

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

EXECUTIVE SUMMARY

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Draft



Acknowledgments

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Summary of Findings

Feasibility

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

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

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 service could result in a relatively minor cost increase or savings to the Motor Vehicle Fund over the next 20 years.

Anacortes/Fidalgo Island

Anacortes/Fidalgo Island could experience an economic loss if a smaller vessel provided service or a positive economic impact with a larger 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

It is **unlikely** that a private ferry service would be allowed to stop in the San Juan Islands. San Juan County would lose a direct ferry connection to Sidney and the economic impacts generated by the current Sidney service.

Regional Maritime Jobs

While WSF could lose a position and summer crew, private service **could create additional maritime jobs** that may be non-union or unionized labor.

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Purpose & Approach

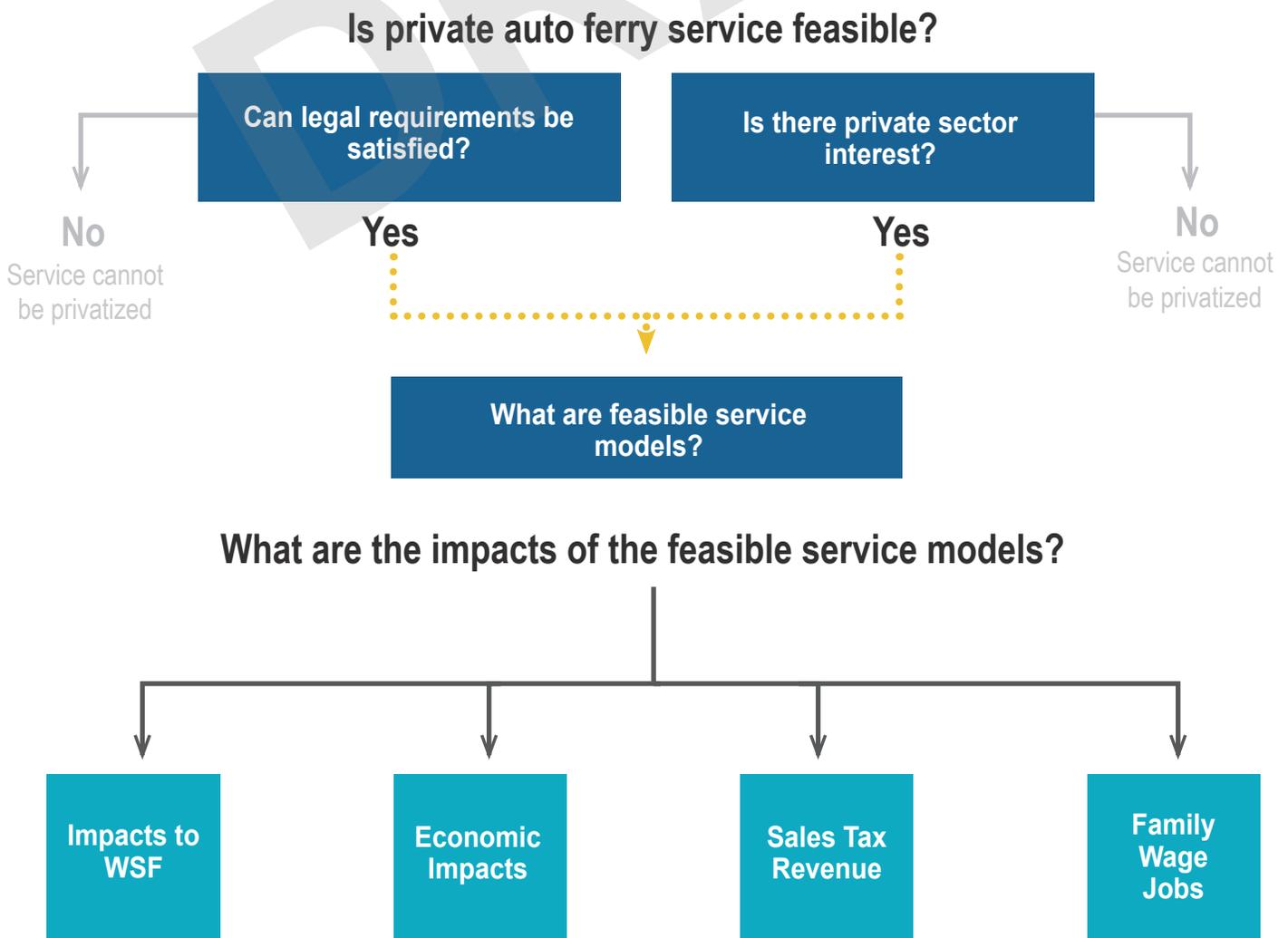
Purpose

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 service along a similar route.

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 completed in a two-step 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 evaluated.



Purpose & Approach

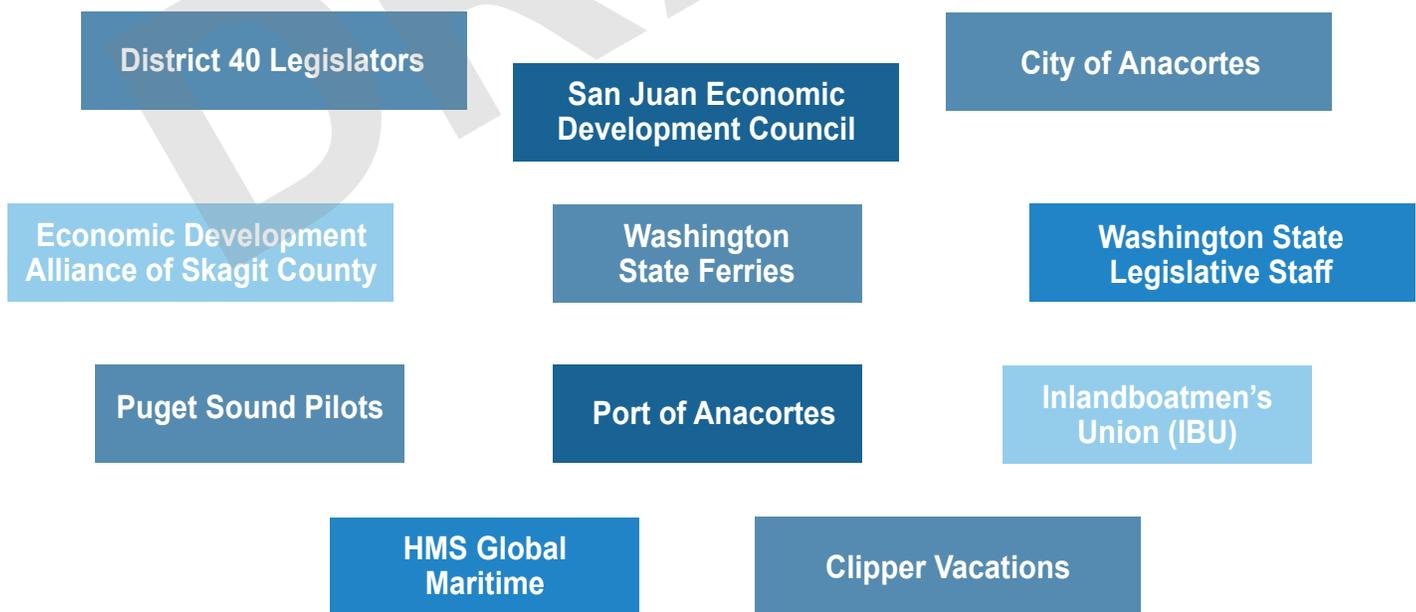
Staff Workgroup and Policy Panel

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 explaining their concerns.



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

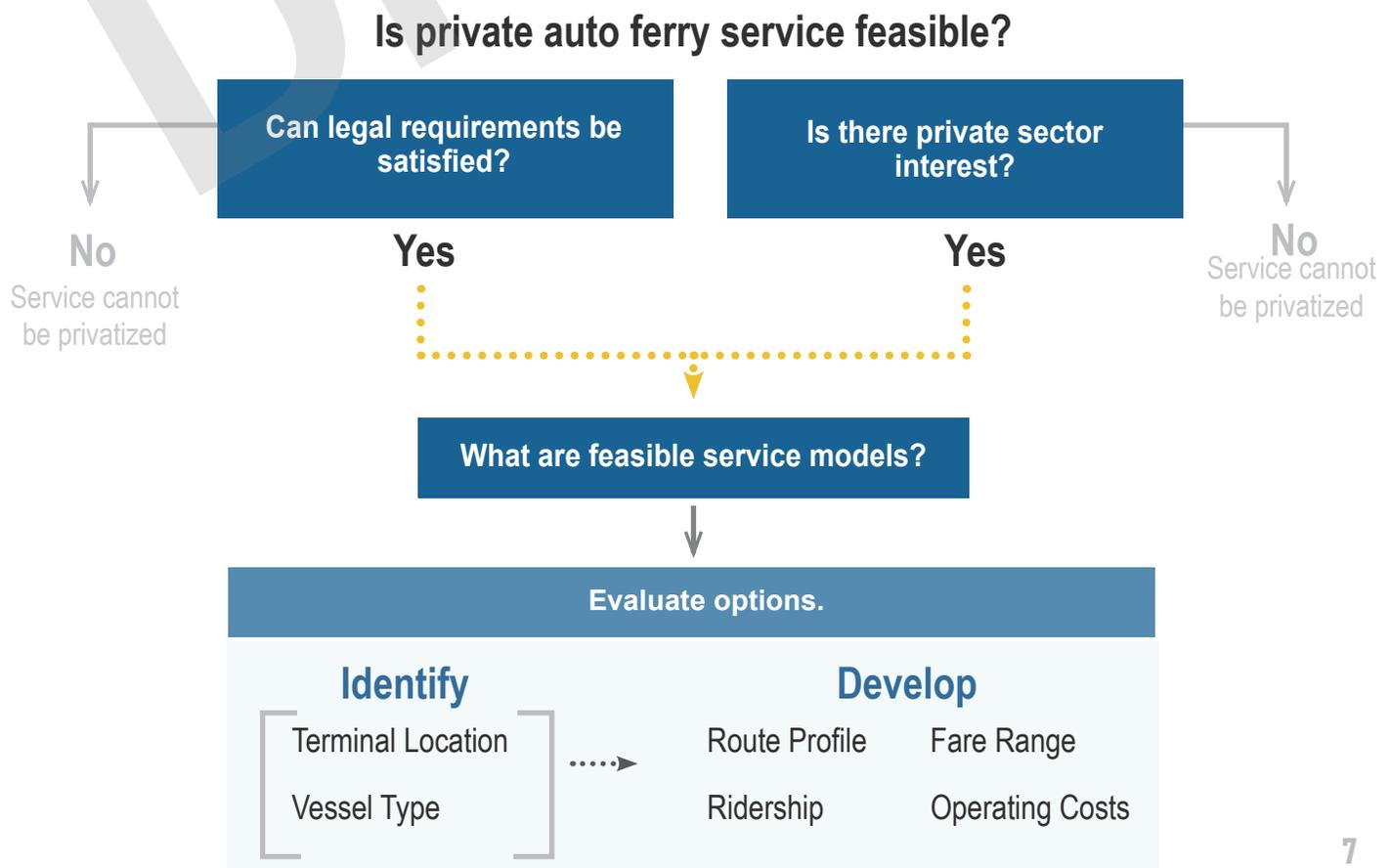
The San Juan County Economic Development Council prepared a report in response to the policy considerations that were not included in the scope of this study. Refer to Part II of the report for the *Additional Considerations Regarding Anacortes-Sidney Ferry Privatization Feasibility*.

Defining feasibility

The first step in this study was defining the feasibility of private ferry service. For this study, feasibility included identifying legal requirements surrounding private auto ferry service from 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 had a sufficient rate of return that could make service 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, including 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 that provide international ferry service and discuss their interests.
- >> **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.

Pilotage requirements could be cost prohibitive.

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

Washington State pilotage laws reflect a legitimate safety concern 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 but with conditions.

Foreign Flag vessel can only stop in one Washington port.

Federal law requires 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 Flag vessel without a stop in the San Juan Islands.

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 both private terminals are located within ten miles of WSF, an exception to the ten-mile rule would be needed. 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 WSF discontinues Sidney service, the Sidney terminal, the ten-mile rule is not an impediment to privatization.



Yes, the operator could feasibly 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 the following:

- >> **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 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 understand their considerations. Ferry operators were interested in providing ferry service and provided a number of considerations 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 decommissioned 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?

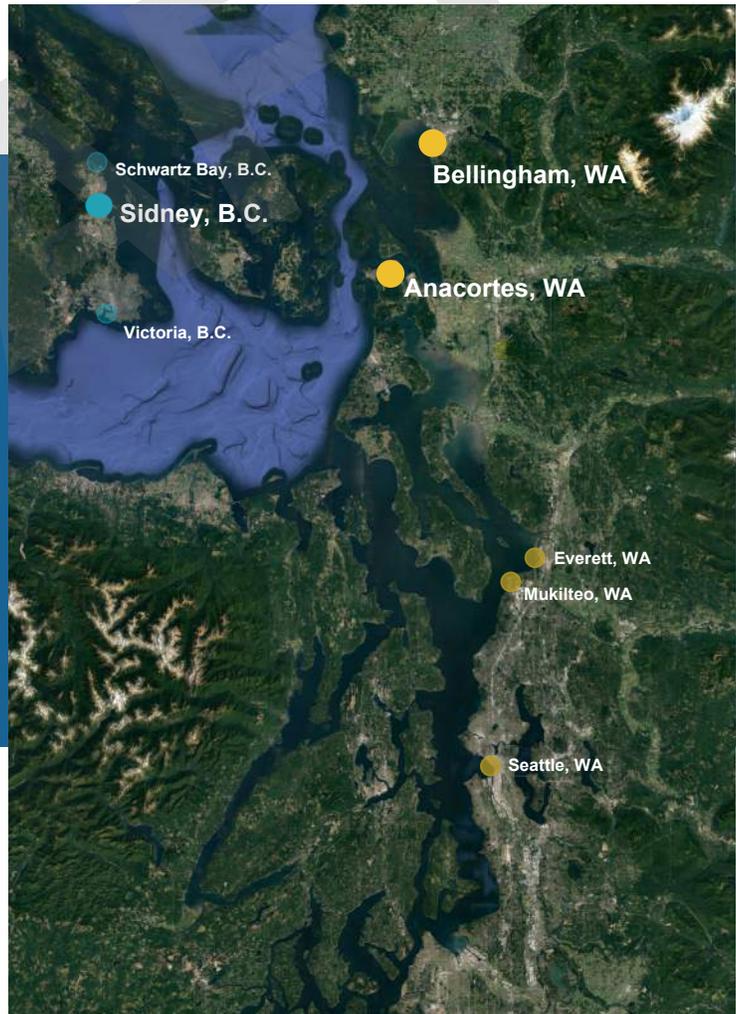
Potential route profiles were developed to estimate service levels and revenue at a given capacity of the vessel type. These profiles allowed the team to forecast revenue and identify route models and fare levels with a sufficient rate of return for a private operator. The route profiles include terminal 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 purchase of a used Foreign Flag vessel. To provide comparison of a range of vessel options, models were developed for a high-speed vessel providing more round trips 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. Both models assume the vessel will carry fewer cars 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; therefore, a new terminal would be required. The Bellingham terminal is anticipated to be located at the Bellingham Cruise Terminal in the Alaska Marine Highways ferry slip—this would make a route from Bellingham faster to implement.



[Click here for more information on the development of the feasible private ferry service models](#)

Fares would likely increase from current WSF fares.

Service levels were estimated 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, like price elasticity, etc. Fare levels are presented as a range, with the low end based on comparative fares from Blackball and WSF. At this fare level, it was found that a private operator would likely not make a sufficient profit, so a higher end fare level that would provide a sufficient rate of return was also determined.



Concept Feasible Private Ferry Service Options

Baseline (WSF)

	MV Chelan 124 Car Vessel	Existing WSF One-Way Fare	
		Car & Driver	Passenger
International vehicle traffic is restricted when stopping at Friday Harbor		\$59.65 (Base) \$74.45 (Peak)	\$21.30 (Base & Peak)

Service Model

Estimated One-Way Fare Range

Service Model		Estimated One-Way Fare Range	
		Car & Driver	Passenger
42-Car Vessel Fidalgo Island or Bellingham	42-Car Vessel	\$90 - \$125	\$30 - \$40
80-Car Vessel Fidalgo Island or Bellingham	80-Car Vessel	\$80 - \$100	\$25 - \$35

Impacts of Privatization

What are the impacts of feasible service models?

