



June 1, 2007

The Honourable Kevin Falcon
Minister of Transportation
PO BOX 9055, STN PROV GOVT.
Victoria BC V8W9E2

Dear Minister Falcon,

On behalf of the Council of Tourism Associations (COTA) and its members I would like to provide you with the tourism industry's perspective on the upcoming BC Ferries service fees and the proposed rate increases that are presently being contemplated.

COTA has long maintained that ferry service in British Columbia is the key component to unlocking the jewels of BC's coastal communities. In a comprehensive review of BC's tourism transportation network undertaken in 2004/05, COTA concluded that in order for ferry service to meet the sustainable growth targets of the BC tourism industry, service levels must support our anticipated growth targets, the quality of service must meet or surpass visitor expectations, and safety and affordability must be paramount considerations.

After the tragic sinking of the Queen of the North last spring, COTA and various partners in the province, including the Government of British Columbia, assessed the overall viability and growth potential of tourism in north and central BC, including coastal communities. We were pleased when the findings demonstrated what we had expected: that tourism plays a huge and increasing role in supporting the economic development and diversification plans of BC communities. We were also not surprised when the study revealed that transportation infrastructure remains a top priority – perhaps *the* top priority – for tourism businesses in the region. This is particularly the case in coastal communities that rely on our water highway network to support their businesses.

On a more distressing note, the study also revealed that 41% of northern businesses surveyed indicated that they were negatively impacted due to the sinking of the Queen of the North, despite the rapid actions taken by BC Ferries and the provincial government to mitigate the impacts. This demonstrates that any disruption or alteration of ferry service results in immediate and significant impacts on tourism revenues, even in communities distant from the coast.

We are aware of the provincial government's intentions to transition BC's ferries toward a user-pay orientation, but consider our water highway system to be too vital a component of these regions' economies to not consider alternatives – at least in the immediate future. Tourism revenues returned to government vastly outstrip payments to cover ferry infrastructure costs, and any changes impacting the industry's viability should be cautiously planned, and implemented slowly.

At this point we ask that you give serious consideration to the recommendations of the Ferry Advisory Committee Chairs (FACC), which request that:

1. The Province develop, with FACC and BC Ferries, a “Ferry Dependent Community Strategy” to ensure long-term viability of service on the affected routes. The strategy would be reflected in the contract adjustments for PT2.
2. The Province consider adjusting the service fee contributions for PT2, as it has for the northern routes, with respect to capital costs and the fuel cost backlog.
3. Provincial contributions through PT2 be adjusted in accordance with the rate of inflation.
4. The contract for PT2 include flexibility to accommodate service level adjustments for more efficient and effective service, as measures are identified.
5. The contract include a consultation protocol among all parties involved in ferry service: the Transportation Minister, BC Ferries, the BC Ferry Commissioner and the FACC, which comprises 12 committees, with representatives selected by local governments.

Tourism is an increasingly competitive global enterprise, and the development of new international tourism destinations has resulted in high demand elasticity for our own tourism products. This means that even moderate increases in tourism costs – especially for transportation and lodging – can result in significant decreases in the demand for our tourism products. Accordingly, we can be relatively certain that the proposed rate increases of roughly 7% per annum from 2008-2012 for the minor routes would result in an equivalent or greater decrease in overall tourism spending for these regions, at a time when we are aiming for annualized growth rates of 6.5%. This target results from Premier Campbell’s challenge to double tourism industry revenues to \$18 billion by 2015.

The BC tourism industry is presently witnessing a series of events and circumstances that threaten our ability to meet Premier Campbell’s targets. These include the mounting burdens of the high Canadian dollar and soaring fuel prices, ongoing border uncertainties, restrictive federal government policies on air access and VATs charged on tourism exports, and our escalating human resource challenges – to name just a few. Due to these challenges, we ask that you consider raising the service fees provided to BC ferries so that customer rates will not increase dramatically.

We appreciate all that your office has done to assist the tourism industry in meeting our transportation needs over the years, and we hope that you will employ similar foresight when considering solutions that will meet all of our ferry service requirements.

Sincerely,



Jim Storie, Chair
Council of Tourism Associations (COTA)

Cc: David Hahn, President and CEO, BC Ferry Services Inc.
Martin Crilly, BC Ferry Commissioner
Greg Aivazoff, Chair, Ferry Advisory Committee Chairs (FACC)
The Honourable Stan Hagen, Minister of Tourism, Sport and the Arts