



## **Service Plan and Budget for the Fiscal Year Ending March 31 2010**

### **TABLE OF CONTENTS**

	Page
<b>1 EXECUTIVE SUMMARY</b>	<b>2</b>
<b>2 ABOUT THE COMMISSION</b>	<b>3</b>
<b>3 ACTIVITY OVERVIEW</b>	<b>4</b>
<b>4 ACTIVITY DETAIL</b>	<b>5</b>
<b>5 EXPENDITURE BUDGET</b>	<b>10</b>

---



Honourable Kevin Falcon  
Minister of Transportation  
Parliament Buildings  
P.O. Box 9047, Stn Prov Govt  
Victoria, BC  
V8W 9E2

Mr. David Hahn  
President and CEO  
British Columbia Ferry Services Inc  
1112 Fort Street  
Victoria, BC  
V8V 4V2

September 8, 2008

Dear Minister Falcon and Mr. Hahn:

**BC Ferry Commission Service Plan and Budget  
Fiscal Year Ending March 31 2010**

I am pleased to submit the enclosed document as required by section 59 of the Coastal Ferry Act. The document outlines how the Commission intends to fulfill its mandate in the coming fiscal year, and the associated expenditures.

Yours truly,

A handwritten signature in black ink, appearing to read "M. Crilly".

Martin Crilly  
BC Ferries Commissioner

# 1 Executive Summary

The post of **British Columbia Ferries Commissioner** was created in April, 2003 by the **Coastal Ferry Act** of the Province of BC. The current commissioner was appointed in August 2003, and the current deputy commissioner in June 2008. Their office is known as the BC Ferry Commission.

*Four year outlook provided*

The Act obliges the Commission to regulate coastal ferry operations with a timetable stretching several years ahead. Accordingly, this Annual Service Plan and Budget begins with a **long range look** into the future in the form of a four-year activity schedule through 2012.

*Service Plan to March 2010*

A **Service Plan** for the coming fiscal year describes the expected type and intensity of activity of the Commission in meeting its mandate—in regulating ferry fares and service levels, in making certain special decisions, in public outreach and in administration.

*Budget for fiscal 2009/10*

The Service Plan is used to project the Commission's costs for the year, summarized in Figure 1. **Total expenditure for fiscal year 2009/10 is budgeted at \$307,000**, including a 5% contingency due to uncertainty in activity level. This total is an estimated 80% of the maximum permitted for the Commission's expenditure budget set out in the Coastal Ferry Act<sup>1</sup>.

The budget for FY 2009/10 provides for a similar level of effort to the previous years' budget. The first budget category, regulation of fares, covers a first stage of the price cap review for performance term three. The third category (special decisions) deals with BC Ferries' plan to deploy capital in ships and terminals, and the monitoring and implementation of its Alternative Service Providers Plan for performance term two. The fourth (enforcement), in expectation of compliance by the company, receives only a small allocation of budget.

The fifth and sixth budget categories—publication and outreach, and administration and reporting—are based upon experience with the intensity of correspondence with individual members of the public, and with the effort required to maintain the Commission's website as the main vehicle of publication.

**Fig. 1: Expenditure Budget** \$'000  
Fiscal Year Ending March 31 2010

Regulation of Ferry Fares	\$ 52
Regulation of Ferry Service Levels	\$ 12
Special Decisions	\$ 131
Enforcement	\$ 3
Publication and Outreach	\$ 50
Administration and Reporting	\$ 46
Contingency 5%	\$ 15
<b>Total Expenditure</b>	<b>\$ 307</b>

<sup>1</sup> The Act's Section 59(2) limits the budget to one tenth of one percent (in a year such as FY 2009/10 without activity on price cap review under section 40 of the Act) of BC Ferries' gross tariff revenue for the last fiscal year. This figure for fiscal 2007/8 was \$382 million.

## 2 About the Commission

### Policy Principles for the BC Ferry Commission

Coastal Ferry Act, s 38

---

- (a) priority is to be placed on the financial sustainability of the ferry operators;
- (b) ferry operators are to be encouraged to adopt a commercial approach to ferry service delivery;
- (c) ferry operators are to be encouraged to seek additional or alternative service providers on designated ferry routes through fair and open competitive processes;
- (d) ferry operators are to be encouraged to minimize expenses without adversely affecting their safe compliance with core ferry services;
- (e) cross subsidization from major routes to other designated ferry routes is (i) to be eliminated within the first performance term of the first Coastal Ferry Services Contract to be entered into under this Act, and (ii) before its elimination, to be minimized;
- (f) the designated ferry routes are to move towards a greater reliance on a user pay system so as to reduce, over time, the service fee contributions by the government.