Based on the feasible ferry service models of 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.

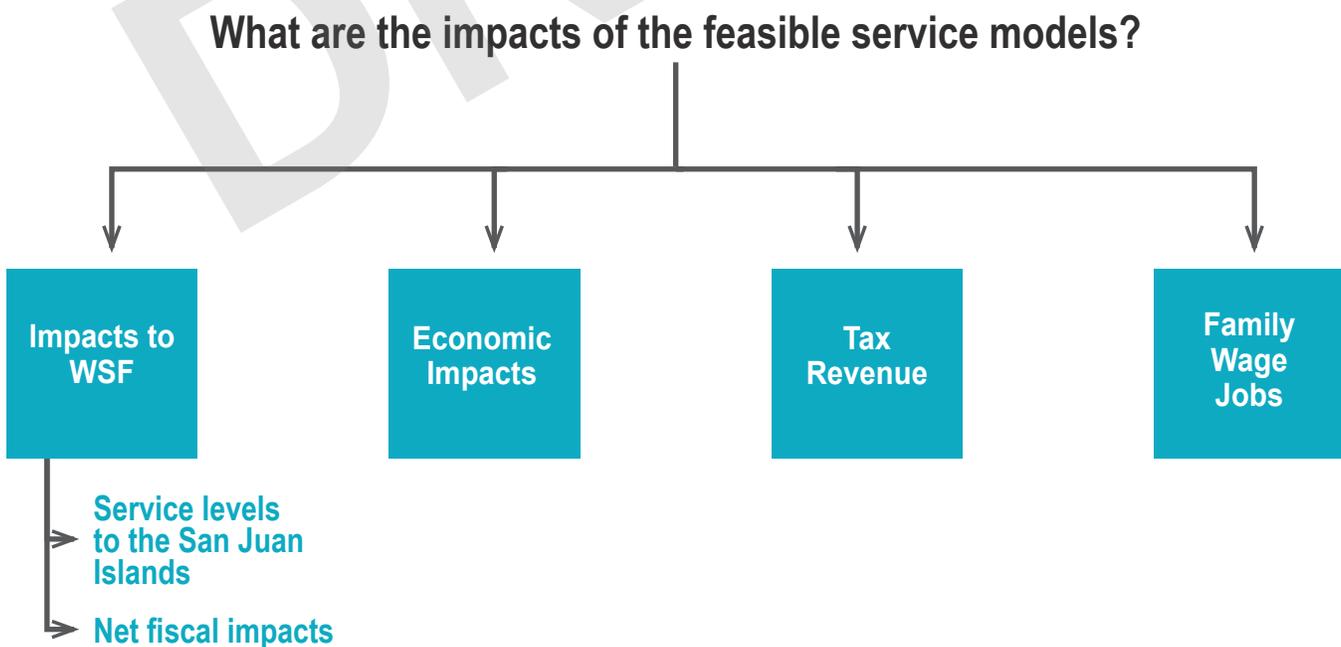
>> Impacts to WSF if Sidney service was discontinued:

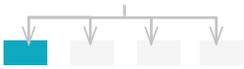
- Impacts to service levels to the San Juan Islands
- Net fiscal impacts to capital costs, vessel requirements, operating costs, and revenue for the WSF fleet

>> **Economic impacts:** Establish a baseline of current visitor spending in San Juan Islands and Anacortes from existing service, and impacts to visitor spending if service is privatized, maintenance/fueling if those services were relocated, 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.





Impacts of Privatization

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

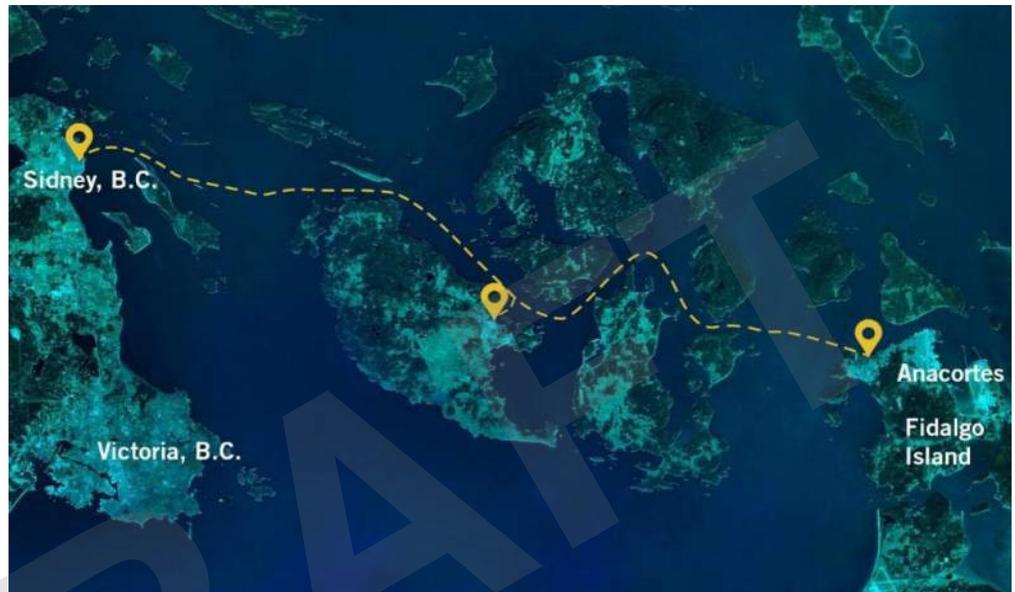
Current Service

The current Anacortes to Sidney route provides service 9 months of the year and provides service to Friday Harbor in the spring and fall.

Schedule

- >> **Spring and Fall:** 1 round trip with a stop at Friday Harbor
- >> **Summer:** 1 round trip with a stop at Friday Harbor, plus 1 direct round trip to Sidney
- >> **Winter:** No service

	Ridership	One-Way Fares	Net Direct Operating Costs	Revenue Recovery
2019 WSF Service	136,000 trips	Standard Size Vehicle: \$57.95 (off-peak) / \$74.45 (peak) Adult Passenger: \$20.65 (year-round)	Approx. \$1.3 M	67%

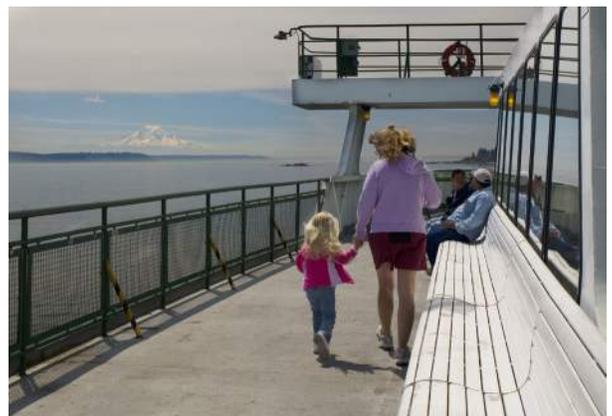


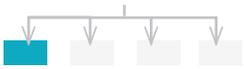
Current domestic San Juan Island service levels could change with privatization.

Privatization would most likely end San Juan to Sidney service. However, domestic service to the San Juans could remain the same, or an alternative schedule could be selected that adds one round trip from Anacortes to 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 were to continue 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.

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





Impacts of Privatization

>> Impacts to WSF: net fiscal impacts

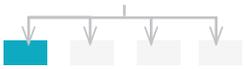
Because the route is international, it can only be served by a vessel meeting SOLAS certification requirements. With the retirement of the MV *Elwha* in 2019, the MV *Chelan* is the only SOLAS vessel in the fleet. For redundancy and service reliability, WSF prefers two SOLAS vessels be available to provide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

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

WSF recently retired its second SOLAS boat ahead of schedule. While that second SOLAS was assigned to the San Juans in the summer, it spent the other 9 months as a backup vessel. Loss of that vessel significantly increases the risk of service disruption. 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 *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 risk 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
Total Fleet	22	22	22	21	21	21	21	21	21



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.

\$20 to \$40 million

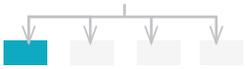
WSF would lose net operating revenue.

Although discontinuing Sidney service would eliminate all of the operating revenue generated by the route, it would not eliminate all of the costs currently associated with the Sidney service. There are overhead and administrative costs that will not be eliminated and must be absorbed by the remaining routes. 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 domestic terminals cannot.

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 range 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
Scenario 1: Discontinue summertime 5th boat · Spring & Fall: No service change · Summer: 1 less Anacortes-Lopez round trip	-\$2,311,000
Scenario 2: 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	-\$947,000



Impacts of Privatization

Privatizing service could result in a relatively minor cost increase or savings to the Motor Vehicle Fund over the next 20 years.

There are financial trade-offs to WSF if the Sidney Service is privatized. Capital investments in meeting 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 some 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 after 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 stop in 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

Economic Impacts if Service Changes



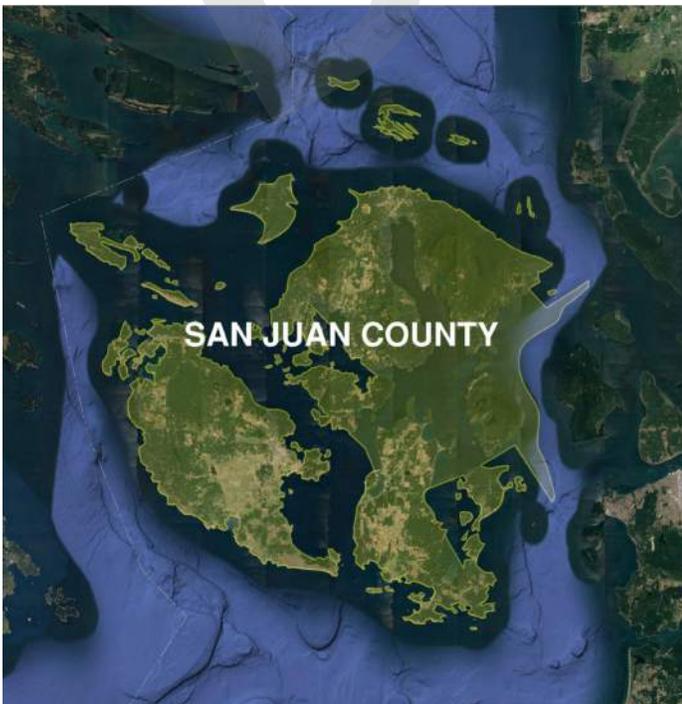
Visitor Profile

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



Visitor Spending

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





Impacts of Privatization

If a private service was provided 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 complete additional marketing and promotion to increase ridership.

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

Economic impacts of 42-car vessel from Fidalgo Island



Visitor Profile

Change from baseline

Day Visitors:	1,280 (-280 / -3,210)
Overnight Visitors:	3,540 (-1,020 / -2,090)
Total:	5,940 (-1,300 / -5,300)



Visitor Spending

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

Economic impacts of 80-car vessel from Fidalgo Island



Visitor Profile

Change from baseline

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



Visitor Spending

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

Economic impacts of 42-car vessel or 80-car vessel from Bellingham



Visitor Profile

Change from baseline

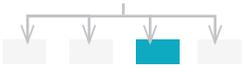
Day Visitors:	0 (-1,560 / -18,050)
Overnight Visitors:	0 (-5,680 / -11,680)
Total:	0 (-7,240 / -29,730)



Visitor Spending

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

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



Impacts of Privatization

>> Sales tax revenue: local jurisdictions

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.

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

Local sales tax revenue in San Juan County could decrease for any service option.

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

Private service from Anacortes could 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

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

\$ Baseline state sales tax revenue

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

\$ State sales tax revenue could decrease with the 42-car private service options.

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

\$ State sales tax revenue could decrease with the 80-car private service options.

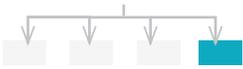
Anacortes/Fidalgo Island:	\$36,200 - \$87,600 (+\$3,800 / +\$9,200)
San Juan County:	\$0 (-\$76,900)
Total:	\$36,200 - \$87,600 (-\$82,700 / -\$90,900)



"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 just to San Juan County and Anacortes/Fidalgo Island.

Maritime jobs may increase.

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

WSF Jobs

Many of the WSF jobs (management, terminal staff, and most 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 these could be union jobs, it is more likely that they would be non-union.



Family wage jobs generated from visitor spending could decrease.

Visitor spending generates family wage jobs for some households. Some of these jobs related to visitor spending would be lost if service were to be privatized. The bulk of the loss of these types of jobs is due to elimination of the San Juan-Sidney run.



Anacortes terminal would generate temporary new terminal 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 jobs a year

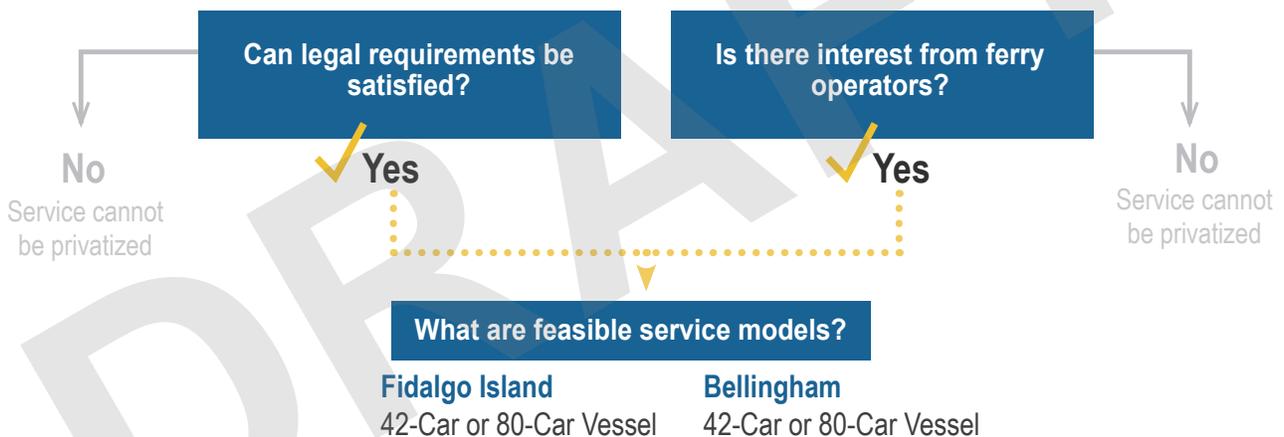
Conclusion

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

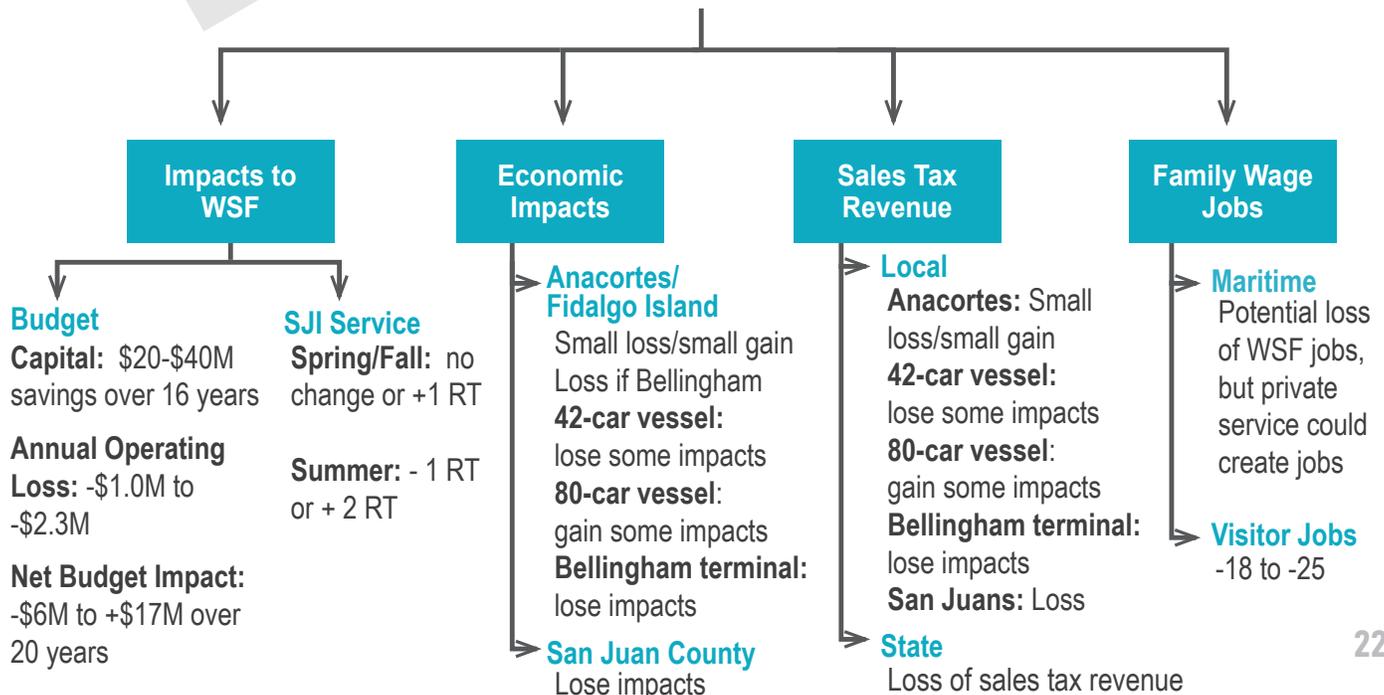
Overall, WSF would lose net operating revenue by discontinuing the Sidney service, and the capital cost savings would not be realized until the MV *Chelan* is retired (2036) and/or when a SOLAS retrofit occurs. Service levels to the San Juan Islands would need to be reevaluated, as there are options for changing the service levels during the spring/fall and summer seasons.

