

Review of Coastal Ferry Act

Commissioner's Discussion Paper #8

The BC Ferry Commission (“the commissioner”) has been mandated under Bill 14 to conduct a review of the Coastal Ferry Act and to make recommendations to the Minister of Transportation and Infrastructure on potential changes which would better enable the commissioner to balance the financial sustainability of the ferry operator and the interests of users. The commissioner is conducting public consultation meetings in coastal communities served by BC Ferries and is inviting additional input via written submissions or comments on a number of key issues.

This is the eighth of a series of discussion papers to be published on key issues to be considered by the commissioner during his review. Previous discussion papers have separately dealt with interests of ferry users, financial sustainability objectives, the balance between the two, price regulation and cross-subsidization issues as they apply to the BC ferry system and alternative service providers. This paper deals with the issue of cost efficiency.

Users of the ferry system and the public have an expectation of a cost-efficient ferry service. Accordingly, ensuring cost efficiency is an important element of price regulation for the BC ferry system.

In establishing the price caps for each performance term, the commissioner currently conducts a detailed review of BC Ferries’ revenue and cost forecasts. He also reviews additional information and submissions for major capital investments for vessel replacements, terminal upgrades and information technology. The commissioner conducts his review with the assistance of expert consultants and the public is invited to submit comments on the information submitted by BC Ferries as part of the price cap review process.

In addition to his review of the information and plans submitted by the ferry operator for the next performance term, the commissioner must determine the portion of operating expenses and capital cost that can be reasonably applied to each route groups.

In setting price caps the commissioner must also determine the productivity gain that the ferry operator, in the commissioner’s opinion, acting reasonably, the ferry operator should achieve in the following performance term.

In connection with the price cap review for the next performance term, BC Ferries submitted to the commissioner a discussion paper summarizing opportunities to enhance efficiencies in third performance term (for a copy of this paper, visit www.bcferrycommission.com/wp-content/uploads/2011/05/price-cap/2010_10_13_PT3_Efficiency_Plan.pdf).

This paper identifies efficiency opportunities requiring service level changes including elimination or restructuring of routes, relocation of a terminal, and increased flexibility on all routes to better enable BC Ferries to match capacity to demand. These changes would require amendments to the Coastal Ferry Services Contract.

The commissioner is interested in obtaining public feedback on the following:

- Are the determinations the commissioner is required to make in setting the price caps sufficient authority to hold BC Ferries accountable for cost efficiency?
- If not, what additional tools are required to ensure such oversight and accountability?
- What factors should the Commissioner take into account in determining the productivity gain that the ferry operator should achieve?
- What role should the commissioner have in a process for pursuing the opportunities to enhance efficiencies as identified by BC Ferries?

Comments can be submitted by email to info@bcferrycommission.com or by mail to BC Ferry Commission, RPO Box Hillside, Box 35119, Victoria BC, V8T 5G2. Deadline for comments or submissions is December 5, 2011.