



Honourable Todd Stone
Minister of Transportation and Infrastructure
Parliament Buildings
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Victoria, BC,
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Mr. Michael Corrigan
President and CEO
British Columbia Ferry Services Inc.
Suite 500 -1321 Blanshard Street
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Dear Minister Stone and Mr. Corrigan:

September 27, 2013

**BC Ferry Commission Service Plan and Budget
For the Fiscal Year Ending March 31, 2015**

I am pleased to submit to you the attached 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.

A handwritten signature in black ink that reads "S. T. Stoilén". The signature is written in a cursive style.

Yours truly,
Sheldon Stoilén
BC Ferries Deputy Commissioner

British Columbia Ferry Commission



Service Plan and Budget **for the Fiscal Year Ending March 31, 2015**

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

September 27, 2013

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Service Plan and Budget

for the Fiscal Year Ending March 31, 2015

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1. Executive Summary

The position of **British Columbia Ferries Commissioner** was created in April 2003 by the **Coastal Ferry Act** (the “Act”). The current commissioner was appointed in May 2011 with his term due to expire on April 30, 2017. The current deputy commissioner was appointed in June 2008 and his term is due to expire on June 30, 2014. Their office is known as the BC Ferry Commission (the “Commission”).

*Service Plan and Budget for
FY 2015*

This Service Plan and Budget for the next fiscal year ending on March 31, 2015 (“FY 2015”) describes the expected activities of the Commission in order to meet its mandate of regulating ferry operators making certain special decisions, and carrying out public outreach and administrative responsibilities.

Total expenditures for FY 2015 are budgeted at \$795,000 which is **85%** of the maximum permitted for the Commission's budget under s.59(2) of Coastal Ferry Act¹.

The budget for FY 2015 is higher than the budget of \$667,000 for the previous year as it reflects activity associated with the price cap review for the fourth performance term commencing on April 1, 2016. Additional activity is budgeted for two performance reviews and approval of two applications for approval of a major capital expenditure. No activity is anticipated for regulation of unfair competitive advantage or for initiating any Alternative Service Provider process.

¹ Section 59(2) limits the budget to one-fifth of one percent of the previous year's tariff revenue. Tariff revenue for 2012/13 was \$469 million setting a maximum budget of \$938,000.

2. Role of the Commission

**Regulatory Principles
for the BC Ferry Commission**
under s. 38 of the Coastal Ferry Act

- (a) the primary role of the commissioner is to balance, in the manner the commissioner considers appropriate, the interests of ferry users, taxpayers and the financial sustainability of 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 be innovative and to minimize expenses without adversely affecting their safe compliance with core ferry services.

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 four principles (see box to the left).

British Columbia Ferry Services Inc. (“BC Ferries”) was created in April 2003 as an independent company from the former BC Ferry Corporation, which was a Crown corporation. The sole shareholder of BC Ferries is the BC Ferry Authority.

Under a long-term contract (the “Coastal Ferry Services Contract” or “CFSC”) with the Province of British Columbia, BC Ferries must provide ferry services with defined minimum “core” service levels on each of the 25 regulated saltwater routes. Under the current CFSC, and effective for the contract year 2013-2014, BC Ferries receives a “ferry transportation fee” per round-trip sailing on 21 designated routes. The four remaining routes, referred to as major routes, are regarded as financially self-sufficient and ferry transportation fees do not apply.

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 weighted average level of fares which BC Ferries can charge. The goal in setting the price cap is to balance the interests of ferry users with the interests of taxpayers while protecting the financial sustainability of the ferry operator. Price cap increases are determined every four years for the next four year performance term.

Other key tasks of the commissioner include monitoring BC Ferries’ adherence to the terms of the CFSC, approval of major capital expenditures, regulating unfair competitive advantage and the approval and monitoring of BC Ferries’ customer complaints process. It is worth noting that the commissioner serves as neither ombudsman nor a complaints bureau. Further, the commissioner is not responsible for regulating safety or environmental aspects of ferry operations.

3. Service Plan and Budget

Table 1: Expenditure Budget for Fiscal Year Ending March 31, 2015	
Fare Regulation and Monitoring	\$200,000
Service Regulation and Monitoring	32,500
Special Decisions	95,000
Inspections and Performance Reviews	179,500
Publication and Outreach	86,500
Administration and Reporting	163,750
Contingency	37,750
Total Expenditure	\$795,000

Fare Regulation and Monitoring reflects the ongoing quarterly monitoring and enforcement of price cap compliance. This includes validation of the calculation of the weighted average fares in comparison with the price caps. For FY 2015 the budget also includes activity associated with the price cap review process leading to the determination of the price caps for the fourth performance term which runs from April 1, 2016 to March 31, 2020.

Service Regulation and Monitoring reflects the Commission's ongoing review of quarterly and annual operational reports of BC Ferries. This category also includes a provision for monitoring of BC Ferries' Fuel Deferral Accounts as well as their customer complaint process.

Special Decisions reflects activity associated with the commissioner's approval of major capital expenditures during the third performance term as well as any activity associated with initiating and monitoring of any Alternative Service Provider process, the regulation of unfair competitive advantage and any other applications submitted to the commissioner under the Act. The only activity anticipated reflects two applications for major capital expenditure approvals involving mid life extensions or vessel replacement.

Inspections and Performance Reviews reflects provisions for performance reviews. Two such reviews are anticipated in FY 2015.

Publication and Outreach reflects the estimated volume of correspondence with the public and the effort required to maintain the Commission's website as the main vehicle of publication and the responsibility of considering the interests of ferry users and conducting frequent public consultation.

Administration and Reporting includes a provision for office and support services provided by the Ministry of Justice, records management services and the preparation of the Commission's Annual Report and the Annual Service Plan & Budget. This category also includes an amount for general legal services and opinions provided to the commissioner as required in carrying out his responsibilities under the Coastal Ferry Act.