

What Do You Get For Twenty Million Dollars?



*Prepared by the
Ferry Advisory Committee Chairs*

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The Question: The provincial government invested \$20M in ferry service through December 2008 and January 2009, with specific objectives. To what extent were those objectives met? What did the government get for its twenty mil?

The Objectives: There were three:

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- Put to rest angry feelings on the Sunshine Coast, through restoration of the service between Horseshoe Bay and Langdale (Rte 3) that had been curtailed without public consultation,
- Restoration of service that had been trimmed on the major route group,
- Stimulate traffic throughout the system through reduction of fares by 33% for December and January.

The removal of service to the Sunshine Coast was controversial in that the specific trips cut from the schedule were critically important to some residents. It was felt that with some consultation, the same savings could have been realized without the hardships imposed by the removal of the selected trips.

Little if any complaint had been registered regarding trips removed on the major routes, as far as we know.

It was the expressed intent of the government that reduction of fares for December and January would facilitate families getting together before, during and following the holiday season. Further, it was a test period to see if fare reduction could and would stimulate traffic.

Some Context: BCFerries traffic has been declining in fiscal 2008/09, comparing monthly numbers to the same months in 2007/08. Using Point of Sale traffic numbers provided by BCFerries, the results are as follow and in attached graphs:

	<u>Passenger Traffic</u>		<u>Passenger Vehicle Traffic</u>	
	(x 1000)	%	(x 1000)	%
March	75	6.0	16	3.3
April	(130)	(9.8)	(32)	(6.4)
May	26	1.7	9	1.7
June	(11)	(0.7)	(0)	(0.1)
July	(118)	(5.5)	(39)	(5.4)
August	(87)	(3.7)	(42)	(5.4)
September	(168)	(10.6)	(51)	(8.8)
October	(25)	(1.9)	(19)	(3.9)
November	(59)	(5.4)	(32)	(7.5)
December	(124)	(10.1)	(47)	(10.4)
January	16	1.7	10	2.7
February	(68)	(6.9)	(26)	(6.8)

For the year to date, passenger traffic is off by 748,000 or 4.6% while vehicle traffic is off by 270,000 or 4.6%.

Why the traffic loss? There are several reasons including high gasoline prices and the high Canadian dollar. Both were factors earlier in the year. Since then, gasoline prices and the Canadian dollar have dropped dramatically, but the global economic problems have discouraged discretionary travel for many. Border crossing hassles are cited as a cause of diminished US traffic. Terrible weather crushed traffic - all kinds of traffic - in December.

However, the FACC contends the *dominant* factor in the traffic declines has been and remains the rapid and substantial increase in fares combined with imposing fuel surcharges. Our friends, our neighbours and our lost customers tell us that ferry travel has simply become too expensive. Traffic has been dropping for the past three years on the minor routes. Those routes have had the highest fare increases and the highest fuel surcharges. Since April, the majors have experienced sharper fare increases and fuel surcharges and . . . declining traffic. The unprecedented September traffic drop followed the imposition of steep fuel surcharges in August.

Anomalies: There are a few. The April 2008 traffic comparison was affected by there having been an Easter weekend in April 2007, but not in 2008. However, while April passenger and vehicle counts were down by 130,000 and 32,000 respectively, the comparable increases in March over the non-Easter March in 2007 were only 75,000 and 16,000. The shift of the Easter weekend from April to March accounted for part, but not all, of the April traffic loss. A similar loss of traffic will occur in the non-Easter March this year, which will compare unfavourably with the March of 2008. As well, the February traffic comparison reflects there being 28 days this year compared to 29 days in 2008. Adjusting for the one less day, there would still be a 3.6% loss of passenger traffic and a 3.5% loss of vehicle traffic.

The objectives, were they met? The residents of the Sunshine Coast were well-pleased that the government heard and responded in a meaningful fashion to their concerns. The first objective was met.

There had been no outcry about the service reductions on the major routes. Not surprisingly, there was little if any comment on the restoration of full scheduled service.

To the third objective, Coastal BC was hit by the worst winter weather in decades throughout the December holiday season. The lower mainland was hardest hit, with many residents unable to get out of their residential area for weeks, in that the snow was deeper and the intense cold stayed longer than anyone had anticipated. With the majority of ferry travel to and from the lower mainland, traffic was devastated for the last two weeks of December when the ferries normally would have been busiest.

