every aspect of operations, especially emergency operations. WSF has an Emergency Operation Center manned by MM&P members, that coordinates operations across the entire fleet 24 hours per day.

As Captain Twohig notes, “these MM&P Watch Center Supervisors are the best around, are the heart of the operation, and coordinate across multiple agencies, all manner of emergency response.”

When the Staten Island Ferry (New York) crashed into a dock in 2003, killing 11 passengers, and

*Particularly troubling is the fact that foreign-flagged vessels are not subject to the same stringent regulations that US flagged vessels are, and would most likely not have the advanced training requirements like WSF currently has.*

seriously injuring or permanently maiming 70 others, they did not have an SMS system in place. The National Transportation Safety Board (NTSB) made a strong recommendation in their report to put into place this type of system. Ultimately, the New York Transit Authority brought in consultants from WSF to assist them in setting up a similar system.

While a private operator would be required to have full life-rafting per the international (SOLAS) regulations, a private operator would likely not be required to meet some STCW regulations as they pertain to a Puget Sound/BC operation, based on the USCG/Transport Canada exemption letter.

Particularly troubling would be if a foreign-flagged vessel took over the run, as they are not subject to the same stringent level of vessel inspection regulations that US flagged vessels are, and would most likely not be required to have an advanced training program (such as the WSF Subchapter-W plan) pressed upon them by the USCG due to jurisdictional (flag-state) issues.

## **SOCIAL, CULTURAL & POLICY IMPACTS**

### *Fare increases, scheduling issues, equitability*

Those with more means move to air travel when ferries are discontinued, and would be little affected by any ferry shutdown. Those with fewer means – working poor, seniors and students – use the Sidney ferry as a means to travel to a major metropolitan cultural area in very little time. An equivalent trip would be to Seattle or Bellingham, which is a long haul on ferries and buses, and far more costly on arrival.

Fare increases are expected – indeed, have been outlaid by the primary interested foreign-owned operator – while now we have a guaranteed level of cost, subject to legislative review. This would eliminate affordability and impact those least able to afford it. As costs of living, real estate and building

in San Juan County and Anacortes are some of the highest in Washington state, affordable transportation options are vitally necessary, particularly for the working poor and seniors.<sup>56</sup>

WSF's fare affordability enables working poor, seniors, and students to travel, allowing them to attend schools and events on Vancouver Island. Indeed, students from San Juan County and around the region attend schools and colleges in Victoria and use the ferry to travel to sporting, academic, and other events.

*Fare increases are expected – indeed, have been outlined in a JTC workgroup – and will impact our most vulnerable populations including seniors, students and the working poor.*

Locals who travel to Vancouver Island for healthcare visits may experience a decline in quality of health due to limited access. With no access to lower-cost medical providers on Vancouver Island, residents – particularly seniors – could be forced to use much higher-cost medical care on the mainland or to fly to access the health care they need. They may choose to postpone care, or simply decide they cannot afford the travel costs.

Historically, private operators have little incentive to offer transportation services in lower-travel seasons. Although WSF has done just this, dropping the Sidney runs during winter, and cutting them to support other runs, a private operator could cut the run entirely without local review if an economic downturn made it unprofitable for a few years.

This would sever an important connection and has happened with private operators in Puget Sound before, as has happened on the Seattle-Friday Harbor-Victoria run. Private operators have also canceled schedule ferry runs to accept more lucrative contracts.

#### *Cultural considerations*

Showing the warm relationship between their cities, Anacortes and Sidney residents call themselves “Ferry Friends”<sup>57</sup> and call their municipalities Sister Cities.

With such a deep connection, it is no surprise that many travelers enjoy spending time in their sister cities, attending conferences and festivals on San Juan Island, in Skagit County and the surrounding region, and on Vancouver Island. Loss or diminution of the route would mean that regional residents would lose out on unique, cross-border opportunities to interact and do business together.

“The Sidney ferry is the best way for me to visit my family while I’m studying.

A new private ferry with potentially more expensive tickets will make it harder for me to visit them.”

*Student from survey*

The Sidney ferry is an historic and iconic run – one of the first ferries brought into the state’s system – and represents a maritime “Peace Arch” between US and Canada.

<sup>56</sup> Council for Community & Economic Research, COLI study, county-level index, 2018.

<sup>57</sup> [https://www.goskagit.com/anacortes/news/return-to-sidney-ferry-between-friends-celebrates-reopening-of-anacortes-sidney-route/article\\_a226e726-5593-11e9-ad6e-53c50967ce51.html](https://www.goskagit.com/anacortes/news/return-to-sidney-ferry-between-friends-celebrates-reopening-of-anacortes-sidney-route/article_a226e726-5593-11e9-ad6e-53c50967ce51.html)



Figure 17, American & Canadian business leaders celebrate the start of the ferry run with a town crier, © Stephanie Hamilton, Anacortes Chamber of Commerce

### Considerations for Sidney, BC

The businesses in the small town of Sidney, BC – sister city to Anacortes – rely heavily on ferry transport from the United States.

“The sustainability of the ferry route is an enormous concern to both of our communities from a tourism and economic standpoint.”

*Sidney Mayor  
Cliff McNeil-Smith*

Sidney mayor Cliff McNeil-Smith noted that ferry-based visitation is “really important to the vibrancy of the local area. And the region quite frankly. It’s an international port of entry so the benefit to tourism is quite significant.”<sup>58</sup>

McNeil-Smith stresses that, while the ferry is sometimes considered for elimination or change, that it’s a crucial route for their region: “There are families, friends, tourism connections. It’s been multi-generational, and it’s really important to our community.”<sup>59</sup>

McNeil-Smith warns that the economic consequences for both sides of the Salish Sea could be severe, saying that

“The sustainability of the ferry route is an enormous concern to both of our communities from a tourism and economic standpoint.”<sup>60</sup>

<sup>58</sup> <https://www.cheknews.ca/cut-in-sidney-and-anacortes-ferry-service-could-have-economic-consequences-648582/>

<sup>59</sup> *Ibid*

<sup>60</sup> <https://www.vicnews.com/news/sidney-concerned-proposed-funding-cuts-to-sidney-anacortes-ferry-could-hit-tourism/>

## SUMMARY

While it perhaps easy to contemplate privatization or elimination of the Anacortes-Sidney ferry route, particularly during the current downturn, many issues arise in just a preliminary overview.

Clearly more consideration must be made before an out-of-hand decision regarding privatization or elimination is made, as the existing data show plainly that the Anacortes-Sidney route provides critical rural transportation for the region, acts as an economic engine in the region and the state as a whole, and helps to maintain robust social internetworking in the region, in BC, and beyond.



Figure 18, Anacortes-Sidney ferry Rosario, © Brady, courtesy Anacortes Historical Museum

## Part III: Appendices

## Appendix A

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### Study Proviso ESHB 2322 §204(6)





### **Budget Proviso ESHB 2322 §204(6)**

(6)(a) \$250,000 of the motor vehicle account—state appropriation is for the joint transportation committee to conduct a study of the feasibility of a private auto ferry between the state of Washington and British Columbia, Canada. The study must include the following elements:

- (i) Expected impacts to ridership, revenue, and expenditures for Washington state ferries;
- (ii) Expected impacts to ferry service provided to the San Juan Islands;
- (iii) Possible terminal locations on Fidalgo Island;
- (iv) Economic impacts to the Anacortes area if ferry service between the area and Vancouver Island ceases;
- (v) Economic impacts to the San Juan Islands if ferry service or ferry tourism is reduced;
- (vi) Expected impacts to family wage jobs in the marine industry for Washingtonians;
- (vii) Expected impacts to ferry fares between the state of Washington and British Columbia, Canada;
- (viii) Legal analysis of all state, federal, or Canadian laws or rules, including the Jones act and rules of the board of pilotage commissioners that may apply to initiation of private service or cessation of state service; and
- (ix) Options for encouraging private auto ferry service between the state of Washington and Vancouver Island, Canada.

(b) In conducting the study, the joint transportation committee must consult with the department of transportation, a representative of San Juan county, a representative of the city of Anacortes, a representative of the inland boatman's union, a representative of Puget Sound pilots, a representative of the port of Anacortes, representative of the economic development alliance of Skagit county, and interested private ferry operators in Washington state.

(c) A report of the study findings and options is due to the transportation committees of the legislature by February 15, 2021.

# Appendix B

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## Economic Impact Analysis



# Feasibility of Private Auto Ferry Service Between Washington State and Vancouver Island, B.C.

Economic Impact Analysis

December 21, 2020

Prepared by:



Prepared for:

Washington State Joint  
Transportation Committee





*Community Attributes Inc. tells data-rich stories about communities  
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President and CEO:  
Chris Mefford

Project Manager:  
Madalina Calen

Analysts:  
Bryan Lobel  
Michaela Jellicoe  
Spencer Cohen  
Zack Tarhouni

Community Attributes Inc.  
500 Union Street, Suite 200  
Seattle, Washington 98101

[www.communityattributes.com](http://www.communityattributes.com)

## EXECUTIVE SUMMARY

The Anacortes to Sidney, B.C. international ferry line is particularly important for visitor access to the Puget Sound region and contributes to local tourism business in Anacortes and the San Juan Islands. The Washington State Legislature commissioned a study to examine the feasibility of allowing a private ferry operator to run this service and the anticipated economic impacts of privatization because of the retirement of the two Washington State Ferries (WSF) vessels that can provide international ferry service on the Anacortes to Sidney, B.C. route.

This study provides information on the economic and fiscal impacts of four private ferry service options to San Juan County and Anacortes/Fidalgo Island. The service options identified include a 42-car higher-speed vessel and an 80-car slower-speed vessel with terminal locations in Anacortes or Bellingham area. The analysis assesses the impacts to ferry operations, the economy of the two communities focusing on tourism spending, and to family wage jobs if service were privatized.

- ✓ Visitors and visitor spending
- ✓ Sales tax from visitor spending
- ✓ Family wage jobs from vessel operations, visitor spending and temporary construction

### Existing Conditions

The existing conditions assessment of ferry service operations on the Anacortes to Sidney route included an analysis of ridership, travel patterns, changes in fares over time, and schedule changes.

#### Ridership and Schedule

- In 2019, the Anacortes to Sidney route was the third-lowest traveled route in the WSF system with just over 135,000 boardings or 0.5% of total WSF ferry system boardings.
- Ridership from 2006 to 2019 has experienced little fluctuation, with the exception of the Great Recession period of 2008-2010.
- The level of service for this route has also remained consistent during this time.

#### Fares

- Regular Passenger fares on the Anacortes to Sidney, B.C. route increased by 32% between 2006 and 2019.
- For Regular Vehicle fares, when the single-tiered system was in place, from 2006 to 2010, base season tolls grew by 5%. Between 2011 and 2019, base season tolls grew by 15% for vehicles under 14' and by 28% for vehicles from 14' to 22'.

## Visitor Spending Economic and Fiscal Impacts

### Baseline Impacts

- In 2019, Anacortes to Sidney ferry travel-induced visitor spending supported between 9 and 24 jobs and between \$1 million and \$2.6 million in business revenue in Anacortes/Fidalgo Island.
- In San Juan County, the total economic impact from visitor spending was 21 jobs and \$2.3 million in business revenue.
- Tourism spending by Anacortes to Sidney route visitors generated between \$4,400 and \$10,700 in local sales taxes in the Anacortes area and \$18,500 in San Juan County.

### Economic impact of current service to Anacortes and San Juan area:

- \$3.4M to \$4.9M in business revenue
- 30 to 45 jobs
- \$1.2M to \$1.9M in total compensation
- \$22,900 to \$29,200 in local sales tax

### Service Model Options Impacts

- The economic and fiscal impact of visitor spending to the San Juan Islands would be lost under all private service options, as private operators are not expected to offer a stop in Friday Harbor.
- Private ferry service from a terminal in Anacortes is not anticipated to significantly impact visitor spending to Anacortes/Fidalgo Island, with relatively small positive or negative effects depending on vessel type.
- Private ferry service from a Bellingham terminal would result in a transfer of economic and fiscal impacts of visitor spending from Anacortes to the Bellingham area.
- Overall, for this study's geography, either private vessel option operating from Bellingham would have the highest loss in economic and fiscal impact of 30 to 45 jobs, \$3.4 million to \$3.9 million in business revenue, and \$22,900 and \$29,200 in local sales tax.

## Other Economic Impacts

### *Ferry Operations*

- The existing WSF route from Anacortes to Sidney had more than \$6.1 million in direct operating expenses and employed an estimated 29 full-time equivalent<sup>1</sup> staff in the fiscal year 2019.
- The four private ferry service model options would generate slightly less in direct operating expenses than the WSF current service, more

<sup>1</sup> Estimates based on a 2,080 hour year.



specifically between \$0.2 and \$0.9 million less per year. Private ferry operations would also support between 26 and 31 jobs.

- Where the economic impact from ferry operations would occur depends both on the private operator and their choice of contractors, as well as the terminal locations. The economic impact is mostly regional, with some portion occurring in this study's geography<sup>2</sup>.

### *Terminal Construction*

- Service models Option 3 and Option 4, which require a new Anacortes terminal, would support an estimated \$20 to \$30 million in capital expenditures and 20 to 30 direct jobs annually in the Puget Sound region.
- According to the Washington State Input-Output model, for every 10 direct jobs created through terminal construction, 25 jobs are supported across the region's economy as a whole<sup>3</sup>. Similarly, for every \$1 of business revenue created by terminal construction, roughly \$2 worth of business revenue are created across the region's economy<sup>4</sup>.

### Impacts on Family Wage Jobs

- Impacts on family wage jobs are likely to be regional—not just San Juan and Anacortes area.
- While WSF's staffing choices under a privatization scenario are unknown, they may eliminate up to 18 positions in the summer and one purser position required for international service in the spring and fall.
- The private operator would create between 36 and 45 jobs in the region in the maritime industry.
- Regionally, private ferry service from Anacortes may have a positive net impact on family wage jobs, temporarily through terminal construction and longer term through jobs created by the private ferry operator.

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<sup>2</sup> The change in economic impact from ferry operations to the study geography was not estimated due to insufficient information

<sup>3</sup> Including those directly employed by the terminal construction company.

<sup>4</sup> Including the dollar directly created by the terminal construction company.

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# INTRODUCTION

## Background and Purpose

The San Juan Islands ferry corridor includes the Anacortes to San Juan Islands and Anacortes to Sidney, British Columbia routes. The corridor is the lowest traveled and least populated corridor in the Washington State Ferries (WSF) system. In 2019, there were 2.16 million riders in the San Juan Islands ferry corridor or roughly 9.1% of total riders in the WSF system.

The Anacortes to Sidney, B.C. route connects Anacortes on Fidalgo Island, the San Juan Islands, and Sidney, B.C. on Vancouver Island. The vessels providing the international service must comply with the Coast Guard's Safety of Life at Sea (SOLAS) regulations. Two WSF boats meet SOLAS requirements, and recently one of those boats, the Elwha, has been retired from service because of significant preservation costs. The Washington State Legislature has commissioned a study to examine the feasibility of allowing a private ferry operator to run the service between Washington state and Vancouver Island.

This report presents the analysis of the economic impacts of the private ferry service options to San Juan County and Anacortes/Fidalgo Island. The analysis assessed the impacts to ferry operations, the economy of the impacted communities, and family wage jobs from the transfer of ferry service to a private provider.

## Methods

The analysis in this study begins with assessing current and historical operating conditions (pre-Covid-19) of the Anacortes to Sidney, B.C. ferry service using data from WSF and other sources on ridership, schedule, fares, and trip patterns. The existing conditions assessment informs the baseline economic impact estimate of the current service.

The first step in the economic impact analysis is to create a baseline from which all private ferry service model options are developed and adjusted. This study assesses the economic impact of four feasible private ferry service options from ferry operations, visitor spending, and terminal construction.

The economic impact analysis leverages the Washington State Input-Output Model to compute multiplier impacts. Economic impacts are broken out by jobs, income, and business revenues supported through upstream business-to-business transactions (indirect) and household consumption (induced). The budget proviso authorizing this study requires that the economic impact analysis be focused on the economy of the Anacortes area and the San Juan Islands.

This study draws on multiple data and information sources, including the Anacortes-Sidney Ferry Economic & Fiscal Impact Analysis (Review Draft 2020), Washington State Ferry data and reports, tourism studies for the region, and state and federal sources such as the Washington State Employment Security Department, Office of Financial Management, and U.S. Bureau of Labor Statistics.

## Organization of Report

The remainder of this report is organized as follows:

- **Anacortes to Sidney, B.C. Ferry Route Existing Conditions.** An assessment of current ferry service operations, including an analysis of ridership, travel patterns, changes in fares over time, and schedule changes.
- **Visitor Spending, Economic and Fiscal Impacts.** A summary of the analysis of economic and fiscal impacts of visitor spending from ferry-induced travel on the Anacortes-Sidney, B.C. route for the 2019 baseline and four private service model options.
- **Economic Impacts of Operations.** A discussion of economic impacts of ferry operations for the 2019 baseline and four private service model options.
- **Economic Impacts of Terminal Construction.** An assessment of the economic impacts of constructing a new ferry terminal in the Anacortes area as part of the private service model options.
- **Impacts on Family Wage Jobs.** A discussion of the impacts on family wage jobs from privatizing the Anacortes – Sidney, B.C. ferry service.

## ANACORTES TO SIDNEY, B.C. FERRY ROUTE EXISTING CONDITIONS

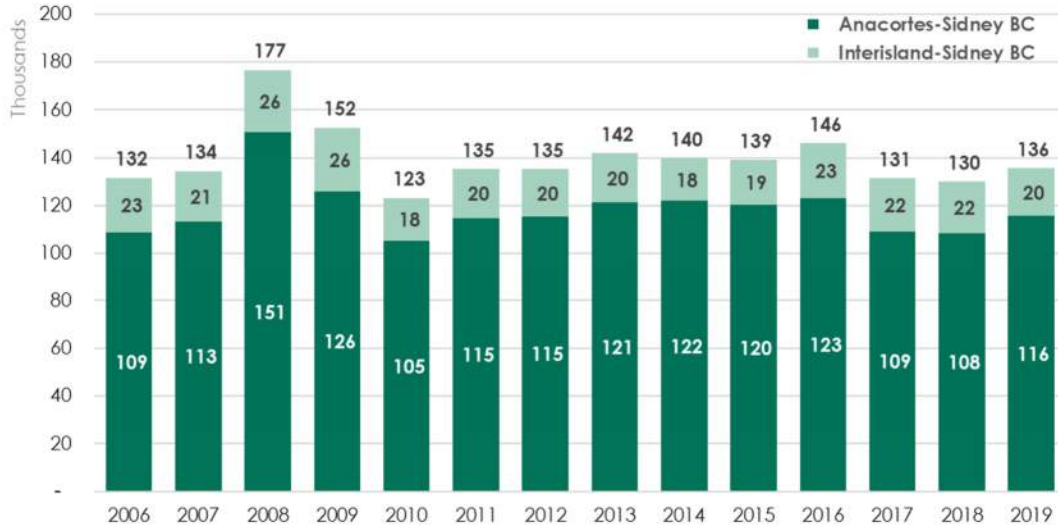
### Ridership

Ridership in the thirteen years from 2006 to 2019 has fluctuated little on the Anacortes to Sidney, B.C. ferry route, with the exception of the Great Recession period of 2008-2010 (**Exhibit 1**). During that time, overall ridership decreased significantly—by over 30% in three years. In 2011, ridership recovered to pre-recessionary levels and continued at pace through 2019 with only minor fluctuations.

On average for the thirteen years, ridership on the Anacortes to Sidney, B.C. leg of the route comprised a little over 76% of total ridership, with the Interisland to Sidney ridership comprising the remaining 23%.

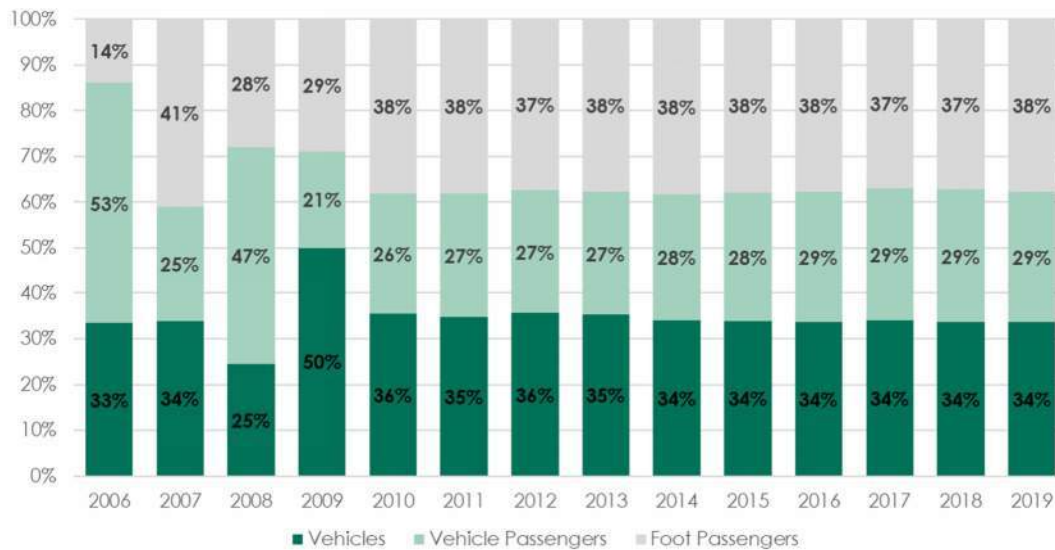
Apart from the Great Recession period of 2008-2010, the mode split of ridership on the combined routes has also changed little, averaging almost 38% foot passengers, 34% vehicles, and 28% vehicle passengers (**Exhibit 2**). In 2008, ridership mode shifted dramatically to more vehicle passengers and fewer vehicles and foot traffic. In 2009, it shifted back to more vehicles and fewer passengers overall.

**Exhibit 1. Anacortes to Sidney, B.C. Ferry Route Annual Ridership, 2006-2019**



Sources: Washington State Ferries, 2020; Community Attributes, 2020.

**Exhibit 2. Anacortes to Sidney, B.C. Ferry Route Ridership by Type, 2006-2019**



Sources: Washington State Ferries, 2020; Community Attributes, 2020.

## Schedule

Washington State Ferries has four seasonal schedules annually. The COVID-19 pandemic has resulted in changes to ridership and timing in the 2020 schedules. The 2019 schedules represent the standard schedule. The four seasonal schedules cover the following time periods:

- Winter 2019: January 6, 2019, through March 30, 2019
- Spring 2019: March 31, 2019, through June 22, 2019
- Summer 2019: June 23, 2019, through September 28, 2019
- Fall 2019: September 29, 2019, through January 4, 2020

During the winter sailing schedule, no service operates to Sidney, B.C. One daily round trip to Sidney is scheduled during the spring and fall schedules. The Sidney round trip departs Anacortes at 8:30 am, departs Friday Harbor at 9:55 am, and arrives in Sidney at 11:10 am. The return trip departs Sidney at 12:05 pm, departs Friday Harbor at 1:55 pm, and arrives at 3:00 pm in Anacortes.

