

B.C. Ferries not designed to make money

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Before we all start to panic about a huge rate hike by

B.C. Ferries, we should take a deep breath and listen to just what B.C. Ferries CEO David Hahn did say.

What Hahn said -- without really saying it -- is that under his watch B.C. Ferries has failed to become profitable, as was vaunted by Premier Gordon Campbell when B.C. Ferries was turned into a private entity funded with public money.

The idea then was to introduce a corporate structure to streamline costs and sell off various routes to private operators, who could then make money and in all ways give B.C. Ferries the freedom (within certain bounds as set by the B.C. Ferry Commission) to make money as if it were operating in the private sector.

The result of this failure to turn B.C. Ferries into a profit-making venture, if we listen to Hahn, is a steep rise -- as much as 100% in some cases -- in rates by 2015.

But it's also important to hear that Hahn is saying there are choices: either add another \$25 million to the current \$125-million subsidy that B.C. Ferries gets from the province or cut services and raise rates.

No one can say that B.C. Ferries has been poorly managed. Hahn has overseen running a ferry system deprived of the government funding it deserves as part of the overall transportation infrastructure of the province.

What we can say is that we are no further ahead with B.C. Ferries 10 years after the NDP were booted from office in part because of the FastCat mess.

In that case, then-premier Glen Clark had an idea not so different from Campbell's -- to make B.C. Ferries profitable -- but in his case by building and selling specialized ferries.

Should the government take the route of increasing the subsidy to \$150 million a year over higher rates or leaner service, it's an admission that it ought to have been a Crown corporation all along.

The Campbell Liberals saw what a political albatross B.C. Ferries had been for successive governments -- NDP and Socred -- and thought they had the perfect recipe to eliminate it from being a political football.

But Hahn's comments have punted this football right back into the camp of the B.C. Liberals just as they are looking for a new leader. The possibility alone of higher rates or cuts to service have triggered a huge negative reaction among the public.

The other aspect around B.C. Ferries that Hahn did not mention in his comments to political columnist Vaughan Palmer, on Palmer's cable TV show, is the debt that B.C. Ferries has assumed.

While B.C. Ferries has released financial statements as required, they do not give the full picture of its fiscal status. Details around the mortgage contracts B.C. Ferries used to raise money for vessel acquisition and terminal upgrades are not public.

We don't have details that would round out the picture of B.C. Ferries, like the debt-to-service ratio, or details of contracts with businesses carried on day-to-day or used in terminal upgrades. There is no doubt the government is very aware of those details and may be stuck with a ferry system worse off than when they assumed power.

The most sensible thing at this time seems to be to return B.C. Ferries to being a Crown corporation, increase the subsidy and at the same time do as Hahn suggests, look for ways to cut costs and have a modest fare increase.

If politicians want to stop seeing B.C. Ferries used as a political football, then they need to fund it properly, because it's a not-for-profit venture.