



BRITISH COLUMBIA
FERRY COMMISSION

ORDER
NUMBER: 06-02

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IN THE MATTER OF
Statutes of British Columbia Bill 18-2003
Coastal Ferry Act
And
An Application by British Columbia Ferry Services Inc.
To reduce service on Designated Routes 10 and 11

BEFORE: Alan Eastwood, Deputy Commissioner on May 17, 2006

ORDER

WHEREAS:

- A. British Columbia Ferry Services Inc. ("BC Ferries") has applied to the Commissioner for authorization to reduce service on the above designated routes, pursuant to section 43 of the Act. This application is described in a letter dated May 10, 2006, attached, from the Executive Vice President, Corporate Affairs and General Counsel of BC Ferries;
- B. BC Ferries provided a reduced service on the two routes after the Queen of the North sank on March 22, 2006 until the return to service of the Queen of Prince Rupert on April 19, 2006. Since that date core service levels under the Coastal Ferry Services Contract have been met;
- C. BC Ferries has a contractual obligation under the Coastal Ferry Services Contract with the Province of British Columbia to provide core services, including service on the above two routes and has notified the Province that in BC Ferries opinion the sinking of the Queen of the North was an "Event of Force Majeure";
- D. As of May 18, 2006 core service levels on the two routes change, effectively requiring two vessels in operation;
- E. BC Ferries advised the Commissioner, in the letter of May 10, 2006, of its efforts to obtain a suitable replacement vessel for the Queen of the North and has stated its conclusion that it is unlikely that a replacement vessel will be available for service on the two routes for summer 2006;

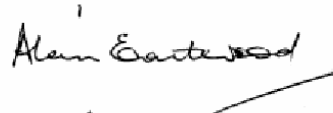
- F. Under Section 43 (2) of the Coastal Ferry Act a ferry operator making an application to the Commissioner must justify a requested reduction in service;
- G. Under Section 43 (3) of the Coastal Ferry Act the Commissioner may authorize a reduction in service “if the Commissioner is of the opinion that the reduction is for a temporary period and is for an extraordinary situation”. In the Commissioner’s opinion these two conditions have been met;
- H. The Commissioner may, under Section 43 (4), authorize a reduction in service on a designated ferry route and may specify the period and terms and conditions of such reduction; and
- I. If a reduction in service is authorized under Section 43, the Commissioner must, under Section 45 of the Coastal Ferry Act, review the price cap for the applicable route group and may adjust the price cap in the manner and to the extent considered reasonable.

NOW THEREFORE the Commissioner orders as follows:

- 1. A reduction in service on Routes 10 and 11 is authorized, pursuant to Section 43 (4) of the Act, to the service levels set out in Appendix A, (attached), commencing May 18, 2006 for a period of 60 days, during which time the Commissioner will review information from BC Ferries regarding its search for a replacement vessel;
- 2. No adjustments are ordered to the price cap for the Northern route group; and
- 3. This order expires on July 16, 2006 but may be extended without further application based on information to be provided by BC Ferries regarding its search for a replacement vessel, should the Commissioner continue to be of the opinion that the reduction in service is for a temporary period and is for an extraordinary situation.

DATED in North Saanich, in the Province of British Columbia, this 17th day of May, 2006.

BY ORDER



Alan Eastwood
Deputy Commissioner
British Columbia Ferry Commission

May 10, 2006

Mr. Martin Crilly
British Columbia Ferry Commissioner
PO Box 1497
Comox, BC V9M 8A2

Dear Mr. Crilly:

SUBJECT: Request for Reduction of Service under Section 43 of CFA

On April 24, 2006, the BC Ferries Commissioner, under Order 06-01, authorized a reduction in service on Routes 10 and 11 for the period March 22, 2006 to May 17, 2006, inclusive. This authorization was made pursuant to section 43 of the *Coastal Ferry Act* which states:

43 (1) A ferry operator must not, except as permitted by the applicable Coastal Ferry Services Contract, reduce service on a designated ferry route below the core ferry services required for that designated ferry route unless the ferry operator first obtains the authorization of the commissioner.

Since the return to service of the Queen of Prince Rupert on April 19, 2006, BC Ferries has met core service levels on Routes 10 and 11. Effective May 18, 2006, core service levels under the Coastal Ferry Services Contract change to reflect the commencement of the spring season and envisage a two vessel operation on Routes 10 and 11. Despite significant effort, BC Ferries has been unable to find a replacement vessel to the Queen of the North and will not be in a position to meet core service levels on these routes for the period May 18, 2006 to September 30, 2006.

