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Commentary by Patrick Brown
Fare increases can devastate coastal communities

On March 31, 2011, the Ferry Commissioner gave preliminary approval of annual increases up to 8.23% per year for the next four years on BC Ferries' 'minor routes'. The Ferry Advisory Committee Chairs (FACC) called attention last November to the severe impact that continual massive fare increases have on the smaller coastal communities served by these ferries. The Commissioner's preliminary decision is open for public comment at bcferrycommission.com or 250-339-2714 until June 30.

The government has now agreed to a review of the effect of fares set under the 2003 *Coastal Ferries Act* (see article, page 1). And the government must seriously consider substantial increases in the Ferry Service Fee (though still frozen during a review), as well as the financing of new vessels.

Creating the Social Contract

Since the early 1960s, the provincial government has operated the ferries, including the minor routes, through a government department and then a Crown corporation, providing a service which residents and visitors rightly regarded as their 'marine highway'. The FACC succinctly describes the social contract that was established: 'In coastal communities dependent upon BC Ferry service, physical and social infrastructure, homes, businesses and economies have become established based on the reasonable expectation that affordable ferry transportation would continue to function as an accessible lifeline to these communities.'

Breaking the Social Contract

'This new contemporary structure ensures long–term service commitments, modest and predictable average fare increases, and a major investment in vessels and terminals to support tourism growth in British Columbia,' said Minister Judith Reid on announcing the *Coastal Ferry Act* in 2003.

Eight years after the 'privatization' of BC Ferries, the fare increases on minor routes have been anything but modest. While the government promised that fare increases would relate to increases in the cost of living, this relationship has turned out to be several times the cost of living. Compounded, it means that fares have risen some 70% over the period since 2003 (some commuter fares over 100%), while the Consumer Price Index has risen only 11%.

The social contract implied in Minister Reid's 2003 announcement has been well and truly broken. In coastal communities, the negative impacts of continued steep fare increases are apparent.

Impacts on Coastal Communities

A November 2010 FACC report, 'Community Impacts of Escalating Ferry Fares', describes a number of effects:

• there is a serious 'affordability crunch'. Incomes on coastal ferry-dependent coastal communities are generally lower than provincial averages, with a high proportion of seniors on fixed incomes and a low-paid work force. But higher ferry fares increase the cost of bringing goods and services to the community, and of accessing goods and services not available in the community;

• younger residents decide to leave these communities, and young families are reluctant to move there. This leads to declining school enrolments and shortages of labour and volunteers to provide needed small-community services;

• the community's business climate is increasingly uncertain, discouraging both existing and potential enterprises; the cost of bringing in materials, of shipping products out, and of accessing customers outside the community is increased;

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• fewer tourists, no day-trippers, reduced income from visitors, accommodation, restaurants, etc; increased ferry costs discourage potential customers from visiting the community;

• residents take fewer trips away from the community; seniors have less contact with their grandchildren, who in turn visit their grandparents less often; and

• residents commuting to nearby Vancouver Island or Mainland centres for work have faced even higher 'prepaid' fare increases; the cost of ferry travel forces them to move away.

To quote Royal Roads University's Dr Philip Vannini: 'Diversity, the lifeblood that fuels island life, is also at risk. As diversity is lost, so are community integration, civic spirit, economic vibrancy and collective identity. What follows might be the death of island living as we know it.'

According to the FACC, the cumulative impact is 'approaching crisis proportions'.

Why Do Fares Always Go Up?

Fare levels are set by the Ferry Commissioner, whose primary responsibility is to ensure the financial viability of BC Ferries Services Inc, the government–owned operator of the ferries. Higher taxes and higher federally–mandated crewing levels have contributed to increased operating expenses. The minor routes have absorbed their share of the costs of upgrading major terminals.

Fuel costs: BCFS operates an aggressive hedging program to minimize the cost of fuel, and the Ferry Commission has authorized a system of 'fuel surcharges' which essentially passes the fluctuations in fuel prices, both up and down, directly to ferry users, so they are not built in to the fare structure. This June 1, a 2.5% surcharge has been applied on main routes, and 5% on 'minor' routes (except Horseshoe Bay–Langdale, Prince Rupert–Haida Gwaii, and Prince Rupert–Port Hardy.

New ferries: Over the past few years, BCFS has built or purchased a number of new ferries. However, the aging 'minor routes' fleet has not benefited much from this program, which has essentially 'used up' the borrowing capacity of BCFS. New northern route ferries have had to be specifically financed by provincial government money.

House of Cards

Return on Equity (ROE): Falling ridership has resulted in actual ROE of around 2%, and the company's traffic projections for the next four years anticipate no increase (in fact, as the factors listed earlier indicate, traffic may well decrease). Higher fare increases designed to ensure a 13% ROE (in order to ensure the confidence of lenders) will result in less ferry traffic, leading to even higher fare increases, resulting in even less traffic—a vicious circle, eventually to be accompanied by significant changes in the communities served by the ferries. The 2003 Business Plan failed to anticipate this. ✐

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