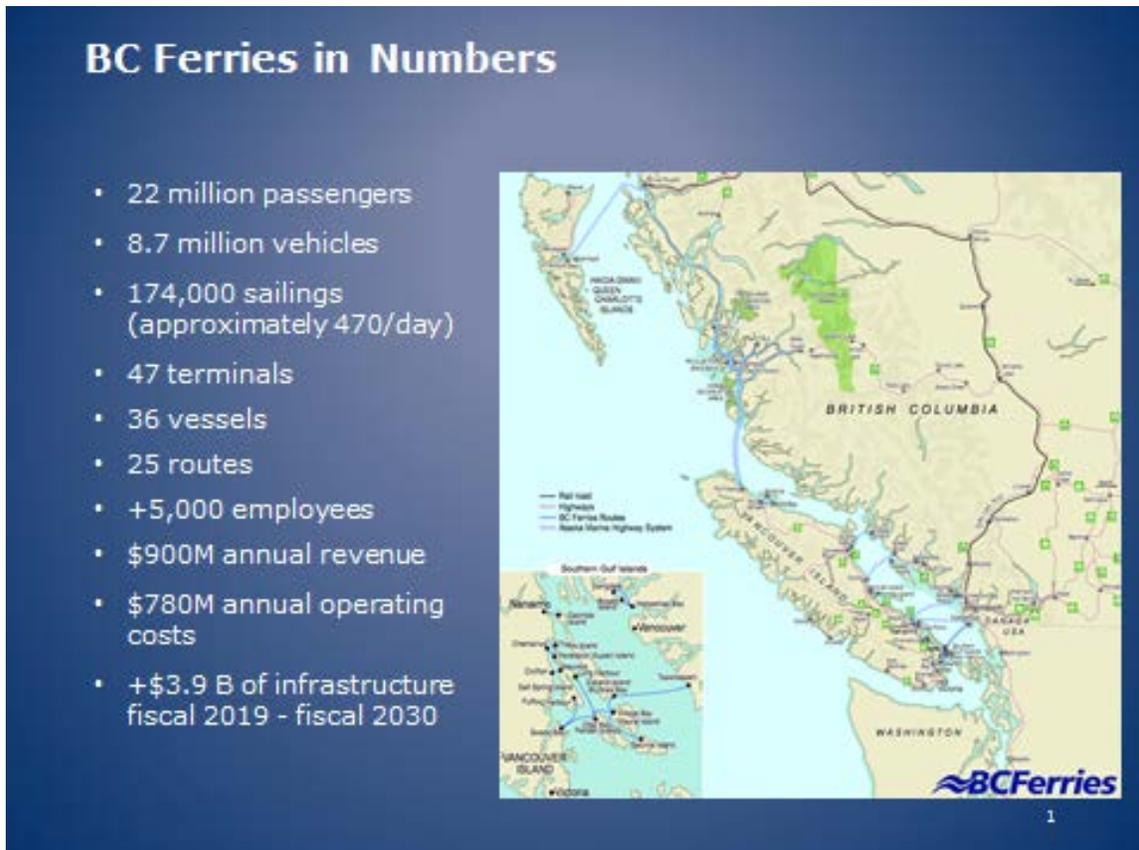


Aim: provide background information regarding: BC Ferry Services Inc. and the Coastal Ferry Act; the relationship between BC Ferries and the Province (MOTI), including the Coastal Ferry Service Contract; the office of the BC Ferry Commissioner; how fares are set/price cap increases are established; the role of Ferry Advisory Committees.

1. General Overview

- in 2003, the provincial government passed the *Coastal Ferry Act* (CFA)
 - o changed BC Ferries from a statute-enabled Crown Corporation to an independent privately managed company under the *BC Business Corporations Act*
 - o Established the BC Ferry Commissioner as an independent commercial regulator
 - o Enabled the Government to enter into the Coastal Ferries Services Contract (CFSC) with BC Ferries as a vehicle to implement Government transportation policy around service levels and fares
 - o Allows cross subsidization between routes (as of May 2012; Bill 47)
- The purpose of the new structure was to separate the operation of the company from the establishment of policy; that is, to ensure government has the full ability to establish policy but not to politically interfere in the day-to-day operations



Note: figures are for the 2017/18 fiscal year

2. Coastal Ferry Services Contract (CFSC)

- sets terms and conditions for the routes operated by BCF. It is a 60-year contract, divided into four-year Performance Terms (PT). Current: PT4, began April 1, 2016 and expires March 31, 2020.
 - o service levels provide minimum requirements for the number of sailings, vessel capacity and hours of service for all routes. NOTE: BC Ferries may provide service 'above contract', but will not receive service fees.
 - o service fees are provided by the Province in order to cover some of the costs of meeting service levels, thus 'buying down' fares otherwise established by the Commissioner.
 - o all routes serviced by BC Ferries are treated as one Route Group, which 'share capital costs' (refits, new vessels, terminal projects) and cost savings (eg. Savings from technology changes, etc).
 - o Province determines social policy (seniors' discounts, sports teams, medical programs, etc) and funds these policies accordingly.

3. BC Ferry Commission

- Current Commissioner is Sheldon Stoilen
- independent regulator of fare caps, based on his review of BCF costs of operation (net of ancillary revenues) and capital costs necessary to provide the service levels specified in the CFSC, and taking service fees into account. The Commissioner typically acquires external consulting assistance.



4. Fares

- BCF costs largely fixed (fuel, labour and capital are largest costs), while the three main revenue sources are fares, ancillary revenues, and service fees
 - o Most inter-island routes provide little to no ancillary revenue
- As noted above, price caps (limiting the average fare increase) are set by Commissioner for each PT.

5. Ferry Advisory Committees

- These are the primary public consultation vehicle for BCF.
- This process was formed in 1993, now operating in four-year terms that coincide with municipal election cycle.
- 13 FACs to discuss 22 routes.
- Members main role is liaison between BCF and communities; relaying info and providing advice into the concerns and opinions of people in those communities.

| FAC Name | Associated Routes & Terminals/Locations |
|------------------------------|---|
| Bowen Island | 8 (Horseshoe Bay-Snug Cove) |
| Brentwood Bay-Mill Bay | 12 (Brentwood Bay-Mill Bay) |
| Chemainus-Thetis-Penelakut | 20 (Chemainus-Thetis Island-Penelakut Island) |
| Campbell River-Quadra-Cortes | 23 (Campbell River-Quathiaski Cove), 24 (Whaletown-Heriot Bay) |
| Denman-Hornby | 21 (Denman West-Buckley Bay), 22 (Shingle Spit-Gravelly Bay) |
| Gabriola | 19 (Descanso Bay-Nanaimo Harbour) |
| Gambier-Keats | 13 (Gambier-Keats-Langdale) |
| North & Central Coast | 10 (Port Hardy-Prince Rupert), 11 (Prince Rupert-Skidegate), 26 (Skidegate-Alliford Bay), 28 (Port Hardy-Bella Coola) |
| Northern Sunshine Coast | 7 (Saltery Bay-Earls Cove), 17 (Comox-Powell River), 18 (Texada Island-Powell River) |
| Salt Spring Island FAC | 4 (Fulford-Swartz Bay), 6 (Vesuvius-Crofton), 9 (Tsawwassen-Long Harbour) |
| Southern Gulf Islands FAC | 5 (Swartz Bay-S.Gulf Islands), 9 (Tsawwassen-Long Harbour) |
| Southern Sunshine Coast FAC | 3 (Langdale-Horseshoe Bay) |
| Tri-Islands FAC | 25 (Alert Bay-Port McNeill-Sointula) |