San Juan Islands would lose the economic impacts from the ferry service. If a private terminal were located in Anacortes/Fidalgo Island, 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 impacts would likely shift to that area. State sales tax revenue 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 the impacts of privatization?



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State of Washington Joint Transportation Committee

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

Draft Report

December 2020

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DRAFT

Part I: Response to the Proviso

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

DRAFT

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. The Senate considered a bill modifying pilotage requirements to facilitate private service to British Columbia, see SB 6667. Rather than take action on the bill in the 2020 session, the Legislature Commissioned this study¹ 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.

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.

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.

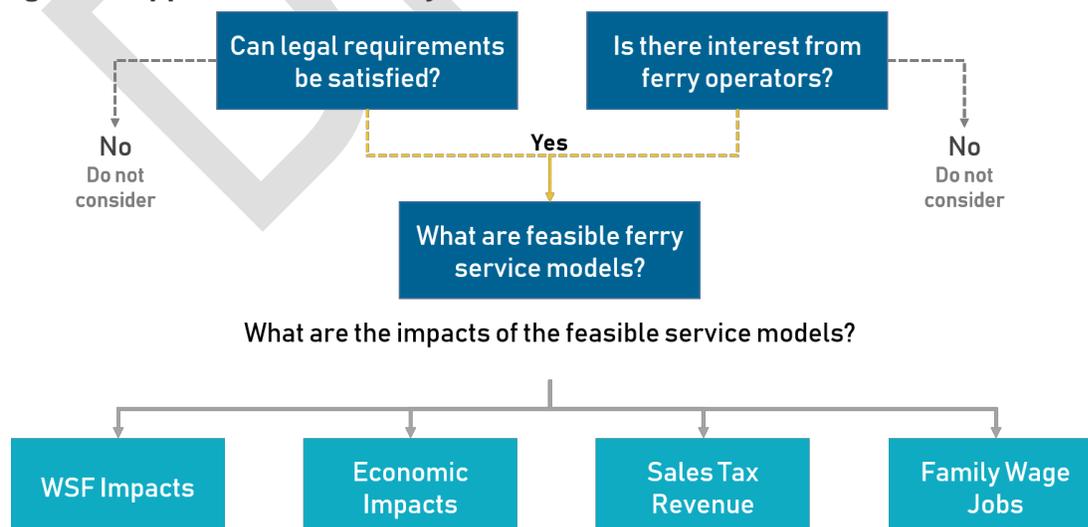
Approach

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 impact of current service to the San Juan Islands and Anacortes/Fidalgo Island and changes in impacts if service were privatized.

This analysis is represented graphically in Figure 1:

Figure 1: Approach to the Study



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

The following sections detail the assessment of feasibility, the elements reviewed in the impact analysis, and the Staff Workgroup and Policy Panel involvement.

Feasibility

The first step taken to address the primary questions 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 in providing service.
- » **Developing Feasible Private Ferry Service Models.** Develop operating profiles for private auto ferry service options including potential terminal locations, vessel sizes, level of service, costs, and fares.

Assumes post-COVID Condition
The Proviso was passed prior to the COVID 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

The operating profiles were then used to analyze the potential impact of privatization. The impact analysis was conducted on 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 along with an analysis of the revenue, operating cost and capital cost impacts to WSF.
- » **Local Economic Impact of Current Service:**
 - **Visitor Spending Economic and Fiscal Impacts.** Summarize the analysis of 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 for the 2019 baseline level of service.
 - **Impacts to Family Wage Jobs.** Discuss the impacts to family wage jobs of the current Anacortes to Sidney service.
- » **Impacts if Service is Privatized.** Identify the change to economic impacts to Anacortes/Fidalgo Island and San Juan County from privatizing the Anacortes to Sidney ferry service based on the feasible private ferry service models developed. This includes an assessment of visitor spending, sales tax, 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. The workgroup was consulted at three 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 prepared the document with assistance from other stakeholders. The resulting report, written in opposition to privatization, is included as Part II of this report.

Background

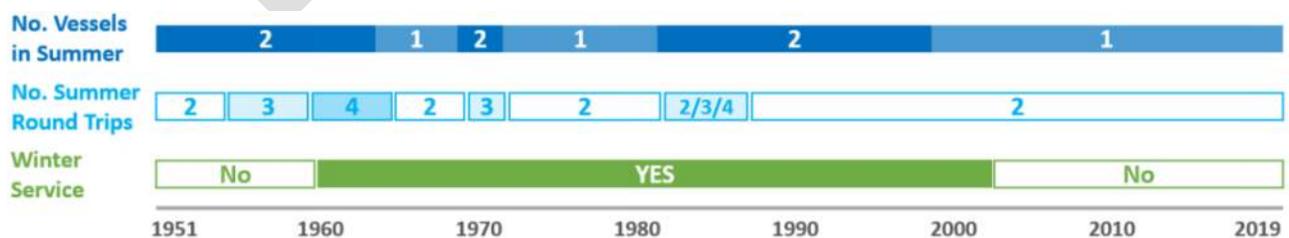
The following sections offer a brief history of the Anacortes to Sidney ferry service along with an overview of the WSF fleet that provide the foundation for this study.

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 been providing the service ever since with varying levels of service.

WSF proposed eliminating the Anacortes to Sidney route during the 1970s due to limited 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 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

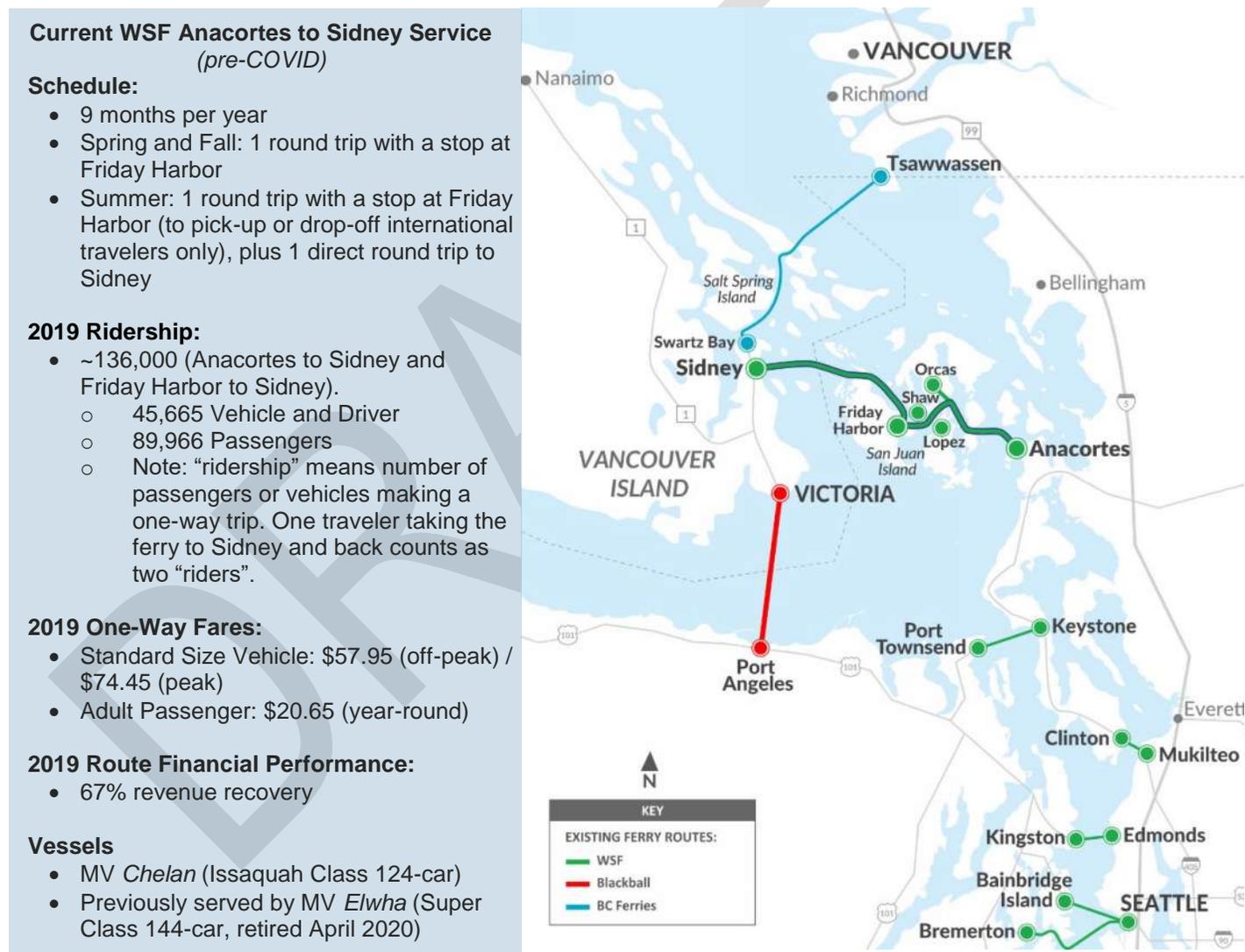


Existing Anacortes to Sidney Service

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 roundtrip 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 identifies the Anacortes to Sidney service along with other ferry services provided to Vancouver Island.

Figure 3: Auto 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 that 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 lower 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 be deployed to a route for unplanned maintenance, thus exposing the entire system to potential service disruptions.

To both adequately maintain current 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. New vessels are called for to replace the 13 vessels retiring over the next 20 years, add one boat to implement three boat service on the Edmonds to Kingston route and add two vessels to ensure 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.

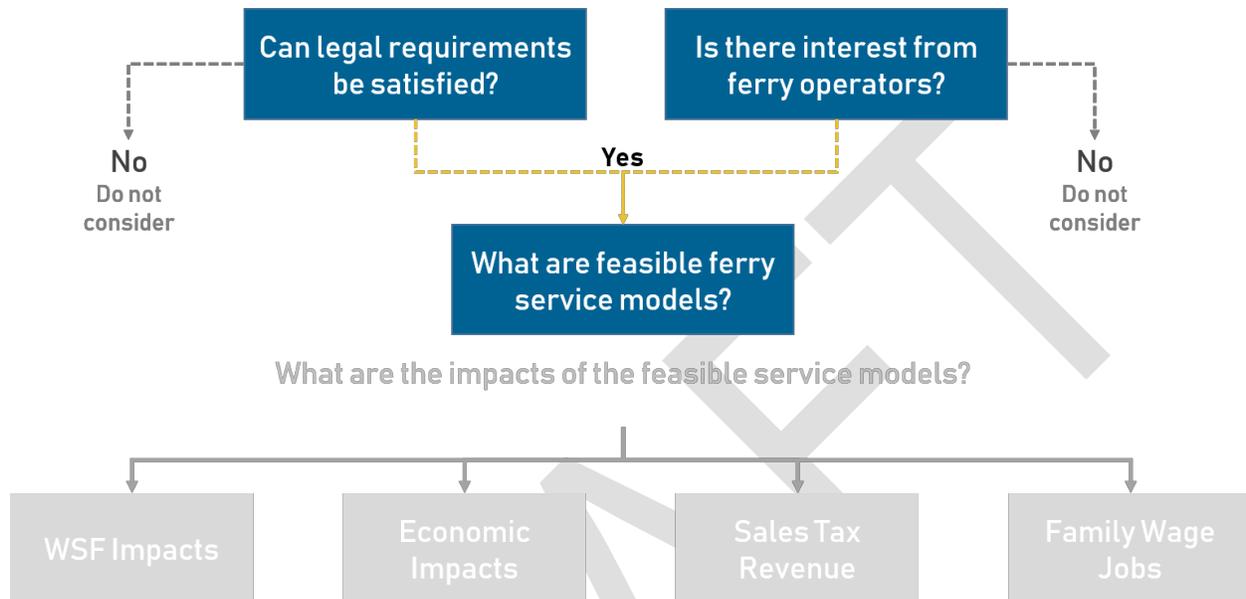
Table 1: WSF Fleet Allocation

Fleet	Before <i>Elwha</i> Retirement (FY 19)			Vessel Assignment (FY 21 and Beyond)			Proposed Long Range Plan (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
Change from LRP Baseline	-	-	-	-1	-1	-1	4	4	4

Chapter 2: Feasibility

This study includes identifying 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



The following sections in this chapter present the legal and regulatory framework and the private ferry service models.

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 state 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 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. citizens². That is, only a U.S. Built and U.S. Owned vessel could provide the Anacortes to Sidney service currently offered by WSF: stopping 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, probably have to build a new boat in the U.S. and meet the U.S. ownership requirements in order 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. This report, therefore, 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 Juans. Accordingly, the feasible private ferry service models explored do not include a stop in the San Juans.

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.³, 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 (“WUTC”) ⁴. U.S. and Canadian Flag vessels operating exclusively in this pilotage district are categorically exempt⁵ from this requirement. Foreign Flag vessels do not enjoy that exemption.

² 46 C.F.R. §67.5.

³ 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.

⁴ RCW 88.16.070

⁵ RCW 88.16.070(1).

Canada also has a compulsory pilotage statute⁶. However, Canadian law exempts ferries⁷ 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 waters⁸.

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 ("ISM Code") and the High-Speed Craft Code ("HSC 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 signatories⁹.

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 Certificate¹⁰.
- » **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.¹¹

⁶ Pilotage Act, RSC 1985, c P-14, Pacific Pilotage Regulations, CRC, c 1270.

⁷ 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.

⁸ 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.

⁹ see Appendix C.

¹⁰ 46 C.F.R. 2.01-6(a)(1).

¹¹ 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 Coast Guard's targeting system identifies certain Foreign Flag vessels for additional inspections¹². The targeting system rates Flag State Administrations based upon the detention ratio for vessels flying their flag¹³. 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 SOLAS¹⁴.

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 residents¹⁵. 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 NOx emissions from vessels and the sulfur content of the fuel that they burn.

¹² U.S. Coast Guard Marine Safety Manual, Vol. II at Section D, Ch. 4 at D4-7.

¹³ 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.

¹⁴ Marine Transportation Security Regulations, SOR/2004-144 s. 1.

¹⁵ 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-flagged vessels operating in navigable waters of the United States or at a port under U.S. jurisdiction¹⁶. The U.S. Coast Guard administers APPS, under which it promulgates and enforces regulations¹⁷. 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.¹⁸ The U.S. Coast Guard has authority to board and inspect any vessel in U.S. waters to determine its compliance with MARPOL¹⁹. 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 Flag vessels operating in Puget Sound include, among others, the Clean Water Act²⁰, the Oil Pollution Act of 1990²¹, the Vessel Incidental Discharge Act,²² and the Washington State Vessel Oil Spill Prevention and Response Act²³.

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 State²⁴. 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 plan²⁵ or the National Response Corporation (NRC) vessel oil spill contingency plan.²⁶

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.²⁷ 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.

¹⁶ 33 U.S.C. §§1901(a)(4), 1902.

¹⁷ 33 C.F.R. §151.01

¹⁸ 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>.

¹⁹ 33 U.S.C. §§1904(c), 1904(d).

²⁰ 33 U.S.C. §1251 et. seq.,

²¹ 33 U.S.C. §2701 et. seq.,

²² 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)).

²³ RCW ch. 88.46 is administered by the Washington State Department of Ecology.

