

Joint Transportation Committee

Feasibility of Private Auto Ferry Service between Washington State and British Columbia

JTC Presentation

December 17, 2020

Introductions

Consultant Team

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

JTC and Legislative Staff

- JTC
- House Transportation Committee
- Senate Transportation Committee
- House and Senate Democratic Caucus
- House and Senate Republican Caucus
- Office of Financial Management (OFM)

Policy Panel and Staff Workgroup

- City of Anacortes
- Clipper Vacations
- District 40 Legislators
- Economic Development Alliance of Skagit County
- HMS Global Maritime
- Inlandboatmen's Union
- Port of Anacortes
- Puget Sound Pilots
- San Juan County EDC
- Washington State Ferries

Proviso ~~ESB~~ 2322 §204(6)

» Senate Bill

» Feasibility of Private Ferry Service and Related Impacts

- Impacts to ridership, revenue and expenditures for WSF
- Impacts on ferry service to the San Juan Islands
- Potential terminal locations on Fidalgo Island
- Economic impacts to the Anacortes area
- Economic impacts to the San Juan Islands
- Impacts to family wage jobs
- Impacts to ferry fares
- Legal analysis
- Options for encouraging private auto ferry service

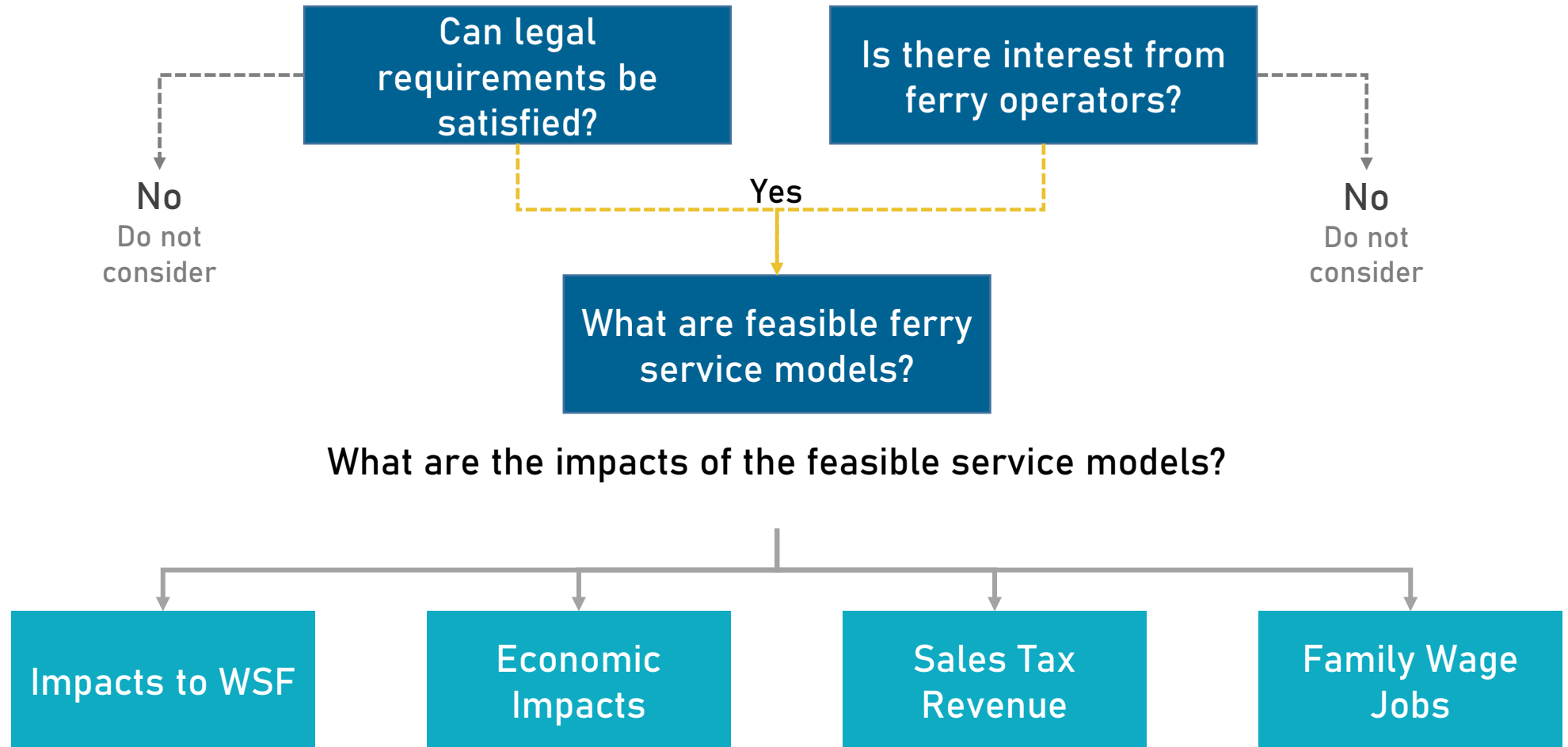
Summary of Findings

Private auto ferry service:

- » Yes it is feasible.
 - Yes, it is legal.
 - Yes, private operators expressed interest.
- » Results in a modest fiscal impact to WSF.
- » Unlikely to provide service to the San Juan Islands.
- » Decreases state sales tax revenue.
- » Generates new maritime jobs but would decrease service and hospitality jobs in the San Juan Islands.
- » Service models:
 - If it operates from Anacortes/Fidalgo Island area, service would result in relatively small economic impacts.
 - If it operates from Bellingham, service would have greater economic impacts to Anacortes/Fidalgo Island.



