

King County Ferry Service Not as Efficient as Private Operator

Argosy Cruises operates same service for three times less money

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Key Findings

1. This year, King County officials decided to cancel the public/private partnership with Argosy Cruises and operate the West Seattle Water Taxi themselves.
2. Annualizing costs shows Argosy Cruises was able to provide the same service for three times less money than a strictly government operation.
3. King County's labor costs alone are higher than the entire operating budget of the public/private model.
4. Allowing Argosy Cruises to operate the West Seattle Water Taxi would save King County property tax payers nearly \$30 million over the next ten years without sacrificing service.

Since 1997, King County has operated the West Seattle Water Taxi across Elliott Bay. The ferry route connects Pier 55 on the downtown waterfront to Seacrest Park in West Seattle. The route has been seasonal, operating April through October.

In 2007, the King County Council voted to create a ferry district and levied a special property tax increase on all county residents to expand its ferry operations. The higher property tax generates about \$18 million per year and pays for the Vashon Island passenger-only ferry abandoned by the state in 2006, and for year-round operation of the West Seattle route.

Since 1997, King County has successfully contracted with Argosy Cruises, a private ferry company based in Seattle, to operate the West Seattle Water Taxi. In 2009, Argosy operated the route from April through October and carried a record 200,000 passenger trips, a 21 percent increase over the previous year.¹ Under the public/private partnership with Argosy Cruises, the total cost for seven months of operations was \$808,000 in 2009, or about \$115,000 per month.²

King County policymakers decided to terminate the partnership with Argosy Cruises and operate the West Seattle Ferry themselves. In April of this year, King County began operating the route independently and implemented year-round service.

The decision was a costly one for King County property owners.

In 2010, the total cost for nine months of operation is about \$3.05 million per year, or about \$339,000 per month.³ Labor costs alone amount to \$1.20 million, or \$133,000 per month, which is higher than the entire operating budget under the public/private model.⁴

Some of these higher costs are related to ramping up to a year-round operation and ferry officials estimate that in 2011, its first full year of business, operating costs will be about \$3.33 million, or \$278,000 per month.⁵ In 2011, labor costs are projected to rise to about \$1.32 million per year.⁶

¹ "Water taxi ridership up 21%," Seattle Times staff, *Seattle Times*, November, 2009, at www.seattletimes.nwsourc.com/html/localnews/2010285415_dige17m.html.

² "Marine Division 2010-11 Budget Highlights," King County Ferry Board Executive Committee, King County, September, 2009, page 83, at <http://www.kingcountyferries.org/pdfs/091009%20KCFD%20EC%20PACKET.pdf>.

³ *Ibid.*, page 85.

⁴ *Ibid.*, page 84.

⁵ *Ibid.*, page 87.

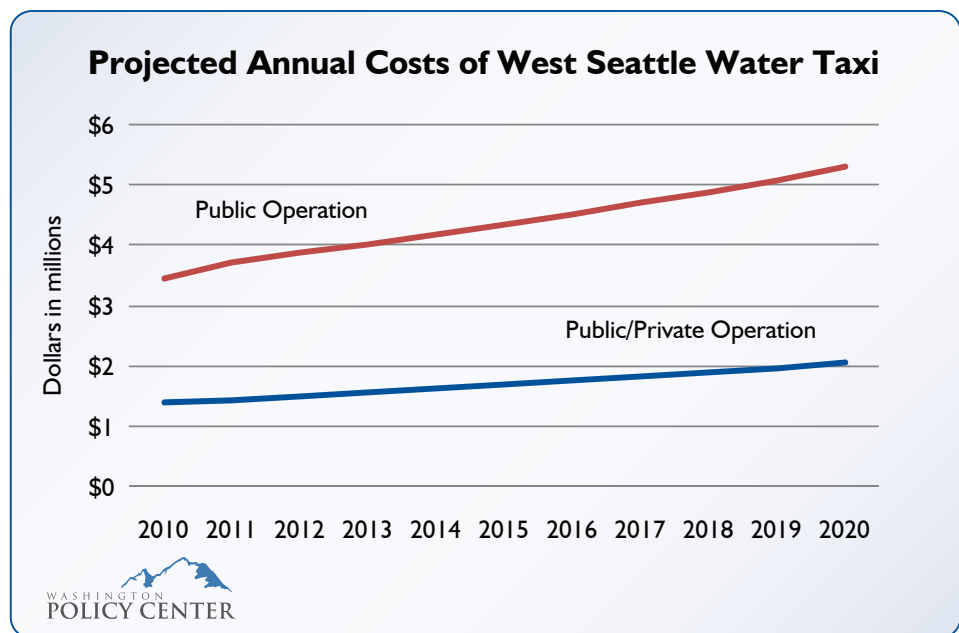
⁶ *Ibid.*, page 86.

Another benefit of partnering with the private operator is that Argosy Cruises already has its own vessels. Under the county-run operation, officials must lease a boat for about \$32,000 per month, or \$384,000 per year, to serve the West Seattle route. Including these lease expenses brings annual costs of a public operation to \$3.34 million or \$371,000 per month in 2010 and \$3.71 million or \$310,000 per month in 2011.

Ferry officials also plan to purchase two multi-million-dollar vessels in the future, which taxpayers would also be on the hook for.

These capital expenses would be unnecessary with a public/private arrangement because Argosy Cruises already has the vessel infrastructure in place.

Annualizing costs shows Argosy Cruises was able to provide the same service for three times less money than a strictly public operation. The following chart compares the projected annual costs of operating the West Seattle route under a public option with a public/private partnership.



It would cost about \$18.6 million over the next ten years to operate the West Seattle route under the public/private arrangement.⁷ Based on the current 2010 and 2011 budgets, it would cost about \$48 million to operate the route under a strictly public model over the same time period.⁸

Allowing Argosy Cruises to operate the West Seattle Water Taxi would save county taxpayers nearly \$30 million over the next ten years without sacrificing service.⁹

Argosy officials have proven over the last several years that such a public/private arrangement is successful and it is the most efficient model to manage the West Seattle route.

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⁷ Based on current budget and assumes a 4% growth rate and year round operation. Total cost for public/private arrangement between 2010-2020 is \$18.6 million. Total cost for a strictly public operation between 2010-2020 is \$48 million.

⁸ Ibid.

⁹ Ibid.