

Denman – Hornby Ferry Advisory Committee

Date: November 7, 2007

Time: 1:00 p.m.

Location: New Horizons Centre

1111 Northwest, Denman Island

Attendees:

Committee

Tony Law, Chair
Andrew Carmichael
Ron Emerson
Jim Garton
Jan Kennedy
April Lewis
Louise Bell
David Freeman
Dennis Forsyth
John Ralston

BC Ferries

Captain Gordon Nettleton, Marine Superintendent
Captain Pete Kimmerly, Senior Master, *MV Quinitsa*
Claudio Raduta, Senior Master, *MV Tachek*
Rob Clarke, Executive Vice President, Finance & Chief Financial Officer
Amar Johal, Director, Sales and Community Relations
Parv Bal, Regional Director, Terminal Operations, North Region
Kim Macaulay, Regional Manager, Terminal Operations, North Region
Stephen Mayall, Project Manager
Jane King, Manager, Sales and Community Relations

1. Call to Order: 12:58 p.m.

2. Approval of Agenda: The agenda was approved with the following additions:

- a. FAC Chairs meeting with Ferry Commissioner – November 14.
- b. Opposition MLA, Gary Coombs visits December 1.
- c. Home porting of *MV Quinitsa* and affect to after hours emergency services and employment opportunities for Denman Islanders.
- d. Signage warnings for wildlife.

3. Presentations:

- a. Public – none.
- b. Operations Report: Captain Gordon Nettleton presented the Operations Report. The following discussions followed:

Regarding the August 12 sailing cancellations due to a broken water pump; the water pump was not listed as a critical spare – now it is.

MV Quinitsa Refit: FAC Member John Rolston suggested improvements to the PA system are needed as currently announcements can only be heard mid-ship.

New Policy on Cut-off Times: Concerns regarding shuttling and consistent enforcement of the new policy when shuttling were raised. BC Ferries confirmed the cut-off time will be enforced based on the ship's arrival time. Also of concern was clarification on the traffic lined up at the terminal, when visiting tourists take an inordinate amount of time to process through the ticket booth.

Chief Financial Officer, Rob Clarke agreed the change will be a challenge, as it was when a similar policy was implemented on the major routes a number of years ago. Eventually, it became the norm and people understood it.

ACTION: BC Ferries to inform the public of the New Policy of Ticket Sales and Cut-Off Times before the Christmas holiday season.

CFO, Rob Clarke reviewed the Revenue page with the FAC. He advised the fuel costs were deferred, referring to the note at the bottom of the page. The Fuel Surcharges are not credited to BC Ferries, rather to the Fuel Surcharge Account.

Operating expenses saw \$1.1 million charge for the *MV Quinitza*, in on-going maintenance and charges for the *MV Tachek's* \$2 million refit allocated to route 22 based on its use on the route. He further advised typically refits occur every four years, except for these last years.

Total revenue costs not counting Fuel Surcharge revenues were: Route 21 – 38% of total revenue comes from fare sources, while 62% comes from government subsidies. On Route 22 - 30% of total revenue comes from passenger fares while 70% comes from government subsidies. Both do not include Fuel Surcharges Revenue. FAC Member Louise Bell asked how that would change in the future when the Fuel Surcharges are rolled into revenue. Clarke advised there would possibly be a 6-7% increase.

FAC Member Andrew Carmichael asked for clarification on shipboard data recordings and whether they are reviewed by safety officers. Captain Kimmerly advised that 80 channels are recorded on a hard drive and it resets itself every 13 hours.

