

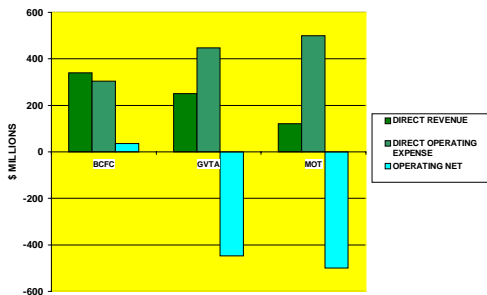
A response to the “Wright Report” -- SUMMARY

In December of 2001, BC Ferries released consultant Fred Wright’s report, “Review of BC Ferry Corporation and Alternative Uses for the Fast Ferries” prepared for the Board of BC Ferries. The ‘Wright Report’ assesses the structure, operations, financial performance and plans of BC Ferries. It makes recommendations that, if implemented, would bring significant changes to the ‘marine roadways’ that link the islands of the Islands Trust Area.

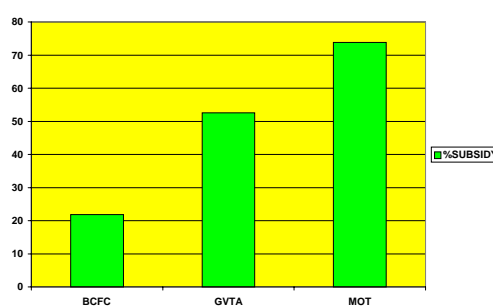
The Executive Committee of the Islands Trust has examined the ‘Wright Report’ and developed a response from the perspective of island communities. This response is summarized below. A more detailed response is also available at www.islandstrust.bc.ca.

- **IN A MARINE PROVINCE, FERRIES SHOULD BE CONSIDERED EQUIVALENT TO ROADS: AS AN INTEGRAL AND ESSENTIAL PART OF THE PROVINCE’S TRANSPORTATION INFRASTRUCTURE.**
 - The provincial ferry system has provided the foundation for the social and economic development of the Gulf Islands for over forty years.
 - The financial performance and funding of the provincial ferry system should be compared with equivalent components of the province’s transportation network and not evaluated solely as a commercial enterprise.
- **OPERATING COSTS OF BC FERRIES COMPARE FAVOURABLY TO EQUIVALENT COMPONENTS OF THE PROVINCE’S TRANSPORTATION INFRASTRUCTURE.**

B.C. TRANSPORTATION MODES – COMPARISON OF OPERATING COSTS



PERCENTAGE OF REVENUES FROM TAXATION AND OTHER SUBSIDIES



Data Sources: BCFC 2000/2001 Annual Report; Greater Vancouver Transit Authority (GVTA) Consolidated Financial Statements, December 31, 2001; Ministry of Transportation and Highways Annual Performance Report 2000/2001

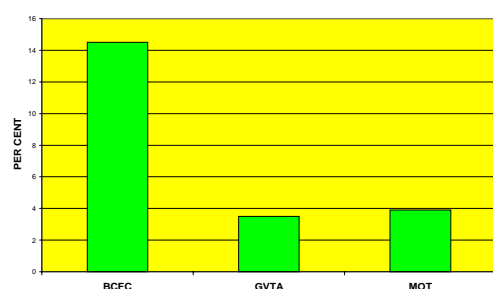
- B.C. Ferries direct operating revenues **exceeded** direct operating costs by \$35 million in fiscal 2001. Revenues recover 110% of costs.
- Comparable transportation agencies such as the Greater Vancouver Transit Authority and the Ministry of Transportation road network incur substantial operating losses and receive revenue from taxation and other direct subsidies of 52.6% and 73.8%, respectively.
- B.C. Ferries’ 15 year corporate strategic plan indicates that all overhead and vessel replacement costs can be covered by projected revenues, existing federal/provincial transfers and a modest debt load. The Wright Report acknowledges that BC Ferries’ strategic plan was developed in accordance with provincial Treasury Board guidelines for public agencies.

- **CORPORATE SHORTFALL AT BC FERRIES COULD BE SOLVED BY ADDRESSING FACTORS THAT THE ‘WRIGHT REPORT’ HAS LARGELY IGNORED.**

- BC Ferries’ “Corporate Overhead and Administration Expenses” are high in comparison to other modes of transportation in B.C.
- While such costs may serve other provincial goals, free passage for seniors, students, medical patients, the disabled, VIPs and employees should be financed in a way that does not directly affect BC Ferries’ bottom line.