HOWEVER . . . January was a whole different story; a normal January. Cold, rainy, a little snow, overnight freezing – the usual. January is one of the lowest traffic months with few tourists, and seasonal property owners awaiting the return of spring. Not much discretionary traffic. With the depressed economic situation getting even more depressed, traffic in January still exceeded that of the previous January. This was only the second time in the year that traffic was up over the same month in the previous year. January traffic presented a striking contrast to the malaise gripping the previous months' results. Even allowing for a nominal volume of traffic that might have shifted from December, January traffic was still up at least six to seven percent over what it likely would have been in the absence of the government stimulus, following the pattern of the previous months. *We are confident the traffic increase would have been much higher had the discount been applied in a shoulder or summer season which would have had a greater proportion of discretionary traffic.*

The test was February traffic, when the fare discount expired. If year over year traffic remained positive, then there would be something other than the discount that stimulated traffic. If traffic returned to its previous declining pattern, then the effect of the discount would be clear. In fact, the February traffic dropped by 68,000 passengers and 26,000 vehicles (6.9% and 6.8% respectively).

The objective of stimulating traffic was successful.

Conclusion: In the view of the FACC, *it is the inescapable conclusion that the 33% discount substantially stimulated traffic.* This establishes beyond any doubt that *traffic is clearly sensitive to fare discounts and to fare increases.*

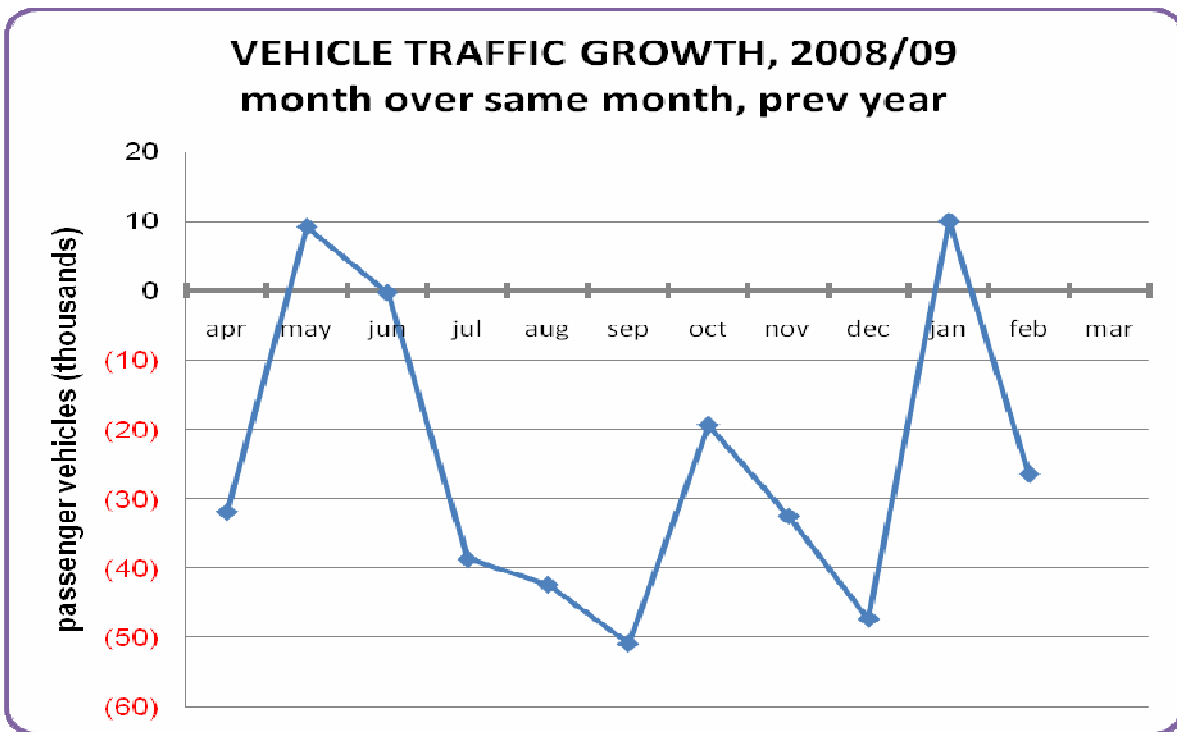
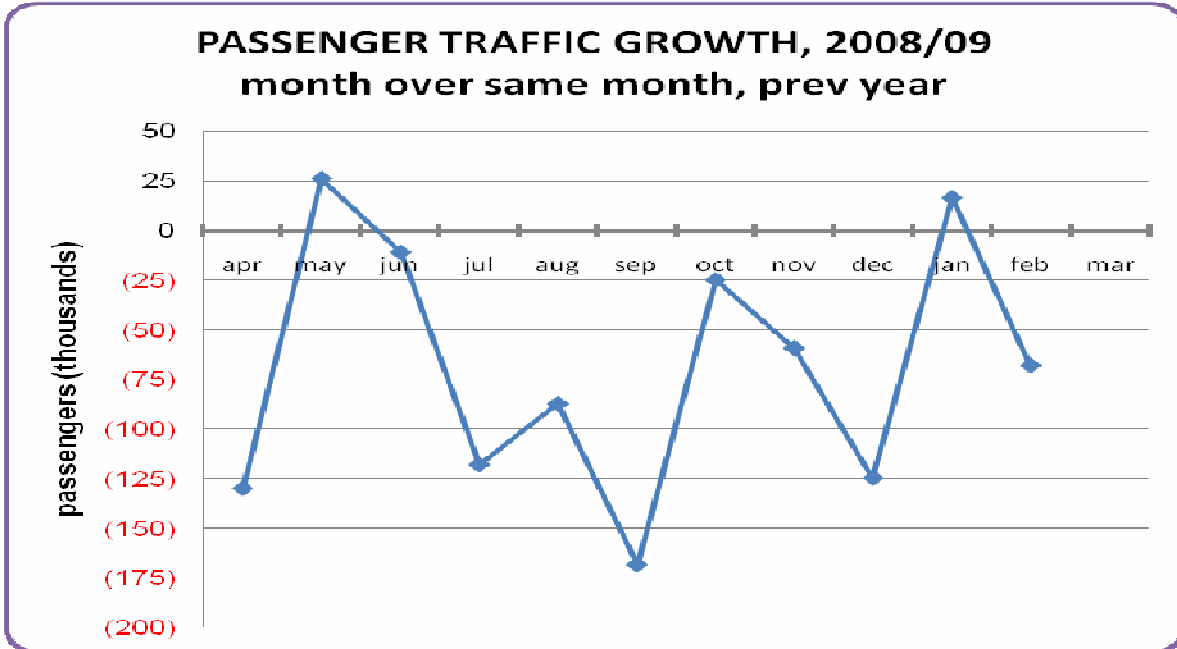
This leads to the conclusion that traffic will continue to decline through the coming year in the absence of any fare relief. That traffic decline will have a direct causal bearing on the increasing harm to the coastal communities, and to the British Columbians living and operating small businesses in them. As well, it will mean BC Ferries will fall well short of their revenue projections which are based on increasing traffic.

