



BRITISH COLUMBIA
FERRY COMMISSION

ORDER
NUMBER: 06-03

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IN THE MATTER OF
Calculation of a Further Extraordinary Increase to the Price Caps
on Fares charged by Coastal Ferry Operators
Authorized by Commission Order 05-06, dated January 20, 2006

BEFORE: Martin Crilly, Commissioner, on June 19, 2006

DECISION

WHEREAS:

- A. in the two years ended March 31, 2006 the balance of extraordinary, above-budget fuel costs incurred by BC Ferries, net of offsetting fuel surcharge revenue collected, and for which BC Ferries has not been compensated, accumulated to \$22.7 million, as recorded in fuel cost deferral accounts;
- B. because of new, higher forecasts for fuel prices made in April, 2006, this balance is currently projected to rise above \$35 million in the remaining two years of the first performance term ending March 31, 2008 unless the Commission authorizes higher fuel surcharges to recover this amount;
- C. to avoid a major rise in fares to recover the balance in the second performance term, and to provide BC Ferries with certainty regarding the disposition of the deferred fuel costs it represents, the Commission wishes to see the balance substantially reduced by the end of the first performance term, where reasonably possible;
- D. Commission Order 05-06 of January 20, 2006 provided for fuel surcharge increases with a possible further increase in June 2006, with the June increase to be determined by a formula depending on the percentage change in the fuel price outlook for the 28-month period December 1, 2005 to March 31, 2008;
- E. the Commission has determined that this change in fuel prices is an increase of 13% which results in a price cap increase of 3.2% for the major route group and 9.6% increase for five other route groups;
- F. the status and outlook for the individual fuel cost deferral account balances of the route groups now diverge considerably as a result of each group's financial characteristics, fuel

usage and other circumstances, with some closer to recovering the deferred fuel costs than others, and in particular:

- for group 2 (Horseshoe Bay/Langdale), the outlook is for a zero balance in one year if a 9.6% additional fuel surcharge is applied;
 - for group 5 (Brentwood Bay/Mill Bay), due to light fuel consumption relative to fare revenues, the deferral account balance was close to zero at March 31, 2006, and an unchanged fuel surcharge appears adequate to maintain the balance close to zero;
- G. in the unique case of group 3 (northern) the loss of capacity by the sinking in March 2006 of a ship suited to northern service creates a more negative, uncertain outlook, and this circumstance suggests that it may not be reasonably possible to reduce the deferral account to near zero in the current performance term, so that a significant deferral balance may in this case have to be recovered in the second performance term;
- H. because of the growing divergence in the status and outlook of the individual fuel cost deferral account balances for each route group the Commission has concluded that it is timely and appropriate to phase out its practice of applying the same fuel surcharge percentages to five non-major groups and, for the time being, to treat the increases in recital E above as maximum increases;
- I. the province, which provides service fees to cover a major portion of the costs on all routes other than the major routes, has had an opportunity to review the increases authorized by this Order and has not advised the Commission of any changes to its contribution; and
- J. the public were given an opportunity to comment on BC Ferries' application of November 28, 2005 prior to the Commission's decision of January 20, 2006 which included the formula for the fuel surcharges now authorized by this order, and there has been no further application since then on which the public could comment;

NOW THEREFORE the Commissioner's decision is as follows:

1. under the formula-based increases authorized by Order 05-06 the price caps applicable to the route groups are increased **effective June 22, 2006** to the end of the first performance term at March 31, 2008 as follows:
 - (a) **by 3.2 per cent for the major route group**—comprising the Vancouver Island to Lower Mainland routes in group number one—using the price cap that would otherwise be in effect November 1, 2006 for route group one as the base for the calculation of the 3.2 per cent increase to the price cap;
 - (b) **by 9.6 per cent for the other route groups** numbered two, three, four and six, using the price cap that would otherwise be in effect November 1, 2006 for each of the route groups numbered two, three, four and six as the base for the calculation of the 9.6 per cent increase to the price caps;

- (c) **by zero per cent for route group five**—comprising the Brentwood-Mill Bay route;
- (d) for clarity, **by zero per cent for route group seven**—comprising the contracted route Langdale-Gambier-Keats which was not included in BC Ferries' November 28 application for an extraordinary price cap increase;
2. the fuel surcharge to ferry customers shall, as long as it remains in effect, be shown on the fare ticket, combining the surcharges authorized by the Commission. The amount collected shall be used to reduce the balances of the deferral accounts;
 3. the provisions of Order 05-02 relating to the operation of the deferral accounts, interest on the balances in the deferral accounts and hedging operations remain in effect;
 4. the reduction and/or elimination of the fuel surcharges shall take place, as determined by the Commissioner, on a route group basis; and
 5. the increase in the route group price caps authorized by this Order shall be excluded from the calculation of future annual statutory increases in the price cap indexes.

