



# **British Columbia Ferries Commissioner**

## **Annual Report for the Fiscal Year Ending March 31, 2020**

*Prepared and submitted in accordance with  
Section 53 of the Coastal Ferry Act  
of the Province of British Columbia*

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August 28, 2020



To the Lieutenant Governor in Council

Victoria, BC  
August 28, 2020

May It Please Your Honour:

**British Columbia Ferries Commissioner Annual Report  
For the Fiscal Year Ending March 31, 2020**

I am pleased to submit to you the Annual Report of the British Columbia Ferries Commissioner ("commissioner") for the fiscal year ended March 31, 2020.

As required by Section 53 of the *Coastal Ferry Act* (the "Act"), the Annual Report sets out briefly all applications and requests for decisions to the commissioner, all orders issued by the commissioner, the financial statements applicable to the office of the commissioner for fiscal year ended March 31, 2020 along with disclosure of the expenses of, and associated with, the office of the commissioner.

The report also provides the commissioner's opinion that for the fiscal year ended March 31, 2020, the B.C. Ferry Authority and the ferry operator have performed their respective obligations under the Act, and that the ferry operator has also performed its obligations under the Coastal Ferry Services Contract.

Yours truly,

Sheldon Stoilen  
British Columbia Ferries Commissioner

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## Introduction

The Office of the British Columbia Ferries Commissioner (“commissioner”) regulates ferry operators under the *Coastal Ferry Act* of 2003 as amended by subsequent legislation (the “Act”). The Province appoints the commissioner and up to two deputy commissioners (collectively the “commissioners”) for a term of at least six and not more than eight years. They are independent of both the government and the ferry operator. Sheldon Stoilen of Bowen Island was appointed commissioner on March 1, 2018 for a six-year term expiring on March 1, 2024. Eva Hage was appointed deputy commissioner on May 21, 2019 for a six-year term expiring on May 21, 2025.

The role of the commissioner is set out in Section 38(1) of the Act. On May 16, 2019, Bill 25 - *Coastal Ferry Amendment Act 2019* - received Royal Assent. The amendments included a revision to Section 38(1) which now stipulates that the commissioner must undertake regulation in the public interest and in accordance with the following principles:

- (a) the primary role of the commissioner is to balance, in the manner the commissioner considers appropriate, the interests of ferry users, taxpayers and the financial sustainability of ferry operators;
- (b) ferry operators are to be encouraged to meet provincial greenhouse gas emission targets in their operations and when developing capital plans; and
- (c) ferry operators are to be encouraged to be innovative and to minimize expenses without adversely affecting their safe compliance with core ferry services.

This is the seventeenth annual report of the commissioner and has been prepared in accordance with Section 53 of the Act. The report summarizes all major decisions, orders and reports issued by the commissioner and the financial statements of the Office of the BC Ferries Commissioner for the fiscal year ended March 31, 2020 (“FY 2020”). The report includes the commissioner’s opinions on the performance of British Columbia Ferry Services Inc. (“BC Ferries”) relative to its obligations under the Act and the Coastal Ferry Services Contract. The report also includes the commissioner’s opinion regarding the performance of the B.C. Ferry Authority relative to its obligations under the Act.

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## **Decisions, Orders and Reports Issued During FY 2020**

The following briefly summarizes all the orders, decisions and reports issued by the commissioner during FY 2020. All BC Ferries' applications or requests for decisions and the commissioner's orders or decisions with his reasons were all posted to the commissioner's website at [www.bcferrycommission.ca](http://www.bcferrycommission.ca). Excluded from the summary below are the quarterly compliance reports of BC Ferries which can also be found on the commissioner's website.

### **Commissioner publishes report on preliminary decision on price caps for the fifth performance term - April 1, 2019**

The commissioner issued his report dated March 31, 2019 regarding his preliminary decision and reasons for price caps for the next performance term which would allow average ferry fares to increase by a maximum of 2.3% annually beginning April 1, 2020 and ending March 31, 2024.

### **Commissioner submits Annual Report for the fiscal year ending March 31, 2019**

In accordance with Section 53 of the Act the commissioner submitted the Annual Report for the fiscal year ending March 31, 2019 on August 28, 2019 to the Lieutenant Governor in Council. The Annual Report was published on the commissioner's website on November 4, 2019 following tabling in the Legislative Assembly.