4. Minutes of Previous Meeting - Review of Action Items:

- a. BC Ferries to confirm how the revenue for the "shuttle service" is allocated against the required service levels. **CFO, Rob Clarke confirmed the "shuttle service" is above and beyond the required service levels BC Ferries is paid for. COMPLETED.**

- b. BC Ferries to clarify where the "shuttle service" sailings lay in the Ferry Commissioner's Report. **CFO, Rob Clarke advised that the fuel costs for the "shuttle service" sailing are built into the forecasts BC Ferries supplies to the Ferry Commissioner. COMPLETED.**

- c. BC Ferries to identify the methodology used to determine only 1600 current customers would likely benefit from the CRA Tax Credit. **BC Ferries looked at existing pre-paid ticket sales and conducted a survey. COMPLETED.**

- d. BC Ferries to set another meeting with the FAC to discuss the proposed refit schedule. **FAC Chair Tony Law met with BC Ferries. However the original refit dates have since moved. The new refit schedule will be addressed in New Business. ONGOING.**
- e. BC Ferries to investigate the options of an early morning sailing for Hornby traffic to have assured loading on the Denman-Buckley Bay ferry during the refit. **Ongoing.**
- f. BC Ferries to complete cueing lane upgrades by 2008. **Project Manager, Stephen Mayall advised the drawings are complete. There were archeological issues with the First Nations which caused delays. The project is now scheduled to be completed by March 2008. FAC Member Jan Kennedy advised there would be a significant impact to businesses if the work is not complete by spring break (March 14).**
- g. BC Ferries to investigate historical use of special fares for events and work with the FAC on future opportunities. **Amar Johal & Jane King. ONGOING.**
- h. BC Ferries to add accommodation information to the web site schedule pages. **COMPLETED.**
- i. BC Ferries to investigate property ownership south of the terminal for a future secure parking lot. **FAC Member, Jack Forsyth confirmed the land is owned by Island Timberlands. BC Ferries confirmed the operation of parking lots are generally handed over to third parties to manage. FAC Members to discuss moving forward on it with future communication with BC Ferries through Regional Manager, Terminal Operations, Kim Macaulay.**

5. New Business:

- a. Corporate Update: Super Cs – Amar Johal presented a Corporate Update including the new Super C ferries.
- b. *Performance Term 2* Update – Amar Johal also presented the *PT2* update on the Ferry Commissioner's ruling. Chief Financial Officer, Rob Clarke advises the FAC that a \$7,000,000 one time payment from the Provincial Government, which was applied to wipe out the balance of the northern Fuel Deferral Account was a direct result of the work done by the Ferry Advisory Committees.

FAC Chair, Tony Law discussed the FAC Chairs initiative to set up a Terms of Reference for ongoing consultation with the Ministry of Transportation, the Assistance Deputy Minister to develop a strategy specifically for the minor routes since the Coastal Ferry Act is set up for the major routes and the northern routes.

Amar Johal advised of the error by the Ferry Commissioner for the major routes.

- c. Smart Media – Amar Johal presented an update on the Smart Media, previously know as the Coast Card.

FAC Chair, Tony Law confirmed the discounts would be good from Hornby Island to Gabriola Island once you load the card up, a benefit you can't get now. CFO, Rob Clarke confirmed once the card is loaded it applies to all discounts. He also advised by the summer of 2008, paper tickets will no longer be sold.

BC Ferries also confirmed registration of the card is necessary to access the future transit tax rebates. FAC Member, Dave Freeman asked if identification would have to be presented. **ACTION: BC Ferries to confirm whether identification will be required for registration of the Smart Card.**

- d. *MV Quinitsa* Refit: Captain Nettleton confirmed the refit dates are Jan.2 – June 20 and the temporary replacement vessel will be the *MV Khaloke*, which will work in shuttle mode as required. Captain Nettleton informed the FAC there is a proposal to provide a second vessel during the busy spring months, but it has not yet been approved.

Through the FAC Members past input, BC Ferries recognizes the desire for a second ship during the busy spring periods, assurance for commercial vehicles such as the Co-Op food store truck, as well as an early morning sailing from Hornby Island so Hornby Islanders can get to Vancouver Island. **ACTION: BC Ferries to meet again with the FAC next month to confirm plans and timing.**

- e. Tariff Structure – Tony Law:

- i. Nov. 1 Increase Above Overall Price-Cap Level: CFO, Rob Clarke discussed a mini-seminar the Ferry Commissioner is holding next week for all FAC Chairs, on the price cap process. Campbell River/Quadra/Cortes FAC Chair, John Sprungman approached Rob to pave the way to get this done, which BC Ferries agreed to at a cost to BC Ferries.

