

British Columbia Ferry Commission



Service Plan and Budget for the Fiscal Year Ending March 31, 2011

*Prepared and submitted in accordance with
Section 59 of the Coastal Ferry Act
of the Province of British Columbia*

British Columbia Ferries Commissioner
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September 17, 2009



Honourable Shirley Bond
Minister of Transportation and Infrastructure
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

Comox, B.C.
September 17, 2009

Dear Minister Bond and Mr. Hahn:

**BC Ferry Commission Service Plan and Budget
For the Fiscal Year Ending March 31, 2011**

I am pleased to submit to you 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", is positioned below the "Yours truly," text.

Martin Crilly
BC Ferries Commissioner

Service Plan and Budget

for the Fiscal Year Ending March 31, 2011

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1 Executive Summary

The post of **British Columbia Ferries Commissioner** was created in April 2003 by the *Coastal Ferry Act* (the “Act”). 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.

The Act obliges the Commission to regulate coastal ferry operations with a timetable stretching several years ahead. Accordingly, this Annual Service Plan and Budget includes an activity schedule through to 2012 when Performance Term Three begins.

Service Plan to March 2011

A **Service Plan** for the coming fiscal year describes the expected activities of the Commission in order to meet its mandate of regulating ferry fares and service levels, making certain special decisions, and carrying out public outreach and administrative responsibilities.

Budget for 2010/11

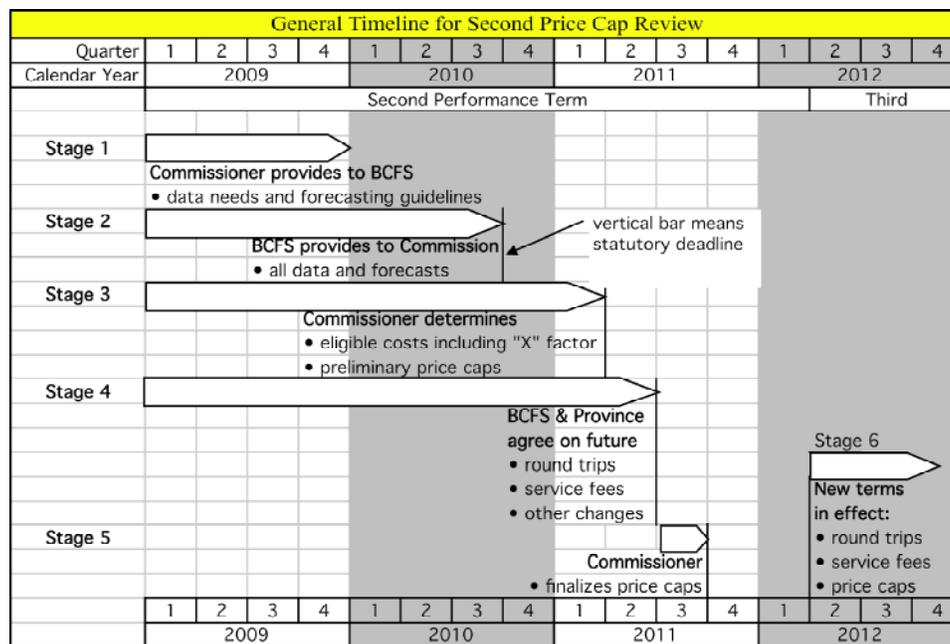
The Service Plan is used to project for the year (see Table 1). **Total expenditure for 2010/11 is budgeted at \$448,350**, including a 5% contingency due to uncertainty in activity level. This total is 52% of the maximum permitted for the Commission's expenditure budget set out in the *Coastal Ferry Act*¹.

Table 1: Expenditure Budget		Fiscal Year Ending March 31, 2011
Regulation of Ferry Fares		\$206,750
Regulation of Ferry Service Levels		\$ 11,500
Special Decisions		\$ 98,500
Enforcement		\$ 3,000
Publication and Outreach		\$ 49,750
Administration and Reporting		\$ 57,500
Contingency @ 5%		\$ 21,350
Total Expenditure		\$448,350

¹ The Act's Section 59(2) limits the budget to one-fifth of one percent (in a year such as 2010/11 with 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 2008/09 was \$429 million.

The budget for 2010/11 reflects a higher level of activity and costs compared to the previous year due to the upcoming price cap review for Performance Term Three. A timeline for this review appears on the next page. This increase in activity is reflected in the first budget category, Regulation of Ferry Fares. The second budget category (Regulation of Ferry Service Levels) reflects the Commission’s ongoing review of quarterly and annual operational reports of BC Ferries. The third category (Special Decisions) deals with BC Ferries' plan to deploy capital in ships and terminals during the third performance term, applications for temporary service reductions and the monitoring and implementation of its Alternative Service Providers Plan for Performance Term Three. The fourth category (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 on prior years experience with the level and intensity of correspondence with the public, and with the effort required to maintain the Commission’s website as the main vehicle of publication.



2 About the Commission

**Policy Principles
for the BC Ferry Commission**
Coastal Ferry Act, section 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 to the 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 of British Columbia, BC Ferries must operate its system to comply with defined minimum “core” service levels on each of the 25 saltwater 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 four 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-year² 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.