Approach



Private auto ferry service is feasible.

Can legal requirements be satisfied?

- » U.S. Built, U.S. Flag vessels are limited in availability and expensive
- » Foreign Flag vessel could provide service with no intermediate stops if pilotage were amended
 - Pilotage requirements could be cost prohibitive
- » If WSF discontinues use of Sidney terminal, the ten-mile rule does not apply
- » Commercial ferries are subject to safety, security and environmental standards

Private auto ferry service is feasible.

Is there interest from private ferry operators?

» Multiple operators interested in service

» Challenges:

- U.S. Customs
- Pilotage
- Political and potential financial support
- Terminal locations

Bay Ferries

Clipper
Vacations

HMS Global
Maritime

BC Ferries

Black Ball
Ferry

Private auto ferry service is feasible.

What are feasible private ferry service models?

Service Models	Annual Service Seasons	Round Trips per Day	Estimated Trips	Estimated One-way Fare Range
Baseline (WSF)		2 (Peak) 1 (Shoulder)	135,631 Total Passenger Trips	\$59.65 (Base) / \$74.45 (Peak) Car & Driver* \$21.30 (Base & Peak) Passenger
42-car Vessel Fidalgo Island or Bellingham Terminal	3 months (Peak) 6 months (Shoulder) 3 months (No Service)	3 (Peak) 1 (Shoulder)	97,447 Total Passenger Trips	\$90 - \$125 Car & Driver \$30 - \$40 Passenger
80-car Vessel Fidalgo Island or Bellingham Terminal		2 (Peak) 1 (Shoulder)	132,451 Total Passenger Trips	\$80 - \$100 Car & Driver \$25 - \$35 Passenger

Privatizing service results in modest fiscal impact to WSF.

Impacts to WSF: Background

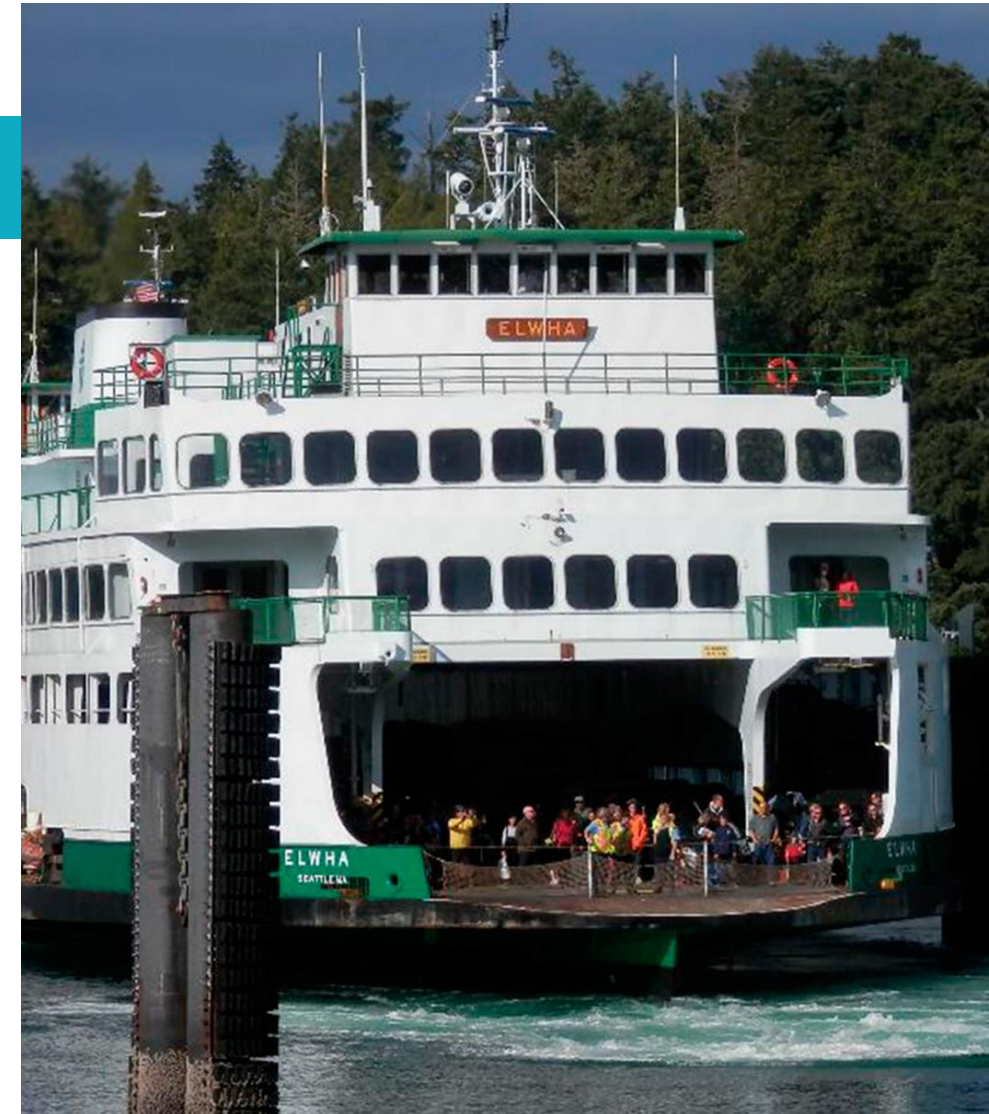
Since the *Elwha* retirement, WSF does not have service relief vessels

