June 2022 State Transportation Revenue Forecast

Washington State Ferries

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Washington State Transportation Commission Meeting
July 20, 2022
Agenda

• Ridership trends before the pandemic and amid pandemic recovery
• Passenger and vehicle/driver ridership historical and forecast patterns
• June 2022 Forecast highlights
  – 2021-23 biennium fare revenue forecasts
  – Key forecast factors
  – Ridership and revenue comparisons with the February 2022 Forecast
  – Forecast summary, including miscellaneous ferry revenues
2019 – Changing trends *before* the pandemic

• WSF’s ridership had been steadily increasing until recently — up 11.2% from 2012 thru 2018

• 2019 saw a ridership drop of 3.2% from 2018
  – Colman Dock routes dropped 6.2%
  – Snowstorms caused a 19% drop in February
  – Only two months – January and April – showed an increase in riders compared to 2018
  – 3 routes stable or increasing – Point Defiance, Port Townsend and Sidney, B.C.

• 2019 was also the first year with consistent Kitsap passenger-only ferry service on Seattle-Bremerton and Seattle-Kingston routes
Current ridership trends amid pandemic recovery

• Overall ferry ridership grew by 12% in FY 2022, though still 29% below FY 2019
  – Expected pace of pandemic recovery was slower than previously forecasted
  – April, May and June 2022 ridership levels were lower than in 2021
  – Unpredictable service levels on many routes contribute to lower ridership demand

• Despite 24% growth in FY 2022, passenger fares remain 38% below FY 2019
  – Seattle-Bremerton passenger ridership was 68% below FY 2019 levels, likely exacerbated by reduced WSF vessel sailings and Kitsap Transit’s competing passenger-only ferry service
  – Passenger ridership levels on the Point Defiance-Tahlequah and San Juan Islands routes were only 10% and 12% below pre-pandemic levels, respectively
  – Frequent user “passenger commuter” fare category ridership system-wide is 74% below FY 2019 levels and is not expected to fully recover in the 10-year forecast horizon

• Vehicle/driver ridership grew by 2.4% in FY 2022, holding at 19% below FY 2019, as much a result of the service capacity constraints as the pandemic
  – The Point Defiance-Tahlequah, Vashon-Southworth, and San Juan Islands routes are within a few percentage points of their FY 2019 levels
  – Seattle-Bremerton and Southworth-Vashon vehicle ridership still more than 1/3 below FY 2019
Passenger and Vehicle Ridership Trends with Fare Increases
Seasonally-Adjusted Quarterly Ridership | June 2022 Alternative 1 Forecast

Total Passenger Fares | Total Vehicle/Driver Fares | Passenger Fare % Increase | Vehicle Fare % Increase

* Youth passenger fare discount increased from 20% to 50% on 10/1/2013 with youth fares assumed to be eliminated on 10/1/2022
Passenger Fare Ridership Trends with Fare Increases

Seasonally-Adjusted Quarterly Ridership | June 2022 Alternative 1 Forecast

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June 2022 Forecast
Ferry Ridership and Revenue Highlights
2021-23 Biennium Fare Revenue Forecasts

• The legislature’s 2021-23 biennium budget for WSF (based on the March 2021 Forecast) required:
  – $367.5 million for operations
  – $14.4 million from the two capital surcharges

• The current June 2022 Forecast anticipates a slower recovery from the pandemic with less ridership and fare revenue for the 2021-23 biennium:
  – $342.6 million for operations
  – $12.5 million from the two capital surcharges

• The June 2022 Forecast takes into account the ridership and revenue impacts from service disruptions:
  – Now assuming a more gradual return to full-service levels extending to July 1, 2023 (FY 2024), including the return of the Sidney, B.C. route on that date at the earliest

• The next fare revenue forecast update will be in September 2022
Key factors driving the June 2022 ferry forecasts

- **Recent actual ridership** shows a continued softening of the positive trends emerging by this time last year with the following likely causes:
  - Public concern regarding the COVID-19 virus cyclical trends as well as a colder and wetter Spring than normal likely contributed to lower ridership in FY 2022
  - Continued vessel staffing challenges and an extended full-service resumption period result in schedule unpredictability and vehicle capacity constraints that inhibit demand on many routes
  - Elimination of youth passenger fares set for 10/1/2022 will reduce future revenues

- **The June Forecast projections for the economic variables also contribute to lower forecast horizon ridership demand:**
  - Downward revisions to projected real personal income and employment, plus higher projections for real gasoline prices throughout the forecast horizon, combine to lower the June 2022 ridership demand projections
  - Higher general price inflation over the forecast period results in lower real fares, which contributes to a slight — but not offsetting — uplift in ridership demand.

* The June 2022 Forecast includes actual ridership through May 2022 and revenue through April 2022.
Ferry Passenger Ridership Forecast Comparison | June vs. February

June 2022 Baseline Forecast: passenger fare ridership changes:
• FY 2022 — Annual growth +25.6% ↓7.9% from February
• FY 2023 — Annual growth +21.5% ↓9.1% from February
Ferry Vehicle/Driver Ridership Forecast Comparison | June vs. February

June 2022 Baseline Forecast: vehicle/driver fare ridership changes:

- FY 2022 — Annual growth +3.8% ↘0.7% from February
- FY 2023 — Annual growth +7.4% ↘5.0% from February
Change in Ferry Revenue Forecast Comparison | June vs. February

June 2022 Baseline Forecast: Changes in ferry farebox revenues:
- FY 2022 — $2.52 M (3.8%) from February (based on 10 months of actual data)
- FY 2023 — $12.36 M (6.2%) from February
Summary: June 2022 Baseline Forecast vs. prior February 2022 Forecast

Ferry Farebox Revenue

- 2021-23 Biennium: $355.10 M  ↓  $14.88 M (4.0%) from February
- 2023-25 Biennium: $419.69 M  ↓  $16.00 M (3.7%) from February

Reasons for the Revisions

- Recent trends reflecting ongoing pandemic cycles and their effects on ridership
- The pending elimination of youth passenger fares effective 10/1/2022
- Revised analysis of vehicle capacity constraints resulting from current service reductions and the current gradual return to full-service levels by July 1, 2023

Ferry Miscellaneous Revenue

- 2021-23 Biennium: $5.61 M  ↓  $2.01 M (26.4%) from February
- 2023-25 Biennium: $9.90 M  ↓  $1.70 M (14.7%) from February

Reasons for the Revisions

- Lower overall miscellaneous revenues are the result of updated vendor projections and revised, more conservative assumptions for terminal-related revenues
Questions?

For additional information, please contact:
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