

Stephen Hume: Increased B.C. ferry traffic shows value of discounting fares

BC Ferries will doubtless be pleased by year-end traffic statistics just in. They suggest the hemorrhage of both foot passengers and vehicles since the 2008 economic crisis — which accelerated sharply when the company imposed rapid price increases and deep service cuts — may finally have been staunched. Year-to-date totals comparing this year to last year show increases of about 650,000 passengers and 270,000 vehicles over the total ferry system, although the four main routes between Metro Vancouver and Vancouver Island and the Sunshine Coast represented the bulk of those numbers. But the apparent stabilizing of what had been a steady march downward in ridership — the passenger numbers are on track to come in around 20 million for the year, down by two million annually from 2004/2005 — may serve less to signal a recovery than to emphasize what critics have been observing, which is that affordable ticket prices are crucial to increasing ferry passenger loads.

It doesn't take exceptional perceptiveness to note that a slight uptick in ferry travel to the end of December coincides with several things. First, three temporary fare discounts — two of them as steep as 50 per cent — were in place during the long, hot, vacation-inspiring summer and final quarter of 2015. Second, the impact of Canada's bargain-basement dollar provided an incentive for both American tourists to travel and for Canadians deciding to stay home and endure high ferry tariffs rather than eat the even heavier surcharge imposed by a discounted Canadian dollar spent in the U.S. And third, a plunge in oil prices, which yielded reduced fuel operating costs for the carrier.

Observers point out that when a fare discount last November cut the cost of travelling on the ferry by car, the sharp jump in vehicle traffic uncharacteristically exceeded any increases in foot passenger traffic. This shouldn't surprise anyone. A 2014 economic study for the Union of B.C. Municipalities concluded that "ferry passenger volumes are strongly (negatively) correlated with fares, and fare increases contributed to passenger volume declines from 2003-2013."

So, is the glimmer of good news a harbinger of good things to come for BC Ferries? Or, with the provincial government's mania for forcing the ferry corporation to try to recover virtually all its costs from customers, is this likely just a blip in the pattern of declining use?

Right now more than 80 per cent of ferry operating costs are recovered from passengers. Meanwhile, cost recovery from customers of TransLink, BC Transit and other provincial and regional highways infrastructure is pursued with far less enthusiasm. TransLink recovers about 57 per cent of its operating costs at the fare box. BC Transit recovers about 28 per cent. The province, which operates the inland ferries as part of the highways system, charges nothing for the service, so its cost recovery is zero. So much for cabinet ministers pontificating over the merits of user pay.

Here are the questions taxpayers should be asking their government, which is the owner of the carrier that purports to be a private enterprise: Did this promotion to boost ferry traffic make money? How much of the traffic enjoying half-price travel would have been on those sailings anyway regardless of the discount? How many were not planning travel but were enticed by the lower fare?

It's reasonable to suspect that without the steep fare discounts of these BC Ferries offseason promotions, ridership will once again stagnate or decline as price-resistance removes more and more discretionary travellers from the equation. The UBCM study found that the hidden costs of the province's ideologically

driven userpay program for the ferry system amounted over the past 10 years to a loss of \$2.3 billion to provincial GDP. Its analysis shows that each dollar of tax revenue invested in BC Ferries generated \$8.40 in economic activity — “much of which is in communities that are not coastal or ferry dependent.”

And the cost of reduced travel because of foregone economic activity resulting from resistance to fares that increased faster than the rate of inflation resulted in the loss of \$609 million in tax revenues over the decade from 2003 to 2013. The recent statistics suggest the province should be focused on increasing ridership, not restricting it.

The choice is either continued price escalation with yet more price resistance so that fewer and fewer riders pay more and more for less and less service, with a concurrent subtraction from provincial economic activity, or a user-pay model for ferry travellers that is more in line with other public transportation services.

shume@islandnet.com

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