Fleet	Before <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

Privatizing service results in modest fiscal impact to WSF.

Impacts to WSF: Capital Costs

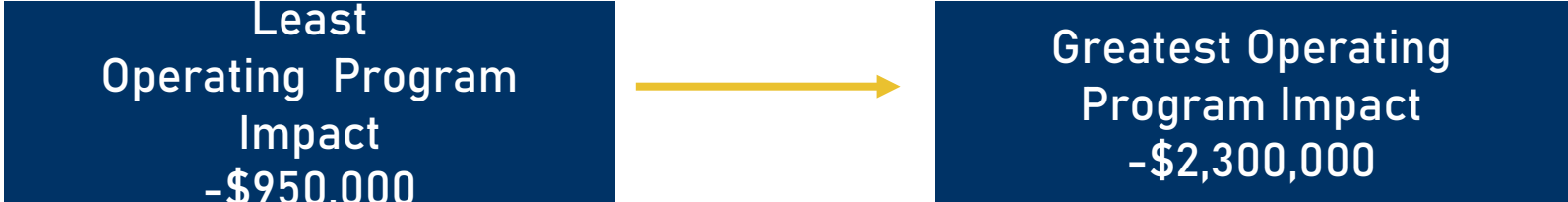
- » **Capital cost savings \$20-\$40M by 2036**
- » **WSF needs maintenance relief and stand-by vessels for service reliability**
- » **Discontinuing Sidney service reduces investment need by \$20M (\$2019) per vessel when SOLAS vessel retrofits would occur**



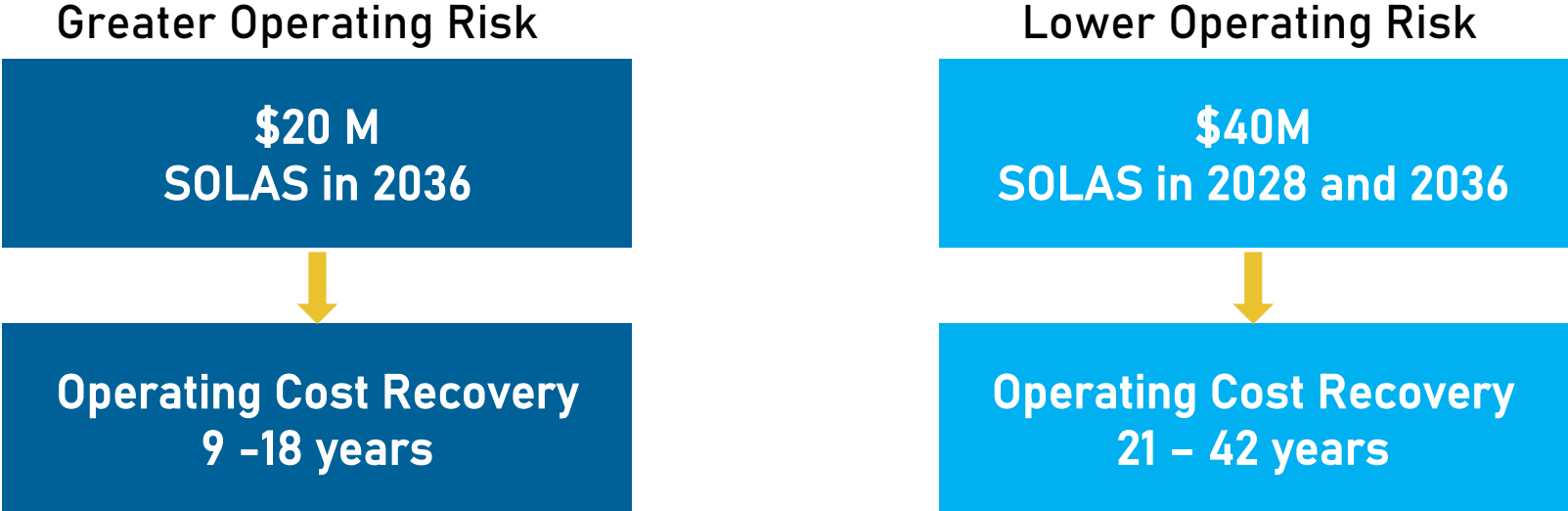
Privatizing service results in modest fiscal impact to WSF.

