



Washington State Ferries Financing Study I

A Joint Transportation Committee study of Washington State Ferries financing, released in January 2007, found that ferry system is at “an important financial crossroads.” The study determined that following the repeal of the Motor Vehicle Excise Tax (MVET) in 1999, ferry system revenue was significantly reduced. This revenue reduction led to the need for ferry fare increases, which caused a ridership decline of 10 percent.

The study determined that the ferry system should update its ridership demand forecasts, and revise its level of service based on those forecasts. That information would then inform the policy discussion of how to maintain service with an aging fleet of ferries and 20 terminals needing either repair or updating.

Washington State Ferries Financing Study II

As part of the follow up to the 2007 study, the recently released Washington State Ferries Financing Study II found that, WSDOT/WSF “should develop and present to the legislature a consistent vessel rebuild/replacement plan and a vessel deployment plan that integrates terminal, vessel, and shoreside improvement planning, scheduling and budgeting.”

The January 2008 report said, “The vessel capital funding provided in the 2007-23 16-year plan is insufficient either to preserve the existing fleet or to replace vessels that are coming due for replacement during the plan period.”

The consultants recommend that the ferry system examine its capital program to separate maintenance activities from capital and to clearly delineate improvement projects now carried in the preservation capital budget. The study also says the legislature should:

- consider increased capital funding for vessel preservation,
- prioritize vessel preservation over terminal improvements,
- budget for vessel replacement and preservation, and
- consider shifting funds from terminals to vessels.

Washington State Ferries: A legacy from the past and a plan for the future

The Washington State Department of Transportation's ferry system is facing the challenge of aging ferries; ongoing terminal and preservation needs; increasing operational costs; and the lack of a long-term financial plan.

Gov. Gregoire has tasked WSDOT to develop a strategy for immediate and long-term actions to ensure the state's ferry communities continue to be served with sustainable and predictable ferry service.

What's the problem?

Washington's ferry system lost the motor vehicle excise tax as a source of dedicated funding in 2000, which represented 22 percent of its operations budget and 39 percent of its capital budget. That funding has never been recovered to pay for system operations, vessel replacement, preservation and terminal improvements. Below are a few key dates that help tell the story.

- 1999 November**
Initiative 695 approved by voters.
- 2000 March**
Legislature eliminated the Motor Vehicle Excise Tax, a major source of funding for Washington's ferry system. Ferry system begins program to recover more operating costs from fares.
- 2002 November**
Referendum 51, which included funding for new vessels and terminal improvements, rejected by voters.
- 2003 May**
Legislature approves 5-cent gas tax increase, which includes funding for two new auto ferries.
- 2005 July**
Washington State Department of Transportation becomes a cabinet agency, reporting to the Governor.
- 2007 January**
Joint Transportation Committee report points to need for better ridership forecasts and level of service analysis as a basis for long-range terminal and fleet improvements.
- March**
Steel electric vessels begin to experience unusually high number of repair and maintenance issues.
- May**
Legislature freezes ferry fares while the JTC studies long-term ferry system financing issues. Legislature approves \$347.6 million for building four new 144-auto ferries.
- June**
Puget Sound shipyard consortium submits notice of intent to proceed with a proposal to build four 144-auto ferries.
- July**
WSDOT accepts shipyard consortium's notice of intent. Ferry system hires a third-party inspection firm to conduct comprehensive hull surveys of the four steel electric class vessels. Secretary of Transportation Doug MacDonald resigns.
- October**
Paula Hammond appointed Washington State Transportation Secretary. Mike Anderson, WSF executive director, announces his retirement. Hull survey inspection report submitted to the Joint Transportation Committee Ferry Policy Group on October 31.
- November**
Based on inspection reports, Secretary Paula Hammond pulls all four 80-year-old Steel Electric class ferries out of service due to safety concerns.
- December**
Gov. Gregoire and Secretary Hammond announce a plan to build three 50-auto ferries, similar to Pierce County's Steilacoom II ferry, to replace the Steel Electrics. WSDOT signs contract with shipyard consortium to begin designing new 144-auto ferries.

