

MEMORANDUM

To: Victoria Compton – Executive Director
Economic Development Council of San Juan County (EDC)

From: Eric Hovee

Subject: Anacortes-Sidney Ferry Economic & Fiscal Impact Analysis

Date: September 11, 2020

As Washington’s only county that is completely islanded – devoid of any land or bridge connection – San Juan County is reliant on Washington State Ferry (WSF) service as its only highway. WSF also operates 1-2 international ferry runs daily (depending on the travel season) between Anacortes/Friday Harbor and Sidney, British Columbia. Using readily available data, this report **focuses on the economic impact of this international service** through 2019 to Island, San Juan, Skagit, Snohomish and Whatcom counties in the northern Puget Sound region of Washington State – all benefitting from ferry-induced travel.

Principal **observations and findings** of this economic and fiscal impact analysis follow:

- Both the domestic Anacortes-San Juan and international Anacortes-Sidney routes have substantially **outperformed entire WSF travel growth** from 2009-19 (by more than 3:1). The Anacortes-Sidney route has performed especially well with foot passenger growth.
- With a shortened 2019 season, the Anacortes-Sidney ferry served **135,631 total riders**. While WSF most recently conducted a 2013 origin-destination survey for all ferry routes, key data does not appear to be available to assess the extent to which riders employ this route for one-way or round trips. The economic effect of this difference is material.
- Based on available data, **two economic impact scenarios** have been considered:
Low impact – conservatively assuming round trip travel with total 5-county spending of \$20 million per year and 143 jobs supported.
High impact – with one-way (loop tour travel employing additional means) resulting in local benefit from visitors headed further south for total added 5-county spending of up to \$54 million per year and 393 jobs supported.

For the reasons cited in this report, the actual economic impact may land closer to the high than the low impact scenario. Added research is warranted together with ramped-up marketing and renewed Anacortes-Sidney ferry service to maximize economic impact in the years ahead.

Background

The primary components of ferry service available to San Juan County include:

- Daily domestic ferry runs from Anacortes to Friday Harbor and to Lopez, Orcas, and Shaw Islands together with associated inter-island service (not the focus of this report).
- Daily service from Anacortes to the San Juan Islands and then Sidney (British Columbia) and back – as WSF’s only international ferry route with two runs per day during the summer season and one run daily off-season. Ferry service is typically suspended over the winter months starting after New Year’s Day to about the first week of April.

The Anacortes-Lopez-Orcas-Friday Harbor route is designated as a scenic highway and part of the state transportation system. RCW 47.39.020(64), (65). By virtue of its congruence, the Anacortes-Friday Harbor-Sidney route is an integral portion of this scenic highway route.

Over the last 20+ years, there have been occasions when potential termination of this unique international Anacortes-Sidney service has been considered by WSF and the Washington state legislature. This service was temporarily halted in late 2019 due to ship maintenance issues. Then in March 2020, the U.S. and Canadian governments jointly closed their common border to international tourist and recreational crossings due to the current COVID-19 pandemic. With no scheduled re-opening to date, legislative consideration is again being given to potential curtailment, closure or privatization of this economically consequential and long-standing transportation service.

Data Sources & Approach to Analysis

This report is intended to address the economic and fiscal impacts of this international route to five counties most directly affected by Anacortes-Sidney ferry service. The approach taken to conducting this analysis is shaped by the data sources most readily available which include:

- WSF-issued annual and quarterly *Travel Statistics Rider Segment Reports* (with breakouts of the Anacortes-Sidney and the Friday Harbor-Sidney ferry routes).
- *WSF 2013 Origin-Destination Travel Survey Report* as the most recent dataset providing information on trip purposes together with traveler origins and destinations by route.
- County-level visitor count and spending data for the years 2015-19 as currently compiled by the firm Tourism Economics for the Washington Travel Alliance (WTA).
- Previous county-level visitor count and spending including party-size and length of stay data for years through 2017 as provided for WTA by the firm Dean Runyan Associates.

While instrumental to the analysis, not all aspects of travel behavior are fully described by the data sets available – resulting in a range of potential impacts rather than single point estimates.

An added caveat is that this study is limited to the present economic and fiscal impacts of the Anacortes-Sidney ferry route on its associated Washington state 5-county region as operated through 2019. No estimates are made of Canadian-side economic impacts, as for Sidney, BC.

Not directly included in the scope of this EDC requested analysis is more extensive accounting of the operating burden and inefficiencies potentially imposed on existing WSF facilities at Anacortes (with or without Friday Harbor), for example, if those facilities were to be shared with a private ferry operator that arranges to serve Sidney. This report also does not include detailed examination of policy issues and their consequences should this route be discontinued or operated by a private party. These issues are briefly outlined by an Appendix to this report.

