

## **Your Ferry Advisories Working For You Stop erosion of 'prepaid' discounts, say ferry chairs Island Tides – April 3/08**

Representatives of ferry users on BC Ferries' minor routes have voiced strong objections to the fact that prepaid fares, used by frequent travellers, have recently shown much higher percentage increases than the percentage increases applied to regular cash fares. Historically, most 'minor' routes, which serve the smaller Islands, have sold books of five or ten vehicle or passenger tickets at a significant discount to the regular fare price, provided of course that the purchaser pays for the tickets in advance. (This system, in modified form, continues with the new BC Ferries' Experience™ Card; see page 1.) These prepaid fares are used by Gulf Islands and Sunshine Coast residents, particularly those who use the ferries to commute to work. The percentage discount from the 'cash' fares has historically differed from route to route, but for each route has remained relatively constant from year to year as fares inexorably rose. However, recent fare increases have seen significantly higher percentage increases to prepaid fares than to cash fares, and thus the effective discount percentage for prepaid has been reduced.

Discussions between the Chairs of Ferry Committees, BC Ferries, and the Ferry Commissioner, over the past few months, have identified two major parts of the calculation used to apply fare increases that have led to this apparent anomaly.

### **Fuel Surcharge**

Each time there is an increase in the fuel surcharge, it is applied as an *equal dollar amount* to the cash fare *and* the equivalent prepaid fare. Since the prepaid fare is less than the cash fare, the percentage increase to the prepaid fare is higher. The Ferry Committee Chairs have asked that the surcharge be allocated so that the resulting percentage increase to each fare is the same, thus maintaining a constant percentage differential.

### **Adjusting Average Fares**

The second cause of inequality in fare increases is more complicated (take a deep breath):

1. Some minor routes are experiencing a yearover-year decline in ridership. This decline

appears to be more significant among cash fare travellers than among prepaid fare travellers, who presumably have less choice as to whether and how often they use the ferries. (A related conclusion might be that as fares keep rising, traffic goes down; economists know this as 'price elasticity of demand'.)

2. The fare cap set by the BC Ferry Commission for each route is a cap on the *average* fare paid by each vehicle and passenger carried, including both cash and prepaid (discounted) fares. If there is a reduction in the number of cash fares sold but no reduction in the number of prepaid fares sold, the average overall fare will be less.

3. If the Commission authorizes a fare increase of, for instance, 4% in the average fare, BC Ferries cannot easily apply an increase of more than 4% to the (advertised) cash fare. Therefore (as ticket sales drop), in order to bring the average fare up to the allowed cap, an increase greater than 4% is applied to the (unadvertised) prepaid fare. In other words, the prepaid farepayers are being asked to make up the deficiency resulting from a reduction in the number of cash fare travellers as prices rise.

4. Ferry Committee Chairs ask that the percentage increase be applied equally to cash and prepaid fares, so that the percentage discount of prepaid fares is not affected. The combination of the two effects has recently led to disproportionate increases between the cash and prepaid fares. Changes in the procedure are now under consideration.