### **Commissioner submits and publishes Service Plan and Budget for the fiscal year ending March 31, 2021**

The Service Plan and Budget for the fiscal year ending March 31, 2021 was submitted in accordance with Section 59 of the Act on September 18, 2019. The Service Plan and Budget which can be found on the commissioner's website, provides for budgeted expenditures of \$852,750 or 70% of the maximum permitted under Section 59(2) of the Act.

### **Commissioner publishes Order 19-04 covering the final decision on price caps for the next performance term – September 30, 2019**

This Order dated September 30, 2019 confirmed the preliminary price cap decision issued on March 31, 2019 providing for maximum price caps of 2.3% annually beginning April 1, 2020 and

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ending March 31, 2024. The commissioner's report and reasons was also published on September 30, 2019.

### **Commissioner publishes redacted Order 19-02B approving revised total capital expenditures for new vessels - October 21, 2019**

This Order dated October 18, 2019 was in response to a supplemental application from BC Ferries requesting approval of a revised total capital expenditure amount for four new Island Class vessels and one new Salish Class vessel to replace the Bowen Class vessels. The initial application for approval of the major capital expenditure for the new vessels was approved by Order 19-02 dated January 7, 2019.

### **Commissioner publishes new guidelines for Section 55 applications for approval of major capital expenditures and Section 46.2 applications for participation costs of eligible organizations - February 7, 2020**

After inviting public comments the commissioner published revised guidelines for BC Ferries to follow in their Section 55 applications for approval of major capital expenditures and issued guidelines for the new Section 46.2 of the Act for applications for participation costs of eligible organizations. These new guidelines are intended to reflect the consideration of the public interest in the regulation of BC Ferries.

### **Commissioner publishes redacted Order 16-02C approving revised total capital expenditures for Fare Flexibility and Digital Experience Initiative – April 24, 2020**

This Order dated March 17, 2020 was in response to a supplemental application from BC Ferries requesting approval of a revised total capital expenditure amount for the Fare Flexibility and Digital Experience Initiative. The initial application for approval of the major capital expenditure was approved by Order 16-02A dated September 21, 2016.

### **Commissioner publishes decision regarding BC Ferries' request to rebase price cap index for next performance term – March 20, 2020**

Upon consideration of BC Ferries' submission, the commissioner approved the rebasing of the price caps for the next performance term which recognizes the price cap underage position, excluding the value of the two-year fare initiative agreement with the Province, at the end of the performance term ending March 31, 2020. Reasons for the decision and BC Ferries' submission is included on the website posting dated March 20, 2020.

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## Commissioner publishes Compliance Report received from the B.C. Ferry Authority regarding their performance during FY 2019

The report received on June 24, 2019 summarizes the actions taken by the Board of Directors of the B.C. Ferry Authority during FY 2019 to meet its statutory obligations under the Act.

## **BC Ferries and B.C. Ferry Authority Performance in FY 2020**

During FY 2020 the commissioner continued the practice of conducting quarterly meetings with BC Ferries to review their quarterly reports on price cap compliance, operations summaries, Feedback & Engagement report, fuel deferral account balances and drop trailer financial results. The commissioner also reviewed, and posted on the website, *BC Ferries' Annual Report to the Commissioner for FY 2020*, which was submitted, as required, before July 31, 2020.

In FY 2020 the commissioner determined that:

