

Key Principles

The BC Ferry Commissioner is established to regulate BC Ferries using these principles

Performance Terms are established, each 4 years in length, represent the term of the contracts between BC Ferries and the Government.

Route Groups which are groupings of Routes established to lump together those with common attributes, e.g. Minors

No cross-subsidization is allowed between Groups, e.g. Majors cannot subsidize the Minors

Viability of the Ferry Service is to be ensured as a primary focus, not a balanced view of viability for both Ferry Services and Ferry Dependent Communities.

User Pay means each Route covers its costs solely from Tariffs charged to its Users. The objective is to gradually raise the User Pay percentage for each Group and to lower Government Service Fees.

Productivity Targets are set for BC Ferries by the Commissioner

Price Caps are set to represent the maximum increases BC Ferries can make on specified Route Groups. The Commissioner sets these Caps assuming productivity growth to ensure a sufficient return to cover expenses, reasonable capital costs, and, when aggregated, an overall pretax return on equity. Price Caps for Groups must be independent of other Groups. Price Caps are allowed to change annually related to CPI.

Extraordinary Price Cap increases (e.g.. Fuel) are allowed in exceptional circumstances, must be approved by the Commissioner, and are allowed to ensure BC Ferries remains viable. With fuel, Users pay for amounts that exceed a predetermined "Set Point" established by the Commissioner and BC Ferries.

Government's Service Fees pay BC Ferries for providing service on routes that are not yet fully User Pay. This applies only to Routes other than Majors.

Target level of Retained Earnings is set by the Commissioner to allow BC Ferries to raise their own money for capital programs on the open financial market, rather than through the Government.

Increases or reductions in Services levels can only occur when applied for by BC Ferries and approved by the Commissioner

No discontinuance or reduction of service without authorization from the Commissioner. Authorization can only occur when a route is shown not to be viable even with increased price caps due to ridership falling as prices increase.