

## A sustainable future for the Minor Routes

The Coastal Ferry Act has been the cause of abnormal fare increases in trying to achieve user pay by freezing the service fees to the 2003 level and let inflation increase the users' portion of revenue by increasing fares.

We live in one of the most beautiful coastal communities in the world that has no other choice but use ferries, ships and boats as our highway system. Vancouver Island is as big as England and also heavily relies on marine transportation to fuel its economic activities.

Recognizing the fact that our ferries are part of our highways is where we should start. The reason W. A. C. Bennett got the government involved in the ferry business is because he recognised that these ferry routes were part of our highways. For some convenient political reasons we have lost sight of this vision. We have made changes to the system that have created harm to communities, life style changes to long time island residents, drastically changed the demographic of many islands, created economic hardship to some established businesses due to changes in tourist patterns and buying habits as well as altered the school population of affected islands.

By recognising the fact that the ferries are part of our highway system the government could absorbs the annual infrastructure cost (amortization and financing) as they do for the provincial highways. This could be considered an investment in creating economic growth and job creation instead of the financial down slope where we are now heading.

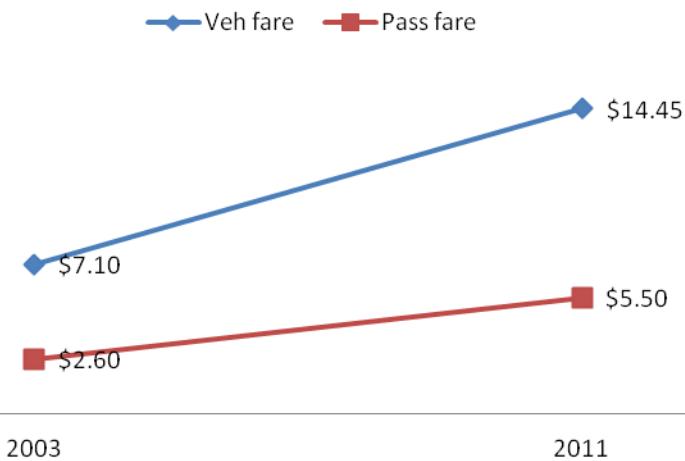
BC Ferries inherited in 2003 an aging fleet of ships that had to be refitted or replaced and paid for by the users. It was, and still is, unworkable within the present system without the annual double digit fare increases we are now seeing.

Following is a series of graphs that visually illustrate the road we have followed since 2003 and the obvious flaws that if corrected could revive the situation.

Pass. fare increase 112% & vehicle 104% (Route 19) since the Coastal Ferry Act

## Fare Increases from 2003 to 2011

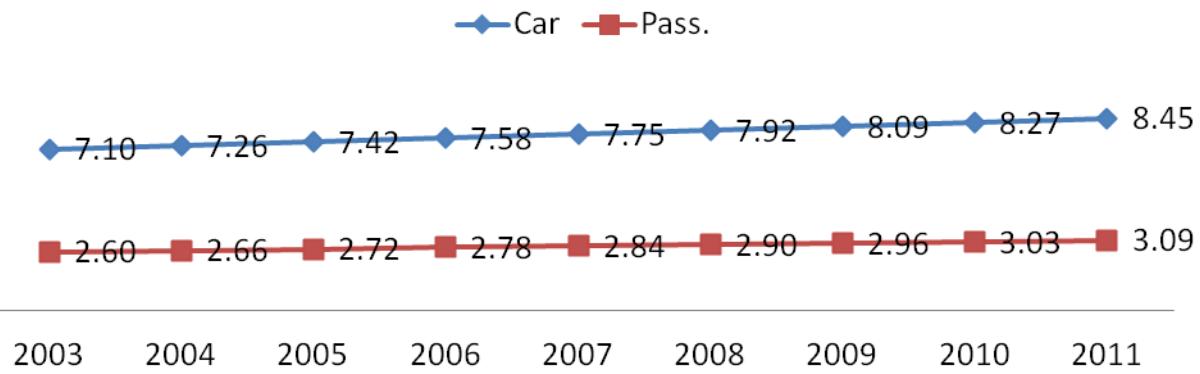
(not including fuel surcharge)



If fares would have followed the normal path of a CPI growth, which most salaries and pension are based on, then the following graph would have resulted.

