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Subject: Ferry chatter, political and otherwise

Hi all

Lots of chatter last few days re ferries. Much of it misunderstood. As I've explained to various people, the FACs are enthusiastically non-partisan. The ferry-dependent communities have been burned by parties of both stripes. We try to provide advice, as we understand it, from our communities to BCF and to anyone else who might care to listen.

For what it's worth, here's my understanding of recent events:

1. The NDP fare freeze: Most media and the current minister have misunderstood this one. The announcement is clear, if read carefully. The NDP, if elected, would freeze fares at their current level until March 31, 2015. Essentially, they'd stay at their current level for the remaining 11 1/2 months of this fiscal year (which they would anyway), and would be frozen at the present level for the next fiscal year. It's a one year extension. The implication is that, in the event nothing else changes, the fares would then increase at the planned 3.9% for the following year. There's said to be \$40M planned to pay for this. The 4.0% fare hike next year (Apr 2014 to Mar 2015) was expected to raise about \$20M. The 3.9% fare increase for the following year would have raised an additional \$20M. So by going into the second year with the lower starting fare tariff, it would also end up \$20M less than originally planned. Thus, the \$40M would cover the \$20M shortfalls in the next and the following year. Nobody's told me this; it just makes sense, according to the numbers already a matter of record.

2. The NDP 'audit'/'review': This appears, in simplest form, to be an independent audit to determine if there are opportunities in BCF that could be realized to reduce the need for some of the relief BCF is seeking either in more money or providing less service. The search for the silver bullet, if you will. If this process is to have real value, it would need to include the BCF relationship with the ministry (who makes which decisions?), with the Commission and with the communities. The impact of fares and service adjustments needs to be examined. As well, the impact of ferry service and fares on the broader provincial economy needs to be examined; not treated in a vacuum as has been the case for the past decade. It remains to be seen what the audit/review might turn into, if the NDP forms government.

3. The NDP putting the service cut program on hold: It seems most people outside our immediate circles are unaware the Jun 30, 2013, deadline for determining any service cuts has been bumped out to Mar 31, 2014. What the NDP seem to be saying is the whole service cut thing, like the fare increases, will be frozen pending the outcome of the 'audit/review'. Not necessarily frozen forever. In any event, they'd need to do what wasn't done in Nov/Dec last year - identify potential cuts together with related savings potential, and get community feedback on impact.

4. The Liberal position: As I understand it, they're saying leave the fare increases as they stand and identify the service cuts, after another round of community consultations, by Mar 31 of next year. The revised savings target for the service cuts would be \$19M over the remaining two years of the contract. Their new news is that they'd contribute 1/3 of the 'revenue' from the sale of LNG toward reducing up to \$1.0B of the BCF debt (which presently stands at \$1.3B). This

would be expected to kick in some time in 2017. The 'revenue' would have to mean 'net revenue' after expenses and capital costs (amortization and interest) for the LNG facilities have been deducted. I have no comment on this.

5. The Gordon Wilson report, Fiscal Fairness for Ferry-Dependent Communities: This report makes the case for restructuring the system, with the goal of reducing fares, based on the idea of constitutional fairness. It would involve repatriating the BCF debt back to the Province. It's not an argument we've tried to make, but it could have some legal as well as ethical basis. Ours has been based more on economic and social damage being inflicted on our communities, our businesses, our residents and our visitors. It would seem that the broader based the community voice is, the more likely it is to be heard. For those new to this stuff, Gordon Wilson was the minister responsible for BCF for a time in the NDP gov't in the nineties. He lives in Powell River.

6. Sustainable: A much overused, and misused, word. BCF becoming unsustainable? About as likely as UBC, public transit, the highway system, Vancouver General Hospital becoming 'unsustainable'. It will be around in one form or another to serve the established needs of coastal communities in perpetuity. What we do believe to be unsustainable is the level of traffic at current and planned fares. FY2012 was deemed to be the worst year for vehicle traffic in 13 years, for passenger traffic, in 21 years. The tradition carries on: FY2013, just completed, will now be the worst year for vehicle traffic in 14 years and for passengers, in 22 years. And there's nothing in sight to see that trend changing in FY2014.

So there you have it. We can expect to hear more about ferries between now and the fateful May 14 date. And we can probably expect to see the messages continue to be mangled by the media and the opposing parties. I'll try to help keep the facts straight along the way.

Brian