The **BC Ferry Commission** is a quasi-judicial regulatory agency operating under the Coastal Ferry Act of the Province of British Columbia. While discharging its responsibilities, the Commission is required to bear in mind a set of six policy principles (see box, left).

The “core” ferry services to be regulated by the Commission carry people and vehicles over a designated set of 25 saltwater routes. All are currently served by BC Ferry Services Inc ("BC Ferries") as the ferry operator.

BC Ferries was created in April 2003 from the former BC Ferry Corporation, which was a taxpayer-supported crown corporation. It is now a self-financing company with a mandate to widen travel choices for users and improve service quality.

Under a long-term contract with the Province, BC Ferries must operate its system to comply with defined minimum "core" service levels on each of the 25 routes. On three of them, called "major" routes and regarded as financially self-sufficient, it receives no subsidy. On the other 22, the government pays BC Ferries a “ferry transportation fee” per-round trip sailing.

BC Ferries currently holds a virtual monopoly position in most of the transportation markets it serves. Given the lack of effective competition, a major role of the Commission is to set a ceiling or “price cap” on the average level of fares which BC Ferries can charge. The goal in setting the price cap is to balance consumer protection with financial sustainability of the ferry operator, while encouraging efficiency.

The routes are divided into seven geographic groups. Each group is to have its own price cap, which is a weighted average of the individual fares within the group. The level is re-set after every fourth year. Each four year<sup>2</sup> period is termed a "performance period".

Another key task is to monitor the adherence of BC Ferries to the terms of its contract. It is worth noting that the Commission serves as neither ombudsman nor complaints bureau. Further, it is not responsible for regulating safety or environmental aspects of ferry operations.

<sup>2</sup> Except for the first performance period, which was five years long and ended on March 31, 2008.



## 4 Activity Detail

This section takes the list of the Commission activities and offers a more detailed description. It gives the expected level of activity for the year.

This is the basis for budgeting the Commission's costs in the following Section 5, which develops expenditure budgets.

Activity number	Coastal Ferry Act Section	Activity Description	Level and Timing of Activity Anticipated In Fiscal 2009/10
<b>1.0</b>		<b>Regulation of Ferry Fares</b>	
1.1	39	Monitor how weighted average price is calculated	
		The Commission will monitor the functioning of the Average Fare Model. This was developed in collaboration with BC Ferries in 2003/4 as the key measuring tool for judging whether BC Ferries' weighted average fares are within the price cap established by the Commission. The model requires adjustment and improvement (e.g. for changes in type and quality of source data) and cross-checking from time to time. Where necessary, the operation of the model will be externally validated.	This is an ongoing activity which required the attention of Commission and consultants in concentrated periods. 10 days of Commission time and \$10,000 in consulting fees are budgeted for the year.
1.2	38,65	Review BCF quarterly reports on price level	
		The Commission will specify contents required in BC Ferries quarterly reports respecting fare levels for each route group. The Commission will determine if the weighted average of the tariffs charged for each route group, as measured using the above Average Price Model are within the price cap established, and if not make appropriate orders. Starting in performance term two, the commission will review quarterly the standing of fuel cost deferral accounts which, through a mechanism described in Commission Memoranda 24 and 24A, may trigger a change in the fuel surcharge/rebate applied to the base fare.	One review per quarter, requiring two days of Commission time per quarter.
1.3	42	Handle any BCF applications for extraordinary price increases	
		The Commission will review and consider applications by the ferry operator for extraordinary tariff/price cap increases.	One extraordinary price increase determination is provided for in FY

