

Ferry Fare Study
Executive Summary

by the
San Juan County
Economic Development Council

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Ferry Fare Study – Purpose

The purpose of this study is to gather economic data which will allow community leaders in San Juan County to analyze the impact of the Ferry system on our community, particularly its impact during the last six years of ferry fare increases. It is our hope that with this information and analysis our community leaders can educate the state's legislators to take a broader view of the Ferry System and its importance to the economy of Washington.

Ferry Fare Study – Objective

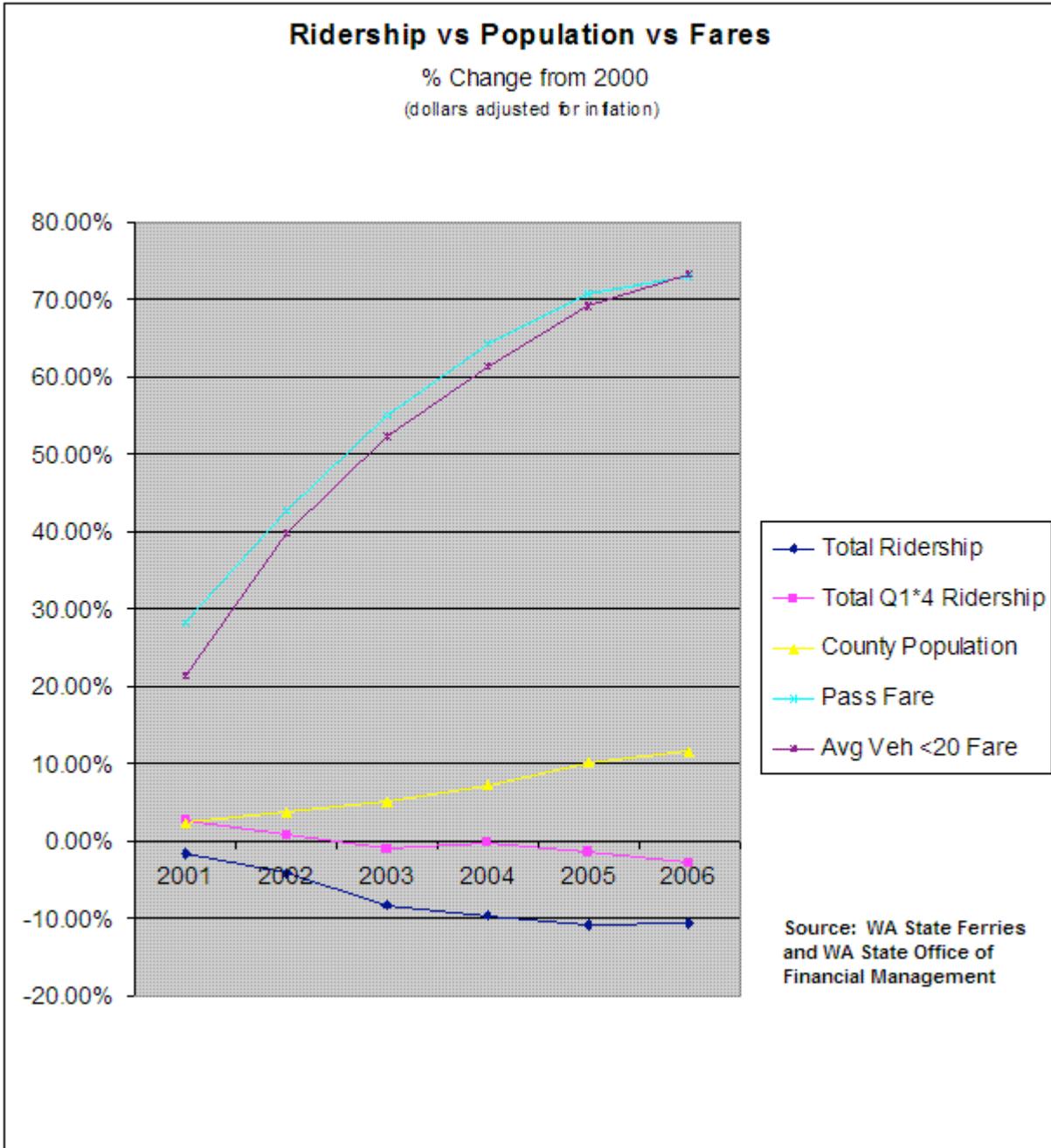
The objective of this study is to provide “reliable facts” upon which our community leaders can construct logical arguments about the economic impact of ferry fares on the San Juan County economy, and thus on the Washington State Economy. It is our intent that the “reliable facts” are un-biased to any foregone conclusion or argument.

Where we made assumptions in our analysis, we have attempted to flag them as such. With any data, there are always caveats on how the data was generated. We have attempted to identify significant caveats that we felt might influence the interpretation of such data. Finally, we have proposed several conclusions based upon our analysis. However, the raw data is provided (in the full report) to allow the reader to draw their own conclusions.

Executive Summary

Chart 1: Percent Increase Ridership vs. Population vs. Fares: 2000 to 2006

Source: WA State Office of Financial Management & WA State Ferries;
(WSF\Charts\Change 00-06.xls)



(*) All dollar amounts within the Executive Summary section have been adjusted for inflation.