Impacts to WSF: Operating Program and Capital Investment Impact

Operating Program Impact



Capital Investment Impact



Privatizing service results in modest fiscal impact to WSF.

Impacts to WSF: Net Cash Flow Position

- » Avoids the cost of equipping two vessels for SOLAS which saves \$40M by 2036
- » Revenue loss exceeds operating cost savings resulting in a net annual operating loss of \$2.3M
- » WSF's net cash flow position at the end of 20 years would be -\$6.0M
- » 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

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

Unlikely ferry service would stop in San Juan Islands, resulting in negative economic impact.

Economic Impacts: San Juan Islands

- » 21 jobs from visitor spending
- » \$2.3M business revenue

Service Models	Jobs from Visitors	Business Revenue (Mils, \$2019)
Baseline	21	\$2.3M
42-car Vessel Fidalgo Island Terminal	0	\$0.0
80-car Vessel Fidalgo Island Terminal	(-21)	(-\$2.3M)
42-car / 80-car Vessel Bellingham Terminal		

Unlikely ferry service would stop in San Juan Islands, resulting in negative economic impact.

Sales Tax Revenue: San Juan Islands

- » Based on Taxable Retail Sales
- » Bellingham terminal: state sales tax revenue transfers to Bellingham remains the same

Service Models

Baseline

42-car Vessel
Fidalgo Island Terminal

80-car Vessel
Fidalgo Island Terminal

42-car / 80-car Vessel
Bellingham Terminal

	Local Sales Tax (San Juan County)	State Sales Tax
Baseline	\$18,500	\$76,900
42-car Vessel Fidalgo Island Terminal	\$0.0	\$0
80-car Vessel Fidalgo Island Terminal	-\$18,500	-\$76,900
42-car / 80-car Vessel Bellingham Terminal	\$0.0	\$0

Anacortes/Fidalgo Island could experience economic loss or gain.

Economic Impacts: Anacortes/Fidalgo Island

- » Range for data variability
- » Loss with 42-car vessel
- » Gain with 80-car vessel
- » Economic loss with Bellingham terminal

Service Models

Baseline

42-car Vessel
Fidalgo Island Terminal

80-car Vessel
Fidalgo Island Terminal

42-car / 80-car Vessel
Bellingham Terminal

Jobs from Visitors	Business Revenue (Mils, \$2019)
9 - 24	\$1.0M - \$2.6M
8 - 20 (-1/-4)	\$0.9M - \$2.1M (-\$0.2M/-\$0.5M)
11 - 27 (+2/+3)	\$1.2M - \$2.9M (+\$0.1M/+\$0.3M)
0 (-9/-24)	\$0.0 (-\$1.0M/-\$2.6M)

Anacortes/Fidalgo Island could experience economic loss or gain.

Sales Tax Revenue: Anacortes/Fidalgo Island

» Local & state tax revenue

- Loss with 42-car vessel
- Gain with 80-car vessel

» Bellingham terminal:

