

Review of Coastal Ferry Act

Commissioner's Discussion Paper #6

The BC Ferry Commission (“the commissioner”) has been mandated under Bill 14 to conduct a review of the Coastal Ferry Act and to make recommendations to the Minister of Transportation and Infrastructure on potential changes which would better enable the commissioner to balance the financial sustainability of the ferry operator and the interests of users. The commissioner is conducting public consultation meetings in coastal communities served by BC Ferries and is inviting additional input via written submissions or comments on a number of key issues.

This is the sixth of a series of discussion papers to be published on key issues to be considered by the commissioner during his review. Previous discussion papers have separately dealt with interests of ferry users, financial sustainability objectives, the balance between the two and price regulation issues as they apply to the BC ferry system. This paper deals with the issue of cross-subsidization.

In the existing price cap system as it applies to BC Ferries, price caps for each performance term are determined based on forecasted revenues and direct costs and allocations of indirect costs for each route group. Over the course of two performance terms, the price caps in the minor routes have risen faster than the major routes.

The multiple price cap model was designed to eliminate cross-subsidization of route groups. One price cap model for all route groups would allow cross-subsidization between all route groups. The relative merits of these models are being considered by the commissioner as part of his review. Some key aspects of a one price cap versus a multiple price cap system are compared in the following table.

One price cap	Multiple price caps
May be more equitable to users who depend on the system and contribute to a more affordable system for some users	Fares are more reflective of the true costs of each route group
May help to smooth out increases over the price term	Appropriately reflects subsidy levels by route group
Can contribute to cross-subsidy between major and minor/northern routes	Contributes to optimization of assets and capital investment decisions
Where capacity is constrained, may lead to under pricing of capacity	More complex exercise to split assets and costs between the route groups

The commissioner is interested in obtaining public feedback on the following:

- Is the multiple price cap system the most appropriate model for the BC ferry system?
- What are the perceived benefits and challenges associated with the multiple price cap system?
- Is a one price cap model preferred over the existing model and why?

Comments can be submitted by email to info@bcferrycommission.com or by mail to BC Ferry Commission, RPO Box Hillside, Box 35119, Victoria BC, V8T 5G2.