



Reducing Off-Season Crossings, Adjusting Fares, and Using Partnerships Can Improve Ferry Division Efficiency

A presentation to the Joint Legislative Program Evaluation
Oversight Committee

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Handouts

The Full Report



Today's Slides





Our Charge

- Evaluate the ferry system with a focus on operations, savings, and fee structure optimization
 - Cost savings
 - Revenue enhancements
 - Governance structure alternatives
 - Contribution to the State's strategic transportation goals

Summary: Findings

1. The Ferry Division can save over \$1.5 million annually by reducing the number of crossings on routes during periods of lower use
2. Annual fare collections on currently tolled routes can be increased by \$1.7 million without adversely affecting area commuters
3. Using partnerships with other governmental entities and the private sector can reduce state funding requirements and improve the effectiveness of the ferry system
4. Development of a long-range plan provides an opportunity to take a systematic approach to identifying the most cost-effective contribution of ferry transportation services toward achievement of the State's strategic transportation goals



Summary: Recommendations

1. Produce a long-range plan for the ferry transportation system to include:
 - Consideration of alternative fare pricing and appropriate governance structures for ferry system activities
 - Utilization of grant from the Golden LEAF Foundation for necessary support services
 - Establishment of an executive team to oversee the process
2. Evaluate the schedule of crossings for each ferry route to ensure services cost-effectively meet the needs of both area residents and tourists

Background



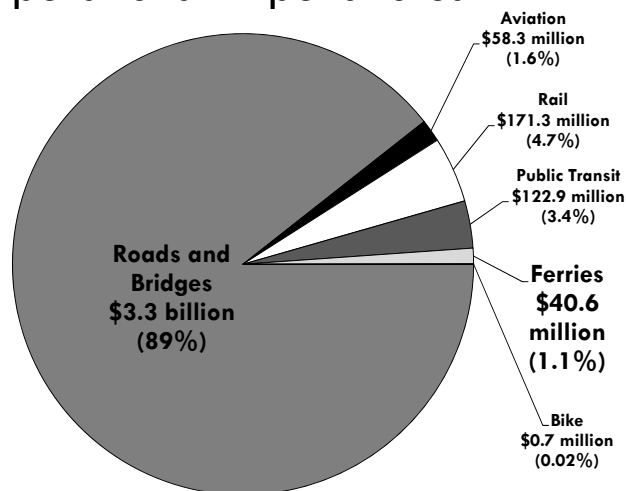
Background

DOT Strategic goals:

1. Increase transportation safety
2. Provide great customer service
3. Cost-effectively deliver and maintain the transportation infrastructure
4. Improve reliability and connectivity of the transportation system
5. Promote economic growth
6. Improve the reliability of all modes of the transportation network

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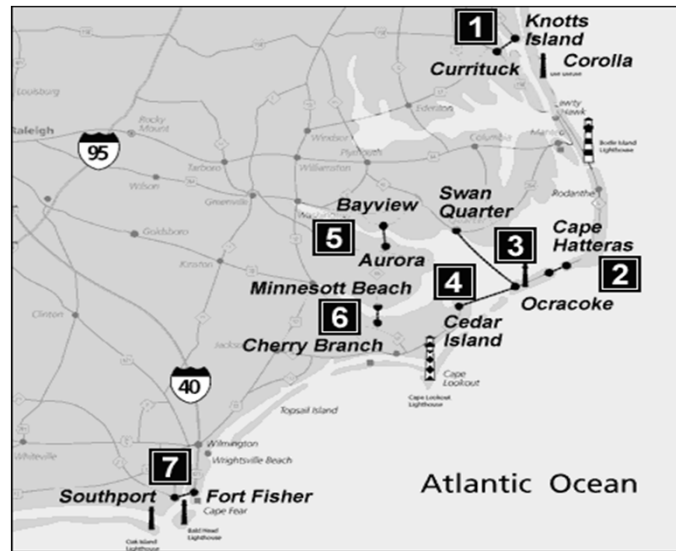
Ferry Operations Represent Only 1% of DOT Operational Expenditures



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DOT Operates Seven Scheduled Ferry Routes



Background

The four activities associated with ferry operations include:

1. Ferry boat operations
2. Terminal operations
3. Dock maintenance and repair
4. Dredging operations



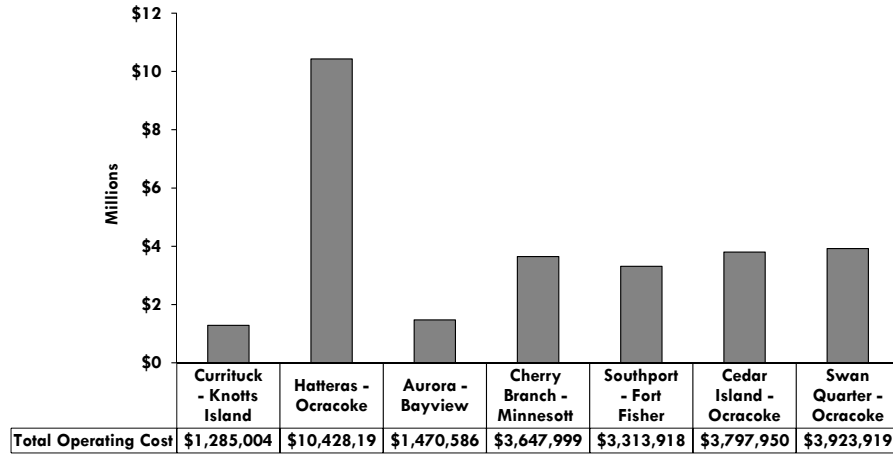
Findings

Finding 1

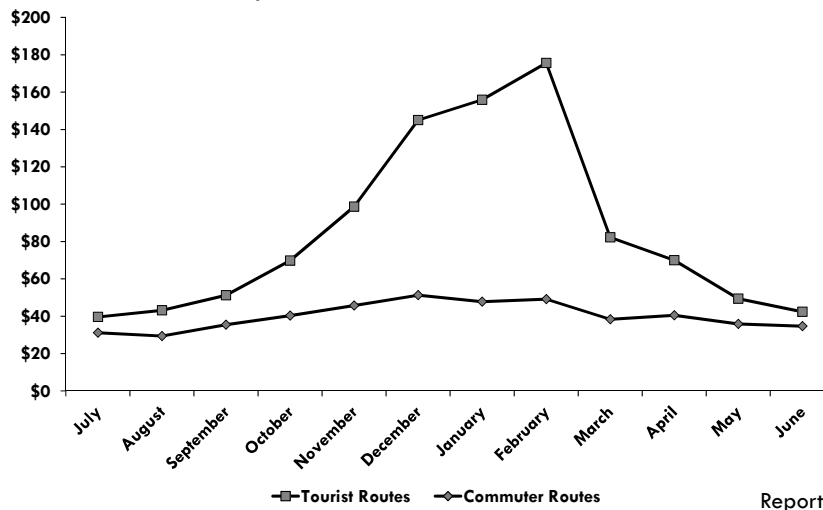
The Ferry Division can save more than \$1.5 million annually by reducing the number of crossings on routes during periods with lower use



Hatteras-Ocracoke Route Costs Are More Than Twice Any Other Route



Tourist Routes Have More Variation in Cost/Vehicle Expenditures





Costs Can Be Reduced by \$1.5M by Limiting Crossings During Low Utilization

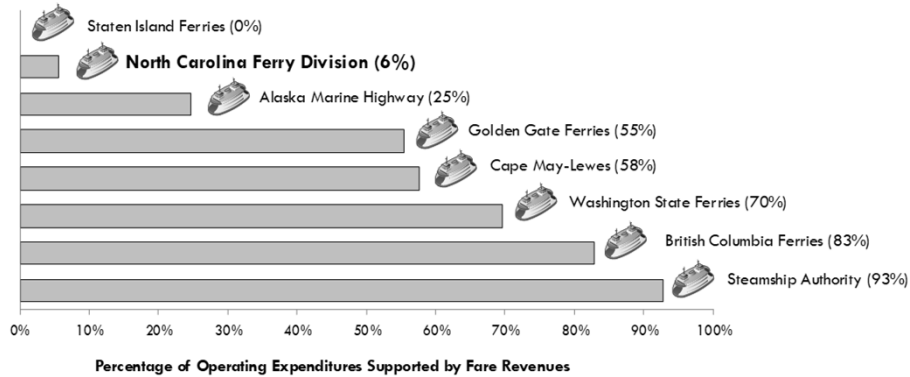
Route	Number of Months With Low Average Utilization Rate (45% Or Less)	Number of Scheduled Daily Crossings (FY 2015-16)	Reduction in Daily Crossings (Low Utilization Months Only)	Total Estimated Annual Savings
Currituck - Knotts Island	12	10-12	4	\$ 44,617
Hatteras - Ocracoke	6	36	12	953,419
Aurora - Bayview	0	14	0	0
Cherry Branch - Minnesott	9	54	18	182,508
Southport - Fort Fisher	3	28	9	91,314
Cedar Island - Ocracoke	5	6	2	123,863
Swan Quarter - Ocracoke	6	6	2	167,078
Total Savings (All Routes)				\$1,518,799

