Staten Island Ferry: Rising Costs Lead Spending to Double

BETWEEN 2002 AND 2007, THE CITY’S COST TO OPERATE the Staten Island Ferry has more than doubled, from $40.2 million to a projected $83.8 million. The 2008 Preliminary Budget provides $74.2 million for the Staten Island Ferry. Several factors have contributed to the increase in the cost of ferry service, including added safety and security measures, expanded service, the use of boats with greater staffing requirements, the operation of two newly renovated terminals, and the higher cost of diesel fuel.

Because the number of ferry passengers increased around 11 percent between 2001 and 2006 (from 18.0 million to 19.9 million), the cost per passenger has risen less steeply than total costs. Taking into account only direct costs, the cost per passenger rose from $2.00 in 2001, to $3.48 in 2006, a 73 percent increase. The Mayor’s Management Report, which uses a different calculation that includes Department of Transportation (DOT) overhead expenses, shows the cost per passenger on the Staten Island Ferry rising from $3.04 in 2001 to $4.25 in 2006, an increase of 40 percent. As a comparison, the average cost per trip on New York City Transit buses and subways in 2005 was $2.29, comparable to our $3.48.

City Bears Most of the Cost. The cost of the additional needs has been borne mostly by the city, with additional state and federal aid not keeping pace with the overall cost growth. In 2002, when budgeted spending was just over $40 million, the city bore 57 percent of operating costs, and the state the rest, except for a small federal contribution (less than 1 percent). This year, the city expects to carry 63 percent of total spending, with the state picking up 31 percent and the federal government 6 percent. This translates into an increase of $28.4 million in city costs, $8.5 million in state funding, and $4.7 million in federal aid, since 2002.

Key Factors Behind Rising Costs. In what follows, we review the major factors contributing to the rising cost of providing Staten Island Ferry service.

Added Safety and Security Measures. Security costs have been the largest single contributor to rising costs. Two events in particular had major impacts: the September 11, 2001 World Trade Center attack and a fatal ferry boat accident in October 2003.

After September 11, there was concern that future attacks on New York might include the Staten Island Ferry as a target. Vehicles were prohibited from using the ferry, and the city’s police department and National Guard began increased surveillance of terminals and boats. Federal homeland security requirements have added at least $5.0 million annually to ferry operations, including an explosives detection canine team and other measures not released publicly for security reasons. DOT has also received federal homeland security grants for
one-time projects such as the installation of cameras on ferry boats, vehicle crash barriers at the ferry terminals, and explosives detectors.

Privately contracted security at the Whitehall and St. George terminals has become a substantial expense: DOT spent $10.6 million for this purpose in 2006, and currently plans to spend $7.9 million in 2007, with $5.0 million budgeted for 2008.

On October 15, 2003, the Andrew J. Barberi ferry boat crashed into the pier at the St. George Ferry Terminal. The crash left a toll of 11 dead and dozens of injured. The immediate cause of the collision was the incapacitation of the assistant captain, who was at the controls, but subsequent investigation by the National Transportation Safety Board revealed serious deficiencies in the operating procedures followed by the ferry.

One week after the accident, DOT announced a series of ferry safety improvements. More improvements were announced on October 31. Most of these measures were procedural changes with relatively small budgetary impacts. The Mayor’s Preliminary Budget for 2005 (presented in January 2004) added $1.5 million per year for increased security training, drills, and tests for ferry crews.

Following the accident, the city commissioned a complete review of ferry operations from the U.S. Merchant Marine Academy’s Global Maritime and Transportation School (GMATS). The 2005 budget added $4.0 million annually to implement the recommendations of the GMATS study. Subsequent financial plans have added additional spending for security, including random drug and alcohol testing for ferry crews. For the current fiscal year, these new safety and security pressures have added a total of over $18 million to ferry spending; most of these additional costs fall within the broad category of operations.

Increasing Price of Fuel. Fuel prices have risen sharply in recent years. Fuel costs for the Staten Island Ferry have risen due to both the higher price per gallon, and the increased number of trips—principally for expanded service, but also for training purposes. Fuel expenditures were $1.9 million in 2002, and rose to $8.8 million in 2006. They are projected to decline slightly, to $8.1 million, in 2007.

Expanded Service. Expanded service has increased spending by $3.8 million annually.

As part of its plan to close projected budget gaps, the Mayor proposed in spring 2003 the reduction of peak-period service on the Staten Island Ferry. The City Council did not support the proposal and in December 2004 passed legislation requiring increased Staten Island Ferry service. DOT was in principle opposed to Council-mandated service levels, and
Mayor Bloomberg cited the cost in vetoing the measure. The Council overrode the veto, setting the stage for a threatened Mayoral lawsuit. But the Bloomberg Administration and City Council subsequently agreed to support a compromise bill to replace the earlier legislation. Under this compromise, service frequency was increased, but by less than the Council had originally proposed.

Increased weekday service on the Staten Island Ferry began on July 28, 2005, with the addition of two extra trips to Manhattan in the morning, and one extra trip to Staten Island late at night. On November 11, 2006, DOT added five additional trips in each direction on Saturdays, and two additional trips in each direction on Sundays.

**Staffing Requirements on Boats.** There are four classes of boats used on the Staten Island Ferry. The Barberi class boats are the largest, and require a crew of 16. The Molinari class boats are slightly smaller, but they are also the newest boats and require a crew of 17. The Kennedy and Austen class boats are considerably smaller, and require crews of 14 and 10, respectively.

The city placed the three Molinari class boats into service in 2005 and 2006. Each vessel has increased annual ferry operating expenses by $840,000, for a total of $2.5 million.

**New Terminals.** In 2005 the city inaugurated new ferry terminals at Whitehall (Manhattan) and St. George (Staten Island). While these terminals were under construction, passengers had access to limited waiting areas and amenities. Now that the terminals have been completed, operations and maintenance expenses have increased by over $3.3 million annually.

**Higher Costs Likely to Remain.** In addition to normal increases associated with labor settlements and general inflation, a variety of new needs have raised the cost of providing ferry service between Manhattan and Staten Island—most of them likely to be permanent. The city has borne the largest share of this increase, with some increased federal and state aid. The Mayor has had to defer several times a proposal to achieve some modest savings—about $1.2 million—by contracting out nighttime ferry service. But safety and security needs, the cost of operating and maintaining the new terminals, and Council-mandated service levels, will all keep spending at a level likely to exceed $75 million to $80 million annually in the coming years.

*Written by Alan Treffeisen*

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