

Community Impacts of Escalating Ferry Fares

Ferry Advisory Committee Chairs

17 November 2010

Introduction

In coastal communities dependent upon BC Ferry service, physical and social infrastructure, homes, businesses and economies have become established based on the reasonable expectation that affordable ferry transportation would continue to function as an accessible lifeline to these communities.

This expectation was at first supported by the ferries being operated by the Province as a “highway-equivalent” transportation service. Then, when the Province restructured the service under the *Coastal Ferry Act*, it articulated the expectation that this new structure would ensure “modest and predictable average fare increases” and would enable “enhanced economic development and job creation”.

Few coastal residents expected a free ride, as is the case with the inland ferries. Few expected that ferry fares would not increase. A reasonable expectation was that increases in ferry costs would be somewhat in line with other cost increases, as expressed in the Consumer Price Index.

Instead, while CPI has increased by 10% since the *Coastal Ferry Act* was introduced in 2003, average fares on the minor routes have increased by 60%. Some fare categories (commonly utilized by community residents) have increased by over 100%.

Ferry costs affect every aspect of life in coastal communities and so the impact of increases is cumulative and insidious. The burden of high tariffs imposed so far and the uncertain and feared expectations of what might lie ahead is eroding the stability and sustainability of coastal communities.

“With each new ..charge added to ferry fares, island life changes dramatically, to the point that the ability of islanders to regenerate their way of life across generations has been seriously compromised.

Diversity, the lifeblood that fuels island life, is also at risk.

As diversity is lost, so are community integration, civic spirit, economic vibrancy and collective identity.

What follows might be the death of island living as we know it.”

Dr: Philip Vannini, Royal Roads University

Affordability

A characteristic of most communities dependent upon ferry service is that average earnings are significantly below the provincial average. In some communities earnings have also been increasing at a lower rate than the provincial average. (For example, on Denman and Hornby Islands household incomes increased by only 7% and 9% in the last census period).

<u>Affordability</u> - incomes - tariffs - fare increases <i>(examples)</i>	Average Individual Earnings (2005 census) BC: \$25,722	Average Household Income (2005 census) BC: \$52,709	Current tariff for family of four to Vancouver I. (*or lower mainland)	Regular fares (Generally used by visitors) % Increase 2003-2010	Prepaid Fares (Generally used by residents) % Increase 2003-2010
Cortes Island	\$7,533	\$23,459	\$94.75	54.8%	86.4%
Hornby Island	\$15,298	\$35,921	\$87.50	58.6%	105.7%
S. Gulf Islands	\$15,691	\$41,587	\$62.90	47.8%	92.3%
Powell River	\$20,599	\$43,559	*\$158.35	46.7%	67.0%

There are two main groups of low income households particularly hard hit by affordability – members of the work force (often supporting families) with below average earnings and seniors on fixed incomes.

Ferry costs contribute to household expenses in several ways:

- cost of bringing goods and services to the community
- cost of accessing goods and services not available in the community
- cost of maintaining personal/family well-being (family visits, participating in sports and cultural events)

Work force

In many coastal communities, it is not unusual for households to derive their incomes through a combination of activities including:

- self employment (eg artisan production, provision of services, internet-enabled work)
- part time employment (there are few full-time jobs)
- seasonal employment (often low-wage service industry jobs)

“The resort’s last chef left because of few customers and he could not afford to live on the island and travel home to family on off-hours while only being guaranteed work three days a week.”

Cash flow can be a challenge with the seasonal peaks and valleys of available work, meaning that some households may be unable to reload their Experience Card to access discount fares.

“We used to make a town trip about once a month and after the big fare increases two years ago we go to town when we have medical TAP forms or else about every three months. So the increase in ferry fares reduced our ferry trips by two thirds.”

The Vancouver Island Community Research Alliance has characterized young families in the region as facing an “affordability crunch” due to a combination of low attainable incomes and high housing costs. Such families in ferry-dependent communities have the additional burden of escalating ferry costs affecting every aspect of their household economy. This contributes to decisions by young residents to leave their community and reduces the likelihood of younger people choosing to move to these communities.

“What happens when our kids go to high school and we want to go in to their school activities? As ferry fares go up it makes it less economically feasible to live on these islands. (Then where are those local businesses going to get their business from?)”

As the “baby boom” generation reaches senior years, the proportion of younger people (who make up key elements of the work force) is declining. Communities in the region will soon be competing to retain and attract young people to maintain the labour/volunteer pool and thus the vitality of their community. Ferry-dependent communities are at a significant disadvantage in this regard as long as a regime of continually escalating fares is in place. As it is, many of these communities have acquired huge deficits in the younger age groups compared to the region as a whole. Severely declining school enrollments and the sense of marginalization among young people can reduce the attractiveness of living in such communities which contributes to a downward spiral.

