



Joint Legislative Audit and Review Committee

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Washington State Ferry System Performance Audit Report 98-6

In September of 1997, the Joint Legislative Audit and Review Committee (JLARC) retained Booz-Allen & Hamilton to conduct a performance audit of the Washington State Ferry (WSF) system.

This audit evaluated the historical and current performance of WSF and identified activities and programs that should be strengthened, abandoned, redirected, or replaced. The audit included a comprehensive review of WSF's overall operation, operating and capital costs, fleet and terminal infrastructure, and management. It also addressed 20 additional specific issues identified by JLARC.

Twenty-eight recommendations were made to improve the overall management, operations, and performance of WSF. For those recommendations where savings were quantified, potential annual cost reductions are estimated at \$4.9 million. Key findings, conclusions, and recommendations are highlighted on the following page.

WSF Background

The WSF fleet consists of 22 auto-passenger ferries and three passenger-only ferries, which serve 20 terminals on 10 different routes. In FY 1997, WSF ferries carried 24.9 million passengers and 10.9 million vehicles. These assets are managed and operated by 1,693 employees, including 1,478 operations staff.

Audit Background

Findings and conclusions developed during the audit were based on extensive interviews with WSF employees, stakeholders, and other ferry systems; facility and ferry inspections; review of internal and external documentation/reports; and team analysis.

Highlights of the key findings during the audit include:

Activity Levels and Benchmarks

WSF's operating expenditures in FY 1997 were \$123.4 million, and these expenditures

have grown at a rate of about 2 percent annually over the past six-year period. This compares with a 1.6 percent growth in passengers, and a 2.4 percent growth in vehicles over the same period. This indicates that operating costs have been appropriately balanced with activity growth. Correspondingly, WSF is comparable to other North American Ferry systems in terms of productivity and cost factors.

Organizational Structure

The current WSF organizational structure is inverted, with senior management having numerous direct reports and lower management having few. Moreover, organizational structure and culture have impeded WSF's ability to retain staff, conduct needed training, and manage labor and collective bargaining effectively. Consequently, Booz-Allen has proposed an organizational structure and recommended

organizational changes to address these problems.

Fleet Safety and Maintenance

WSF operates the system with safety as a highest priority, with the overall fleet performing reliably and with customers viewing the system favorably. An unweighted survey of U.S. Coast Guard deficiencies indicated that WSF had a lower number of deficiencies per vessel than most of the other five ferry systems reviewed. Furthermore, WSF completed in excess of 99 percent of its planned voyages.

Visual, non-technical walk through inspections of the WSF fleet showed a high level of operating maintenance. However, technical inspections may be necessary on WSF's oldest vessels to fully ascertain their current condition.

The audit team also identified a need for improving documentation of operating practices and emergency procedures.

Vessel Construction and Refurbishment

Booz-Allen conducted a vessel procurement study in 1991 for the Legislative Transportation Committee. Since then, WSF has implemented most of the 1991 Booz-Allen study recommendations addressing vessel refurbishment, except the implementation of a comprehensive steel maintenance program.

Current procurement and contracting procedures have contributed to improved WSF performance on recent shipyard projects. WSF has planned and is

implementing a preservation program to replace its historic refurbishment program, which may result in a more efficient approach to vessel life extensions.

Long-Range Planning

Current fleet and terminal capacity is not capable of meeting vehicle demand over the next 20 years. Importantly, vehicle capacity at most terminals is currently insufficient to meet current and future demand levels. However, the fleet does maintain adequate passenger capacity to support its 20-year forecast on existing routes.

The audit team believes that WSF's vessel and terminal construction estimates better represent future funding requirements than the current funding available. However, WSF should identify and study fleet deployment and investment options that optimize capital and operating costs.

Public/Private Partnerships

Opportunities may exist to reduce operating costs by WSF partnering with and/or subsidizing private operations. If such opportunities are to be pursued, the legislature should consider amending current legislation to eliminate institutional barriers to private ferry operations in Puget Sound.

[Note: At its October 6, 1998, meeting JLARC approved the final report on this performance audit but took no position on Recommendations 25 through 28, which pertain the public private partnerships.]

Recommendation Areas

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| <ul style="list-style-type: none">• Collective bargaining improvement• Compensation survey• Employee training and development• Information technology planning• Long-range capacity and capital planning• Maintenance management and steel maintenance systems | <ul style="list-style-type: none">• Maintenance facility restructuring• Management and operating policy and procedure development• Organizational structure redesign• Public/private partnerships• Strategic plan and performance measures• Vessel procurement |
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