

# **OUR FERRIES** **OUR FUTURE**

## **A New Mandate to Re-Vitalize British Columbia's Ferry Dependent Communities**

*“Infrastructure: the basic structural foundations of a society, ie. roads, bridges, sewers, etc. regarded as a country's economic foundation.”*

*Canadian Oxford Dictionary*

*“The only long term, sustainable resolution to managing the costs of providing coastal ferry service is to take BC Ferries back under direct government control as a crown corporation and treat our coastal ferries as we do our highways. The entire capital and maintenance costs of the shore facilities and the fleet should be borne by general revenues with ferry fares covering labour and fuel costs. This would result in a dramatic reduction in fares and would go some distance to re-vitalizing coastal communities and restoring fairness for coastal residents.*

*The only way to achieve this outcome is to change the mandate and eliminate the fiction that our coastal ferries can or should attempt to operate on a user pay model. It hasn't worked and it can't work and the sooner it is eliminated, the better.”*

### ***Sunshine Coast Senior Citizens (COSCO-BC)***

British Columbia is blessed with a vast and varied landscape. Our people live in remote villages tucked into mountain valleys, in vibrant coastal communities and in bustling urban centers. We live and prosper in this place we proudly call Beautiful British Columbia because we cooperate to ensure that our citizens have access to the infrastructure and services we all need without regard to where they live in the province. We don't always succeed, but we always try. Building the infrastructure necessary to connect our people across our rugged province; transportation networks, electrical power, water, hospitals, schools, community centers, policing and communications has never been easy and has never been inexpensive, but that has never stopped British Columbians.

Our road transportation network, roads, bridges, tunnels, inland and coastal ferries, is one of our most basic infrastructure needs. It significantly impacts the quality of life we enjoy within our respective communities. The ability to come and go as our lives demand or as the spirit moves us; to deliver goods and services where they are needed, when they are needed is critical to our collective well being.

## **Seniors Reject The Province's so-called 'Long Term Vision' for BC Ferries**

The current mandate of BC Ferries is not working for our coastal communities. That was clearly evident in the town hall meetings convened by Ferry Commissioner Gordon Macatee in 2011 and was referenced in his January 2012 report. It is the reason for this current round of BC Coastal Ferries Consultation and Engagement process.

The Sunshine Coast Senior Citizens (COSCO-BC) rejects the so-called 'long term vision' set out by the provincial government. That 'long term vision' has dictated three more years of greater than inflation fare increases to 2016 and an additional saving of \$30 million more through fares, service cuts and options for property or gas tax increases in ferry dependent communities.

Coastal citizens deserve to be treated fairly with all other British Columbians and in our view that is not happening. We strongly support returning BC Ferries to a crown corporation delivering a public transportation service as an integral component of our provincial transportation infrastructure that is affordable, efficient and sustainable over generations.

Someone from Victoria has every right and expectation of being able to drive to Dawson Creek just as someone from Prince George has every right and expectation to drive to Nanaimo, all via publicly owned and operated transportation infrastructure, whose quality and safety the travelling public can count on.

Throughout the province the Department of Highways operates 14 inland ferries as part of our integrated provincial highway system. All inland ferries are free of charge to the users and the full costs of their operations are covered by the BC Highways budget, which is financed by the taxes of all British Columbians, including British Columbians living in coastal ferry dependent communities.

Our coastal ferries are operated by BC Ferries, a hybrid semi-autonomous corporation. All of BC Ferries' assets, the shore facilities and the physical ferry fleet, are ultimately owned by the Province, that is, by the people of British Columbia. We own BC Ferries. The BC Ferries Corporation is simply the operator of the coastal ferry system on our behalf, not dissimilar to BC Transit or Coast Mountain Bus's roles in operating our public transit system. It is important to note that the corporation is not called the 'Coastal Ferry Corporation'; it is the 'BC Ferry Corporation'. It serves the interests of BC as a whole, just as the Department of Highways serves the interests of BC as a whole.

BC Ferries operates 36 vessels on 25 routes servicing 47 destinations. All BC Ferries routes are subject to substantial fares for both vehicles and passengers, fares that of late have been increasing at well beyond the rate of inflation.

BC Ferries came into being under the premiership of WAC Bennett. He realized that the then private operator, Black Ball Ferries, was not prepared to make the level of investments in shore facilities and fleet expansion that a developing British Columbia needed. Just as Bennett bought out the BC Electric Company to create BC Hydro, he bought out Black Ball to create the base of BC Ferries, which commenced operation in on June 15, 1962, 50 years ago this year.