“Our school enrollment has gone from 182 in 2003 to 99 in 2010. (it was 300 in the mid eighties.)”

Seniors

Seniors make up an increasing proportion of the population of many coastal communities due to both aging in place and decisions by people with long-standing connections to these communities to retire here. Such decisions by people on fixed incomes are based upon a budget of anticipated expenses. Escalating ferry fares have substantively challenged the budgets of many senior households.

“Our general habit since coming to the island 19 years ago has been an off island trip about 18 times annually; now we are more likely to attempt car pooling and our off island trips have been reduced by over one third. Both of these actions we can lay to the increased ferry fares.”

Seniors play a critical role in our communities. Long-term residents provide valued continuity. Newer residents bring skills, experience and energy that is contributed to the significant volunteer activity required to maintain community infrastructure and services in isolated communities with limited services provided by governments.

“My personal concerns re ferry fares are about access to family. We are parents of four and grandparents of four. in 2003, ferry fares were half of what they are now. We accepted that a certain proportion of our monthly budget would be to go to Vancouver to see them. In the past 7 years, our travel patterns and our family life have changed for the worse due to increased ferry costs. Family connections are important to mental health, which is related to physical health. Loneliness for the elderly is a proven risk factor for earlier death. Moving to the city closer to family is not the easy option it may appear to some urban folks. Roots run deep here, and living a low stress life in a caring community with clean air to breathe is good for us and not easy to give up, nor should we have to.”

A particular consequence has been reduced visits to – and by - children and grandchildren. These increased costs are leading some seniors to move away. Others can be susceptible to loneliness and alcohol problems.

“I have 3 children who have produced 4 grandchildren. They used to visit me on Saturna 3 or 4 times a year; but with the increase in costs they are now making an annual trip. While this personal example has limited impact on island businesses (store, restaurant, market, etc) and community fund raising events, it is likely significant when multiplied by the many grandparents on island.”

Businesses and the economy

Small businesses in small communities generally operate on smaller margins. Their customer base is limited so a decline in one part of their market is not readily made up by the ability to access other markets. Businesses are affected by residents having reduced disposable income due to higher ferry costs and by reductions in the workforce as residents move away from the community.

As with households, most businesses are also directly impacted in several ways by increasing ferry costs:

- bringing supplies to the community
- shipping products from the community (products of farms, aquaculture, fabricating)
- accessing customers outside the community
- bringing customers to the community

“Fares have had a drastic impact on goods and supplies that we have to bring to the island for our business. These are added costs of doing business which affects our bottom line.”

Depending on the characteristics of a community, some businesses are reporting little change (or even improvements) as a result of residents traveling less to shop and spending more locally. However, others are reporting declining business due to some residents, who can afford to, shopping in bulk at lower prices in larger centres to avoid increased prices in local stores.

“Several people have told me they'd love to come to the Farmer's Market for a day but the ferry fees make this prohibitive.”

In smaller communities, many service providers do not have a large enough local customer base to sustain their business and depend upon ferry service to access customers in adjacent communities to keep their business viable. Increased ferry costs have put a huge squeeze on such businesses and some have ceased to operate, thus eliminating local availability of the service they provided as well as jobs. In some cases, this involves the loss of support services to businesses that factor in retaining or attracting investment.

*“The gas station on Quadra used to sell gas for 3-4 cents more than Campbell River. Now it's 5-6 cents. **Everything has gone up.** If you hire a tradesman from Campbell River (chimney sweep, carpet cleaner etc) they all add the cost of the ferry into their charges*

The escalation of ferry costs – and apprehension about future fare trends – contributes to a very uncertain business climate. This affects the sustainability of existing businesses and reduces competitiveness in attracting new businesses (which impedes those communities interested in diversifying their local economies). Decline in the presence of young people reduces opportunities for succession, innovation and entrepreneurship.

The economies of many coastal communities are largely based upon people commuting from the community to work in nearby larger centres and/or people traveling to the community as tourists or seasonal residents.

Annual ferry costs for bringing goods to the Hornby Island Co-op Store have increased from \$12,693 in 2000 to \$25,836 in 2010.

Commuters

Commuters generally use the pre-paid discount fare and this has increased by a higher percentage than the regular fares since 2003, in some cases by over 100%. This has led some commuters to reluctantly relocate away from their community.

“Commuting costs me approx. \$6,500 per year on ferry fares. This is a huge expense for anyone.”

Tourists

Day-trippers, who patronize cafes and art galleries etc, have virtually disappeared.