- Loss to Anacortes/Fidalgo Island

Service Models

Baseline

42-car Vessel

Fidalgo Island Terminal

80-car Vessel

Fidalgo Island Terminal

42-car / 80-car

Vessel

Bellingham Terminal

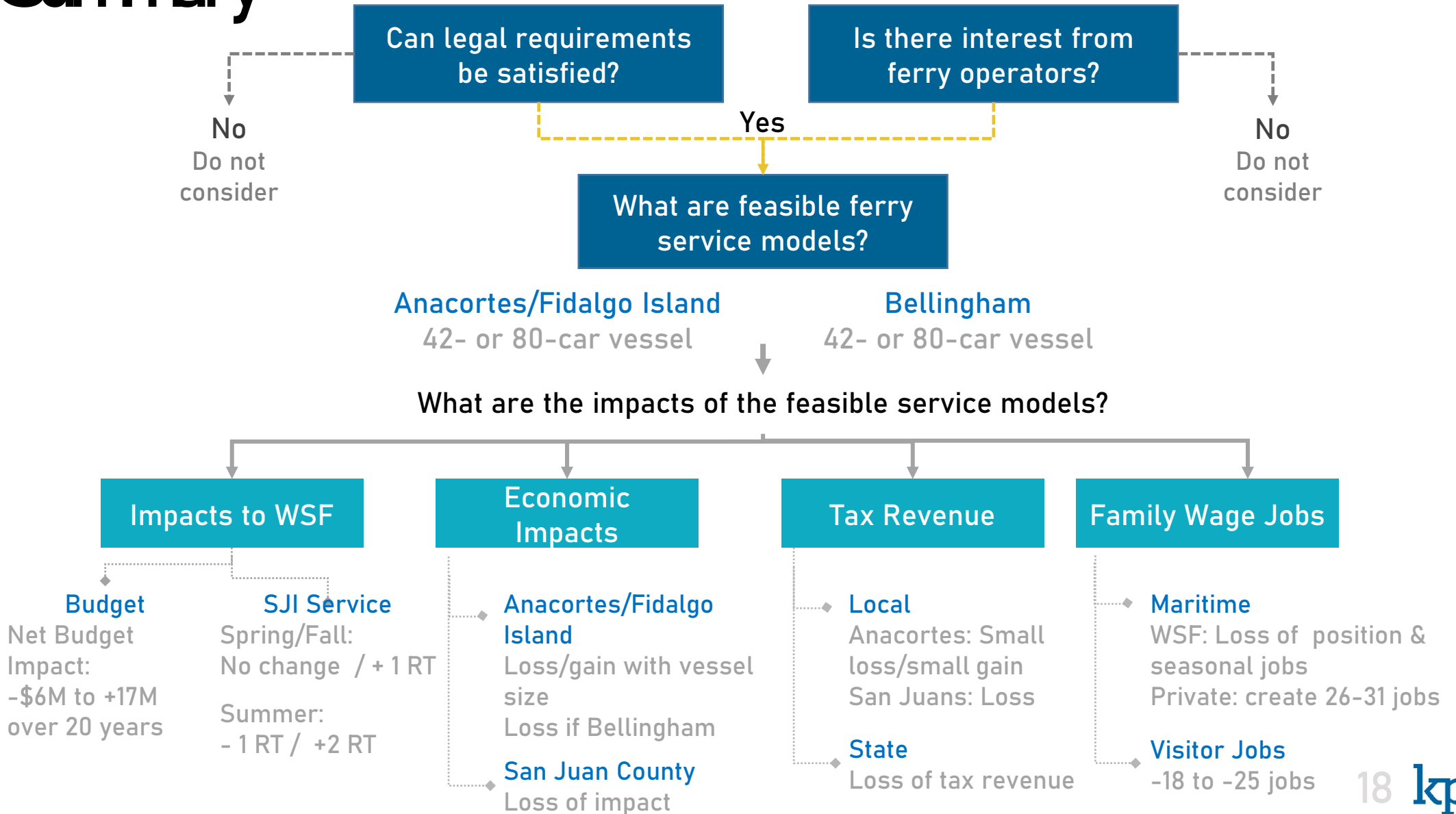
Anacortes / Fidalgo Island Local Sales Tax	State Sales Tax
\$4,400 - \$10,700	\$32,400 - \$78,400
\$3,600 - \$8,800 (-\$800/- \$1,900)	\$26,600 - 64,400 (-\$5,800/- \$14,000)
\$4,900 - \$12,000 (+\$500/+ \$1,300)	\$36,200 - \$87,600 (+\$3,800/+ \$9,200)
\$0.0 (-\$4,400/- \$10,700)	\$26,600 - \$87,600 (-5,800/+ \$9,200)

Generates new maritime jobs but would decrease service and hospitality jobs in the San Juan Islands.

Family Wage Jobs

- » Maritime jobs
 - **WSF** would lose 1 position and up to 18 summer seasonal crew depending on service level changes
 - **Private operator** would create 26–31 maritime jobs (likely non-union)
- » 18–25 family wage jobs (for some households) lost from reduced visitor spending
- » Temporary construction jobs could be created with new terminal in Anacortes

Summary



Final Thoughts

- » Yes, private auto ferry service is feasible
- » WSF budget impact between $-\$6\text{M}$ to $+\$17\text{M}$ over 20 years
- » It would have a negative economic impact to the San Juan Islands
- » Small negative or positive impact on Anacortes/Fidalgo Island depending on vessel size and terminal location

Thank you!
Questions?



