



September 29, 2017

Honourable Claire Trevena
Minister of Transportation and Infrastructure
Parliament Buildings
PO Box 9055 Stn Prov Govt
Victoria BC V8V 9E2

Mr. Mark Collins
President and CEO
British Columbia Ferry Services Inc.
Suite 500 – 1321 Blanshard Street
Victoria BC V8W 0B7

Dear Minister Trevena and Mr. Collins:

**BC Ferries Commissioner Service Plan and Budget
For the Fiscal Year Ending March 31, 2019**

I am pleased to submit to you the attached document as required by section 59 of the *Coastal Ferry Act*.

The document outlines how the Commission intends to fulfill its mandate in the coming fiscal year, and the associated expenditures.

Yours truly,

A handwritten signature in blue ink, appearing to read "Gordon Macatee".

Gordon Macatee
BC Ferries Commissioner

Attachment



British Columbia Ferries Commissioner

Service Plan and Budget

for the Fiscal Year Ending

March 31, 2019

*Prepared and submitted in accordance with
Section 59 of the Coastal Ferry Act
of the Province of British Columbia*

September 29, 2017

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Service Plan and Budget

for the Fiscal Year Ending

March 31, 2019

TABLE OF CONTENTS

| | Page |
|----------------------------------|----------|
| 1 EXECUTIVE SUMMARY | 2 |
| 2 ROLE OF THE COMMISSION | 3 |
| 3 SERVICE PLAN AND BUDGET | 4 |

1. Executive Summary

The position of the **British Columbia Ferries Commissioner** was created in April 2003 by the **Coastal Ferry Act** (the “Act”). The current commissioner was appointed in May 2011 with his term due to expire on November 1, 2017. The current deputy commissioner was reappointed in June 2014 and his term is due to expire on June 30, 2020. Their office is also known as the BC Ferries Commissioner (the “Commission”).

Service Plan and Budget for FY 2019

This Service Plan and Budget for the next fiscal year ending on March 31, 2019 (“FY 2019”) describes the anticipated activities of the Commission in order to meet its mandate of regulating ferry operators, making certain special decisions, conducting performance reviews and carrying out public outreach and administrative responsibilities.

Total expenditures for FY 2019 are budgeted at \$872,250 which is **72%** of the maximum permitted for the Commission's budget under s.59(2) of *Coastal Ferry Act*¹.

Activity is budgeted for three performance reviews and three applications for approval of major capital expenditures. Activity is also budgeted for price cap setting for the next performance term (“PT5”) as this process starts on September 30, 2018 with the mandatory filing by British Columbia Ferry Services Inc. (“BC Ferries”) of its submission for PT5.

¹ Section 59(2) limits the budget to one-fifth of one percent of the previous year's tariff revenue. Tariff revenue for FY 2017 was \$608.7 million setting a maximum budget of \$1,217,400.

2. Role of the Commission

Regulatory Principles for the BC Ferries Commissioner under s. 38 of the *Coastal Ferry Act*

- (a) the primary role of the commissioner is to balance, in the manner the commissioner considers appropriate, the interests of ferry users, taxpayers and the financial sustainability of ferry operators;
- (b) ferry operators are to be encouraged to adopt a commercial approach to ferry service delivery;
- (c) ferry operators are to be encouraged to seek additional or alternative service providers on designated ferry routes through fair and open competitive processes;
- (d) ferry operators are to be encouraged to be innovative and to minimize expenses without adversely affecting their safe compliance with core ferry services.

The **BC Ferries Commissioner** is a quasi-judicial regulatory agency operating under the *Coastal Ferry Act* of the Province of British Columbia. While discharging its responsibilities, the Commission is required to bear in mind a set of four principles (see box to the left).

BC Ferries was created in April 2003 as an independent company from the former BC Ferry Corporation, which was a Crown corporation. The sole shareholder of BC Ferries is the B.C. Ferry Authority.

Under a long-term contract (the “Coastal Ferry Services Contract” or “CFSC”) with the Province of British Columbia, BC Ferries must provide ferry services with defined minimum “core” service levels on each of the regulated saltwater routes (25 such routes in FY 2019). Under the current CFSC, BC Ferries receives a “ferry transportation fee” per round-trip sailing on 20 designated routes. The four remaining routes, referred to as major routes, are regarded as financially self-sufficient and ferry transportation fees do not apply.

A major role of the Commission is to set a ceiling or “price cap” on the weighted average level of fares which BC Ferries can charge. The goal in setting the price cap is to balance the interests of ferry users with the interests of taxpayers while protecting the financial sustainability of the ferry operator. Price cap increases are determined every four years for the next four year performance term.

Other key tasks of the commissioner include monitoring BC Ferries’ adherence to the terms of the CFSC, approving major capital expenditures, regulating unfair competitive advantage, conducting performance reviews and monitoring of BC Ferries’ customer complaints process. It is worth noting that the commissioner serves as neither ombudsman nor a complaints bureau. Further, the commissioner is not responsible for regulating safety or environmental aspects of ferry operations.

3. Service Plan and Budget

| Table 1: Budget for Fiscal Year Ending March 31, 2019 | |
|--|------------------|
| Regulatory Review and Decisions | \$347,500 |
| Inspections and Performance Reviews | 244,500 |
| Publication and Outreach | 116,500 |
| Administration and Reporting | 163,750 |
| | |
| Total Expenditures | \$872,250 |

Regulatory Reviews and Decisions reflects the ongoing quarterly monitoring and enforcement of price cap compliance as well as Special Decisions involving approval of major capital expenditures during FY 2019. Three applications for major capital expenditure approvals are anticipated. For FY 2019 the budget includes activity associated with the price cap review process leading to the determination of the price caps for the fifth performance term (“PT5”) which runs from April 1, 2020 to March 31, 2024. That process starts with the filing by BC Ferries of its submission for PT5 on or before September 30, 2018.

Inspections and Performance Reviews reflects provisions for performance reviews. Three such reviews are anticipated in FY 2019.

Publication and Outreach reflects the activity associated with correspondence with the public and the effort required to maintain the Commission’s website as the main vehicle of publication and the responsibility of considering the interests of ferry users and conducting public consultation. Public

notices inviting comments on BC Ferries' PT5 submission and its applications for approval of major capital expenditures are provided for in the budget.

Administration and Reporting includes a provision for office and support services provided by the Ministry of Attorney General (formerly Ministry of Justice), records management services and the preparation of the Commission's Annual Report and the Annual Service Plan and Budget. This category also includes an amount for general legal services and opinions provided to the commissioner as required in carrying out his responsibilities under the *Coastal Ferry Act*.