

# **FERRY FARES**

**Ferry Advisory Committee Chairs**

**meeting with**

**Ministry of Transportation**

**January 25, 2008**

**Nanaimo, BC**

**Brian Hollingshead  
Southern Gulf Islands FAC**

## Ferry Fare Increases, 2003 to 2011

### Guaranteed Fair Rates

"Under the new model for ferry services in British Columbia, annual rate increases will be modest and predictable."

Ministry of Transportation  
 March 12, 2003  
 2003TRAN0014-000256

### Typical Fare Increases, Including Fuel Surcharges

	Apr/2003	Nov/2007	%	Apr/2011	%
	fare	fare	inc	fare	% inc
#4 Swartz-Salt Spring, #6 Crofton-SSI round trip, prepaid, 2 adults and a car	18.58	28.50	53%	36.47	96%
#5 Swartz Bay - Southern Gulf Islands round trip, prepaid, 2 adults and a car	20.10	30.25	51%	38.71	93%
#8 Bowen Island round trip, prepaid, 2 adults and a car	15.78	25.05	59%	32.06	103%
#19 Gabriola, #20 Thetis round trip, prepaid, 2 adults and a car	12.29	20.55	67%	26.30	114%
#21 Denman, #22 Hornby round trip, prepaid, 2 adults and a car	10.17	18.05	78%	23.10	127%
#24 Quadra-Cortez, #25 Alert Bay round trip, prepaid, 2 adults and a car	15.52	24.40	57%	31.23	110%
#3 Horseshoe Bay-Langdale # 7 Saltery Bay-Earls Cove round trip, prepaid, 2 adults and a car	30.77	43.85	43%	56.12	82%
#9 Tsawwassen-SGI, SSI round trip, peak, 2 adults and a car	84.25	120.30	43%	153.96	83%

note: assuming 2% inflation, no fuel surcharges, PT2 increases at prescribed cap

## Nov 1, 2007 Fare Increases

Typical Fare Increases, November 1, 2007					
	Pass fares, % increase		vehicle fares, % increase		
	off peak, cash	prepaid	off peak, cash	prepaid	
#4 Swartz-Salt Spring	4.9%	7.9%	4.6%	8.1%	
#6 Crofton-Salt Spring	4.9%	7.9%	4.6%	8.1%	
#5 Swartz Bay - SGI	4.7%	7.6%	4.5%	8.0%	
#8 Bowen Island	5.1%	9.3%	4.6%	8.6%	
#19 Gabriola, #20 Thetis	4.7%	9.4%	4.4%	8.7%	
#21 Denman, #22 Hornby	5.2%	10.5%	4.8%	9.4%	
#24 Quadra-Cortez	5.1%	8.4%	4.5%	7.7%	
#25 Alert Bay	5.1%	8.4%	4.5%	7.7%	
#3 Horseshoe Bay-Langdale	4.8%	6.5%	4.4%	6.5%	
# 7 Saltery Bay-Earls Cove	4.8%	6.5%	4.4%	6.5%	
#9 Tsawwassen-SGI, SSI	4.8%		4.5%		

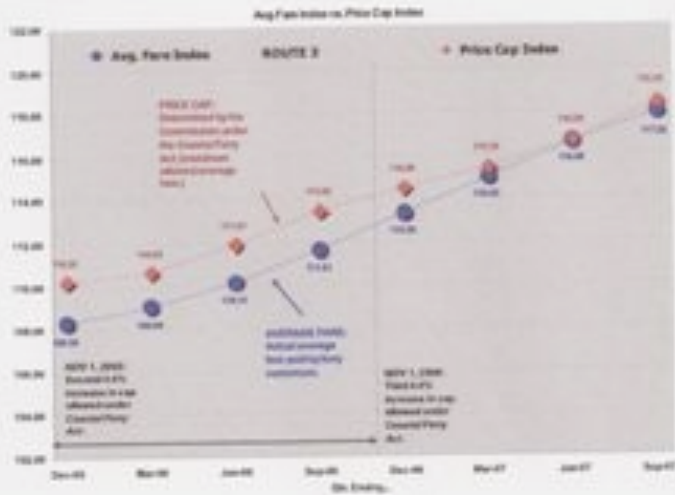
**Whoops: how can there be increases of 8% to 10.5% when the fare increase cap is supposed to be 4.4% ???**

- Average Fare Index vs Price Cap Index, the Chart which defines the Average Permitted Fare and compares it to the Average Actual Fare collected, identifying the gap between the two.
- The Average Fare is based on the average fare for a route group as of April 1, 2003. It's defined as all the fare revenue for the 2002/03 fiscal year, divided by all the trips provided that year.
- The Average Permitted Fare is the April 1, 2003 Average Fare, increased each year by the permitted fare cap increase, plus any permitted fuel surcharges.
- 'Average Fare Increase Cap' means the maximum to which the average fare can be increased. It does *not* mean the average increase that can be applied to existing fares.