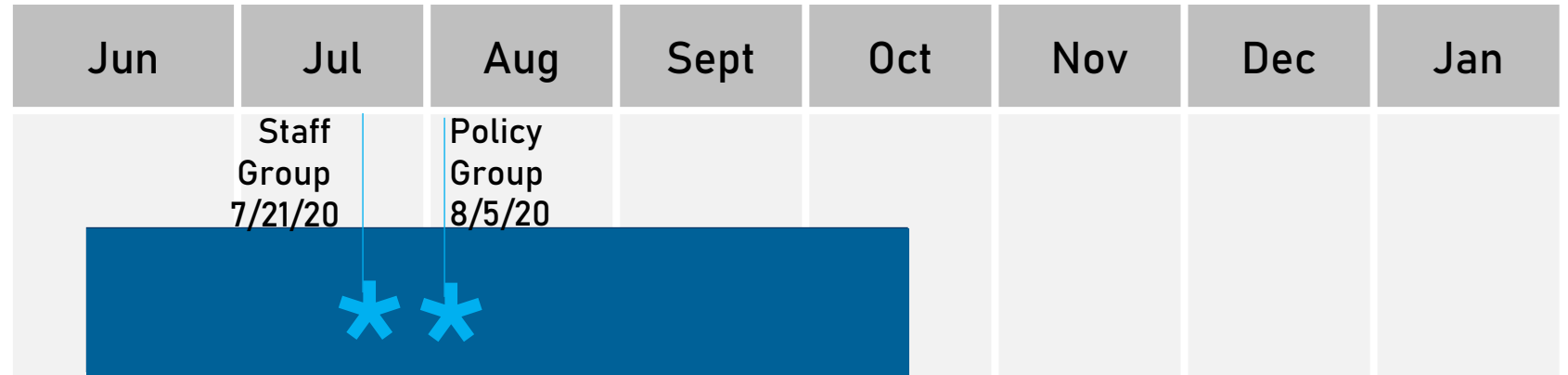
BACKGROUND

Staff Workgroup and Policy Panel

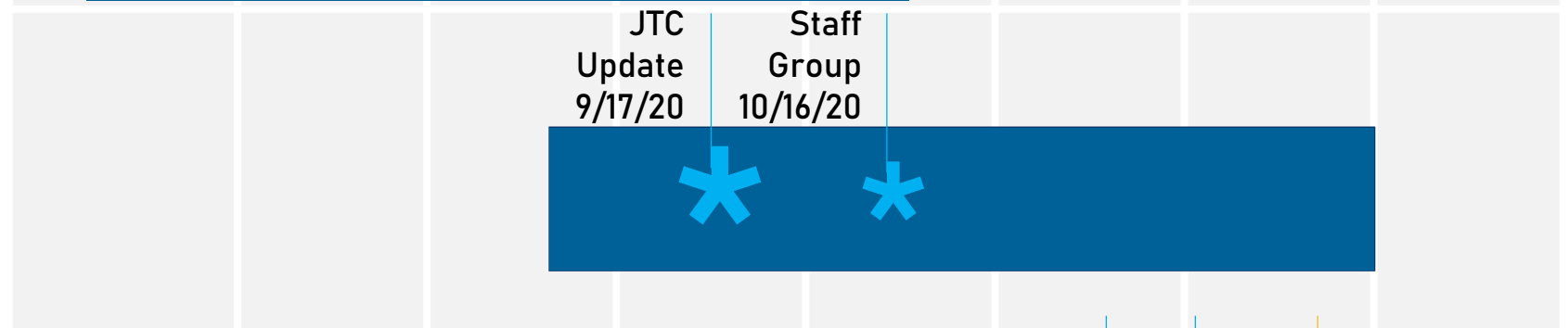
2020

2021

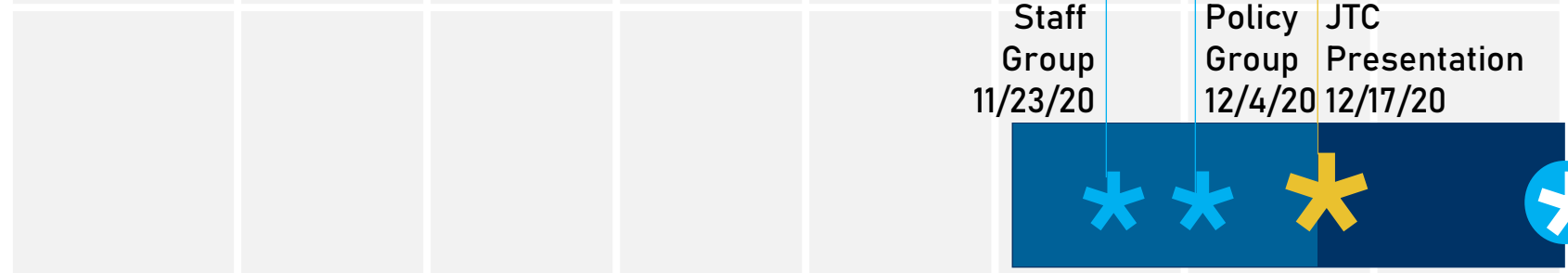
Identify Feasibility:
 Legal Analysis &
 Private Ferry Service Models



Impact Analysis:
 WSF, Communities, Other
 Stakeholders



Draft & Final Reports



Report Due:
 2/15/21

Privatizing service results in modest fiscal impact to WSF.

Impacts to WSF: Annual Operating Costs

- » **Net annual operating loss -\$0.9M to -\$2.3M**
- » **Vessel is integrated in San Juan Island service**
- » **Annual operating cost savings is less than the annual revenue loss**

Service Options	Net Annual Operating Loss
Option 1: <ul style="list-style-type: none">• Fall/Spring: no change• Summer: -1 round trip Anacortes-Lopez	-\$2,311,143
Option 2: <ul style="list-style-type: none">• Fall/Spring: +1 round trip• Summer: +2 domestic round trips	-\$947,000

