



NEWS RELEASE

Office of the BC Ferries Commissioner

For Release September 30, 2019

BC Ferries Commissioner Confirms Price Caps of 2.3% for Next Performance Term

VICTORIA — The Office of the British Columbia Ferries Commissioner today announced the final decision on the price caps for BC Ferries' next four-year performance term. The decision allows average BC Ferries' fares to increase by a maximum of 2.3% annually from April 1, 2020 to March 31, 2024.

"This final price cap decision confirms the preliminary decision announced on April 1 of this year," says Commissioner Sheldon Stoilen. "We believe these increases are in the public interest – affordable to ferry users and taxpayers, while sufficient to allow BC Ferries to meet their financial targets, barring any extraordinary situation."

Before finalizing the price caps, the Commissioner considered additional information received since setting the preliminary price caps. This included amendments to the Coastal Ferry Services Contract, additional input from BC Ferries and the BC Government, comments from the public, and the results of a performance review on BC Ferries' efficiency and their long-term capital plan.

Detailed reasons for the price cap increases are set out in the *Report on the Final Price Cap Decision for the Fifth Performance Term*, available on the BC Ferries Commissioner's website at bcferrycommission.ca.

As part of the final price cap decision, the Commissioner confirmed an efficiency target – equivalent to 1% of annual operating, maintenance and administrative expenses – which BC Ferries must meet and report on annually. In addition, the Commissioner is encouraging BC Ferries to establish GHG-reduction targets, and to pursue the electrification of the new Island class ferries – being introduced next year – as soon as the infrastructure and technology are available.

A backgrounder follows.

About the Office of the BC Ferries Commissioner:

Under provincial legislation, the Office of the BC Ferries Commissioner (BCFC) serves a regulatory and oversight role over BC Ferries' operations, including approving major capital

expenditures and setting price caps on the maximum allowable increase in the average fare levels that BC Ferries is permitted to charge its customers. The Commissioner is independent of both the provincial government and BC Ferries.

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BACKGROUND

Office of the BC Ferries Commissioner

September 30, 2019

About the Office of the BC Ferries Commissioner:

Established under the province's *Coastal Ferry Act* of 2003, the Office of the BC Ferries Commissioner ("BCFC") serves a regulatory and oversight role over British Columbia Ferry Services Inc. ("BC Ferries"). Independent of both the provincial government and BC Ferries, BCFC regulates fares, approves major capital expenditures and monitors service levels on 25 saltwater routes.

The Province appoints a commissioner and up to two deputy commissioners for six- to eight-year terms. Sheldon Stoilen of Bowen Island, BC was appointed Commissioner on March 1, 2018; Eva Hage of Saturna Island, BC was appointed Deputy Commissioner on May 21, 2019.

BCFC's Regulatory Responsibilities:

The Commissioner must undertake regulation in the public interest and in accordance with the following principles:

- a) The primary role of BCFC is to balance, in the manner the Commissioner considers appropriate, the interests of ferry users and taxpayers with the financial sustainability of the ferry operator.
- b) Ferry operators are to be encouraged to meet provincial greenhouse gas emission targets, to be innovative, and to minimize costs without adversely affecting their safe compliance with core ferry services.

Regulation of Fares Through Price Caps:

The primary responsibility of the Commissioner is to regulate fares by setting price caps which establish the maximum annual increase in average fares. Price caps are set every fourth year; each four-year period is a "performance term." In regulating ferry fares, commissioners ensure that the weighted average of ferry fares does not rise above the price cap.

In finalizing the price caps at 2.3% for the next performance term (PT5), commissioners considered additional information made available since the preliminary cap was set on April 1 of this year. This additional information included:

1. **Amendments to the Coastal Ferry Services Contract** for the next performance term, which set the annual ferry transportation fees at \$194,045,882 for PT5.
2. **Updated forecasts from BC Ferries** on traffic volumes and long-term interest rates expected in the next performance term.
3. **A supplemental submission received September 5, 2019 from BC Ferries** stating that preliminary price caps for PT5 would place significant upward pressure on price caps for PT6 and requesting that the Commissioner look beyond the four years of the next performance term in setting the price caps for PT5.
4. **A September 13, 2019 letter from the BC Ministry of Transportation and Infrastructure** in opposition to the request made by BC Ferries in their supplemental submission.
5. **Comments from the public.** Of 12 total comments, only one specifically addressed fares, with the request that they be kept “as affordable as possible.”
6. **A performance review of BC Ferries’ efficiency and long-term capital plan** conducted by PricewaterhouseCoopers (PwC) that concludes that the “efficiency target set by the Commissioner for PT5 is considered achievable.”

Learn More:

- BC Ferries Commissioner Order 19-04
- BC Ferries Commissioner *Report on the Final Price Cap Decision for the Fifth Performance Term*

Both documents are available on the BC Ferries Commissioner’s website at bcferrycommission.ca.

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