For forty years, BC Ferries functioned under direct government control and ownership and the service expanded and modernized as service demands increased. BC Ferries is a vital link for the over 800,000 British Columbians who live in ferry dependent communities, some 20% of our total population of 4.6 million people. It is also a vital link for hundreds of thousands of British Columbian and visitors who use and enjoy our coastal ferries.

Fast forward to April 2, 2003, when under the premiership of Gordon Campbell BC Ferries was set up as nominally independent company. The BC Ferry Authority is a corporation set up by the Province without any share capital and owns the single issued voting share of BC Ferry Services (BC Ferries). The Province of BC in turn owns 100% of the preferred shares of the BC Ferry Authority but has no voting interest in either the Authority or BC Ferry Services (BC Ferries). Notwithstanding this seemingly arm's length relationship between the Province and BC Ferries, ultimately, all of the assets of BC Ferries are assets of the provincial government and BC Ferries operates under a contract or mandate to provide ferry services as dictated solely by the government. The Province can re-write the mandate any time it chooses and those of us who live in ferry dependent communities believe it's past time to do so.

The Province turned over direct control over BC Ferries, through the arm's length relationship with BC Ferries noted above, so as to off-load costs to ferry dependent communities and put some political distance between the inevitability of disgruntled ferry community residents and the government. Less direct control was seen as a trade off against reduced contributions from general revenues. It hasn't worked. Since we believe the only long-term resolution is to significantly re-write BC Ferries' mandate such that provincial general revenues cover the capital and maintenance costs of the fleet and shore facilities, just as occurs with our highways, with fares covering the ongoing operations costs, such as fuel and labour, that the Province will necessarily and prudently require more direct control over BC Ferries operations in keeping with greater general revenue financing.

It should be noted that those of us who have had close contact with BC Ferries management and staff are impressed by their professionalism and commitment to serving the needs of the travelling public, notwithstanding some notable excesses in executive compensation. We do not find substantial fault with BC Ferries management and staff. We believe they do a good job providing a critical public service and are deserving of decent pay and working conditions. The primary points of contention with the fares and schedules of BC Ferries emanate from the

mandate BC Ferries management is directed to work under and it is the provincial government that dictates the mandate.

When the Campbell Government dictated BC Ferries' then new mandate it created an impossibility, that is, it created a so-called independent company whose mandate was to deliver a public service, the coastal ferry portion of our public transportation infrastructure, all the while striving to have ferry dependent users/taxpayers finance an increasingly larger share of the operating costs through the fares collected. The purpose was and is to limit the contribution to BC Ferries out of general revenues while demanding those same users/taxpayers finance the provincial highways in addition to financing the ferry portion of our highway. This has the effect of asking ferry dependent community user/taxpayers to shoulder a disproportionate share of the cost of maintaining our overall integrated transportation infrastructure.

If our health care system was set up to be financed only by those who were ill and in need of care, rather than by the whole of our population, it would collapse. If our school system was set up to be financed only by those parents whose children are currently enrolled in school, rather than by the whole of our population, it would collapse. If our highway system had to be paid for only by those who drove the particular section of highway, like the other examples above, it too would collapse. We are able to manage our complex infrastructure system because the risks and benefits of the system as a whole are borne and shared by our whole population. Maximizing the size of the amortization pool minimizes the costs and the risks and maximizes the benefits in a fair and equitable manner.

Our coastal ferries, like our inland ferries are part and parcel of our highway system and should be treated as such and paid for by the British Columbia population as a whole. By and large, they remain a reasonably cost effective way to connect people, goods and places. There are some who advocate building bridges and highways as a substitute for continuation of ferry services. It may well be that some of our coastal ferries might well be replaced by bridges connected to highways, at which point there would be no reasonable argument that the said bridge/s and highway ought not be part of our highway system and budget. But in the present circumstances the hard economic arguments tend to support the proposition that for virtually all of our coastal ferry routes, if bridges and highways were cheaper to build and maintain than continue to operate the ferry service, they would already have been built.

### **Past 'The Tipping Point'**

The current BC Coastal Ferries Consultation and Review follows up on the January 2012 Report by Ferry Commissioner Gordon Macatee's report. He found that that ferry fares had reached 'the tipping point', that is, the point at which the escalating fares had were producing a decline in usage. The recent round of fare increases and the ferry utilization statistics show that our downward slide in utilization is steepening. Long before the Macatee report it was clear to those of us living in ferry

dependent communities that the fares and changing schedules had combined to depress local economies, reduce visits to and by family and friends and had made commuting much less viable for coastal residents. They are strangling our respective communities.