Data Sources: BCFC 2000/2001 Annual Report; Greater Vancouver Transit Authority (GVTA) Consolidated Financial Statements, December 31, 2001; Ministry of Transportation and Highways Annual Performance Report 2000/2001

B.C. TRANSPORTATION MODES -- COMPARISON OF ADMINISTRATION RATIOS



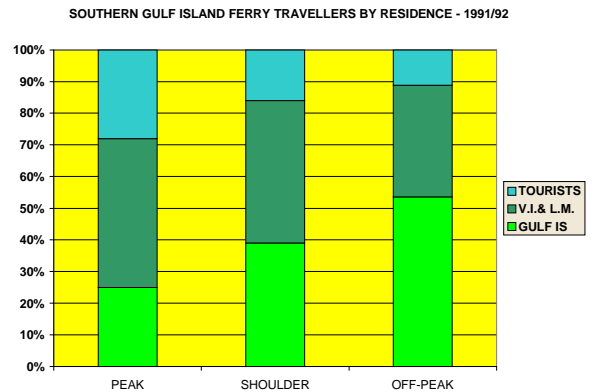
• **ROUTE-BY-ROUTE ANALYSIS OF FINANCIAL PERFORMANCE DOES NOT ACCURATELY REFLECT THE DEPENDENCE OF MAJOR ROUTES ON RELATED FEEDER ROUTES**

- A significant portion of traffic on major ferry routes is fed by traffic going to and from minor ferry routes.
- Alterations to service, schedules, and fares on minor routes will change the service demand and financial performance of major routes.
- Since B.C. Ferries provides a crucial link in the public transportation system for coastal communities, the financial analysis should be based on the ferry system as a whole.

• **INTER-ISLAND FERRIES SERVE HUNDREDS OF THOUSANDS OF BRITISH COLUMBIANS AND TOURISTS ANNUALLY IN ADDITION TO THE RESIDENT POPULATION OF THE ISLANDS.**

- Data from a 1991/92 survey (most recent data), showed that less than a quarter of travellers on Southern Gulf Island routes in the peak season were residents; in the off-peak season, residents made up just over half of ferry travellers. Other measures show tourism has continued to increase since.
- In 1991/92 tourists and residents of Vancouver Island and the Lower Mainland made up the majority of travellers on Southern Gulf Island routes.
- Tourism revenue related to ferry travel must be considered in any plans to alter inter-island ferry services.

Data source: BCFC. 1996. Southern Gulf Islands strategic planning process. Interim report.



• **THE ISLANDS OF THE GEORGIA STRAIT AND HOWE SOUND ARE A SIGNIFICANT NATURAL RESOURCE THAT SHOULD BE PRESERVED FOR ALL BRITISH COLUMBIANS**



- The resident populations and tourist economies of the Lower Mainland and Southern Vancouver Island benefit greatly from the scenic and recreational amenities of the Trust Area islands.
- An important and distinctive aspect of British Columbia would be lost forever if the coastal islands were accessed by fixed links rather than ferries.
- The provincially-approved *Islands Trust Policy Statement* recognizes the value of ferry service over fixed links in protecting B.C.'s irreplaceable coastal islands.

• **RECOMMENDATIONS**

- Recognize BC Ferries as an essential and integral part of BC's transportation infrastructure and fund it accordingly.
- Ensure that Direct Revenues continue to cover Direct Operating Costs.
- Look for ways to reduce corporate administrative overhead costs.
- Look for efficiencies in the system with respect to operation, repair and maintenance of vessels and terminals and demand management to reduce operating costs.
- Ensure that federal and provincial subsidies continue to cover infrastructure costs. Continue the Motor Fuel Tax subsidy.
- Ensure that funding is sufficient to cover all operating, corporate administration and capital costs so that BC Ferries doesn't need to borrow money or incur debt to finance essential transportation infrastructure.

The Islands Trust Object

"to preserve and protect the trust area and its unique amenities and environment for the benefit of the residents of the trust area and of British Columbia generally, in cooperation with municipalities, regional districts, improvement districts, other persons and organizations and the government of British Columbia"
 -- the Islands Trust Act

Bowen ♦ Denman ♦ Gabriola ♦ Galiano ♦ Gambier ♦ Hornby ♦ Lasqueti ♦ Mayne ♦ North Pender ♦ Salt Spring ♦ South Pender ♦ Thetis