What's the plan?

The ferry system has served Washington well over the past 56 years. With 24 million passengers a year and a 92 percent on-time record, the ferries have become a world-wide symbol of Washington state.

Gov. Gregoire has outlined a long-term vision and action plan for the ferry system that will help it remain the safest, most-reliable and highest caliber ferry system in the world. To do that, Gov. Gregoire and WSDOT will:

- Establish a streamlined, accountable organization that provides outstanding customer service, partners with each of the communities it serves and is poised to meet the needs of a growing Puget Sound region.
- Institute a fleet preservation and maintenance program that sets the standard for industry best practices.
- Establish a vessel replacement plan that replaces vessels within their 60-year life span.
- The Transportation Commission and the Legislature are working to develop a long-term sustainable funding plan.

Key Facts

- Largest in the world - number of vehicles
- Largest in the country - number of passengers and vehicles
- 20 terminals serving 10 cross-Sound routes
- 500 trips a day
- 23 vessels
- 24 million passengers per year
- 11 million vehicles per year

Source: 2007 WSDOT Key Facts



Maintain the fleet, limit service disruptions

WSDOT's ferry system operates 23 vessels, serving 10 cross-sound routes. For 80 years, it has routinely maintained ferries and terminals under plans developed with the legislature.

The ferry system's vessel maintenance and preservation program plans vessel maintenance, preservation and inspection work years in advance. This advanced scheduling system helps the ferry system stay ahead of problems and respond to emergent issues when they arise.

The ferry system will rotate nine vessels into drydock before the end of June - five that have repairs required after additional U.S. Coast Guard inspections in December 2007, and four that had regularly scheduled maintenance. The schedule of work to be completed now through May will result in limited service disruptions and will allow us to provide earlier notice to customers affected by planned service disruptions.

WSDOT will continue working with the Coast Guard to develop an optimum ongoing maintenance and inspection program to protect the public's investment and support reliable ongoing service.

Implement long-term vessel replacement program

In November 2007, four Steel Electric-class ferries – safely maintained for more than 80 years – were pulled from service before safety was compromised. In order to restore service, Gov. Chris Gregoire immediately identified funding for replacement vessels and the ferry system began revisions on its vessel replacement plan.

Our regular maintenance tells us that vessels have an ideal life of about 60 years. Building new vessels allows us to

retire the oldest ferries, protecting our passengers' safety and ensuring reliable service. It also allows us to have a standby ferry available so that we can continue service while boats rotate through routine maintenance or in the case of unforeseen circumstances.

Gov. Gregoire's proposed budget will build new vessels – three 144-auto ferries to be used system-wide and three smaller 50-auto ferries that will operate on the Port Townsend/Keystone route.

50-auto ferry program

WSDOT is moving forward with Gov. Gregoire's plan to replace the recently sidelined Steel Electric-class ferries with three 50-auto ferries similar to the ferries operated by Pierce County. The ferry system is moving to build the three smaller boats on a rapid timeline. The advertisement for bidders to build the smaller vessels will be issued in February. The first 50-auto ferry is expected to be delivered by April 2009.

144-auto ferry program

The Legislature originally authorized new auto ferries in 2001. After the funding was lost because of the failure of Referendum 51 in 2002, proceeds from the 2003 Nickel Package were directed toward new auto ferries. That procurement process was mired in legal difficulties until 2007.

In 2007, Gov. Gregoire made it a priority to proceed with the process of replacing the oldest ferries. Gov. Gregoire worked closely with the chairs of the House and Senate Transportation Committees on a bill that allowed three pre-qualified shipyards to present a joint proposal to build the 144-auto ferries. If the price negotiations this spring and summer are successful, then construction of the 144-auto ferries can begin in summer 2009, and the first new 144-auto ferry could be delivered in late 2010.

