



700 North Road, Gabriola Island, BC V0R 1X3
Telephone **250. 247.2063** Fax 250. 247.7514

Toll Free via Enquiry BC in Vancouver 660-2421. Elsewhere in BC **1.800.663.7867**

Email northinfo@islandstrust.bc.ca

Web www.islandstrust.bc.ca

Dec 5, 2011

Commissioner Gordon Macatee
BC Ferry Commission
RPO Box Hillside
Box 35119
Victoria, BC V8T 5G2
info@bcferrycommission.com

Dear Commissioner Macatee:

Re: Comments Regarding the Review of the Coastal Ferry Act

I am writing in response to the call for public comments on the review of the *Coastal Ferry Act* and the discussion papers that you released recently addressing specific aspects of the Act. Primarily my goal is to reiterate the tenets of the Islands Trust position paper on the Act, of October, 2006. Additionally, I will comment on your recently released series of discussion papers; however, my answers to your questions will be limited to those that concern the impact of fares on ferry users, rather than the organizational and financial structure of BC Ferries, about which I am less able to comment.

I did not run in the recent local government elections and this is my last day as an elected representative for Denman Island; however, having been one of the two Denman local trustees with the Islands Trust for fifteen years and a member of the Hornby/Denman Ferry Advisory Committee for eleven of those years, I am very aware of the impact of ferry fare increases on islanders' abilities to make a living, raise a family and look after health and personal business needs. As a result I ask that you consider the responses in this letter from as reflective of this community as a whole.

Before commenting, I want to thank you for your prudence in asking the cabinet to delay the setting of fare caps for the third performance term and to congratulate you on achieving the necessary time the resources to conduct a review the Act. I also want to thank you for the clarity and focus in your discussion papers, which, I feel sure, helped many ferry users to understand the concepts that you are examining in the review and, hopefully, to shape their comments.

Islands Trust Position paper on the *Coastal Ferry Act*

As you know, in October, 2006, the Islands Trust released a position paper on the Coastal Ferry Act (see www.islandstrust.bc.ca/tc/reports.cfm), providing critical analyses of key sections of the Act and recommendations for rudimentary changes that would curb the escalating fare increases for the minor routes and make the ferry system more affordable for the 26,000 residents of the Islands Trust Area, who depend on BC ferries. All of these recommendations are applicable today—over five years later—and they address several of the questions posed in your discussion papers. My primary comment therefore is that I wholeheartedly support all of the recommendations in this position paper and urge you to consider the paper with particular care as you carry out your review.

Preserving **Island** communities, culture and environment

Bowen Denman Hornby Gabriola Gambier Lasqueti Mayne North Pender Salt Spring Saturna South Pender Thetis

Discussion Paper # 1

In my view four of the principles set out in the Act should be altered as follows:

- No. 1: Regulation of each ferry operators should focus on balancing the financial sustainability of the ferry operator with the interests of ferry users.
- No. 2: Ferry operators are to be encouraged to practice the highest standard of business practices.
- No. 5: Cross subsidization from major routes to other designated ferry routes is considered a suitable approach for promoting the sustainability of ferry services and of the communities they serve and should be implemented as soon as is practicable.
- No. 6: The designated ferry routes are to vary in their approach to a user pay system, promoting user pay in the major routes and subsidizing the non-major routes, so as to acknowledge the variability in traffic across the system and maintain the highest possible usage on all routes.

The changes proposed above would alter the ferry system so it approached the provincial highway system, where road access to any community is not titrated against the number of vehicles traveling to and from the community. Further, the system would alter the current approach whereby a once relatively easily accessed community changes over time to become increasingly difficult to access as a result of escalating ferry fares.

A common criticism heard in the media is that people chose to live in the remote communities serviced by ferries and therefore should know that transportation costs were going to be high. However, most people who live in these communities came at a time when transportation costs were low, and settled here anticipating relatively little change. The rising cost of the ferries, as a result of the changes resulting from the *Coastal Ferry Act*, has driven some of these people to move elsewhere. I am greatly saddened by the thought that ferry fares can and will force people to forfeit the friendships and other advantages of living in the community they call home. Additionally I am worried about the impact this potential exodus will have on the economy of these communities, the social fabric and the many volunteer services like fire protection, first responders, community arts programs and so on. Review of these six principles should factor in this history as well as the contributions made by the kaleidoscope of coastal communities to the assets of this province.

Discussion Paper # 2

Ferry user: For me the appropriate definition of ferry user is anybody travelling on the ferry. As above, my aim is to mirror the definition of highway user. Thus ferry users should be people like the person delivering the mail, the concrete truck visiting a construction site, the visiting grandparents, the tourist and the full-time residents. Any definition that goes beyond this construct is unwieldy and bound to create confusion when applying the principles of the Act.

