



Section 45.1 of the Coastal Ferry Act and BCFS' Drop Trailer Services

Commission's Responses to SCIC's Disclosure Request attached to SCIC's cover letter dated October 15, 2010

The Commission asked BCFS to respond to the 22 questions in SCIC's request to the Commission for disclosure dated October 15 2010. BCFS provided answers to the Commission on October 22 2010.

BCFS' responses will form part of the body of material which will be considered in the Commission's future determinations under section 45.1 of the Act.

Below the Commission provides to SCIC the BCFS responses, edited by the Commission to withhold material the disclosure of which, in the Commission's view, could be harmful to the financial or economic interests of BCFS. Section 17 of the Freedom of Information and Protection of Privacy Act allows the Commission the discretion to refuse to disclose such information.

SCIC's Question 1.1

- 1.1 Provide full details of the scope of the company's drop trailer business, its marketing plan and tariff structure for such business. Details on existing contracts together with any pricing incentives should also be provided.

See pages 16 to 21 of BCFS' August 31 2010 Submission. Also, pages 12 to 21 describe benefits of the drop trailer service to the commercial marketplace, in the view of BCFS. There is no written marketing plan per se.

Disclosure to SCIC of details on existing contracts and pricing incentives, which have been viewed by the Commission, are withheld. Disclosure can reasonably be expected to be harmful to the financial or economic interests of BCFS: SCIC could use this information to target individual customers of BCFS.

SCIC's Question 2.1

- 2.1 Provide copies of all written policies or other written directions to employees in place prior to May 1, 2010, designed to ensure drop trailer traffic is never carried when passenger vehicles and/or live trailer traffic are left to wait for a later sailing.

There are no written policies as described above.

SCIC's Question 2.1 (further)

- 2.1 Provide a list of all sailings since BC Ferries commenced drop trailer service where drop trailers were carried and one or more passenger vehicles were left behind.

BCFS states that the drop trailer service utilizes surplus capacity with only 0.2% of BCFS overall traffic on these routes being delayed where there is space on a sailing being occupied by drop trailers.

BCFS has provided 19,906 sailings since March 16, 2009 through to August 31, 2010 on routes 1 and 30. Of these sailings, 6446 carried drop trailers. There were 1632 sailings when drop trailers were carried on a sailing when one or more passenger vehicles were left in the terminal after the vessel finished loading.

BCFS states that there are a variety of factors which lead to passenger vehicles being left behind which are unrelated to drop trailer service. One example of when this occurs is when a passenger vehicle checking in after the cut off time (established to maintain the service schedule) is required to remain in lane until the next sailing. Another example is when a customer has left their vehicle and does not return to their vehicle in time to load. Thus, it is impossible to draw any conclusions regarding the cause of passenger vehicles being left behind.

To identify specific sailings to SCIC can reasonably be expected to be harmful to the financial or economic interests of BCFS: SCIC could use this information to target BCFS' business.

SCIC's Question 2.2

- 2.2 Provide a list of all sailings since BC Ferries commenced drop trailer service where drop trailers were carried and one or more live trailers were left behind.

There were 19,070 sailings carrying live semi trailers between March 16, 2009 and August 31, 2010 on route 1 and 30. There were 6,446 which carried drop trailers. Of these, there were 1,133 sailings where drop trailers were carried on a sailing when one or more live trailer was left at the terminal after the vessel finished loading.

There are several reasons why live trailers are left behind on any particular sailing. For example, a live semitrailer showing up too late to redeem its reservation will be held for the next available sailing. An extra long load such as a mobile home may be held up for several sailings awaiting optimal tide conditions to facilitate optimal loading conditions for that rig. Thus, it is impossible to draw any conclusions regarding the cause of the vehicles being left behind.

To disclose a list of specific sailings where drop trailers were carried and one or more live trailers were left behind could be used by SCIC to target BCFS' business and can reasonably be expected to be harmful to the financial or economic interests of BCFS.

SCIC's Question 2.3

- 2.3 Provide a list of all sailings, since BC Ferries commenced drop trailer service, where BC Ferries carried drop trailers and passenger vehicles which were paying for reservations on the same sailing.

