



BRITISH COLUMBIA
FERRY COMMISSION

ORDER
NUMBER: 12-02A

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IN THE MATTER OF

Section 40 of the Coastal Ferry Act, S.B.C. 2003, c.14
and
Final Decision on Price Caps for Performance Term 2013-2016

BEFORE: Gordon Macatee, BC Ferries Commissioner
Sheldon Stoilen, BC Ferries Deputy Commissioner

ORDER

WHEREAS:

- A. The BC Ferries Commissioner and the BC Ferries Deputy Commissioner (collectively the “commissioners”) issued Order 12-02 dated September 30, 2012 establishing their final decision on the price caps for the Performance Term 2013-2016 (“PT3”);
- B. Paragraph 6 of the commissioners’ order specified that the price caps had been determined based on the expectation that the Coastal Ferry Services Contract (“CFSC”) would be amended by June 30, 2013 to implement service level adjustments to achieve net savings of \$30 million during PT3. If the CFSC was not amended by June 30, 2013, or the amendments would not enable British Columbia Ferry Services Inc. (“BC Ferries”) to achieve the target of \$30 million in net savings, BC Ferries could apply for relief under Section 42 of the Act;
- C. To date, BC Ferries has made service level adjustments to Core Service Levels, sufficient to achieve \$4 million in net savings during PT3;
- D. The CFSC has subsequently been amended by Performance Term 3 Amending Agreement No.1, dated April 3, 2013 (“Amending Agreement”). Under this Amending Agreement the Province has agreed to increase the Ferry Transportation Fee by \$7.1 million, payable to BC Ferries, and thereby reduce the aggregate net savings target from service level adjustments to \$22.9 million. This leaves \$18.9 million in additional net savings, yet to be identified, which must be realized between April 1, 2014 and March 31, 2016;

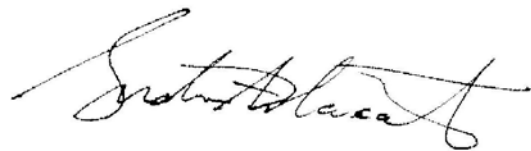
- E. Under the Amending Agreement the Province and BC Ferries have further agreed to incorporate specific service level adjustments to Core Service Levels to achieve the remaining \$18.9 million in net savings, by executing a Performance Term 3 Amending Agreement to the CFSC by March 31, 2014;
- F. The Amending Agreement also provides that if the Performance Term 3 Amending Agreement referenced in (E) above has not been executed by March 31, 2014, the circumstances would support BC Ferries applying to the commissioners for relief under section 42(1) of the Act.

NOW THEREFORE the commissioners order that:

1. Paragraph 6 of Order 12-02 is rescinded.
2. Service Level Adjustments
The price caps in Order 12-02 are based on the expectation that the CFSC will be amended by March 31, 2014 to implement service level adjustments to achieve a total net savings of \$22.9 million during the remainder of PT3, composed of \$4 million in savings already implemented, plus an additional \$18.9 million, yet to be identified. If the CFSC is not amended by March 31, 2014, or the amendments will not enable BC Ferries to achieve the target of \$22.9 million in net savings, BC Ferries may apply for relief under Section 42(1) of the Act.

DATED at Victoria in the Province of British Columbia, this 15th day of April, 2013.

BY ORDER



Gordon Macatee
BC Ferries Commissioner



Sheldon Stoilen
BC Ferries Deputy Commissioner