



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

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October 6, 2006

Hon. James S. Oddo
Council of the City of New York
250 Broadway, 15th Floor
New York, NY 10007

Dear Council Member Oddo:

In response to your letter request of January 3rd, I am writing to inform you of the results of our estimate of net revenues from charging fares to non-city residents for the Staten Island Ferry.

You asked us to consider fares of \$1.00, \$2.00, \$3.00, and \$4.00, which we treated as round-trip fares. Our estimate is that, at a fare of \$1.00, costs would exceed fare revenues within the first seven years of operation. At a fare of \$2.00, however, there would be an operating surplus for the foreseeable future.

This estimate assumes that all users who do not live or work on Staten Island are charged the fare. Commuters—whether they lived on Staten Island or lived elsewhere but worked on Staten Island—would be exempt from the fare. We also assumed that each \$1.00 increase in the round-trip fare induces a five percent decline in ridership. A detailed explanation of how we derived these estimates is attached.

We regret the delay in providing this analysis. We provided the Department of Transportation with a draft of our analysis for comment in March. We received an e-mail from the Office of the Deputy Commissioner for External Affairs on April 3rd citing “legal and operational concerns with charging one group and not another” and a belief that a number of our estimates were low. We requested additional detail from the department to substantiate these concerns, but the department informed us on October 4th that they would not be providing any further comment. We did revise our original estimates on the basis of their original comments to include additional staffing.

We hope this information is helpful. If you would like further information on this analysis we would be happy to provide it. The IBO staff contact is Preston Niblack, deputy director. He can be reached at (212) 442-0220 or prestonn@ibo.nyc.ny.us.

Sincerely,

Ronnie Lowenstein
Director

Attachment

c: I. Weinshall



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Estimate of Revenues and Costs of Staten Island Ferry “Tourist” Fares

Estimated Ridership and Fare Revenues. For purposes of our estimate, we assumed that anyone who could demonstrate that s/he lived or worked (regardless of residence) on Staten Island would be eligible for free passage (perhaps paying a nominal annual fee to cover the cost of providing a farecard). All other users would pay on a single-ride basis, but only at the Whitehall terminal (trips originating at St. George would be free for all users).

Estimating Ridership. The New York City Department of Transportation (DOT) reports annual ridership of 19.2 million one-way trips on the Staten Island Ferry, including both weekdays and weekends. Elsewhere, DOT reports average *weekday* ridership of 57,409 trips. Assuming 250 non-holiday weekdays per year, this translates into 14.4 million weekday trips. Based on the total ridership figure of 19.2 million, we impute 4.8 million weekend trips.

To estimate the number of trips taken by paying passengers, we referred to the Regional Travel-Household Interview Survey (RT-HIS), conducted in 1997-1998 by the New York Metropolitan Transportation Council and the North Jersey Transportation Planning Authority. The RT-HIS, which surveyed only metropolitan area residents, estimated 47,417 average weekday riders on the ferry, 41,131 of whom were Staten Island residents. We assumed that the other 6,286 trips by metropolitan region residents were work-related. Subtracting the RT-HIS figures from the DOT figure for average weekday ridership, we impute a weekday average of 9,992 non-metropolitan area resident trips.

Average Weekday Ridership, by Place of Residence		
	Ridership	Shares
Average weekday ridership (DOT)	57,409	100%
Less: average weekday ridership; Staten Island residents only (RT-HIS)	41,131	72%
Less: average weekday ridership; Other regional residents (RT-HIS)	6,286	11%
Equals: weekday trips by non-region residents	9,992	17%
SOURCES: IBO; based on DOT and RT-HIS.		

To estimate *weekend* ridership, we adjusted the shares derived above to reflect an assumed 30 percent higher non-Staten Island resident ridership than on weekdays, and applied these shares to total annual ridership, as shown below. We assumed that all 3.6 million trips made by riders from outside the region, as well as the 0.7 million weekend trips made by non-Staten Island residents of the New York Region, would be paid trips.

Annual Staten Island Ferry Ridership, by Place of Residence					
<i>Millions of trips</i>					
	<u>Weekdays</u>		<u>Weekends</u>		Total
	Shares	Ridership	Shares	Ridership	Ridership
S.I. Residents	72%	10.3	63%	3.1	13.3
Other Metro Region	11%	1.6	14%	0.7	2.3
Outside Region	17%	2.5	23%	1.1	3.6
TOTAL	100%	14.4	100%	4.8	19.2
SOURCE: IBO; based on DOT; RT-HIS.					

On this basis, estimated annual fare revenues are shown below. The estimate assumes a 5 percent decline in ridership for each \$1.00 increase in the fare.

Estimated Annual Fare Revenues		
Fare	Annual Trips (millions)	Annual Revenues (millions)
\$1.00	4.1	\$4.1
\$2.00	3.9	\$7.7
\$3.00	3.7	\$11.0
\$4.00	3.5	\$14.0
SOURCE: IBO.		

Estimated Capital and Operating Costs. Based on discussions with vendors of fare collection equipment, we made the following estimates of the cost of purchasing, installing, maintaining and operating a fare collection system. The type of system is similar to that used in most rapid transit systems, and consists of ticket vending machines and gates, including disabled access gates. In all cases we used cost estimates that were at the high end of the range.

