

**BC Ferry Commission
MEMORANDUM 15**

To: Mr. Bill Cottick
Executive Vice President and
General Counsel

From: Martin Crilly
BC Ferry Commissioner

Date: March 15, 2006

**Re: Additional or Alternative Service Providers Plan:
Update and Supplement February 2006**

The Commission has reviewed the above document, which is the second supplement to the Alternative Service Providers Plan provided by BC Ferries (BCFS) in accordance with the requirements of Section 69 of the Coastal Ferry Act.

We note that BCFS has made changes to the bidding process, including the evaluation of bids from third parties, and to the manner in which its own proposals will be put forward for continued service on the routes designated for consideration of alternative service providers.

We recognize that BCFS has proposed changes to the procurement process because of the difficulties of meeting the requirements of a formal bidding process under which BCFS would be required to separate key elements of its internal resources between the proposal and evaluation teams, causing significant operational issues for the company. BCFS has advised that the alternative of relying extensively on external resources to evaluate the proposals would likely incur major expenses and may result in recommendations that are at variance with the company's transportation obligations as set out in its contract with the provincial government and may interfere with the mandate of the Board of BCFS to make key decisions affecting the company.

Under the proposals set out in the second supplement BCFS would approach the outsourcing of its services in a manner currently used in the private and public sectors. The key elements that are proposed are:

- BCFS will prepare its own cost estimate for continuing required services on the affected route(s), which will serve as a benchmark against which to measure the external proposals.
- BCFS will use external resources as required to supplement its own staff in the evaluation of the external proposals.
- The service standards that BCFS considers necessary will be independently assessed by external experts, including naval architects, lawyers and financial consultants, as required.

- BCFS final decision will be made on a business case analysis, which will also be subject to external review.

The Commission agrees that this proposed procurement model, based on conventional outsourcing, is an acceptable method of dealing with the problems identified with a formal bidding process but reminds the company that the Commission retains the right to engage its own expert consultants to satisfy itself that the process meets the requirements for a fair evaluation of the proposals from alternative service providers in accordance with Sec. 38 (c) of the *Coastal Ferry Act*.

Unsolicited Proposals

BCFS' report to the Commission for FY 2005 stated that "unsolicited proposals from ASP's to operate on regulated routes are not accepted. Management has limited resources and those available will be required to carry out the activities in the ASP Plan". Similarly the company's presentation at the Commission's June 15 2005 S69 Seminar stated that "BC Ferries is currently not open to unsolicited bids from ASPs on regulated routes."

It is quite possible that creative, unsolicited proposals will offer substantial cost savings which dwarf the cost of filtering them. With the simpler ASP process, BCFS' resources will not be so stretched. The door to unsolicited proposals appears too firmly closed.