Report Organization

The remainder of this memorandum is organized to cover the following topics:¹

Anacortes-Sidney Ferry Route & Ridership
Economic & Fiscal Benefits
Summary Notes

As noted, an appendix to this report provides accompanying special notes as compiled by the EDC concerning potential ferry privatization.

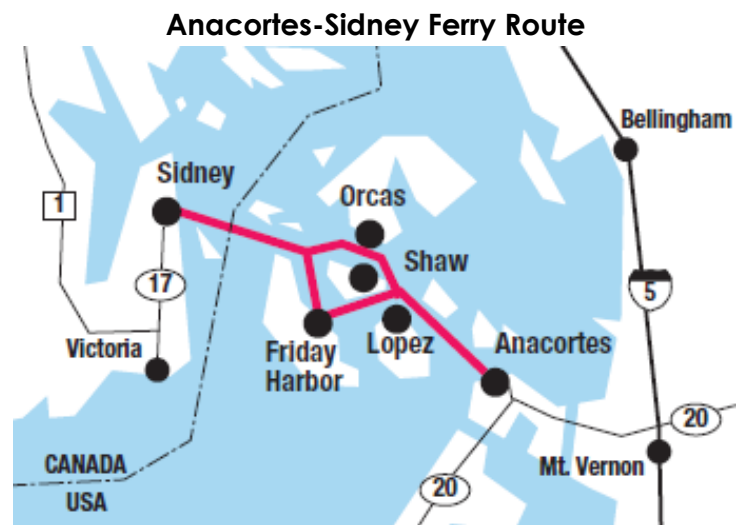
ANACORTES-SIDNEY FERRY ROUTE & RIDERSHIP

This economic impact report begins with a brief overview of the Anacortes-Sidney ferry route and comparative ridership profile and trends.

Ferry Service Route

Anacortes-Sidney service involves two round-trip summer runs daily and one daily off-season. In the summer of 2019, the first run from Anacortes to Sidney (leaving 8:25 am), then departed from Sidney for return to Anacortes (at 2:10 pm). The second summer run left

Anacortes at 2:50 pm, with the return trip back by 8:30 pm. A stop at Friday Harbor occurs on one sailing daily each way. Travel time is 2 hours/40 minutes one way with a stop at Friday Harbor or 2 hours/10 minutes otherwise. Trip length is approximately 40 nautical miles.



Source: WSF 2013 Origin-Destination Travel Survey Report.

Ridership Profile & Trends

As a point of reference, it is useful to compare ridership characteristics for:

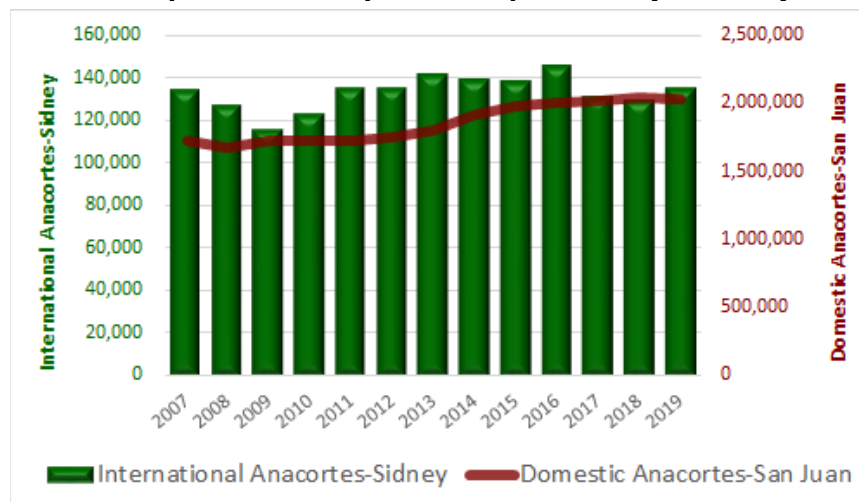
- **The entire Washington State Ferry (WSF) system** – with 24+ million riders as of 2019.
- **The stateside Anacortes-San Juan ferry routes** – which served just over 2 million passengers in 2019 (approximately 8% of the WSF system total).
- **The international Anacortes-Sidney ferry routes** – with close to 136,000 passengers as of 2019 (as a 7% add-on to the stateside Anacortes-San Juan routes). Of this total, about 116,000 (or 85%) of passengers are ticketed for the full Anacortes-Sidney distance, with 20,000 (15%) ticketed for the Friday Harbor-Sidney leg of the trip. Due to curtailed WSF Anacortes-Sidney service, travel volumes are considerably less than 2-3 decades ago.²

While relatively small in terms of total ridership, the Anacortes-San Juan connection is more significant in terms of lower dependence on **auto traffic**, **market growth** and **tourism impact**.