Notwithstanding the fact that Commissioner Macatee pointed to the fact that fares in 2011 had already reached 'the tipping point' and that ferry usage was on a downward slide, the Liberals dictated further fare cap increases of 4.1% for 2013/14, 4.0% for 2015/16 and 3.9% for 2015/15, all well above estimates of projected inflation for those years. This can only exacerbate our decline.

Relying on the statistics provided in the '*25 Years of Change*' chart on page 3 of Consultation and Review Discussion Guide it is not difficult to see why 'the tipping point' was reached. Over those '*25 years of change*', and its not small change, the Consumer Price Index (CPI) for British Columbia increased by 70%. During that time, depending on the route considered, ferry fares increased from a low of 168% to a high of 437%.

On our Horseshoe Bay – Langdale route the fare increase was 204%, almost 3 times the rate of inflation. There are other comparisons than can be made. During the 10 years of the NDP from 1991-01 the CPI increased 18.2% while fares increased 40%. During the 11 years of the Liberals from 2001-12 the CPI increased 21.1% while fares increased 74%. When you look to the time frame since the Liberals set up BC Ferries as a nominally independent company and dictated the user pay mandate 2003 – 2012, the CPI increased 16% while fares increased 74%, or 4 ½ times the rate of inflation! Stated another way, for the years prior to the creation of BC Ferries as a nominally independent company, fares increased on average by 4.6% per year during 1987-02 whereas for the years since, 2002 – 2012 fares increased 6.7% per year.

The above figures are approximations, as the '*25 Years of Change*' chart does not provide exact year-to-year statistics. However, what is clear is that the user pay mandate dictated to BC Ferries management by the provincial government has created unfairness for coastal communities when it comes to the cost of transportation infrastructure and cannot be made fair under the user pay mandate.

As has already been stated, the management and staff of BC Ferries do a reasonably good job of running our coastal ferries within the restrictive mandate they have been given. In our view the problems faced by coastal communities lies not so much with BC Ferries but rather the problem is that it is the wrong mandate! BC Ferries have since it creation, always been and will always be simply another component of our integrated provincial transportation infrastructure, no different than roads, bridges and tunnels, a means to travel from point A to point B, and should be treated and funded as such, as a public service financed through general revenues.

During Commissioner Macatee's public town hall meetings during the fall and winter of 2011 the message rang out loud and clear: our ferries are our highways. We don't mind paying our fair share of the overall provincial highway budget. We don't even mind paying reasonable ferry fares to help finance the ongoing operation of BC Ferries, but we do take issue with being expected to pay our fair share of the highways budget **and** having to pay the lion's share of our coastal ferries. That message was stated loud and clear and it was reflected in the MacAfee Report to the provincial government, but it appears to have fallen on deaf ears!

With this latest Consultation and Engagement process, the provincial government has, without regard to the interests of coastal communities, set down its own 'long term vision', even as future fare caps have been set well in excess of anticipated inflation, further tipping the balance against our coastal communities. This 'long-term vision', apparently fogged by 'free market' ideology, now seeks input from coastal communities on how to effect a further \$30 million in cuts by 2016, through service cuts, fare increases and/or coastal property or fuel tax increases.

The current BC Government thinking is that new bridges and highways ought to be paid for, at least in part, via the collection of tolls. However, that position is modified by the caveat that tolls will only be charged for new infrastructure where a non-tolled transportation route is available to the travelling public. For coastal ferry dependent communities, there are **no** non-tolled options, and yet fares are charged to all users, and those fares are escalating rapidly.

An intelligent argument could be made that in the interest of fairness that there should be no fares whatsoever charged to ferry users and the whole of the capital and operating expense should be covered as part of the provincial highways budget. However, as stated, those of us who live in coastal ferry dependent communities, in general don't take particular exception to having to pay something by way of ferry fares, but we do take great exception to being uniquely treated as cash cows by the provincial government who has set out on a path which is bleeding our communities dry.

Coastal ferry dependent communities are socially and economically reeling from rapidly escalating ferry fares and the already implemented and now considered cuts to ferry services will make it worse. There is growing angst and anger at the provincial government over their mis-management of the BC Ferries file and there is an election coming.

It is with some measure of tongue-in-cheek black humor that coastal communities wonder what the public reaction around the province would be if the provincial government were to say to British Columbians, 'Sorry folks, from here on in, we are going to close your highways from 9 pm until 6 am, and during operating hours, you can only drive the highways in hourly or two hour intervals, after which you have to stop and wait for an hour before you pay again to drive any further. We will also be restricting how many of you will be allowed to use the highway during each of those



intervals. If you are towing a travel or boat trailer, we will charge you more because you are taking up a greater length of highway as you drive. Further, we intend to raise the tolls for driving your highway each and every year well in excess of the rate of inflation and we reserve the right to change the driving schedules, as we deem necessary. Finally, if you don't like it, don't complain to us, it's your own fault for choosing to live in Kelowna, or Prince George, or Nelson, or Smithers, or.....".