The Sidney, B.C. route's high season is during the summer months when a second round-trip sailing is added. The first departure is shifted to 8:25 am from Anacortes, with arrival in Sidney at 11:05 am. The return trip is also shifted earlier by five minutes. The second departure leaves Anacortes at 2:50 pm and arrives in Sidney at 5:00 pm, while the return trip departs Sidney at 5:55 pm and arrives in Anacortes at 8:30 pm. The second daily departure from Anacortes and the first daily departure from Sidney do not have a stop in Friday Harbor. Additionally, domestic travel between Anacortes and Sidney is not permitted on the sailings that do stop in Friday Harbor.

The level of service for the Anacortes to Sidney, B.C. route has remained consistent between 2006 and 2019. Since winter service was discontinued in 2004, there has been no winter sailing, one daily round trip to Sidney in the spring and fall, and two daily round trips to Sidney in the summer.

Before the retirement of the MV Elwha in early 2020, only two Washington State Ferries vessels were qualified to service the route between Anacortes and Sidney, B.C., with the second being the MV Chelan. These two vessels were qualified to provide international service due to their construction in the United States—a Jones Act requirement—and their satisfaction with U.S. Coast Guard Safety of Life at Sea (SOLAS) requirements. The boats providing service were rotated so that one vessel could undergo periodic maintenance. According to Washington State Ferries, with the retirement of the MV Elwha, route service will be maintained by the MV Chelan except during times of periodic maintenance.

## Fares

### *Current Fares*

The four primary categories of fares for the Anacortes to Sidney, B.C. route include:

- Passenger Tolls,
- Regular Vehicle Tolls,
- Oversize Vehicle Tolls, and
- Peak Season Tolls.

Passenger Tolls are charged to walk-on and bicycle traffic, as well as vehicle passengers. In 2020, passenger fare for the Anacortes to Sidney, B.C. route was \$21.30. An additional \$4.00 bicycle surcharge is added for cyclists, except for customers using multi-ride media or monthly passes. This category of fare is reduced by nearly half for seniors, youth, and disabled passengers. Passenger fare for the Anacortes to San Juan Islands route is \$14.50, and \$13.40 in the other direction. Interisland travel is free. Round trip fares from the San Juan Islands to Sidney and back are available at a \$0.10 discount to two one-way fares<sup>5</sup>.

Tolls for Regular Vehicles in 2020 were \$48.15 from Anacortes to Sidney, B.C. for vehicles under 14' in length; or \$59.65 for vehicles from 14' to 22' in length, including the driver. Fares from Anacortes to Friday Harbor are \$41.95 for vehicles 14' and under and \$52.65 for vehicles 14' to 22'. Interisland fares are \$17.65 and \$25, respectively, and are only collected westbound. Fares from the San Juan Islands to Sidney cost \$30 and \$37.15, respectively, and a round trip fare for this leg is available at a slight discount. This category also includes motorcycle fares.

Oversize Vehicle fares are charged on a sliding scale. In 2020, these fares range from \$99 to \$216.15 for vehicles ranging from 22' to 80' in length. For Peak season fares, a 25% surcharge is applied to vehicles from May 1 through September 30, except those using multi-ride media. A 35% surcharge is applied on vehicle fares from Anacortes to Lopez, Shaw, Orcas, and Friday Harbor, except those using multi-ride media. The resulting fare is rounded to the nearest \$0.05 if required.

### *Historic Fares*

Regular Passenger fares on the Anacortes to Sidney, B.C., sailing increased by 32% between 2006 and 2019 (**Exhibit 3**). For Regular Vehicle fares, the structure of tolling has changed, complicating a direct growth measurement. In 2011, the Regular Vehicle size category changed from a single-tiered—any vehicle under 20' in length—to a two-tiered system. In the current tolling

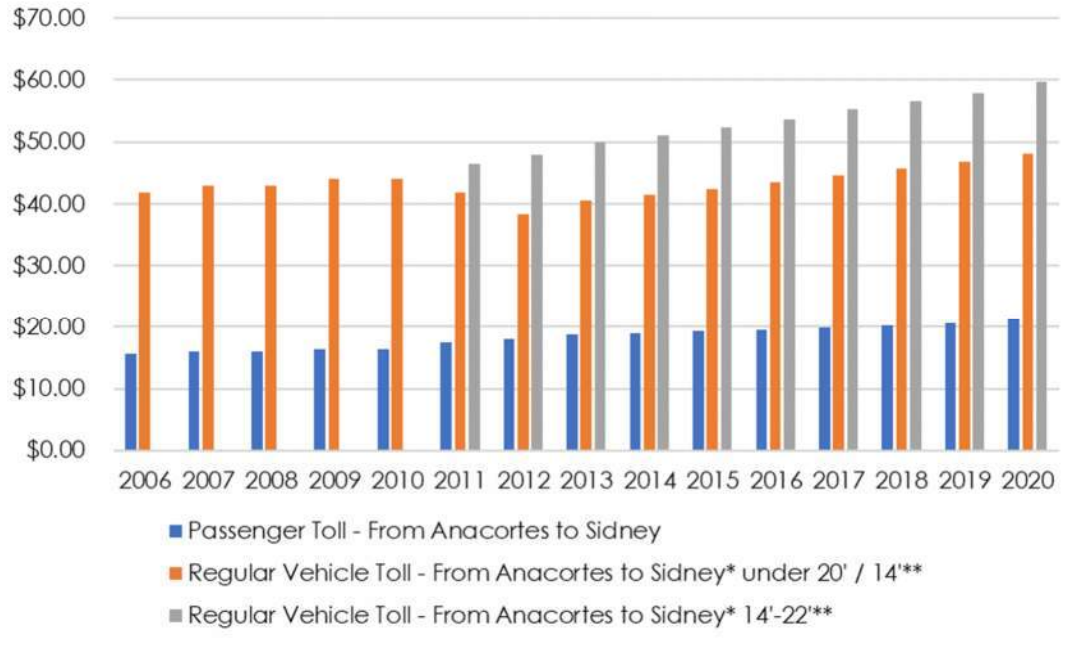
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<sup>5</sup> WSF May 2020 WAC-notWAC Report.



structure, the first tier includes vehicles under 14' in length, while the second tier includes vehicles from 14' to 22'. When the single-tiered system was in place, from 2006 to 2010, base season tolls grew by 5%. Between 2011 and 2019, base season tolls grew by 15% for vehicles under 14' and by 28% for vehicles from 14' to 22'.

**Exhibit 3. Anacortes to Sidney, B.C. Ferry Route Fares by Year of Service, 2006-2020**



\* Including driver, one way.

\*\* In 2011, the base vehicle fare for non-oversize vehicles was split into two categories from the original under 20' category; the new categories were under 14' and 14'-22'.

Note: Fares reflect base season tolls. For peak season (May 1 until the second Sunday in October for all years), a 25% charge is added to Regular Vehicle Tolls.

Sources: Washington State Ferries, 2020; Community Attributes Inc., 2020.

## Travel Patterns

According to the Washington State Ferries 2013 Origin-Destination Travel Survey Report, 80% of trips on the Anacortes to Sidney, B.C. route were for recreation and shopping purposes, including both weekday (**Exhibit 4**) and Saturday travel (**Exhibit 5**). Taken separately, 88% of weekday trips and 75% of Saturday trips were for recreation and shopping.

**Exhibit 4. Anacortes to Sidney, B.C. Ferry Route Trips by Purpose, Weekday, 2013**

Direction	Work/ School	Personal Business/ Other	Recreation/ Shopping	Total
Eastbound	2	15	40	57
Westbound	0	0	85	85
<b>Total</b>	<b>2</b>	<b>15</b>	<b>125</b>	<b>142</b>
2013 Distribution	1%	11%	88%	100%

Sources: Washington State Ferries 2013 Origin-Destination Travel Survey Report, 2020; Community Attributes, 2020.

**Exhibit 5. Anacortes to Sidney, B.C. Ferry Route Trips by Purpose, Saturday, 2013**

Direction	Work/ School	Personal Business/ Other	Recreation/ Shopping	Total
Eastbound	0	34	81	115
Westbound	5	24	110	139
<b>Total</b>	<b>5</b>	<b>58</b>	<b>191</b>	<b>254</b>
2013 Distribution	2%	23%	75%	100%

Sources: Washington State Ferries 2013 Origin-Destination Travel Survey Report, 2020; Community Attributes, 2020.

During weekdays, 56% of eastbound trips originate in Victoria, B.C. The most common destinations for these trips include the Greater Bellevue and Mercer Island area (nearly 30%), Anacortes and Fidalgo Island (12%), the Greater South Seattle area (12%), and other areas in Skagit County (10%). (Exhibit 6)

**Exhibit 6. Anacortes to Sidney, B.C. Ferry Route Eastbound Weekday Boardings by Destination District, 2013**

Origin	Destination District											Total
	San Juan Island	Anacortes / Fidalgo Island	Other W Skagit Co.	W. Whatcom Co.	Island Co.	Greater Seattle / CBD	Greater N. Seattle	Greater Bellevue / Mercer Island	Other W King Co.	W Pierce / Thurston Co.	All Other Places	
Victoria & Other BC	3	7	6	3	2	7	3	17	3	5	3	<b>59</b>
Destination % Share	5.1%	11.9%	10.2%	5.1%	3.4%	11.9%	5.1%	28.8%	5.1%	8.5%	5.1%	100.0%

Sources: Washington State Ferries 2013 Origin-Destination Travel Survey Report, 2020; Community Attributes, 2020.

The most common westbound destination is Victoria (54%) while the most common origins include San Juan Island (32%), Anacortes and Fidalgo Island (10%), and Orcas Island (7%). (**Exhibit 7**)

**Exhibit 7. Anacortes to Sidney, B.C. Ferry Route Westbound Weekday Boardings by Origin District, 2013**

Origin	Destination District	
	Victoria / Other BC	Origin % Share
Orcas Island	6	6.9%
San Juan Island	27	31.0%
Anacortes / Fidalgo Island	9	10.3%
Other W Skagit Co.	6	6.9%
W Whatcom Co.	6	6.9%
Bothell-Kirkland / Redmond	6	6.9%
Other W King Co.	4	4.6%
All Other Places	23	26.4%
<b>Total</b>	<b>87</b>	<b>100.0%</b>

Sources: Washington State Ferries 2013 Origin-Destination Travel Survey Report, 2020; Community Attributes, 2020.

**Exhibit 8. Anacortes to Sidney, B.C. Ferry Route Eastbound Saturday Boardings by Destination District, 2013**

Origin	Destination District							Total
	San Juan Island	Anacortes / Fidalgo Island	Lynnwood/Edmonds / Mountlake Terrace	Other W Snohomish Co./Camano Island	Greater South Seattle/CBD	SW King Co.	Clallam/Jefferson/Kitsap Co.	
Victoria & Other BC	23	10	8	14	37	10	14	<b>116</b>
Destination % Share	19.8%	8.6%	6.9%	12.1%	31.9%	8.6%	12.1%	100.0%

Sources: Washington State Ferries 2013 Origin-Destination Travel Survey Report, 2020; Community Attributes, 2020.

Saturday eastbound trips also most commonly originate in Victoria (79%). Saturday eastbound destinations include the Greater South Seattle area (33%); San Juan Island (20%); Snohomish County and Camano Island except Lynnwood, Edmonds, and Mountlake Terrace (12%); and Clallam, Jefferson,

and Kitsap Counties (12%). **(Exhibit 8)** Similarly, most westbound trips have their destination in Victoria (74%) and originate in Anacortes and Fidalgo Island (17%); Lynnwood, Edmonds, and Mountlake Terrace (16%); and Greater North Seattle (16%). **(Exhibit 9)**

**Exhibit 9. Anacortes to Sidney, B.C. Ferry Route Westbound Saturday Boardings by Origin District, 2013**

Origin	Destination District	
	Victoria / Other BC	Origin % Share
Anacortes / Fidalgo Island	23	16.2%
Mount Vernon/Burlington	14	9.9%
Other W Skagit County	6	4.2%
Lynnwood/Edmonds/Mountlake Terrace	23	16.2%
Greater S Seattle/CBD	10	7.0%
Greater N Seattle	22	15.5%
Bothell-Kirkland/Redmond	8	5.6%
Sw King County	12	8.5%
Other W King County	8	5.6%
W Pierce/Thurston Counties	8	5.6%
All Other Places	8	5.6%
<b>Total</b>	<b>142</b>	<b>100.0%</b>

*Sources: Washington State Ferries 2013 Origin-Destination Travel Survey Report, 2020; Community Attributes, 2020.*

## VISITOR SPENDING ECONOMIC AND FISCAL IMPACTS

The Anacortes – Sidney, B.C. international ferry line is particularly important for visitor access to the northern Puget Sound region. It contributes to the local tourism business in Anacortes and the San Juan Islands. Ferry riders make expenditures in the local economy during their travels, such as lodging, food and beverage, fuel, and other retail, and use ground travel services. As most riders are on vacation, they make use of attractions, events, museums, and guided tours. To the extent those expenditures are the result of their trip on the ferry between Anacortes and Sidney, B.C., they constitute *direct impacts*. All economic sectors listed above, in turn, make expenditures in the supply chain to support their operations, which constitute *indirect impacts*. Those directly and indirectly employed in these sectors and their supply chains earn income. The spending of that income supports additional employment which represents *induced impacts*.

This section quantifies the economic and fiscal impacts to Anacortes/Fidalgo Island and San Juan County derived from visitor spending associated with travel on the international Anacortes – Sidney, B.C. ferry service. The impacts have been estimated for the Washington State Ferries 2019 service year and four private service alternatives. Economic impacts are evaluated in terms of employment, business revenue, and employee compensation, while fiscal impacts include local and state sales tax revenues.

## Baseline Impacts

The analysis of the economic impacts of the Anacortes – Sidney, B.C. ferry system begins with a baseline estimate from which all feasible private service alternatives can be developed and adjusted. The baseline economic impact is expressed as a range of potential impact to capture the sensitivity of outcomes to model assumptions. These assumptions and the sensitivity analysis are discussed in their corresponding sections below.

The baseline is a post-Covid-19 service year when operations on this route are resumed, and ridership returns to pre-Covid-19 levels. WSF has indicated they would be able to provide similar service levels with one vessel to the service provided with both Chelan and Elwha, with some potential disruption in the winter due to the need to perform maintenance.

**Exhibit 10. Visitor Spending Economic Impact, Baseline, Mils \$ 2019**

	Anacortes/ Fidalgo Island		San Juan County	Total	
	Low Range	High Range		Low Range	High Range
Jobs	9	24	21	30	45
Total Compensation	\$0.4	\$1.0	\$0.8	\$1.2	\$1.9
Business Revenue	\$1.0	\$2.6	\$2.3	\$3.4	\$4.9

*Sources: 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Washington State Employment Security Department, 2019; Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Community Attributes, 2020.*

*Note: Numbers may not sum exactly due to rounding.*

The total employment supported through visitor spending from visitors traveling on the Anacortes – Sidney, B.C. ferry is between 30 and 45 jobs in Anacortes/Fidalgo Island and San Juan County. These are mostly jobs within the tourism, hospitality, and retail sectors and have an average wage of roughly \$42,000 (in 2019 dollars). Visitor spending also supports between \$3.4 million and \$4.9 million in business revenue and between \$1.2 million and \$1.9 million in employee compensation (in 2019 dollars). (**Exhibit 10**)

The economic impact to San Juan County is not expressed as a range as the assumptions for that leg of the ferry route have a lower level of uncertainty, and therefore remain unchanged in the sensitivity analysis.

*Sales Tax Impact*

The economic impact of visitor spending generates fiscal impacts, as direct, indirect, and induced economic spending cycle through the state and local economies of Anacortes/Fidalgo Island and San Juan County. This section discusses the local and state sales tax impacts. Visitor spending also supports other taxes such as lodging and property taxes, but these were not estimated as part of this study.

**Exhibit 11. Sales Tax from Visitor Spending, Baseline, \$ 2019**

	Anacortes/ Fidalgo Island		San Juan County
	Low Range	High Range	
Local	\$4,400	\$10,700	\$18,500
State	\$32,400	\$78,400	\$76,900

*Sources: Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Community Attributes, 2020.*

*Note: Local sales tax is tax revenue collected by Anacortes/Fidalgo Island and San Juan County generated through visitor spending and supported economic activities that occur in these communities. State sales tax is revenue collected by the state that is generated through visitor spending and supported economic activities that occur in Anacortes and San Juan area.*

Tourism spending by Anacortes to Sidney ferry visitors generated between \$4,400 and \$10,700 for Anacortes/Fidalgo Island and \$18,500 for San Juan County in local sales tax revenue. State sales tax revenue generated by visitor spending in the Anacortes area ranges between \$32,400 and \$78,400. **(Exhibit 11)**

**Exhibit 12. Taxable Retail Sales (TRS) from Visitor Spending Economic Impact, Baseline, Mils \$2019**

	Anacortes/ Fidalgo Island		San Juan County
	Low Range	High Range	
TRS	\$0.5	\$1.2	\$1.2

*Sources: Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Community Attributes, 2020.*

To calculate the sales tax impact, the total business revenue impact from visitor spending was first converted to taxable retail sales (TRS) using

statewide (TRS) to gross business income (GBI) ratios by industry derived from Washington State Department of Revenue data. **Exhibit 12** shows between \$0.5 million and \$1.2 million in TRS from visitor spending in Anacortes/Fidalgo Island and another \$1.2 million in San Juan County.

The following effective local and state sales tax rates<sup>6</sup> generated using MRSC and Department of Revenue tax data were applied to the TRS estimates:

- 0.89% for Anacortes/Fidalgo Island
- 1.56% for San Juan County
- 6.5% for Washington state

*Visitor Estimates*

**Exhibit 13** shows the total visitor estimates used to calculate direct and secondary (indirect and induced) economic impacts of travel expenditures. Between 7,200 and 34,300 visitors traveling on the Anacortes – Sidney, B.C. ferry spend money in Anacortes/Fidalgo island. The high range estimate includes an additional 16,500 day visitors and 6,000 overnight visitors from areas south of Snohomish County. They travel longer distances to and from the ferry and are more likely to spend on meals at local restaurants or stay overnight on Fidalgo Island before their final destination.

The roughly 4,600 visitors to San Juan County represent people traveling from Sidney to a San Juan Islands destination. Visitors traveling from San Juan to Sidney are not included under the assumption that most of them are San Juan County residents and the majority of their spending will occur in Sidney.

**Exhibit 13. Total Visitors by Type, Baseline**

	Anacortes/ Fidalgo Island		San Juan County	Total	
	Low Range	High Range		Low Range	High Range
Day Visitors	1,560	18,050	920	2,480	18,970
Overnight Visitors	5,680	11,680	3,670	9,350	15,350
Paid Accommodation	4,310	10,310	2,940	7,250	13,250
Unpaid Accommodation	1,370	1,370	730	2,100	2,100
<b>Total Visitors</b>	<b>7,240</b>	<b>29,730</b>	<b>4,590</b>	<b>11,830</b>	<b>34,320</b>

*Sources: 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Community Attributes, 2020.*

<sup>6</sup> This tax rates are effective as of 2019.

## *Assumptions*

The assumptions below were used to generate the low range of the baseline economic impact.

### **Visitor estimates**

The number of ferry riders that are also visitors to Anacortes/Fidalgo Island and San Juan County and spend their money in the local economy is estimated based on the following key assumptions:

- The 2019 season was shortened due to the closure of the Anacortes – Sidney route in November for required maintenance on both vessels in Washington State Ferries’ fleet certified to run international service to and from Sidney B.C. November and December ridership numbers were replaced with 2018 numbers for those two months to account for the shorter season. An estimated 140,252 riders represent the starting point for deriving visitor estimates.
- According to Washington State Ferries, for the international Anacortes – Sidney route, tickets are one-way for passengers and vehicles. The ridership numbers reported by WSF for this route represent the number of tickets sold; therefore, a proportion of these rides are individuals making a round-trip. Overall, 95% of riders are assumed to make roundtrips, and 81%<sup>7</sup> of these take the same ferry route in both directions (while the remaining 19% drive back or take a different ferry route).
- Spending is estimated for only one direction of the trip, under the assumption that the bulk of spending occurs at the destination location instead of on the return trip.
- The economic impact analysis quantifies the potential impacts of ferry riders' spending for recreation/shopping purposes. 80% of international Anacortes – Sidney, B.C. ferry users traveling for recreation/shopping purposes are associated with visitor spending impacts<sup>8</sup>.
- While there may be additional spending by riders traveling for other purposes such as work, school, business, personal or other, there is insufficient data to quantify this spending.
- 85% of trips are between Sidney and Anacortes, and 15% are between Sidney and San Juan<sup>9</sup>.

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<sup>7</sup> Weighted average of 63.5% on weekday and 91.4% on Saturday from the 2013 WSF Origin Destination Travel Survey.

<sup>8</sup> Combined share of recreation/shopping trips for weekday and Saturday from the 2013 WSF Origin Destination Travel Survey.

<sup>9</sup> 2019 WSF Traffic Statistics.



- Of total ridership between Anacortes and Sidney leg, 47% are assumed to be eastbound or to Anacortes, and 53% are assumed to be westbound or to Sidney<sup>10</sup>. The same eastbound and westbound percentage split is assumed for the San Juan to Sidney leg of this route.
- The number of visitors generating tourism-related expenditures in Anacortes/Fidalgo Island is made up of an estimated 9.8%<sup>11</sup> of eastbound travelers (originating in Sidney and traveling to Anacortes) whose final destination is Anacortes/Fidalgo Island and 16.9%<sup>12</sup> of westbound travelers to Sidney originating in W Pierce / Thurston Counties and other places outside northern and central Puget Sound. It is assumed that these westbound visitors travel longer distances to the Anacortes ferry terminal and are more likely to make more substantial expenditures, such as meals at restaurants or staying overnight in the Anacortes area before taking the ferry to Sidney.
- The number of visitors generating tourism-related expenditures in San Juan County is made up of 100% of eastbound travelers from Sidney to San Juan. No impact is assigned to the westbound San Juan to Sidney connection since it is assumed that most of these visitors are residents of San Juan County traveling to Sidney. Therefore, the bulk of their spending will occur in Sidney or other destinations in Canada.

### **Visitor type and spending profile**

The analysis of economic impacts associated with visitor spending differentiates between three types of visitors: day visitors, overnight visitors that stay in paid accommodation, and overnight visitors that stay in unpaid accommodation such as a private home or a friend's house.

- 95% of eastbound visitors<sup>13</sup> on the Anacortes to Sidney route are overnight visitors, of which 41% stay in paid accommodation<sup>14</sup>.
- 70% of westbound visitors on the Anacortes to Sidney route are overnight visitors<sup>15</sup>, of which 100% stay in paid accommodation.

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<sup>10</sup> 2019 WSF 3 traffic sample weeks average.

<sup>11</sup> Weighted average of 11.8% for weekday and 8.8% for Saturday for eastbound boardings with the destination Anacortes/Fidalgo Island from the 2013 Origin Destination Travel Survey.