			2009/10 requiring ten days of Commission time and \$10,000 in external consulting fees.
1.4	45	Adjust price cap for any service cuts/route discontinuances	
		The Commission will review service reductions or discontinuance of routes for impact on price cap and make appropriate adjustments in price cap.	Applications for route discontinuance are allowed from October 2006 under the Coastal Ferry Services Contract between BC Ferries and the Province of BC but none are expected. Applications for service reduction may occur at any time, and review of price cap implication is budgetted for two days in 2009/10.
1.5	40,41	Conduct price cap review for next performance term	
		The Commission will initiate the price cap review for the third performance term.	Stage 1 of the price cap review for the third performance term will occur during FY 2009/10: this involves the Commission providing BCFS with data needs and forecasting guidelines for its submission to the Commission. The BCFS submission is due by September 30 2010., i.e. six months after the en of the FY covered by this service plan and budget.
<b>2.0</b>	<b>Regulation of Ferry Service Levels</b>		
2.1	38,65	Review BCF quarterly reports on service level	
		The Commission will specify the format of, and review quarterly reports of BC Ferries as the ferry operator to determine if it is meeting the contract service requirements.	One review per quarter, with one Commission day per review.
2.2	38,66	Review BCF annual reports on service level	
		The Commission will specify the format of, and review annual reports of BC Ferries as the ferry operator to determine if it is meeting the contract service requirements. It will also review BC Ferries' annual customer satisfaction survey, which BC Ferries must provide to the Commission under the terms of the Coastal Ferry Services Contract.	One review of last BC Ferries annual report in July 2008 of two Commission days supported by \$4000 in consultants' time.
2.3	43	Handle any BCF applications for service reductions	
		Review and consider any applications by the ferry operator for reductions in service (temporary reductions would occur immediately)	None are expected.
2.4	44	Handle any BCF applications for route discontinuance, possibly hold hearing	
		Review and consider any applications by the ferry operator to discontinue a route. After October 2006, route discontinuance applications may be made (the determination process takes 9 months).	Route discontinuance is allowed from October 2006 but no activity is expected.

3.0		Special Decisions	
3.1	55	On BCF request, decide if a proposed capital deployment is reasonable	
		If a ferry operator makes an application, the Commissioner will consider a proposed capital deployment or capital expenditures in connection with a route or terminal to determine if they are reasonably required. Consultants of various specialties will be engaged to undertake a "process audit" of the BC Ferries analysis.	Two determinations may be required in fiscal 2009/10 for a total of 30 Commission days and \$50,000 in consultants' fees.
3.2	38(4)	Deregulate a ferry route if competition sufficient	
		Make a determination of removing the route designation for a route upon which sufficient competition exists so that regulation of that route is no longer necessary.	One consideration in FY2009/10 budgetted at 2 Commission days and \$10,000 in consulting fees.
3.3	69	Review BC Ferries Plan to Seek Alternate Service Providers	
		Monitor the market for ferry services with a view to encouraging competition for BC Ferries; monitor BC Ferries implementation of its Additional and Alternate Service Providers Plan to provide service on BC Ferries designated routes by subcontract, franchise, or other means.	Ten Commission days and \$20,000 in consulting fees are budgetted for this activity.
4.0		Enforcement	
4.1	38(2)	Monitor BCF reporting to public	
		The Commissioner will observe how BC Ferries reports its own performance respecting pricing its fares under the price cap, and respecting its service level actually delivered versus the contracted service levels.	Quarterly observation by Commissioner, to be covered in annual report to the Lt. Governor in Council (see 6.4 below). One Commission day per quarter.
4.2	46	Inspect BCF records as required	
		Order inspections of the records of the ferry operator as necessary	No activity expected to be necessary.
4.3	48	Issue orders to BCF re: non-compliance with the law as required	
		Issue orders for non-compliance with the legislation as necessary	No activity expected to be necessary.
5.0		Publication and Outreach	
5.1	52	Maintain Commission records, provide public access	
		Files will be maintained accessible to the public under the Freedom of Information and Protection of Privacy Act. Response to public enquiries will be made via telephone, postal mail, e-mail. A web site will be maintained and regularly updated as needed, preferably at least monthly.	Budget is 30 days of Commission time supported by \$10,000 in consulting time for FY 2009/10.

5.2	52	Publish decisions/determinations/orders/proceedings	
		The Commissioner will publish every decision, determination and order in a manner that the Commissioner believes will bring it to the attention of the public. All such items will be published on the Commission's website, at a minimum.	Three to five official publications expected. How published will depend on the Commissioner's judgment of the groups having most interest in the content. Web site maintenance is budgetted for 10 days
5.3	NA	Communicate with public and stakeholders	
		The Commission will actively communicate the role and responsibilities of the Commission to the public; make appearances in the media; make presentations and speeches to stakeholder groups.	Commissioner attending one industry conference per year: two media pieces per year written by Commissioner: one public speech/presentation per quarter by Commissioner.
<b>6.0</b>	<b>Administration and Reporting</b>		
6.1	36	Operate office and engage external support services	
		Operate the office of the Commission. Maintain arrangements for telephone, mail and electronic access. Rent office space as required.  Office operations (secretarial, phone, courier, post, internet, website) Office equipment dedicated to Commission use. Work with Office of the Attorney General as provider of payment system on behalf of the Commission. Obtain internal bookkeeping, archiving, and legal services as required.	No rental costs expected in the year due to virtual office operation. Accounting and payment system is provided by Office of the Attorney General at no charge to the Commission. A budget of \$10,000 is made for obtaining independent legal advice as required.
6.2	NA	Research background to ferry operating environment	
		This activity is Commissioner's ferry system familiarization and background study. The Commissioner intends to travel all ferry routes in person.  Research and Investigations initiated by Commission.	This activity will be largely study of relevant reports and articles. The Commissioner will ensure familiarity with all ferry routes. Nine days of Commission time is allotted for this activity FY2009/10  One special research investigation by consultants is budgetted at \$10,000 in fees.
6.3	69	Prepare Commission's annual budget	
		Budget will include expenditures reasonably expected to be incurred in the following year, supported by a Service Plan for the year.	Preparation time for the annual Service Plan and Budget will be needed in quarter 2 of each fiscal year. One day allotted for the Service Plan and Budget.

