



BRITISH COLUMBIA
FERRY COMMISSION

ORDER
NUMBER: 07-01

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**IN THE MATTER OF
Statutes of British Columbia Bill 18 - 2003
The Coastal Ferry Act Section 40**

And

Final Decision on Price Caps for Performance Term 2008-2012

BEFORE: Martin Crilly, Commissioner

D E C L A R A T I O N

WHEREAS:

- A. In commission memorandum 23 dated March 30, 2007 the commissioner issued a preliminary decision on price caps for BC Ferries for the second performance term, commencing April 1, 2008 and ending March 31, 2012, as required by Sec. 40(2) of the Coastal Ferry Act;
- B. under Sec. 40 (4) of the Act the commissioner must issue a final decision on the application of price caps to ferry operators six months prior to the start of a performance term;
- C. as required by Sec. 40 (4)(a) the commissioner has considered comments from the public and reconsidered the preliminary decision in light of additional information received from BC Ferries and the Provincial government;
- D. in June 2007 the Federal government announced a rebate of import duty and related GST paid on the acquisition of the "Northern Adventure";
- E. BC Ferries and the Provincial government have made amendments to the Coastal Ferry Services Contract that provide for:
 - increased service fees for northern routes 10, 11 and 40;
 - a reduction in the number of route groups from seven to four;
 - a payment of \$7 million by the province to reduce the balance of fuel deferral accounts, principally on the northern routes;
 - a reallocation of service fees in a manner intended to result in identical annual increases in the price caps for the three route groups for which the provincial government pays service fees;

NOW THEREFORE the commissioner declares:

The price cap indexes for the route groups will be set to the values shown in Schedule A of this order, which are equal to price cap increases as follows.

- On April 1, 2008, starting from a level which includes the fuel surcharges in place at March 31 2008:
 - for the major route group 6.4%; and
 - for all other route groups 4.0%.
- On each of April 1, 2009, 2010, and 2011:
 - for the major route group 2.0% plus 0.49 times the latest reported annual increase in the Consumer Price Index for British Columbia;
 - for all other route groups 5.7% plus 0.73 times the latest reported annual increase in the Consumer Price Index for British Columbia.

An adjustment to the price caps shall be made if the Provincial government decides to direct the Federal government rebate of import duty and related GST on the vessel Northern Adventure to the benefit of ferry customers.

Changes in fuel costs resulting from variations in fuel prices from the set price for fuel used in calculating the price caps established by this order shall be treated in accordance with the fuel rebate/surcharge mechanism described in commission memorandum 24. Such fuel rebates/surcharges shall be excluded from the calculation of the price cap indexes.

The difference between the actual March 31 2008 fuel deferral account balances and the forecast balances, as used by the commissioner for determining price caps for performance term two and shown in Schedule B, will be carried forward into fuel deferral accounts in performance term two.

If the actual level of capital expenditure during performance term two is significantly less than the forecast level of capital expenditure used in determining the price caps, the commissioner may, depending on the reasons for the shortfall, make adjustments to price caps, for example by increasing the productivity factor when setting price caps for performance term three.

DATED at Comox in the Province of British Columbia, this 18th day of September 2007.

BY ORDER



Martin Crilly

Commissioner
BC Ferry Commission

SCHEDULE A

Price Cap Index Values for Performance Term Two

Route group number	Route group name	Value of Price Cap Index at March 31 (April 1 2003 = 100)			
		2009	2010	2011	2012
1	Majors	132.3	increase each year over previous year by 2.0% plus 0.49 times CPI increase**		
2	Route 3	143.2	increase each year over previous year by 5.7% plus 0.73 times CPI increase**		
3*	Northern	147.4			
4*	Minors	149.1			

*Route groups numbered 3 (northern) and 4 (minors) are newly established for performance term two by the Coastal Ferry Services Contract as amended June 30 2007. They contain 3 and 18 routes respectively. In order to determine every quarter year whether BC Ferries fares are within the price cap for each group, it is necessary to compare its price cap index (as in the above table) with the index of the actual weighted average fare. Accordingly, the Commission will issue a memorandum giving the method to be used for computing the latter index for these two new groups through performance term two.

**For the derivation of the CPI increase, the Commission will issue a memorandum for a calculation to be based on the British Columbia consumer price index published monthly by Statistics Canada.

SCHEDULE B

Forecast Fuel Deferral Account Balances at March 31 2008
used by the commissioner for determining price caps
for performance term two

Route group number	Route group name	Forecast fuel deferral account balance at March 31 2008
1	Majors	\$ 12,991,770
2	Route 3	\$ (98,730)
3	Northern	\$ 2,253,077
4	Minors	\$ 3,355,116
	TOTAL	\$ 18,501,233