

# ***FERRY ADVISORY COMMITTEE CHAIRS***

## **Comments on Comptroller-General's Report on Review of Transportation Governance Models, October 2009 Provided to the Ministry of Transportation and Infrastructure - January 2010**

Thank you for the invitation to express the Ferry Advisory Committee Chairs' views regarding implementation of the Comptroller-General's report. While the Ministry may receive comments from us individually, we wish to provide you with our collective perspectives on this important issue.

1. We ***strongly support*** the Comptroller-General's recommendation regarding the need to clarify in legislation the Province's intended objectives for the coastal ferry system. We share the Comptroller-General's concern that as things now stand the public service goals of the ferry system could be compromised because there is no process identified to fully consider the interests of users of the ferry system and local communities.

The Province clearly articulated its intentions when the ***Coastal Ferry Act*** was introduced in 2003 to ensure the success of a ferry service that is (in the words of the then Minister) "fundamental to local economies".

These intentions (stated in the Ministry's news releases and/or by the Minister in the Legislature) include:

- ~ rates that are "fair", "stable", "modest" and "predictable" and
- ~ a service that should "remain affordable", "support our economy" and result in "enhanced economic development and job creation".

However, the legislation itself contained no provisions to ensure that these intentions would be realized.

We therefore support clarification of the ***Coastal Ferry Act*** with respect to the 'public service objective'. As noted by the Comptroller-General, the legislation should address the interests of ferry system users, local communities and tax payers as well as addressing the long term sustainability of the coastal ferry transportation system as a whole.

2. In introducing the *Act* the Ministry also stated that "the Commissioner will protect consumers from unreasonable fare hikes". However, the Commissioner has no real authority to provide this protection. The Province decides before each performance term of the ***Coastal Ferry Services Contract*** what service fees it will pay. These have a direct bearing upon the fares and thus the reasonableness of fare hikes. Given BC Ferries cost structure and traffic expectations, and the Commissioner's duty to ensure BC Ferries earns sufficient revenue, the only discretion involved in determining fares rests with the Ministry in setting the service fees.

***Fares on the non-major routes have increased 80% and more since the inception of the new structure seven years ago. These increases are well above inflation and have had a significant negative impact upon affordability and local economies.***

The *Coastal Ferry Act* requires the Commissioner to undertake regulation of BC Ferries in accordance with six specified principles including the following:

*“the designated ferry routes (the non-major 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”.*

As the Commissioner does not have the discretion to ensure fare hikes are ‘reasonable’, neither does the Commissioner have the ability to move fares toward greater user pay or to reduce the service fees paid by the government. The fare increase caps are mechanically arrived at to fill the revenue gap between what is required by BC Ferries and the Province-provided service fees. We therefore support the deletion of this unworkable requirement from the “Roles of the Commissioner” spelled out in the *Coastal Ferry Act*.

We would support the notion of the Commissioner having a greater role in assessing the suitability of fare increases with respect to their impact on customers and local communities **if, and only if**, the Commissioner is given the authority to specify the level of service fees required to offset unreasonable fare increases.

In the likely event that the Commissioner is not granted such authority, we **strongly recommend** that the Commissioner not be assigned this role and that the Ministry establish a process to arrive at appropriate decisions on service fees based upon considering potential impacts upon ferry users, local communities, tax payers and the long term sustainability of the ferry system prior to each performance term. This consideration should be informed by consultations with ferry users and coastal communities.

We would be concerned about the excessive cost involved for BC Ferries, and thus for the traveling public, if the function of the Commission was expanded to be similar to that of the CRTC or the BCUC. The BC Ferries situation is quite different from that of Telus, Shaw, BC Hydro or Terasen as those rate discussions are just between the service provider and the customer. There is no government contribution in the revenue stream. In BC Ferries’ case, the government contribution, and its effect on fares, is a matter of public policy. As long as this element resides with the government, the regulator is without full authority to regulate.

3. We recommend there **not** be a combined commission to oversee both BC Ferries and TransLink. TransLink issues are vastly different and more complex than those of BC Ferries. The scale is entirely different. TransLink’s need is far greater than that of BC Ferries. We believe the commission should be in scale with the level of issues placed before it.
4. BC Ferries should have the opportunity to negotiate service reductions with willing communities, with the savings realized accruing directly to the specifically affected routes in the form of reduced fares. That would mean the savings would **not** benefit BC Ferries overall but be route-specific. **Nor** would they go to the Ministry as service fee reductions in current or future terms. This would provide a real incentive for communities to give up inefficient elements of their existing service

5. A process should be established to develop a long-term strategic plan which would include addressing mid and long term capital requirements for the non-major routes. The Comptroller-General noted insufficient clarity about how larger capital outlays six years and beyond would be financed. Because service fees are a significant component of the financial framework for the non-major routes and because fares cannot be realistically expected to address the replacement of aging capital assets, the Ministry should be involved in developing this plan. The plan should be a key consideration in determining service fees for each performance term in order to help ensure the long term sustainability of the ferry system.
6. BC Ferries should be encouraged to consider outside-the-box innovations. These may involve the Ministry agreeing to revisions of the *Coastal Ferry Services Contract* with respect to specific core service commitments. Factors to be weighed would include financial returns and impact on communities served. As there will always be resistance to change, any community concerns expressed must be judged on the balance of reasonable probability.
7. We do *not* support continuing with the legislated requirement for seeking Alternative Service Providers. While it may have been seen as a means of introducing new providers to the system and/or keeping BC Ferries' costs in line, the result after seven years has been no new service on any of the car ferry routes, despite the time, money and energy invested in seeking other service providers. We share the view of the Comptroller-General and the Commissioner that this aspect of the legislation has outlived its usefulness.
8. BC Ferries should be required to provide more detailed cost information to the Commission in the event the requirement to seek alternative service providers is removed as this would eliminate the need to protect the commercial sensitivity of information.
9. We support the recommendation that any contemplated changes of material significance should only be undertaken after adequate consultation with ferry users and communities. This is not to say that the communities have a veto on proposed changes; just that appropriate consultation must first be undertaken to provide an opportunity for exploring consequences and possible alternatives.
10. We have specifically not commented on governance and compensation issues, believing those to be outside our mandate and ability to address them competently. As well, we have no comment on recommendations with respect to Freedom of Information and the Ombudsman, noting we have generally received satisfactory responses to our requests to BC Ferries for information. We recognize there while we may have been denied certain commercial information, this information would likely also have been denied under Freedom of Information regulations.

*These comments reflect the collective views of representatives of the following Ferry Advisory Committees:  
Southern Gulf Islands, Salt Spring, Thetis-Kuper, Gabriola, Denman-Hornby, Bowen, Gambier-Keats, Southern  
Sunshine Coast, Northern Sunshine Coast, Quadra-Cortes, Tri-Islands, North and Central Coast.*

*18 January 2010*

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