

RECORD OF MEETING

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

DATE: September 22, 2017	TIME: 10:00 a.m. – 1:40 p.m.	SITE: 1321 Blanshard Street Victoria, BC
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ATTENDANCE: BCFC: Gord Macatee Sheldon Stoilen BCFS: Alana Gallagher Cynthia Lukaitis Jason Eamer-Goult Mark Wilson Paul Catsburg Erwin Martinez	Commissioner Deputy Commissioner Vice President, Finance & Chief Financial Officer Vice President & Corporate Secretary Senior Manager, Regulatory & Freedom of Information Vice President, Engineering (by teleconference; agenda items 10.b.i. and 11.) Director, Vessel Replacement Program (agenda items 12.a. to d.) Vice President & Chief Information Officer (agenda item 12.f.)
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1. ADOPTION OF AGENDA

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

2. DISCLOSURES

BCFS reported that as part of the planning process for the Bowen class vessel replacement project, it had engaged 3GA Marine Ltd. to conduct propulsion and liquefied natural gas feasibility studies. BCFS also reported that Opus and Steer Davies Gleave have been added to its roster of potential terminal planning consultants.

BCFC identified some vendors it might retain to provide support in a potential upcoming performance review under section 46.1 of the *Coastal Ferry Act*, as well as for the Performance Term Five price cap setting process.

3. RECORD OF MEETING

a. June 2, 2017 Quarterly Meeting

b. Action Items

The record of the June 2, 2017 quarterly meeting and action items were reviewed and approved.

4. FISCAL 2017 – COMPLIANCE REPORTS

a. Q1 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 June 30, 2017 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.

b. Q1 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 June 30, 2017 were reviewed and discussed. The reports indicate BCFS' compliance with the core service level requirements in the quarter.

c. Q1 Complaints Resolution

BCFS' complaints resolution report for the quarter ended June 30, 2017, prepared in accordance with Memoranda 40 and 40A, was reviewed and discussed.

10. SECTION 55 FILINGS

b. Potential Filings

i. Bowen Class Replacement

BCFS gave an update regarding the Bowen class vessel replacement project. There was a discussion of the how the objectives of standardization are being applied to this project.

11. OPTIMUM VESSEL AGE CONSIDERATIONS

BCFS reported that in order to extract maximum value from its vessels, while balancing issues of obsolescence, it targets a vessel life of 45 years. BCFS indicated the need to spread capital investments in the fleet over time so that there is steady, ongoing renewal of the fleet. There was discussion of the current average age of the fleet and the target average age at a steady state in the fleet renewal program. Different approaches to measuring the average age of the fleet were discussed.

4. FISCAL 2018 – COMPLIANCE REPORTS (Cont'd)

d. Q1 Drop Trailer

BCFS' calculation of its average drop trailer tariff for the quarter ended June 30, 2017 was reviewed and discussed.

5. FUEL DEFERRAL ACCOUNTS

a. Balance at July 31, 2017

A report prepared by BCFS on the deferred fuel account balances as at July 31, 2017 was reviewed and discussed. The report tabled by BCFS indicates that it has complied with terms and conditions for fuel deferral accounts set out in Order 15-03A.

b. Forecast

BCFS' projections for the regulatory account balances were reviewed and discussed, including a discussion of possible strategies for managing the projected debit balance (funds owed to BCFS) in the fuel deferral accounts.

6. GOVERNMENT FARE INITIATIVES

BCFS reported on discussions to date with the Ministry of Transportation and Infrastructure regarding the provincial government's initiatives to freeze fares on the major routes, reduce fares on the minor routes and re-introduce discounts for seniors. The possible implications of the initiatives for revenues, traffic levels and operating costs were discussed, as were matters respecting price cap compliance reporting.

7. PERFORMANCE TERM FOUR TRAFFIC REPORT

BCFS reported on the positive variances in traffic levels experienced to date and forecast for the remainder of Performance Term Four, as compared to the traffic forecast used by BCFC in setting the price cap increases for the performance term. In the context of discussing these positive variances, BCFS noted that historically, traffic and associated levels of net earnings are cyclical so BCFS takes the longer view when planning.

8. PERFORMANCE FIVE DISCUSSION

There was a discussion of considerations for BCFS' price cap submission and other deliverables in anticipation of Performance Term Five.

9. PERFORMANCE REVIEWS STATUS UPDATE

BCFC reported on the status of its review of BCFS' customer satisfaction tracking program under section 46.1 of the *Coastal Ferry Act*. There was also a discussion of the aspects of BCFS' operations which could be the subject of future performance reviews by BCFC.

10. SECTION 55 FILINGS (Cont'd)

a. Conditions Status Update

BCFS' progress in meeting the conditions set out in BCFC's orders approving major capital expenditures under section 55 of the *Coastal Ferry Act* was reviewed and discussed.

With regard to condition 2 of Order 16-02 (*Approval of a Major Capital Expenditure for The Fare Flexibility and Digital Experience Initiative Proposed by British Columbia Ferry Services Inc. Pursuant to Section 55 (2) of the Coastal Ferry Act*), BCFC acknowledged that it has received BCFS' confirmation that a senior executive sponsorship succession plan is in place, and BCFC confirmed that this condition is satisfied.

BCFC also acknowledged receipt of BCFS' update on the *Baynes Sound Connector's* service reliability.

12. UPDATES

- a. Salish Class Vessels**
- b. Spirit Class Vessels Mid-Life Upgrades**
- c. Minor Class Vessels**
- d. Mid Coast Service**

BCFS provided updates regarding the Salish class vessels, the Spirit class vessels mid-life upgrades project, the minor class vessel replacement project, and the mid coast service project.

e. Federal Funding

BCFS provided an update with regard to applications made for federal funding of capital projects.

f. Major IT Projects

BCFS provided an update with regard to the automated customer experience program and the fare flexibility and digital experience initiative, including their status and projected timelines.

13. OTHER BUSINESS

Nil

14. NEXT MEETING

The next BCFC / BCFS quarterly meeting is scheduled for December 1, 2017.

15. TERMINATION

The meeting terminated.