The current round of coastal ferry consultations being convened by the Province are viewed with extreme skepticism across coastal ferry dependent communities. Rather than go out with a mandate to find out what coastal communities want and need by the way of dependable and cost effective ferry service, the province has already implemented cuts to ferry services, they have dictated additional fare increases for the next several years, once again well in excess of inflation and now they now say to our communities, we are 'consulting' you as to how we save \$30 million dollars. They say they want to hear from us as to what combination of additional fare increases and service reductions would we recommend to make our lives more difficult and the lives of our communities more precarious. It's a little like being told that you will be executed at dawn, as the executioners feign interest in your preference in the manner of your death!

### **Rethinking the Coastal Ferry System**

The Consultation and Engagement Discussion Guide posits 'two broad questions' and lists a number of 'considerations' under the disingenuous sub-heading 'Rethinking the Coastal Ferry System'.

We want to give brief responses to each of those considerations.

#### **1. *What is the best way to connect coastal communities?***

*(a) Is there an opportunity to connect coastal communities using alternative ferry technologies, such as cable ferries or passenger-only vessels?*

With respect to the issue of cable ferries, the short answer is yes. There is one route only that could employ a cable ferry and if it is cheaper and still provides those residents with reliable service, they probably don't care what the motive force of the ferry is so long as it works. This is not a question for suitable for province-wide public consultation, it is more properly a provincial government decision taken in conjunction with BC Ferries management and the Department of Highways in consultation with the residents of that community.

Is there a case for passenger only ferries? Yes, on some routes commuters would welcome such a service but those who need vehicle service should not be short-shrifted to pay for the passenger only vessels.

*(b) Are there some routes that could be served using a combination of passenger-only ferries and a barge that carries vehicles?*

Possibly. The intent behind the question is somewhat unclear. Barges can be self-propelled or can require an independent motive force such as a tugboat. Does the question suggest that vehicles would be moved by barges that carry vehicles only with passengers having to make the crossing via passenger-only ferries, travelling at different times, thereby forcing passengers to commit more overall time having to recover their vehicles on the other side? If so, this is wholly unworkable. Does the question suggest that passengers and vehicles travel together on the same barge, self-propelled or moved by tug, in which case, is this really very different from a basic ferry. Whatever is intended by asking the question, what can be safely said is that in general travelers are less concerned with the specifics of the vessel that provides the transportation service than they are with the frequency, reliability and convenience of the service.

This is also not a question suitable for province-wide consultation, rather it is a decision that should be taken by the provincial government in conjunction with BC Ferries management and in consultation with the potentially affected ferry communities.

*(c) Are there routes where the proximity and service needs are such that two or more routes could share a car ferry and a passenger-only ferry on alternate days or parts of days?*

The terse answer is 'Are there BC communities that would tolerate only having access to their highway every second day or for only part of the day?' The answer to that is NO! Condemning people to vehicle access only every second day would mean a forced two night stay away from home every time they needed to travel with their vehicle, which for most low volume routes, where transit service is non-existent, would be for most of their trips. For people with mobility difficulties, this would be a particular hardship as their ability to make use of passenger-only services is often problematic. One could envision a resultant legal action against BC Ferries and the Province for discrimination in service delivery on behalf of handicapped people.

*(d) While a bridge between Vancouver Island and the Lower Mainland is not possible in the foreseeable future, should the feasibility of a bridge be explored on other smaller routes?*

The answer is yes. Most ferry dependent communities would trade reduced ferry service for 24-7 road access, especially if the resultant road and bridge costs were properly covered by the Department of Highways budgets, thereby eliminating ferry fares. This is a discussion best suited to provincial government consultation with those particular communities.



