

## 2. The Challenge.xls - b) Commissioner Report 3\_30\_07

### BC Ferry Commission - Mar 30, 2007

#### Preliminary Decision on Fare Caps

*A Proposal to be reviewed by Government*

(Period covered: Performance Term 2, April 1, 2008 - March 31, 2012)

### Performance Term 2

#### Recommended Price Caps

##### First Year

April 1, 2008

##### Majors

5.4%

##### Minors (incl Thetis)

3.6%

On top of PT1 Ending Point

##### Remaining 3 yrs

If Inflation	Base +	CPI adjust	Total	Base +	CPI adjust	Total
2.0%	2.0%	1.0%	3.0%	5.2%	1.5%	6.7%
4.0%	2.0%	2.0%	4.0%	5.2%	2.9%	8.1%

based on calculation

Base +	BC CPI x
2.0%	0.50

Base +	BC CPI x
5.2%	0.73

## **PLUS**

### **Fuel surcharges/rebates**

Deferral Account Backlog is added to Opening Price Cap

Continues use of "Set Price" and "Route Specific Deferral Accounts"

Share 50/50 Customers/BCF for bandwidth +/-5% Set Price

BCF Fares adjusted when Deferral Balance > 2% pre-surcharge Tarrif Revenue

Fare adjustment to pay down Deferral Balance in following 12 months

**Rationale:** *to keep Ferries operating and financially healthy*

1. labour, fuel and maintenance costs will rise due to inflation
2. in a phase of accelerated renewal of ships and terminals ... initially mostly Larger Routes
3. Commission agreed that extra fuel cost backlog should be paid by customers in future
4. Federal subsidy and Provincial service fees have not risen proportional to BC Ferry costs
5. Increases would have been higher for 22 taxpayer supported routes except for
  - a) Northern routes funding announced 2006, covering new ship and Fuel Deferral payout
  - b) indexing to inflation of Federal subsidy

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