²⁴ RCW 88.46.060

²⁵ *About the Cooperative*, Washington State Maritime Cooperative, <https://wsmcoop.org/about-us>.

²⁶ *NRC Covered Vessels Washington State Contingency Plan (NRC Plan)*, NRC, <http://nrcwaplan.nrcc.com/>.

²⁷ *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 physical and acoustical impact 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 (“NOAA”) regulations prohibit vessels from approaching within 200 yards of a southern resident orca whale in U.S. waters²⁸. 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 whale²⁹.

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 Code³⁰.

Provisions Specific to a Washington State to British Columbia Ferry Service

There are specific regulatory considerations for Washington State to British Columbia ferry service including the ten-mile rule provision in the RCW, lease considerations and collective bargaining provisions.

²⁸ 50 C.F.R. §224.103

²⁹ RCW 77.15.740.

³⁰ 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..."³¹ 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"³². In 2003, this statute was amended to exempt operators of passenger-only ferry service³³.

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."³⁴ The Legislature amended 41.60.120 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 Sidney route. 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 81.84,³⁵ 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.

³¹ RCW 47.60.120(1).

³² RCW 47.60.120(2).

³³ RCW 47.60.120(5)

³⁴ 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.

³⁵ 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.³⁶ The Legislature would need to approve elimination of WSF’s Sidney service before privatization of the service would be feasible.

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/Sidney ferry route. 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, vessel sizes, terminal locations, costs, and an estimate of ridership to forecast potential fare ranges.

³⁶ RCW 47.60.330.

Potential Private Operators

To understand the opportunities and challenges of providing private service between Washington State and British Columbia, the team interviewed five private ferry operators. All operators expressed interest in continued involvement in the study. Table 2 presents a summary of the operators interviewed.

Table 2: Operators Interviewed

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

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, the existing Sidney terminal or in the case of BC Ferries 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 to 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, legal issues, and direct financial support through subsidies.

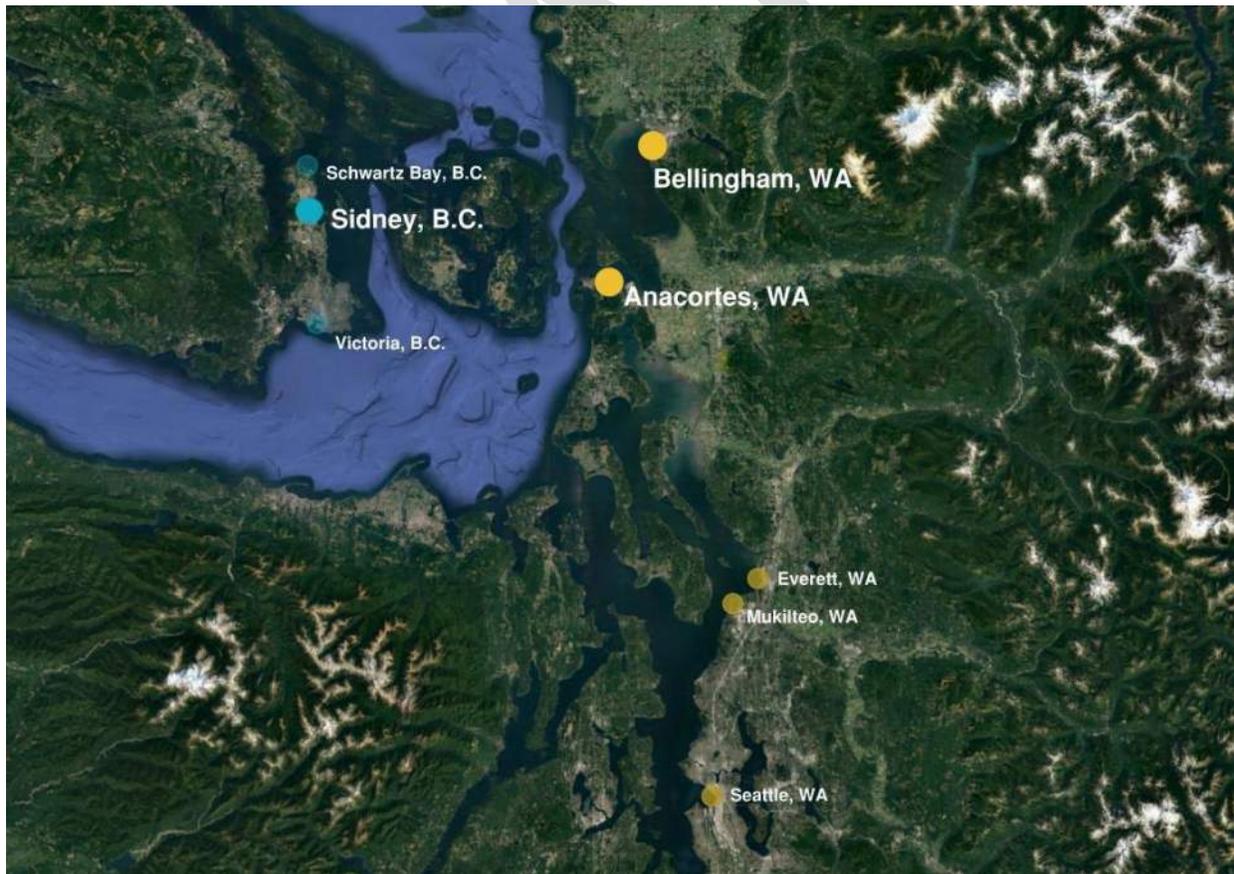
Potential Terminal Locations

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:** The international ferry route would require terminals to have a secure area for holding and processing passengers and vehicles, as well as facilities for the Customs Agents.
- » **Size:** This 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 to land at an existing 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
	Seattle	Would require new terminal construction, 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, terminal owner, but likely unavailable to other operators

Customs/International Considerations

For any international ferry service between Washington State and British Columbia, 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.

Development Regulations

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



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.

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.

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 US Army Corps of engineers consults with pertinent tribes, federal agencies such as National Marine Fisheries, U.S. Fish and Wildlife Services, as well as state and local agencies.
- Projects also must comply with the Endangered Species Act that is administered by the National Marine Fisheries and US 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 (GMA) 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 separate secure area for Customs and Immigration processing

The City of Anacortes defines ferry terminals as Passenger Terminals and 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 Table Anacortes Municipal Code (AMC) 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 Matrix³⁷. 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



³⁷ 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.

Figure 8: Aerial of the Bellingham Cruise Terminal³⁸



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 USCG. For Foreign Flag vessels operating in the U.S., the USCG performs Port State Control Inspection to determine if vessel is in compliance with their specific requirements and standards set by international treaties.

Used U.S. vessels suitable to the route are rarely available, 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 infeasible. For these reasons, the private ferry service models assume the use 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 shoulder seasons.

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

³⁸ <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 assumptions for the service private ferry service models.

Table 4: Private Ferry Service Model Assumptions

	80-car / Anacortes	42-car / Anacortes	80-car / Bellingham	42-car / Bellingham
Terminals				
<i>Washington</i>	Anacortes/Fidalgo Island (new terminal)	Anacortes/Fidalgo Island (new terminal)	Bellingham (existing cruise terminal)	Bellingham (existing cruise 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)
Vessel				
<i>Size</i>	Slower-speed 300 feet, 500-pax, 80-car conventional mono-hull	Higher-speed 197 feet, 428-pax, 42-car aluminum catamaran	Slower-speed 300 feet, 500-pax, 80-car conventional mono-hull	Higher-speed 197 feet, 428-pax, 42-car aluminum catamaran
<i>Service Speed</i>	16 knots	30 knots	16 knots	30 knots
<i>Crew Size</i>	13	10	13	10
<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
Ridership				
<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%
Annual Revenue				
<i>Vehicle & 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

Fares and Service Level 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 Fidalgo Island and Bellingham terminal locations. These feasible ferry service models were used to assess impacts to WSF and economic impacts. A summary of service model options is presented in Table 5.

Fare levels are presented as a range. The low end is based on current WSF fares and competitive fares from Blackball, 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 Models Options	Annual Service Seasons	Trips per Day	Estimated Ridership Based on Capacity	Estimate Fare Range
42-car Vessel Fidalgo Island Terminal or Bellingham	<ul style="list-style-type: none"> • 3 months (Peak) • 6 months (Shoulder) • 3 months (No Service) 	<ul style="list-style-type: none"> • 3 (Peak) • 1 (Shoulder) 	<ul style="list-style-type: none"> • 97,447 Total Passenger Trips 	<ul style="list-style-type: none"> • \$90-\$124 Car & Driver • \$30-\$41 Passenger
80-car Vessel Fidalgo Island Terminal or Bellingham		<ul style="list-style-type: none"> • 2 (Peak) • 1 (Shoulder) 	<ul style="list-style-type: none"> • 132,451 Total Passenger Trips 	<ul style="list-style-type: none"> • \$80-\$100 Car & Driver • \$27-\$33 Passenger

Non-fare revenue such as enhanced concessions and providing 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 include one vessel to provide international service. However, having only one vessel to provide service could result in service disruptions if the vessel needs unplanned maintenance. 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.³⁹

³⁹ Collective Bargaining Agreement, The State of Washington and Inlandboatmen's Union of the Pacific 2019-2021

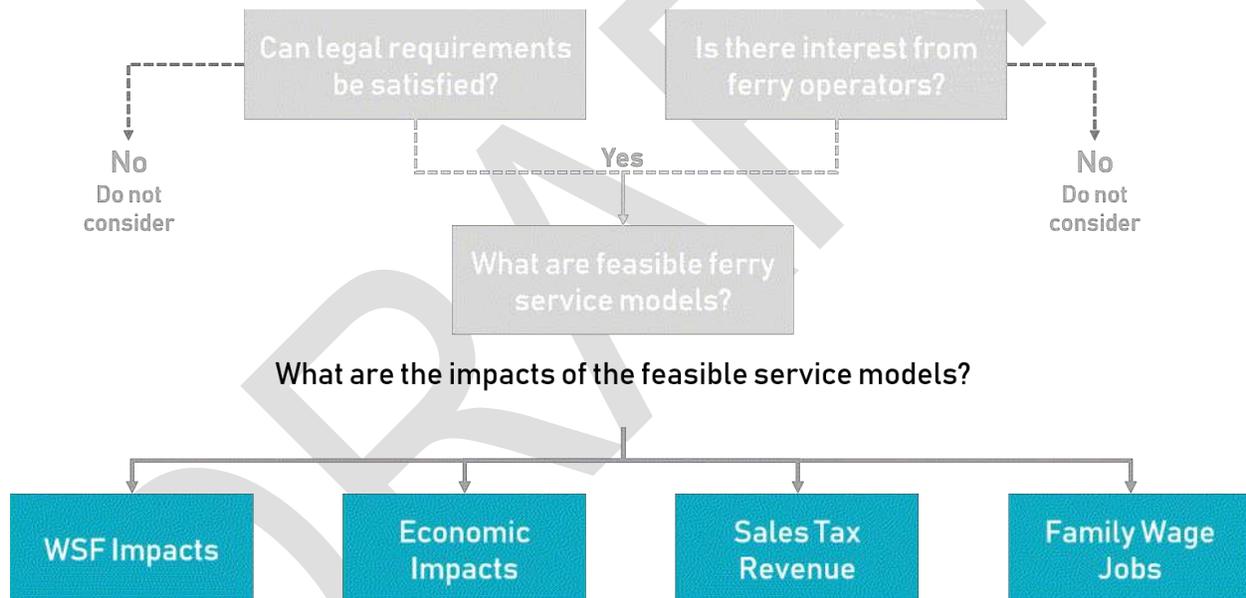
Chapter 3: Impact Analysis

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

- » Assess impacts to WSF capital expenditures, service levels, operating costs and revenue if a private operator provided service from Washington State to Vancouver Island and WSF discontinued the Anacortes to Sidney service.
- » Evaluate economic impacts of visitor spending, sales tax revenue and family wage jobs of the current Anacortes to Sidney service to Anacortes/Fidalgo Island and San Juan County.
- » Estimate economic impacts with respect to visitor spending, sales tax revenue and family wage jobs associated with the feasible service models to Anacortes/Fidalgo Island 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 as follows:

- » **Spring/Fall 2019:** One daily round trip from Anacortes to Sidney included a stop in Friday Harbor. The daily operating hours for the route that includes Sidney were allocated as follows:
 - **To Sidney & Friday Harbor:** 7 hours
 - **To San Juan Island:** 11 hours
 - **Total Daily Hours:** 18 hours
- » **Summer 2019:** The Sidney vessel operated one daily round trip between Anacortes and Lopez and two daily round trips to Sidney, with one round trip stopping at Friday Harbor⁴⁰. The daily operating hours for the route 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 Juans and was available to operate internationally as needed.

Revenue Recovery

Revenue recovery reflects the amount of operating costs covered by fares and other operating revenue. The system-wide revenue recovery average for all routes in fiscal year 2019 was 75%, ranging from a low of 52% to a high of 111%. Reflecting the higher fares, targeted seasonal service and the efficient shared use of the SOLAS vessel, the Anacortes to Sidney revenue recovery, at 67%, was higher than the domestic Anacortes to San Juan Islands service, at 57%. With the exception of the \$0.25 capital surcharge on tickets, revenue recovery does not contribute to ferry capital costs.

⁴⁰ The stops on Friday Harbor only serve international travelers during the summer.

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 maintenance and refurbishment while maintaining reliable service.⁴¹

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:** Adding SOLAS equipment to the vessel built to replace the MV *Chelan* that would cost approximately \$20 million (\$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:** Adding equipment to an existing vessel or planned new vessel for SOLAS in the near term⁴² and adding SOLAS equipment to the vessel built to replace the MV *Chelan* by 2036. This option would cost \$40 million (\$20 million in the near term and \$20 million (\$2019) by 2036) and provides a back-up vessel to reduce the risk of service disruptions, restoring the level of service available prior to the Elwha’s retirement.

The two options are depicted in Table 6.

Table 6: Investment Options for SOLAS Replacement

Investment Option ¹		Investments (\$2019 millions)	When
Option 1	Add SOLAS equipment to the vessel built to replace the MV <i>Chelan</i>	\$20M	2036
Option 2	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
	Total Investment	\$40M	By 2036

¹Note: WSF is exploring options for the SOLAS vessels. The investment options are provided to assess potential impacts to WSF, however, there could be other options identified that are better suited for WSF’s fleet requirements.

⁴¹ 2040 WSF Long Range Plan

⁴² 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.

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 to 40 million by 2036. Privatizing service to Sidney would not reduce the size of WSF’s vessel build plan proposed in the LRP 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.

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: Fleet Allocation

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
Total Fleet	22	22	22	21	21	21	21	21	21
Change from Baseline	-	-	-	-1	-1	-1	-1	-1	-1

San Juan Island Service Levels without Sidney Service

Disengaging 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 might 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 scenarios were restricted to the San Juan Islands. 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 roundtrip
 - Fuel savings would not be realized since Sidney specific service hours are redirected to the San Juans, 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. Impacts include:
 - Reduces the level of service to the San Juan Islands by eliminating the Anacortes Lopez trip each morning
 - WSF would need to conduct further analysis to determine if additional stops at Lopez can be added to other scheduled San Juan Island trips to minimize the impact to Lopez 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 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 having to hire summer deck crews for the Sidney vessel
 - Recaptures some of the revenue loss from the Sidney route through increased domestic service
 - Due to docking constraints that would limit the number of potential extra service trips and demand levels may not warrant the adding of 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 international 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 WSF.

Net Annual Operating Financial Position

Adding the Spring/Fall and Summer service scenarios, the annual net financial position for WSF ranges from approximately \$950,000 to \$2.3 million in \$2019.

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

-\$950,000: Spring/Fall Scenario 2 plus Summer Scenario 2

Table 8 provides the operating cost and operating revenue impacts of each of the service scenarios.

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	-\$774,000
	2	+1 roundtrip	-\$444,000	-\$485,000	-\$41,000
Summer	1	-1 roundtrip	-\$1,507,000	-\$3,044,000	-\$1,537,000
	2	+2 roundtrips	-\$888,000	-\$1,794,000	-\$906,000

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.

- » There is a financial tradeoff between the operating and capital programs. Not outfitting a vessel for SOLAS could save WSF up to \$40M in the capital program. However, the net revenue loss would adversely impact the operating program up to \$2.3M annually. As Table 9 depicts, the WSF's net cash flow position at the end of 20 years would be -\$6.0M.