*(e) Is there an opportunity to improve linkages between ferry terminals and communities with better cycling connections or better public transit service?*

- This could work well with a plan to improve service for people while reducing the necessity for larger automobile ferries on the routes in question.*
- Similarly, the promotion of cycling infrastructure could encourage passengers to shift from the heavy, more expensive vessels that carry vehicles.*

Yes, more cycling and transit connections should be encouraged. On the Sunshine Coast it could result in a boost in tourism and would certainly be welcomed by commuters. However, for the vast majority of ferry users, vehicle transportation services will still be the core required service, given the travel distances from home to the ferry and to their final destination/s on the other side and the items that must be carried in both directions. Families, friends and businesses are not necessarily neatly positioned along major transit routes. Most of us in ferry dependent communities have our 'city lists' of things that are either not available or are in such limited availability in our home communities that we turn to the city to supply those needs and we run around throughout our respective urban centers ticking off our 'city lists' at numerous locations, few of which are easily accommodated using public transit. Urban retailers would not likely appreciate the loss of business that restricted vehicle service and therefore restricted purchasing would produce, nor would our provincial and federal tax roles benefit from the loss of those sales. Better public transit would see higher passenger only use of our ferries, but if the cost were reduced vehicle service, most ferry dependent communities would not see that as a fair trade off. Cycling should be encouraged but is not a realistic alternative mode of transport for the vast majority of ferry dependent community populations, and never will be, especially in the fall, winter and spring when the rains that make our coastline so green deliver their liquid load or for those with mobility challenges.

*(f) Would you support the use of alternative fuels, such as liquefied natural gas (LNG), to power ferries where it is economically feasible?*

- LNG is currently cheaper, is plentiful and produces less particulate pollution and carbon dioxide than the diesel fuel currently used by the BC Ferries fleet.*

This is an issue for BC Ferries management and is not appropriate for public consultation. If an alternative fuel is economically feasible and produced less pollution, then just do it! If the current price advantage cannot be relied upon in the long run, then the lower pollution aspect might be reason sufficient regardless of price, but this is properly a BC Ferries management decision, not a public consultation issue. This question has been clearly added to create the illusion of consultation more than the substance.

*(g) Should BC Ferries look at standardizing vessels and docks to allow the flexibility to switch ferries and crews between routes?*

- *The BC Ferry Commissioner has recommended that the ferry service move to three sizes of ferries (small, medium and large), which would provide flexibility to switch ferries and crews between routes, thereby saving training costs.*

This is another question that should be directed towards BC Ferries management and is not appropriate for public consultation and in our view has been added to create the illusion of consultation more than the substance. Decisions on vessel design and acquisition are beyond the expertise of the general public. The need for and the acquisition of a renewed fleet to meet any criteria will and should take decades to accomplish. As marine design improves over time, it is doubtful that any given vessel design would or should remain static and therefore it is to be expected that there will be necessary and specific training required for the safe operation of each and every vessel. Acquiring marine vessels is not like buying a fleet of identical minivans, in small, medium and large sizes. As to the stated rationale behind the question, the capital cost of fleet acquisition compared to and potential 'savings on training costs' is so disproportionate as to be laughable that training costs could ever be a significant driving force behind vessel acquisition.

***2. What is the best way to provide community funding to support the ferry service in the long term?***

*(a) Should property tax be increased in coastal communities to help fund ferry service?*

The short and definitive answer is NO! Shifting to coastal community property tax in addition to fare increases or as a substitute for some amount of fare increases still punishes coastal communities disproportionately compared to the province as a whole. Further it punishes residents to help subsidize vacation travel and those businesses that cater to vacation travel. And while vacation travel can certainly boost coastal community revenues, the benefits of the same are not equally distributed among citizens as a whole.

Further, burying ferry costs in property taxation simply serves to obfuscate and reduce transparency and public accountability vis a vis the true costs of operating the ferries, which perhaps is the rationale behind the question in the first place!

*(b) Should fuel taxes be increased in coastal communities to help fund ferry service?*

Again, the short and definitive answer is NO! British Columbians, including coastal residents, are already pay fuel taxes, which go to finance for our highway infrastructure. Raising fuel taxes in coastal communities only would simply

continue the unfairness of singling out our communities to fund what is a component of provincial infrastructure.

However, the Province could easily adjust fuel taxes, across the province, and allocate some portion of those revenues to help fund BC Ferries operations. That would help strike some balance of fairness about how we collectively finance our transportation infrastructure.

### **Conclusion – Change the Mandate**

The only long term, sustainable resolution to managing the costs of providing coastal ferry service is to take BC Ferries back under direct government control as a crown corporation and treat our coastal ferries as we do our highways. The entire capital and maintenance costs of the shore facilities and the fleet should be borne by general revenues with ferry fares covering labour and fuel costs. This would result in a dramatic reduction in fares and would go some distance to re-vitalizing coastal communities and restoring fairness for coastal residents.

The only way to achieve this outcome is to change the mandate and eliminate the fiction that our coastal ferries can or should attempt to operate on a user pay model. It hasn't worked and it can't work and the sooner it is eliminated, the better.

If the current provincial government cannot be persuaded to change the mandate for BC Ferries, then perhaps its time to change the government!

Sincerely,

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