The Data 2000 to 2006

- San Juan County Population has increased 11.53%
- WSF Fares have increased 57-100+% (*)
- WSF San Juan Routes Total Ridership has decreased 7.06%
- San Juan County Retail Sales has increased 8.96% (*)
- SJ County Hotel/Motel Tax Revenue has decreased 0.37% (*)

Analysis 2000 to 2006

We have identified 3 classifications of riders of the WSF San Juan routes: year-round residents, part-time residents, and visitors.

- Year-round residents – this classification includes individuals who live year round within the county. This classification includes the majority of wage earners and/or business proprietors, but does include some “Non-Earners” (such as retirees). This classification typically includes those individuals with families (one or more school age children) that are the core of a local community.
- Part-time residents – this classification includes individuals who live part-time in the county and part-time elsewhere. These folks include those that have second homes in the county or are transient workers working the tourist or growing season. Certainly, the transient workers contribute to the “wage earners” type of statistics for the county. This classification certainly includes some “Non-Earner” retirees.
- Visitors – this classification includes the classic tourists and friends and family members visiting the county to enjoy the natural resources that make San Juan County what it is. These include visitors that stay over one or more nights as well as the day visitors.

In the following analysis, we lump the Part-time residents and the Visitors in together in the “Non-Resident” category and place the Year-round residents in the “Resident” category.

Q1 Assumption

Let’s assume that Q1 statistics primarily represent the activities of the “Residents” category of WSF riders. Q1 is the winter months, Part-time residents are typically off-island, and the number of “Visitors” is minimal. Thus, economic indicators are those related to “Resident” activities.

If we then multiply Q1 statistics by 4 to get an annual number, let’s assume this annual number again represents the contributions of the “Residents” category but for the entire year. Thus, if we take the annualized Q1 number and subtract it from actual Annual numbers, then this should provide us with the contribution of “Non-Residents”.

[Caveat: Yes, these assumptions are imprecise by the nature of their generalization. However, we feel that it is this generalization that points out the trends that are of interest.]

Table 1: Q1 Assumption: 2000 to 2006 Percent Increase
Source: WA State Ferries & WA State Department of Revenue,
(SJC Ferry Statistics.xls & SJC Qtrly Retail Sales 00-06.xls)

	Annual WSF Ridership	Annual SJC Retail Sales
Residents	-2.74%	+13.53% (*)
Non-Residents	-14.96%	-4.44% (*)

Shift to Commuter Fare Classification

While overall Ridership has decreased 7.06% from 2000 to 2006, Commuter Ridership has increased 33.13%. Clearly this reflects a shift by Residents to Commuter discount fares attempting to minimize the impact of fare increases upon their cost of living.

It is interesting that the number of commuter ridership increases Q1 to Q2 and again Q2 to Q3. This must be partially resulting from the addition of the Part-time residents. Doubly interesting is that Q3 is the quarter incurring the highest ferry fares (Peak Rates) and has consistently been the quarter with the greatest number of commuter ridership. Tourists most likely don't utilize commuter ridership in any major way and thus, must indicate even more Year-round residents and Part-time residents striving to avoid the "peak rates" of Q3.

"Residents" Carry More of the Cost Burden

While overall Ridership has decreased 7.06% from 2000 to 2006 and "Resident" Ridership has decreased 2.74%, using our Q1 Assumption the percent of Total Ridership attributed to "Residents" has increased 2.98%. One might conclude that "Residents" are incurring the greatest impact of the ferry fare increases as they account for a greater percentage of Total Ridership.

Included in the 13.53% increase in Annual SJC Retail Sales by Residents is the increased cost of goods due to increased transportation costs. Precise price differentials between mainland and island goods are not well documented at this time and are an area for future study. However, increased transportation costs, in the form of higher Ferry Fares, clearly contributes directly and indirectly to the higher cost of living for island residents.

It seems logical to assume that, if visitor ridership continues to decline, permanent and part time residents will have to assume an increasing burden in the effort to eliminate the deficit in the Anacortes-San Juan ridershed. Additionally, with reduced income from visitors, local workers and business people have less means to pay increasing ferry costs.

To fully understand the cost implications to "Residents" and the revenue implications to WSF, one would need to consider the fare increase, the percent of total ridership increase, as well as the reduction in revenue resulting from the increase usage of commuter fares.

SJC Tourism is down

From our "Q1 Assumption" table above, Tourist Ridership on WSF is down 14.96% and tourist Retail Spending is down 4.44% 2006 compared to 2000. Adjusted for inflation, according to Dean Runyan, SJC tourism spending has increased 0.84% 2000 to 2005 as compared to WA State overall tourism spending which has increased 8.39% 2000 to 2005.

Clearly, there has been some negative affect (or affects) impacting Tourism in San Juan County, of which WSF Fares is most likely one such negative affect. Another such factor could be convenience (having to wait in line hours to catch the summer ferries).

This raises the question of what is the "price elasticity" with respect to Ferry Fare rates and Tourist Ridership?