Table 9: Net Cash Flow Position

- » If WSF were able to recoup half of the revenue loss by increasing domestic service in the San Juans or elsewhere, the net cash flow position would be about + \$17M by 2040.
- » While adversely impacting the financial position of the operating program, privatizing Sidney could free up a vessel during the summer to reduce the risk of service disruptions.
- » Privatizing Sidney 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 \$20M to \$40M dollars (\$2019) for SOLAS outfitting.
- » 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.
- » There are four vessels assigned to the 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.
- » Integrating Sidney service during the spring and fall and adding a vessel in the summer affords WSF an opportunity to optimize revenue performance.

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 spend money in the local economy during their travels, such as lodging, food and beverage, fuel, and other retail, and make use of 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 derived from visitor spending and 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 impacts from visitor spending
- » Family wage jobs in the maritime industry, visitor spending and temporary construction

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

Because there is insufficient available data to determine how many ferry travelers from Sidney, or on their way to Sidney, 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.

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 more 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 as well as family wage jobs to the Anacortes/Fidalgo and San Juan County regions. Other economic impacts generated by the existing Anacortes to Sidney service like commute trips, property taxes and other spending or other geographic areas were not considered.

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

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. Many of those visitors stay overnight. Table 10 provides the likely range and types of visitors and total visitors to Anacortes/Fidalgo Island.

Table 10: Total Visitors to Anacortes/Fidalgo Island by Type, Baseline⁴³

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

Economic Impacts of Existing Travel Expenditures to Anacortes/Fidalgo Island

Visitor spending from people traveling on the 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 to the Anacortes/Fidalgo area. Table 11 provides the number of jobs supported by visitor spending, employee compensation, and business revenue to Anacortes/Fidalgo Island resulting from the current Anacortes to Sidney service.

Table 11: Anacortes/Fidalgo Island Visitor Spending Economic Impact, Baseline⁴⁴

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

⁴³ 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.

⁴⁴Sources: 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 Impacts to Anacortes/Fidalgo Island and Washington State from Visitor Spending

The economic impact of visitor spending generates local and state sales tax revenue. Visitor spending also supports other taxes such as lodging and property taxes, but these were not estimated as part of this study.

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

Table 12: Anacortes/Fidalgo Island Sales Tax and Taxable Retail Sales from Visitor Spending, Baseline, \$2019⁴⁵

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

Baseline Economic and Fiscal Impacts to San Juan County

An estimated 4,590 people visit San Juan County who are traveling from Sidney to a destination in the San Juan Islands 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 and total visitors to San Juan County.

Table 13: Total Visitors by Type to the San Juan Islands, Baseline, 2019⁴⁶

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

⁴⁵ 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

⁴⁶ 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 Anacortes/Fidalgo Island, these are mostly jobs within the tourism, hospitality, and retail sectors.

Table 14 provides the number of jobs supported by visitor spending and the business revenue impacts to San Juan County resulting from the current Anacortes to Sidney service.

Table 14: Economic Impacts to San Juan County, Baseline, \$2019⁴⁷

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

Like the impacts to the Anacortes/Fidalgo area, the economic impact of visitor spending generates local and state sales tax revenue. This spending also supports other taxes such as lodging and property taxes, but these were not estimated as part of this study.

Based on the taxable retail sales and applying the effective local and state sales tax rates, the local sales tax revenue generated by the Anacortes to Sidney service is estimated at approximately \$18,500. The 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 and Taxable Retail Sales from Visitor Spending, Baseline, \$2019⁴⁸

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

⁴⁷ 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.

⁴⁸ 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. The following sections outline the existing family wage jobs generated by the existing Anacortes to Sidney service.

- » **Existing Maritime Jobs:** The Sidney service supports an estimated 29 positions. WSF union jobs pay living wages in both Skagit and San Juan counties. Including benefits, these union jobs also provide living wages for all household types in King County. These jobs are located spread throughout the Puget Sound region.
- » **Jobs Supported by Visitor Spending:** The direct economic impact associated with visitor spending of the Anacortes to Sidney service supports 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 existing maritime jobs and family wage jobs (for some families) attributed to visitor spending.

Table 16: Jobs Attributed by Visitor Spending

Job Type	Number of Jobs
Maritime Jobs in the Puget Sound Region	29
Visitor Spending 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 could result in gains or losses to 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 estimate 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 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. If the private auto ferry service were to use a Bellingham terminal, the economic impact 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 utilize a 42-car vessel from the Anacortes area, the Anacortes/Fidalgo Island area could experience a 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) Visitors and Visitor Spending Economic Impacts⁴⁹

Category	Baseline	80-Car Private Vessel from Anacortes		42-Car Private Vessel from Anacortes		80- or 42-Car Private Vessel from Bellingham	
	Range	Low Range	High Range	Low Range	High Range	Low Range	High Range
Estimated Number of Visitors to Anacortes/Fidalgo Island							
Day Visitors	1,560-18,050	1,740 (+180)	20,710 (+2,660)	1,280 (-280)	14,840 (-3,210)	0 (-1,560)	0 (-18,050)
Overnight – paid accommodation	4,310-10,310	4,820 (+510)	11,520 (+11,520)	3,540 (-770)	8,470 (-1,840)	0 (-4,310)	0 (-10,310)
Overnight – unpaid	1,370-1,370	1,530 (+160)	1,530 (+1,530)	1,120 (-250)	1,120 (-250)	0 (-1,370)	0 (-1,370)
Total Visitors	7,240-29,730	8,090 (+850)	33,220 (+4,030)	5,940 (-1,300)	24,430 (-5,300)	0 (-7,240)	0 (-29,730)
Economic Impacts of Visitor Spending to Anacortes/Fidalgo Island (\$2019, millions)							
Business Revenue	\$1.0-2.6 M	\$1.2M (+\$0.2M)	\$2.9M (+\$0.3M)	\$0.9M (-\$0.1M)	\$2.1M (-\$0.5M)	\$0 (-\$1.0M)	\$0 (-\$2.6M)
Total Compensation	\$0.4-1.0M	\$0.4M -	\$1.2M (+\$0.2M)	\$0.3M (-\$0.1M)	\$0.9M (-\$0.1M)	\$0 (-\$0.4M)	\$0 (-\$1.0M)
Total Jobs	9-24	11 (+2)	27 (+3)	8 (-1)	20 (-4)	0 (-9)	0 (-24)

⁴⁹ 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 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 local sales tax.
- » **Anacortes terminal, 80-car vessel:** gain of \$500 to \$1,300 in local sales tax.
- » **Bellingham terminal (42-car/80-car vessel):** loss between \$4,400 and \$10,700 in local sales tax from transfer of visitor spending to the Bellingham area.

These local and state sales tax impacts are illustrated for the baseline and each private ferry service model in Table 18.

Table 18: Anacortes/Fidalgo Island Sales Tax and Taxable Retail Sales from Visitor Spending, Baseline, \$2019⁵⁰

	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
Taxable Retail Sales	\$0.5 M	\$1.2 M						
Local Sales Tax	\$4,400	\$10,700	\$4,900 (+\$400)	12,000 (+\$1,300)	3,600 (-\$800)	8,800 (-\$1,900)	-\$4,400	-\$10,700
State Sales Tax	\$32,400	\$78,400	\$36,200 (+\$3,800)	87,600 (+\$9,200)	26,600 (-\$5,800)	64,400 (-\$14,000)	-\$32,400	-\$78,400

⁵⁰ 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, the economic and fiscal impacts to San Juan County would be lost as a result of privatization.

Visitor Spending and Fiscal Impacts to San Juan County

San Juan County could lose the visitors and resulting visitor spending if WSF discontinued the Sidney service and new auto ferry service was provided based on the private ferry service models identified in this analysis. Table 19 quantifies these impacts.

Table 19: Comparing the Service Options with the Baseline Visitor and Economic Impacts⁵¹

Category	San Juan County Baseline Visitor Estimates	Loss of Economic Impacts with Discontinuing Anacortes to Sidney Service
Visitors		
Day Visitors	920	-920
Overnight – paid	2,940	-2,940
Overnight – unpaid	730	-730
Total Visitors	4,590	-4,590
Economic Impacts		
Business Revenue (\$2019 millions)	\$2.3 million	-\$2.3 million
Total Compensation (\$2019 millions)	\$0.8 million	-\$0.8 million
Total Jobs	21	-21

⁵¹ 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

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 taxable retail sales, local and state sales tax for the baseline and private ferry service models are illustrated in Table 20.

Table 20: Anacortes to Sidney Visitor Spending Sales Tax Impact of Privatization

	San Juan County Baseline	Loss from Discontinuation of San Juan/Sidney service
Taxable Retail Sales	\$1.2 million	-\$1.2 million
Local Sales Tax	\$18,500	-\$18,500
State Sales Tax	\$76,900	-\$76,900

Impacts to Family Wage Jobs

The impacts to family wage jobs are anticipated to be regional rather than local. 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. Some family wage jobs could be impacted by visitor spending and potential terminal construction could result in additional temporary family wage jobs. Impacts to maritime jobs, 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. WSF jobs would decrease, but would be offset by new maritime jobs created by a private operator.

WSF Jobs

Because the Anacortes to Sidney service is integrated in the San Juan Islands service and the WSF ferry system, it is anticipated that jobs associated with management would be allocated across other routes if the Anacortes to Sidney service were discontinued. However, there would be a reduction in one deck position (purser). Terminal jobs located at Anacortes are likely to remain unchanged due to privatization.

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. The summer seasonal positions are temporary, part time positions.

Private Jobs

Maritime jobs associated with private auto ferry service would likely be non-union jobs. 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 Puget Sound 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 Management	24	29
Total	26	31
Delta	+26	+31

Jobs Related to Visitor Spending

The current Anacortes to Sidney service supports family wage jobs (30-45 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 million⁵² and is estimated to support between 20 and 30 jobs annually. As 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.

⁵² 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.

Part 2: 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 interest in discussing issues outside the scope of the Proviso analysis, 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 II, *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.

DRAFT

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



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KEY FINDINGS¹

- 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

¹ 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.”¹
 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.

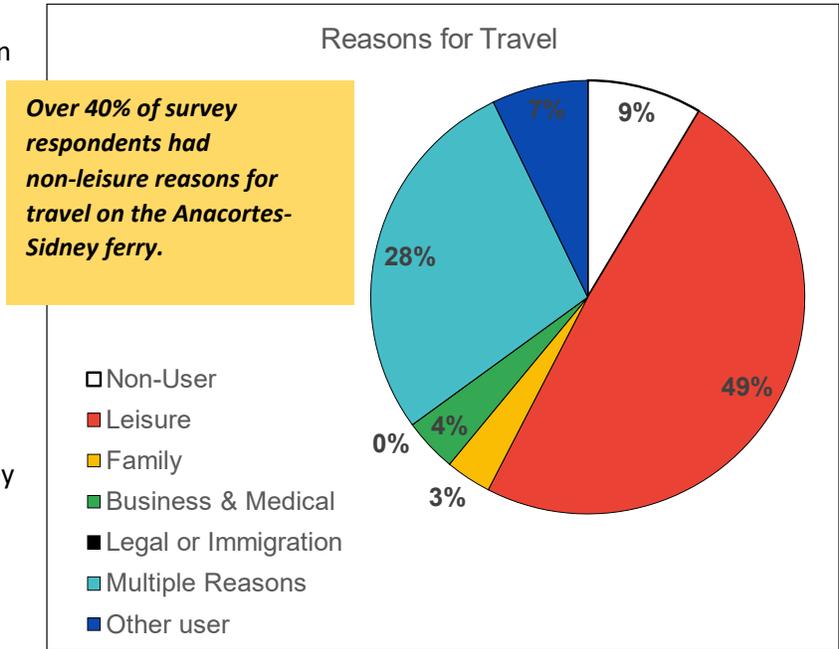


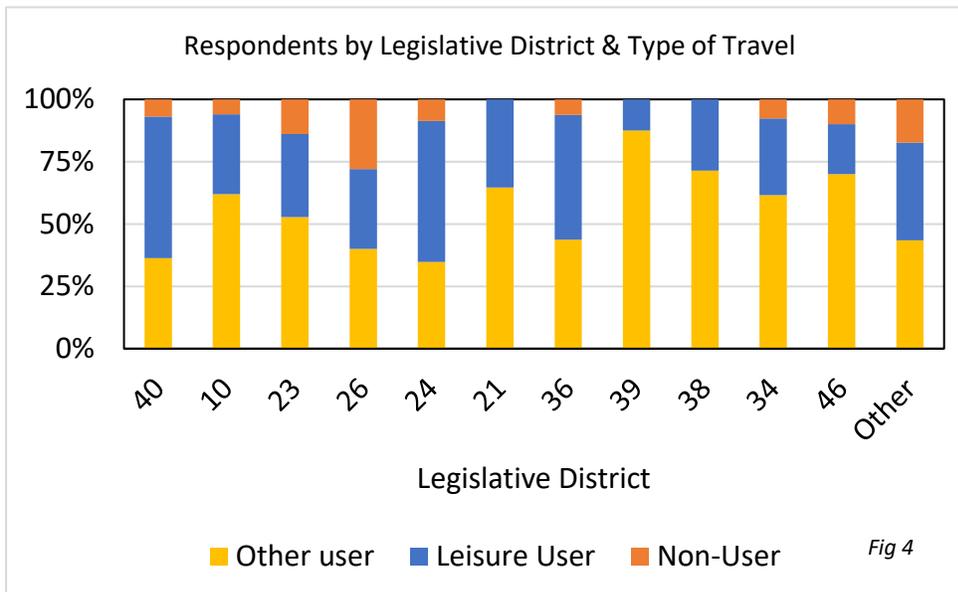
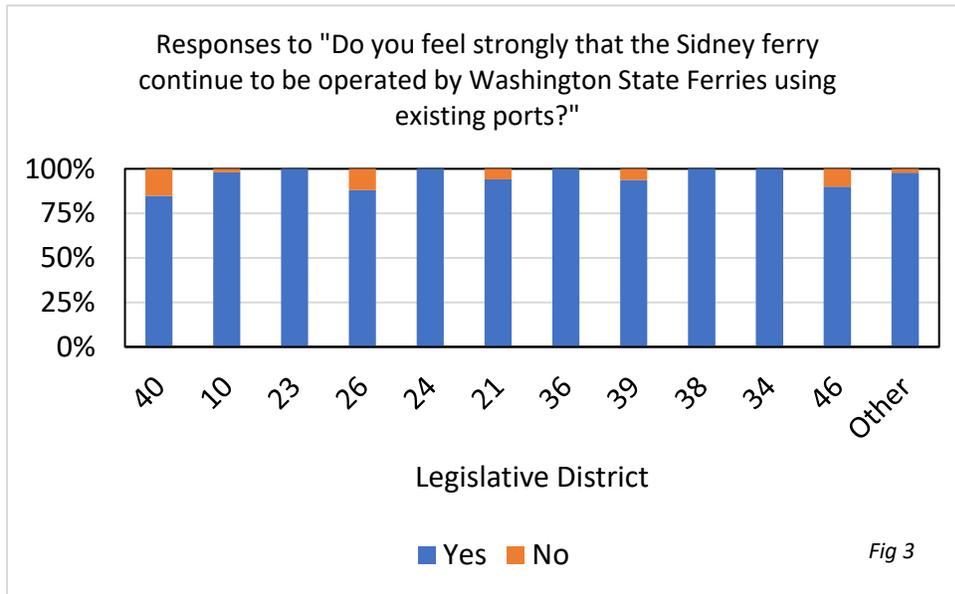
Figure 2, Reasons for travel in San Juan County EDC Anacortes-Sidney privatization public survey, all 851 respondents. “Other user” includes those who listed reasons not listed above

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.¹ 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 4² at left).



¹ www.sanjuansedc.org/sidneyferry

² 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.

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.³

“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

³ <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.¹⁴

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.¹⁵

Skagit¹⁶

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 YOY¹⁷ [-67.2% of sector]

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

6,000 leisure/hospitality jobs lost YOY¹⁸

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.¹⁹

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

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

¹⁵ 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.

