

WSDOT Ferries Division

2011-13 Tariff

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Presentation Overview

- Tariff 2011 Proposal Development and Roles of Key Participants
- 2011-13 Budget Direction
- Overview of WSF tariff issues still under consideration for department proposal:
 - Passenger/Vehicle Fare Ratio
 - Anacortes-Sidney Market Screen
 - Modification of vehicle categories under 30-feet
 - Bicycle Surcharge
 - Fuel Surcharge
 - Out-of-state resident surcharge
- Issues considered, but dropped from further consideration this year
- Next Steps

Process and Roles of Key Participants

- The following entities are involved in the development of the 2010 Tariff Proposal:
 - **WSDOT Ferries Division.** WSF is responsible for conducting a review of the tariff and developing a fare proposal to submit to the WSTC.
 - **FAC-T.** The FAC-T is an advisory group, comprised of FAC Executive Council members or their designees, and transit and freight representatives, that provides advice, input, and feedback to WSF and WSTC on fare policy options during the development of the Department's proposal.
 - **WSTC.** The WSTC is responsible for adopting fares through rulemaking, and will have final say in what fares are implemented. They will conduct public outreach, and adopt final rule changes at a public hearing.

2011-13 Budget Tariff Implications

- Financial plan assumes 2.5% fare increase
- Assumes a surcharge mechanism is put in place
- Total fare revenue (no surcharge assumed) is \$312.8 million
- Other revenues projected at \$7.1 million

Passenger/Vehicle Fare Ratio

The current passenger/vehicle fare ratio is approximately 3.5 to 1 (except San Juan Islands). The Long-Range Plan identified increasing this ratio as a way to grow passenger ridership by drawing new passenger traffic and encouraging mode shifts during peak periods.

Options for Discussion

- 1. Continue to increase fares proportionally.** This would keep the ratio the same.
- 2. Increase fares by slightly different rates.** This would gradually increase the ratio over time.
- 3. Increase fares ratio more dramatically.** This would have a more dramatic and immediate impact on the passenger/vehicle fare ratio.

A factor in the conversation this year is the potential impact of a capital surcharge, which could have a greater impact on passenger fares. A change in the ratio could mitigate some of this impact.

Anacortes-Sidney Market Screen

Since the International routes primarily serve a tourist market and faces direct competition, fares are set based on a market screen, separate from the general fare increase.

Options for Discussion

- 1. Increase Anacortes-Sidney fares by the general fare increase.** Anacortes-Sidney fares would be increased by the same amount as all other routes.
- 2. Increase Anacortes-Sidney fares by moderately higher than the general fare increase.** Anacortes-Sidney fares could be increased by a modestly higher (perhaps 5%-10%) amount than the general fare increase, to move toward market parity with BC Ferries and improve farebox recovery.

Changes to Vehicle Categories

A “small car” fare category was introduced in the Long-Range Plan as a potential way to encourage customers to travel on WSF in smaller vehicles, effectively growing deck space and delaying or reducing the need for capital investments.

Options for Discussion

1. **Status Quo.** Maintain current categories
2. **Restructure categories under 30-feet.** A new configuration has been developed that can be supported with existing systems:
 - **Standard motorcycles.** Same as current definition.
 - **New small vehicle category.** New category for all vehicles under 14-feet in length (except standard motorcycles).
 - **14 to 22-foot vehicles.** New category would include most “standard” passenger cars and small trucks.
 - **22 to 30-foot vehicles.** New category would capture smaller commercial trucks, recreational vehicles and cars with trailers.

Fares would be in proportion to volume of space used on the car deck

Bicycle Surcharge and Permit Fees

The bicycle per-trip surcharge, last updated in 2002, is paid in addition to the passenger fare. The annual bicycle permit costs \$20, last updated in 1996, and exempts passengers from the per-trip surcharge on all routes except those serving the San Juan Islands. In addition, there is an opportunity to reduce staffing costs at Colman Dock by adding a new bicycle commuter gate.

- 1. To take advantage of the new commuter gate at Colman Dock, WSF is considering a proposal that would:**
 - Eliminate the annual bicycle permit.
 - Allow passengers paying with monthly passes, multiride media, and ORCA ePurse to bring bicycles without charge. On the San Juan Islands routes, only customers paying with a multiride product would be exempt from the surcharge.
 - Raise the single-trip surcharges to offset estimated revenue losses.

Fuel Surcharge Mechanism

A fuel surcharge mechanism has been developed to partially offset increases in fuel prices above those used to develop the fuel budget. The surcharge would be one part of a multi-part fuel cost mitigation strategy:

- **Fixed Price Hedging Program.** Consider options to use supplier-provided fixed price contracting to mitigate future fuel price fluctuations.
- **Improved Fuel Budgeting and Forecasting.** New consensus approach to establish price assumptions for budgeting purposes.
- **Fuel Surcharge Mechanism.** An automatic process that would be triggered if hedging-adjusted prices exceed budget. The FAC-T believes that a 10% ceiling on the fuel surcharge may be more palatable than the 20% discussed in WSF's Fuel Cost Mitigation Plan.
- **Public Relations and Communication.** The FAC-T thinks WSF should have a communications plan in place to help inform the public about this structure.

Out-of-State Resident Surcharge

A pricing strategy that was identified in the Long Range Plan was an out-of-state resident surcharge which could have demand management benefits, but more likely would marginally reduce the cost burden of in-state customers for providing ferry services.

- **Rationale.** In-state residents are making larger contributions to the ferry capital and operating programs through their tax contributions. A higher fare for out-of-state residents would account for this disparity.
- **Legal issues.** WSF is exploring if any legal issues might be raised by this pricing strategy.
- **Operational challenges.** There will likely be operational challenges in implementing such a surcharge.
- **Revenue potential.** It is difficult to assess the potential revenue impact of such a proposal since we do not currently know how many out-of-state residents use the ferry system.

Other Issues Considered

The following issues were identified, evaluated and discussed, but have been dropped from further consideration for the 2011 fare proposal.

- **Extend peak surcharge to multiride products.** Currently, multiride products are exempt from peak surcharge. Significant operational challenges to implementing this concept at this time.
- **Increase peak surcharge.** Options for raising the peak season surcharge were discussed.
- **School group discounts.** This issue was addressed in last year's proposal but dropped by the WSTC after public comments at the hearing. Both the Department and the FAC-T are supportive of revisiting this issue, but felt it was not worth it this year.
- **San Juan Islands fare structure.** There was agreement that the San Juan structure consistent with the rest of the system would disproportionately affect Island residents during this economic downturn and should not be considered at this time.

Timeline and Next Steps

- Five FAC-T meetings to date
- One additional FAC-T meeting in mid-May
- Public meetings 1st and 2nd week in June
- Week of June 27th – WSF fare proposal to the Commission (special meeting required)
- CR102 filing no later than July 20
- Commission outreach – Late July/early August
- Public hearing – August 23-30
- CR103 filing no later than August 31
- Implementation of new fares – October 1

Questions?

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