Economic Impacts – Visitor Spending

Baseline Estimate Assumptions, Low Range

Assumption	Anacortes-Sidney BC		San Juan-Sidney BC		Notes
	Eastbound	Westbound	Eastbound	Westbound	
Total Trips (2019)	140,252				WSF 2019 Statistics (Adjusted with 2018 data)
Route Allocation	85%		15%		WSF 2019 Statistics
% of riders making a round trip	95%				
% of riders same ferry route round trip	81%				WSF 2013 OD Survey
Total Riders (2019)	79,093				
Directional Split	47%	53%	47%	53%	WSF 2019 3 sample weeks average
Recreation/Shopping %	80%				WSF 2013 OD Survey
Anacortes Visitors	9.8%	16.9%	0%	0%	WSF 2013 OD Survey
San Juan Visitors	0%	0%	100%	0%	
Anacortes Average Trip Length	2.0	1.0			Dean Runyan 2017
San Juan Average Trip Length			3.0		San Juan Islands Visitor Study 2018
Anacortes % of Overnight Visitors	95%	70%			WSF 2013 OD Survey; Dean Runyan 2017
San Juan % of Overnight Visitors			80%		
Anacortes % of Overnight Visitors paid	41%	100%			Dean Runyan 2017
San Juan % of Overnight Visitors paid			80%		San Juan Islands Visitor Study 2018

Economic Impacts – Visitor Estimates

Service Models	Anacortes/ Fidalgo Island	San Juan County	Total
Baseline (Current WSF Sidney service)	7,240 – 29,730	4,590	11,830 – 34,320
42-car Vessel Fidalgo Island Terminal	5,940 – 24,430 (-1,300/-5,300)	0 (-4,590)	5,940 – 24,430 (-5,890/-9,890)
80-car Vessel Fidalgo Island Terminal	8,090 – 33,220 (+850/+3,490)	0 (-4,590)	8,090 – 33,220 (-3,740/-1,100)

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

Economic Impacts – Visitor Spending

Service Model Options, Anacortes and San Juan County

Service Models	Jobs	Business Revenue (Mils, \$2019)	Total Compensation (Mils, \$2019)
Baseline	30 - 45	\$3.4 - \$4.9	\$1.2 - \$1.9
42-car Vessel Fidalgo Island Terminal	8 - 20 (-22/-25)	\$0.9 - \$2.1 (-\$2.5/-2.8)	\$0.3 - \$0.9 (-\$0.9/-1.0)
80-car Vessel Fidalgo Island Terminal	11 - 27 (-19/-18)	\$1.2 - \$2.9 (-\$2.2/-2.0)	\$0.4 - \$1.2 (-\$0.8/-0.7)
42-car / 80-car Vessel Bellingham Terminal	0 (-30/-45)	\$0.0 (-\$3.4/-4.9)	\$0.0 (-\$1.2/-1.9)

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 Office of Financial Management, 2020; Community Attributes, 2020.

Note: Numbers may not sum exactly due to rounding.

Economic Impacts – Visitor Estimates

- » 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.

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
<i>Paid Accommodation</i>	4,310	10,310	2,940	7,250	13,250
<i>Unpaid Accommodation</i>	1,370	1,370	730	2,100	2,100
Total Visitors	7,240	29,730	4,590	11,830	34,320

Total Visitors By Type, Service Model Options

	80-Car Vessel		42-Car Vessel	
	Low Range	High Range	Low Range	High Range
Day Visitors	1,740	20,170	1,280	14,840
Overnight Visitors	6,350	13,050	4,660	9,590
<i>Paid Accommodation</i>	4,820	11,520	3,540	8,470
<i>Unpaid Accommodation</i>	1,530	1,530	1,120	1,120
Total Visitors	8,090	33,220	5,940	24,430

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.

Current Economic Impacts – Visitor Spending

Anacortes and San Juan County

Economic Impact of current service:

- \$3.4M to \$4.9M Revenue
- 30-45 Jobs

Visitor Spending Economic Impact, Current Service, millions \$2019

	Jobs	Business Revenue	Sales Tax
Anacortes/ Fidalgo Island	9 - 24	\$1.0 - \$2.6	\$4,400 - \$10,700
San Juan County	21	\$2.3	\$18,500
Total	30 - 45	\$3.4 - \$4.9	\$22,900-\$29,200

» High range estimate includes:

- » Day and overnight spending by visitors traveling to Sidney via Anacortes from King County
- » Day spending from visitors passing through Anacortes to their final destination eastbound (South of Snohomish County)

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 Office of Financial Management, 2020; Community Attributes, 2020.

Note: Numbers may not sum exactly due to rounding.

Economic Impacts – Visitor Spending

Service Model Options, Anacortes/Fidalgo Island

Anacortes terminal: impacts are relatively small positive or negative depending on vessel .

Bellingham terminal: economic impacts shift to Bellingham.

Service Models	Jobs from Visitors	Business Revenue (Mils, \$2019)
Baseline	9 - 24	\$1.0M - \$2.6M
42-car Vessel Fidalgo Island Terminal	8 - 20 (-1/-4)	\$0.9M - \$2.1 M (-\$0.2/-0.5)
80-car Vessel Fidalgo Island Terminal	11 - 27 (+2/+3)	\$1.2M - \$2.9M (+\$0.1/+\$0.3)
42-car / 80-car Vessel Bellingham Terminal	0 (-9/-24)	\$0.0 (-\$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 Office of Financial Management, 2020; Community Attributes, 2020.
 Note: Numbers may not sum exactly due to rounding.