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

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

¹⁸ Snohomish Labor Market Review, Sept 2020, Dr. Anneliese Vance-Sherman

¹⁹ 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”²⁰

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

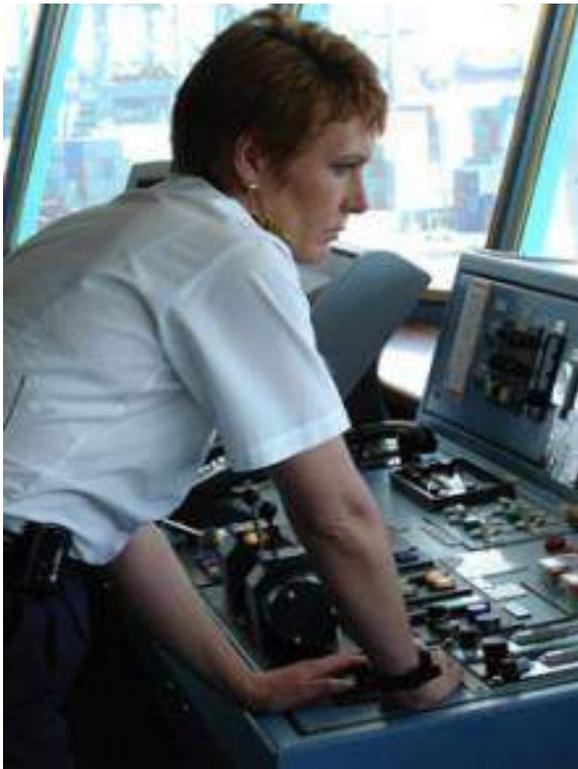


Figure 8, Pilot in the wheelhouse,
<https://www.pspilots.org/community/for-women-mariners/>

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."²²

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.

²⁰ Eric vonBrandenfels, President, Puget Sound Pilots, letter dated August 3, 2020

²¹ Masters, Mates & Pilots website, www.bridgedeck.org, accessed 11/3/20.

²² 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.”²³

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.²⁴

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.”).²⁵

Real estate sales are influenced by the region’s proximity to a culturally significant destination.¹¹

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.

²³ Letter dated August 3, 2020

²⁴ www.sanjuansedc.org/sidneyferry

²⁵ 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 1,000²⁶ in 2018, and real estate sales for Skagit and San Juan counties exceeded \$1BN in 2019²⁷. 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 County²⁸. 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.”²⁹

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

²⁷ *Northwest MLS Annual Review 2019*, page 27

²⁸ Bureau of Economic Analysis website (www.bea.gov), table CAEMP25N, accessed 11/18/20

²⁹ *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.)³⁰

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).³¹

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."

³⁰ https://www.ibtta.org/sites/default/files/documents/2017/CRS%20Interstate%20tolls_2017-08-04.pdf,

³¹ <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.³²

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 buses³³ 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.³⁴

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

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

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

³⁴ <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,³⁵ 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"³⁶

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.

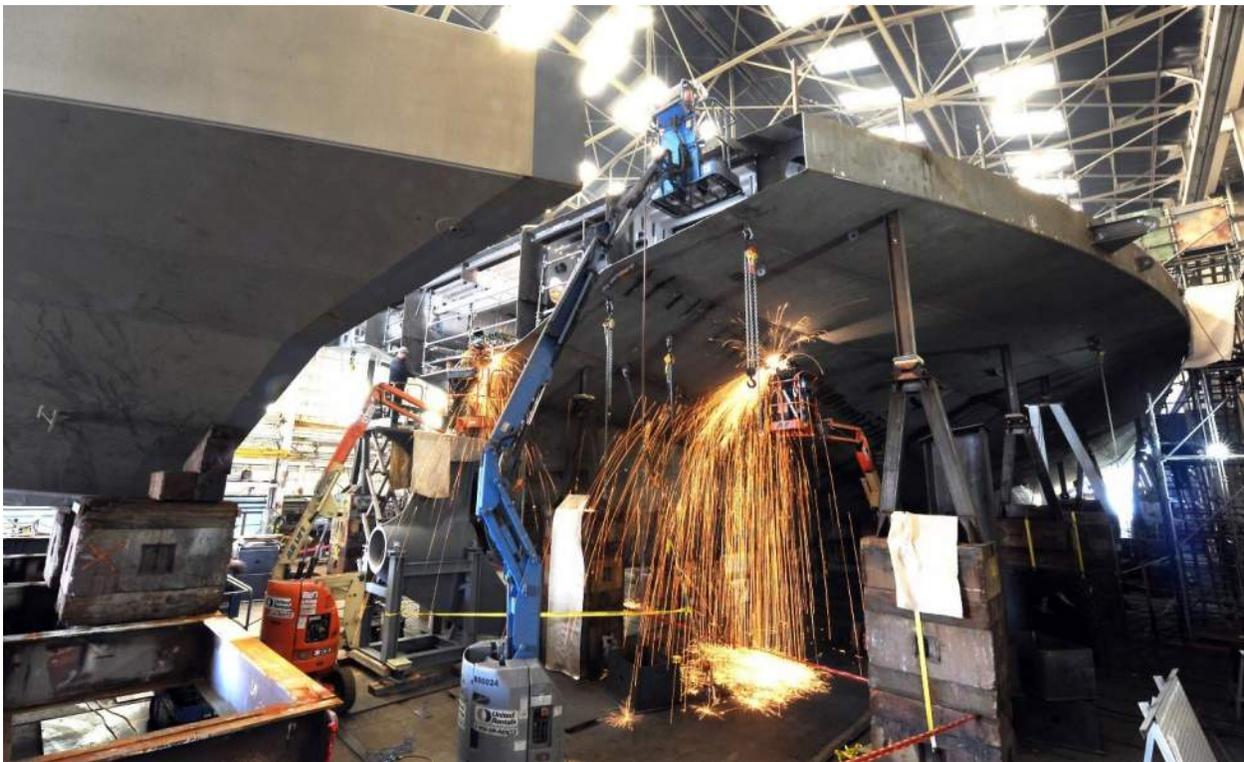


Figure 9, Vigor shipyard workers building a WSF vessel. Photo courtesy of Vigor.

³⁵ https://www2.gov.bc.ca/assets/gov/data/statistics/people-population-community/population/people_population_projections_highlights.pdf

³⁶ <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.³⁷ 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.³⁸

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 study³⁹ 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)

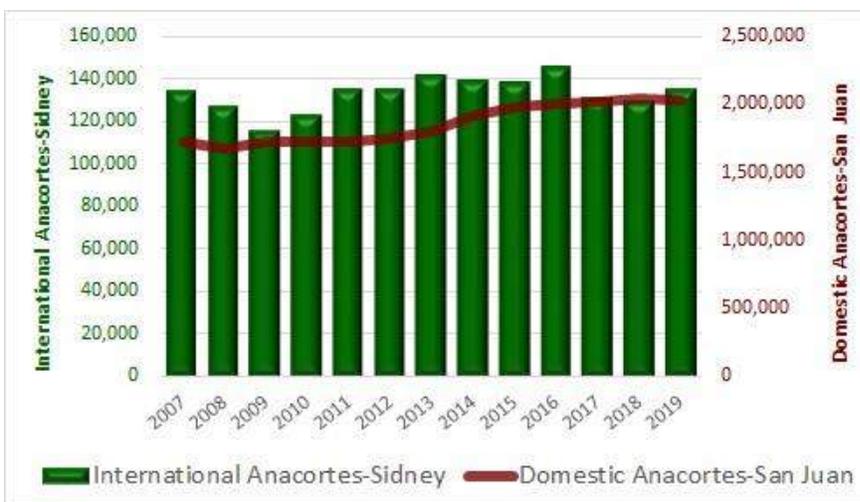


Figure 10, Source: E.D. Hovee, *Anacortes-Sidney Economic Impact Analysis*, from WSF, *Travel Statistics Rider Segment Report(s)*, multiple years. Note that some travelers to or from Sidney may use a domestic Anacortes-San Juan ferry for one or two legs of their travel, using Friday Harbor as a short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

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

³⁸ https://www.wsipp.wa.gov/ReportFile/1649/Wsipp_Washington-State-Ferry-Vessel-Procurement_Report.pdf

³⁹ 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)

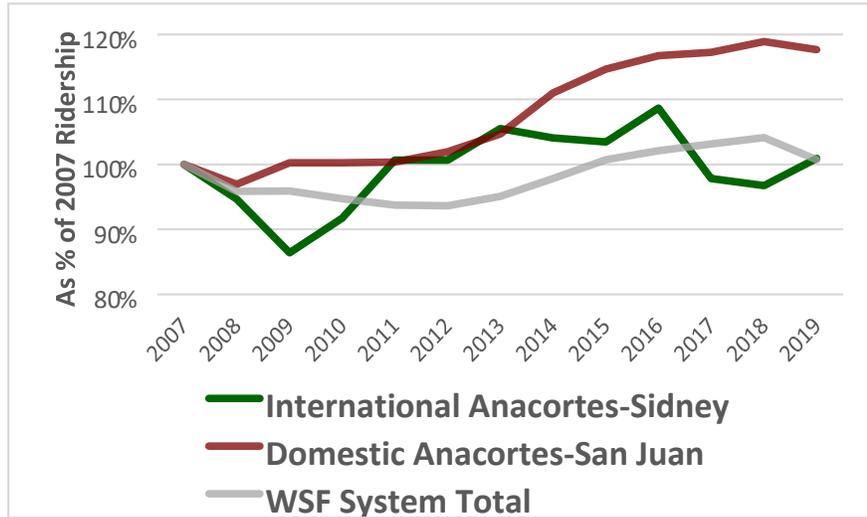


Figure 11, Source: E.D. Hovee, *Anacortes-Sidney Economic Impact Analysis*, from WSF, *Travel Statistics Rider Segment Report(s)*, multiple years.

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.⁴⁰

Potential Impacts on

the Regional Whale Watch Economy

An independent study⁴⁰ 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 workgroup⁴¹ 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.”⁴²



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.⁴³

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

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

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

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

⁴³ <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.”⁴⁴

Noise can also hamper marine mammal foraging,⁴⁵ 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,⁴⁶ 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 vigilant⁴⁷ 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

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

⁴⁵ *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.

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

⁴⁷ <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."⁴⁸



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

Given that 33% of non-local, boat-based whale watching participants surveyed by Earth Economics⁴⁹ 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."⁵⁰

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.

⁴⁸ *ibid*

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

⁵⁰ 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.”⁵¹

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 Tribes⁵², 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

⁵¹ Thomas Wooten, Chairman, Samish Indian Nation, letter to regional legislators, August 26, 2020

⁵² *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 Nation⁵³:

“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.”⁵⁴

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.”⁵⁵

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

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

⁵⁵ *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.⁵⁶

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.

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.

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.

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”⁵⁷ 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.

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

⁵⁷ 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.”⁵⁸

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.”⁵⁹

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.”⁶⁰

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

⁵⁹ *Ibid*

⁶⁰ <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 3: Appendices

DRAFT

Appendix A

Study Proviso ESHB 2322 §204(6)

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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

Economic Impact Analysis



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

Economic Impact Analysis

DISCUSSION DRAFT

December 14, 2020

Prepared by:



Prepared for:

Washington State Joint
Transportation Committee





*Community Attributes Inc. tells data-rich stories about communities
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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. With the retirement of the two Washington State Ferries (WSF) vessels that can provide international ferry service on the Anacortes to Sidney, B.C. route, 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.

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 with a focus 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 overtime, and changes to schedule.

Ridership and Schedule

- In 2019, the Anacortes to Sidney route was the third lowest travelled 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 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 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 equivalent¹ staff in fiscal year 2019.
- The four private ferry service model options would generate slightly less in direct operating expenses than the WSF current service, more

¹ 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 geography².

Terminal Construction

- Service model 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 whole³. Similarly, for every \$1 of business revenue created by terminal construction, roughly \$2 worth of business revenue are created across the region's economy⁴.

Impacts to Family Wage Jobs

- Impacts to 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 jobs in the summer and one purser job required for international service in the spring and fall.
- The private operator would create between 36 and 45 jobs⁵ 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.

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

³ Including those directly employed by the terminal construction company.

⁴ Including the dollar directly created by the terminal construction company.

⁵ This translates to 26 to 31 full time equivalent (FTE) jobs.

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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 travelled 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 results of 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 an assessment of current and historic 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 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 overtime, and changes to schedule.
- **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 the construction of a new ferry terminal in the Anacortes area as part of the private service model options.
- **Impacts to Family Wage Jobs.** A discussion of the impacts to 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-year period of 2006-2019 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-year period, 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

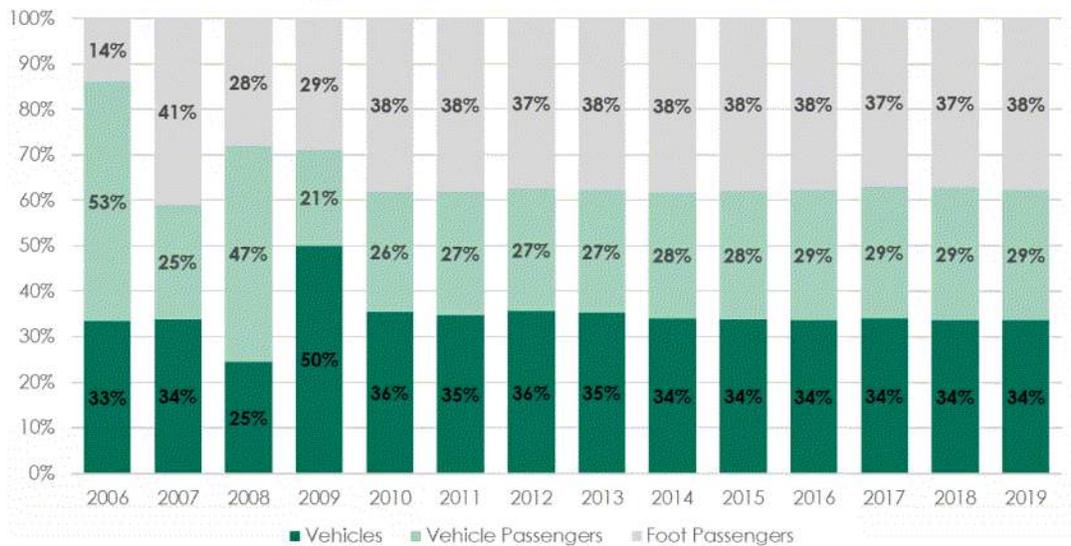
38% foot passengers, 34% vehicles, and 28% vehicle passengers (**Exhibit 2**). In 2008, ridership mode shifted dramatically to more vehicle passengers and fewer vehicles and foot traffic. In 2009, it shifted back to more vehicles and fewer passengers overall.

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 8:30am, departs Friday Harbor at 9:55am and arrives in Sidney at 11:10am. The return trip departs Sidney at 12:05pm, departs Friday Harbor at 1:55pm and arrives at 3:00pm 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 8:25am from Anacortes, with arrival in Sidney at 11:05am. The return trip is also shifted earlier by five minutes. The second departure leaves Anacortes at 2:50pm and arrives in Sidney at 5:00pm, while the return trip departs Sidney at 5:55pm and arrives in Anacortes at 8:30pm. 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.

Prior to 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 of 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 fares⁶.

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 at 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.

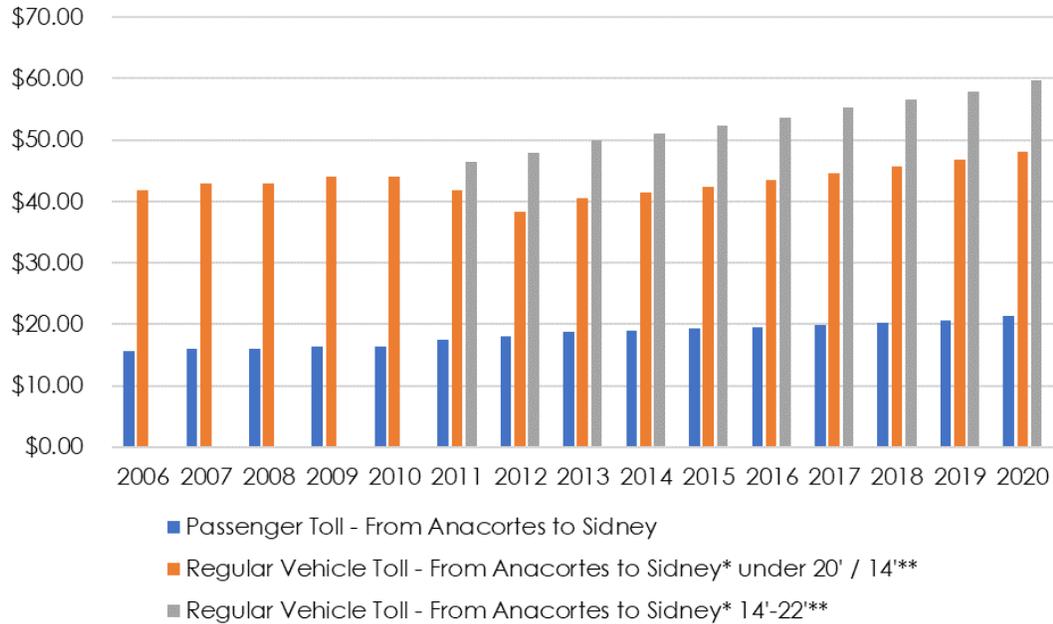
Historic Fares

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

⁶ WSF May 2020 WAC-notWAC Report.

vehicle under 20' in length—to a two-tiered system. In the current tolling 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
Total	2	15	125	142
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
Total	5	58	191	254
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	59
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%
Total	87	100.0%

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	116
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%
Total	142	100.0%

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 and 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 make use of 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 for 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 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 that was 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 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.

