

The Ferry Commissioner's Recommendations

Gord Macatee, BC Ferry Commissioner, delivered his review of the Coastal Ferry Act to the Honourable Blair Lekstrom, Minister of Transportation and Infrastructure in January 2012. The report contains a series of recommendations for government, BC Ferries, ferry users and other stakeholders, all intended to better balance the interests of ferry users with the financial sustainability of BC Ferries. This document summarises the recommendations of the Commissioner's review.

Principles

1. The primary responsibility of the Commissioner should be to protect the interests of ferry users and the taxpayer. The term "ferry user" should be interpreted broadly, to include ferry customers, their families, ferry-dependent communities and businesses which depend on ferry services to be affordable and reliable.
2. The secondary responsibility of the Commissioner is to protect the ongoing financial sustainability of the ferry operator by encouraging the ferry operator to:
 - a) operate efficiently;
 - b) take a commercial approach;
 - c) be innovative; and
 - d) minimize its operating expenses.
3. The Commissioner should also have the authority to determine the respective interests of the ferry users, the taxpayers and the ferry operator and how best to balance those interests.
4. The principle of elimination of cross subsidization from the major routes to other routes should be removed from the Act. Future price caps should be set at one level for all routes or all route groups as may be established by the Commissioner.
5. The principle of a greater reliance on a user pay system should be removed from the Act.

Affordability

6. The Province should work collaboratively with BC Ferries to develop a long-term vision of coastal ferry services in BC. A draft discussion paper should go out for public consultation. The resulting vision should be formally adopted by the Province and provide the basis for the long-term capital plan of the ferry operator. Ideally the vision would be in place before major capital decisions are made regarding PT4.

7. The Act should explicitly require that the Commissioner must approve the long-term capital plan and any modifications thereto and that the Commissioner's approval be based on a determination that the capital plans are compliant with the long-term vision and its guiding principles.
8. The Act should require that all major capital investments (i.e. new vessels and mid-life upgrades, and terminal upgrades above a threshold determined by the Commission) should be approved by the Commissioner based on a determination that such investments are reasonable, prudent and consistent with the long-term capital plan.
9. The Province should make provision for some improvements to capacity utilization within defined parameters. Subject to those parameters, the Commissioner should be given authority to approve specific changes to service levels, based on a consideration of the interests of ferry users, the taxpayer and the financial sustainability of the ferry operator.
10. The Province should empower the Commissioner to approve additional services which have been approved by the BC Ferries board, if the Commissioner is satisfied that adding a new route is in the interests of ferry users, the taxpayers and the ferry operator and can be accomplished without creating an expectation for additional subsidies.
11. The Province should consider an increase in subsidies together with other initiatives to hold price cap increases to the rate of inflation for the balance of PT3.
12. The Act should explicitly authorize the Commissioner to establish fuel deferral accounts and to have discretion to set terms and conditions for their use.
13. The Province should consider extending its policy of absorbing at least a portion of both fuel surcharges and rebates on northern routes to all routes for the balance of PT3.
14. The Act should empower the Commissioner to authorize a municipal or regional government to "buy down" ferry fares on routes to and/or from their communities, to set whatever conditions are considered appropriate, to provide oversight on the arrangement, and to make orders as necessary to ensure that all funds contributed by a local government are used for the exclusive benefit of the intended routes.
15. A high priority should be placed on upgrading BC Ferries' traffic forecasting capabilities, including upgrades to the reservation and point of sale systems.

16. In determining the final price cap decision, the Commissioner should have the option to consider:
 - a) adjusting the price cap;
 - b) ordering a change to service levels on specified routes with whatever terms and conditions the Commissioner considers appropriate;
 - c) ordering a reconsideration of upcoming capital projects; or
 - d) any combination of a) through c).
17. The Commissioner should be provided with additional options for dealing with an extraordinary situation, including the ability to order a temporary reduction to service levels, or a temporary delay to capital projects, without compromising safety or operational reliability. As well, extraordinary decisions by the Commissioner should be able to be reversed or modified if the extraordinary circumstances change, or no longer exist.

Financial Sustainability

18. The section of the Act which prescribes a pre-tax return on equity as the basis for determining price caps should be amended to direct the Commissioner to set targets for equity levels and cash flows sufficient to meet debt requirements to allow the company to maintain its current rating for long-term bonds.
19. Municipal and regional governments should be empowered to pass resolutions requesting the Commissioner to establish a marketing surcharge on ferry routes which lie within their boundaries, for purposes of promoting destination marketing which is reasonably likely to increase ferry ridership. The surcharge would be collected by BC Ferries and remitted to a designated regional tourism entity. Surcharges would only apply to specified routes, and the proceeds would need to be used entirely for the benefit of the community which pays for them. The Commissioner should be authorized to set conditions on use of the surcharge, and to limit the time periods that a surcharge will remain in effect.
20. The Act should be explicit that the Commissioner be expected to encourage the ferry operator to generate new ancillary revenue, if doing so is considered to be in the interests of ferry users and taxpayers.

Accountability

21. The Act should be more explicit that the Commissioner may issue an order which requires the ferry operator to:
 - a) prepare a plan,
 - b) review a policy,
 - c) undertake a public consultation, or
 - d) cause information to be made public.

22. The Commissioner should be authorized to approve or reject a plan or a policy which has been submitted, but should not be authorized to impose an alternative plan or policy created by the Commissioner.
23. The Act should explicitly authorize the Commissioner to conduct routine performance audits on an on-going basis as deemed necessary and in the interests of ferry users and taxpayers.
24. Ferry Advisory Committees should be appointed by the Commissioner and remain advisory. The terms of reference, structure of and appointments to the Committees should be at the discretion of the Commissioner, with the intention of ensuring that each committee includes people with a range of perspectives on the various users of the system, including a resident, a commuter, a tourism operator, a commercial operator and a local government official.

Other Recommendations Related to Administrative Matters:

25. Section 26(1) of the Act should be repealed or amended to restrict its application to Part 2 of the Act.
26. Section 35 of the Act should be amended to create a public body known as the British Columbia Ferry Commission.
27. Section 38 should provide that the Commissioner may authorize the establishment of route groups for purposes of reviewing and monitoring performance of the ferry operator.
28. Section 41.3(c)(i) should be amended to add “and prudent” after “reasonable”.
29. Section 41.3(d) should be amended to give the Commissioner discretion to use replacement costs if the Commissioner considers it to be advisable.
30. Section 53(1) should be amended to require the Commissioner to make a report to the Lieutenant Governor within five months after the end of each fiscal year.
31. Section 59 should be amended to provide that the commissioner’s budget for the fiscal year does not exceed for each quarter 1/20 of 1% of the previous year’s tariff revenue.