



Two Penn Plaza ■ Fifth Floor ■ New York, New York 10121

Testimony on Intro. No. 1512 on the Establishment of a Director of Ferry Operations

Wednesday, April 17, 2019

**Submitted to the New York City Council Committees on Governmental
Operations, Economic Development, and Transportation**

Thank you for holding this hearing on NYC Ferry and for the opportunity to testify. My name is Sean Campion, and I am a Senior Research Associate at the Citizens Budget Commission (CBC). CBC is a nonprofit, nonpartisan think tank whose mission is to achieve constructive change in the finances and services of New York State and New York City government.

Since its launch in May 2017, NYC Ferry has connected many of New York City's waterfront neighborhoods and business districts. While popular, the citywide ferry service has come at a high price. In fiscal year 2018, its first full year of operations, NYC Ferry required a subsidy of \$10.73 per ride—twice the subsidy required to operate the Staten Island Ferry, 5 times higher than the now-defunct East River Ferry, and 10 times higher than the Metropolitan Transportation Authority (MTA) subway and bus services. The subsidy may decline in the future if costs stabilize and ridership grows, though it would still be much greater than competing modes of transit.

CBC's report, *Swimming in Subsidies*, identifies several reasons why the subsidy has been so high. The City made choices to design long routes that are costly to operate; to charter additional vessels to meet seasonal and weekend ridership demand; and to charge a fare equal to the subway fare rather than premium transit options like express bus routes and comparable ferry systems, which charge higher fares commensurate with higher operating costs. As a result the NYC Ferry system recoups just 22 percent of its operating costs through fare revenue.

Intro. No. 1512 calls for transferring control of the NYC Ferry system from the New York City Economic Development Corporation (EDC) to a newly created Director of Ferry Operations within the New York City Department of Transportation (DOT). CBC's report notes two drawbacks of the decision to operate NYC Ferry through EDC rather than through DOT. First, funding the ferry service through EDC provides little transparency into NYC Ferry's operations and budget, as EDC is not funded through the City's budget

process. DOT's expense budget for the Staten Island Ferry reports spending on personnel, contractual services, supplies, fuel, and other expenses, and the Mayor's Management Report tracks indicators that tie back to this spending. EDC does not report on NYC Ferry's financials at a similar level of detail. Second, it creates redundancies within City government, particularly as EDC's role expands beyond overseeing on-shore infrastructure and managing the contractual relationship with NYC Ferry's private operating partner.

Rebalancing responsibilities between EDC and DOT could address these concerns. However, the Council could require transparency into NYC Ferry's finances and operations without any shift of responsibility. Furthermore, consolidating responsibilities for municipal ferry operations would reduce redundancy but does not guarantee improved operational efficiency or cost savings. An evaluation of the relative efficiency and costs of EDC's and DOT's operations would help identify the cost impact of consolidation. Finally, and most importantly, consolidation will not address the policy choices that have contributed to NYC Ferry's high subsidies. As mentioned in CBC's report, the high cost of NYC Ferry is the product of a series of decisions about fares, routes, and service levels. Transparency would help New Yorkers understand the costs and benefits of these choices, but on its own, it will not make the system more efficient or cost-effective. The Council should continue to use its oversight powers to consider whether the City should maintain the same operating strategy and fare structure, particularly as NYC Ferry is set to expand by adding routes and procuring additional vessels.

Thank you for the opportunity to testify, and I look forward to answering any questions you may have.