Capital Costs. We assumed a fully automated system—that is, no tickets would be sold at a ticket booth, only from vending machines. Building and staffing ticket booths would add substantially to the cost. The following elements would be required and were included in our estimate:

- **Ticket Vending Machines.** The cost of a ticket vending machine depends on the complexity of the fare structure and other factors. We assumed 16 ticket vending machines at a cost of \$60,000 each, or \$960,000 total.
- **Gates.** We assumed 24 gates would be required, at a cost of \$25,000 each, for a total of \$600,000.
- **Installation.** We assumed installation costs of \$2.5 million, which would be capitalized.

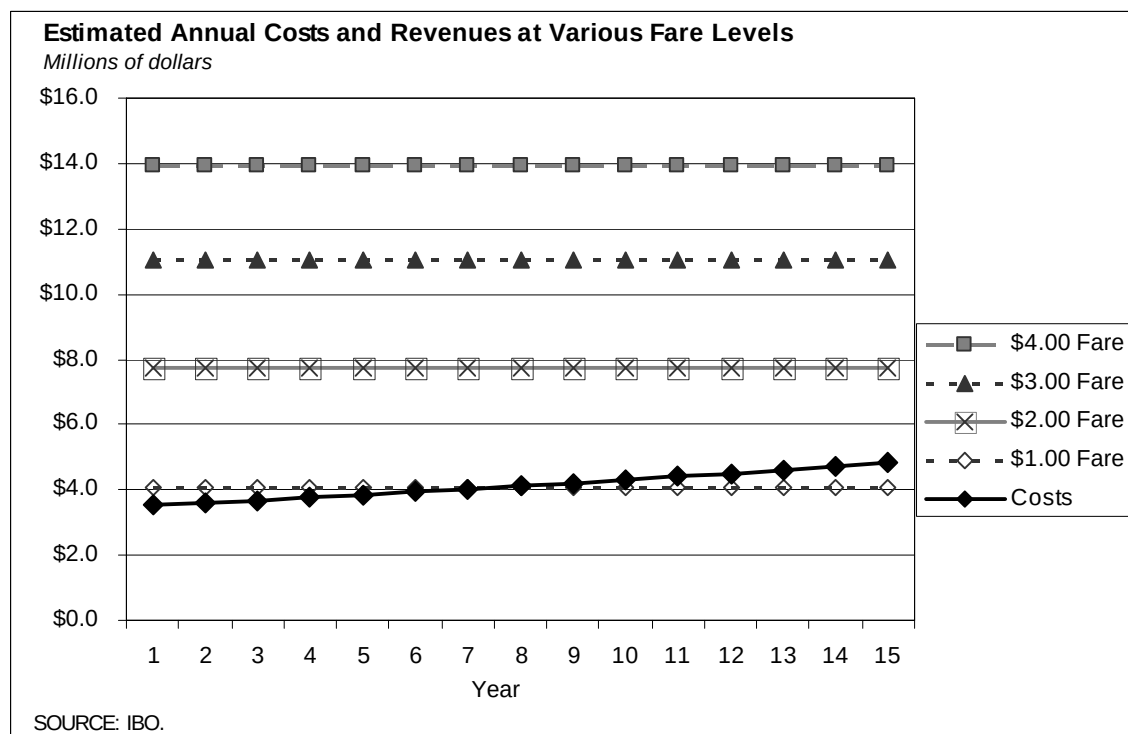
Total capital equipment purchases, including one-time installation, would therefore total \$4.06 million. We assumed this amount would be capitalized over 15 years at a nominal interest rate of 6 percent, for an annual cost of \$418,000.

Operating Costs. Annual operating costs of an automated system would include fare cards, equipment maintenance, and staffing. Estimated annual operating costs would total \$3.1 million for the first year. We assume that operating costs would grow by 2.5 percent annually.

- *Fare Media.* Various fare media options are available. We assumed a “smart card” system, with all eligible exempt users annually receiving a durable plastic smart card allowing them free access, at a cost of \$2.50 each. Non-resident users would use the vending machines to purchase paper tickets, which are assumed to cost \$0.10 each.
- *Maintenance and Staffing.* Maintenance of the equipment could be performed by contractual workers or by DOT employees. We assumed a cost of \$1.0 million annually. In addition, we assumed one employee would be posted at Whitehall terminal 24 hours per day to provide security and assistance (five employees total, plus one full-time supervisor). Finally, DOT would have to administer resident applications for free passes, which we assumed would require three fulltime employees annually. At start-up, more employees might be temporarily required, which we did not estimate. There would also be some non-labor costs for computer support, office space, supplies and the like, which we assumed would add \$40,000 annually.

Summary of Estimated Annual Operating Costs (First Year)	
Fare Media	\$1,444,125
Maintenance	1,000,000
24-hour Terminal Staffing	409,600
DOT Administration	217,600
Other	40,000
TOTAL	\$3,111,325

The graph on the following page summarizes estimated costs (including both capital and operating costs) and revenues at various fare levels over 15 years. Note that, although operating costs are projected to rise at 2.5 percent annually, we assumed a constant fare, and no change in fare-paying ridership. On this basis, at an initial fare of \$1.00, costs would exceed revenues within the first seven years of operation. A fare of \$2.00 (the same as the current New York City Transit single-ride fare), revenues would substantially exceed costs.



The introduction on a trial basis of “smart-card” technology on MTA/New York City Transit’s Lexington Avenue line also raises the possibility of integrating an eventual Staten Island Ferry fare collection system with the MTA system. This would result in a split of revenues between the MTA and the ferry, as is currently the case, for instance, between the Staten Island Railway and New York City Transit.