

To Mara Perez Torres **Memo**

Cc Puerto Rico Maritime Transportation services Project Team

From Steer

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Project Puerto Rico Maritime Transportation Services Public- Private Partnership Project No. 22826202

Island and Metro Services Revenue & Ridership Forecasts

Introduction

Steer, as part of their contract as technical advisors for the P3 for Maritime Transportation Services in Puerto Rico, has developed ridership and revenue analyses for the ferry services running between Ceiba and Culebra and Ceiba and Vieques (the Island Services) and San Juan and Cataño (the Metro Service).

The current Memorandum summarizes the current conditions in terms of ridership and revenue for the Island Services. It provides a forecast of future revenues once higher fares are instituted on passengers and cargo.

Island Service Existing Conditions

Current data for the Island Service from the Maritime Transportation Authority (MTA) for October 2018 to September 2019 is summarized in Table 1. The data shows that passenger levels have returned to, and even exceed, levels prior to Hurricane Maria¹. The average fare is lower than the base fare of \$2.00 for Vieques and \$2.25 for Culebra, reflecting the lower fares paid for children and seniors.

Table 1: Current Ridership, Revenues and Average Fare Paid for Island Service

	Ridership	Revenue	Average Fare Paid
Culebra	481,475	\$964,815	\$2.00
Vieques	541,716	\$889,395	\$1.64
Total	1,023,191	\$1,854,210	

Source: AMT. Data reflects the period October 2018 to September 2019

¹ As discussed in previous Steer memoranda, the current level of service (LOS) is higher than prior to Hurricane Maria, which can be expected to have contributed to an increase in ridership.

Table 2 reports the cargo revenue for the Island Service, which includes autos, trucks carrying all types of cargo and various other categories (coolers, surfboards, etc.).

Table 2: Current Cargo Revenues for Island Service

	Revenue
Culebra	\$967,430
Vieques	\$1,534,265
Total	\$2,501,695

Source: AMT. Data reflects the period October 2018 to September 2019

Island Service Future Ridership and Revenue

In Phase 2 of the concession, fares will be increased dramatically for non-residents from a base fare of \$2.00 for Vieques-Ceiba and \$2.25 for Culebra-Ceiba to \$11.25. The fares for residents will remain at current levels. Residents account for 21% of Culebra ridership and 33% of Vieques ridership.

Steer has updated previous modeling of the impact of higher fares on ridership and revenues. In a previous memorandum Steer described how the \$11.25 fare for non-residents is essentially a revenue-maximizing fare, a level where further increases will not generate additional revenue, and where revenues may actually decline.

The process by which Steer generated estimates of ridership and revenue at the higher fare levels is described in several earlier memoranda and will not be repeated. The resulting ridership and revenue estimates at the higher base fare are reported in Table 3. Under these estimates only non-resident passengers are impacted by the higher fare. While revenues increase significantly, overall ridership is reduced considerably.

Table 3: Future Ridership, Revenues and Average Fare Paid for Island Service

	Ridership	Revenue	Average Fare Paid
Culebra	281,154	\$2,027,938	\$7.21
Vieques	349,366	\$1,935,581	\$5.54
Total	630,520	\$3,963,519	

Source: Steer

Note that the “effective” fare paid is well below \$11.25, reflecting the share of residents as well as other category of users who pay lower fares, such as seniors (who do not pay) and children (who only pay \$1.00 if residents and \$6.00 if non-residents).

The higher fares result in decreases in ridership of 41.6% overall for Culebra and 35.5% for Vieques, as reported in Table 4. The overall increase in revenues reported in Table 3 is 117% for Culebra and 110% for Vieques.

Table 4: Ridership Changes from higher Fares for Island Service

	Ridership	% Change
Culebra	281,154	-41.6
Vieques	349,366	-35.5
Total	630,520	-0.38

Source: Steer

Island Service Future Cargo Revenue

Cargo revenues are currently \$2.5 million annually. It is planned to raise various cargo charges by close to 50%, with the notable exception of trucks.

Steer has not been able to develop a bespoke demand and revenue model for cargo on the Island service, but in previous memoranda **Steer estimated cargo revenues under the higher charges at \$4 million a year**. We believe this is still a reasonable estimate.

Metro Service Future Passenger Revenue

Metro service base fares will increase from \$0.50 to \$2.00, with children and seniors free of charge. In a previous memorandum **Steer estimated future revenues for the Metro Service at close to \$900,000 a year**. We believe this is still a reasonable estimate.

Conclusions

Steer estimates for future revenues in Phase 2 to be nearly \$8.9 million a year. The revenues can be expected to increase at 3% a year at least, reflecting 1.5% annual fare increases and a background growth potential of nearly 2% a year described in a previous memorandum.

Table 5: Total Revenue Estimate for Phase 2

	Revenues
Island Service Passenger Revenue	\$3,963,500
Island Service Cargo Revenue	\$4,000,000
Metro Service Passenger Revenue	\$900,000
Total	\$8,863,500

Source: Steer