Economic Impacts – Sales Tax

From Visitor Spending

- » Economic impact from visitor spending adjusted using statewide data for taxable retail sales (TRS) to gross business income (GBI) ratio by sector
- » Using effective local sales tax rates and state tax rates of:
 - » 0.89% for Anacortes / Fidalgo Island
 - » 1.56% for San Juan County
 - » 6.5% for Washington State

TRS from Economic Impact of Visitor Spending, millions \$2019

Service Models	Anacortes / Fidalgo Island	San Juan County
Baseline	\$0.5M - \$1.2M	\$1.2M
42-car Vessel	\$0.4M - \$1.0M	Loss of TRS
80-car Vessel	\$0.6M - \$1.3M	Loss of TRS

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

Economic Impacts – Local Sales Tax

From Visitor Spending, \$2019

Anacortes/Fidalgo Island: sales tax impacts depending on vessel .
Lost with Bellingham terminal.

San Juan County: sales tax revenue lost.

Service Models	Anacortes / Fidalgo Island	San Juan County
Baseline	\$4,400 - \$10,700	\$18,500
42-car Vessel Fidalgo Island Terminal	\$3,600 - \$8,800 (-\$800/-1,900)	\$0.0 (-\$18,500)
80-car Vessel Fidalgo Island Terminal	\$4,900 - \$12,000 (+\$500/+\$1,300)	\$0.0 (-\$18,500)
42-car / 80-car Vessel Bellingham Terminal	\$0.0 (-\$4,400/-10,700)	\$0.0 (-\$18,500)

Economic Impacts – Terminal Construction

- » New terminal capital expenditures estimated between \$20 and \$30 million
- » Construction impacts largely benefit community where construction occurs
 - » An estimated 86% of purchases are made local at place of work
 - » An estimated 38% of construction jobs are on-site jobs
- » Construction costs are estimated to supported 20 to 30 jobs annually
- » Total wages are estimated at \$1.2 to \$1.9 million
- » Multiplier Effects of Construction (WA Input-Output Model)
 - » 10.89 jobs per million \$ in direct output
 - » 2.48 jobs per direct job
 - » 0.54 \$ in labor income per \$ in final demand

Economic Impacts – Family Wage Jobs

» Assumed Vessel and Terminal Wages (union)

- » \$62,900 to \$149,200 incl benefits
- » \$45,600 to \$108,100 without benefits

» Assumed Vessel and Terminal Wages (non-union)

- » \$40,600 to \$130,300 incl benefits
- » \$31,200 to \$100,200 without benefits

» Construction Wages

- » Avg Annual Skagit Co: \$62,500
- » Avg Annual Whatcom Co: \$75,300

» Visitor Spending Supported Wages

- » Direct Jobs Avg Annual: \$35,000
- » Total Jobs Avg Annual: \$42,000

MT Living Wage by County, 2020

	Skagit County	San Juan County	Whatcom County	King County
Minimum Living Wage <i>(2 Adults, both working, no children)</i>	\$18,782	\$19,802	\$19,011	\$24,107
Average Household Living Wage	\$46,176	\$39,582	\$47,070	\$58,552
Maximum Living Wage <i>(1 Adult, 3 children)</i>	\$78,083	\$80,974	\$79,581	\$96,034

- » Average household living wage is selected based on the average number of persons per household, workers per household, and children per household for each county.
- » For Skagit, Whatcom and King Counties this is a 2 Adult, 1 Worker, 1 Child household. For San Juan County this is a 2 Adult, 1 Worker, No Child household.

Economic Impacts – Family Wage Jobs

- » Vessel operations, both WSF and private operator, as well as terminal construction jobs provide living wages for almost all household types in Skagit, Whatcom, and King counties.
- » Jobs supported by visitor spending are higher than the average for the hospitality industry but are not living wages for all household types.
- » Wages supported by visitor spending, on average, are living wages for households with no children or more than one worker.
- » WSF jobs include vessel, terminal and management FTEs estimated based on labor costs and average wages.
- » Terminal and management jobs are unlikely to change and will be allocated to other routes if the Sidney route is privatized.
- » The elimination of the international route allows for the elimination of one position.
- » Privatization is also likely to result in reductions in hours for vessel positions, even if positions are not eliminated.

Economic Impacts – Family Wage Jobs

- One WSF position lost with privatization.
- Jobs lost related to visitor spending.
- Potential for temporary construction jobs.

Service Models	Vessel Operations Jobs		Terminal Construction Jobs (temp)	Visitor Spending Jobs	
	WSF	Private Operator		Low	High
Baseline	29	N/A	N/A	30	45
42-car Vessel Fidalgo Island or Bellingham Terminal	28 (-1)	31	20-30 N/A if Bellingham	8 (-22)	20 (-25)
80-car Vessel Fidalgo Island Terminal or Bellingham Terminal	28 (-1)	26	20-30 N/A if Bellingham	11 (-19)	27 (-18)

- » Jobs represent estimated FTEs.
- » Vessel operations jobs are likely to be located throughout the Puget Sound region.
- » Terminal construction jobs are temporary and likely to be regional.
- » For Bellingham, likely a regional reallocation of jobs supported by visitor spending from the Anacortes area to the Bellingham area.