Reduced Auto Dependence. Only a bit over one-third (34%) of total Anacortes-Sidney travelers are auto drivers – as compared with 47% of domestic Anacortes-San Juan routes and 44% of all users of the full WSF system. Almost two-thirds of (66%) of travelers on the Anacortes-Sidney route are either vehicle or on-foot passengers (not drivers).

Market Growth. Comparative ferry ridership trends for international Anacortes-Sidney and domestic Anacortes-San Juan Island routes are depicted by the following graph covering the years 2007-19. With the Great Recession of 2007-9, ridership dropped for both the domestic and international routes for 1-2 years before recovery. Ridership then bounced back more quickly for the international than domestic service – albeit stalling out about 2017 with a boat temporarily diverted to a separate route.

Comparative Ferry Ridership Trends (2007-19)

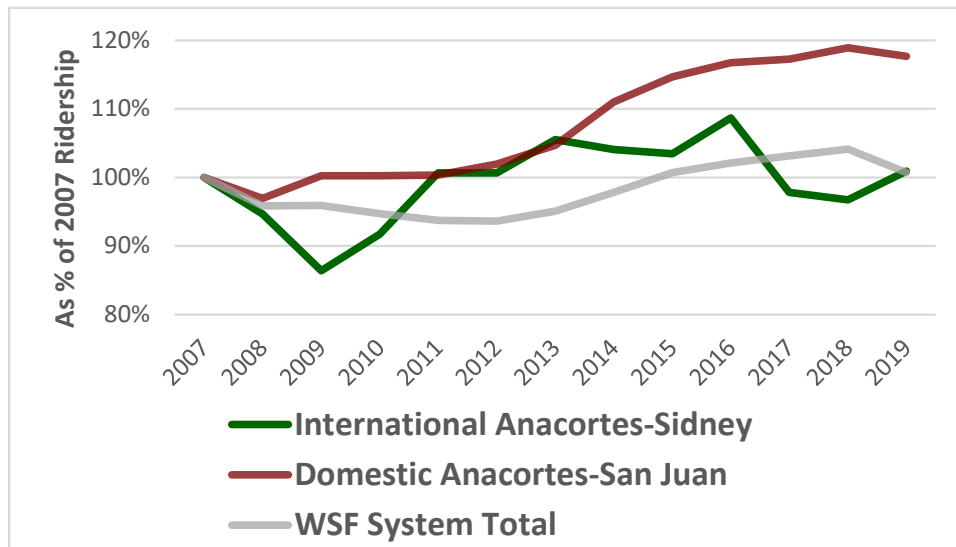


Source: WSF, *Travel Statistics Rider Segment Report(s)*, multiple years.

Note that some travelers to or from Sidney may use a domestic Anacortes-San Juan ferry for one or two legs of their travel, using Friday Harbor as a short or long stopover.

When compared with ridership across the full statewide system, ridership levels on both the domestic and international Anacortes-based ferry runs have performed exceptionally well.

Comparative Ferry Ridership (As Compared to 2007)



Source: WSF, *Travel Statistics Rider Segment Report(s)*, multiple years.

Passenger counts across the full WSF system actually declined over a 5-year time period during and extending beyond the Great Recession of 2007-09 – with increasing system-wide passenger counts not experienced until 2013. By comparison, ridership on the international Anacortes-Sidney and the domestic Anacortes-San Juan routes recovered more quickly than for the rest of the WSF system.

Depending on the outlook for all U.S./Canada border crossings, a similarly rapid bounce-back might be expected for renewed Anacortes-Sidney ferry service as recovery gets fully underway from the current COVID19 pandemic and resulting economic recession.

Over the most recent growth cycle of 2009-19, international Anacortes-Sidney ferry passenger counts have increased by 16.8% – close to the increase of 17.4% for domestic Anacortes-San Juan routes. Both the domestic and international routes have substantially out-performed the full WSF system – for which ridership has increased by only 5.0% over the last decade. *Note:* Anacortes-Sidney counts would have been even higher if not for late season maintenance-related ferry closures in late 2019.³

Passenger growth rates on the international Anacortes-Sidney ferry have been particularly strong for vehicle and foot passengers (up by 21% and 16% respectively). The domestic Anacortes-San Juan routes have experienced a stronger 26% increase in vehicle passengers but slower growth of less than 8% in foot passengers over the 2009-19 period.

