

## Opinion: We should celebrate BC Ferries' unfair advantage, not stifle it

Trailer business could be a boon for fare-paying passengers and taxpayers by helping to offset some of the costs of running ferry service

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Photograph by: ADRIAN LAM, Vancouver Sun TIMES COLONIST

The brisk southerly was sending spray flying over the deck of the ferry Kahloke on the run between Hornby and Denman islands last Sunday.

Fortunately, we were one of only four cars aboard. If the 38-year-old Kahloke were closer to its capacity of 30 vehicles, the green water that rushed down the deck when the ship occasionally stuffed its nose into a wave during the 10-minute crossing would have been a lot more intimidating.

But the light load on the hourly sailing added to the burden this run represents to the BC Ferries system, which is kept afloat by \$150 million in annual subsidies.

Last year, this run alone posted an operating loss of \$1.75 million.

This is one of the routes that ferries CEO David Hahn warned last week would require a 50-per-cent fare increase over four years starting in 2012 to keep the fleet in the black, along with a 20-per-cent increase for the major routes and a 100-per-cent hike in the north.

This week, Martin Crilly, the BC Ferries commissioner, threw a wrench in a significant attempt by BC Ferries to find another source of revenue besides the islanders who depend on the service as a marine highway and the long-suffering taxpayer.

Crilly was looking at a service started by BC Ferries in 2009 that allows truckers to drop off their trailers and have them taken across and picked up on the other side. The service was in competition with Seaspac Coastal Intermodal Company and other firms, which complained that the price BC Ferries was charging was unfairly subsidized.

Crilly agreed, based on an amendment passed by the legislature last year that required him to provide a remedy if he found that BC Ferries had an unfair competitive advantage over a private company.

That advantage, he said, derived from the calculation that BC Ferries was only looking at recouping the additional costs of the service, not a portion of the costs already accounted for under the existing fare structure.

BC Ferries has an additional advantage, Crilly said, because as a public corporation it doesn't pay any income tax.

In the same interview with my colleague Vaughn Palmer on his cable television show, Voice of B.C., in which Hahn warned of the need for fare hikes, he also disputed the income tax advantage. He argued that the provincially owned corporation wouldn't pay any tax if it were a private company either because the amortization and depreciation of its assets exceeds any tax it would ever be expected to pay on earnings.

I don't doubt, however, that BC Ferries has an advantage over private competitors when it comes to making use of its existing assets to offer the trailer drop service.

As a ferry user and a taxpayer, however, I think we should be exploiting that advantage rather than shutting it down. The trailer drop service may not cover its full share of the expense of running the ferries, but it brings in new revenue that BC Ferries wouldn't otherwise have. If the higher rates it will now be forced to charge drive that business back to its private competitors, BC Ferries won't have that revenue but it will still be paying the expenses that Crilly wants attributed to the new business.

So those expenses, including the cost of covering the Kahloke as it bobs back and forth between Hornby and Denman, have to be recovered entirely from ferry users or taxpayers. The extra capacity on the ferries will go unused and consumers on Vancouver Island won't get any benefit of lower trucking costs.

And in a final irony, the business that Seaspac is trying to protect is the direct descendant of the Canadian Pacific Railway's BC Coastal Steamship Service, the company that so enraged former premier W.A.C. Bennett with its poor service that he was inspired to start a publicly owned ferry service.

cmcinnis@vancouver.sun.com

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