Terminal Preservation and Capital Construction

Maintaining our vessels is first priority, but we have to maintain and preserve our terminal assets as well. The ferry system's short-term focus will be on maintaining the 20 terminal facilities that serve our 24 million annual passengers. The current terminal preservation program estimates indicate over \$300 million is needed in preservation needs alone over the next six years. For instance, the ferry system has a project to maintain and preserve the Eagle Harbor Maintenance Facility on Bainbridge Island. The maintenance facility is the backbone of the system and performs critical work to keep the fleet operating smoothly.

Currently, the ferry system is working on a terminal improvement plan that will design and build terminal projects that reflect future ridership demands and anticipated levels of service. This plan will be tied to the outcome of the 2007 legislative study's long-term financial plan.

Long-term Financial Plan

During the 2007 legislative session, the Legislature passed Engrossed Substitute House Bill 2358 (ESHB 2358) – "the Ferry Finance Bill" – and the associated biennial transportation budget ESHB 1094. Each bill directs WSDOT to assess the efficiency and costs related to how the state provides ferry service, which will help develop strategies for how the ferry system operates in the future.

The Transportation Commission will develop a customer survey and review long term ferry finance options to present in 2009.

These directives follow from the January 2007 JTC Ferry Financing Study and are the next steps in the process of developing a policy framework to address the long-term financial sustainability of the ferry system.

WSDOT is tasked with developing operational, pricing, and vehicle level of service strategies; coming up with terminal design standards, and revisiting ridership forecasts. All of this information will culminate in a revised long-range plan that will guide services and investments over the next 30 years.

Accountability

Gov. Gregoire has directed WSDOT to review how the ferry system uses its workforce, consultants, and organizational structure. WSDOT will ask an independent consultant for input on its findings.

WSDOT will ensure an efficient and productive project delivery and operations team. The team will be nimble and responsive as it provides the highest level of service to its customers.

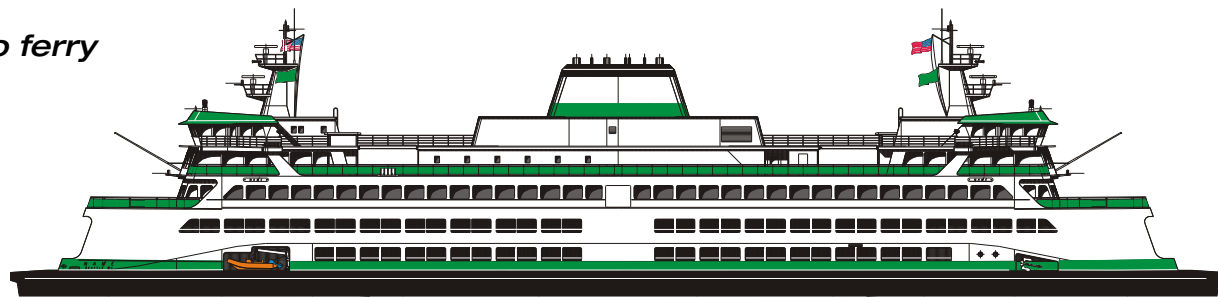
WSDOT is committed to working with the Joint Transportation Committee (JTC) and the Washington State Transportation Commission on the 2007 legislative studies to identify operational strategies, service levels, and a sustainable long-term funding plan for the ferry system. The ferry system is committed to being effective, productive, accountable and well managed.

Capital Budget

The enacted 2007 budget for the Puget Sound Capital Account, which supports terminal construction, reflected a shortfall of about \$400 million by 2021-23 after the June revenue forecast.

The current Governor's supplemental budget plan relies on increased bonding for the ferry system's capital program, shifting funds from the terminals and replacing one of the original new 144-auto ferries with replacement boats for the Keystone/Port Townsend route.

144-auto ferry



Ferry procurement timeline