<sup>12</sup> Weighted average of 26.8% for weekday and 10.8% for Saturday for westbound boardings with the origin W Pierce/Thurston Counties and All Other Places from the 2013 WSF Origin Destination Travel Survey.

<sup>13</sup> 2013 WSF Origin Destination Survey Roundtrip Patterns.

<sup>14</sup> Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p, p135.

<sup>15</sup> Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p, p135 – calculated as a percentage of total destination spending.

- 80% of visitors to San Juan are overnight visitors, of which 80% stay in paid accommodation<sup>16</sup>.
- San Juan visitors have longer average stays of 3 nights<sup>17</sup>, compared to 2 nights for eastbound visitors to Anacortes/Fidalgo island<sup>18</sup>. All westbound visitors to Sidney that might choose to stay overnight in Anacortes on their way to their final destination are assumed only to stay one night.
- Day visitors to Anacortes/Fidalgo Island spend roughly \$27 per day on average. Overnight visitors spend \$85 per day on average for those staying in paid accommodation and \$49 per day on average for those in unpaid accommodation<sup>19</sup>.
- Day visitors to San Juan County spend roughly \$42 per day on average. Overnight visitors spend \$137 per day on average for those staying in paid accommodation and \$86 per day on average for those in unpaid accommodation<sup>20</sup>.
- The spending profile for different type of visitors uses an average spending profile across all visitor origins. While visitors originating from Canada may spend more than visitors originating in Washington state, available resources do not provide sufficient information to create separate spending profiles. Therefore, an average spending profile across all visitors is used, specific to Skagit and San Juan Counties.

### *Sensitivity Analysis*

Sensitivity analysis was conducted to determine the likely range of outcomes of the economic impact analysis of visitor spending and examine how that changes with variations in assumptions that presented higher levels of uncertainty due to imperfect data. The analysis tested the sensitivity of the economic impact estimates to the assumptions for the share of riders on the Anacortes to Sidney ferry that generates spending in Anacortes/Fidalgo Island. These assumptions only impact the number of visitors to Anacortes/Fidalgo Island; total visitors to San Juan County remain the same as in the baseline.

There is insufficient data to determine how many ferry travelers from Sidney may choose to stop in the Anacortes area for food, shopping, or other recreation activities on their way to an eastbound destination. Similarly,

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<sup>16</sup> 2018 San Juan Island Visitor Study.

<sup>17</sup> Ibid.

<sup>18</sup> Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p, p135

<sup>19</sup> Derived from Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p.

<sup>20</sup> Ibid.

there is no information available on what share of travelers might choose to stay overnight in Anacortes/Fidalgo Island, for example, before catching the early ferry<sup>21</sup> to Sidney.

Visitor travel and spending behavior depend on many factors such as budget, time available, and others, including distance traveled. While there is no industry standard methodology for assessing visitor spending, several studies use distance as a metric for estimating the number of visitors that generate spending at a destination. Several studies<sup>22</sup> on the economic impact of travelers include day spending for all trips to an area from places 50 miles or more away from home, and other studies<sup>23</sup> include all trips to an area from 60 miles or more as an overnight stay. However, all these studies analyze the economic impact of visitor spending at the destination, not in transit. In our case, Anacortes is a location in transit where travelers on the Anacortes to Sidney ferry might choose to stop and generate some spending before traveling on to their destination.

The sensitivity analysis assessed the impact of the assumptions below. All other assumptions regarding visitor estimates and visitor type and spending profile were kept the same as in the low range baseline.

- An estimated 55.5% of eastbound travelers<sup>24</sup> from Sidney to destinations south of Snohomish County via Anacortes generate day spending (\$27 on average per visitor) in the Anacortes area. This may include buying fuel or having a meal at a local restaurant before continuing their journey to their destination. This is in addition to the baseline assumption of 9.8% of westbound travelers whose final destination is Anacortes/Fidalgo Island but who are mostly overnight visitors.
- Roughly 47% of westbound travelers<sup>25</sup> passing through the Anacortes area on their way to Sidney generate day and some overnight spending in the Anacortes area. This increases the percentage of westbound travelers from 16.9% in the baseline to include travelers from King County, in addition to the travelers from Pierce/Thurston and other areas outside the north Puget Sound region.

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<sup>21</sup> According to the WSF 2019 schedule for this route, the ferry departed Anacortes at 08:30am in the spring, fall and summer. A second afternoon ferry operated from Anacortes to Sidney in the summer.

<sup>22</sup> See economic impact studies in [North Carolina](#), [West Virginia](#), [Oklahoma](#), [Lake Chelan](#) in Washington state.

<sup>23</sup> Daniel J. Stynes, “Estimating Economic Impacts of Tourist Spending on Local Regions; A Comparison of Satellite and Survey/I-O Approaches” (2001). [Link](#)

<sup>24</sup>.WSF 2013 Origin Destination Travel Survey.

<sup>25</sup> Ibid

## Service Model Options Impacts

This study assesses the economic impact of four service model options for private ferry service operations between Washington State and Southern Vancouver Island in lieu of Washington State Ferries (**Exhibit 14**).

### **Exhibit 14. Private Ferry Service Model Options**

	<b>Bellingham Terminal</b>	<b>Anacortes Terminal</b>
80-Car Vessel	Option 1	Option 3
42-Car Vessel	Option 2	Option 4

*Sources: Community Attributes, 2020.*

**Exhibit 15** shows the change in the economic impact of visitor spending to Anacortes and San Juan from privatizing ferry operations. Overall, the highest loss in economic impact for the geography of this study is expected for Option 1 and Option 2, which would operate from the Bellingham terminal, leading to a transfer of economic impact from Anacortes to the Bellingham area. Additionally, of the 30 to 45 jobs lost, 21 are in San Juan County since the private ferry will no longer provide service to Friday Harbor.

### **Exhibit 15. Change in Visitor Spending Economic Impact, Anacortes/Fidalgo Island and San Juan County, Mils \$2019**

	<b>Option 1 / Option 2</b>	<b>Option 3</b>	<b>Option 4</b>
Jobs	-30/-45	-19/-18	-22/-25
Total Compensation	-\$1.2/-1.9	-\$0.8/-0.7	-\$0.9/-1.0
Business Revenue	-\$3.4/-4.9	-\$2.2/-2.0	-\$2.5/-2.8

*Sources: 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Washington State Employment Security Department, 2019; Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Community Attributes, 2020.*

The following sections breakdown the visitor spending economic impact to Anacortes and San Juan and discuss the differences from the baseline for each community.

#### *Anacortes/Fidalgo Island Economic Impacts*

The economic impact of visitor spending to Anacortes/Fidalgo Island for the private service model options with an Anacortes terminal is not significantly different than the baseline economic impact (**Exhibit 16**):

- Option 3 (80 Car Vessel). This option would have a total economic impact to Anacortes/Fidalgo Island of between 11 jobs and 27 jobs, and between \$1.2 million and \$2.9 million in business revenue. This is 2 to 3 jobs more and roughly \$123,000 to \$302,000 more in business revenue than the baseline economic impact estimate.
- Option 4 (42 Car Vessel). This option would have a total economic impact to Anacortes/Fidalgo Island of between 8 jobs and 20 jobs, and between \$0.9 million and \$2.1 million in business revenue. This is 1 to 4 fewer jobs and roughly \$187,000 to \$464,000 less business revenue than the baseline estimate.

**Exhibit 16. Economic Impacts to Anacortes/Fidalgo Island, Service Model Options, Mils \$ 2019**

	Option 3 (80-Car Vessel)		Option 4 (42-Car Vessel)		Baseline (Anacortes/ Fidalgo Island)	
	Low Range	High Range	Low Range	High Range	Low Range	High Range
Jobs	11	27	8	20	9	24
Total Compensation	\$0.4	\$1.2	\$0.3	\$0.9	\$0.4	\$1.0
Business Revenue	\$1.2	\$2.9	\$0.9	\$2.1	\$1.0	\$2.6

*Sources: 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Washington State Employment Security Department, 2019; Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Elliot Bay Design Group, 2020; Community Attributes, 2020.*

Option 1 and Option 2 assume the private ferry would operate from the existing Bellingham Ferry Terminal, instead of a terminal in Anacortes. Assuming demand for travel to Sidney by ferry via Bellingham would be the same as via Anacortes, the economic impact would transfer from Anacortes/Fidalgo Island to the Bellingham area. The Anacortes/Fidalgo Island area would lose between 9 and 24 jobs and between \$1.0 million and \$2.6 million in business revenue supported through visitor spending.

Given the information available on origins and destinations for travelers currently using the Anacortes – Sidney, B.C. route and differences in drive times and ferry crossing times, the best estimate is that ferry travel demand to Sidney via Bellingham would be similar to demand via Anacortes.

Visitors driving to and from the south (King County) via I-5 or from west Skagit County via SR 20 would experience similar drive times to Bellingham

terminal as to the Anacortes terminal<sup>26</sup>. Drive times will be higher for visitors traveling from or to Anacortes/Fidalgo Island area, representing a deterrent for some of these visitors. However, that could be offset by more visitors from the Bellingham area and other parts of Whatcom County, which would experience a shorter drive time to the ferry terminal in Bellingham than the one in Anacortes.

The ferry crossing times are also relatively similar between the Bellingham service model options and the Anacortes options. The crossing time from Bellingham with the 80-car vessel is assumed to be 2 hours and 40 minutes, which is 15 minutes longer than taking the same ferry from Anacortes. For the faster 40-car ferry, the crossing time from Bellingham is 12 minutes faster at 1 hour and 28 minutes than from Anacortes.

### *San Juan County Economic Impacts*

The baseline economic impact associated with this leg of the Anacortes – Sidney route is from westbound visitors going to the San Juan Islands. Under Options 3 and 4, to get to the San Juan from Sidney, visitors could take a ferry to Anacortes or take other routes, for example, the Swartz Bay, BC to Tsawwassen, BC ferry and drive south to Anacortes and then take the Anacortes – San Juan Islands service provided by WSF. Under Options 1 and 2, Sidney visitors could take the proposed private ferry to Bellingham and then drive south to Anacortes to get on the Anacortes – San Juan Islands service operated by WSF.

The significant increase in travel time under all four service model options would most likely be a deterrent to traveling to San Juan from Sidney. Therefore, it is assumed that San Juan County would no longer experience the economic impact of visitor spending from ferry-induced travel. The estimated baseline total economic impact of 22 jobs and \$2.3 million in business revenue (2019 dollars) to San Juan County is considered a good proxy for the scale of the negative impact from the loss of ferry service from Sidney to San Juan.

### *Sales Tax Impact*

Visitor spending under the 80-car vessel private service is likely to generate between \$4,900 and \$12,000 in local sales tax revenue in Anacortes/Fidalgo Island and between \$36,200 and \$87,600 in state sales tax. Under the 42-car vessel private service, the visitor spending economic impact can generate

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<sup>26</sup> This is based on measuring the difference in drive times using Google maps from the Burlington interchange to the proposed Anacortes terminal and the existing terminal in Bellingham.

between \$3,600 and \$8,800 in local sales tax to Anacortes/Fidalgo Island area and between \$26,600 and \$64,400 in state sales tax revenue. (**Exhibit 17**)

**Exhibit 17. Sales Tax from Visitor Spending Economic Impact, Service Model Options, Mils \$2019**

		Anacortes/ Fidalgo Island	
		Low Range	High Range
80-Car Vessel	Local	\$4,900	\$12,000
	State	\$36,200	\$87,600
42-Car Vessel	Local	\$3,600	\$8,800
	State	\$26,600	\$64,400

*Sources: Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Community Attributes, 2020.*

*Note: Local sales tax is tax revenue collected by Anacortes/Fidalgo Island and San Juan County that is generated through visitor spending and supported economic activities that occur in these communities. State sales tax is revenue collected by the state that is generated through visitor spending and supported economic activities that occur in Anacortes and San Juan area.*

The change in local tax revenue to Anacortes/Fidalgo Island from privatization depends on the type of vessel and terminal location:

- Anacortes terminal, 42-car vessel (Option 4): loss of \$800 to \$1,900 in local sales tax.
- Anacortes terminal, 80-car vessel (Option 3): gain of \$500 to \$1,300 in local sales tax.
- Bellingham terminal (Option 1 and Option 2): loss between \$4,400 and \$10,700 in local sales tax from the transfer of visitor spending to the Bellingham area.

Since San Juan County would no longer experience the economic impact of visitor spending from Anacortes to Sidney ferry-induced travel, the County and state could experience a reduction in sales tax revenue associated with that economic impact. The local sales tax revenue lost to the County is roughly \$18,500, while the state sales tax revenue is \$76,900, as estimated in the baseline.

*Visitor Estimates*

The number of visitors traveling on the Anacortes – Sidney, B.C. ferry service that would generate spending in Anacortes/Fidalgo Island or Bellingham area ranges between 8,100 and 33,200 visitors for Options 1 and 3 and between 5,900 and 24,400 visitors for Options 2 and 4 (**Exhibit 18**). Compared to the baseline, the four proposed private ferry service model options would not provide service between Sidney and the San Juan.

Therefore, San Juan County would most likely no longer receive visitors from Sidney.

**Exhibit 18. Total Visitors by Type, Service Model Options**

	Option 1 / Option 3 (80-Car Vessel)		Option 2 / Option 4 (42-Car Vessel)		Baseline (Excl. San Juan)	
	Low Range	High Range	Low Range	High Range	Low Range	High Range
Day Visitors	1,740	20,170	1,280	14,840	1,560	18,050
Overnight Visitors	6,350	13,050	4,660	9,590	5,680	11,680
Paid Accommodation	4,820	11,520	3,540	8,470	4,310	10,310
Unpaid Accommodation	1,530	1,530	1,120	1,120	1,370	1,370
<b>Total Visitors</b>	<b>8,090</b>	<b>33,220</b>	<b>5,940</b>	<b>24,430</b>	<b>7,240</b>	<b>29,730</b>

*Sources: 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Elliot Bay Design Group, 2020; Community Attributes, 2020.*

Service model Option 1 and Option 3 show an increase in visitors of roughly 12% compared to the baseline. Option 2 and Option 4 visitor estimates are 18% less than the baseline estimates due to the smaller boat capacity.

### *Assumptions*

#### **General**

- Options 1 and 2 assume the private operator would provide service from the existing terminal currently used by AMHS in Bellingham and the same terminal in Sidney currently used by WSF.
- Options 3 and 4 assume the private operator would provide service from a new terminal built on Fidalgo Island and from the same terminal in Sidney currently used by WSF.
- All private service options considered in this study will only provide direct service between Anacortes and Sidney, with no stops at Friday Harbor.

#### **Visitor estimates**

- Ferry ridership projections provided by Elliot Bay Design Group form the basis of the visitor numbers for which economic impacts are calculated. Ridership projections are based on vessel capacity and load factor assumptions and do not account for changes in fares or other external factors that could influence ferry travel demand.
- Options 1 and 3 have an estimated ridership of 132,451 rides. This assumes a summer load factor of 95% for vehicles and drivers (i.e., 95% of the car deck is full each way) and a shoulder season load factor of 60%. The total number of rides is calculated using a ratio of 1.97



passengers per car and driver, as in the WSF ridership data for 2019 for the Anacortes – Sidney, B.C. route. (Exhibit 19)

**Exhibit 19. Ridership Projections, Option 1 and Option 3**

Season	Load Factor	# Months	# Daily One-Way Trips	Vehicles carried	Passengers carried	Total Trips
Summer	95%	3	4	27,360	53,820	81,180
Shoulder	60%	6	2	17,280	33,991	51,271
Winter	0%	3	0	-	-	-
<b>Total</b>				<b>44,640</b>	<b>87,811</b>	<b>132,451</b>

Sources: Elliot Bay Design Group, 2020; Community Attributes, 2020.

- Options 2 and 4 have an estimated ridership of 97,447 rides. This assumes a summer load factor of 98% for vehicles and drivers and a shoulder season load factor of 70%. The total number of rides is calculated using a ratio of 1.97 passengers per car and driver, as in the WSF ridership data for 2019 for the Anacortes – Sidney, B.C. route. (Exhibit 20)

**Exhibit 20. Ridership Projections, Option 2 and Option 4**

Season	Load Factor	# Months	# Daily One-Way Trips	Vehicles carried	Passengers carried	Total Trips
Summer	98%	3	6	22,226	43,721	65,948
Shoulder	70%	6	2	10,584	20,820	31,404
Winter	0%	3	0	-	-	-
<b>Total</b>				<b>32,810</b>	<b>64,636</b>	<b>97,447</b>

Sources: Elliot Bay Design Group, 2020; Community Attributes, 2020.

- Ridership numbers are adjusted to estimate the number of unique individuals traveling by ferry using the same assumptions as in the baseline - 95% of riders are assumed to make round-trips, of which 81% take the same ferry route in both directions.
- All other assumptions used to generate visitor spending estimates are the same as in the baseline.

**Visitor type and spending profile**

- All assumptions for visitor type and spending profile are the same as in the baseline.

## ECONOMIC IMPACTS OF OPERATIONS

### Baseline

The existing Washington State Ferries route from Anacortes to Sidney supported more than \$6.1 million in direct operating expenses in the fiscal year 2019. These expenses are concentrated in labor expenses (46%), including vessel, terminal, and management workers. Expenses also include fuel, maintenance, and other expenses. (**Exhibit 21**)

**Exhibit 21. Anacortes-Sidney Direct Operating Expenses by Category, Fiscal Year 2019**

<b>Category</b>	<b>Cost</b>
Labor	\$2,820,000
Maintenance	\$1,314,000
Fuel	\$844,000
Other Costs	\$1,126,000
<b>Total</b>	<b>\$6,104,000</b>

*Source: Washington State Ferries Route Statements for Fiscal Years 2014-2019.*

### *Labor*

Overall, labor expenses total more than \$2.8 million in the fiscal year 2019. According to collective bargaining agreements, vessel and terminal staff earn an hourly wage between \$21.90 and \$51.99. Including benefits raises hourly compensation between \$30.22 and \$67.63.

During the summer service weeks, the Sidney route supports two crews of 9 vessel staff. This includes 2 purser positions required for international travel. Most of the other positions are seasonal staff that WSF hires for the summer, with some permanent part-time staff that work longer hours in the summer. In the Spring and Fall, the Sidney route is served by one crew of 9 vessel staff, including the purser, which is integrated with the domestic service, and only a portion of the service hours are associated with the Sidney route. Of these positions, only the purser position required for international service would likely be lost due to the privatization of the service.

Overall, the Anacortes to Sidney route operated by WSF supports 18 positions in the summer and one purser position required for international service in the fall and spring.

WSF also allocates a portion of terminal and management expenses to the Sidney route. Management staff is a fixed cost allocated to the route. Therefore, the jobs associated with the costs will not change due to privatization and will be allocated across the remaining routes.

Most expenses for Washington State Ferries and the Anacortes-Sidney route are spent in the Puget Sound Region. Most labor compensation is spent at the worker's place of residence. Washington State Ferries employees are spread throughout the Puget Sound region. Overall, Kitsap County (27%), King County (24%), and Snohomish County (16%) represent the place of residence for 67% of Washington State Ferries staff. Filtering for deck positions<sup>27</sup> only, or those positions that compose crews for ferry routes, Kitsap (34%), King (17%), Skagit (13%), and Snohomish (11%) Counties are the place of residence for 76% of vessel staff. **(Exhibit 22)**

**Exhibit 22. Share of Washington State Ferries Deck Positions and All Staff by County of Residence, 2019**

County	Share of Deck Positions	Share of Staff
Kitsap	34.4%	26.9%
King	16.9%	24.1%
Skagit	13.2%	8.6%
Snohomish	11.0%	15.8%
Pierce	6.8%	6.9%
Island	5.7%	5.5%
Jefferson	3.9%	3.7%
San Juan	2.7%	1.1%
Whatcom	2.1%	1.6%
Mason	1.6%	1.2%
Clallam	0.9%	1.4%
All Other Counties	0.8%	3.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Washington State Ferries, 2019; KPFF, 2020; Community Attributes Inc., 2020.

Most staff with deck positions reside in Seattle (9%), Anacortes (9%), Poulsbo (7%), and Bremerton (7%). Additionally, 3% of deck position staff reside in San Juan County. Only the spending of staff assigned to the Sidney route residing in Anacortes or San Juan County will be retained within Anacortes and San Juan County, generating economic impacts through multiplier effects. **(Exhibit 23)**

<sup>27</sup> Deck positions include Master, Mate, Chief Mate or Second Mate, Quartermaster, Able Boson, Able Seaman, Ordinary Seaman and On-Call Deck.

**Exhibit 23. Share of Washington State Ferries Deck Positions and All Staff by City of Residence, 2019**

<b>City</b>	<b>Share of Deck Positions</b>	<b>Share of Staff</b>
Seattle	8.8%	12.0%
Anacortes	8.5%	4.9%
Poulsbo	8.4%	5.1%
Bremerton	7.4%	5.4%
Kingston	5.4%	3.7%
Port Orchard	5.0%	5.2%
Everett	2.4%	3.3%
Tacoma	2.2%	2.4%
Freeland	2.1%	1.6%
Gig Harbor	2.1%	1.7%
Roche Harbor	2.1%	0.8%
<i>All Other Cities</i>	45.7%	54.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

*Source: Washington State Ferries, 2019; KPFF, 2020; Community Attributes Inc., 2020.*

*Maintenance*

Maintenance expenses are 22% of operating costs for the Anacortes-Sidney route. Washington State Ferries does most of their maintenance out of the Eagle Harbor facility on Bainbridge Island. Most of the economic impact from these expenses accrues within the Puget Sound region, rather than Anacortes and San Juan County.

*Fuel*

Fuel comprises 14% of operating expenses for the route in the fiscal year 2019. Washington State Ferries has a contract with Rainier Petroleum based in Seattle, Washington,, to fuel the Anacortes-Sidney route. Fueling for the route occurs by truck in Anacortes typically, with occasional fueling in Friday Harbor. Similar to maintenance expenses, most of the economic impact from fueling occurs within the Puget Sound region where the contractor is located, as well as Anacortes, where the fueling activities primarily occur.

Overall, the operating expenses of the Anacortes-Sidney route generate economic impacts throughout the Puget Sound region and Washington through multiplier effects. The multiplier effects for the waterborne transportation industry are 8.59 jobs per million dollars in direct output, 3.24

jobs per direct job, and 0.49 dollars in labor income per dollar in final demand<sup>28</sup>.