BCFS responds as follows (unedited – verbatim): Of the 19,906 sailings provided from March 16, 2009 to August 31, 2010 all but 22 sailings accepted reservations. The only time that reservations were not accepted is when they were not accepted due to operational reasons.

SCIC's Question 3.1

- 3.1 Confirm that these are the only services offered for drop trailer service. If this is wrong, describe all other drop trailer services that are offered.

BCFS responds as follows (unedited – verbatim): BCFS confirms these are the two products offered for drop trailer service at this time.

SCIC's Question 3.2

- 3.2 Explain what happens in the case of "At" drop trailer service where the two available sailings are over capacity due to passenger vehicle or live trailer traffic; or, in the case of "By" drop trailer service, where the four available sailings are over capacity due to passenger vehicle or live trailer traffic.

BCFS responds as follows (unedited – verbatim): drop trailer operations are managed to meet mutually agreed products, which are negotiated with customers. The "At or "By" product offering is honoured as negotiated. As such, BCFS negotiates with the objective of shaping the products to make the most efficient use of our fleet, targetting underutilized sailings.

SCIC's Question 3.3

- 3.3 Explain what happens when a customer fails to call in or have their trailer at the terminal in the time frames set out in the description on page 19.

BCFS responds as follows (unedited – verbatim): BCFS would typically contact the customer to discuss. If there are extenuating circumstances we will try to accommodate the customers. Otherwise, we will turn the trailer away or reschedule to a later sailing.

SCIC's Question 4.1

- 4.1 Confirm that the “Live Semi Trailer” fee and “Passenger Fee” are paid by all live trailer traffic without discount. If you cannot confirm this describe the circumstances where the “Live Semi Trailer” fee is discounted.

BCFS responds as follows (unedited – verbatim): Live semi trailer traffic fees are discounted in various ways. Examples include Coast Saver Programs, through negotiations with our customers, or when BCFS is correcting an error and providing “service recovery” for a customer. BCFS core services are subject to price cap regulation, such that BCFS has flexibility in the rates that we charge so long as the revenue collected falls within the price caps approved by the commissioner. Any discounts provided on the above services, or drop trailer services, are consistent with the price cap regulation by the commissioner.

SCIC's Question 4.2

- 4.2 Provide a table(s) showing the level of “Live Semi Trailer” rates from January 1, 2005 to the present.

Rate per foot (published) for Route 1 and Route 30

Year	Rate per foot
2005	\$3.85
2006	\$4.10
2007	\$4.30
2008	\$4.85
2009	\$5.05
2010	\$5.25

SCIC's Question 4.3

- 4.3 Provide a table showing the number of Live Semi Trailers carried in each year from January 1, 2005 to the present.

The Commission considers that disclosure should be withheld as it can reasonably be expected to be harmful to the financial or economic interests of BCFS. This is basic market information that could be used by SCIC should it wish to enter the live truck market. Also, its relevance to the matter at hand is not apparent to the Commission.

SCIC's Question 4.4

- 4.4 Describe the circumstances, including notice and cost, pursuant to which "Live Semi Trailer" service may obtain reservations on BC Ferries.

Customers contact BCFS via telephone or the internet to book reservations for their desired sailing.

To make a reservation, the customer must provide:

- their full first and last name
- a guarantee with a Visa, MasterCard, American Express, Commercial Travel Card or Travel Card.

SCIC's Question 4.5

- 4.5 Confirm that "Live Semi Trailer" service pays a per foot tariff for both the tractor and the trailer.

BCFS respond as follows (unedited – verbatim): BCFS confirm that a Live Semi Trailer pays a per foot tariff for both the tractor and trailer, in other words, the entire length of the tractor/trailer unit.

SCIC's Question 4.6

- 4.6 The published rates per foot for drop trailer service are higher than for "Live Semi Trailer" service.

- (i) Is this to prevent drop trailer service from eroding "Live Semi Trailer" traffic?

