

SENATE BILL REPORT

SSB 5974

As Passed Senate, March 18, 2003

Title: An act relating to the exercise of sound business practices to enhance revenues for Washington State Ferries.

Brief Description: Exercising sound business practices to enhance revenues for Washington State Ferries.

Sponsors: Senate Committee on Highways & Transportation (originally sponsored by Senators Benton, Haugen, Horn and Oke).

Brief History:

Committee Activity: Highways & Transportation: 3/6/03 [DPS].

Passed Senate: 3/18/03, 49-0.

SENATE COMMITTEE ON HIGHWAYS & TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5974 be substituted therefor, and the substitute bill do pass.

Signed by Senators Horn, Chair; Benton, Vice Chair; Swecker, Vice Chair; Esser, Finkbeiner, Haugen, Jacobsen, Kastama, Oke, Prentice and Spanel.

Staff: Tami Neilson (786-7452)

Background: The Washington State Ferry System (WSF) may charter its vessels to other parties if WSF runs are not disrupted. The general manager of WSF may approve chartering agreements for vessels as long as WSF service is not disrupted. Charter rates are revised each year and are determined by adding the actual operating costs plus 50 percent of the actual costs. Parties chartering WSF vessels must not enter the pilot house, engine room, or vehicle decks other than for loading or unloading passengers, and all activities must be conducted on the passenger decks. However, those chartering the vessels for the transport of hazardous materials are not limited to using the passenger decks.

Parties may enter into lease agreements and contracts with WSF to use the concessions and space on the ferries, wharves, docks, approaches, and landing.

All income and revenue collected by WSF is deposited into the Puget Sound ferry operations account.

The Washington State Department of Transportation (WSDOT) makes recommendations on fares to the Transportation Commission on an annual basis. WSDOT consults with ferry users on expansion of service and fare changes.

Summary of Bill: Chartering Vessels. The Chief Executive Officer of the WSF may approve chartering agreements. Charges for chartering vessels are calculated by adding

actual vessel operating costs to a market-rate profit margin. Charter rates are not reviewed annually. Any parties chartering the vessels may use vehicle decks. In establishing charter agreements, WSF must consider the needs of local communities and interested parties. WSF is to use sound business judgement and be sensitive to the interests of existing private enterprises.

Agreements for Parties to use WSF Properties. Parties have the authority to enter into lease agreements or contracts with WSF to use WSF parking lots, along with space on the ferries, wharves, docks, approaches, and landings. WSF can sell commercial advertising space and licenses to use WSF trademarks. All revenue from commercial advertising, concessions, parking, leases, and contracts must be deposited in the Puget Sound ferry operations account.

Setting Fares and Reporting on New Revenue Performance. When making recommendations to the Transportation Commission on fares, WSDOT may consider the estimated revenue WSF expects to collect from commercial advertisements, parking, contracts, leases, and other sources. However, when revising the schedule of ferry fares or changing the level of ferry service, WSDOT and consulted ferry users do not consider promotional, discount, and special event fares. The Chief Executive Officer may authorize WSF to use promotional, discounted, and special event fares, and the Transportation Commission receives a report on the financial results from these activities.

Appropriation: None.

Fiscal Note: Requested on February 26, 2003.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: A deterioration in ridership could result if fares continue to be increased to provide new revenue; WSF must locate and use internal revenue opportunities. WSF will have flexibility needed to run like a business and generate revenue. Better service will be provided.

Testimony Against: None.

Testified: PRO: Senator Don Benton; Mike Thorne, Washington State Ferries.

House Amendment(s): WSDOT must include in the strategic planning and performance assessment process an analysis of: 1) the compatibility of public and private partnerships with WSF's core business; and 2) efforts to maximize nonfarebox revenues and provide benefit to users of WSF facilities. WSDOT must also include an assessment of the need for an open solicitation to identify and select possible public or private partnerships. In addition, selection criteria are identified for instances when WSF decides to pursue an open solicitation.