## Service Model Options

Operations expenses for the four private ferry service model options range between \$5.2 and \$5.9 million per year, depending on the size of the ferry operating the route and the terminal location. Labor expenses comprise the largest share of expenses across all service model options, just like the current route. Maintenance expenses are estimated to comprise a smaller share of costs than the baseline, while fuel is expected to comprise a larger share of total operating costs. (**Exhibit 24**)

**Exhibit 24. Service Model Options Operating Expenses by Category**

<b>Category</b>	<b>Option 1</b> (80 Car Vessel, Bellingham Terminal)	<b>Option 2</b> (42 Car Vessel, Bellingham Terminal)	<b>Option 3</b> (80 Car Vessel, Anacortes Terminal)	<b>Option 4</b> (42 Car Vessel, Anacortes Terminal)
Labor	\$2,625,940	\$2,913,553	\$2,625,940	\$2,913,553
Fuel	\$1,282,435	\$1,802,472	\$1,079,009	\$1,855,181
Maintenance	\$450,000	\$150,000	\$450,000	\$150,000
Other Costs	\$1,067,703	\$1,024,206	\$1,067,703	\$1,024,206
<b>Total</b>	<b>\$5,426,078</b>	<b>\$5,890,231</b>	<b>\$5,222,652</b>	<b>\$5,942,940</b>

Source: Elliot Bay Design Group, 2020.

### *Labor*

According to the analysis of service model options, the conventional 80 car vessel is expected to support 36 jobs or three crews of 10 vessel staff and 4 terminal staff during the Spring, Summer, and Fall service and an estimated 2 management staff<sup>29</sup>. In total, based on estimated labor costs and average wages, the 80-car vessel is expected to support a total of 26 FTEs.

The high-speed catamaran 42 car vessel is expected to support 45 jobs or three crews of 13 vessel staff and 4 terminal staff during the Spring, Summer, and Fall service, as well as an estimated 2 management staff. Based on estimated labor costs and average wages, the 42-car vessel is expected to support a total of 31 FTEs.

Similar to current Washington State Ferries staff, private operators in any of the four service model options will likely hire both vessel and terminal staff locally. Administrative support and management staff are likely to be hired

<sup>28</sup> Washington State Input-Output Model, 2007 from the Washington State Office of Financial Management.

<sup>29</sup> Management staff are estimated based on labor compensation estimates, average hourly compensation, and a 2,080 hour per year.

locally to the place of operation for the private operator, which could be based out of Canada, the Puget Sound Region, or elsewhere nationally or internationally. The operations impacts supported by vessel and terminal staff are likely to be similar to those currently supported by Washington State Ferries.

Washington State Ferries has not indicated what changes, if any, would happen to staff currently assigned to the route under a privatization scenario. Two potential options analyzed include:

- Maintain the current domestic service hours and eliminate the international service hours during the Spring/Fall and eliminate the 5<sup>th</sup> vessel providing international service during the Summer.
- Maintain the current domestic service hours and add an additional domestic round trip during the Spring/Fall and retain the 5<sup>th</sup> vessel to provide 8 hours of domestic service during the Summer.

Both options reduce the overall number of service hours compared to the previous hours associated with the Sidney route. The first option would result in a higher reduction in hours since the 5<sup>th</sup> vessel would not provide service in the summer, and WSF would not have to hire temporary staff for the summer. Therefore, WSF could choose to eliminate up to 18 positions supported by the Sidney route in the summer and one crew position required for international service in the fall and spring.

The hours associated with management positions are a fixed cost for WSF and will be allocated across other routes; the privatization of the route will not result in any reduction in management jobs. Additionally, terminal jobs are likely to remain unchanged due to privatization.

While both WSF options would allow for eliminating some jobs, it is not clear what would happen to the staff currently assigned to the Sidney route. WSF has several options other than eliminating positions. Some staff could be reassigned to different routes or could be assigned as on-call staff. Additionally, prior research on WSF staffing needs found that WSF is facing challenges in hiring and recruitment and upcoming retirements. If Washington State Ferries does not reduce staff but instead reassigns staff to a different route, the economic impact supported by these jobs would not be lost with the transitions of the Anacortes-Sidney route to a private operator. The potential reduction in hours could lead to a decrease in economic impact supported by Washington State Ferries after the privatization of the Sidney route.

### *Fuel*

Fuel is the second-largest share of operations expense for each of the four service model options. Fueling is likely to continue similarly to the current

baseline, but with increased cost compared to the baseline. The economic impact supported by fuel purchases depends on the location of the supplying contractor. Still, it is likely to continue to support economic impacts in the Puget Sound region. A portion of the economic impact also supports the local economy; therefore the private service Options 3 and 4 with the terminal location in Anacortes will continue to generate economic impacts locally to Anacortes. Options 1 and 2 with the terminal location in Bellingham will shift economic impact from local fueling activities from Anacortes to Bellingham.

### *Maintenance*

Maintenance and repair are also operating costs for private operators. The location for maintenance and repair will depend on the location of the operator. However, similar to WSF, private operators will likely use maintenance facilities currently serving their other routes. Therefore, the economic impact of maintenance operation costs will likely continue to accrue to the Puget Sound region but depending on the private operator may also support economic activities in Canada.

The multiplier effects of operations for each of the four service model options will likely be similar in magnitude to those supported by the existing WSF route. Where some of these economic impacts are supported, depend both on the private operator and their choice of contractors, as well as the terminal locations. Shifting the terminal to Bellingham would likewise shift a portion of the economic impacts supported by vessel staff, terminal operations, and other expenses to Bellingham and Whatcom County instead of Anacortes and Skagit County.

## ECONOMIC IMPACTS OF TERMINAL CONSTRUCTION

Service model Options 3 and 4 with a terminal in Anacortes would require a new terminal. The existing WSF terminal will likely not be able to accommodate the service provided by a private operator.

Capital expenditures for the construction of a new terminal are estimated between \$20 and \$30 million. Examples of previous terminal capital expenditures include the Lummi terminal in 2018 with the cost at \$27 million and the Alaska Marine Highways terminals ranging between \$18 to \$30 million per terminal. Assuming similar construction costs for the new terminal in Anacortes for service model Options 3 and 4, terminal construction is estimated to support between 20 and 30 jobs annually and between \$1.2 and \$1.9 million in wages annually, based on average wages for construction in Skagit County.

Construction companies that can complete the specific construction type required for a ferry terminal may be located in the Puget Sound region. Based on data from the Washington State and U.S. Input-Output models, an estimated 86% of construction costs are purchased locally at the place of work. The remaining 14% of purchases are made out of the construction companies headquarters or management location. Depending on the construction company hired to construct the terminal or make terminal upgrades, an estimated 14% of the construction costs are estimated to be spent outside of the terminal construction location. These costs may support economic activity in the Puget Sound region, depending on the construction company. The estimated 86% of construction costs spent locally will likely support economic activity through the supply chain or indirect impacts in either Bellingham or Anacortes, depending on the service model option and terminal location.

Construction costs also support local hiring and wage spending. Based on 2019 Washington State Occupational Employment Survey data, an estimated 38% of occupational employment in the construction industry are on-site jobs or those jobs that complete work at the place of performance rather than at the company location. Terminal construction costs in either Bellingham or Anacortes will likely support the hiring of construction workers in either Bellingham or Anacortes. The jobs supported by these construction costs are short-term, supported through the construction phase. The wages paid to the locally hired construction workers will support economic activity within the local economy or induced impacts.

According to the Washington State Input-Output model, the construction industry supports 10.89 jobs per million dollars in direct output in Washington. Additionally, the industry supports 2.48 jobs per direct job and 0.54 dollars in labor income per dollar in final demand.

## IMPACTS TO FAMILY WAGE JOBS

Private operations support between 26 and 31 full-time equivalent jobs, which while paying less than the union wages supported by WSF, also support living wages. Vessel operations, both WSF and private operators, support jobs throughout the Puget Sound, not just in Anacortes/Fidalgo Island and San Juan County.

Terminal construction for a new Anacortes terminal required for service model Options 3 and 4 support an estimated 20-30 full-time equivalent jobs annually, likely located in Anacortes and the broader Puget Sound region.

Full-time equivalent jobs supported by visitor spending under the baseline and service model options on average have lower wages than vessel and construction jobs. On average, these wages are slightly lower than the living



wage for the average household in Skagit and San Juan Counties. Therefore, the FTEs supported by visitor spending are not living wage jobs for all household types. The current Sidney route supports between 9 and 24 total full-time equivalent jobs through visitor spending, while service model Options 1 and 3 support between 11 and 27 full-time equivalent jobs and service model Options 2 and 4 support between 8 and 20 full-time equivalent jobs. (Exhibit 25)

**Exhibit 25. FTEs by Service Model Option**

	<u>Vessel Operations<sup>(1)</sup></u>	<u>Terminal</u>	<u>Visitor Spending<sup>(2)</sup></u>	
	Private Operator	Construction	Low	High
Baseline				
124 car vessel	N/A	N/A	30	45
Anacortes terminal				
Option 1				
80 car vessel	26	N/A	11	27
Bellingham terminal				
Option 2				
42 car vessel	31	N/A	8	20
Bellingham terminal				
Option 3				
80 car vessel	26	20-30	11	27
Anacortes terminal				
Options 4				
42 car vessel	31	20-30	8	20
Anacortes terminal				

*Sources: KPFF, 2020; 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Washington State Employment Security Department, 2019; Washington State Department of Revenue, 2019; Washington State Office of Financial Management, 2020; Elliot Bay Design Group, 2020; Community Attributes, 2020.*

*Notes: (1) Vessel Operations and Terminal Construction jobs are likely to be located throughout the Puget Sound Region. (2) Visitor spending jobs are estimated for Anacortes and San Juan County. Additionally, these jobs may not provide living wages for all household types.*

The number of jobs supported by Washington State Ferries after privatization depends on the choices WSF makes in staffing. The elimination of the international route from WSF service allows for eliminating one purser position required for international service and up to 18 positions required during the summer<sup>30</sup>.

<sup>30</sup> Please note that these are positions rather than full time equivalent jobs.

## Ferry Operations

### *Baseline Operations*

The average vessel and terminal union jobs pay living wages in both Skagit and San Juan Counties including living wages for all household types in King County. On average, the vessel and terminal operations for a conventional vessel, at assumed union rates, support an average wage of \$73,100 annually or \$35.15 per hour. Including benefits, the average compensation for vessel and terminal operations is \$100,900 annually or \$48.50 per hour. (**Exhibit 26**)

Washington State Ferries positions supported by the Anacortes-Sidney route support living wage jobs in both Skagit and San Juan Counties based on wages alone before benefits. Union wage rates for vessel operations range between \$30.22 and \$71.75 with benefits per hour. For Skagit and San Juan Counties, all Washington State Ferries vessel jobs pay living wage for all households except those with 1 adult and 3 children.

Many Washington State Ferries workers reside in King County, which has higher living wage requirements. Living wages in King County range between \$24,100 annually or \$11.59 per hour and \$96,000 annually or \$46.17 per hour. On average, households in King County have 2.46 persons, 0.51 children, and 1.27 working adults. The living wage in King County for a 2 adult, 1 child and 1 worker household is \$58,600 annually or \$28.15 per hour. Washington State Ferries vessel jobs pay living wages for most household types in King County.

Regardless of residence, the 18 jobs required in the summer and one purser position required for international service supported by the Washington State Ferries Sidney route are family-wage jobs.

**Exhibit 26. Assumed Union and Non-Union Wage and Benefits Rates by Vessel and Terminal Occupation**

<b>Occupation</b>	<b>Wage Rate</b>	<b>Benefits</b>	<b>Total</b>
<b>Union Wage Rates</b>			
Master	\$51.99	\$19.76	\$71.75
Chief Engineer	\$49.01	\$18.62	\$67.63
Mate/Master (100 ton)	\$43.32	\$16.46	\$59.78
Assistant Engineer	\$41.29	\$15.69	\$56.98
Shore Gang Foreman/Superintendent	\$37.73	\$14.34	\$52.07
AB Bosun	\$32.56	\$12.37	\$44.93
AB	\$30.92	\$11.75	\$42.67
Auto Ticket Seller	\$28.46	\$10.81	\$39.27
Purser	\$28.46	\$10.81	\$39.27
Information Agent	\$26.57	\$10.10	\$36.67
Ordinary Seaman	\$25.77	\$9.79	\$35.56
Passenger Ticket Taker	\$25.52	\$9.70	\$35.22
Stewards	\$21.90	\$8.32	\$30.22
<b>Non-Union Wage Rates</b>			
Master	\$48.18	\$14.45	\$62.63
Chief Engineer	\$43.86	\$13.16	\$57.02
Mate/Master (100 ton)	\$38.87	\$11.66	\$50.53
Assistant Engineer	\$36.95	\$11.09	\$48.04
Shore Gang Foreman/Superintendent	\$35.00	\$10.50	\$45.50
AB Bosun	\$27.11	\$8.13	\$35.24
AB	\$25.76	\$7.73	\$33.49
Ordinary Seaman	\$23.24	\$6.97	\$30.21
Information Agent	\$22.00	\$6.60	\$28.60
Purser	\$21.16	\$6.35	\$27.51
Auto Ticket Seller	\$20.00	\$6.00	\$26.00
Chief Cook	\$19.27	\$5.78	\$25.05
Stewards	\$15.88	\$4.76	\$20.64
Passenger Ticket Taker	\$15.00	\$4.50	\$19.50

*Source: Elliot Bay Design Group, 2020.*

***Service Model Options***

Assumed non-union wage rates for vessel and terminal operations also typically pay living wages in Skagit, San Juan, and King Counties. Non-union wage rates range between \$19.50 and \$62.63 per hour with benefits.

Privately operated vessels, as outlined in the service model options, are likely to pay non-union wages for vessel and terminal operations. A conventional vessel, as outlined in two of the feasible scenarios, support an average annual wage of \$83,000 or \$39.90 with benefits. The high-speed catamaran vessel type, as outlined in two of the feasible scenarios, support an average annual wage of \$74,600 annually or \$35.87 per hour with benefits. These non-union wages, while less than the union wage paid by WSF, still support living wage jobs in Skagit, San Juan and King counties for most household types.

**(Exhibit 26)**

While non-union wages are less than the union wages supported by the WSF route, a privatized route would also support family-wage jobs. Depending on the service model option, privatized service options support 26 to 31 vessel and terminal full-time equivalent jobs paying family wages. These jobs may be located in the Puget Sound region or elsewhere, depending on the service model option and hiring preferences for the private operator.

## Construction

Construction jobs supported by the capital expenditures for terminal construction, either a new terminal or terminal upgrades in Anacortes or Bellingham would also support living-wage jobs. The average wage for construction jobs in Skagit County is nearly \$62,500, and the average wage in Whatcom County is nearly \$75,300.<sup>31</sup> These types of jobs provide living wages for all but households with just 1 working adult and 3 children. Terminal construction could support an estimated 20 to 30 full-time equivalent jobs paying family wage jobs. These jobs will be located both at the place of construction as well as at the construction vendor's location.

## Visitor Spending

### *Baseline Operations*

The total economic impact associated with visitor spending supports jobs with average wage of nearly \$42,000. While not living wages for single worker households with more than one child, these wages do provide living wages for households with one or fewer children or more than one worker in both Skagit and San Juan counties. On average, jobs supported by visitor spending from the Anacortes-Sidney route provide higher average wages than jobs across hospitality related industries in Skagit and San Juan counties. The accommodation and food services industry pays average wages of \$21,800 and \$27,200 in Skagit and San Juan, respectively. The arts, entertainment, and recreation industry provide average wages of \$21,400

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<sup>31</sup> Washington State Employment Security Department, Quarterly Census of Employment and Wages 2019 Annual Averages, NAICs 236, Construction of buildings.

and \$20,500 in Skagit and San Juan counties, respectively. Retail industry jobs pay average wages of \$34,300 and \$33,100 in Skagit and San Juan counties, respectively.

Visitor spending supported by the Sidney route supported between 9 and 24 total jobs in the Anacortes/Fidalgo Island geography and an additional 21 jobs in San Juan County, for a total of 30 to 45 jobs. On average, these jobs support living wages for households with one or fewer children or more than one worker, but do not provide living wages for all households.

### *Service Model Options*

Service model Options 1 and 3, with an 80 car vessel support between 11 and 27 jobs through visitor spending in Anacortes/Fidalgo Island. Service model Options 2 and 4, with a 42 car option, support between 8 and 20 jobs through visitor spending in Anacortes/Fidalgo Island. If the terminal is located in Bellingham, these jobs will not be supported in Anacortes/Fidalgo Island, but Bellingham will see a corresponding increase in jobs supported through visitor spending. The stop in San Juan will be eliminated by all four of the service model options, and the route will no longer support the jobs supported by visitor spending.

Wages for jobs supported through visitor spending range between \$40,800 and \$43,000 for service model Options 1 and 3, and between \$41,300 and \$42,700 for service model Options 2 and 4. These wages are also higher than the average wages across the hospitality and related industries in Skagit and San Juan counties. Similar to the baseline, these jobs do not support wages as high as vessel operations or construction but do support living-wage jobs for some household types. These jobs, on average, support close to or more than the living wage for households with no children or more than one worker in Skagit, San Juan, and Whatcom counties.

## APPENDIX A. ECONOMIC IMPACT ASSUMPTIONS AND COMPARISON TO SAN JUAN ECONOMIC DEVELOPMENT COUNCIL STUDY

This Appendix summarizes the main differences in assumptions and methodology between the baseline economic impact analysis of Anacortes-Sidney ferry-induced visitor spending produced for the Joint Transportation Commission (JTC) and the study completed by E. D. Hovee & Company for the San Juan Economic Development Council (SJEDC).

### *Study Geography*

The budget proviso authorizing this study requires that the economic impact analysis be focused on the economy of the Anacortes area and the San Juan Islands. As a result, the geography for this study includes Anacortes/Fidalgo Island and San Juan County.

The SJEDC study focuses on the economic impact of the Anacortes-Sidney international ferry service to Island, San Juan, Skagit, Snohomish, and Whatcom counties in the northern Puget Sound region. Because of the widely different geographies for which economic impacts are estimated, the outputs of the two studies are not directly comparable.

### *Visitor Estimates*

#### **Ferry Riders**

According to Washington State Ferries, the 2019 season was shortened due to the closure of the Anacortes – Sidney route in November for required maintenance on both vessels servicing this route. To account for the shorter season, the November and December ridership numbers were replaced with 2018 numbers for those two months, resulting in 140,000 boardings.

The roughly 140,000 boardings for the Anacortes-Sidney ferry route in 2019 represent the total number of rides. This implies that an individual making a round-trip will be counted as two rides. This study adjusts the 2019 WSF ridership data for the Anacortes-Sidney route to estimate the number of unique individuals using the ferry.

In the absence of any information on the share of riders making a round-trip, it is assumed that the majority (95%) of travelers will make a round-trip. According to data on round-trip patterns from the WSF 2013 Origin-Destination Travel Survey, it is assumed that 81% of people that make a round-trip will use the same ferry route on their return journey<sup>32</sup>. The rest will drive around or use a different ferry route. The adjusted ridership

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<sup>32</sup> Weighted average of the 63.5% on weekday and 91.4% on Saturday.

numbers are then used to estimate the number of visitors that generate spending from traveling on the Anacortes-Sidney ferry.

The Dean Runyan Associates Washington State Travel Impacts & Visitor Volume Report defines visitors as “persons that stay overnight away from home or travel more than fifty miles one-way on a non-routine trip.” Thus, the spending profile assumptions derived from the Dean Runyan study apply to an individual visitor. A visitor travels round-trip from origin to destination and back, regardless of the mode of travel. This study, therefore, uses assumptions to convert the one-way trips from the Washington State Ferries ridership data to individual visitors by accounting for round-trip rides, travel mode for return trips, as well as travel purpose.

The SJEDC study uses the unadjusted 2019 ridership of 135,000 rides to estimate the number of visitors for which economic impact is assigned, not accounting for the double-counting of individuals on a return trip.

### **Route Allocation**

Using sample traffic data from WSF for three weeks in 2019 (May, August, and October), this study assumes a 47%/53% split<sup>33</sup> of east and westbound service, compared to an equal split in both directions in the SJEDC study<sup>34</sup>.

The allocation of ridership to each leg of the route is the same between the two studies – 85% of trips are Sidney-Anacortes, and 15% are Sidney-San Juan, according to 2019 WSF traffic statistics data.

### **Visitors associated with the economic impact**

This study assumes 80% of international ferry users traveling for recreation/shopping purposes are associated with visitor spending impacts. This was estimated by taking the trip weighted average of the weekday and Saturday trips by purpose from the WSF 2013 Origin-Destination Travel Survey.

The SJEDC study assumes a similar proportion of 82% of international ferry users, calculated as the average of 88% weekday and 75% Saturday trips from the WSF 2013 Origin-Destination Travel Survey.

Due to the different geographies of the two studies, the final visitor numbers for which the economic impact of ferry-induced travel spending is estimated are not directly comparable.

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<sup>33</sup> Average across the three sample weeks.

<sup>34</sup> The study mentions this assumption was made in the absence of more detailed directional counts and assuming that outbound travelers make essentially the same return trip.

### *Types of Visitors and Spending Profile*

The current study differentiates between three types of visitors: day visitors, overnight visitors staying in paid accommodation, and overnight visitors staying in private accommodation at no cost. Using 2017 data from the Dean Runyan Associates Washington State Travel Impacts & Visitor Volume Report, the 2018 San Juan Islands Visitor Study, and additional research on the tourism and hospitality industry in Anacortes and San Juan area, this study estimates a spending profile for each of these three visitor types for Anacortes/Fidalgo Island and San Juan County. **Exhibit 27** below shows the spending profiles for the different visitor types in 2017 dollars.

The SJEDC study assumptions on visitor spending are for the five counties defined for their Northern Puget Sound geography and are sourced directly from the Dean Runyan Associates 2018 report. These represent average visitor spending per day for overnight visitors in 2017 dollars (**Exhibit 27**). The average spending for overnight visitors is applied to all visitors to estimate the economic impact, which potentially overestimates the impact by not differentiating the spending for day visitors.

#### **Average Trip Length**

This study assumes that overnight eastbound visitors to Anacortes/Fidalgo Island stay an average of 2 days in Anacortes, representing the average trip duration for Skagit County from the Dean Runyan Associates Washington State Travel Impacts & Visitor Volume Report. It is also assumed that westbound visitors to Sidney who may choose to stay overnight in Anacortes before taking the ferry to Sidney will only stay one night.

The average trip length for San Juan County visitor is 3 days, sourced from the San Juan Islands Visitor Study. The San Juan Islands Visitor Study averages trip length across all types of visitors, both day and overnight.

The SJEDC study assumes an average trip length of 2.49 nights for all visitors to the five-county region and 1.8 nights for San Juan County visitors based on the Dean Runyan Associates Washington State Travel Impacts & Visitor Volume Report. According to the Dean Runyan report, the average trip length for all overnight visitors to San Juan County is 1.8, indicating that the study assumes that 100% of visitors are overnight visitors.

#### **2017-19 Spending Adjustment**

Both studies adjust the total direct spending from 2017 to 2019 dollars. This study uses an adjuster of 1.03 calculated based on the GDP Implicit Price Deflator from FRED. The SJEDC study employs an adjuster of 1.08 provided by Tourism Economics.



### *Economic Multiplier Effects*

The current study uses the Washington State Input-Output Model with local adjustments to estimate the secondary effects of direct visitor spending. The SJEDC study employs the following economic multipliers provided by Tourism Economics:

- 1.9 business revenue multiplier (total business revenue per direct business revenue)
- 1.4 employment multiplier (total jobs per direct job), and
- 1.7 labor income multiplier (total compensation per direct compensation).