Interests of ferry users: Certainly the key interests of ferry users are safety, affordability, predictability, timeliness, service quality and emergency preparedness. The only interest I'd add is protection of the environment. It is understandable that these interests might not be shared to the same extent by all British Columbians. However, having a ferry system that is financially sustainable should be an interest of all British Columbians, not just of ferry users, and this, I believe, may well be the case.

Consider ferry users interests: This is a provocative question, often discussed in the process of local government decision-making. Elected representatives generally interpret “consider” to mean “give due consideration to” and take that to mean that we should try to put ourselves in the shoes of the person(s) asking for the consideration, even though we may not necessarily agree with their position or request; that we put our minds to its substance; that we thoroughly weigh the potential outcome and implications of any resulting action; and that we should make our decision based on that analysis. I believe that, in this context, the word connotes a process of this sort.

Balance the interests of ferry users with the financial sustainability of the ferry operator: I see no reason why these two objectives shouldn't be mutually inclusive. My parallel is the manner in which the provincial government is charged to address the interests of the residents of this province while ensuring the financial sustainability of the government, including the Ministry of Transportation and Infrastructure. The problem as I see it is entrusting a vital public service like our ferries to a private company and proclaiming operational principles that force financial sustainability to trump ferry users interests.

Discussion Paper # 4

What approaches should be taken by the commissioner to ensure consumer protection? The approaches I recommend are:

- applying the same percentage annual fare increase for all routes;
- keeping the percentage annual fare increase at or below the CPI; and
- requiring the government to contribute to any surcharge so that the impact for non-major routes remains below the CPI annually.

Discussion Paper # 5

What improvements are possible within the existing price cap system? I suggest the following improvement:

- elimination of the two tiered system for fare setting for the major and non-major routes;
- implementation of cross subsidization to a level that equates fare increases in the major and non-major routes;
- a legislated requirement for the government subsidy to increase annually to mirror the CPI at the last; and
- a limit on the surcharge possible annually, with a plan wherein any surcharge would be covered equally by the company, the province and the users.

Discussion Paper # 6

Is the multiple price cap system the most appropriate model for the BC ferry system?
What are the perceived benefits and challenges associated with the multiple price cap system?
Is a one price cap model preferred over the existing model and why?

These are complex questions for people unfamiliar with details of the financial structure of the company. I am responding nevertheless as I believe that something must be done to reverse the severe fare increases imposed on the minor routes since 2003. The multiple price cap subsystem appears unfair, especially when one totals the cumulative percentage increase over this time and compares it to the profits accumulated from the major routes. Accordingly, as stated above, I recommend it be replaced by a one-price cap model.

Discussion Paper # 7

How should an ASP strategy be managed?

Which routes or routes groups are most likely to successfully be operated by an ASP?

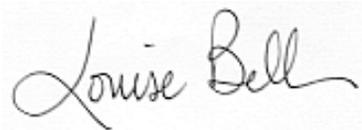
As you know, planning to accommodate an ASP for a cable ferry for Route 21 to Denman Island is now well underway. As you also know, most residents on Denman Island are extremely worried that the cable ferry will result in lowered stability in bad weather, loss of jobs on the Island and a slower emergency response in the night. Residents are further worried that use of an ASP for this new ferry will exacerbate these negative impacts. This situation provides a ready example of the lack of confidence users may well have in an ASP, especially when vessel and other technological changes occur at the same time. At a more general level, and to answer the two questions, I see no logic in looking at particular routes or route groups for an ASP. I appreciate that ASPs are used for Lasqueti and Gambier islands and carry out relatively smooth operations, but I do not know enough about the system as a whole to have a useful response to the question.

Are there transportation solutions that could work in tandem with an ASP strategy that would reduce costs of the ferry system?

Regarding "transportation solutions" that could work in tandem with an ASP strategy, using this phrase this question like a veiled question about the advisability and acceptability of bridges as the connectors to some islands. I agree entirely with Policy 5.3.2 of the Islands Trust Policy Statement (see www.islandstrust.bc.ca/tc/polstatement/cfm) which states that "no island in the Trust Area should be connected to Vancouver Island, the mainland or another island by a bridge or tunnel, notwithstanding the existing bridge between North and South Pender Islands". The purpose of the Islands Trust Act, which was enacted in 1974, is to preserve and protect the unique islands and surrounding water that comprise the Islands Trust Area. Had bridges been part of the equation, the islands most definitely would have changed irreparably since that time; their consideration today contradicts the guiding premise of the Act.

Thank you for taking the time to read this letter. I hope you will keep in mind these responses, and the concerns from which they stem, in the coming weeks as you complete your review.

Yours sincerely,



Louise Bell
Local Trustee for Denman Island

copies: The Honourable Blair Lekstom, Minister of Transportation and Infrastructure
Tony Law, Chair, Hornby/Denman Ferry Advisory Committee
The Denman Island Local Trust Committee