

Link BC Ferry fares to inflation, report recommends

Capping rates is key to boosting flagging ridership: commissioner

BY ROB SHAW AND DOUG WARD, VICTORIA TIMES COLONIST AND VANCOUVER SUN JANUARY 24, 2012



Gord Macatee presented 24 recommendations to government on Jan. 24, 2012 that he said are designed to address declining ridership at B.C. Ferries, financial losses, expensive future capital plan and potential service cuts on coastal routes.

Photograph by: Darren Stone, timescolonist.com

VICTORIA — The provincial government should consider increasing its annual subsidy to BC Ferries so fare increases can be held to the rate of inflation, says the province's independent ferry commissioner.

In a report delivered Tuesday, commissioner Gordon Macatee said capping fare hikes to the rate of inflation is essential to reviving flagging ridership, which is undermining the corporation's financial sustainability.

"Current ferry fares and the proposed increases have reached the tipping point of affordability," wrote Macatee, "and are imposing significant hardship on ferry-dependent communities and the ability of people to visit family members and friends as frequently as they would like."

The government shot down a more than eight-per-cent hike to ferry fares last May, setting a flat increase of 4.15 per cent on all routes beginning April 2012.

Macatee said linking ticket price hikes to the rate of inflation has been done in other ferry companies across the world and would be reasonable. The current rate of inflation is 2.3 per cent.

The B.C. government already spends \$150 million a year in subsidies for the quasi-private ferry corporation.

“We see little alternative but for the province to consider additional service fees or subsidies,” Macatee wrote. However, he did not suggest a specific figure.

Macatee presented 24 recommendations designed to address declining ridership, financial losses, an expensive future capital plan and potential service cuts on coastal routes.

Macatee held 40 meetings in 24 communities as part of his review and said the top issue, by far, was the affordability of ferry fares.

A one-way walk-on ticket from Swartz Bay on Vancouver Island to Tsawwassen on the Lower Mainland costs \$14.25 for an adult, or \$47.25 for a vehicle (not including driver or passengers).

Ticket prices have risen 47 per cent over the last nine years on major routes, and 80 per cent over the same period on minor routes. Inflation has risen 15 per cent during that time. But ferry ridership is at a 20-year low, and the corporation is set to lose tens of millions.

Macatee’s report also cited a “gap” looming between BC Ferries’ revenue and expenses, which starts at \$58 million and rises to \$143 million in coming years.

Macatee said service reductions by BC Ferries, somewhere in the realm of four per cent of 400 sailings a year, are a reasonable move to save money.

“Ferry users have been very clear in asking for affordable fares ... but in return we’re asking ferry users to accept some reasonable reduction in service,” he said.

Macatee said ferry fares had risen sharply because of a variety of factors, including a downturn in the economy, a decline in ridership, reduced tourism and a greater reliance on the user-pay principle.

Simon Fraser University marketing professor Lindsay Meredith said the report underlines the problems with the move by the B.C. Liberal government to turn the former Crown corporation into a quasi-private sector company.

“Guess what? Sometimes when you try to morph what is basically a Crown corporation into a private-sector operation and say it will behave according to market forces — sometimes that is pretty bogus thinking.”

Meredith said the difficulty in treating a ferry service like a private corporation is that the “price point to maintain the fleet and make it affordable don’t get together on the same page.

“And your ridership tells you that by saying: ‘You know what guys, get screwed, we’re not going to do it any more.’”

Meredith said the ferry system is crucial to the viability of Vancouver Island and B.C. coastal communities — economic factors don’t necessarily fit into a private-sector model.

The SFU professor said the ferries need to be considered an extension of the highway system, which are subsidized heavily by the provincial and federal governments.

Another key recommendation is for BC Ferries to overhaul its reservation system. Macatee suggested ferry riders be encouraged to reserve a spot on sailings for free, and get charged extra if they just show up without notice, to give the ferry company more stability in loading its vessels.

“We believe the reservation tool is a very important feature,” he said.

Such a move would be a change to the way many Islanders view the ferry system — as a service they arrive at whenever is convenient and await the next sailing.

“The affordability issue is starting to trump other considerations,” said Macatee.

BC Ferries is also spending significant money on ferry replacements, terminal upgrades and other capital projects. It has spent \$1.9 billion in capital projects in the last nine years, and plans another \$2.5 billion over the next 12 years, said Macatee. He suggested the government needs to define a vision for the ferry service, and then the capital plan can be focused to accomplish that.

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