For comparison, the Washington State Input-Output model results in the following multipliers:

- 1.8 business revenue multiplier for San Juan County and 2.0 for Anacortes/Fidalgo Island,
- 1.4 employment multiplier for San Juan County, matching the SJEDC study, and 1.5 for Anacortes/Fidalgo Island, and
- 1.7 labor income multiplier for both geographies, matching the SJEDC study.

**Exhibit 27** outlines the assumptions and data used in this study to arrive at the direct visitor spending impact to Anacortes/Fidalgo Island and San Juan County. **Exhibit 28** provides the assumptions and analysis sourced from the SJEDC Study.

## Exhibit 27. Visitor Spending Direct Economic Impacts Assumptions, Baseline Low Range, JTC Study

	Eastbound		Westbound		Source
	Sidney BC - Anacortes	Sidney BC - San Juan	Anacortes - Sidney BC	San Juan - Sidney BC	
<b>Ferry Riders</b>					
Annual Trips (2019)			140,252		WSF 2019 Route Statistics
% of riders taking a round trip			95%		
% of riders that use same ferry route round trip			81%		WSF 2013 OD Travel Survey
Total Riders (2019)			79,093		
<b>Route Allocation</b>					
Directional Split		47%		53%	WSF 2019 3 sample weeks average
% to each route	85%	15%	85%	15%	WSF 2019 Route Statistics
Riders by route and direction of travel	31,425	5,752	35,431	6,485	
<b>Visitors Estimates</b>					
% Recreation/Shopping			80%		WSF 2013 OD Travel Survey
Anacortes/Fidalgo Island and San Juan County destir	9.8%	100%	0%	0%	WSF 2013 OD Travel Survey
Origins outside North and Central Puget Sound	0%	0%	16.9%	0%	WSF 2013 OD Travel Survey
Visitors by route and direction of travel	2,460	4,590	4,780	-	
<b>Types of Visitors</b>					
Overnight visitors	95%	80%	70%	80%	Dean Runyan 2017; San Juan Islands Visitor Study 2018
Overnight paid visitors	41%	80%	100%	80%	
Day visitors	123	918	1,438	-	
Overnight paid visitors	970	2,937	3,341	-	
Overnight unpaid visitors	1,367	734	-	-	
<b>2017 Spending Estimates</b>					
Average Day visitor spending/day	\$26	\$41	\$26	\$41	Dean Runyan 2017; San Juan Islands Visitor Study 2018 (in 2017 dollars)
Average Overnight paid visitor spending/day	\$83	\$133	\$83	\$133	
Average Overnight unpaid visitor spending/day	\$47	\$83	\$47	\$83	
Average Trip Length	2.0	3.0	1.0	3.0	
Total Visitor Spending	\$292,521	\$1,393,119	\$314,423	\$0	
<b>2019 Spending Estimates</b>					
Total Visitor Spending (Anacortes/Fidalgo Island and San Juan County)			\$2,000,063		In 2017 dollars
GDP Implicit Price Deflator			1.03		FRED 2020
2019 Total Visitor Spending			\$2,063,505		In 2019 dollars

*Sources: 2013 WSF Origin Destination Travel Survey; Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p; WSF 2019 Traffic Statistics; 2018 San Juan Island Visitor Study; Community Attributes, 2020.*

## Exhibit 28. Visitor Spending Direct Economic Impacts Assumptions, Low Scenario, SJEDC Study

	Eastbound		Westbound		Source
	Sidney BC - Anacortes	Sidney BC - San Juan	Sidney BC - Anacortes	Sidney BC - San Juan	
<b>Ferry Riders</b>					
Annual Trips (2019)			135,631		WSF 2019 Route Statistics
% of riders taking a round trip			NA		
% of riders that use same ferry route round trip			NA		
Total Riders (2019)			135,631		
<b>Route Allocation</b>					
Directional Split		50%		50%	
% to each route	85%	15%	85%	15%	WSF 2019 Route Statistics
Riders by route and direction of travel	57,643	10,172	57,643	10,172	
<b>Visitors Estimates</b>					
% Recreation/Shopping			82%		WSF 2013 OD Travel Survey
North Puget Sound Destinations, or	41.0%	100%	0%	0%	WSF 2013 OD Travel Survey
Origins outside North Puget Sound	0%	0%	46.0%	0%	WSF 2013 OD Travel Survey
Visitors by route and direction of travel	19,380	8,341	21,743	-	
<b>Types of Visitors</b>					
Overnight visitors	100%	100%	100%	100%	
Overnight paid visitors			NA		
Day visitors			NA		
Overnight paid visitors	19,380	8,341	21,743	-	
Overnight unpaid visitors			NA		
<b>2017 Spending Estimates</b>					
Average Day visitor spending/day			NA		
Average Overnight paid visitor spending/day	\$88	\$121	\$88	\$121	Dean Runyan 2017 - 5 County average/San Juan County
Average Overnight unpaid visitor spending/day			NA		
Average Trip Length	2.5	1.8	2.5	1.8	
Total Visitor Spending	\$4,246,373	\$1,816,697	\$4,764,224	\$0.00	
<b>2019 Spending Estimates</b>					
Total Visitor Spending (Anacortes/Fidalgo Island and San Juan County)			\$10,827,294		In 2017 dollars
GDP Implicit Price Deflator			1.08		Per Tourism Economics impact increase
2019 Total Visitor Spending			\$11,693,000		In 2019 dollars

*Sources: Anacortes-Sidney Ferry Economic & Fiscal Impact Analysis, E. D. Hovee & Company, LLC, September 11, 2020; Community Attributes, 2020.*

## APPENDIX B. LIVING WAGE DEFINED

The living wage is the wage that an “individual in a household must earn to support his or herself and their family<sup>35</sup>.” The living wage depends on the number of persons per household and the number of workers per household. In Skagit County the living wage ranges between \$18,800 annually or \$9.03 per hour<sup>36</sup> and \$78,100 or \$37.54 per hour<sup>37</sup>. In San Juan County the living wage ranges between \$19,800 annual or \$9.52 per hour<sup>38</sup> and \$81,000 annually or \$38.93 per hour<sup>39</sup>.

On average Skagit County households are comprised of 2.55 persons, including 0.57 children per household and 1.09 workers per household, according to 2018 U.S. Census data. The **living wage** for a 2-adult household with 1 working adult and 1 child in **Skagit County is \$46,200** annually or \$22.20 per hour. The average household in San Juan County is 2.03 persons, with 0.28 children and 0.93 workers. The living wage for a 2-person household with no children and 1 working adult in **San Juan County is \$39,600 annually** or \$19.03 per hour. (Exhibit 30)

**Exhibit 29. Persons per Household, Workers per Household, and Children per Household by County, 2018**

	Skagit County	San Juan County	Whatcom County	King County
Persons per Household	2.55	2.03	2.49	2.46
Share of Households				
No Workers	32%	39%	29%	20%
1 Worker	34%	33%	36%	41%
2 Workers	27%	25%	28%	33%
3 or More Workers	7%	3%	7%	7%
Avg Workers per Household	1.09	0.93	1.27	1.12
Share of Families				
No Children	58%	71%	57%	52%
1 or 2 Children	32%	24%	34%	40%
3 or 4 Children	9%	5%	8%	7%
5 or more Children	1%	1%	1%	1%
Avg Children per Household	0.57	0.28	0.50	0.51

Source: U.S. Census Bureau, American Community Survey 2018 5-Year Estimates, 2020.

<sup>35</sup> MIT Living Wage Calculator, <https://livingwage.mit.edu/counties/53057>

<sup>36</sup> Living wage for an individual in a household with 2 working adults and no children.

<sup>37</sup> Living wage for an individual in a household with 1 adult and 3 children.

<sup>38</sup> Living wage for an individual in a household with 2 working adults and no children.

<sup>39</sup> Living wage for an individual in a household with 1 adult and 3 children.

**Exhibit 30. Living Wage by Household Characteristics by County**

	<b>Skagit County</b>	<b>San Juan County</b>	<b>Whatcom County</b>	<b>King County</b>
<b>Hourly Living Wage</b>				
1 Adult				
No Children	\$11.19	\$12.23	\$11.69	\$16.09
1 Child	\$24.35	\$25.87	\$24.77	\$30.30
2 Children	\$29.50	\$31.02	\$29.92	\$35.45
3 Children	\$37.54	\$38.93	\$38.26	\$46.17
2 Adults (1 Working)				
No Children	\$18.06	<b>\$19.03</b>	\$18.27	\$23.18
1 Child	<b>\$22.20</b>	\$23.72	<b>\$22.63</b>	<b>\$28.15</b>
2 Children	\$24.74	\$26.26	\$25.16	\$30.69
3 Children	\$29.05	\$30.44	\$29.76	\$37.67
2 Adults (both working)				
No Children	\$9.03	\$9.52	\$9.14	\$11.59
1 Child	\$13.53	\$14.29	\$13.74	\$16.50
2 Children	\$16.08	\$16.84	\$16.29	\$19.06
3 Children	\$19.52	\$20.22	\$19.88	\$23.84
<b>Annual Living Wage</b>				
1 Adult				
No Children	\$23,275	\$25,438	\$24,315	\$33,467
1 Child	\$50,648	\$53,810	\$51,522	\$63,024
2 Children	\$61,360	\$64,522	\$62,234	\$73,736
3 Children	\$78,083	\$80,974	\$79,581	\$96,034
2 Adults (1 Working)				
No Children	\$37,565	<b>\$39,582</b>	\$38,002	\$48,214
1 Child	<b>\$46,176</b>	\$49,338	<b>\$47,070</b>	<b>\$58,552</b>
2 Children	\$51,459	\$54,621	\$52,333	\$63,835
3 Children	\$60,424	\$63,315	\$61,901	\$78,354
2 Adults (both working)				
No Children	\$18,782	\$19,802	\$19,011	\$24,107
1 Child	\$28,142	\$29,723	\$28,579	\$34,320
2 Children	\$33,446	\$35,027	\$33,883	\$39,645
3 Children	\$40,602	\$42,058	\$41,350	\$49,587

Sources: MIT Living Wage Calculator

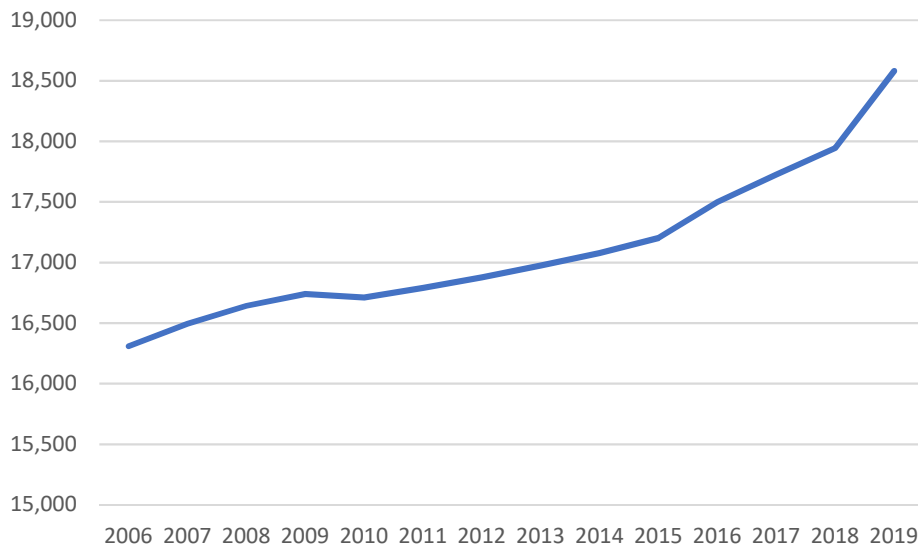
## APPENDIX C. PROFILE OF COMMUNITIES SERVED

### Anacortes

The Washington State Ferries San Juan Island and Sidney, B.C. routes depart from Anacortes, located on Fidalgo Island in Skagit County. In 2019, the population in the Anacortes urban area was 18,580, comprising 14.4% of the population of Skagit County. Anacortes has been growing more quickly in recent years as more people relocate to the area for its natural beauty and quality of life (**Exhibit 31**). In the last ten years, the city has grown by 12.5%, compared to a growth rate of 8.4% over the previous decade. By comparison, Skagit County only grew by 10.5% in the past decade.

The city is predominantly white (91%), with the Hispanic population comprising 4.6% and the Asian population comprising 2.9%. The foreign-born population makes up 7.2% of the city. Anacortes is well-educated and relatively affluent. 94.8% of the population has at least a high school diploma, and 40.7% have at least a bachelor's degree. The median family income in 2019 was \$67,698, outpacing \$62,865 for Skagit County.

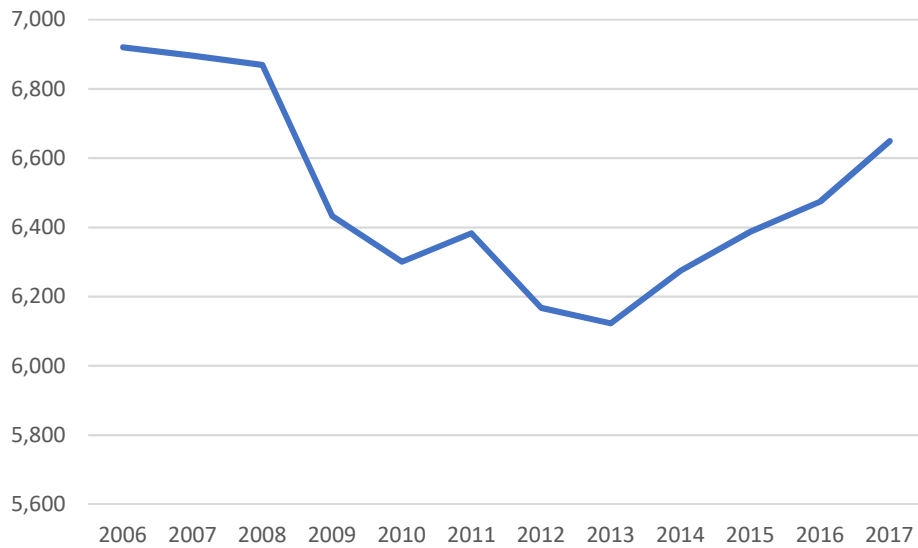
**Exhibit 31. Anacortes Population, 2006-2019**



Sources: Office of Financial Management, 2020; Community Attributes, 2020.

Total employment in Anacortes was 6,649 in 2017, the latest year for which data exists. Employment was heavily impacted by the Great Recession, with the city losing nearly 10% of its total employment during this period. Jobs have still has not fully recovered to pre-recession levels (**Exhibit 32**).

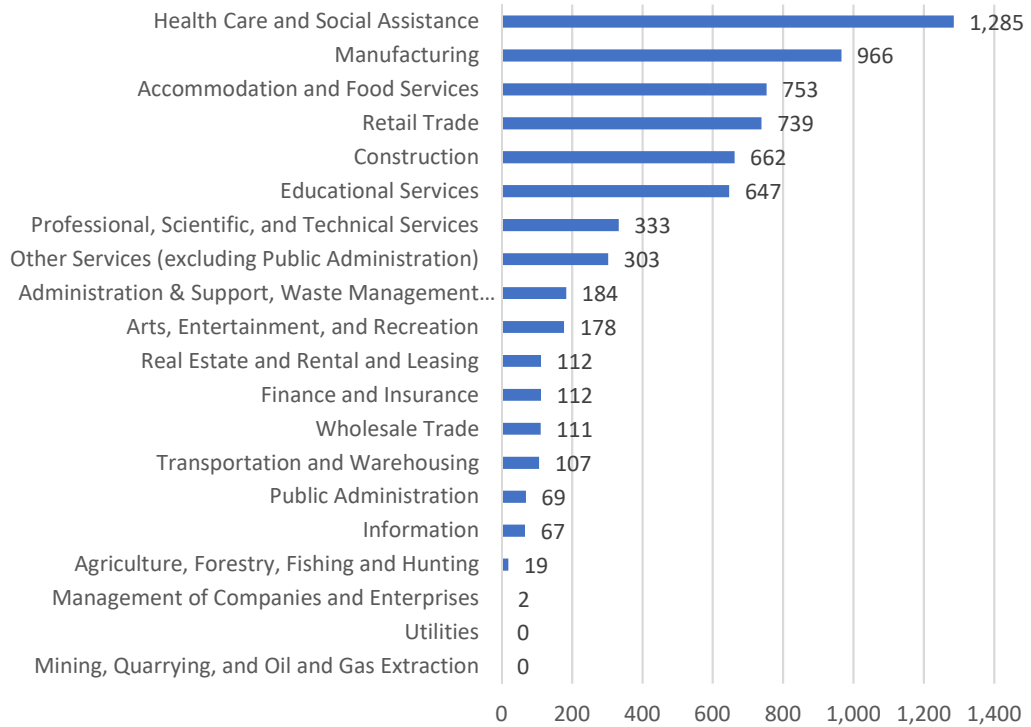
**Exhibit 32. Anacortes Employment, 2006-2017**



*Sources: U.S. Census, LEHD On The Map, 2020; Community Attributes, 2020.*

In 2017, the top sectors for employment in Anacortes were Health Care & Social Assistance (19.3%), Manufacturing (14.5%), Accommodation & Food Services (11.3%), and Retail Trade (11.1%) (**Exhibit 33**). Tourism is a key industry, comprising the last two sectors, and it accounts for almost one quarter of economywide employment. A large portion of tourism is related to Anacortes being the point of departure for the San Juan Islands, Vancouver Island, Deception Pass, and Whidbey Island.

### Exhibit 33. Anacortes Employment by Industry, 2017



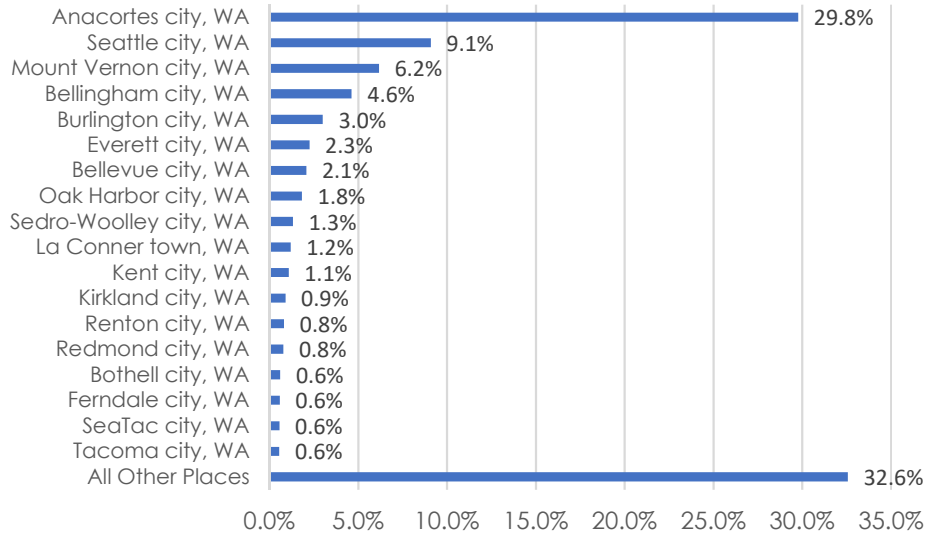
*Note: Employment and wages for Public Administration and Mining sectors are not shown to avoid data disclosure for individual employers.*

*Sources: U.S. Census, LEHD On The Map, 2020; Community Attributes, 2020.*

U.S. Census Longitudinal Employer-Household Dynamics (LEHD) data provides insight on where residents and workers of Anacortes commute to and from. In 2017, around 30% of employed Anacortes residents also worked in the city. The next top four places of work were Seattle (9.1%), Mt. Vernon (6.2%), Bellingham (4.6%), and Burlington (3.0%). Another third of employed Anacortes residents worked in unincorporated rural census tracts near the city (**Exhibit 34**).



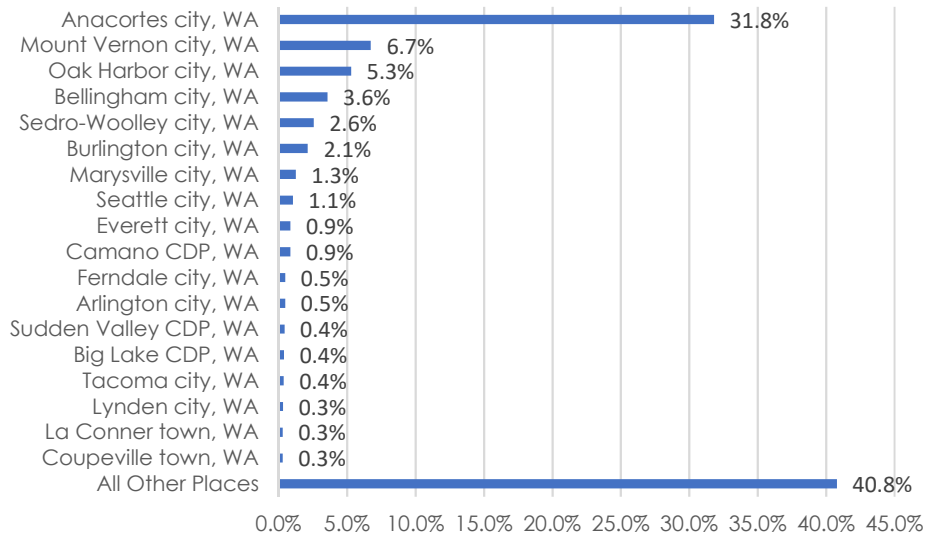
**Exhibit 34. Where Residents of Anacortes Are Employed, 2017**



Sources: U.S. Census LEHD On The Map, 2020; Community Attributes, 2020.

Anacortes workers can also be analyzed by their places of residence. Of the 6,649 total workers in Anacortes, almost 32% also lived in the city. The next top four places of residence for Anacortes workers indicate that they predominantly commute from nearby places: Mount Vernon (6.7%), Oak Harbor (5.3%) on Whidbey Island, Bellingham (3.6%), and Sedro-Wooley (2.6%). Another third of Anacortes workers live in unincorporated rural census tracts surrounding the city (**Exhibit 35**).