## Minor Routes (including Gulf Islands)



## Horseshoe Bay-Langdale



## So how can there be a gap between the maximum permitted average fare and the actual average fare?

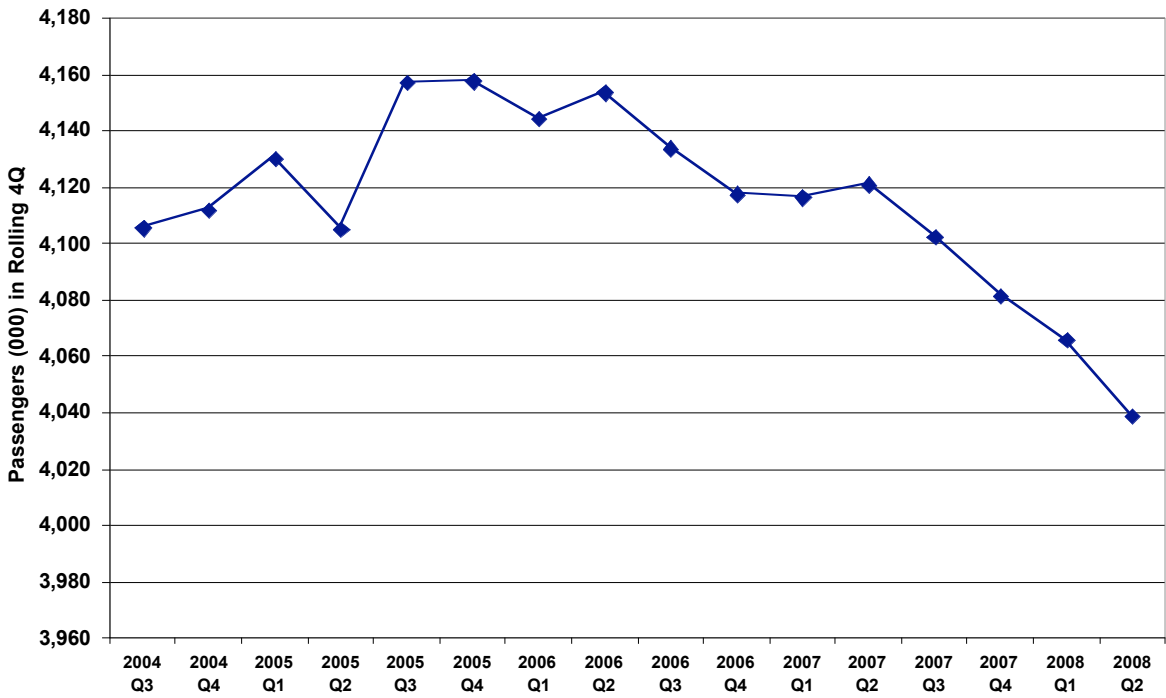
- '**traffic migration**' from full cash fare to prepaid fare. As the traffic shifted slightly from full cash fares to prepaid (discounted) fares, the 'average' fare recovered diminished. There was limited migration from cash to prepaid fares on the Minor routes. On Route #3, Horseshoe Bay to Langdale, the proportion of full cash fares increased, thus *increasing* the average actual fare.
- '**social program phenomenon**'. The money recovered from the government for social programs (seniors, students, medical travel assistance, disabled and escorts) was placed in a non-tariff revenue account. As the volume of 'social' traffic increased, and the fare recovery per trip increased, this 'hidden' revenue increased from \$3.8 million in 2003/04 to \$5.3 million in 2006/07. As none of this increase was included in the calculation of the average actual fare, the apparent average revenue recovered diminished even though BCF was recovering the fares in full. It appeared that there was an emerging block of passengers simply riding for free. When BCF calculated what the average actual fare would have been, had this revenue been included as tariff revenue, the gap shrunk dramatically. This shortcoming has been corrected for PT2.