A conversion of percentage increases into total dollar fuel surcharges is attached in a tariff sheet in Schedule A.

Dated at Comox, in the Province of British Columbia, this 19th day of June, 2006.

BY ORDER



Martin Crilly
Commissioner
British Columbia Ferry Commission

TOTAL FUEL SURCHARGES after the increase authorized starting June 22, 2006

	PASSENGERS	PASSENGER VEHICLE UNDERHEIGHT	PASSENGER VEHICLE OVERHEIGHT /SIZE	COMMERCIAL VEHICLE PER FOOT	BUS PER FOOT
Fuel Surcharge	Total	Total	Total	Total	Total
ROUTE DESCRIPTION	<i>(child or adult)</i>	<i>(cars/pickup trucks)</i>	<i>(recreational vehicles)</i>	<i>Vehicles over 5500 kg/GVW</i>	<i>Licensed to carry 16 or more passengers</i>
Tsawwassen - Swartz Bay	\$0.80	\$2.85	\$6.50	\$0.32	\$0.21
Horseshoe Bay - Departure Bay	\$0.80	\$2.85	\$6.50	\$0.32	\$0.21
Tsawwassen - Duke Point	\$0.80	\$2.85	\$6.50	\$0.32	\$0.21
* Horseshoe Bay - Langdale	\$1.25	\$4.55	\$9.50	\$0.63	\$0.60
* Swartz Bay - Fulford Harbour	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
* Swartz Bay - Gulf Islands	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
* Vesuvius Bay - Crofton	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
* Saltery Bay - Earl's Cove	\$1.25	\$4.55	\$9.50	\$0.63	\$0.60
* Horseshoe Bay - Snug Cove	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
Tsawwassen to Gulf Islands	\$1.15	\$4.10	\$9.20	\$0.48	\$0.30
Gulf Islands to Tsawwassen	\$1.15	\$4.10	\$9.20	\$0.48	\$0.30
Tsawwassen to Gulf Islands Thru-Fare	\$1.15	\$4.10	\$9.20	\$0.48	\$0.30
Gulf Islands to Tsawwassen Thru- Fare	\$1.15	\$4.10	\$9.20	\$0.48	\$0.30
Inter-Southern Gulf Islands	\$0.40	\$1.15	\$2.40	\$0.16	\$0.16
Comox - Powell River	\$1.25	\$4.55	\$9.50	\$0.49	\$0.30
* Texada Island - Powell River	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
* Gabriola Island - Nanaimo	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
* Thetis Island - Kuper Island - Chemainus	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
* Denman Island - Buckley Bay	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
* Hornby Island - Denman Island	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
* Quadra Island - Campbell River	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
* Cortes Island - Quadra Island	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
* Alert Bay - Sointula - Port McNeill	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
* Skidegate - Alliford Bay	\$0.90	\$2.40	\$4.90	\$0.29	\$0.29
Bear Cove - Prince Rupert	\$16.20	\$34.10	\$93.00	\$3.80	\$3.10
Prince Rupert - Skidegate	\$3.95	\$14.65	\$38.75	\$1.85	\$1.55
Port Hardy-Bella Coola	\$18.30	\$36.55	\$50.65	\$3.45	\$2.80
Port Hardy-Mid Coast	\$7.15	\$16.15	\$24.45	\$1.60	\$1.25
Bella Coola-Mid Coast	\$7.15	\$16.15	\$24.45	\$1.60	\$1.25
Inter-Mid Coast	\$4.00	\$8.75	\$18.00	\$1.80	\$1.50
Mill Bay - Brentwood Bay	\$0.20	\$0.75	\$1.50	\$0.08	\$0.08

*Surcharge covers return trip

Fuel Surcharge

Passenger includes all passenger fare categories. Passenger vehicle includes all motorcycle categories. Commercial vehicle surcharge is per foot and applies to all widths.

EXEMPTIONS:

Children under 5 years of age
Bicycles
Stowage
Canoe/Kayak