**Exhibit 35. Where Workers Live Who Are Employed in Anacortes, 2017**



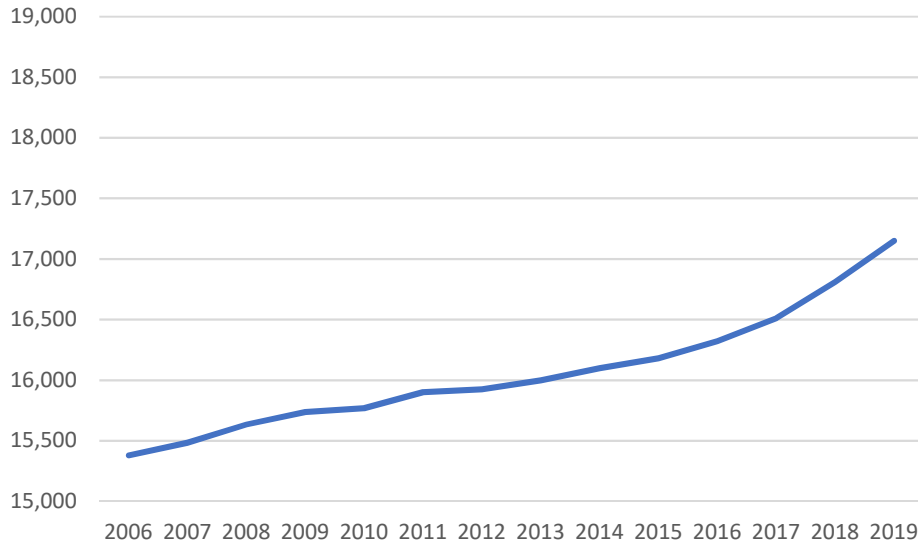
Sources: U.S. Census LEHD On The Map, 2020; Community Attributes, 2020.

**San Juan County**

The 134 named islands in the farthest northwest corner of Washington state and the nation comprise San Juan County. The Anacortes to the San Juan Islands and Sidney, B.C. routes serve its principal islands. These include Lopez, Shaw, Orcas, and San Juan Island (at Friday Harbor). In 2019, the population in San Juan County was 17,582, slightly less than the Anacortes urban area. While the county grew more quickly between 2000 and 2010 (12%) than in the last ten years (10%), that growth is beginning to accelerate again in recent years (**Exhibit 36**).

The San Juan Islands have a higher share of white people than Anacortes, at 93.9% in 2019, with a larger Hispanic population of 6.8% and a smaller Asian population of 1.5%. The foreign-born population comprises 7.5% of the population. San Juan County is more well-educated but less affluent than Anacortes—95.9% of the population has at least a high school diploma, and 48.6% have at least a bachelor’s degree. The median family income in 2019 was \$60,711, compared to \$67,698 in Anacortes.

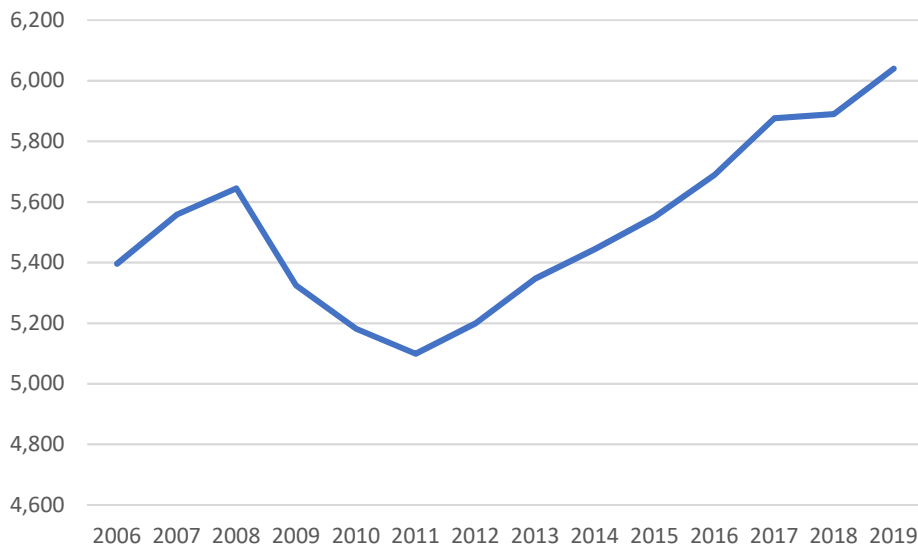
**Exhibit 36. San Juan County Population, 2006-2019**



Sources: Office of Financial Management, 2020; Community Attributes, 2020.

In 2019, total employment in San Juan County averaged 6,040 workers. Employment in the islands was also significantly impacted during and following the Great Recession, with the county losing nearly 8% of total employment during the nadir of this period. However, unlike Anacortes, San Juan County employment has recovered and exceeded pre-recession levels (**Exhibit 37**).

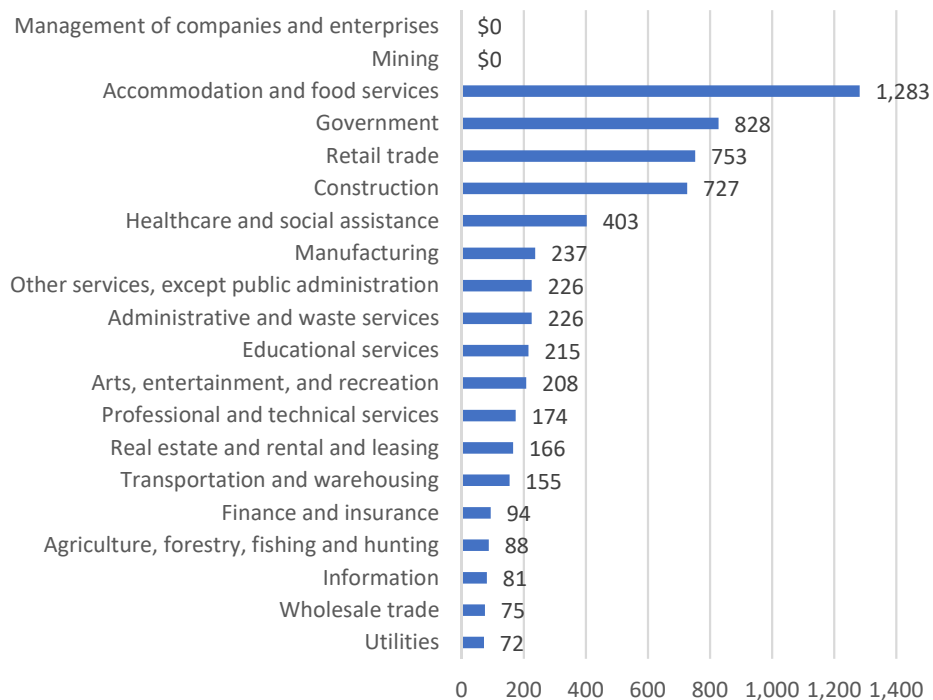
**Exhibit 37. San Juan County Employment, 2006-2019**



Sources: WA State Employment Security Department, 2020; Community Attributes, 2020.

The top sectors for employment in San Juan County are Accommodation & Food Services (21.2%), Government employment (13.7%), Retail Trade (12.5%), and Construction (12%) (**Exhibit 38**). Tourism is also a key industry, being more important to the isolated islands than it is to Anacortes and other mainland cities. The tourism sector in San Juan County is comprised of the Accommodation & Food Services and Retail Trade sectors, and it accounts for more than a third of the economy in terms of employment. For much of the year, tourists visit the islands for their natural beauty, small boutique inns, restaurants, and retailers, and for recreational opportunities such as kayaking, whale watching, bike touring, and camping.

**Exhibit 38. San Juan Islands Employment by Industry, 2019**

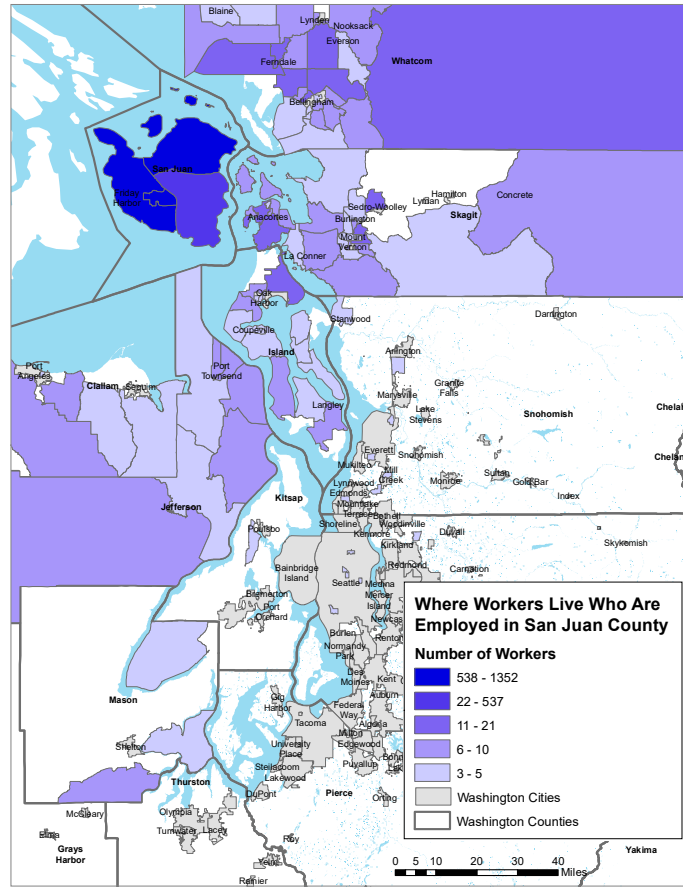


*Note: Employment and wages for Management and Mining sectors are not shown to avoid disclosure of data for individual employers.*

Sources: WA State Employment Security Department, 2020; Community Attributes, 2020.

In order to analyze worker and resident commuting patterns for San Juan County, the geography of analysis was changed from places (cities, towns, etc.) to census tracts, as San Juan County residents and workers live and work largely in rural areas. The top four census tracts for San Juan County workers' residences are all in the San Juan Islands themselves. This means that 77% of San Juan Island workers also live in the San Juan Islands. Other places of residence individually represent less than 1% of total workers (**Exhibit 39**).

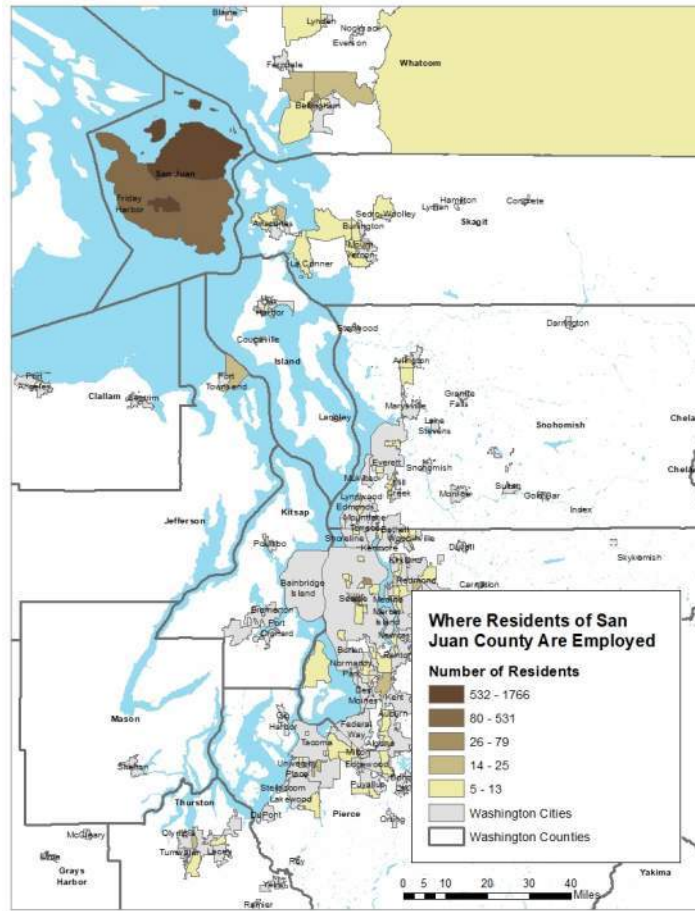
### Exhibit 39. Where Workers Live Who Are Employed in San Juan County, 2017



Sources: U.S. Census LEHD On The Map, 2020; Community Attributes, 2020.

The four primary census tracts where these residents work are also in the islands themselves. A census tract in downtown Bellingham is the largest off-island place of employment, but it only accounts for 1.3% of San Juan Islands residents employed there (**Exhibit 40**). All other census tracts for work locations of residents represent less than one percent of total jobs.

**Exhibit 40. Where Residents of San Juan County Are Employed, 2017**



Sources: U.S. Census LEHD On The Map, 2020; Community Attributes, 2020.

# Appendix C

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## Legal Memo and Attachments







## **JTC Study Regarding Feasibility of Privatizing International Ferry Route Legal Constraints**

### **I. Introduction**

This memorandum summarizes the key legal issues impacting the privatization of the ferry route between Washington State and Southern Vancouver Island, B.C. that is currently serviced by Washington State Ferries ("WSF"). The research and analysis completed by the KPFF Team revealed that a key challenge for continuation of the current service by a private operator is the scarcity of U.S. flag coastwise-qualified passenger vessels appropriate for the route and available for purchase or charter. Even if the appropriate vessels were available, there are a limited number of interested private ferry-operating companies that meet the U.S. ownership requirements to operate U.S. flag vessels.

Consequently, a primary focus of this memorandum will be explaining (1) the federal maritime laws that make it possible for WSF to provide the current service and route using the MV Chelan, a vessel built and documented in the U.S., and (2) the limitations that other operators will face, particularly if the vessels they propose to use are documented ("flagged") in another country, including Canada. This will include a discussion of Washington State pilotage requirements and the difference in their application to foreign flag vessels.

This memorandum will then briefly describe the regulatory structure governing foreign flag ferries that operate in U.S. and Canadian waters.<sup>1</sup> This summary is not intended to be exhaustive, but merely to touch on the overlay of international, flag state, U.S. and Canadian laws that regulate such vessels with respect to safety, manning, construction, inspection and environmental compliance. It is important to note that the regulatory environment applicable to marine operations on this international route is not static. For example, as is explained below, Transport Canada recently commissioned a study to consider the feasibility of making modifications to the existing Traffic Separation Schemes that are within Canadian waters in order to provide greater protection for the critical habitat of the Southern Resident Killer Whales.

Finally, this memorandum will discuss two Washington State statutes that have been identified as potential obstacles to private ferry operators, and which may need to be addressed in order to generate interest by such operators in taking over the international ferry route between Washington State and Southern Vancouver Island.

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<sup>1</sup> Canadian law content provided by Norton Rose Fulbright Canada LLP.

## **II. The U.S. Coastwise Trade Laws – Limitations on Foreign Built Vessels**

The U.S. "coastwise trade laws" govern the transportation of passengers and merchandise, including cars, between two points in the United States ("coastwise points"). 46 U.S.C. §§55102, 55103. In general, vessels that engage in the coastwise trade must be U.S. built, U.S. owned, and U.S. flagged. 46 U.S.C. §§12103, 12112.

The ferries operated by WSF satisfy all of these requirements. Consequently, the WSF ferry on the international route is able to load passengers and cars in Anacortes and offload them in Friday Harbor on its way to Sidney, B.C. A foreign built vessel cannot load passengers and cars in one U.S. port and unload them in another U.S. port. Therefore, if the Anacortes/Sidney route is privatized and the private operator uses foreign built ferries on the route, it will not be able to unload passengers and cars in the San Juan Islands while en route to Sidney, or load passengers and cars in the San Juan Islands and disembark them in Anacortes or Bellingham.<sup>2</sup>

## **III. Requirements for U.S. Flag Vessels**

Vessels world-wide are identified by an official number and a "flag" or nationality. United Nations Convention on the Law of the Sea, Art. 91, Dec. 10, 1982, 1833 U.N.T.S. 397. ("UNCLOS"). Vessels that are registered in a particular "Flag State" are subject to the law and regulations of that Flag State and governed by its regulators. UNCLOS, art. 94. Once registered, a vessel is issued vessel documents and is entitled to carry the national flag of that Flag State. UNCLOS, art. 91. The U.S. flag is administered by the U.S. Coast Guard, the Maritime Administration and U.S. Customs and Border Protection.

For a vessel to be eligible for registration in the U.S. and obtain U.S. flag status, the vessel must be wholly owned by a citizen or citizens of the United States. 46 C.F.R. §67.5. The citizenship requirements applicable to vessel-owning entities such as corporations, partnerships, and trusts are complex and will not be addressed in detail here. Subject to certain exceptions, at least 75% of the interest in the entity owning the vessel, direct and indirect, must be owned by citizens of the United States. 46 C.F.R. §§67.35, 67.36, 67.39. A U.S. documented vessel may not be leased or chartered to any party that does not meet the applicable U.S. citizenship requirements unless approved by the Maritime Administration. 46 C.F.R. §67.11(a)(2).

The Certificate of Documentation issued by the U.S. Coast Guard lists the endorsements that a vessel has obtained. 46 C.F.R. §67.15. As noted in part II above, a foreign built vessel cannot obtain a coastwise endorsement allowing it to operate in the coastwise trade. However, if the owners of a foreign built vessel meet the U.S. citizenship requirements, the vessel is eligible to receive a registry endorsement that entitles it to employment in the foreign trade, and any other employment for which a coastwise or fishery endorsement is not required. 46 C.F.R. §67.17.

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<sup>2</sup> Under Canadian law, as long as the ferry is operating internationally (without the movement of people or goods between Canadian ports), the nationality of the build, ownership and flag of the vessel is not relevant to operating in Canadian waters. *Coasting Trade Act*, SC 1992, c 31, s. 2.

A U.S. flag vessel must be crewed by a Master, Chief Engineer, radio officer and officers in charge of deck and engineering watches that are citizens of the United States. 46 U.S.C. §8103. In addition, 75% of all unlicensed crewmembers must be U.S. citizens or aliens lawfully admitted to the U.S. for permanent residence. 46 U.S.C. §8103(b)(1)(B).

With respect to the privatization of the ferry service from Washington State to Vancouver Island, it is important to note that ferries currently documented in the U.S. are exempt from the Washington State pilotage requirements. RCW 88.16.070(1). The state pilotage requirements will be discussed in part V. below.

#### **IV. Restrictions on Foreign Flag Vessels Transiting Between Washington and B.C.**

In general, there are two types of vessel registries. Traditional maritime nations generally limit their registry to their own nationals or to entities that qualify as citizens. Along with the U.S., these "national flags" account for less than 50% of the world's documented vessels. When measured by gross tonnage, the largest fleets of documented vessels worldwide are registered in Flag States allowing non-citizens to register their vessels in those jurisdictions ("open registers"). The top six Flag States, all of which are open registers, are Panama, Liberia, the Marshall Islands, Hong Kong, Singapore and Malta.

As noted above, foreign flag ferries, including Canadian vessels, are prohibited from operating in the U.S. coastwise trade. They can operate between Washington State and Vancouver Island, but these vessels are prohibited from making stops in Friday Harbor to unload passengers and cars while en route to Sidney, B.C., or from loading passengers and cars in Friday Harbor that wish to disembark in another Washington port.

While Canadian flag ferries operating between Vancouver Island and Washington State would be exempt from the Washington State pilotage requirements, other foreign flag ferries would be required to have a Washington State pilot on board while in Washington State waters. The state pilotage requirements will be discussed in part V. below.

The crew requirements for a foreign flag ferry are determined by the Flag State of the vessel. If the ferry is a Canadian flag vessel, Canadian law requires all the crew to be Canadian citizens or permanent residents. *Canada Shipping Act 2001*, SC 2001 c. 26 ss. 81 (1) & 88(1) (CSA 2001). On other foreign flag ferries, the number of crewmembers, and their qualifications, nationality, and training, are determined by the law of the Flag State and by the administrator of the vessel registry in question.

#### **V. Pilotage Requirements for Non-Canadian Foreign Flag Ferries**

Under Washington Law, every vessel that is operating in the waters of the Puget Sound pilotage district and that is not exempt is required to employ a Washington State Pilot and is liable to pay pilotage rates as established by the Washington Utilities and Transportation Commission ("WUTC"). RCW 88.16.070. As noted above, U.S. and Canadian flag vessels operating exclusively in the Puget Sound pilotage district are exempt. RCW 88.16.070(1).

The Washington pilotage statute also provides for an exemption from the pilotage requirements for a limited class of small passenger vessels and yachts upon application to the board of pilotage commissioners. RCW 88.16.070(2). That exemption does not specifically include car ferries, and it is limited to passenger vessels that (1) are not more than two hundred feet in overall length and one thousand three hundred gross tons (international), (2) are manned by U.S. or Canadian licensed officers, and (3) are operated exclusively in the waters of the Puget Sound pilotage district and lower British Columbia.

The exemption set forth in RCW 88.16.070(2) would not accommodate the types and sizes of car ferries proposed in this study as the most likely replacements for the MV Chelan if the international route is privatized. Therefore, a private operator of a foreign flag car ferry would be required to employ a Washington State Pilot on every crossing under Washington State law.

Canada also has a compulsory pilotage statute. *Pilotage Act*, RSC 1985, c P-14, Pacific Pilotage Regulations, CRC, c 1270. However, under Canadian law, there is an exemption from mandatory pilotage for any vessels that operate as ferries in the areas on Canada's west coast which would otherwise require a Canadian licensed pilot. A ferry is defined as a ship carrying passengers or goods on a fixed schedule from one terminal to another. Pacific Pilotage Regulations, CRC, c 1270, ss 2 and 9. Therefore, a ferry, regardless of flag, operating between Washington State and Vancouver Island would not be required to employ a Canadian licensed pilot.

## **VI. Regulation of Foreign Flag Ferries in U.S. and Canadian Waters**

Vessel operations in U.S. and Canadian waters are heavily regulated with respect to safety, security, and environmental protection. If the vessels are not U.S. or Canadian flag, they are regulated through Port State Control. In the U.S., Port State Control of foreign flag vessels is administered by the U.S. Coast Guard. In Canada, Port State Control is administered by Transport Canada.

### **A. Safety, Manning and Vessel Inspection**

The most important international treaty concerning the safety of commercial vessels is the International Convention for the Safety of Life at Sea ("SOLAS"), 1974, as amended, which includes the International Safety Management Code ("ISM Code") and the High-Speed Craft Code ("HSC Code"). SOLAS requires Flag States that are signatories to the Convention to ensure that the vessels on their registry comply with minimum safety standards. It includes standards for vessel construction, fire prevention, lifesaving equipment, radio communications, and safety management systems. The SOLAS Convention is typically enforced through vessel inspections by approved third party inspection organizations ("Classification Societies") and by documentation issued by the Flag States, along with inspections by Port States. In the case of a foreign flag vessel coming into a U.S. port, the U.S. Coast Guard may conduct a Port State Control Inspection, and may detain the vessel if it does not satisfy SOLAS standards and the requirements of the documentation issued by the Flag State.

A foreign passenger vessel registered in a Flag State that is signatory to SOLAS, and that visits U.S. ports with U.S. citizens as passengers or embarks passengers in U.S. ports, must obtain a Certificate of Compliance (“COC”) from the U.S. Coast Guard after undergoing a compliance examination, and is required to have a valid Passenger Ship Safety Certificate. 46 C.F.R. 2.01-6(a)(1). Foreign vessels of Flag States that are not signatories to SOLAS are also subject to inspection by the U.S. Coast Guard. 46 C.F.R. 2.01-6(b). In the absence of SOLAS documentation from the Flag State, such vessels must satisfy U.S. regulatory standards, and are issued Certificates of Inspection (“COI”) upon compliance.