6.4	53	Report annually to Lieutenant-Governor in Council	
		<p>Within 4 months after the end of each fiscal year, the Commissioner will make a report to the Lieutenant-Governor in Council for the preceding fiscal year, setting out briefly</p> <ul style="list-style-type: none"><li>(a) all applications and requests for decisions to the commissioner under the Act,</li><li>(b) all orders issued by the commissioner,</li><li>(c) the financial statements applicable to the office of the commissioner for that year along with full disclosure of the expenses of, and associated with, the office of the commissioner, and</li><li>(d) other information the Lieutenant-Governor in Council directs.</li></ul>	<p>One report annually within 4 months of the end of the fiscal year requiring two days' work of the Commission.</p>

## 5 Expenditure Budget

The following page provides a detailed expenditure budgets for the fiscal year 2009/10.

For each activity, estimates are made for the fees of the Commissioner(s), staff and consultants, travel and other expenses (e.g. equipment, support services and supplies).

**Expenditure Budget for FY2009/10**

Coastal Ferry Act Section	Activity Number	Activity and Expected Level						TOTAL
			Commissioners		Consultants	Expenses		
			Days	Fees*	Fees	Travel	Other	
	<b>1.0</b>	<b>Regulation of Ferry Fares</b>						
39	1.1	Monitor how weighted average fare is calculated						
		Guide adjustments to Average Price Model	15	\$ 11,250	\$ 10,000	\$ 1,000	\$ -	\$ 22,250
		Validate Average Price Model	5	\$ 3,750	\$ -	\$ 1,000	\$ -	\$ 4,750
38, 65	1.2	Review BCF quarterly reports on price level						
		One review per quarter	8	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
42	1.3	Handle any BCF applications for extraordinary price increases						
		Allowance for one extraordinary price increase	10	\$ 7,500	\$ 10,000	\$ -	\$ -	\$ 17,500
45	1.4	Adjust price cap for any service cuts/abandonments						
		Allowance for one consideration	2	\$ 1,500	\$ -	\$ -	\$ -	\$ 1,500
40,41	1.5	Conduct price cap review for next performance term						
		No activity expected	0	\$ -	\$ -	\$ -	\$ -	\$ -
		<b>SUBTOTAL - REGULATION OF FERRY FARES</b>	<b>40</b>	<b>\$ 30,000</b>	<b>\$ 20,000</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 52,000</b>
	<b>2.0</b>	<b>Regulation of Ferry Service Levels</b>						
38, 65	2.1	Review BCF quarterly reports on service level						
		One review per quarter	8	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
38, 66	2.2	Review BCF annual reports on service level						
		One review of BCFS annual report in June following	2	\$ 1,500	\$ 4,000	\$ -	\$ -	\$ 5,500
43	2.3	Handle any BCFS application for service reductions						
		None are expected	0	\$ -	\$ -	\$ -	\$ -	\$ -
44	2.4	Handle any BCF applications for route discontinuance, possibly hold hearing						
		None are expected	0	\$ -	\$ -	\$ -	\$ -	\$ -
		<b>SUBTOTAL - REGULATION OF FERRY SERVICE LEVELS</b>	<b>10</b>	<b>\$ 7,500</b>	<b>\$ 4,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,500</b>
	<b>3.0</b>	<b>Special Decisions</b>						
55	3.1	On BCF request, decide if a proposed capital deployment is reasonable						
		Two determinations expected required	30	\$ 22,500	\$ 50,000	\$ 5,000	\$ -	\$ 77,500
38(4)	3.2	Deregulate a ferry route if competition sufficient						
