

RECORD OF MEETING

**BRITISH COLUMBIA FERRY COMMISSION (BCFC)
BRITISH COLUMBIA FERRY SERVICES INC. (BCFS)
QUARTERLY COMPLIANCE MEETING**

DATE: March 23, 2015	TIME: 10:00 a.m. – 3:30 p.m.	SITE: 1321 Blanshard Street Victoria, BC
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ATTENDANCE: BCFC: Gord Macatee Sheldon Stoilen BCFS: Rob Clarke Cynthia Lukaitis Alana Gallagher Shirley Bains David Hendry Joanne Carpendale Jason Eamer-Goult Mark Wilson Paul Catsburg	Commissioner Deputy Commissioner Executive Vice President & Chief Financial Officer Vice President & Corporate Secretary Treasurer Comptroller Director, Strategic Planning Director, Corporate Planning Manager, Regulatory & Freedom of Information Vice President, Engineering (agenda items 6 and 7.a-c) Director, Vessel Replacement Program (agenda items 6 and 7.a-c)
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1. ADOPTION OF AGENDA

The agenda was approved as circulated, with some re-ordering of agenda items.

2. RECORD OF MEETING

- a. **December 10, 2014 Quarterly Meeting**
- b. **Action Items**

The record of the December 10, 2014 quarterly meeting and action items were reviewed and approved.

7. MAJOR PROJECTS UPDATE

- a. **Intermediate Class Vessels Project**
- b. **Cable Ferry Project**
- c. **Spirit Class Mid-life Upgrades Project**

BCFS provided status reports on the intermediate class vessels project, the cable ferry project and the spirit class mid-life upgrades project.

6. VESSEL REPLACEMENT STRATEGY

- a. ***Tenaka / North Island Princess***

BCFS provided an update on the minor vessel class strategy, including plans in respect of the retirements of the *Tenaka* and *North Island Princess*.

3. FISCAL 2015 - QUARTER ENDED DECEMBER 31, 2014 ("Q3") COMPLIANCE REPORTS

a. Q3 Price Caps

A report prepared by BCFS comparing the quarterly average fare index with the quarterly price cap index by route group for the seven quarters ended December 31, 2014 was reviewed and discussed. The report indicates BCFS' compliance with all regulatory requirements, including section 45.3 of the *Coastal Ferry Act*, in respect of the average fares charged in the quarter. BCFS' projection for the price cap compliance index at March 31, 2015 was discussed.

b. Q3 Core Service Levels

Reports prepared by BCFS on its performance against core service levels as set out in the Coastal Ferry Services Contract for the quarter ended December 31, 2014 were reviewed and discussed. The reports indicate BCFS' compliance with the core service level requirements in the quarter.

c. Q3 Drop Trailer

BCFS' calculation of its average drop trailer tariff for the quarter ended December 31, 2014 was reviewed and discussed. The calculation indicates that BCFS has complied with the Minimum Allowed Average Tariff for the quarter based on the methodology set out in Order 11-01A. BCFS reported on the expected timeframe within which the volume set out in paragraph 5 of Order 11-01A will be reached. BCFC will determine next steps following receipt of notification from BCFS of having reached this volume.

d. Q3 Complaints Resolution

BCFS' complaints resolution report for the quarter ended December 31, 2014, prepared in accordance with Memoranda 40 and 40A, was reviewed and discussed.

4. FUEL DEFERRAL ACCOUNTS

a. Balance at February 28, 2015

A report prepared by BCFS on the deferred fuel account balances as at February 28, 2015 was reviewed and discussed. BCFS confirmed that the balance in the fuel deferral account for the non-northern routes reached zero dollars in February, 2015 and is now in a credit position. The report tabled by BCFS indicates that it has complied with terms and conditions for fuel deferral accounts set out in Order 12-03.

b. Forecast

BCFS' projections for the regulatory account balances were discussed. BCFS reported on the expected timing for the introduction of a fuel rebate for the non-northern routes.

5. PERFORMANCE TERM FOUR ("PT4")

a. Price Cap Calculation Methodology

BCFS led a discussion of the expected impact on the calculations of the price cap and average fare indices arising from the planned introduction of the revenue management strategy and the associated forecast increase in the number of reservations. There was general agreement on the recommended option to address the impact, subject to review and validation of the proposed methodology by external consultants.

b. Fuel Strategies Reporting Requirements

There was discussion on the requirements in performance term three ("PT3") for reporting on fuel strategies pursuant to Order 12-03A. BCFC will consider whether such reporting requirements will continue for PT4.

The findings of the performance review of BCFS' fuel management were discussed with a particular focus on the suggested limitations on BCFS' fuel hedging activity. BCFC confirmed that where fuel price hedging can be used to limit increases in fares to the rate of inflation, it would be appropriate and in the interests of ferry users for BCFS to hedge.

c. Major Routes Strategy

There was discussion on the broad components of the Major Routes Strategy that will be developed by BCFS through further analysis and public consultation.

d. Southern Gulf Islands Strategy

BCFS reported on its plan for public consultation on the schedule changes for the Southern Gulf Islands which arise from the planned introduction into service of the new intermediate class vessels. BCFS advised that while not a part of this upcoming consultation process, it will, in due course, engage stakeholders in the further development of the Southern Gulf Islands Strategy.

e. Alternative Service Delivery ("ASD")

i. Route 10S (Port Hardy – Mid Coast – Prince Rupert)

Discussion occurred in respect of a possible ASD opportunity for Route 10(S).

ii. Route 13 (Langdale – Keats – Gambier Island)

BCFS advised that the contract with the current service provider for route 13 expires at the end of PT3, and reported on action underway to ensure continuation of service on this route in PT4.

f. Other Matters

BCFS reported on the status of a legal claim related to ASD.

7. MAJOR PROJECTS UPDATE (Cont'd)

d. Automated Customer Experience

e. Fare Flexibility and Digital Experience Initiative

BCFS provided updates with regard to the Automated Customer Experience program and the Fare Flexibility and Digital Experience Initiative.

8. OTHER BUSINESS

BCFC advised of correspondence it has received from the Southern Sunshine Coast Ferry Advisory Committee and the Ferry Advisory Committee Chairs.

9. NEXT MEETING

The next BCFC / BCFS quarterly meeting is scheduled for June 24, 2015.

10. TERMINATION

The meeting terminated.