Tourism Impact. The remainder of this analysis is focused on the metrics of tourism impact.

ECONOMIC & FISCAL BENEFITS ANALYSIS

This economic and fiscal benefits analysis is intended to quantify current and potential impacts of Anacortes-Sidney ferry service – in terms of visitor standard metrics for spending, employment supported, labor income, and state and local tax revenue. For each of these data metrics, estimates are made of:

- **Direct impacts** – for travelers directly using international WSF ferry service; and
- **Economic multiplier effects** – made by local businesses and households who benefit from direct spending and labor income, and then make their subsequent purchases based on the initial non-local economic stimulus.

This analysis begins with a brief review of what is known and not known about travel patterns associated with users of the international Anacortes-Sidney ferry system. Data availability and limitations then influence the methodology applied to estimate impacts – including consideration of alternative low and high impact scenarios.

What is Known

Information known from readily available sources includes:

- WSF annual ridership data for Anacortes-Sidney as distinguished from a sub-group for the segment of Friday Harbor-Sidney, further separated between vehicles, vehicle passengers and foot passengers – together with WSF 2013 origin-destination (O-D) data for east- and west-bound riders.
- Annual tourism data on direct visitor spending, employment, labor income and state/local tax revenues as well as number of visitors (from all sources) by county through 2019 – together with economic multiplier estimates.
- Supplemental data regarding annual visitor party size, length of stay and associated spending by county through 2017 (from an alternate tourism data source).

What is Not Known

Data that would be useful but appears not to be available from sources reviewed includes:

- Estimates of the extent to which outbound travelers return by the same or other routes (of importance to avoid double counting or, conversely, undercounting of visitors).

2019 Summer Schedule

Anacortes /
San Juans / Sidney, BC

Westbound Daily

Leave Anacortes	→	Leave Friday Harbor	→	Arrive Sidney
8:25 ■		9:45		11:05 ↓
2:50		-----		5:00 ↓

Eastbound Daily

Leave Sidney	→	Leave Friday Harbor	→	Arrive Anacortes
12:00		-----		2:10 ↓
5:55		7:25 ■		8:30 ↓

■ Domestic travel between Anacortes and Friday Harbor is not permitted on these sailings.

Source: WSF.

- Potential local spending by visitors who identify a location outside of the local 5-county area as their ultimate destination (before returning home).
- Extent to which trips for purposes other than recreation/shopping also involve visitor spending – as for work, school, personal or other trip purposes.
- Whether and to what extent international travelers (from Canada) stay and/or spend more or less per trip in the Northern Puget Sound region than their domestic U.S. counterpart travelers.

Impact Scenario Methodology

Information that is known serves as a common core set of knowledge that can be applied to any evaluation of economic and fiscal impacts. Determining how to address possible (or probable) effects of what is not known is more problematic. Depending on the assumptions that are made for each of these questions, resulting estimates of economic impact of the Anacortes-Sidney ferry can vary widely.

This is especially the case if conservative assumptions are applied for multiple variables with a conservative (or low estimate) of economic impact or, alternatively, if more generous assumptions are applied across a range of variables (with a high estimate). This compounding effect further widens the range of possible impact outcomes.

The reality is that the Anacortes-Sidney ferry service encompasses a potentially complex and wide spectrum of varied traveler behaviors. After reviewing possible impact methodologies, the decision for this analysis was to proceed with an approach that recognizes the possibility of what is termed a low impact scenario and a high impact scenario.

Each scenario is outlined and evaluated, in turn. This is followed by a brief discussion of how the two scenarios might appropriately be better reconciled – together with associated implications for renewed WSF international ferry service.

Alternative Scenarios Considered

The two alternative scenarios considered with this analysis are characterized as:

- **Low Impact Scenario** – assuming that most travelers between Sidney and Anacortes travel about the same route on their outgoing as well as return trip together with minimal impact for travel outside the northern Puget Sound area.
- **High Impact Scenario** – assuming that a significant number international of travelers are following a loop tour pattern with a different route for the outgoing and return trips and greater impact including length of stay for passengers traveling beyond the five core northern Puget Sound counties.

Detailed analysis, results and implications of each scenario are described, as follows.