(Route  
19)

## Fare increases if using the CPI - 2.2% / year 2003 to 2011: 19% for both

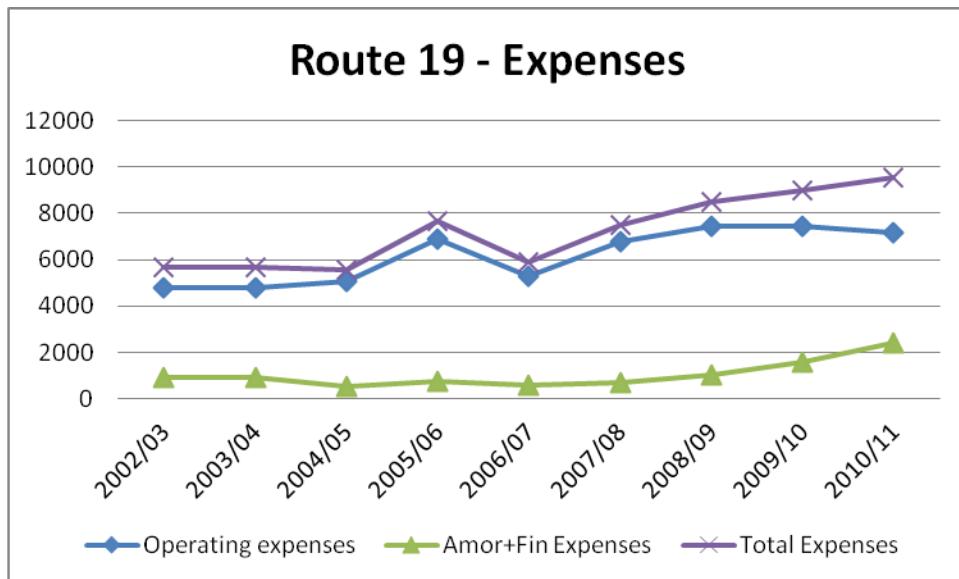


But we know this is not the case, as the above fare increases chart shows, and we already mentioned why. What we have to change is the model and start thinking out of the box and come out with fresh ideas that are more indicative of the world we live in.

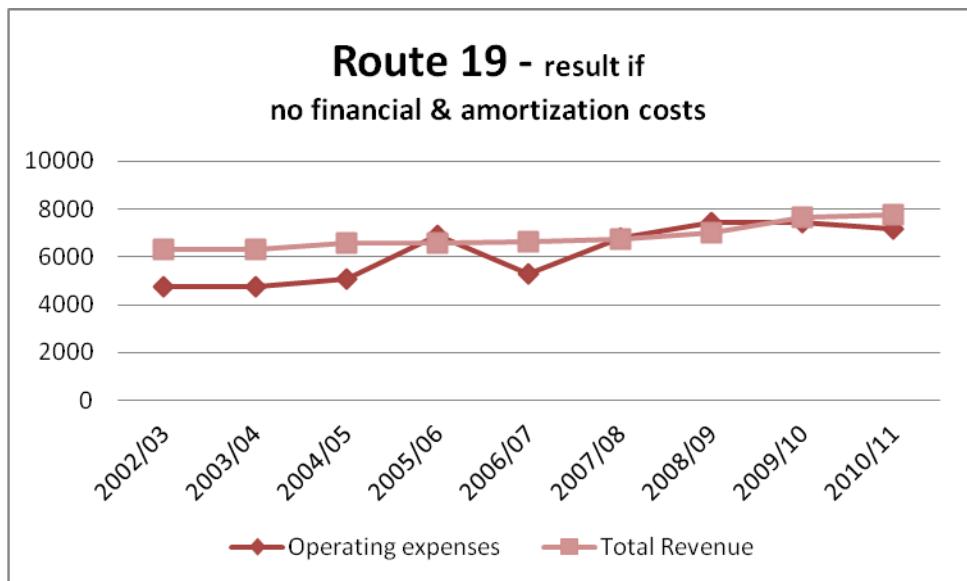
To make fare sustainable and affordable the new model should include the concept that the infrastructures (dock facilities and ships) should be capitalised by the provincial government and operating costs shared between fares and different levels of government. Innovative methods of financing the minor routes are imperative to guarantee the future of our ferry dependant coastal communities. Different levels of government would include federal, provincial, regional and local. It is the norm in most industrialised countries that public transportation costs are shared almost equally between three parties: the fares, senior governments and local governments.

In the Minor Routes Group over 50% of the costs are supported by the fares which has created the abnormality that we have been experiencing over the last ten years due to the provincial government 'user pay' policy.

The following chart shows that operating expenses are coming under control but amortization and finance expenses have been increasing at an alarming rate.

