



BRITISH COLUMBIA
FERRY COMMISSION

ORDER
NUMBER: 06-04

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**IN THE MATTER OF
Statutes of British Columbia Bill 18 - 2003
The Coastal Ferry Act Section 55**

And

A Capital Expenditure for a Used Vessel for the Northern Route Group
Proposed by British Columbia Ferry Services Inc ("BC Ferries")

BEFORE: Martin Crilly, Commissioner

D E C L A R A T I O N

WHEREAS:

- A. under section 55 of the Act BC Ferries may apply to the commissioner for a declaration as to whether the capital assets proposed to be deployed on, or the capital expenditures proposed to be incurred in connection with a designated ferry route, are reasonably required;
- B. on June 26, 2006, BC Ferries applied for such a declaration respecting \$106 million in capital expenditures for a vessel for the Northern route group to replace the Queen of the North, which sank on March 22, 2006;
- C. BC Ferries has identified the vessel to be acquired as the MV Sonia, and has stated that the vessel, after modifications, will be ready for use on route 10 (Port Hardy to Prince Rupert) in spring 2007;
- D. BC Ferries has further stated that the vessel may be used on another of the Northern routes after 2009, when other vessels yet to be built, are expected to be available;
- E. the commissioner has reviewed the application by BC Ferries and has obtained an independent opinion from qualified persons;
- F. the Commission-approved BC Ferries Additional or Alternative Service Providers (ASP) Plan Update and Supplement identifies the northern routes as ones on which BC Ferries intends to seek ASPs in the current performance term, and an ASP conceptual proposal to replace the Queen of the North was received;

G. the commissioner is satisfied that:

- it is urgent for BC Ferries to acquire a replacement vessel for the Queen of the North for use in 2007, that no other vessel is available in the company's current fleet and that building a vessel for use in 2007 is not feasible;
- BC Ferries has carried out an extensive search within the time available and has identified a vessel having specifications close to those of the Queen of the North;
- the estimates of the extent and cost of the modifications to the vessel and terminals needed to meet the route requirements and Transport Canada regulations have been reviewed by qualified staff of BC Ferries and external experts;
- the lifecycle cost of MV Sonia, including vessel acquisition, terminal modifications, vessel maintenance, refit and operation on northern routes compares favourably with the lifecycle cost of a new vessel;
- the ASP conceptual proposal which was received could not be evaluated because it lacks substantive information;

NOW THEREFORE the commissioner declares as follows:

- the acquisition of the proposed vessel MV Sonia to replace the Queen of the North is reasonably required;
- the total estimated cost may be increased by the contingency amount of up to \$11 million, if such amount is required to meet Transport Canada requirements;
- the insurance proceeds from the loss of the Queen of the North, net of an amount equal to any additional costs incurred by BC Ferries as a result of the loss, may be taken into account in setting the fare cap on the Northern route group, commencing in the performance term beginning April 1, 2008, in a manner to be approved by the commissioner; and
- if federal duty is not charged or if a subsidy of any kind is obtained, not previously included in the budget price, the limit on the capital cost is changed accordingly.

DATED in Comox, in the Province of British Columbia, this fourth day of July 2006.

BY ORDER



Martin Crilly
Commissioner
BC Ferry Commission