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## **LAS VEGAS MONORAIL: 2006 a ridership train wreck**

### **December was system's worst month**

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The Las Vegas Monorail saw ridership collapse by more than 30 percent in 2006, capping a disappointing year with its worst ridership month ever in December, according to monorail statistics.

The monorail drew 15,430 daily riders last month, well below the previous ridership low of 18,197 in January 2006 and short of the rail line's 2006 daily average of 19,219 riders. That latter average was a 31.7 percent drop from 2005's everyday norm of 28,122 riders.

Last year's turnstile counts are far from the 11 percent gain in ridership that monorail officials in late 2005 predicted for 2006 -- an estimate officials now deny ever making -- and much worse than a 13 percent passenger drop that officials now say was expected.

Nonetheless, monorail officials Monday took an optimistic view.

"The monorail's current daily ridership of approximately 20,000 riders still far exceeds most rail systems throughout the country," said Ingrid Reisman, a spokeswoman for the Las Vegas Monorail Co.

As for the off-base ridership forecasts, "there's other factors that weren't taken into consideration (when predictions were made), one of them being 'The Deuce,' and that some of the marketing efforts are still launching," Reisman said.

"The Deuce" is a Citizens Area Transit double-decker bus line plying the Strip that has been credited for stealing some potential monorail riders. The route carries about 30,000 daily riders.

When the monorail opened to the public in mid-2004, officials predicted as many as 50,000 daily riders, a target that no longer is seen as realistic for the four-mile line, which runs between Sahara Avenue and Tropicana Avenue, mostly along Paradise Road behind the Strip's east side.

The monorail's precipitous ridership drop coincided with a late December 2005 increase in the base one-

way fare to \$5 from \$3.

In 2005, monthly ridership averages ranged from 22,000 to nearly 33,000 riders per day. In 2006, it topped 22,000 average daily riders only in April and never topped 20,000 after May.

At the time of the fare increase, monorail officials hoped that any flattened ridership would be more than made up by heightened revenues.

"There is an expectation that we'll see, as a result of the fare increases, some decrease in ridership. We expect to increase ridership from marketing efforts. Hopefully, the two will offset," monorail president and CEO Curtis Myles told the Review-Journal on Dec. 14, 2005, at the newspaper's offices, where he offered the 11 percent ridership gain forecast.

Now, officials deny that prediction was ever made.

"At no time has anyone at the monorail ever expected ridership would increase after fares" went up, Reisman said. Instead, she said, projections last year anticipated a 13 percent ridership loss.

"It is always expected that a transit system fare increase would result in a ridership decrease; however, the monorail implemented marketing initiatives simultaneously (with the fare hike) to boost ridership," Reisman said. "We expect to see the full impact of these initiatives in the next year or so."

Many of the marketing efforts -- including expanded ticket-vending locations and partnerships with hotels and conventions -- were planned to start shortly after the monorail opened.

But many of the plans weren't launched until last year, after the monorail got past mechanical problems that kept the train sidelined for most of 2004 and a management shake-up in 2005.

Last year, Myles said he hoped for a 63 percent rise in daily revenues, a number that Reisman now contends simply reflected what sort of a revenue gain was needed to break even.

That increase in 2006 was 4 percent, with farebox revenues producing an average of \$86,062 per day.

That is well short of the estimated \$123,000-plus that the monorail needs from passengers each day to break even. The monorail's daily operating and debt costs are about \$167,000, part of which is covered by advertising sales and other revenue streams, according to financial reports from credit rating firms.

The privately financed \$650 million line has never made a profit and has fallen far short of revenue targets promised to bondholders who underwrote the bulk of construction costs.

That caused some credit rating firms to drop the Las Vegas Monorail Co.'s grade to "junk" bond status in 2006. Fitch Ratings, a New York City-based firm, has the monorail's bonds rated as a subpar CCC with a "negative" outlook.

Last fall, a Fitch official said "default is a real possibility" as soon as next year if the monorail cannot find a way to make more money.

Based on Fitch's estimates, the monorail was expected to lose \$22 million in 2006. The monorail did not disclose an actual loss, but last year officials said they are dipping into cash reserves estimated at \$89 million to cover its shortfalls.

Taxpayers are not obligated to bail out the monorail should it go bankrupt. Minus some sort of voluntary bailout offered by the public or private sectors, bondholders and an insurance company would eat the loss.

Fitch analysts have suggested the \$5 fare is probably too high.

Monorail officials are noncommittal on whether that increase would be rescinded. "Fares are just one piece of data we're constantly looking at," Reisman said.

Monorail officials did not offer a firm ridership projection for 2007.

Officials hope that a \$500 million planned monorail extension to McCarran International Airport will increase ridership, but a plan to pay for such an upgrade -- given the monorail's poor credit rating -- is unclear, as is whether increased ridership spurred by the airport leg would offset increased debt to build the extension.

Monorail backers have said they do not plan on asking taxpayers for money. But analysts at Fitch have expressed concern whether there would be any sort of a market for additional bond sales, given the monorail's finances.

If financing is found, construction could start next year with an opening by 2011.

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