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 area and another \$1.2 million in San Juan County.

The following effective local and state sales tax rates⁷ 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 who 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 continuing to their final destination.

The roughly 4,600 visitors to San Juan County represent people traveling from Sidney to a destination in the San Juan Islands. 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
Total Visitors	7,240	29,730	4,590	11,830	34,320

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.

⁷ 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 are estimated based on the following key assumptions:

- The 2019 season was shortened due to 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. To account for the shorter season, the November and December ridership numbers were replaced with 2018 numbers for those two months. 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%⁸ 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 as opposed to on the return trip.
- The economic impact analysis quantifies potential impacts of spending by ferry riders travelling for recreation/shopping purposes. 80% of international Anacortes – Sidney, B.C. ferry users travelling for recreation/shopping purposes are associated with visitor spending impacts⁹.
- While there may be additional spending by riders travelling 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 Juan¹⁰.

⁸ Weighted average of 63.5% on weekday and 91.4% on Saturday from the 2013 WSF Origin Destination Travel Survey.

⁹ Combined share of recreation/shopping trips for weekday and Saturday from the 2013 WSF Origin Destination Travel Survey.

¹⁰ 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 Sidney¹¹. 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%¹² of eastbound travelers (originating in Sidney and traveling to Anacortes) whose final destination is Anacortes/Fidalgo Island and 16.9%¹³ 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 therefore 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 type 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 visitors¹⁴ on the Anacortes to Sidney route are overnight visitors, of which 41% stay in paid accommodation¹⁵.
- 70% of westbound visitors on the Anacortes to Sidney route are overnight visitors¹⁶, of which 100% stay in paid accommodation.

¹¹ 2019 WSF 3 traffic sample weeks average.

¹² 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.

¹³ 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.

¹⁴ 2013 WSF Origin Destination Survey Roundtrip Patterns.

¹⁵ Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p, p135.

¹⁶ 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 accommodation¹⁷.
- San Juan visitors have longer average stays of 3 nights¹⁸, compared to 2 nights for eastbound visitors to Anacortes/Fidalgo island¹⁹. All westbound visitors to Sidney that might choose to stay overnight in Anacortes on their way to their final destination are assumed to only 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 accommodation²⁰.
- 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 accommodation²¹.
- 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 generate 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,

¹⁷ 2018 San Juan Island Visitor Study.

¹⁸ Ibid.

¹⁹ Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p, p135

²⁰ Derived from Dean Runyan Associates Washington State Travel Impacts & Visitor Volume 2000 – 2017p.

²¹ 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 ferry²² to Sidney.

Visitor travel and spending behavior depend on many factors such as budget, time available, and others, including distance travelled. While there is no industry standard methodology to assessing visitor spending, several studies use distance as a metric for estimating the number of visitors that generate spending at a destination. Several studies²³ 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 studies²⁴ 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 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, while 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 travelers²⁵ from Sidney to destinations south of Snohomish County via Anacortes generate day spending (\$27 dollars 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 travelers²⁶ 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.

²² 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.

²³ See economic impact studies in [North Carolina](#), [West Virginia](#), [Oklahoma](#), [Lake Chelan](#) in Washington state.

²⁴ Daniel J. Stynes, “Estimating Economic Impacts of Tourist Spending on Local Regions; A Comparison of Satellite and Survey/I-O Approaches” (2001). [Link](#)

²⁵.WSF 2013 Origin Destination Travel Survey.

²⁶ 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

	Bellingham Terminal	Anacortes Terminal
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

	Option 1 / Option 2	Option 3	Option 4
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 less 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 terminal²⁷. Drive times will be higher for visitors traveling from or to Anacortes/Fidalgo Island area which could represent a deterrent for some of these visitors. However, that could be offset by more visitors from 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 crossing times by ferry 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, visitors from Sidney 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. It is therefore 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

²⁷ 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 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
Total Visitors	8,090	33,220	5,940	24,430	7,240	29,730

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, which is 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 that will be 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	-	-	-
Total				44,640	87,811	132,451

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	-	-	-
Total				32,810	64,636	97,447

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 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

Category	Cost
Labor	\$2,820,000
Maintenance	\$1,314,000
Fuel	\$844,000
Other Costs	\$1,126,000
Total	\$6,104,000

Source: Washington State Ferries Route Statements for Fiscal Years 2014-2019.

Labor

Overall, labor expenses total more than \$2.8 million in 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. (**Error! Reference source not found.**)

During the summer service weeks, the Sidney route supports 2 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 are 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 broadly and the Anacortes-Sidney route in particular are spent in the Puget Sound Region. Most labor compensation is spent at worker 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 positions²⁸ 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%
<i>All Other Counties</i>	<i>0.8%</i>	<i>3.3%</i>
Total	100.0%	100.0%

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)**

²⁸ 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

City	Share of Deck Positions	Share of Staff
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%
Total	100.0%	100.0%

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 fiscal year 2019. Washington State Ferries has a contract with Rainier Petroleum based in Seattle, Washington to provide fuel for 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 demand²⁹.

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 compared to 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

Category	Option 1 (80 Car Vessel, Bellingham Terminal)	Option 2 (42 Car Vessel, Bellingham Terminal)	Option 3 (80 Car Vessel, Anacortes Terminal)	Option 4 (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
Total	\$5,426,078	\$5,890,231	\$5,222,652	\$5,942,940

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, as well as an estimated 2 management staff³⁰. 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

²⁹ Washington State Input-Output Model, 2007 from the Washington State Office of Financial Management.

³⁰ Management staff are estimated based on labor compensation estimates, average hourly compensation, and a 2,080 hour per year.

locally. Administrative support and management staff meanwhile are likely to be hired 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 5th 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 5th 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 5th 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 the elimination of 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 as well as 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 is dependent upon the location of the supplying contractor but 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, as 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 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 type of construction 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 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.

The construction industry supports 10.89 jobs per million dollars in direct output in Washington according to the Washington State Input-Output model. 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

	Vessel Operations⁽¹⁾	Terminal Construction	Visitor Spending⁽²⁾	
	Private Operator		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 all 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 the elimination of one

purser position required for international service and up to 18 positions required during the summer³¹.

Ferry Operations

Baseline Operations

The average vessel and terminal union jobs pay living wages in both Skagit and San Juan Counties, and including benefits are 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.

A large proportion of 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 the place 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.

³¹ Please note that these are positions rather than full time equivalent jobs.

Exhibit 26. Assumed Union and Non-Union Wage and Benefits Rates by Vessel and Terminal Occupation

Occupation	Wage Rate	Benefits	Total
Union Wage Rates			
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
Non-Union Wage Rates			
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. **(Error! Reference source not found.)**

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 \$75,300.³² These types of jobs provide living wages for all but households with just 1 working adult and 3 children. Terminal construction could support and 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 wages of nearly \$42,000. These wages, while not living wages for single worker households with more than one child, do provide living wages for households with 1 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,

³² Washington State Employment Security Department, Quarterly Census of Employment and Wages 2019 Annual Averages, NAICs 236, Construction of buildings.

entertainment, and recreation industry provides average wages of \$21,400 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 1 or fewer children or more than 1 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 a 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 jobs supported by visitor spending will no longer be supported by the route.

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 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 wages 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 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 journey³³. The rest

³³ Weighted average of the 63.5% on weekday and 91.4% on Saturday.

will drive around or use a different ferry route. The adjusted ridership 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% split³⁴ of east and west bound service, compared to an equal split in both directions in the SJEDC study³⁵.

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 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.

³⁴ Average across the three sample weeks.

³⁵ 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.

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.

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, which represents 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.

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	
Ferry Riders					
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		
Route Allocation					
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	
Visitors Estimates					
% 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	-	
Types of Visitors					
Overnight visitors	95%	80%	70%	80%	Dean Runyan 2017; San Juan
Overnight paid visitors	41%	80%	100%	80%	Islands Visitor Study 2018
Day visitors	123	918	1,438	-	
Overnight paid visitors	970	2,937	3,341	-	
Overnight unpaid visitors	1,367	734	-	-	
2017 Spending Estimates					
Average Day visitor spending/day	\$26	\$41	\$26	\$41	Dean Runyan 2017; San Juan
Average Overnight paid visitor spending/day	\$83	\$133	\$83	\$133	Islands Visitor Study 2018 (in 2017
Average Overnight unpaid visitor spending/day	\$47	\$83	\$47	\$83	dollars)
Average Trip Length	2.0	3.0	1.0	3.0	
Total Visitor Spending	\$292,521	\$1,393,119	\$314,423	\$0	
2019 Spending Estimates					
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	
Ferry Riders					
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		
Route Allocation					
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	
Visitors Estimates					
% 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	-	
Types of Visitors					
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		
2017 Spending Estimates					
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	
2019 Spending Estimates					
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 family³⁶.” 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 hour³⁷ and \$78,100 or \$37.54 per hour³⁸. In San Juan County the living wage ranges between \$19,800 annual or \$9.52 per hour³⁹ and \$81,000 annually or \$38.93 per hour⁴⁰.

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. (**Error! Reference source not found.Exhibit 30Error! Reference source not found.Error! Reference source not found.**)

³⁶ MIT Living Wage Calculator, <https://livingwage.mit.edu/counties/53057>

³⁷ Living wage for an individual in a household with 2 working adults and no children.

³⁸ Living wage for an individual in a household with 1 adult and 3 children.

³⁹ Living wage for an individual in a household with 2 working adults and no children.

⁴⁰ Living wage for an individual in a household with 1 adult and 3 children.

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.

Exhibit 30. Living Wage by Household Characteristics by County

	Skagit County	San Juan County	Whatcom County	King County
Hourly Living Wage				
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	\$19.03	\$18.27	\$23.18
1 Child	\$22.20	\$23.72	\$22.63	\$28.15
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
Annual Living Wage				
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	\$39,582	\$38,002	\$48,214
1 Child	\$46,176	\$49,338	\$47,070	\$58,552
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

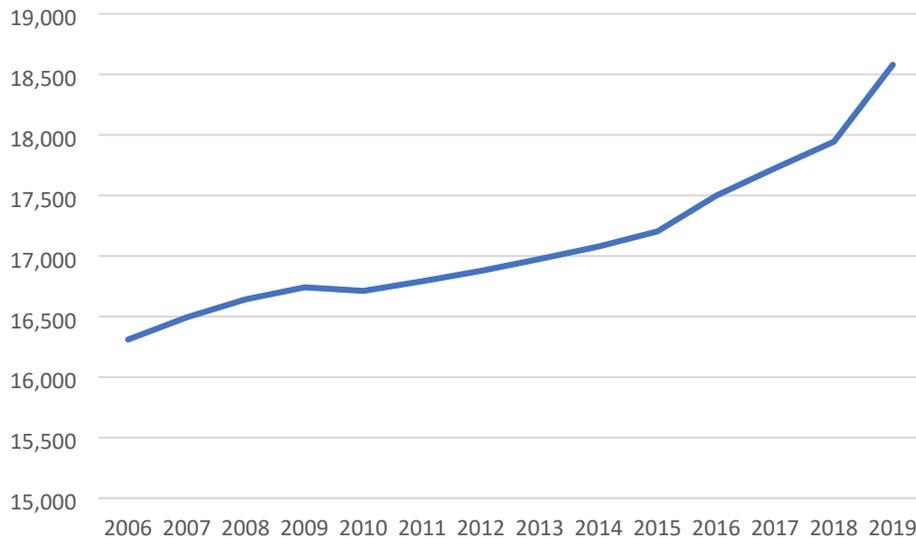
APPENDIX C. PROFILE OF COMMUNITIES SERVED

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.

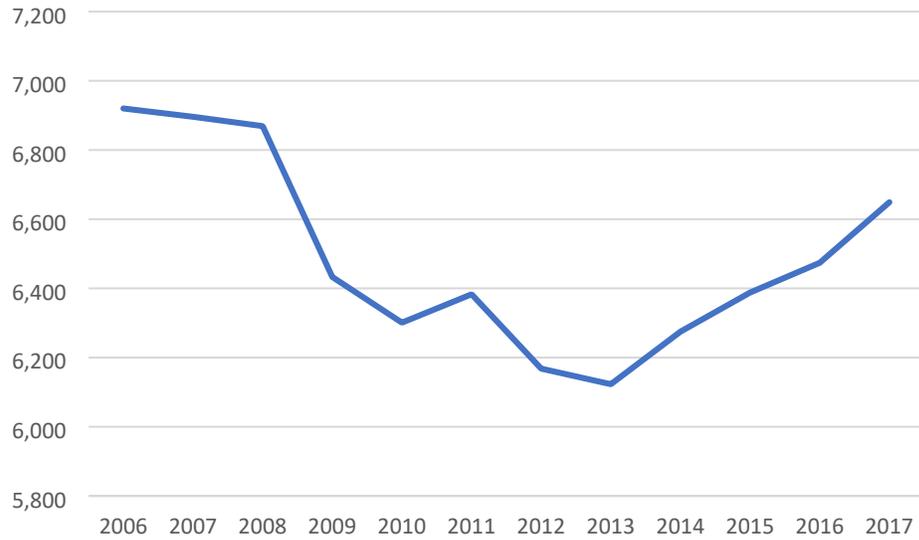
Exhibit 31. Anacortes Population, 2006-2019



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**).

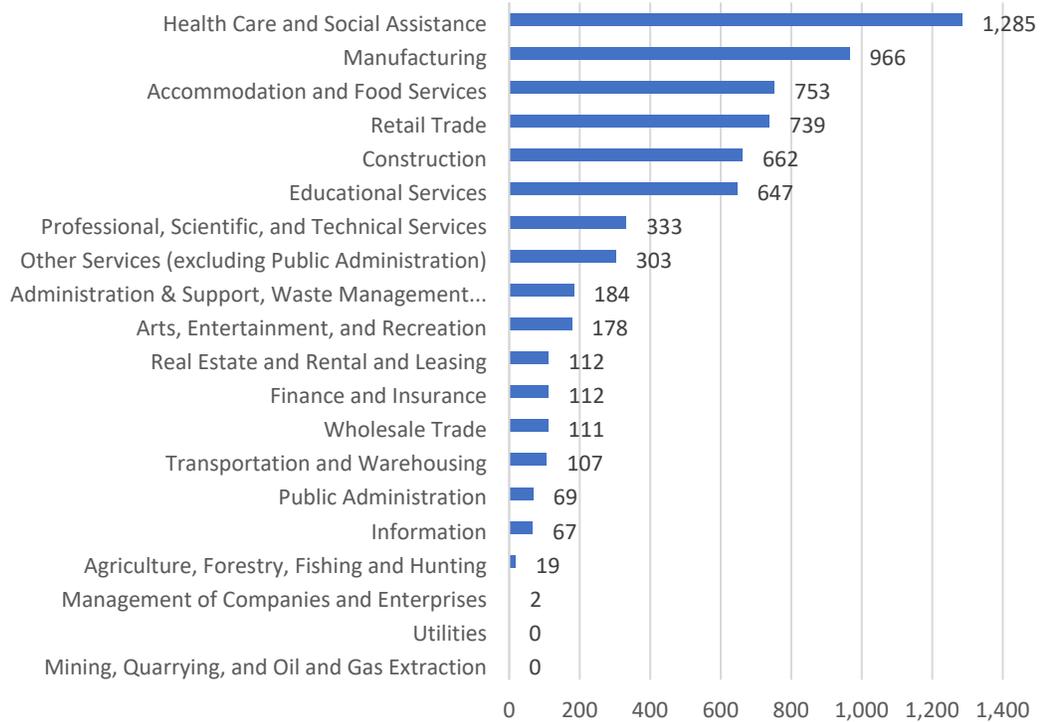
Exhibit 32. Anacortes Employment, 2006-2017



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

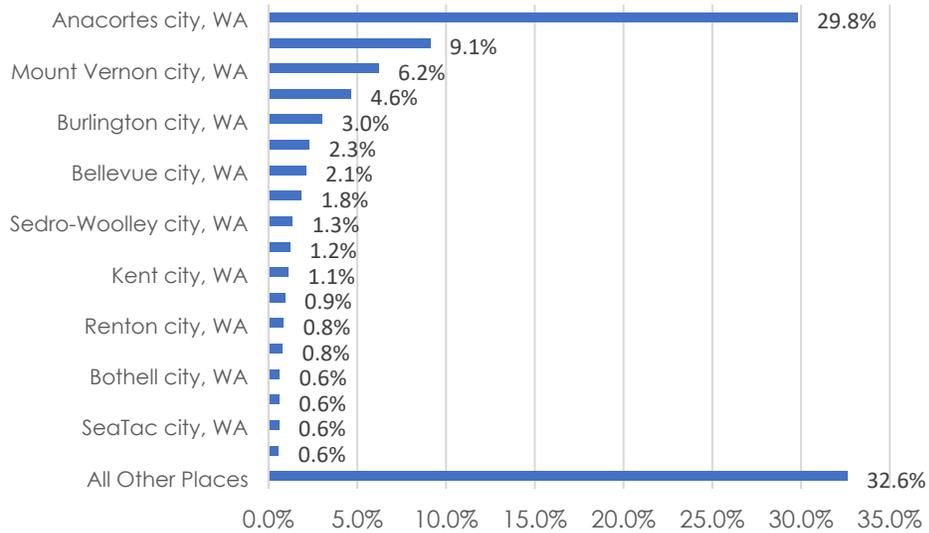


Note: Employment and wages for Public Administration and Mining sectors not shown to avoid disclosure of data for individual employers.