Low Impact Scenario

Of the two scenarios considered, the low impact scenario involves the most detailed, granular application of available travel and tourism data. Key scenario assumptions are that:

- 82% of international Anacortes-Friday Harbor-Sidney ferry users traveling for recreation/shopping purposes are associated with visitor spending impacts (with the remainder comprised of local impacts that would occur with or without this international ferry service).
- An equal 50/50 split of east and west bound service – in the absence of more detailed directional counts and assuming that outbound travelers make essentially the same return trip, also that 85% of trips are for Sidney-Anacortes with 15% to Sidney-San Juan.
- An estimated 41% of eastbound travelers (originating in Sidney and traveling to Anacortes) having a north Puget Sound destination with the remainder going beyond the 5-county region; with 100% impact for those destined directly from Sidney-San Juan.
- The only westbound trips for which economic impact is calculated are for those trips originating outside the northern Puget Sound – most notably from the Seattle-Tacoma metro area (estimated from WSF/O-D data as 46% of all westbound passengers).
- Average spending per day of \$88 (the 5-county average) versus \$121 per day for visitors staying on San Juan County (based on 2017 Runyan data).
- Longer average visitor stays of 2.49 nights as the 5-county average versus 1.80 nights in San Juan County (a factor that essentially counterbalances higher per day spending to result in roughly equivalent per visitor spending).
- A final 8% adjustment of Runyan 2017 spending data for consistency with Tourism Economics 2019 tourism county-wide spending totals.

The chart on the next page shows the results of applying these conservative assumptions to arrive at an annual (2019) spending estimate for Island, San Juan, Skagit, Snohomish and Whatcom Counties of the northern Puget Sound region. As indicated, the total low impact direct spending estimate in the 5-county area is estimated at \$11.7 million as of 2019.

Available data indicates that the largest share of this direct spending impact appears to be from westbound passengers traveling from Anacortes to Sidney. Their spending is most likely to occur in the four counties of the Northern Puget Sound region other than San Juan.

Likewise, eastbound spending for travelers traveling from Sidney to Anacortes comes in as second most significant – followed by spending for those making a shorter trip from Sidney with a stop in the San Juans. Higher spending per day is offset by tourism data indicating a shorter length of stay.

No impact is assigned to the westbound San Juan to Sidney connection – reflecting a conservative assumption that these travelers are the same people as earlier arrived in the San Juans from Sidney and who are now returning home. Excluding this return trip avoids double counting, also assuming that the length of stay and spending for these international travelers is

about the same as for domestic visitors. While a conceivably logical path for some travelers, this scenario likely undercounts benefits of the westbound San Juan to Sidney route segment.

Low Impact Direct Spending Scenario – Five Northern Puget Sound Counties

Impact Factor	Eastbound		Westbound		Comments
	Sidney->Ana	Sidney->SJ	Ana->Sidney	SJ->Sidney	
Ferry Boardings					
Annual Boardings (2019)	135,631				Drivers + car & foot passengers
x Recreation/Shopping Purpose	82%				Blend of 88% weekday, 75% Saturday trips
= Recreation/Shopping Trips	111,215				
Route Allocation					
x Trips Each Way	50%		50%		Assumed equal split - both directions
x % to Each Route	85%	15%	85%	15%	From WSF 2019 ferry traveler count data
= Traffic Count Allocation	47,266	8,341	47,266	8,341	
North Puget Sound Destinations, or	41%	100%	0%	0%	O-D blend of 35% weekday, 47% weekend
Origins Outside of North Puget Sound	0%	0%	46%	0%	South of Snohomish Co OD blend of 38%/53%
Non-Local Visitor Trips	19,379	8,341	21,743	0	
2017 Spending Estimates					
Average Visitor Spending/Day	\$88	\$121	\$88	\$121	Per Runyan 2017 - 5 County/SJ County
Average Visitor Nights	2.49	1.80	2.49	1.80	Per Runyan 2017 - 5 County/SJ County
Total Spending	\$4,246,373	\$1,816,697	\$4,764,224	\$0	
Adjusted Totals					
Total Auto + Walk-On Trip Spending	\$10,827,294				Estimate based on Runyan 2017 spending
2017-19 Spending Adjustment	1.08				Per Tourism Economics impact increase
2019 Spending Estimate	\$11,693,000				Rounded

Source: E. D. Hovee from sources as indicated.

Using economic impact data for the five counties as provided by Tourism Economics, it is also possible to estimate direct and economic multiplier effects for 5-county jobs, labor income, and state/local tax revenue – as well as for spending. These calculations are shown by the chart on the following page. As noted, economic multipliers are estimates of the relationship between direct impacts of ferry stimulated travel and added indirect business plus induced household

spending for the five most benefited counties of the northern Puget Sound region. The relationship of employment, labor income and state/local tax revenues is based on Tourism Economics data for each of these variables aggregated for the 5-county region.