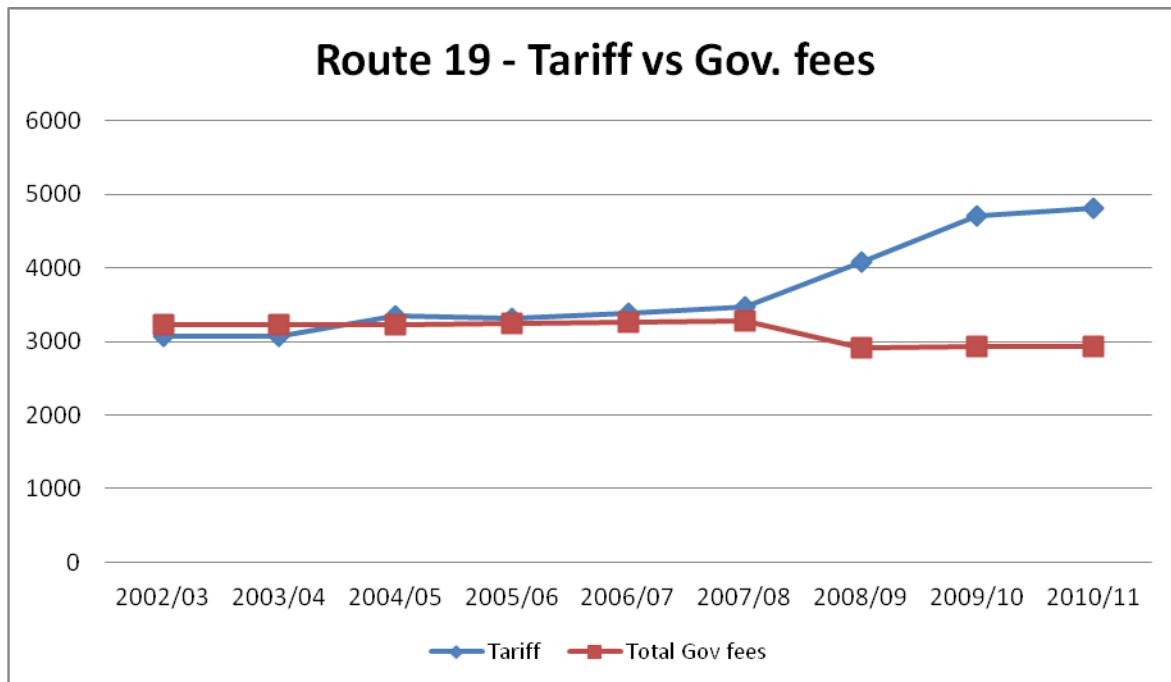


If the infrastructure costs were transfer to highways and be part of the Provincial Debt, as are highways, then the operational financial results show a more natural economic growth pattern as can be seen in the following chart where revenue exceeds expenses and fare sustainability could be achieved.



But since the government portion of the operating revenues has been frozen at the 2003 levels the shouldering of the increases in expenses has been borne exclusively by the users as planned when the Coastal Ferry Act was introduced in 2003.

The following chart shows the escalating discrepancy between the two types of revenues. A projection into the future would paint a similar deteriorating scenario.



## Conclusion

Hopefully, the soul searching that has been undertaken by the Ferry Commission will result in a successful way of putting an end to this unsustainable fare spiral.

Putting all the ferry routes under one quasi private infrastructure has created an unhealthy atmosphere for all three types of routes and has resulted in a negative synergetic environment. We have one of the most beautiful coasts in the world where hundreds of thousands of visitors come every year to admire. But we have found a way to forget our maritime heritage at the expense of metropolitan growth. Every day, during summer, we see cruise ships after cruise ships parading up and down our coast and making millions out of our heritage. We brag to have the biggest ferry fleet in the world but shine by our absence in that rich natural resource. The faint attempt by BCF to start the Prince Rupert run from a lower mainland port failed due to childish political infighting and lack of provincial leadership.

BCF should play a big role in featuring our coast and even venture into Alaska. It successfully operates all the Major Routes and should be allowed to integrate with the Northern Routes as part of a true coastal experience and integrated service and a chance to participate in the Beautiful BC bonanza. But it should divest itself of the Minor Routes if it had any hope of being a successful maritime transportation entity.

Most (some are 'quasi major') of the Minor Routes are commuter routes and differ in needs and management style offered by BCF. Costs are out of proportion to the requirement of a typical commuter routes. There are no requirements for expensive reservation systems, visitors' bureaus expenditures, widespread promotions and a multi layered management model. Despite all this heavy management structure, BCF was not ready for the scenario of a simple emergency when the Gabriola Ferry dock, on the Nanaimo side, was out for two weeks. No proper ticket arrangement for foot ferry passengers (passengers had to shuttle between the ferry terminal booth and the Nanaimo Harbour dock and missing a departure), no Point of Sales allowances from the Duke Point sales terminals (until one was brought in to handle just the Gabriola traffic) and no plan for turnaround traffic for Gabriola cars taking the Vancouver ferry and vice versa (cars had to go many kilometres away from the terminal before being able to come back, which resulted in many dangerous illegal highway u-turns).

I therefore promote the following:

1. Minor routes should be taken out of BCF and returned to the Ministry of Transportation to be managed under a type of management model that is closer to BC Transit or TransLink than to BCF. Case in mind is the Seabus in Vancouver Harbour and the Inland Ferries or what used to be before the 1985 transfer of routes from the Ministry to BCF which is the scenario for Route 19.
2. Have the infrastructure costs (capitalisation and financing) be treated the same as highways and be part of the provincial debt.

3. New financing models be explored that would have the fares covering close to 33% of the costs while the remaining portions be split between the different levels of government.

I would like to thank the Commission for giving us this opportunity and wish you lots of success in defining the resolution to those issues.

Andre Lemieux  
Chair, Ferry Advisory Committee  
September, 2011-09-28