
NEWS RELEASE

For Immediate Release
Feb. 20, 2014

BC Ferry Commission

BC Ferry Commissioner approves cable ferry

VICTORIA – The BC Ferry Commissioner has granted approval to BC Ferries for a capital expenditure for a new cable ferry to operate between Buckley Bay on Vancouver Island and Denman Island projected to save \$2 million each year.

The order issued today by Commissioner Gord Macatee comes with five conditions including a requirement that BC Ferries have a plan to mitigate the impact of a service disruption resulting from a mechanical breakdown.

The commissioner made the order following an application from BC Ferries submitted on Dec. 20, 2013, for approval of a major capital expenditure for the new cable ferry and its associated infrastructure. Under the Coastal Ferry Act, a ferry operator must not incur a major capital expenditure without first obtaining the commissioner's approval.

The proposal was evaluated using criteria outlined in the Coastal Ferry Act. The commissioner concluded the proposal was "reasonable, prudent, and consistent with the current Coastal Ferry Services Contract, and the long-term capital plan established by BC Ferries."

As part of the BC Ferries application review, the commissioner engaged independent experts to confirm both the design and financial analysis. A technical review by a naval architect concluded that the design of the proposed cable ferry is sound and the vessel will be as reliable as the existing vessel to operate on the proposed route.

The commissioner encouraged members of the public to provide comments on BC Ferries' proposal. The commissioner received 67 submissions which were considered as part of the review process.

Quotes:

Gord Macatee, BC Ferry Commissioner –

"I'm satisfied that a new cable ferry will meet the needs of local residents and contribute to the sustainability of B.C.'s ferry system. The decision to approve the cable ferry was made with the interests of all ferry users and taxpayers in mind."

"The cable ferry is less expensive to operate and therefore will reduce pressure on future price caps. Also, I am satisfied it will be as reliable as the existing vessel on route 21. It is an innovative project that draws on world-wide expertise."

Quick Facts:

- The BC Ferry Commission regulates ferry operators by establishing price caps and monitors compliance with the Coastal Ferry Service Contract.
- The commissioner is independent of both the provincial government and BC Ferries.
- Cable ferries operate successfully around the world, including 65 currently operating elsewhere in Canada.
- Extensive public consultations were conducted by the commission in 2011. There was consensus among more than 2,000 ferry users consulted that ferry fares must be constrained as much as possible.
- The Quinitza, the ferry currently serving Denman Island, will be redeployed as a refit relief vessel.

Learn More:

Read the BC Ferry Commission order:

<http://www.bcferrycommission.com/reports-press/whats-new/>

A backgrounder follows.

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BACKGROUNDER

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BC Ferry Commissioner approval of Denman Island cable ferry Q & A

Q. Why did you make this decision?

The commissioner made this decision in response to a BC Ferries application seeking approval for a major capital expenditure on a new cable ferry on the Buckley Bay-Denman Island route.

The commissioner can approve a major capital expenditure when the proposal is reasonable, prudent and consistent with the current Coastal Ferry Services Contract and any long-term capital plan.

Q: What role does the BC Ferry Commissioner play in this decision?

The commissioner regulates ferry operators by determining price caps, approving major capital expenditures and monitoring the ferry operator's compliance with the contract. In making these decisions the commissioner must be mindful of the interests of ferry users, taxpayers, and the financial sustainability of the ferry operator.

The commissioner's role in this decision was to consider an application for a major capital expenditure that would save BC Ferries \$2 million each year in operating costs and reduce pressure on future fares for all ferry users.

Q. Can the BC Ferry Commissioner reverse BC Ferries' decision to build a cable ferry?

The commissioner's role is limited to determining whether the costs of a proposed project will be covered by fares. If the costs are considered to be excessive, the commissioner can order that costs be covered by the ferry operator directly. The commissioner does not have the authority to prohibit a capital project. He can only determine whether costs will be included when setting the next price cap.

Q. How much money will be saved?

The cable ferry option provides a net present value savings of \$27.76 million over a conventional ferry.

Q. Will the cable ferry be reliable?

An independent naval architect has determined that the cable ferry will be able to perform within the same operating limits for weather as a conventional ferry.

Q. Will the cable ferry still be able to provide emergency service transportation after hours?

Yes, and it will be docked overnight on Denman Island.