**The Result?** BC Ferries has the latitude to raise the fares as much as they wish as long as the 'actual average fare' remains under the 'permitted average fare'. They elected to raise the prepaid fares at approximately twice the notional limit and the cash fares slightly above the 4.4% cap. *All within the legislation!*

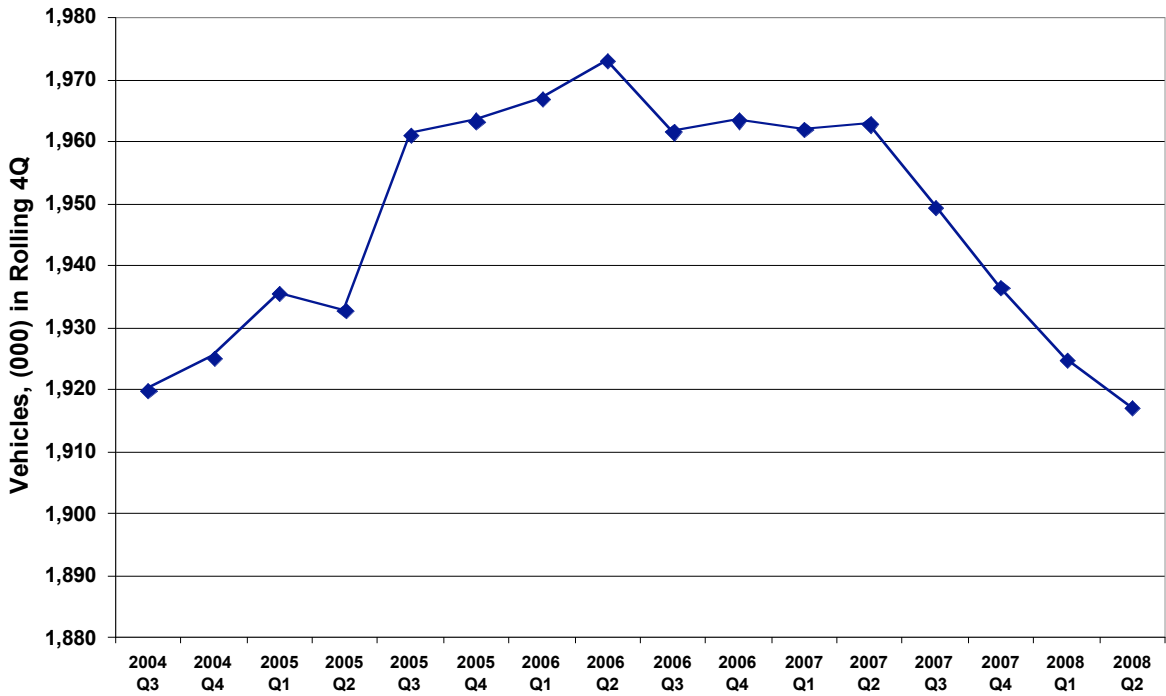
### Traffic Response to Rising Fares?

As shown on the following graphs, minor route traffic rose early in the term, leveled off and has been in steady decline for the past two years. Traffic on the major routes has seen a modest increase over the same period. Both have been exposed to higher gas prices, border issues, high Canadian dollar and poor weather. Fare increases are the principal differentiating factor.

Passenger Traffic, Minor Routes



Vehicle Traffic, Minor Routes



## Comments, Observations and Conclusions

1. It was felt at the outset that annual fare increases of 4.4% were too high, that traffic would not be sustainable at that level of fare increase
2. The fuel surcharges of 6%, 3% and 9.6%, with the government declining to accept a proportional share compounded the impact
3. The legislated ability of BCF to raise the fares well above the 'predictable' increase, being inoculated against change in the fare mix, came as an expensive shock.
4. Projected fare increases for PT2, along with an almost inevitable fuel surcharge, likely in the first year, will further exacerbate the traffic decline, which is a bona fide surrogate for the harm being done to the rural coastal community.
5. We believe the time has come for the government to recognize that fare increases, necessitated by the government's freezing the service fee at 2003 levels, have caused and are continuing to cause, irreparable harm to the coastal communities, as evidenced by the firmly established decline in traffic. It was originally, and as late as September 2007, anticipated that traffic would continue to increase. *It isn't happening and we are convinced it's not going to happen under the fare regime of PT2.*