Clarke further explained the price cap is not a fare cap. It is an index which is calculated by the Ferry Commissioner which says whatever BC Ferries charges for the fares, has to be at the price cap or below the price cap. Every year it's the price cap that goes up. However, as the absolute value increases, more people have moved off of paying full fares to paying discount fares. The affect is a watering down lift to the average fare, which has BC Ferries now operating well under the price cap. Therefore, the increases are substantiated in order to close the gap on the price gap. Clarke admits what BC Ferries didn't do well was "talk about that in advance of the raise in fares (Nov.1)." Clarke further advised, in setting the *PT2* rates, the Ferry Commissioner encumbered BC Ferries with significant productivity challenges. He took \$75 million off the table. Bottom line: find ways to grow revenue or lower costs. The question was posed, "How can we maximize the service opportunity, so we can maximize revenue?" Clarke advised the door is open to ideas from the FAC and the community.

FAC Member Louise Bell asked whether the information from the FAC Chairs' meeting with the Ferry Commissioner could be made available to the public.

ACTION: FAC Chair, Tony Law to inform FAC Members.

- ii. Increase in Assured Loading Tickets: CFO, Rob Clarke discussed the growth in Assured Loading Tickets and the fact that the increased use of them squeezed out the ability for people to "show and go." The policy used to be that 40% of the space available was used for reservations with the balance make up of ALT and "show and goes." However, it was getting to a point where ALT users we're taking up 60% of

capacity so the allotment for reservations was culled back to 30%. It became an operational nightmare. CEO, David Hahn announced an end to it. BC Ferries wants them to be used less, hence a decision was made to limit them through pricing. Evidence of how under priced they were, on an average day \$5-10,000 worth of these tickets are sold. On October 31, 2007 BC Ferries sold \$1.74 million worth of ALTs.

Clarke further illustrated the range of choices for fares on the major routes: Sundays you have a choice between: Coast Saver, reservations, assured loading or regular fares.

- iii. Discount Rates for Pre-Paid Tickets: FAC Chair, Tony Law discussed pre-paid tickets, historically used as a commuter fare. FAC Member, Jim Garton questioned residence fares, if there were such a thing what would the definition of a residence be and how would it be managed? **ACTION: FAC to meet and discuss ideas for discount rates with consultation from the community.**
- iv. Freezing Commercial Rates: CFO Rob Clarke advised the possibility of freezing commercial rates is there, but the effects would have to first be walked through as BC Ferries can not see revenue degrade.
- v. Promotional Pricing: FAC Chair, Tony Law, Jane King and Amar Johal discussed the possibility of future promotional pricing opportunities through working with BC Ferries' Community Investment Program (www.bcferrries.com/community).
- f. Terminal Upgrades: BC Ferries confirmed Hornby Island Terminal work is now scheduled for 2010/2011.
- g. Parking at Buckley Bay: Discussed in 4. i. above.
- h. Home Porting: BC Ferries confirmed *MV Quinitsa* home porting in Buckley Bay is being evaluated, however BC Ferries has not spoken with the BC Ferry's Marine Worker's Union yet. BC Ferries is committed to discussing further with the FAC as required and understands the FAC concerns for Denman Island employment and emergency services.
- i. Signage Warnings for Wildlife: FAC Member, Dennis Forsyth, a member of the Wildlife Advisory Committee advised there is a cougar living on Denman Island and would like to have notification that there is a predator on the Island. BC Ferries confirmed notices could be placed on the Community Investment Bulletin Boards on the ships and at the terminal.
- j. FAC Survey: Amar Johal presented a FAC survey to the members to fill out and return.

6. Correspondence: None.

7. Next meeting: To be determined.

8. Meeting adjourned: 4:28 p.m.

Approved:

Chair, Tony Law
Captain Gordon Nettleton

Date: January 4, 2008

Date: December 21, 2007

Attachments:

- Operations Report
- Super Cs
- *Performance Term 2* Report
- Smart Media Update
- FAC Survey