- Despite an allowable annual price cap increase of 1.9% on April 1, 2019, BC Ferries continued the fare freeze and fare reduction initiative implemented in FY 2018 and kept fares constant on all routes and maintained BC seniors' passenger discount at 100% for travel Monday through Thursday on the Major Routes and the Minor Routes. Funding of these initiatives came from the Province, which contributed \$32.5 million (\$22.3 million for fare freeze/reduction and \$10.2 million for seniors) and BC Ferries in foregone revenues of \$22.3 million;
  - BC Ferries complied with the requirements of the Coastal Ferry Services Contract ("CFSC") regarding the delivery of core service levels on the 25 designated routes. BC Ferries delivered a total of 82,288.5 round trips or 4,276.5 more than the number of round trips required under the CFSC. Most of the additional round trips were delivered on the three Major Routes connecting Metro Vancouver with mid and southern Vancouver Island, on the routes connecting Langdale with Gambier and Keats islands (route 13) and Skidegate with Alliford Bay (route 26), and in the summer on the routes connecting Buckley Bay with Denman Island (route 21) and Denman Island with Hornby Island (route 22). A total of 250.5 round trips were cancelled of which 193 were for weather and 53.5 for mechanical or other reasons allowed under the CFSC. BC Ferries met all core service levels in FY 2020, in terms of the delivery of the minimum required round trips under the CFSC, with the exception of Route 20 (Chemainus –Thetis Island – Penelakut Island), where on July 31, 2019 one round trip was cancelled due to the consolidation of end-of-shift sailings because of accumulated traffic delays;
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- BC Ferries experienced a 1.0% decrease in vehicle traffic and a 2.7% decrease in passenger traffic compared to FY 2019. For the first 50 weeks of FY 2020, vehicle traffic reflected an increase of 1.3% and passenger traffic an increase of 0.1% compared to the same period in FY 2019. In the last two weeks of March 2020, vehicle traffic decreased by 55% and passenger traffic by 69% due to the COVID-19 pandemic. Capacity utilization was 64.1%, 1.6% lower than in FY 2019, a result due to lower traffic levels and more additional round trips provided. Some 13.5% of sailings overloaded during FY 2020, which is approximately the same as in FY 2019;
  - Revenue from vehicle and passenger fares totalled \$613.2 million down \$5.0 million from the previous year due primarily to lower traffic in the last two weeks of the year as a result of the Covid-19 pandemic;
  - BC Ferries delivered on-time performance of 89.4% system wide, up from 88.5% in the previous year. Fleet reliability improved slightly to 99.84% of the scheduled sailings meaning that less than 0.2 % of scheduled sailings were cancelled due to weather, mechanical issues or crew availability;
  - BC Ferries conducted the annual customer satisfaction survey as required under the CFSC indicating that in 2019, 85% of passengers reported to be satisfied overall with their experience travelling on BC Ferries, which was a decrease from 88% in 2018. In 2018, the survey was redesigned to meet Industry Best Practices and, hence, customer satisfaction scores in FY 2020 are not directly comparable to previous years. Due to the changes to the survey, 2019 should act as the new baseline for future comparisons; and
  - BC Ferries continued its investments in fleet renewal and completed the procurement of the four additional Island class electric battery hybrid vessels with the potential to convert to full electric propulsion in the future to be in service FY 2022 and FY 2023 and one additional Salish class vessel to be in service in FY 2023. BC Ferries also continued the work on the Fare Flexibility and Digital Experience initiative to be implemented during the calendar year 2020.
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Based on his reviews and key findings, the commissioner is satisfied that during FY 2020, BC Ferries met its obligations under the *Coastal Ferry Act* and also its obligations under the Coastal Ferry Services Contract.

Finally, based upon a review of B.C. Ferry Authority's Compliance Report submission to the commissioner and discussion with the Chair of its Board of Directors, the commissioner is also satisfied that the B.C. Ferry Authority performed all of its obligations under the *Coastal Ferry Act* during FY 2020.



