



The Editor
The North Shore News
100-126 East 15th Street
North Vancouver, BC
via email

April 20, 2008

P.O. Box 1497
Comox, B.C.
V9M 8A2

Dear Editor,

Ferry Fares and Directors' Raises

Last Wednesday's editorial asked for my reassurance that the higher BC Ferries directors' pay and higher ferry fares are in the public interest.

The two increases did coincide this month. Contrary to your assumption and Rice's companion cartoon, though, the above-inflation directors' raise has not added to the ferry fare hikes in any way.

BC Ferries announced the directors' raise well after the commission had announced allowable fare increases through March 2012, the end of the current regulatory cycle. We set these fare caps using last year's cost-base, with normal inflation and adjustments, e.g. for \$0.5 billion-worth of new ships. We did not roll-in the directors' raise.

Nor will we allow BC Ferries to recover new costs of any kind (unless it proves extraordinary circumstances beyond its control, as already done for fuel prices) before our next fare cap review in 2012.

Even if we had allowed the directors' raise to be paid in higher fares today, a one-time 0.05% increase would have covered it, causing no change to the 7.3% allowable increase for the major routes and 4.0% for smaller routes.

We judge those caps to be in the public interest. They meet our statutory principles including financial sustainability for BC Ferries, while affording renewal of fleet and terminals, and also challenging the company to improve productivity.

The directors' raises? It's not my job to justify or approve them, or to decide if they are in the public interest. If the raises fail to produce better-than-otherwise financial performance, BC Ferries' retained earnings will be a bit lower and its borrowing power slightly shaded.

On the other hand, if a higher-paid board proves more able and energetic (no aspersions on current or past board members intended), performance should be better.

Be assured that the commission will do its part to pass through the benefits of any such better performance to fare-payers and tax-payers at the next fare cap review.

Yours truly,

A handwritten signature in black ink, appearing to read "M Crilly". The signature is fluid and cursive, with a large initial "M" and a long, sweeping tail.

Martin Crilly
BC Ferry Commissioner