In addition to regular U.S. Coast Guard Port State Control inspections for compliance with a foreign vessel's COC or COI, the Coast Guard uses a targeting system to identify certain foreign flag vessels for additional inspections. U.S. Coast Guard Marine Safety Manual, Vol. II at Section D, Ch. 4 at D4-7. The targeting system rates Flag State Administrations based upon the detention ratio for vessels flying their flag. A list from the U.S. Coast Guard's 2019 Port State Control Annual Report showing Flag Administrations targeted by the Coast Guard for additional inspection based upon their detention ratios is attached. Vessels that have a history of deficiencies in U.S. or foreign ports are also singled out for additional inspections.

The Canadian Port State Control system operates similarly to the U.S. except that it is conducted through Transport Canada. Passenger ships, usually defined as a ship carrying more than 12 passengers, on international voyages must comply with all relevant regulations dictated by the International Maritime Organization, including those in SOLAS. *Marine Transportation Security Regulations*, SOR/2004-144 s. 1.

## **B. Environmental Regulation**

### **1. Regulation of Vessel Discharges and Emissions**

Foreign flag vessels operating in U.S. and Canadian waters are subject to an extensive framework of international conventions, U.S. federal and state laws and regulations, and Canadian laws and regulations governing vessel discharges and emissions.

The 1973 International Convention for the Prevention of Pollution from Ships as modified by the Protocol of 1978 and the Protocol of 1997 (“MARPOL”) is the most important international convention regulating the prevention of marine pollution from ships, and containing standards for ship-generated wastes. MARPOL Annex I regulates discharges of oil and oily water mixtures and requires that all vessels be fitted with oil pollution prevention equipment. MARPOL Annex II regulates the discharge of noxious liquid substances from ships. MARPOL Annex III regulates the transportation of hazardous packaged materials. MARPOL Annex IV regulates the discharge of solid waste including sewage. MARPOL Annex V regulates the discharge of garbage from ships. MARPOL Annex VI limits NOx emissions from vessels and the sulfur content of the fuel that they burn.

The Act to Prevent Pollution from Ships (“APPS”) implements MARPOL Annexes I, II, V and VI in the United States, and applies to all foreign-flagged vessels operating in navigable

waters of the United States or at a port under U.S. jurisdiction. 33 U.S.C. §§1901(a)(4), 1902. The U.S. Coast Guard administers APPS, under which it promulgates and enforces regulations. 33 C.F.R. §151.01. With respect to emissions from ships, the U.S. EPA jointly enforces MARPOL Annex VI along with the U.S. Coast Guard pursuant to a memorandum of understanding.<sup>3</sup> The U.S. Coast Guard has authority to board and inspect any vessel in U.S. waters to determine its compliance with MARPOL. 33 U.S.C. §§1904(c), 1904(d). Canada has implemented MARPOL through the CSA 2001 and its regulations. Transport Canada administers MARPOL's requirements and has the authority to board foreign-flagged vessels operating in Canadian waters to enforce compliance.

Other U.S. and State environmental statutes applicable to foreign flagged vessels operating in Puget Sound include, among others, the Clean Water Act, 33 U.S.C. §1251 et. seq., the Oil Pollution Act of 1990, 33 U.S.C. §2701 et. seq., the Vessel Incidental Discharge Act,<sup>4</sup> and the Washington State Vessel Oil Spill Prevention and Response Act, RCW ch. 88.46.

## **2. Participation in Marine Response Organizations**

Regardless of the flag of the vessel, a ferry operating in Washington State and British Columbia waters is required by Washington State, U.S., and Canadian law to have an approved oil spill prevention and response plan in place, and to be a member of an approved marine spill response organization in both Washington and British Columbia.

In Washington State, the ferry operator is required to have an approved spill response plan on file with both the U.S. Coast Guard and Washington State. RCW 88.46.060. In order to operate in the Puget Sound region, the ferry operator may either submit its own vessel response plan, or obtain coverage under the Washington State Maritime Cooperative (WSMC) oil spill contingency plan<sup>5</sup> or the National Response Corporation (NRC) vessel oil spill contingency plan.<sup>6</sup>

In British Columbia, the operator of a ferry of 400 GT or greater is required to be a member of the Western Canadian Marine Response Corporation (“WCMRC”) and to pay annual fees to the organization. WCMRC is the only Transport Canada-certified marine response organization on Canada’s West Coast. Its “mandate is to ensure there is a state of preparedness in place when a marine spill occurs and to mitigate the impacts on B.C.’s coast. This includes the protection of wildlife, economic and environmental sensitivities, and the safety of both responders and the public.”<sup>7</sup> Even if participation is not mandatory, many ship owners belong to the WCMRC to take advantage of a reduced fee tariff should the WCMRC be called out to respond to a spill.

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<sup>3</sup> Memorandum of Understanding Between the EPA and the USCG for the Enforcement of MARPOL Annex VI (June 27, 2011), <https://www.epa.gov/sites/production/files/documents/annexvi-mou062711.pdf>.

<sup>4</sup> Frank LoBiondo Coast Guard Authorization Act of 2018, Pub. L. No. 115-282, §§901-903 (codified at 33 U.S.C. § 1322(p)(4)(A)).

<sup>5</sup> *About the Cooperative*, Washington State Maritime Cooperative, <https://wsmcoop.org/about-us>.

<sup>6</sup> *NRC Covered Vessels Washington State Contingency Plan (NRC Plan)*, NRC, <http://nrcwaplan.nrc.com/>.

<sup>7</sup> *Our Story*, Western Canada Marine Response Corporation, <http://wcmrc.com/>.

### **3. Protection of Southern Resident Orca Whales from vessels**

Depending on the ultimate location of the terminal in Washington State, and the intended route of the ferry to Sidney, B.C., measures to protect southern resident orca whales and their habitat will likely require the ferry route to be adjusted or the speed of the ferry to be slowed in order to reduce its physical and acoustical impact on the whales.

Attached is a recent notice issued by Transport Canada regarding a study that is examining amendments to the current Traffic Separation Scheme to protect critical habitat areas of the southern resident orca whales. An important voluntary measure is the ECHO Program (FAQ page attached). In 2019, the WSF vessel servicing the route to Sidney from Anacortes reportedly slowed to 11 knots speed through the water. It is a seasonal speed restriction and in 2019 as many as 82% of large commercial vessels participated. There are also designated sanctuary areas in Canadian waters to protect the southern resident orca whales, although these should not impact the ferry routes.

U.S. and Washington State law also have protections in place for the southern resident orca whales which dictate vessel speed and distance to be maintained when whales are present in U.S. and State waters. The National Oceanic and Atmospheric Administration (“NOAA”) regulations prohibit vessels from approaching within 200 yards of a southern resident orca whale in U.S. waters. 50 C.F.R. §224.103. In 2019, Governor Inslee signed into law a Washington statute that prohibits vessels from approaching within 300 yards of a southern resident orca whale and from exceeding a speed greater than seven knots over ground if they are within one-half nautical mile of a southern resident orca whale. RCW 77.15.740.

#### **C. Security**

All large ferries operating in U.S. and Canadian waters and entering U.S. or Canadian ports are subject to the requirements of the International Ship and Port Facility Security Code (“ISPS Code”). The ISPS Code is a comprehensive security regime which requires ships and the marine terminals that serve them to perform safety assessments, complete safety plans and designate safety officers. A Certificate of Compliance with the ISPS Code is issued by the Flag State Administration upon compliance with the standards of the Code.

In the U.S., the ISPS Code is implemented through the Maritime Transportation Security Act (“MTSA”) and its regulations. 33 C.F.R. §101.115. In Canada, the ISPS Code is implemented through the *Marine Security Act*, SC 1994 c. 40 and the Marine Transportation Security Regulations, SOR/2004-114.

### **VII. Potential Amendments to Washington State Statutes**

#### **A. Washington State Pilotage Statute - RCW 88.16.070**

As discussed above, U.S. and Canadian flag ferries are exempt under the Washington State Pilotage statute and are not required to employ a Washington State Pilot while operating in the

waters of Puget Sound. RCW 88.16.070(1). In addition, the operator of a small foreign flag passenger vessel may apply to the board of pilotage commissioners for an exemption from the state pilotage requirements if the vessel (1) is not more than two hundred feet in overall length and one thousand three hundred gross tons (international), (2) is manned by U.S. or Canadian licensed officers, and (3) is operated exclusively in the waters of the Puget Sound pilotage district and lower British Columbia. RCW 88.16.070(2). Every other vessel, including a foreign flag car ferry of the type and size proposed in this study, is not exempt under the state pilotage statute and is required to employ a Washington State Pilot while navigating in Puget Sound.<sup>8</sup> RCW 88.16.070(3).

Some potential private ferry operators view the pilotage statute as an obstacle because, unlike WSF, they do not have access to an appropriate U.S. flag car ferry to operate on the international route, and they are unable to seek an exemption given the size of vessel needed. In addition, although the current exemption set forth in RCW 88.16.070(2) applies to "passenger vessels," it does not specifically include car ferries. Therefore, in the event that the State wishes to allow an exemption under RCW 88.16.070(2) for a non-Canadian foreign-flagged car ferry, manned by U.S. or Canadian licensed officers, and operated exclusively in the waters of the Puget Sound pilotage district and lower British Columbia, it will need to amend the exemption to apply to car ferries of the size described in this study.

**B. Limitation on Private Ferry Service Within Ten Miles of WSF Terminal – RCW 47.60.120**

Washington law prohibits a private ferry operator from establishing a ferry service in Puget Sound within ten miles of a WSF terminal. The relevant statute states that if the Department of Transportation "operates any ferry crossings upon...Puget Sound or any of its tributary or connecting waters, there shall not be constructed, operated, or maintained any other ferry crossing...over any such waters within ten miles of any such crossing...maintained by the department..." RCW 47.60.120(1). The statute states that the ten-mile distance means ten statute miles measured by airline distance, and that the "ten-mile restriction shall be applied by comparing the two end points (termini) of a state ferry crossing to those of a private ferry crossing." RCW 47.60.120(2). In 2003, this statute was amended to exempt operators of passenger-only ferry service. RCW 47.60.120(5).

This ten-mile restriction could be relevant if a private operator wished to operate a car ferry on the international route from a private terminal in the Port of Anacortes, which would presumably be within ten miles of the WSF Anacortes terminal. Assuming that WSF continued to operate from the Anacortes terminal, but discontinued service from the Sidney terminal, one of the end points of the private ferry crossing would be within ten miles of a state ferry crossing but the other would not. In 1990, the Washington Attorney General's Office issued an opinion stating that the ten-mile prohibition "does not apply if one terminus of a commercial crossing is within ten miles of the terminus of a state crossing but the other terminus of the commercial crossing is

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<sup>8</sup> Under certain circumstances, a vessel that is inbound to or outbound from a Canadian port, and that employs a Canadian licensed pilot on board, is exempt from the requirements of RCW 88.16.070. RCW 88.16.070(3).



more than ten miles from the other terminus of the state crossing." AGO 1990 No. 16, at 7. As noted in the AG's opinion, "opinions of the Attorney General as to statutory construction are not controlling, [but] they are entitled to considerable weight. Bellevue Fire Fighters v. City of Bellevue, 100 Wn.2d 748, 750 n. 1, 675 P.2d 592 (1984)." There is no Washington case law on the issue.

RCW 47.60.120 contains a provision allowing the WUTC to grant a waiver from the ten mile restriction to a commercial ferry operator applying for certification to operate an intra-state ferry service under RCW chapter 81.84. Although the international route, assuming no intermediate stops in Washington, does not fall under RCW chapter 81.84,<sup>9</sup> a private ferry operator who wished to confirm that the location of its proposed terminals did not violate the ten-mile rule could seek input from the WUTC. In the alternative, the statute could be amended to specifically allow a private ferry crossing from Anacortes to Vancouver Island.

### **VIII. Public Consultation and Legislative Approval**

Washington law requires the Department of Transportation to "consult with affected ferry users" through public hearing and review by ferry advisory committees before making a substantial change in ferry service levels or eliminating a ferry route. Legislative approval is also required prior to elimination of a ferry route. RCW 47.60.330.

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<sup>9</sup> WAC 480-51-022: "Exempt vessels and operations. The rules of this chapter do not apply to the following vessels or operations: .... (2) Passenger-carrying vessels that depart and return to the point of origin without stopping at another location within the state where passengers leave the vessel." In other words, WUTC regulations apply to commercial ferries that transport passengers between two Washington destinations, not between the U.S. and Canada.

# Flag Administration Safety Compliance Performance

The Coast Guard targets Flag Administrations for additional PSC examinations if their detention ratio scores higher than the three-year rolling average detention ratio and if an Administration is associated with more than one detention in the past three years. Flags receive two points if their detention ratio is between the overall average and up to two times the overall average and seven points if their detention ratio is two or more times the overall average for all flag administrations. We calculate detention ratios using the most current three years of PSC data. Flags with only one detention in the past three years are removed from the targeted flag list. The overall Flag Administration performance has decreased this year with the three-year running detention ratio increasing slightly from 1.06% to 1.08%.

## Flag Administrations Receiving 7 points

Flag	2017-2019 Detention Ratio
Barbados	5.43%
Belgium*	2.82%
Cook Islands	4.65%
Israel*	15.79%
Mexico	5.81%
Philippines	2.24%
Portugal	2.24%
Saint Kitts and Nevis	21.43%
Saint Vincent and the Grenadines	3.87%
Tanzania	19.35%
Togo	6.59%
Vanuatu	4.23%

## Flag Administrations Receiving 2 points

Flag	2017-2019 Detention Ratio
Antigua and Barbuda	1.77%
Greece	1.28%
Liberia*	1.27%
Malta	1.30%
Panama	1.10%

## Flag Administrations Removed From Last Year's Targeted List

Flag	2017-2019 Detention Ratio
Cyprus	0.96%
India**	1.69%
Turkey**	1.56%

\* Administration not targeted last year.

\*\* One detention in the past three years.

## 2020 voluntary vessel slowdown

### *Haro Strait and Boundary Pass*

#### Working together to reduce underwater noise effects on whales

Southern resident killer whales (SRKW) are listed as endangered under both the *Species at Risk Act* in Canada and the *Endangered Species Act* in the U.S. As of December 31, 2019, the population has declined to 73 individuals. Both countries' governments continue to emphasize the need to develop and implement measures to reduce underwater noise generated by vessels, which research indicates can interfere with killer whales' ability to hunt, navigate and communicate.

Over the past three years, the Vancouver Fraser Port Authority-led Enhancing Cetacean Habitat and Observation (ECHO) Program coordinated voluntary vessel slowdown initiatives in key feeding areas within SRKW critical habitat. Research findings show that reducing vessel speeds is an effective way of reducing both the underwater noise generated at the vessel source and total underwater noise in nearby habitats, which is predicted to benefit the behaviour and feeding success of SRKW.

The marine transportation industry has been an instrumental partner in the ECHO Program's voluntary vessel slowdowns since they were first introduced in 2017, and we thank you for your ongoing contributions.

For 2020, the ECHO Program has again worked with its many advisors and partners to plan for this season's slowdown, building on the learnings and successes of the past three years. The overall purpose of the voluntary initiative is to support the recovery of the SRKW by reducing underwater noise from large commercial vessels in known killer whale feeding areas.

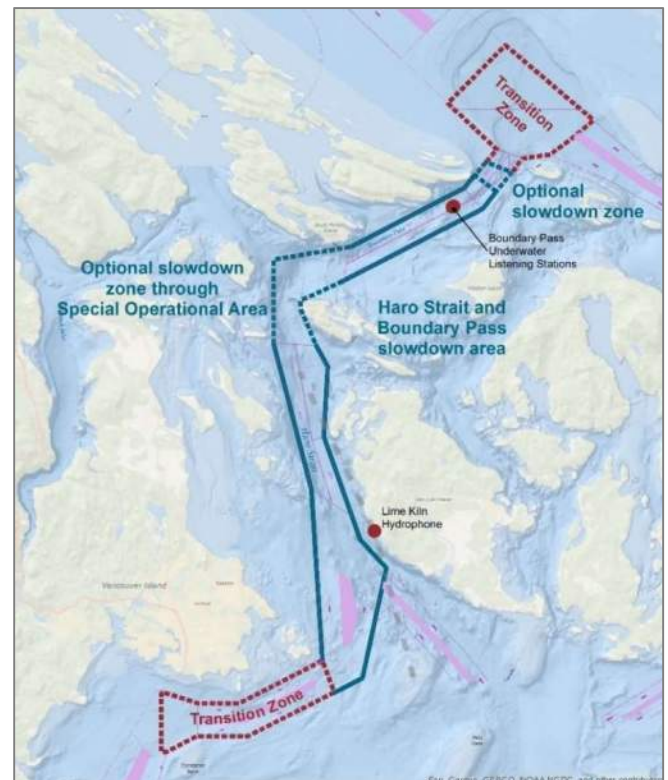
#### Slowdown parameters for 2020

##### Where: Haro Strait and Boundary Pass

As in 2019, the slowdown will take place in Haro Strait and Boundary Pass. Fisheries and Oceans Canada has identified both Haro Strait and Boundary Pass as key foraging areas for SRKW.

There are two optional slowdown zones where those operating the vessel should only participate if it is navigationally safe to do so. There are also transition zones where those operating the vessel are encouraged to slow down to the appropriate speed prior to entering the slowdown zone.

The total distance of the slowdown area is 29.6 nautical miles.



## When: Approximately June 1 – October 31, 2020

Southern resident killer whales are historically known to return to Haro Strait and Boundary Pass in greater numbers from June onwards.

- **SRKW monitoring period: starting June 1, 2020**  
Trusted observers and hydrophones will be used to monitor SRKW presence in the slowdown area
- **Slowdown start date: once SRKWs are confirmed in the area**  
The slowdown will begin once hydrophone data and/or trusted observers confirm SRKW presence
- **Earliest possible slowdown end date: October 1, 2020**  
Once activated, the slowdown period will continue to October 1, with two-week extensions to no later than October 31 if the whales are still confirmed present in the area
- **Latest possible slowdown end date: October 31, 2020**  
The slowdown period will not continue past October 31

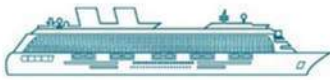
The official slowdown start and end dates will be communicated to vessel operators and mariners through a Navigational Warning issued by the Canadian Coast Guard Marine Communications and Traffic Services as well as through the Pacific Pilotage Authority, BC Coast Pilots, shipping associations and agents, and the ECHO Program website and newsletter.

## Speed: 14.5 kn or 11.5 kn or less speed through the water, dependent on vessel type

'Speed through water' targets for different vessel types remain the same as in 2019. When it is safe and operationally feasible, vessels are encouraged to transit the slowdown area at or below the following speeds through the water:

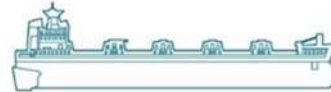
### 14.5 knots

speed through the water **or less**  
for vehicle carriers, cruise and container vessels



### 11.5 knots

speed through the water **or less**  
for bulkers, tankers, ferries and government vessels



Transiting Haro Strait and Boundary Pass at these reduced speeds could add between 16 and 28 minutes to the total transit time, depending on the vessel type. To download a full size map of the slowdown area, visit [www.portvancouver.com/echo/slowdowns](http://www.portvancouver.com/echo/slowdowns).

## Participation goal: Over 85%

In 2019, 82% of large commercial vessels participated in the slowdown. In order to reduce underwater noise levels as much as possible in 2020, the ECHO Program is again seeking high levels of support with a participation goal of 85%. We recognize that the worldwide economic pressures being faced by the marine industry in 2020 due to COVID-19 may make it challenging to maintain high participation levels at all times. Participation rates by sector will be reported regularly throughout the slowdown period in the ECHO Program newsletter.

## Monitoring and reporting: Underwater noise, whale presence, participation

The ECHO Program will monitor underwater noise levels before, during and after the slowdown period using underwater listening devices located at Lime Kiln and Boundary Pass. SRKW presence will be monitored and recorded by hydrophone and human observers. Participation rates will be reported by the Pacific Pilotage Authority and evaluated using Automatic Information System data. At the end of the slowdown period, the ECHO Program team will conduct an analysis to evaluate its effectiveness.

## For more information

For more information on the slowdown, visit [www.portvancouver.com/echo/slowdowns](http://www.portvancouver.com/echo/slowdowns). For questions, please contact us at [echo@portvancouver.com](mailto:echo@portvancouver.com) or through the Vancouver Fraser Port Authority Operations Centre, which is available 24/7 at 604.665.9086. For more information on the ECHO Program, please visit [www.portvancouver.com/echo](http://www.portvancouver.com/echo).



September 28, 2020

As a part of the ongoing Whales Initiative, Transport Canada has commissioned a study to consider the feasibility of making formal modifications to the existing vessel Traffic Separation Schemes (TSS) that, in whole or in part, are within Canadian waters of the identified critical habitat of the Southern Resident Killer Whales (SRKW). The study will focus on the following areas:

- Strait of Juan de Fuca;
- Swiftsure Bank;
- Haro Strait and Boundary Pass; and
- The Salish Sea near the mouth of the Fraser River.

Transport Canada and Dillon Consulting Limited (Dillon) are hoping to engage you in the new project. The goals of the TSS Feasibility Study are to:

- Explore whether potential amendments to the TSS and adopted traffic lanes in SRKW critical habitat are technically feasible, taking into consideration:
  - The associated design standards and requirements for internationally adopted routing measures;
  - The potential to address the threat of physical and acoustic disturbance to SRKW; and
  - The weighing of all other factors of importance that make up the complex context of the limited geographic space in which the TSSs lie, including and not limited to, impacts to the rights of Indigenous groups, jurisdictional boundaries and borders, existing agreements, traffic patterns risk, and navigation safety;
- Evaluate the identified options with partners' and stakeholders' input, and identify the processes involved to move feasible options forward for potential implementation; and
- Identify if potential amendments might benefit one of the other factors of importance listed above, other than the potential to address physical/acoustic disturbance to SRKW.

Dillon and its team, along with partners JASCO Applied Services, Maritime Research Institute of the Netherlands (MARIN) and Tetra Tech, have been retained to develop options related to the TSS. At this time, we anticipate the study to run from Summer 2020 to Summer 2021 and include six phases. The mandate of the TSS Feasibility Study is complex, requiring our engagement team to:

- Understand Canadian, American and international jurisdictional considerations, standards and regulatory requirements;
- Understand the multi-faceted factors that influence decision making, including:

- Safety;
- Socio-economics;
- Environmental;
- Cultural; and
- Incorporate and balance the views of a broad and diverse number of Indigenous Groups, maritime industry operations, communities and other stakeholders in determining solutions that can balance competing priorities.

For this project to be successful, Transport Canada and Dillon plan to work closely with the United States, as well as Indigenous and Coastal Communities and stakeholders, as we recognize that you and others in your community or organization have the experience and knowledge necessary to provide the local input to make this study a success.