Finding 2

The Ferry Division can increase revenue from annual fare collections by \$1.7 million on its currently tolled routes without adversely impacting area commuters



Only 6% of Ferry Operating Costs Are Offset by Passenger Fares



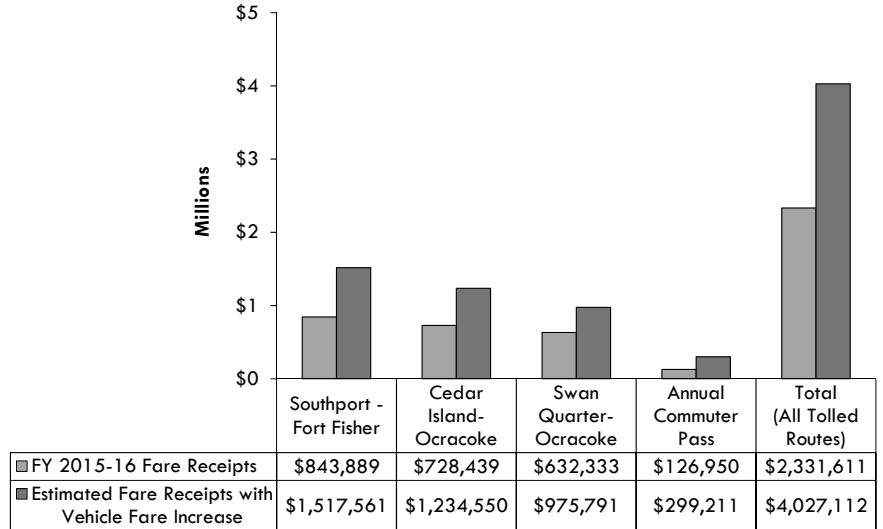
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In Fiscal Year 2015–16, DOT Collected \$2.3 Million in Fares From Its Three Tolled Ferry Routes

Route	Fare Collections
Southport – Ft Fisher	\$843,889
Cedar Island – Ocracoke	\$728,439
Swan Quarter – Ocracoke	\$632,333
System-wide Commuter Passes	\$126,950
TOTAL	\$2,331,611



Annual Fare Receipts Can Be Increased to \$4M
Without Adversely Impacting Commuters



Program Evaluation Division  North Carolina General Assembly

Finding 3

Using partnerships with other government entities and the private sector can reduce state funding requirements and improve the overall effectiveness of the State's ferry system

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Finding 3: Public/Private Partnerships

- Partnerships with other public and private entities can contribute to achievement of DOT's strategic goals by:
 - Improving efficiency by leveraging state funds to provide transportation infrastructure
 - Increasing economic development through expanded ferry transportation services
 - Sharing risks and rewards with other entities through a contractual agreement

Increased Ferry Utilization by Tourists Will Increase Both State and Local Tax Receipts

Year	Ocracoke Expenditures per Visitor	Local Tax Receipts per Visitor	State Tax Receipts per Visitor	Total Tax Receipts per Visitor
2014	\$72.45	\$3.30	\$3.91	\$7.21
2015	\$69.57	\$3.77	\$3.30	\$7.07
Two-Year Average	\$70.98	\$3.54	\$3.60	\$7.14



Finding 4

Development of a long-range plan provides an opportunity to take a systematic approach to identifying how the Ferry Division can most cost-effectively contribute to the mission of the Department of Transportation and the strategic transportation goals of the State

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Finding 4: Long-range plan

A long-range plan serves to:

- Provide an opportunity for an in-depth analysis of the unique opportunities and potential benefits that an effective ferry system can provide
- Evaluate alternatives to stimulate economic activity in the region and achieve a corresponding increase in both state and local tax collections
- Identify other potential sources of revenue including passenger fares and partnerships with other government entities and the private sector



Finding 4: Long-range plan

To be effective a long-range plan should include:

- Stakeholder involvement
- Performance measures
- Adequate technical and administrative resources

Recommendations



Recommendation 1

The General Assembly should direct the Ferry Division to produce a long-range plan for the State's ferry transportation system

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Recommendation 1 (cont'd)

The long-range planning process should:

- Evaluate alternative pricing structures that maximize the contribution of fares to DOT strategic goals
- Consider various governance structures including public/private partnerships
- Establish an Executive Team to oversee the process and evaluate results
- Apply for a grant from the Golden LEAF Foundation to procure necessary support services

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Recommendation 2

The General Assembly should direct the Department of Transportation to evaluate the schedule of crossings for each ferry route to ensure ferry services cost-effectively meet the needs of both area residents and tourists.

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Report available online at
www.ncleg.net/PED/Reports/reports.html