² 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 Section 5, which develops expenditure budgets.

Activity number	Coastal Ferry Act Section	Activity Description	Level and Timing of Activity Anticipated In Fiscal 2010/11
1.0		Regulation of Ferry Fares	
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 2003/04 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 requires the attention of Commission and consultants in concentrated periods. Ten days of Commission time and \$10,000 in consulting fees are budgeted for the year. Being a price cap review year, the Commission has also budgeted for validation of the model.
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 Average Price Model are within the price cap established, and if not make appropriate orders	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 2010/11 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 British Columbia. Applications for service reduction may occur at any time, but none are expected in 2010/11.
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 occurs during 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, at the end of the second quarter of the fiscal year covered by this service plan and budget. The timeline for the entire price cap review is contained in the chart in the Executive Summary. No public hearings are planned but extensive communication with ferry users is expected. The budget provides for analytical support independent of BC Ferries. Commissioner's time is budgeted at 40 days and consulting fees at \$100,000.
2.0	Regulation of Ferry Service Levels		
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 two Commission days 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 to the Commission to determine if it is meeting the service requirements under the Coastal Ferry Contract as amended. 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 BC Ferries annual report for fiscal year 2009/10 of two Commission days supported by \$4,000 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 nine 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.
		Three determinations may be required in 2010/11 for a total of 30 Commission days and \$45,000 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.
		No activity expected.
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.
		Twenty Commission days and \$10,000 in consulting fees are budgeted 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 levels 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 BC Ferries 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 BC Ferries 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 <i>Freedom of Information and Protection of Privacy Act</i> . Response to public enquiries will be made by telephone, postal mail, or e-mail. A website 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 2010/11.

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. Website maintenance is budgeted at 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 or Deputy Commissioner attending one industry conference per year; two media pieces per year written by Commissioner; and one public speech/presentation per quarter by Commissioner.
6.0	Administration and Reporting		
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. Maintain office operations (secretarial, phone, courier, post, internet, website) and 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 \$20,000 is made for obtaining independent legal or accounting 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 investigations as initiated by the 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 in 2010/11. One special research investigation by consultants is budgeted at \$10,000 in fees.
6.3	59	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 two of each fiscal year. Two days allotted for the Service Plan and Budget.

6.4	53	Report annually to Lieutenant-Governor in Council	
		<p>Within four 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">(a) all applications and requests for decisions to the commissioner under the Act,(b) all orders issued by the commissioner,(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(d) other information the Lieutenant-Governor in Council directs.	<p>One report annually within four months of the end of the fiscal year requiring three days' work of the Commission.</p>

5 Expenditure Budget

The following page provides a detailed expenditure budget for 2010/11.

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 FY2010/11

Coastal Ferry Act Section	Activity Number	Activity and Expected Level	Commissioners					Consultants		Expenses		TOTAL
			Days	Fees*		Fees	Travel		Other			
	1.0	Regulation of Ferry Fares										
39	1.1	Monitor how weighted average fare is calculated										
		Guide adjustments to Average Price Model	10	\$ 7,500	\$ 10,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 18,500	
		Validate Average Price Model	5	\$ 3,750	\$ 10,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 14,750	
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										
		None are expected	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
40,41	1.5	Conduct price cap review for next performance term										
		To start October 2010	40	\$ 30,000	\$ 100,000	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ 150,000	
		SUBTOTAL - REGULATION OF FERRY FARES	73	\$ 54,750	\$ 130,000	\$ 12,000	\$ 10,000	\$ -	\$ -	\$ -	\$ 206,750	
	2.0	Regulation of Ferry Service Levels										
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		SUBTOTAL - REGULATION OF FERRY SERVICE LEVELS	10	\$ 7,500	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,500	
	3.0	Special Decisions										
55	3.1	On BCF request, decide if a proposed capital deployment is reasonable										
		Three determinations are assumed	30	\$ 22,500	\$ 45,000	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 72,500	
38(4)	3.2	Deregulate a ferry route if competition sufficient										
		None are expected	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
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	
		SUBTOTAL - SPECIAL DECISIONS	50	\$ 37,500	\$ 55,000	\$ 6,000	\$ -	\$ -	\$ -	\$ -	\$ 98,500	
	4.0	Enforcement										
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		SUBTOTAL - ENFORCEMENT	4	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	
	5.0	Publication and Outreach										
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	
		SUBTOTAL - PUBLICATION AND OUTREACH	48	\$ 36,000	\$ 11,000	\$ 1,750	\$ 1,000	\$ -	\$ -	\$ -	\$ 49,750	
	6.0	Administration and Reporting										
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	\$ 20,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 24,000	
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	2	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500	
53	6.4	Report annually to Lt-Gov-in-Council										
		One annual report on last year's activities	3	\$ 2,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,250	
		SUBTOTAL - ADMINISTRATION AND REPORTING	22	\$ 16,500	\$ 32,000	\$ 4,000	\$ 5,000	\$ -	\$ -	\$ -	\$ 57,500	
		GRAND TOTAL - ALL ACTIVITIES	207	\$ 155,250	\$ 232,000	\$ 23,750	\$ 16,000	\$ -	\$ -	\$ -	\$ 427,000	

*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%
 TOTAL including contingency \$ 448,350