### **Engagement Program**

The engagement for this important study will be conducted in five rounds:

#### **Round 1 Engagement – Inventory of Factors**

Round One engagement is planned for Fall 2020. This round of engagement is designed to provide information on the study while seeking input regarding the evaluation of potential changes to the TSS and developing a refined Inventory of Factors. The input gathered from the engagement will support the development of a Decision Support Tool to support the prioritization of potential TSS Areas for amendment. The engagement will also aim to identify Indigenous and Local Areas of Interest which should be considered in potential changes to the TSS and solicit stakeholder ideas. It will include a combination of virtual engagement methods, including: virtual group and public sessions, online and social media tools and Do-It-Yourself (DIY) Engagement Kits.

#### **Round 2 Engagement – Screening of TSS Alternatives**

Round Two engagement is planned for Fall 2020 and Winter 2021. It will focus on seeking additional input and providing an update on what was heard during the first engagement sessions and next steps for the project (e.g. project timelines, future engagement opportunities).

#### **Round 3 Engagement – Risk and Options Analysis**

Round Three engagement is planned for Spring 2021, and will focus on soliciting feedback and input on the TSS options that have been identified through the earlier processes.

## Round 4 Engagement – Reporting and Data Visualization

Round Four engagement is planned for Summer 2021, and will focus on providing project updates and summarizing what has been heard on the proposed options, and seeking additional feedback and input to further inform the options.

## Round 5 Engagement – Final Presentations/Engagement

Round Five engagement is planned for late Summer 2021, and will focus on providing results from the scenario modelling to stakeholders and Indigenous communities. This will lead to a final opportunity to gather input from all stakeholders and Indigenous Groups.

The **Round One Engagement invitation** will be sent in the coming weeks and we hope you will be able to participate!

Please feel free to contact Nicole Mathews, Project Lead (604-787-9427, [nicole.mathews@tc.gc.ca](mailto:nicole.mathews@tc.gc.ca)) should you have any questions or concerns throughout the process.

We look forward to hearing your input on this important study!

Sincerely,



Michelle T. Sanders  
Director  
Clean Water Policy Division  
Transport Canada  
[michelle.sanders@tc.gc.ca](mailto:michelle.sanders@tc.gc.ca)  
Tel: 613-949-2753



John K. Wilson  
Associate Director  
Marine Safety and Security  
Transport Canada  
[john.wilson@tc.gc.ca](mailto:john.wilson@tc.gc.ca)  
Tel: (236) 330-4914





# Appendix D

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## Letters from Stakeholders





We, the unions representing the workers on the WSF Anacortes-Sidney run, would like to express our concerns about privatization, or a public-private partnership, on this service. If this run were to be privatized, it would displace over 50 unionized jobs held by U.S. citizens from their family wage jobs that provide health care and pensions. Most of the WSF workers live in, or near, the affected communities and contribute to those communities' economic vitality.

The WSF mariners on this run are highly trained and U.S. Coast Guard vetted, licensed and certified in safety and homeland security to keep our communities and the traveling public safe. We have years of experience in these waters. We also conduct the customs and passport security-screenings.

We have a real concern about bringing a foreign flagged ship that is not Jones Act compliant into our waters and the impact it would have on the route because it could not provide full service in WA State. Under the Jones Act, it could not take on passengers in Friday Harbor or another U.S. port before stopping in Canada. If it had a foreign crew, it would also create problems for those workers who could not be granted shore leave and would be paid less than our Washington state union workers.

If Clipper were the company to secure the bid they too, like WSF at this time, would only have one vessel. The vessel they say they will use does not have the height capacity to carry oversized vehicles, especially RVs and motor homes, which is essential on this route. The Clipper vessel is also foreign built, which is contrary to the Washington State Legislature's preference for "Build Them in Washington." Also, WSF has a dedicated shipyard and highly skilled shipyard personnel who are familiar with the vessel and available 24 hours, 7 days a week to service and repair WSF vessels anywhere those vessels travel.

Maritime labor knows from first-hand experience the critical role we play in keeping America safe, ensuring our economic, homeland and national security, and securing good middle-class jobs for Americans in our State.

Using U.S. flagged vessels and U.S. licensed and credential mariners and licensed pilots ensures domestic seafarers and a shipbuilding base are viable in peace time so that mariners and shipyard workers, all of whom are critical to national security, are available and ready to go if needed in wartime. Any long-term waiver or use of foreign flagged vessels in our waters would undermine and jeopardize the future existence of the U.S. Merchant Marine.

*It would be especially ill-advised for our country, at a time when efforts should be directed to preserving and creating American jobs, to weaken or reduce American jobs by giving them to foreign seafarers working in our waters.* It would force American companies out of business, force American maritime and shipyard workers into the ranks of the unemployed, and deny the Federal and State governments the corporate and individual tax revenues that these American companies and workers generate.

The construction of vessels in the United States and the operation of vessels by American companies with American mariners generates billions in U.S. taxes. These corporate and individual tax revenues would be lost to the Federal government and to State and local taxing authorities if America begins allowing domestic passenger and vehicle commerce to be carried on foreign built and foreign owned vessels operated by foreign mariners.

Privatizing the ferry service from the U.S. to Sidney, BC as proposed would require a waiver of both State and Federal pilotage law. One of the first acts of the United States Congress was to establish within the Commerce Clause, the Lighthouse Act, which not only created the United State Coast Guard (U.S. Revenue Cutter Service) in 1789, but also recognized the importance of the highly qualified marine pilots who were entrusted to bring foreign ships into and out of U.S. ports while ensuring the safety of the public interest, including the moving of marine commerce upon the state controlled waters of the United States.

In Washington state law, the compulsory pilotage statute ensures the citizens of the state that a highly trained pilot is on the bridge and in control of every foreign flagged vessel that enters or leaves the pristine waters of the Puget Sound and the Salish Sea. The Pilotage Act specifically states that, "it is the intention of the legislature to protect human lives, property and the marine environment." This Act keeps oil from spilling, passengers and other vessels and their occupants safe, and protects the endangered whales and other marine animals in the region. Marine pilots are highly trained and credentialed mariners whose sole purpose aboard both domestic (WSF) and foreign flagged ships is to ensure the safety and security of the sensitive marine environment that is Puget Sound. Any waiver from the stringent requirements of training and licensing for both state and federal pilots is a direct threat to the safety and security of human life, property and the sensitive maritime environment.

Under current Washington state and Federal law, all WSF Captains and mates are federally licensed pilots and no additional marine pilots are required onboard in U.S. waters. Under a U.S.-Canada treaty, these same Captains and mates are qualified as pilots for this route in Canadian waters. A change of the law to accommodate the proposed Clipper operation would dilute the Pilotage Act and degrade the protections of "human lives, property and the marine environment."

Terri Mast, National Secretary-Treasurer  
Inlandboatmen's Union

Dennis Duff, President  
Ferry Agents, Supervisors, Project Administrators Association

Captain Tim Saffle, International Vice-President  
International Organization of Masters, Mates and Pilots

Jeff Duncan, Branch Agent  
Marine Engineers Beneficial Association

Harry Thompson, Secretary-Treasurer  
Puget Sound Metal Trades Council



Aug 3, 2020

Puget Sound Pilots would like to express our concerns regarding the study on the privatization, or a public-private partnership, of the Washington State Ferry (WSF) car ferry service between Anacortes and Sidney, British Columbia. The WSF has operated that route safely and reliably for many years. We urge legislators to prevent the retiring of the WSF Elwa from becoming a catalyst for enabling a foreign, commercial interest to replace the public interest of Washington's citizens, workers and businesses. We further urge legislators to sustain WSF operations on this international route for the purpose of the critical role American flag vessels and mariners serve in support of our national safety and security interests, and their role as a regional and national force multiplier. Losing these stable, quality American jobs to a foreign ferry operation in the region is not in the best interests of maintaining safe, secure and reliable service, or growing the economic vitality of maritime jobs and businesses in our state.

We understand that both the domestic Anacortes-San Juan and international Anacortes-Sidney routes have substantially outperformed entire WSF travel growth from 2009-19 by 3-fold, serving nearly 140,000 total riders during a shortened 2019 season. However, the safe, reliable, and efficient ferry transportation service that WSF riders have enjoyed has been achieved with highly-trained and licensed mariners whose public service mission is to make a positive contribution to the livability and economic vitality of our region. In contrast, a private, foreign company headquartered in a foreign country with subsidiaries all over the world, operating foreign ships with foreign crews, is established to optimize profits and return on investment. Moreover, as stated in the Pilotage Act, **"it is the intention of the legislature to protect human lives, property and the marine environment."** This Act recognizes the increased risk a foreign vessel brings when plying state waters and mitigates this risk by requiring a state-licensed marine pilot to take command. Any diminishment of the stringent training and licensing requirements for both state and federal pilots is a direct threat to the safety and security of human life, property and our sensitive maritime environment. Any loosening of these exacting credentialing standards increases the risk of a marine incident, resulting in loss of lives; loss or damage to vessels and marine facilities; immeasurable harm to state and tribal fisheries, tribal fishers and their nets; endangerment to whales and our marine ecosystem; harm to our state's economy, competitiveness, and reputation as the safest major port region in the nation; and a model of sustainability.

In 2016, when Clipper was acquired by FRS GmbH & Co. KG (FRS), a German-based shipping company, it wanted to deploy a bigger vessel from its existing global fleet of 64 fast and conventional ferry vessels operating in 11 countries. Clipper asked the legislature to increase the size of a small passenger vessel allowed to operate in Puget Sound without a state-licensed pilot on the Seattle to Victoria, B.C. route to make the route more profitable for it. The bill passed and a larger, high-speed Victoria Clipper V currently operates under this exemption. Clipper again wants to increase the gross tonnage limits of the pilotage exemption to be able to introduce a car ferry service using a 60-meter vessel from its global fleet, requesting, as it did before, for the state to waive the pilotage requirement to now make the Sidney-Anacortes route profitable for it. Relaxation of the small passenger ferry exemption to accommodate a proposed Clipper large ferry advances a "for profit" interest at the expense of the public interest to protect "human lives, property and the marine environment" as intended by the Pilotage Act. Foreign flagged, foreign-built, foreign-owned vessels lack the same safety standards as U.S. vessels.



**PUGET SOUND PILOTS**  
Protecting Puget Sound Since 1935

Unlike state-licensed Puget Sound Pilots and WSF Captains, foreign captains and crew are not required to complete intensive pilot testing and training, nor are they required to have comprehensive local knowledge of Puget Sound waters and its hazards to navigation. Foreign vessels are also not allowed to provide service between two domestic ports (Anacortes/San Juan Islands). Yet Clipper plans to bring in one ferry to certify and operate on the Anacortes/Sidney route, which means Clipper could not provide direct service between Anacortes and San Juan Islands or they would be in violation of the Jones Act.

What Clipper is offering is not an improvement over what we have today. Any request or action that relaxes our state pilotage laws is not in the best interest of public safety or environmental protection. Although it is never a good time to replace American-licensed mariners and public service workers with foreign workers, this would be the absolute worst time to contemplate a reduction in quality maritime jobs.

We urge you to replace the Elwa with a Washington state ferry that can be certified for the Sidney Anacortes route. We urge you to allow WSF to continue to provide the safe, secure, reliable and comprehensive ferry service that citizens and tourists of our state depend on and enjoy.

Respectfully,

Capt. Eric vonBrandenfels  
President

**Enclosure:** Comments of American Pilots' Association on SB 6667 "AN ACT RELATING TO PERMITTING A PRIVATE AUTO FERRY TO SEEK AN EXEMPTION FROM PILOTAGE REQUIREMENTS" February 10, 2020



## AMERICAN PILOTS' ASSOCIATION

INCORPORATED  
499 SOUTH CAPITOL STREET, S.W., SUITE 409  
WASHINGTON, DC 20003  
PHONE: 202-484-0700  
www.americanpilots.org

**CAPTAIN JORGE J. VISO**  
PRESIDENT

**CAPTAIN WHIT SMITH**  
SECRETARY-TREASURER

**PAUL G. KIRCHNER**  
EXECUTIVE DIRECTOR-GENERAL COUNSEL

**CLAYTON L. DIAMOND**  
DEPUTY DIRECTOR-ASSOCIATE GENERAL COUNSEL

**LISA P. TOWNSHEND**  
OPERATIONS DIRECTOR

**WILLIAM R. CAIRNS**  
NAVIGATION TECHNOLOGY DIRECTOR

### COMMENTS OF AMERICAN PILOTS' ASSOCIATION ON SB 6667 "AN ACT RELATING TO PERMITTING A PRIVATE AUTO FERRY TO SEEK AN EXEMPTION FROM PILOTAGE REQUIREMENTS"

February 10, 2020

The American Pilots' Association (APA)<sup>1</sup> **opposes** SB 6667, "AN ACT relating to permitting a private auto ferry to seek an exemption from pilotage requirements." This bill, if enacted, would amend Washington law to permit the Board of Pilotage Commissioners (the Board) to exempt a foreign-flag auto ferry from the state's compulsory pilotage requirement if the vessel is not more than 3,000 gross tons and 200 feet in length and meets certain other conditions designed to accommodate a particular prospective ferry operation

As discussed below, SB 6667 is inconsistent with the Legislative Declaration of Policy and Intent for the Washington Pilotage Act. That declaration reads, in part:

*The Legislature finds and declares that it is the policy of the state of Washington to prevent the loss of human lives, loss of property and vessels, and to protect the marine environment of the state of Washington through the sound application of compulsory pilotage provisions in certain of the state waters.*

*The legislature further finds and declares that it is the policy of the state of Washington to have pilots experienced in the handling of vessels aboard vessels in certain of the state waters with prescribed qualifications and licenses issued by the state. (RCW 88.16.005).*

If the state of Washington eventually elects to replace the current state-operated ferry service between the Anacortes area and Sydney, B. C., with a foreign-flag, for-profit, private operator, full compliance with the state's compulsory pilotage requirement is necessary to protect the public interest, consistent with the above declaration by the Legislature of the state's policy.

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<sup>1</sup> The APA is a non-profit organization that has been the national association of the piloting profession in the United States since 1884. All of the State-licensed pilots groups in operation in the 24 coastal States, as well as the groups of U.S. registered pilots operating in the Great Lakes system under authorization by the Coast Guard are members of the APA. Pilots belonging to these APA-member pilots' associations handle over 90 percent of all vessels moving in international trade in the waterways of the United States. The role and official responsibility of these pilots is to protect the safety of navigation and the marine environment in the waters for which they are licensed.

## STATE PILOTAGE AS A CRITICAL PUBLIC SAFETY SYSTEM

The pilotage system in the United States is a system of state regulation and state responsibility. This system reflects a specific judgment made by Congress in 1789 that due to the localized and unique nature of pilotage, its regulation is best left to the individual states.<sup>2</sup> This judgement is now reflected in Title 46, Chapter 85 of the U.S. Code, which provides, in part, that pilotage of foreign flagged vessels, as well as U.S.-flagged vessels sailing between a U.S. port and a port in a foreign country, is subject to state pilotage law and jurisdiction. It is in a state's environmental, marine safety, and economic best interest to maintain an effective compulsory pilotage system, and no state should ever voluntarily weaken this critical authority delegated from the U.S. Congress.

A compulsory pilotage requirement is by far the most effective mechanism available to a state to protect its marine environment and maintain navigational safety, while at the same time responsibly facilitating waterborne commerce. State compulsory pilotage is effective because it places on the bridge of a vessel a highly trained individual who is expert in all aspects of local navigation, isolated from the economic pressures facing vessel operating companies, fully empowered to direct the navigation of the vessel, and whose primary responsibility is to protect the interests of the state that issues the license.

When a state pilot boards a vessel he or she brings immense experience and familiarity with local conditions from thousands of transits gained over many years of service in a specific port. The pilot not only directs the navigation of the vessel, but also handles communications and manages traffic, coordinating the vessel's movement with other traffic in the harbor to avoid situations that lead to collisions and other marine accidents.

### THE PROPOSED PILOTAGE EXEMPTION IS DETRIMENTAL TO THE PUBLIC INTEREST

Sec. 2 of the bill would authorize the Board to grant an exemption from the state's compulsory pilotage requirement to any privately operated auto ferry of not more than 1,300 gross tons and 200 feet. In order to qualify for such an exemption, the ferry vessels must be manned by U.S. or Canadian appropriately credentialed mariners. Also, the operator must have a minimum of twenty-five years of international passenger ferry service in the waters of Puget Sound and lower British Columbia. In addition to another specific condition, there is a general requirement, similar to the one for the existing exemptions available for yachts and small passenger vessels, that the Board cannot grant an exemption for an otherwise eligible auto ferry unless it finds that the exemption will "not be detrimental to the public interest in regard to safe operation preventing loss of human lives, loss of property, and protecting the marine environment." In our view, any exemption granted for such a foreign auto ferry would be detrimental to the public interest.

We understand that the current auto ferry between Anacortes and British Columbia, which would be replaced by the prospective private company, is operated by the state government and employs a crew of U.S. credentialed mariners. We further understand that the state pilots, who encounter the ferry, have a high opinion

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<sup>2</sup> See, Paul G. Kirchner & Clayton L. Diamond, *Unique Institutions, Indispensable Cogs, and Hoary Figures: Understanding Pilotage Regulation in the United States*, 23 U.S.F. Mar. L.J. 168 (2011). This scholarly article, published in the University of San Francisco Maritime Law Journal, provides a detailed history and overview of the State pilotage system in the United States. The article is available at: [www.americanpilots.org/document\\_center/Activities/Unique Institutions Indispensable Cogs and Hoary Figures Understanding Pilotage Regulation in the United States.pdf](http://www.americanpilots.org/document_center/Activities/Unique%20Institutions%20Indispensable%20Cogs%20and%20Hoary%20Figures%20Understanding%20Pilotage%20Regulation%20in%20the%20United%20States.pdf)



of the operation and the competency of the crewmembers. Further, the state pilots are satisfied that the crewmembers, as state employees, have a similar high regard for the overriding public interests of the state and exercise their navigation duties accordingly.

That would not be the case, however, with a private foreign-flag operator – even one using a U.S. or Canadian credentialed crew as a condition of a pilotage exemption. The key difference lies in the fact that the crew of a private operator is employed by, and answerable to, the private, for-profit, foreign employer. The U.S. crewmembers of the existing ferry operation and the state pilots, on the other hand, perform their services subject to different considerations and responsibilities.

Although a state pilot is not an employee of the government, the pilot does perform an important public service. A state pilot is able to exercise judgment that is independent from the economic interests of the vessel owners, is answerable only to the state that licenses and regulates him/her, and has as a sole objective to protect state waters by preventing vessels from engaging in unsafe operations. In that respect, the principal customer of the pilot's service is not the vessel or vessel owner, but rather the state and its public interests.

A large part of piloting is judgment. There is a natural conflict of interest between a vessel owner's economic needs and the public interest in safe passage. It is in the public's best interests for the pilot's judgment to be absolutely free of the economic considerations of the vessel owner. A pilot often has to decide between different courses of action that may put safety at odds with business interests. For example, whether a vessel should proceed in heavy fog, whether a vessel should wait for a particular tide or current, or whether one route or maneuver should be used rather than another that might take more time. State pilots are empowered and expected to exercise independent judgment in making these types of decisions and to resist any economic pressures the vessel may be under.

If enacted, SB 6667 would authorize a pilotage exemption in Washington that is inconsistent with these basic tenants of compulsory state pilotage. The priorities of the ferry captains that SB 6667 would elevate and empower are quite different from those of the Washington-licensed pilots. The captains' interests are understandably aligned with the ferry owner's and the economic success of the company, while the pilots are accountable to the Board and the public interest.

The captains for this ferry would not be accountable to any local or Washington authority for negligence or misconduct. To the contrary, these captains would be primarily accountable to the ferry operator that employs them, and their performance will be judged, and their future employment will be dependent, upon how well they serve the ferry's economic interests. Ferries, which operate on a rigid published schedule – with intense pressure to be on time all the time – are particularly sensitive to economic considerations.

To vessel operating companies, compulsory pilotage is often seen as an inconvenient business expense. State compulsory pilotage should never be viewed as just another expense to the vessel operating industry, however, and any deliberations surrounding compulsory pilotage requirements should be based on the needs of navigational safety and marine environmental protection and not on ensuring vessel operating company profits.

## CONCLUSION

If enacted, SB 6667 would serve the narrow special interest of a foreign vessel operator at the expense of maritime and navigational safety. The proposed legislation would remove critical checks and balances by allowing individuals with no accountability to the state of Washington, to have absolute and complete control of one or more vessels carrying automobiles and passengers on the state's waters.

The APA has long been a public and forceful advocate of stringent state government oversight of compulsory pilotage. We believe it is vital for states to maintain their traditional role in preserving the efficient, environmentally responsible, and safe flow of waterborne commerce through this country's ports. That role is undermined when a state waives its pilotage requirement as a commercial incentive for a particular company. We, therefore, respectfully ask that SB 6667 not be adopted.



*Samish Indian Nation*  
OF WASHINGTON

August 26, 2020

Senator Steve Hobb

Senator Curtis King

Representative Jake Fey

Representative Andrew Barkis

Dear Friends,

As Chairman of the Samish Indian Nation, I write to express appreciation for your work on transportation issues, and share an immediate serious concern. Samish Tribal Council understands you are reviewing a study about privatization of the Anacortes/Sidney BC ferry run.

Samish Indian Nation has many citizens on both sides of the United States/Canada border, and a large majority of our Canadian citizens reside on Vancouver Island. Access between our scattered citizenry is important for cultural, spiritual, social, and family events throughout the year, so reliable ferry transportation between Anacortes & Sidney matters to Samish. However, of utmost concern is ensuring no more disruption to the marine life in our sovereign waters within the Salish Sea. I am voicing concerns that private business solutions would not be subject to vessel slowdown requirements regarding marine life protection that are in place for Washington State Ferries. Additionally, the higher speed, louder vessels would also further stress our endangered Southern Resident Orcas and the transient Orca populations.

Regionally, tourism plays a substantial role on the North Puget Sound five county economy:

- \$32.1 million of direct spending – increased to \$53.7 million per year with economic multiplier effects included.
- 277 direct jobs – increased to 393 jobs estimated including economic multiplier effects.
- \$8.2 million of direct labor income to benefited workers – raised to \$14.1 million with region-wide economic multiplier effects.
- \$3.4 million per year in state/local tax revenue – increased to \$4.6 million with economic multiplier effects.

Southern Resident Orcas whale watching opportunities drives tourism locally, and the only economic development business operated by the Tribe is Fidalgo Bay RV Resort in Anacortes, which relies heavily on seasonal tourist travel. Fidalgo Bay Resort had a decline of reservations from 2018 to 2019, correlating with unexpected seasonal ferry shortages in the San Juan Island system, including cancelations of the Anacortes/Sidney sailings on several instances last year.

Any decision by WA Legislature to reduce or eliminate the Anacortes/Sidney ferry run threatens our livelihood, and an alternative choice to privatize the sailings threatens the Salish Sea, and our sacred relationships with the Southern Resident Orcas. We request your attention focus on preserving the WA State Ferry system international sailings as a priority.

Thank you for this opportunity to share our thoughts and request your help to protect our Salish Sea from further threat.

Sincerely,



Thomas D. Wooten

Chairman