In response to the sinking of the Queen of the North, BC Ferries has assembled a team to identify potential replacement vessels worldwide that may have been suitable for the northern service. Of the 100 vessels that were initially identified by the team (or referred to the team by brokers, owners, or other interested parties from around the world), BC Ferries narrowed this down to a limited number of vessels based on Transport Canada stability issues, the condition and/or availability of the vessel. Of those identified as potentially suitable, BC Ferries then viewed each vessel. The Company continues to actively search the market for a suitable vessel. At this BC Ferries has concluded, however, that it is unlikely that a replacement vessel will be available to be brought into service for summer 2006.

Appendix A contains the detail of service that will be provided by BC Ferries on Routes 10 and 11 during spring and summer, 2006.

BC Ferries is requesting that pursuant to Section 43 of the CFA, the BC Ferries Commissioner authorize a reduction in service on Routes 10 and 11, to the service level set out in Appendix A for the period May 18, 2006 to September 30, 2006 inclusive.

BC Ferries has been in contact with stakeholders that would be affected by these changes, including, the local communities, the Ferry Advisory Committees and tourism associations. Going forward, BC Ferries will ensure open communications continue with the stakeholders impacted by this service.

Thank you for your consideration.

Yours truly,



for

William R. Cottick
Executive Vice President, Corporate Affairs & General Counsel

cc: Mike Corrigan, EVP Operations, BC Ferries
Carol Prest, Director, BC Ferries
Cynthia Lukaitis, VP & Corporate Secretary, BC Ferries

Attachment

INTERIM SPRING SCHEDULE 2006

EFFECTIVE: Thursday, May 18th, 2006 to Monday, June 5th , 2006 inclusive.

(Queen of Prince Rupert)

SOUTHBOUND

2006: May 21, 23, 27, 31 June 4

	<u>Arrive</u>	<u>Leave</u>
Prince Rupert		0600
McLoughlin Bay	1800	1845
Port Hardy	0100	

NORTHBOUND

2006: May 18, 22, 24, 28 June 1,

	<u>Arrive</u>	<u>Leave</u>
Port Hardy		0600
McLoughlin Bay	1300	1345
Prince Rupert	0100	

SCHEDULES SUBJECT TO CHANGE WITHOUT NOTICE

REVISED SUMMER SCHEDULE 2006

EFFECTIVE: Monday, June 5th, 2006 to Saturday, September 30th, 2006 inclusive.

(Queen of Prince Rupert)

SOUTHBOUND

2006:

June 6, 10, 14, 18, 20, 24, 28,

July 2, 4, 8, 12, 16, 18, 22, 26, 30

August 1, 5, 9, 13, 15, 19, 23, 27, 29

September 2, 6, 10, 12, 16, 20, 24, 26, 30

	<u>Arrive</u>	<u>Leave</u>
Prince Rupert		0600
Port Hardy	0030	

NORTHBOUND

2006:

June 5, 7, 11, 15, 19, 21, 25, 29,

July 3, 5, 9, 13, 17, 19, 23, 27, 31

August 2, 6, 10, 14, 16, 20, 24, 28, 30

September 3, 7, 11, 13, 17, 21, 25, 27

	<u>Arrive</u>	<u>Leave</u>
Port Hardy		0600
Prince Rupert	0030	

SCHEDULES SUBJECT TO CHANGE WITHOUT NOTICE

INTERIM SPRING SCHEDULE 2006

EFFECTIVE: May 19, 20, 25, 26, 29, 30, June 2, 3

WESTBOUND	
<u>Lv. Prince Rupert</u>	<u>Ar. Skidegate</u>
0600	1230

EASTBOUND	
<u>Lv. Skidegate</u>	<u>Ar. Prince Rupert</u>
1530	2200

SCHEDULES SUBJECT TO CHANGE WITHOUT NOTICE

REVISED SUMMER SCHEDULE 2006

EFFECTIVE:

June 8, 9, 12, 13, 16, 17, 22, 23, 26, 27, 30
July 1, 6, 7, 10, 11, 14, 15, 20, 21, 24, 25, 28, 29
August 3, 4, 7, 8, 11, 12, 17, 18, 21, 22, 25, 26, 31
September 1, 4, 5, 8, 9, 14, 15, 18, 19, 22, 23, 28, 29

WESTBOUND	
<u>Lv. Prince Rupert</u>	<u>Ar. Skidegate</u>
0600	1230

EASTBOUND	
<u>Lv. Skidegate</u>	<u>Ar. Prince Rupert</u>
1530	2200

SCHEDULES SUBJECT TO CHANGE WITHOUT NOTICE