Q. Why didn't the commissioner consider safety and reliability in his decision?

The BC Ferry Commission is an economic regulator. The Coastal Ferry Act does not give the commission authority to regulate safety of vessel operations. Safety is the responsibility of Transport Canada and BC Ferries is required to meet all safety requirements.

Q. Does Transport Canada regulate cable ferries in Canada?

Transport Canada is the best authority to answer that question. We understand cable ferries are regulated differently than conventional vessels and are appropriately regulated to ensure safety.

Q: Is the cable ferry unproven technology?

Cable ferries are an innovation for BC Ferries but they are not unproven or experimental. There are many cable ferries operating successfully around the world. In Canada, there are currently 65 operating cable ferries. Many of those are single cable ferries. They operate in both fresh and salt water and some operate in areas where ice is a factor.

Q. Does the fact that this will be the longest cable ferry in the world warrant public concern?

An independent naval architect reviewed the proposal and stated that cable length is not a significant factor. The bigger issue is the type of seafloor and depth that is suitable for a cable ferry on this route.

Q. What happens if a cable breaks?

This cable ferry is designed with three cables, one to drive and two to guide. If one cable breaks the ferry will still be connected to shore. The vessel is fitted for attachment of a tugboat, if necessary. The independent naval architect has confirmed that the cable sizing and the replacement schedule for the cables are appropriate. The Quinitsa will be available as the relief vessel for route 21 until April 2016.

Q. How does the commissioner respond to community concerns about the impact of the cable ferry on jobs and the economy?

The commissioner is aware and sympathizes with community concerns about potential job losses of ferry employees living on Denman and Hornby Islands. The commissioner's decision had to balance the wider views of ferry users heard in public consultation meetings throughout the province in 2011. Ferry users were very clear about wanting the cost of fares to be constrained and they urged the commission to do everything possible to meet that goal. With the interests of all taxpayers in mind, keeping costs down is the priority of the commissioner.

Q. Did you consider input from residents?

The BC Ferry Commissioner invited the public to comment on BC Ferries' proposal to build and operate a cable ferry. The commissioner received 67 submissions, which were considered as part of the review process.

Q. Why is this project going ahead when the majority of residents are opposed?

The commissioner has to consider the interests of all ferry users on all routes and the interests of taxpayers across the province. The commissioner is satisfied that the proposed cable ferry will provide reliable service, will reduce operating costs and will help reduce pressure on future fares for all ferry users.

Q. Why won't the commission say how much the new cable ferry will cost to build?

The commissioner will not reveal information that would put BC Ferries at a disadvantage when negotiating pricing with a shipyard or other suppliers. We have accepted BC Ferries request to keep the financial information confidential in accordance with the Freedom of Information and Privacy and Protection Act. The amount will remain confidential until the procurement process is complete.

Q: Is a new vessel even required to replace the Quinitsa?

The Quinitsa does not need to be retired at this time. The Quinitsa will be redeployed to other purposes. Both the North Island Princess and the Tenaka are scheduled for retirement and the introduction of a cable ferry will eliminate the need for a new conventional ferry in the minor routes fleet. Route 21 is uniquely able to use a cable ferry.

Q. The commissioner's report in 2012 recommended interoperability of vessels within the fleet. How does a single cable ferry this align with this recommendation?

The purpose of the recommendation was to promote efficiency and cost savings. An interoperable fleet offers savings in crew training, maintenance, parts inventory, and flexibility of deployment. However, it would not be sensible to forego an opportunity to reduce costs through innovation. We would expect all future cable ferries to be interoperable with each other.

Q. Will a cable ferry be able to serve future growth on the two islands?

The population of both islands has been declining in recent years and the demographics have been shifting away from high-use commuters. The cable ferry meets the requirement of the Coastal Ferry Services Contract at this time. If there is significant growth in island population in future, BC Ferries has indicated that it can increase the number of sailing, increase the licensing to allow for more passengers, add passenger-only services or lengthen the vessel.

Q. Was an alternate service provider considered?

Yes. BC Ferries undertook a lengthy process to determine whether using an alternate service provider could save money. There was significant concern about this approach on the two islands. Given that this is the first cable ferry to enter the fleet, the company decided to keep it in house.

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