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 itself (**Exhibit 34**).

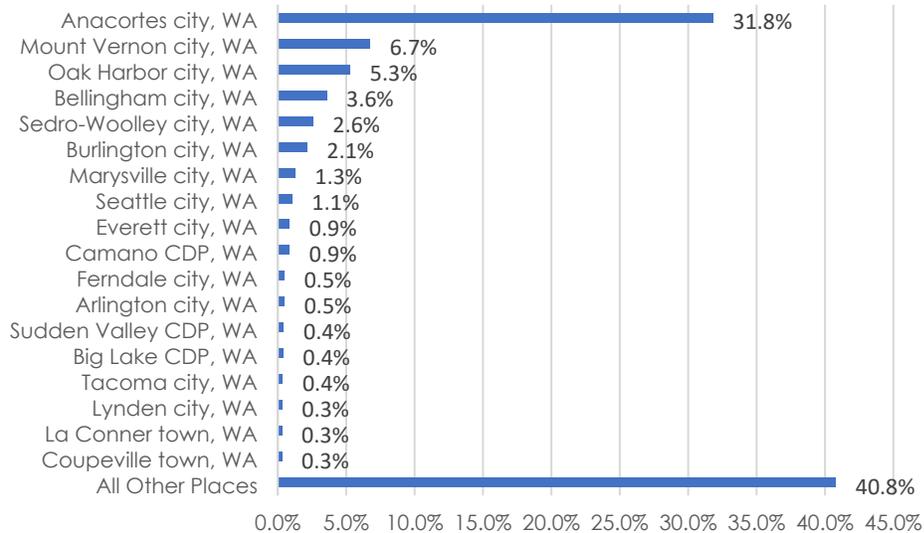
Exhibit 34. Where Residents of Anacortes Are Employed, 2017



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



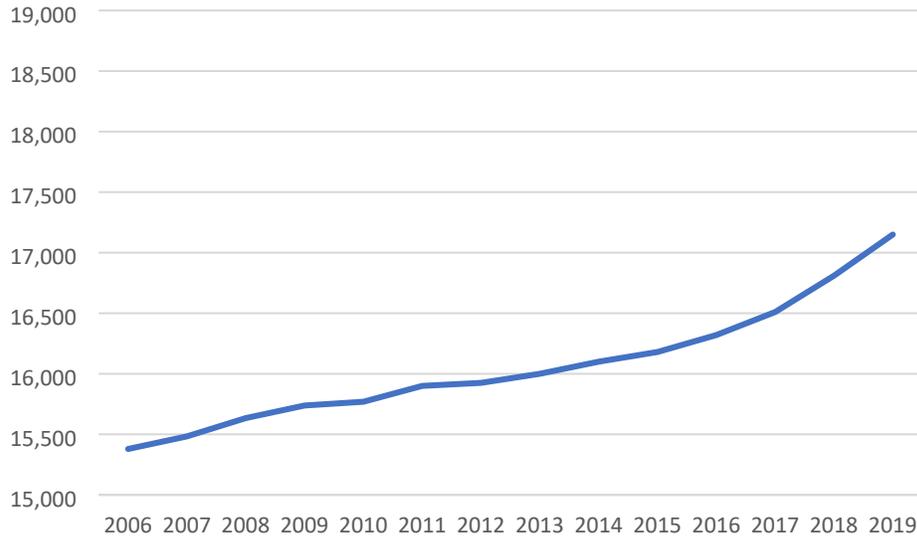
Sources: U.S. Census LEHD On The Map, 2020; Community Attributes, 2020.

San Juan County

The 134 named islands in the farthest northwest corner of Washington state and the nation comprise San Juan County. Its principal islands are served by the Anacortes to San Juan Islands and Sidney, B.C. routes. 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.

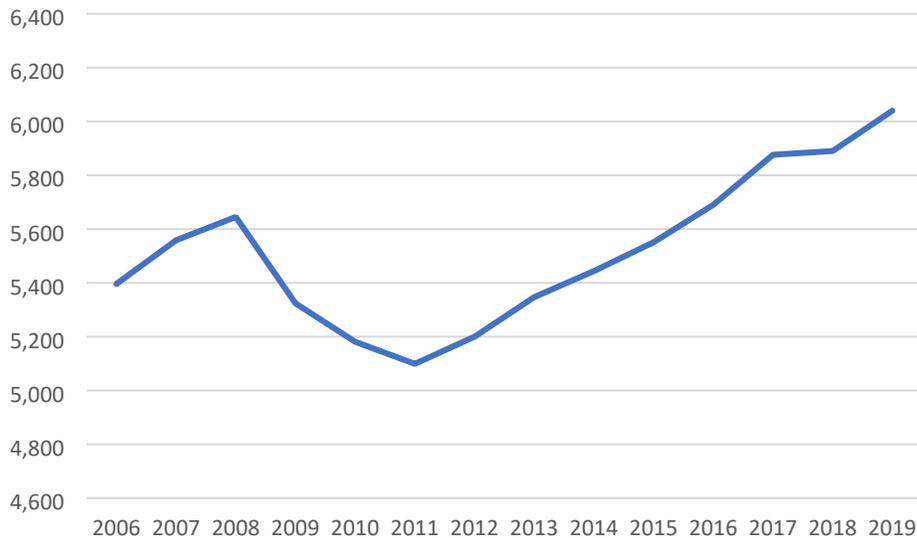
Exhibit 36. San Juan County Population, 2006-2019



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 greatly 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

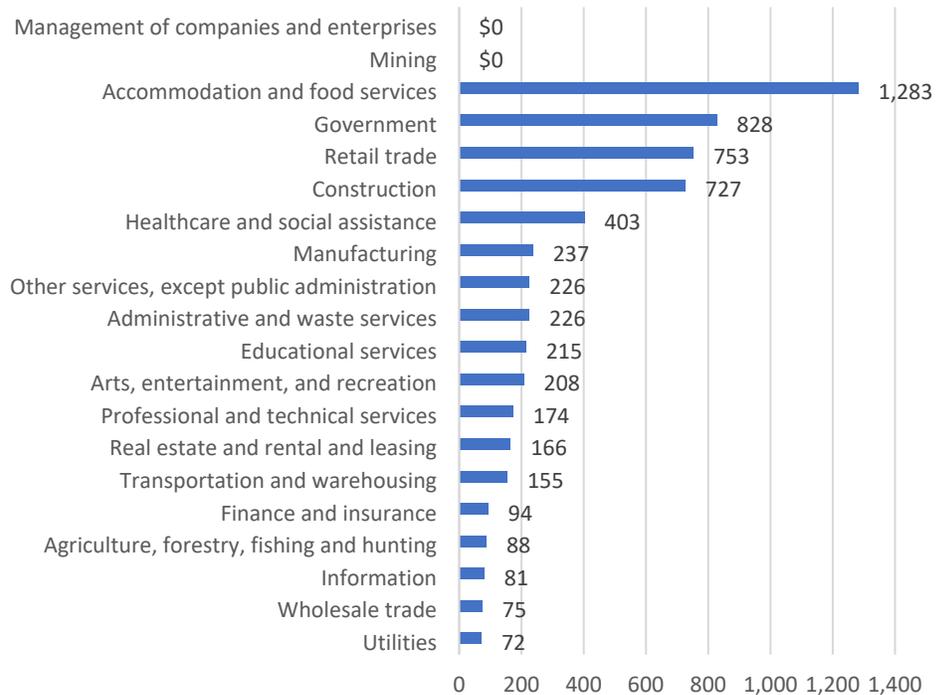


Sources: WA State Employment Security Department, 2020; Community Attributes, 2020.

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

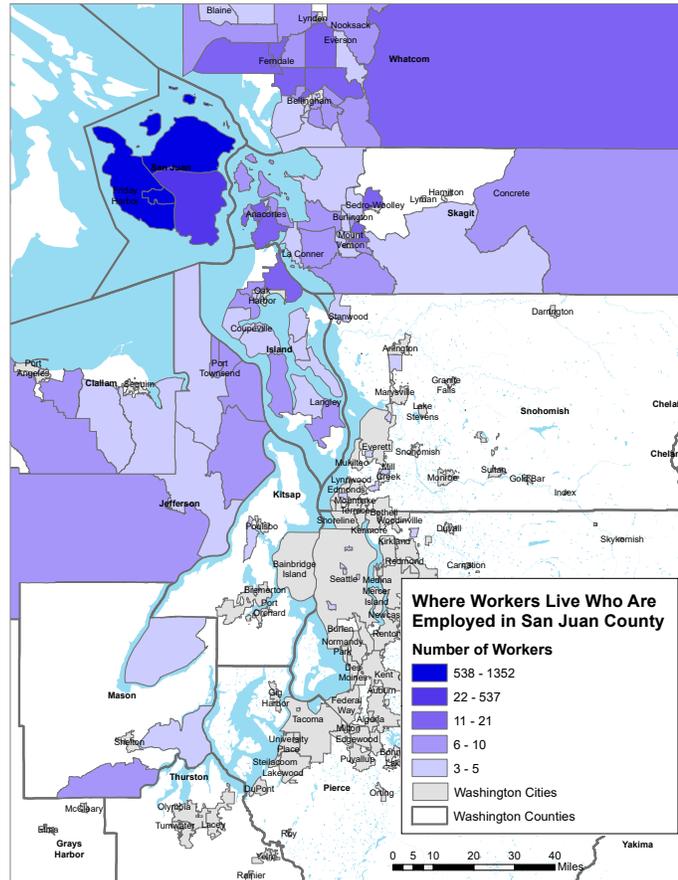


Note: Employment and wages for Management and Mining sectors not shown to avoid disclosure of data for individual employers.

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, town, 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**).

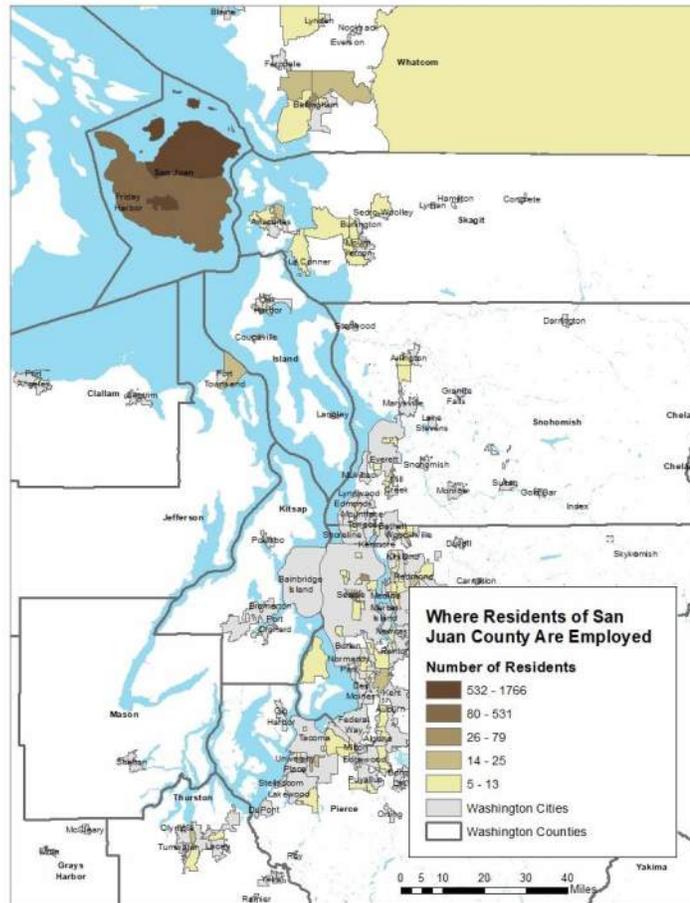
Exhibit 39. Where Workers Live Who Are Employed in San Juan County, 2017



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

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.¹ 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.

¹ 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.²

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.

² 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.³ 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,⁴ 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 plan⁵ or the National Response Corporation (NRC) vessel oil spill contingency plan.⁶

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.”⁷ 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.

³ 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>.

⁴ 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)).

⁵ *About the Cooperative*, Washington State Maritime Cooperative, <https://wsmcoop.org/about-us>.

⁶ *NRC Covered Vessels Washington State Contingency Plan (NRC Plan)*, NRC, <http://nrcwaplan.nrc.com/>.

⁷ *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.⁸ 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

⁸ 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 81.84,⁹ 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.

⁹ 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.

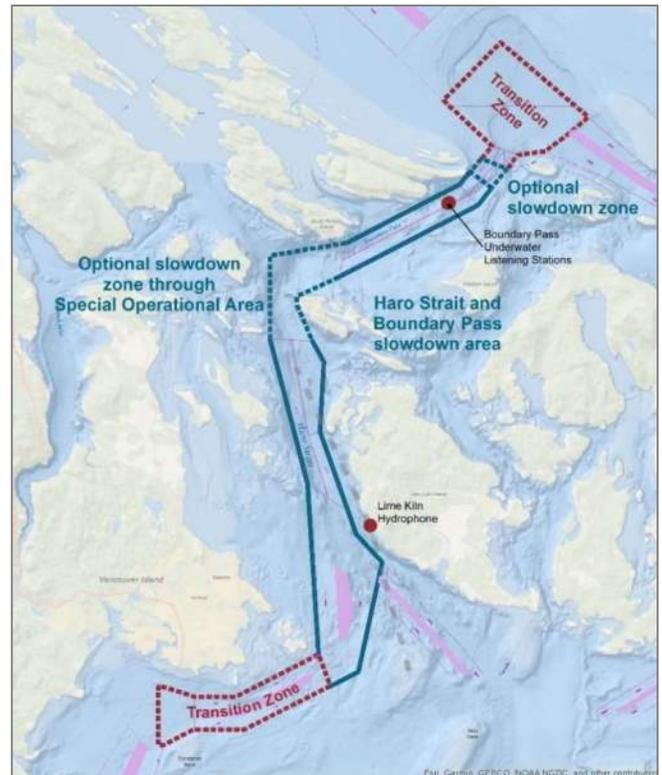
Slowdown parameters for 2020

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

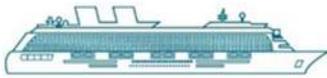
The official slowdown start and end dates will be communicated to vessel operators and mariners through a Navigational Warning issued by the Canadian Coast Guard Marine Communications and Traffic Services as well as through the Pacific Pilotage Authority, BC Coast Pilots, shipping associations and agents, 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:

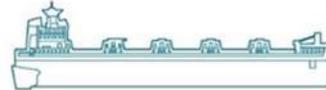
14.5 knots

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.

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. For questions, please contact us at 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.



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) should you have any questions or concerns throughout the process.

We look forward to hearing your input on this important study!

Sincerely,



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