		One investigation	20	\$ 15,000	\$ 10,000	\$ 2,000	\$ -	\$ 27,000
69	3.3	Review BCF Plan to seek alternate service providers						
		Review ASP Plan and Monitor implementation	20	\$ 15,000	\$ 10,000	\$ 1,000	\$ -	\$ 26,000
		<b>SUBTOTAL - SPECIAL DECISIONS</b>	<b>70</b>	<b>\$ 52,500</b>	<b>\$ 70,000</b>	<b>\$ 8,000</b>	<b>\$ -</b>	<b>\$ 130,500</b>
	<b>4.0</b>	<b>Enforcement</b>						
38(2)	4.1	Monitor BCF reporting to public						
		Quarterly observation	4	\$ 3,000	\$ -	\$ -	\$ -	\$ 3,000
46	4.2	Inspect BCF records as required						
		No activity expected to be necessary	0	\$ -	\$ -	\$ -	\$ -	\$ -
48	4.3	Issue orders to BCF re: non-compliance with the law as required						
		No activity expected to be necessary	0	\$ -	\$ -	\$ -	\$ -	\$ -
		<b>SUBTOTAL - ENFORCEMENT</b>	<b>4</b>	<b>\$ 3,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,000</b>
	<b>5.0</b>	<b>Publication and Outreach</b>						
52	5.1	Maintain Commission records, provide public access						
		Ongoing overhead including response to public enquiries	30	\$ 22,500	\$ 10,000	\$ -	\$ -	\$ 32,500
52	5.2	Publish decisions/determinations/orders/proceedings						
		Website maintenance	10	\$ 7,500	\$ 1,000	\$ -	\$ -	\$ 8,500
NA	5.3	Communicate with public and stakeholders						
		Commissioner to one industry conference per year	2	\$ 1,500	\$ -	\$ 1,000	\$ 1,000	\$ 3,500
		Two media pieces per year written by Commissioner	2	\$ 1,500	\$ -	\$ -	\$ -	\$ 1,500
		One public presentation per quarter by Commissioner	4	\$ 3,000	\$ -	\$ 750	\$ -	\$ 3,750
		<b>SUBTOTAL - PUBLICATION AND OUTREACH</b>	<b>48</b>	<b>\$ 36,000</b>	<b>\$ 11,000</b>	<b>\$ 1,750</b>	<b>\$ 1,000</b>	<b>\$ 49,750</b>
	<b>6.0</b>	<b>Administration and Reporting</b>						
36	6.1	Operate office and engage external support services						
		Office equipping and updating software	1	\$ 750	\$ -	\$ -	\$ 3,000	\$ 3,750
		Rent: none expected (virtual office)				\$ -	\$ -	\$ -
		Office ops (secretarial, phone, courier, post, internet, website)	3	\$ 2,250	\$ 2,000	\$ -	\$ 1,000	\$ 5,250
		Office equipment dedicated to Commission use	0	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
		Accounting, audit, archiving, and legal advice as required	4	\$ 3,000	\$ 10,000	\$ 1,000	\$ -	\$ 14,000
NA	6.2	Research background to ferry operating environment						
		Commissioners' system familiarization and background study	5	\$ 3,750	\$ -	\$ 1,000	\$ -	\$ 4,750
		Research and Investigations initiated by Commission	4	\$ 3,000	\$ 10,000	\$ 2,000	\$ -	\$ 15,000
59	6.3	Prepare Commission's annual budget						
		Preparation time for next year's annual service plan and budget	1	\$ 750	\$ -	\$ -	\$ -	\$ 750
53	6.4	Report annually to Lt-Gov-in-Council						
		One annual report on last year's activities	2	\$ 1,500	\$ -	\$ -	\$ -	\$ 1,500
		<b>SUBTOTAL - ADMINISTRATION AND REPORTING</b>	<b>20</b>	<b>\$ 15,000</b>	<b>\$ 22,000</b>	<b>\$ 4,000</b>	<b>\$ 5,000</b>	<b>\$ 46,000</b>
		<b>GRAND TOTAL - ALL ACTIVITIES</b>	<b>192</b>	<b>\$ 144,000</b>	<b>\$ 127,000</b>	<b>\$ 15,750</b>	<b>\$ 6,000</b>	<b>\$ 292,750</b>

\*Commissioner's daily fee is set by Order In Council at \$ 825  
 Deputy Commissioner's daily fee is set by Order in Council at \$ 600

CONTINGENCY: 5% 14,638  
 TOTAL including contingency \$ 307,388