Reprint
Island Tides
Visit www.islandtides.com to read the current edition and more find more interesting articles on other BC, national & international topics in our extensive archive of newspapers and articles.

Reprint from Volume 20 Number 24 December 11, 2008

BC Ferries' summer quarter shows lower profits

Patrick Brown

BC Ferries' has published results for the second quarter of its 2008/09 fiscal year (the peak travel months of July, August, and September) which show increased average fares but declining vehicles and passengers traffic on both major and minor routes; resulting in lower profits. This quarter is traditionally the most profitable one of the fiscal year. Together with profits from the first quarter (April to June), the summer's profit is expected to compensate for losses normally experienced in the winter months.

Fare increases may well have had an effect on traffic on the ferries. Compared to the three months of the previous summer, major route vehicle traffic is down 6.9%, passenger traffic down 6.6%. On minor routes, a similar phenomenon has occurred. Vehicle traffic is down 5.4%, passenger traffic down 3.7%.

However, according to published management comments: 'ferry traffic is affected by a number of factors, including transportation costs, the value of the Canadian dollar, weather, global security, levels of tourism, disposable personal income, the local economy, demographics and population growth.'

Fuel Surcharges Muddle The Picture

At first glance the figures show revenue increases. However, report figures are confusing due to an accounting change; fuel surcharges, previously not included in fare revenue totals, have been included since April 1. Thus increases in total fare revenue figures are due to this fuel surcharge inclusion.

When the estimated revenue attributable to fuel surcharges is deducted from the recorded fare revenue, the recorded fare revenue is lower than the summer quarter last year.

For example: on the major routes, the recorded increase in fare revenue is $8.6 million, but this includes fuel surcharges of $10 million; on the minor routes, the recorded increase in fare revenue is $4.2 million, but this includes fuel surcharges of $5.1 million.

Expenses Up & Down

An increase in the total cost of fuel of $12.3 million is the largest factor in a $14.8 million increase in operating costs for the quarter. Previously, fuel costs were charged to operations costs based on a predetermined budgeted price per litre, with any cost exceeding this charged to fuel cost deferral accounts.

Maintenance and administration costs were down compared to 2007, but amortization was up by 36%, reflecting major increases in BCFS' investment in its fleet and terminals. For the same reason, interest expense for the quarter is up 52% from the same quarter last year.

Net Result

The net result of all this is a significant decline in both net earnings and cash flow available to invest in the company's assets. For the three months, net earnings are down by 12%, and cash flow generated by operations down by 8.4%. (The company's plans indicate that some $1.2 billion is needed for new investment by 2012, of which half is to be generated from operations and the remainder from the proceeds of bond issues.)

Management's Comments

In this 2nd quarter report, management also referred to new business opportunities including increases in commercial traffic (to be handled by the new Super C-Class vessels), the establishment of a new 'travel centre' in the new downtown Vancouver Fairmont Pacific Rim property in 2009, and the establishment of BCF Global Services Inc to 'provide consulting and management services both domestically and internationally.' ✐

Island Tides, Box 55, Pender Island, BC, Canada. Phone: 250-629-3660. Fax: 250-629-3838.
Email: islandtides@islandtides.com. Website: http://www.islandtides.com