Low Impact Direct & Economic Multiplier Effects – Five County Totals

Impact Factor	Spending (\$ Million)	Employment	Labor Income (\$ Million)	S/L Tax Revenue (\$ Millions)
Direct Economic Impact				
Direct Annual Benefit	\$11.7	101	\$3.0	\$1.3
Relationship to Direct Spending	100%	8.63	25.6%	10.75%
	% of Spending	Jobs/Million \$	% of Spending	% of Spending
Total Impact				
Economic Multiplier	1.68	1.42	1.72	1.32
Total Annualized Benefit	\$19.6	143	\$5.2	\$1.7

Source: E. D. Hovee from based on direct spending and Tourism Economics county-level estimates.

To summarize, the key impacts for which quantitative low impact estimates are made include:

- \$11.7 million of direct spending – increased to \$19.6 million per year with economic multiplier effects included.
- 101 direct jobs – increased to 143 jobs estimated including economic multiplier effects.
- \$3.0 million of direct labor income to benefited workers – raised to \$5.2 million with region-wide economic multiplier effects.
- \$1.3 million per year in direct state/local tax revenue – increased to \$1.7 million with economic multiplier effects included.

High Impact Scenario

The high impact scenario works from the same base of available travel data but with substantially different assumptions regarding international ferry travel behavior. These differing (and somewhat more simplified) assumptions get at potential variations in travel behavior not directly addressed by existing available data but for which added data would be useful (if available) for this analysis. Key assumptions with this high impact scenario are that:

- 100% of all international Anacortes-Friday Harbor-Sidney travelers traveling are assumed to involve visitor spending impacts (including the 18% that travel for work/school and personal business/other reasons as well as those traveling for recreation and shopping).
- Many travelers (potentially up to 100%) are making trips that involve a loop tour or other routing so the traveler is not taking the same route on the return as outbound – including use of domestic Anacortes-San Juan ferry routes for some legs of a trip.

- No distinction between eastbound and westbound travelers as all are assumed to have some spending impact in the Northern Puget Sound region including those whose initial ultimate destination is outside the Northern Puget Sound as in the Seattle-Tacoma area.
- Maintenance of low impact estimates of average spending per day of \$88 (the 5-county average) versus \$121 per day for visitors staying in San Juan County (based on 2017 Runyan data).
- Similar maintenance of low estimate figures for average visitor stays of 2.49 nights as the 5-county average versus 1.80 nights in San Juan County.
- And a similar final 8% adjustment of Runyan 2017 spending data to Tourism Economics 2019 tourism county-wide spending totals.

Detailed calculations are shown by the following chart.

High Impact Direct Spending Scenario – Five Northern Puget Sound Counties

Impact Factor	Ferry Route		Comments
	Sidney->Ana	SJ->Sidney	
Ferry Boardings			
Annual Boardings (2019)	135,631		Drivers + car passengers + foot passengers
x Share of All Trips	100%		Spending potential for all recreation/shop, personal, work, school purposes
= Travelers with Spending Potential	135,630		
Route Allocation			
x Trips Each Way	100%	100%	Assumed maximum market capture as for loop trips
x % to Each Route	85%	15%	From WSF 2019 Traffic
= Traffic Count Allocation	115,286	20,345	
Spending Estimate			
Average Spending per Party	\$88	\$121	Per Runyan 2017 - 5 County/ SJ County
Average Length of Stay (Days)	2.49	1.80	Per Runyan 2017 - 5 County/ SJ County
Total Spending (2017 \$)	\$25,261,359	\$4,431,032	
Adjusted Totals			
Total Auto + Walk-On Trip Spending	\$29,692,391		Estimate per Runyan 2017
2017-19 Spending Adjustment	1.08		Per Tourism Economics spending increase
2019 Spending Estimate	\$32,068,000		Rounded

Source: E. D. Hovee from sources as indicated.

The high estimate of direct spending as of 2019 is \$32.1 million. This is 2.7 times greater than the direct spending associated with more conservative low estimate calculations.

As with the low impact scenario, it is also possible to estimate both direct and economic multiplier effects for 5-county employment, labor income, and state/local tax revenue – as well as for spending with this high impact scenario. Calculations are shown by the following chart.