BCFS responds as follows (unedited – verbatim): The published rates per foot for drop trailer service were established based on market research.

- (ii) What percent of drop trailer service pays the published Tariff rate of \$6.75 per foot shown on table 2.

The Commission considers that disclosure should be withheld as it can reasonably be expected to be harmful to the financial or economic interests of BCFS. This information could help SCIC determine the actual prices paid by BCFS' drop trailer customers, which, given the a competitive environment surrounding the drop trailer business, the Commission considers to be information amounting to a trade secret of BCFS.

SCIC's Question 4.7

- 4.7 Confirm all of the published fees for drop trailer service are negotiable. If this is not correct indicate which of the published drop service fees are not negotiable and which are negotiable.

BCFS responds as follows (unedited – verbatim): Confirmed, all of the published fees for the drop trailer service are negotiable.

SCIC's Question 4.8

- 4.8 Explain whether the drop trailer service “Hot Shot Fee” of \$13.50 is in addition to the “Tariff for the trailer per/ft” of \$6.75 or is a replacement for that fee. Has this fee ever been waived?

BCFS responds as follows (unedited – verbatim): The \$13.50 hot shot fee is a replacement of the \$6.75. The Hot Shot fee is intended to encourage customers to work within the agreed plan and avoid unplanned requests. To date this incentive has worked as we have not had occasion to charge this fee.

SCIC's Question 4.9

- 4.9 Confirm that drop trailer traffic does not pay a tariff for the tractor unit supplied by BC Ferries.

BCFS responds as follows (unedited – verbatim): The tariff as indicated on page 20 of the submission is applied to the length of the trailer. In addition, a terminal charge is charged to hook and unhook the trailer for transport.

The COSA undertaken by BCFS with the assistance of EES Consulting takes the additional footage occupied by the tractor into account in determining the appropriate allocation of costs to drop trailer service.

SCIC's Question 4.10

- 4.10 Explain what priority is given to a drop trailer traffic “reservation” over non reservation passenger vehicle or live trailer traffic.

BCFS responds as follows (unedited – verbatim): As with any reservation, priority to sail is placed on the reservation rather than on the non-reservation.

SCIC's Question 4.11

- 4.11 Provide a detailed description of any valet service (pickup and drop off of trailers at customer locations) provided by BC Ferries, on its own or in co-operation with others, to drop trailer customers.

Pages 18 to 21 of the August 31 Submission describe the drop trailer operations. Since the commencement of drop trailer operations, on four occasions BCFS has provide service recovery to customers due to errors on the part of BCFS.

SCIC's Question 4.12

- 4.12 Confirm that it costs BC Ferries less to provide off-peak incremental live trailer service than it does to provide off-peak incremental drop trailer service.

BCFS responds as follows (unedited – verbatim): For this question, incremental is understood to mean one unit.

For every incremental live trailer, BCFS does not incur any incremental costs. The current level of costs is a direct result of current assets utilized, which were purchased to meet both the primary and secondary peak demands. If BCFS were no longer to carry live trailers, BCFS would not avoid any costs currently incurred.

Additional drop trailer service also improves the efficiency and utilization of the existing vessels. If BCFS was no longer to carry drop trailers, BCFS would not reduce fixed costs. BCFS incurs some additional costs to offer drop trailer service that are not incurred to provide live trailer service. These additional costs are recovered from drop trailer customers' The drop trailer service revenues exceed those costs, thus contributing additional revenue for the benefit of all customers.

Off peak has available capacity to provide for various needs of our customers. Thus, it is most beneficial for BCFS to continue to offer both types of service.

SCIC's Question 4.13

- 4.13 Confirm that on average BC Ferries gets more revenue from off-peak incremental live trailer service than it does from off-peak incremental drop trailer service.

The Commission has withheld BCFS' full answer to his question because its disclosure could assist SCIC in assessing market conditions and result in harm to the financial or economic interests of BCFS.

BCFS answers, in part: there is sufficient capacity available off-peak to provide both services. This, it is beneficial to all ferry customers for BCFS to continue to offer both types of service.