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Commentary by Patrick Brown

Anatomy of a body blow

Do you remember: 'Follow the birds to Victoria'? It used to be the slogan of the government-run BC Ferries. Five years after the *Coastal Ferries Act* and the 'privatization' of BC ferries, the seagulls have come home to roost—in Victoria (surprise!).

In 2003, the newly elected Liberal provincial government, looking for a prototype for the 'privatization' of BC Hydro, seeking to make political capital out of the previous NDP government decision to have fast aluminum catamaran ferries built in BC, seeking to limit both the political and financial responsibilities for providing ferry services to coastal communities, and facing the need to borrow over \$2 billion in shipbuilding costs to renew much of the aging fleet, decided to 'sell' BC Ferries. Since it was already a Crown Corporation, and there were no waiting buyers, the government exercised considerable accounting ingenuity to sell it to itself, stripping the corporation of assets as it did so.

Thus was born BC Ferry Services Inc (BCFS), an undercapitalized corporation, with an ambitious, but risky, business plan 'regulated' by a Commission whose responsibility was to ensure its financial viability (so it could borrow money), and if necessary ignoring any other public interest.

Over the last five years, the emphasis of BCFS has certainly changed from providing the transportation infrastructure for the coast to being a profitable monopoly corporation. The government has stubbornly limited its financial exposure, refusing to review its original business plan. New ships have been built, mostly outside Canada, with over a billion dollars borrowed by the now 'independent' corporation. Directors and officers have received substantial increases in remuneration.

Fares, originally forecast to rise modestly with the cost of living, have more than doubled on some minor routes. Recently, in addition to announcing its intent to move to new offices, it has taken to defining its services as 'products', thus raising the possibility of discontinuing them if they do not yield profits. And in a novel example of political blindness, the government has appointed the brothers Stolen, one to the Board of Directors, and one to the 'regulatory' commission.

Here Come the Seagulls

Besides significant increases in operating costs, BC Ferries has been hit with large increases in fuel costs. The government has refused to increase its subsidy to absorb even part of these increases, insisting that the 'user pay' principle apply. As a result, fare surcharges have suddenly raised the cost of travel well beyond that anticipated in the original business plan, and the resultant decreases in traffic threaten the profitability of both the minor routes (which were subsidized to the extent of some \$100 million per year by the government) and possibly the major routes (which were previously said to be profitable). Following substantial increases in fares in August, traffic in September was said to be down by as much as 12%.

Following 'private sector' practice, BC Ferries Services has announced the discontinuation of some less-utilized voyages, and the assignment of smaller vessels to others. This appears to have extended even to the parking of some of the new German built 'Super-C' ships (which were said to be more economical than their predecessor 'C' class ferries) in favour of the older ships (which are now said to be cheaper to run).

All of this is entirely consistent with the privatization of a public service, particularly one dependent on an adequate government subsidy. Indeed, the government has increased the subsidy to the Northern Routes, when it earlier became evident that the necessary fare increases would completely kill the business.

Its stubborn refusal to increase the subsidy to the 'minor routes' has raised the possibility that services to the Gulf Islands will be cut back as well. In fact, the government refused to recognize that the increase in fares, and resulting reduction in traffic, so changed the situation that the business plan needed to be changed and the subsidy increased.

Conflicting Objectives

When a transportation company providing a scheduled service faces overcapacity (or declining traffic) it has two choices: to run less often, or to use smaller vehicles (as is proposed for ferries on major routes). In the case of BC Ferries' minor routes, each ferry has been designed specifically for the service

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it provides, and substitute vessels are generally not available.

This is where the objectives of any private company conflict with the responsibilities of one owned by the government, no matter who is managing it. Thus it is that the Minister of Transportation has suggested cutbacks in service, to better match capacity with demand. This strategy is similar to that adopted for the major routes.

The Situation is Different

The residents and businesses on the Islands are there because the government, for decades, has provided scheduled ferry services at reasonable cost. This is, in fact, both a contractual and a moral obligation on the part of the government, much as British Columbia itself is part of Canada because a railroad was committed to and built. Cutbacks of any sort represent a breach of faith on the part of the government.

Islanders are not unreasonable when it may come to changes in how this service is provided, but there is no doubt that it is a continuing entitlement. Islanders have chosen to live where they live, do what they do, shop where they shop, and work where they work, based on this moral and financial commitment by the provincial government. These are their rights as citizens of British Columbia.

And, indeed, they have little choice. While many users of the main route ferries can choose not to travel so often, many Islanders must travel—it's not an option. Thus it is that in the face of savage rises in ferry fares that clearly break the commitment, and threatened cutbacks in service, Islanders are entitled to expect that the service will continue, and at reasonable fares. And the provincial government cannot continue to escape the responsibility to keep them reasonable.

It is significant that Islanders (and this includes Vancouver Islanders) have insisted that the ferry service be compared to a

highway—transportation infrastructure—available when needed.

Reductions in service amount to closing the road, an entirely unreasonable and unforeseen action. It is possible that new approaches to providing an equivalent service can be initiated, but they would generally require capital expenditures for vehicles and terminals. The planning has not been done; the consultation has not occurred. Ships are not buses, where reductions in frequency of service or size of vehicle are relatively easy to accomplish.

A Coastal Insult

The government, of course, is responsible for highways, no matter how they are paid for. Thus it was that, a couple of weeks ago, Premier Gordon Campbell, anticipating a provincial election, and with his eye on the possible loss of seats in the BC interior, suddenly decided to lift the tolls on the Coquihalla highway, a total of \$57 million per year.

This was a political insult. We know that the premier had political motives in mind because apparently the relevant Ministry had just spent \$100,000 on building additions to the toll booths, which the premier happily helped to destroy the following day.

The Coquihalla highway carries about 3.4 million vehicles per year; BC Ferries' minor routes (not counting Horseshoe Bay/Langdale and the North Coast) carry about 3.6 million. The Saanich North and the Islands provincial seat is currently occupied by Murray Coell, a cabinet minister. Ferry users (at least 750,000 of them) would appreciate a substantial rollback in fares, and a committed contribution by the provincial government to fuel costs. Instead, they have been ignored and insulted by the government.

Over to you, Mr Campbell and Mr Coell. ✍