High Impact Direct & Economic Multiplier Effects – Five County Totals

Impact Factor	Spending (\$ Million)	Employment	Labor Income (\$ Million)	S/L Tax Revenue (\$ Millions)
Direct Economic Impact				
Direct Annual Benefit	\$32.1	277	\$8.2	\$3.4
Relationship to Direct Spending	100%	8.63	25.6%	10.75%
	% of Spending	Jobs/Million \$	% of Spending	% of Spending
Total Impact				
Economic Multiplier	1.68	1.42	1.72	1.32
Total Annualized Benefit	\$53.7	393	\$14.1	\$4.6

Source: E. D. Hovee from based on direct spending and Tourism Economics county-level estimates.

To summarize, the key impacts for which quantitative high impact estimates are made include:

- \$32.1 million of direct spending – increased to \$53.7 million per year with economic multiplier effects included.
- 277 direct jobs – increased to 393 jobs estimated including economic multiplier effects.
- \$8.2 million of direct labor income to benefited workers – raised to \$14.1 million with region-wide economic multiplier effects.
- \$3.4 million per year in direct state/local tax revenue – increased to \$4.6 million with economic multiplier effects.

Low vs High Impact?

As noted, the economic impacts associated with a high impact scenario are substantially different than estimates with a low impact scenario. Unfortunately, the data readily available does not provide the granularity (or level) of detail needed to fully understand and quantify the relatively complex travel patterns of those visiting the northern Puget Sound region by using (partially or fully) the multiple Sidney-Friday Harbor-Anacortes ferry routing options available.

An argument in **favor of the low impact scenario** is that there is little chance that it overstates the tourism impact of this international ferry route to the 5-county region. The disadvantage is that the low estimate may significantly understate the current and potential impact of the Anacortes-Sydney ferry service – in view of the complexities of travel routing noted.

Arguments in support of a **high impact scenario** are several-fold:

- Expectation that any international travel even if for non-recreation/shopping purposes will involve a visitor component – including impetus for overnight stay due to ferry scheduling that discourages same day return.
- Likelihood of loop tours for a significant portion of travelers – as with use of the international Sidney-Friday Harbor-Anacortes travel for one leg of the trip with the origin or return trip via I-5/Vancouver BC and or Olympic peninsula loop with connection to Vancouver Island via Port Angeles to Victoria.⁴
- Loop tours creating incentive for longer stays in the San Juan Islands or elsewhere in the 5-county region longer than is the case with other purely domestic travel.
- Similar likelihood that some international visitors are using the domestic Anacortes-San Juan ferry boats for one or more legs of their tour rather than exclusive use of WSF dedicated Anacortes-Sidney service.
- Likelihood that travel from a central or southern Puget Sound area will require at least one night's stay in or near Anacortes to meet the early morning 8:25 am ferry departure time – with similar though perhaps lesser incentive for an overnight stay near the site of the 2nd ferry's 8:30 pm (summer arrival time) in Anacortes.
- Possibility of cross-over trips of passengers using both the San Juan-Sidney service for one leg and the full Sidney-Anacortes ferry routing for another leg of the trip – each potentially involving separate stays in the northern Puget Sound region.
- Greater per visitor spending potential and/or length of stays that often accompanies international versus domestic travel than may be reflected in currently available data.

Most likely, the economic impact of Anacortes-Sidney service lies somewhere between the low and high impact scenarios. Precisely where is not determinable with the base data available. However, the nuances of this service and linkage with international (cross-border and loop travel) suggest a number that may be closer to the high than the low estimate.

Where the impact lands depends not only on current travel characteristics but on future marketing and continued or improved ferry service to better maximize economic benefits. The goal of renewed and increased U.S. and Canadian visitor travel may be of greater importance now than previously as an integral element of economic recovery from the current COVID-19 pandemic, particularly as a consequence of pent-up demand creating a near-term opportunity for renewed ferry travel.

Economic Impact Reflects Visitor Experience



Source: Economic Development Council of San Juan County.

SUMMARY NOTES

Understanding that service options for renewed Anacortes-Sidney service are currently being considered, a more detailed survey-driven approach could be of particular value to narrow the range of current and potential impacts of this distinctive cross-border ferry service. In effect, this current economic impact report could serve as a starting point – identifying key data gaps to fill in over the months ahead.

Any targeted survey work or marketing and service planning ideally should address not only recent ferry origin-destination experience but also visitor expectations for changes that would draw added visitation, increased length and stay and greater spending potential. This is an initiative that also would reflect input and guidance from key WSF and northern Puget Sound tourism and economic development stakeholder interests.

E. D. Hovee appreciates the opportunity to provide this economic impact analysis on behalf of the Economic Development Council of San Juan County together with partner organizations and is prepared to address questions regarding any aspect of this report.