“We are involved in the seasonal tourist trade. In the last few years we have seen a definite decrease in the number of customers. Day visitor traffic has decreased by 75%. I think the ferry rates have made it much too expensive for a quick visit.”

Regional visitors, who could be expected to travel more locally during difficult economic times, are being attracted to other destinations where the expense of ferry travel is not a factor. One business reports that 85% of complaints and cancellations relate to ferry fares.

“Fares have created a shift from mainland traffic being 75% of tourist sales up until about 10 years ago, to being 25% now. Summer traffic from the mainland has been replaced to a great extent by Vancouver Island tourists but they are mainly weekend travelers. That has caused room sales to drop by 40% since 2006 at one of the main commercial accommodation providers on this island. I do not think the economy has much of an effect. They say in bad economies people still travel, they just stay closer to home. A lot of people live in Vancouver.”

Loyal visitors still seem to be returning in some communities, though businesses report that they are spending less during their stays after paying more to travel. In other communities, fares have eroded competitiveness with severe consequences for tourism operators. A once-busy restaurant patronized by visitors to Texada Island has now relocated to the mainland following a steep decline in business resulting from a major drop in tourists.

“Like all islands we rely on visitors for increased business profits in the summer months. I am told by owners of the B&B business they have taken a further 30% decline in 2009-10. We used to have over 26 B&B's but are down to 7 and many don't operate during the winter.”

Part-time residents

In some communities a significant proportion of properties are owned by part-time residents. These include seasonal residents who stay throughout the summer, weekenders who make regular visits throughout the year and others – semi-retired or with the ability who work at home – who may stay for long stretches throughout the year. These people make a huge contribution to the local economy through the purchase of local goods and services. Rising ferry fares are leading to part-time residents severely cutting back on visits or putting their properties on the market because of the expense of accessing them.

Real estate

There are reports of an increasing number of homes being added to a slow-moving market as residents decide to leave and part-time residents decide to let go of their properties. Ferry fares are being cited as reasons for decisions to sell and resistance to buy. Properties are moving slowly.

“This year's [real estate] sales volume is the lowest in more than two decades. High ferry rates and the prospect of further increases and deterioration of service are a major deterrent for those considering an Island lifestyle and a consistently quoted reason for residents' decision to leave.”

Changes in travel patterns

Residents have reported the following changes in travel patterns to address increased fares:

- reduced number of ferry trips by combining reasons for travel;
- combining shopping etc with free medical travel;
- seniors traveling only on days when free travel applies (paid for through social programs);
- using own boat;
- traveling by air;
- car-pooling.
- non-resident property owners reducing visits;

“In the last few years we have been using the ferry less and less due to the prohibitive ferry rates. We now use our own boat, whenever the weather permits, to go to Comox or Courtenay. We go to Vancouver once or twice a year, at most, down from 6 to 8 times per year.”

These measures reduce ferry traffic and thus revenue derived from tariffs, thereby putting more pressure on the need to increase fares to cover operating expenses.

Communities

The combination of all the above is undermining the viability of coastal communities.

A small, isolated community requires diversity and capacity among its population in order to function in a healthy and sustainable way. People of all ages and capacities are essential to make up for the lack of locally available government and corporate services. These include people to be volunteer fire fighters, home support workers, board members of non-profit service providers, innovators, and entrepreneurs.

Here is a summary of key impacts of escalating ferry fares upon communities:

- loss of work force;
- loss of volunteer pool;
- loss of services;
- lack of succession and entrepreneurship;
- uncertain business climate and reduced competitiveness;
- reduction of community vitality and continuity;
- reduced connectedness to families.

The cumulative effect of these factors lead to a negative feedback loop whereby the collapse of essential elements of a vital community lead to further decline.

These communities not only have intrinsic value as social entities but contribute to the essential fabric of the province. Local residents provide services to the many British Columbians who value experiencing their coastal heritage. Part of this valued experience is appreciating the distinct and diverse character of coastal communities.

Phillip Vannini, a Royal Roads professor of communications and culture, has been studying the ferries for about three years and says the communities that depend on them are at risk due to fares rising disproportionately compared to other costs of living. The result is families feeling forced to leave and the community fabric -- from schools to fire station volunteers -- falling apart as small-island culture becomes a summer playground for the rich, he says. "It's a cultural death for these communities we have to worry about." - Times Colonist

What is required

What is required are measures that will actually implement the expectations announced by the Province when the *Coastal Ferry Act* was introduced: modest and predictable average fare increases that will enhance economic development and job creation.

"This new contemporary structure ensures long-term service commitments, modest and predictable average fare increases, and a major investment in vessels and terminals to support tourism growth in British Columbia." - Minister Judith Reid on announcing the Coastal Ferry Act in 2003