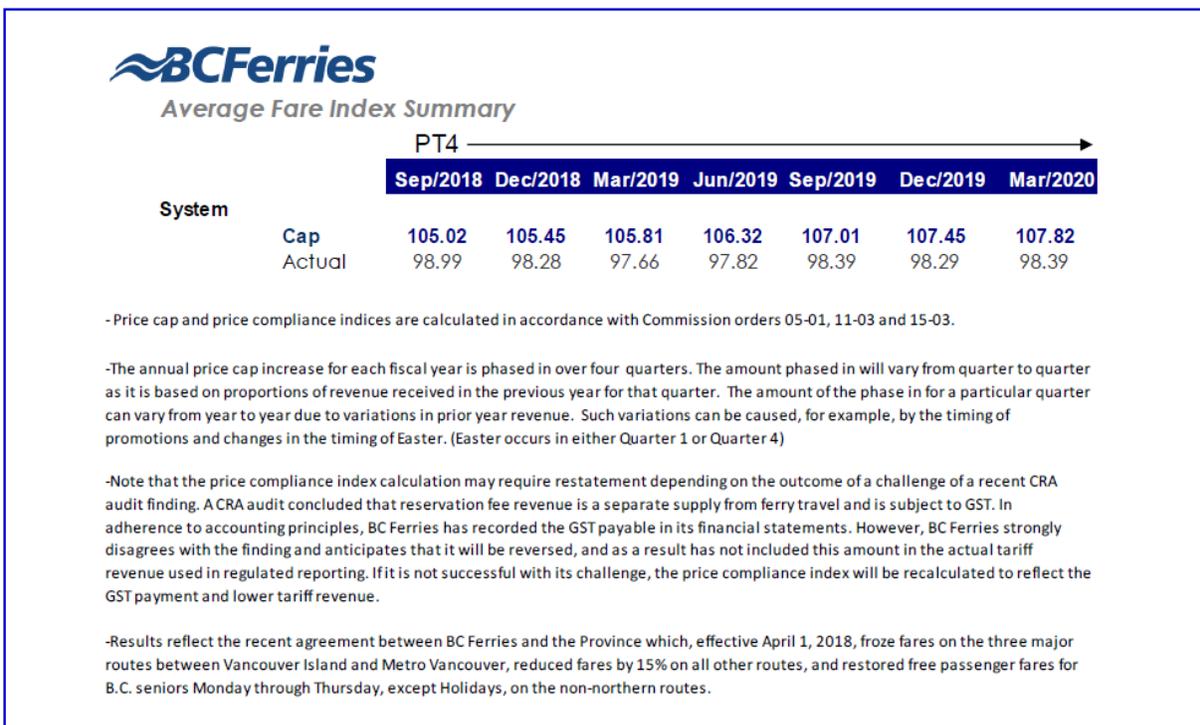
Sheldon Stoilen  
British Columbia Ferries Commissioner

## Price Cap Compliance

The chart below tracks the values of the price cap index compared to an index of actual weighted average fares system wide for BC Ferries (price cap index was reset at 100 effective the beginning of the fourth performance term on April 1, 2016).

The values for the indices are computed by methods laid down in Commission Order 05-01 and Order 11-03 and are based on trailing four-quarter data. The commissioner allows BC Ferries to exceed the price cap for no more than three consecutive quarters. This ensures that the company does not retain revenues earned at above-price cap levels.

The chart shows that BC Ferries did not exceed the price cap in any quarter during FY 2020. Accordingly, the company was in compliance with the price cap during the year.



## Financial Statements

### *Accounting Services*

The Ministry of Attorney General provides accounting and payment services at no cost to the Office of the BC Ferries Commissioner. The summary financial statement is based upon information provided by the Ministry of Attorney General.

### *Summary Financial Statement*

#### Office of BC Ferries Commissioner Summary Financial Statement (Expenditures in \$ thousands)

	FY 2020		FY 2019
	Budget	Actual	Actual
Commissioners' Fees and Expenses	291	206	159
Professional Services	530	349	319
Other Expenses	71	27	48
	<b>892</b>	<b>582</b>	<b>526</b>

### *Budgeted Expenditures*

The *Coastal Ferry Act* requires ferry operators to cover the expenses associated with the operation of the Office of the BC Ferries Commissioner. Under Section 59(2) of the Act the budget for the Office of the BC Ferries Commissioner must not exceed 1/5 of 1% of the ferry operator's previous year's tariff revenue. Total budgeted expenditures for FY 2020 were \$892,250 or 70% of the maximum budget allowable under the Act.

### *Actual Expenditures*

Actual expenditures in FY 2020 were \$581,659 or 65% of the budget. Expenditures were for commissioners' fees and expenses, professional service fees and expenses of contractors/consultants and other expenses. Actual expenditures were below budget primarily due to fewer Section 55 applications seeking approval of major capital expenditures and fewer performance reviews than were anticipated in the budget for FY 2020.

### *Commissioners' Remuneration*

The commissioner and the deputy commissioner are paid a per-diem fee for their services. During FY 2020 the commissioner received \$143,137 in fees for his services and was reimbursed \$8,693 for travel and other expenses. The deputy commissioner who assumed office in June 2019, received \$49,200 in fees for her services and was reimbursed \$4,570 for travel and other expenses.