APPENDIX. SPECIAL NOTES CONCERNING FERRY PRIVATIZATION

As noted at the outset, this study is limited to the present economic and fiscal impacts of the Anacortes-Sidney ferry route on its associated region as currently operated. There are other policy issues and their consequences to be considered prior to determination of whether this route is to be continued, discontinued or operated by a private party.

Based on separate evaluation conducted for the Economic Development Council of San Juan County (EDC), three special notes concerning potential private operation of the Anacortes-Sidney route are included as pertinent to the economic and fiscal impact analysis:

1. Any contract with a private party to operate the Anacortes-Sidney route will expose the region to not yet measurable regional economic impacts, due to inevitable operational impacts on the Southern Resident Killer Whales, and the consequent regional benefits from whale-centered tourism, measured to exceed \$170,000,000 annually.⁵ It cannot be assumed that this level of benefit will continue in the face of private operations due to the inherent conflict between the public economic interests of the region and the private economic interest of the operator. Any contract with the operator might need to include limitations on speed that depend on hull and propeller specifications and require conversion to hybrid-electric or electric propulsion when deemed feasible by the state (and not the private operator), to protect this economic asset.
2. This study's focus on quantifiable economics implicitly excludes the familial, tribal and cultural opportunities attendant to cross-border transit, but inasmuch as the Salish Sea region constitutes a potentially relevant economic aggregation, its further integration to the benefit of its members will depend upon the cost, ease and reliability of travel and transportation among its members. Termination of Anacortes-Sidney ferry service would forego regional economic costs and benefits that are not readily measurable at present, but both that and private operation (due to the Jones Act, 46 USC §55103) would effectively foreclose San Juan County, the center of the US portion of the Salish Sea archipelago, from either contributing to or benefitting from the economic synergy of this effort. See the nascent effort in this direction indicated at <https://www.salishseaturism.com/about.php> and <https://wp.wvu.edu/bpri/> Discontinuance of the route would represent a strong negative policy message on this subject, private operation less so, but would bias San Juan County's economic development inward to the US mainland. More specific data on these effects are not currently available.
3. The focus of this economic study is essentially binary, i.e., it considers what would be lost or gained in the absence of Anacortes-Sidney ferry service. There is, of course, the third possibility discussed briefly in Special Note 1, above: a private operator. Insufficient data exist to calculate the effect of private operation beyond the negative effect on the economy of San Juan County. This study also does not consider the economic effect of foreign-based non-union or foreign employees, ship handling and repair whose contribution to the relevant economy may be less than that by union employees and contractors, or be entirely absent.

END NOTES

¹ This report has been prepared for the Economic Development Council of San Juan County, San Juan County Government, the City, Port and Chamber of Anacortes and the Town of Friday Harbor by the economic and development consulting firm E. D. Hovee & Company, LLC. Since 1984, E. D. Hovee has provided market feasibility and economic impact analysis for a wide range of public, non-profit and private clients – primarily in the Pacific Northwest states of Washington and Oregon.

The firm has prepared earlier economic impact assessments of Anacortes-Sidney ferry service extending back to 1997. As with the prior reports, this analysis has been conducted from sources generally deemed to be reliable. However, accuracy of third-party information is not guaranteed and is subject to change without notice. The observations and findings in this report are those of the author and should not be construed as representing the opinion of any other party prior to express approval, whether in whole or part.

² While not shown currently on the WSF web site, a 1997 *Preliminary Assessment of Economic Impacts with the Anacortes/Sidney Ferry* prepared by E. D. Hovee listed the total passenger count for this service at 196,000 in 1977 and 185,267 in 1996 – well above current ferry ridership volumes. This reduced travel count has occurred as a result of fewer vessels (with fewer round trips) being dedicated to WSF international ferry service.

³ Anacortes-Sidney ferry service was suspended by WSF from November 12 through December 8, 2020 for boat maintenance. Per WSF press release, October 30, 2019.

⁴ In the past, Port Angeles provided both a passenger-only and passenger plus vehicle service to Victoria. However, the passenger-only ferry service providing a 60-minute passage to Victoria from downtown Port Angeles has been discontinued. The current ferry (MV Coho) is operated by Blackball Transport, with year-round vehicle/passenger ferry service.

⁵ Van Deren, M., Mojica, J., Martin, J., Armistead, C., Koefod, C., 2019. The Whales in Our Waters, The Economic Benefits of Whale Watching in San Juan County. Earth Economics, Tacoma, WA. At <https://www.seadocsociety.org/blog/the-economic-impact-of-killer-whales-in-the-salish-sea>. The region involved includes all US counties contiguous to Puget Sound.