Our understanding of the legislation is that the only meaningful source of fare relief must come from the government in the form of substantial increases in the transportation (service) fees. If the zero line – no gain, no loss – on the graphs is taken as the ocean surface, BC Ferries has been drowning for all but one month prior to this January. The fare discount trial allowed it to get a quick breath of air, only to be submerged again in February when the program expired.

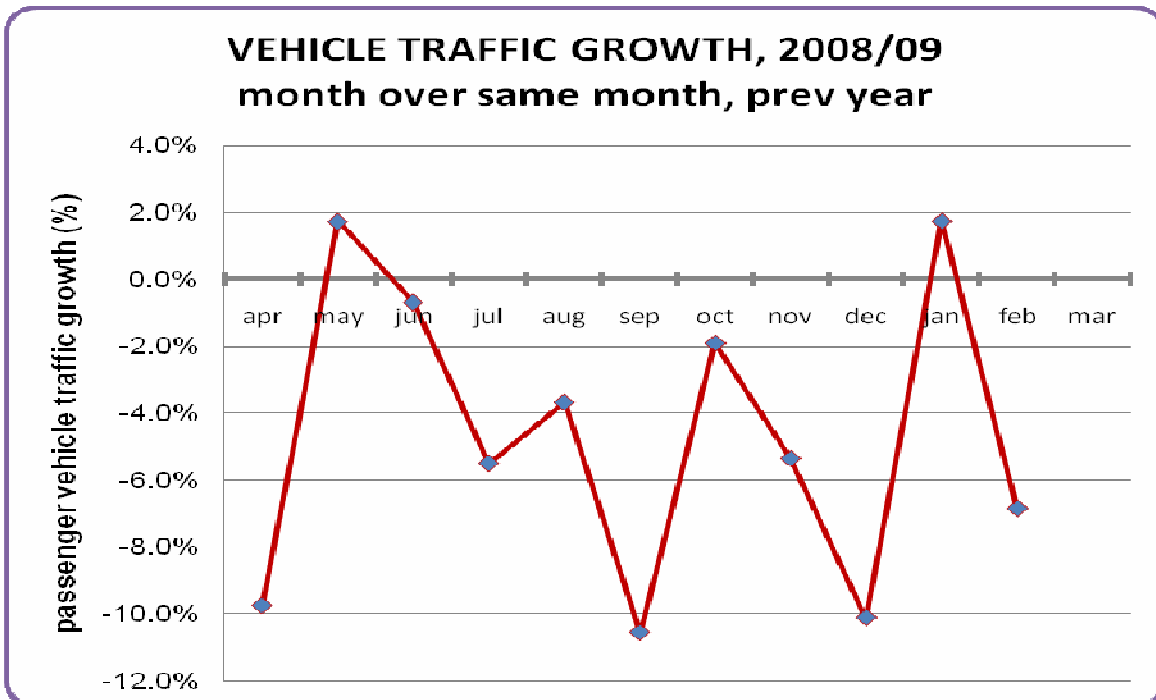
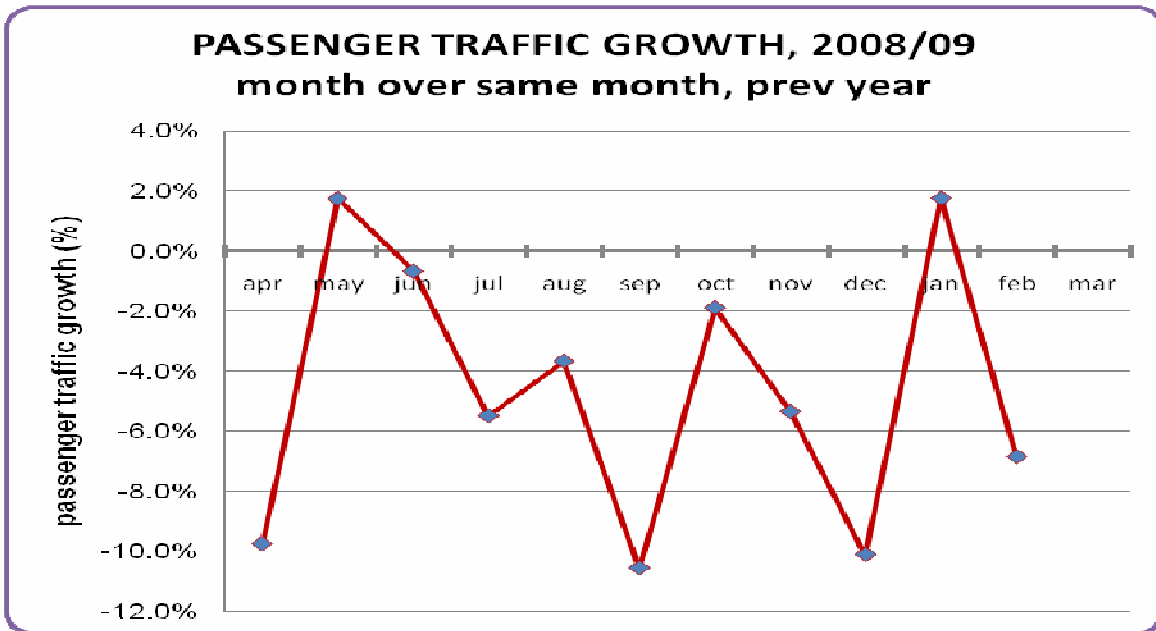
The \$20M government contribution established a clear link between fares and traffic. The next step is to decide whether or not the declining traffic and the resultant harm to residents and to tourism and the other coastal community businesses is important enough to warrant targeted funding consideration.

Attachment 1

BC FERRIES TRAFFIC INCREASES/DECREASES
month over same month, prev year
fiscal year 2008/09



BC FERRIES TRAFFIC PERCENT INCREASES/DECREASES
month over same month, prev year
fiscal year 2008/09



Source: BC Ferries Point of Sales Data, Feb/09