Editorial: Ferries' crisis threat to region

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The latest developments at B.C. Ferries raise two questions. How much worse are things going to get, and what is the government going to do to ensure this region's economy isn't further damaged by the fallout?

B.C. Ferries released its latest quarterly report Wednesday. It was bleak news, as the corporation had warned it would be. Revenues fell 1.8 per cent, despite - or in part because of - fare increases. Vehicle traffic was down 3.3 per cent over the previous year and passenger traffic down 2.9 per cent. At the same time, expenses were up 1.5 per cent.

As a result, the ferry service lost $5.5 million for the quarter, compared with a $900,000 profit in 2010.

B.C. Ferries CEO David Hahn said that the corporation's February forecast of a loss "in the range of $20 million" now appears optimistic. And he warned that no turnaround is in sight.

The corporation has launched an effort to cut $10 million in spending in the next nine months. The largest measure would, if the government approves, see 400 fewer sailings between the mainland and the Island.

It's an understandable short-term measure. Fewer sailings would mean savings in fuel and staffing costs.

But the long-term consequences should worry residents in ferry-dependent communities.

Those communities have been badly damaged by soaring ferry fares since the government created the new semi-private corporation in 2003. Rates have risen more than 40 per cent on the main routes and more than 60 per cent on the minor routes, mainly serving the Gulf Islands, far outstripping the inflation rate.

That has, naturally, meant fewer travellers, as people cancelled discretionary trips or decided that the extra costs made an island holiday less attractive.

But the corporation is also mandated to make a profit, and the provincial subsidy has effectively been frozen since 2003. Rising fares meant fewer riders. Fewer riders mean another round of fare increases to recover lost revenue. And the vicious cycle continues.

Reduced sailings bring the same problem. If it is less convenient to use ferries, or there is an increased risk of a two-hour wait in a terminal, or a greater need to pay an extra $17.50 for a reservation, fewer people will use the ferries. Revenues will fall. And more rate increases and service cuts will be imposed.

The problems at B.C. Ferries are bad for the tourism industry, which is already facing challenging times. But the higher costs affect everything used on the Island, from building supplies to food. They threaten the sustainability of some Gulf Island communities, as residents relocate, local businesses suffer and schools lose students.

Many ferry users have to use the service no matter how high the fares go. But others are able to choose, and the high cost might cause them to decide to make fewer trips for shopping and shows in Vancouver, for example, or to visit the grandchildren on the mainland. Higher fares carry a cost that goes beyond the financial one.

The ferry experience has been vastly improved, with new vessels and enhancements at the terminals and on board. All those improvements seem almost meaningless if the core service is at risk of being scaled back.

B.C. Ferry Commissioner Gord Macatee is doing a review of the role the office plays in regulating ferry-fare increases and service changes, in part to look for better ways to meet the needs of ferry users. But he is not scheduled to report until the end of January, by which time more damage will have been done.

B.C. Ferries is off course. The government's changes, especially its determination to shift more of the costs onto travellers, have been destructive to this region and other coastal communities.