



Reasons for Order 15-01
Regarding a Major Capital Expenditure for
The Fare Flexibility and Digital Experience Initiative

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Reasons for Order 15-01
Regarding a Major Capital Expenditure for
The Fare Flexibility and Digital Experience Initiative

Background

On December 2, 2014, British Columbia Ferry Services Inc. (“BC Ferries”) submitted an application (the “Application”) under subsection 55(2) of the *Coastal Ferry Act* (the “Act”) seeking the commissioner’s approval of the proposed major capital expenditures for the Fare Flexibility and Digital Experience Initiative (the “Initiative”). Prior to this Application for approval of a major capital expenditure the commissioner had provided BC Ferries with Guidelines for Section 55 applications, including guidelines for upgrades to information technology (IT) systems in excess of \$5 million which support ticketing and reservations, which set out the requirements that ferry operators would be required to meet in submitting applications under this section.

Statutory Framework

In accordance with the Act the commissioner regulates ferry operators by determining price caps for each performance term, approving major capital expenditures and monitoring the ferry operator’s performance under the Coastal Ferry Services Contract. In determining price caps, the commissioner includes those capital expenditures that are determined to be reasonable, including major capital expenditures that have been approved by the commissioner. The relevant sections of the Act in considering this Application are as follows:

Commissioner to consider capital deployment and expenditures

Section 55 “(1) Subject to subsections (2) to (5), before deploying capital assets on, or incurring capital expenditures in connection with, a designated ferry route

or terminal, the ferry operator may apply to the commissioner and the commissioner must, within one month after the application, declare whether the capital assets proposed to be deployed on, or the capital expenditures proposed to be incurred in connection with, the designated ferry route or terminal are reasonably required.

- (2) A ferry operator must not incur a major capital expenditure without first obtaining the commissioner's approval of the expenditure.
- (3) A ferry operator may apply to the commissioner for approval of a proposed major capital expenditure and the commissioner must respond to the application within 2 months after its receipt by the commissioner.
- (4) The commissioner may approve a proposed major capital expenditure if the proposed major capital expenditure is
 - (a) reasonable,
 - (b) prudent, and
 - (c) consistent with
 - (i) the current Coastal Ferry Services Contract, and
 - (ii) any long term capital plan established by the ferry operator.
- (5) For the purposes of this section, a capital expenditure of a ferry operator is a major capital expenditure if it meets the criteria
 - (a) established from time to time by the commissioner, and
 - (b) most recently provided by the commissioner to the ferry operator.”

Pursuant to subsection 55(5) of the Act the commissioner established the criteria for a major capital expenditure by issuing Order 12-04 dated September 30, 2012 which defines a major capital expenditure as any capital expenditure which exceeds \$30 million, and irrespective of the level of expenditure, any new vessel or terminal and any vessel life extension which extends the life of the vessel more than five years. In addition, upgrades to information technology (IT) systems in excess of \$5 million which support ticketing and reservations, are considered a major capital expenditure.

The commissioner has also published a document titled "Guidelines for British Columbia Ferry Services Inc. Respecting Applications under Section 55 of the *Coastal Ferry Act*" which sets out the information the commissioner requires from BC Ferries when it makes an application under section 55 of the Act (the "Guidelines"). The Guidelines include definitions of "Reasonable" and "Prudent" that the commissioners will use as a guide in applying the requirements of section 55.

The Act contains a confidentiality provision. Section 54 provides:

Obligation to keep information confidential

Section 54. "Despite any obligation imposed on the commissioner under this Act to obtain, maintain or make available information or records, the commissioner, every deputy commissioner, every employee of the commissioner and every inspector must not disclose or be compelled to disclose any information or record that is obtained in, or that comes to the person's knowledge during, the course of the administration of this Act or the course of any inspection authorized under this Act, unless and only to the extent that such disclosure is consistent with the *Freedom of Information and Protection of Privacy Act*".

The sections of the *Freedom of Information and Protection of Privacy Act* ("FOIPPA") that are relevant to this Application are sections 17 and 21. Section 17 of FOIPPA states in part:

Disclosure harmful to the financial or economic interests of a public body

17(1) "The head of a public body may refuse to disclose to an applicant information the disclosure of which could reasonably be expected to harm the financial or economic interests of a public body or the government of British Columbia or the ability of that government to manage the economy, including the following information:

- (a) trade secrets of a public body or the government of British Columbia;
- (b) financial, commercial, scientific or technical information that belongs to a public body or to the government of British Columbia and that has, or is reasonably likely to have, monetary value;
- (c) plans that relate to the management of personnel of or the administration of a public body and that have not yet been implemented or made public;

- (d) information the disclosure of which could reasonably be expected to result in the premature disclosure of a proposal or project or in undue financial loss or gain to a third party;
- (e) information about negotiations carried on by or for a public body or the government of British Columbia;
- (f) information the disclosure of which could reasonably be expected to harm the negotiating position of a public body or the government of British Columbia.”

Section 21 of FOIPPA states in part:

Disclosure harmful to business interests of a third party

21(1) “The head of a public body must refuse to disclose to an applicant information:

- (a) that would reveal:
 - (i) trade secrets of a third party, or
 - (ii) commercial, financial, labour relations, scientific or technical information of or about a third party,
- (b) that is supplied, implicitly or explicitly, in confidence, and
- (c) the disclosure of which could reasonably be expected to:
 - (i) harm significantly the competitive position or interfere significantly with the negotiating position of the third party,
 - (ii) result in similar information no longer being supplied to the public body when it is in the public interest that similar information continue to be supplied,
 - (iii) result in undue financial loss or gain to any person or organization, or
 - (iv) reveal information supplied to, or the report of, an arbitrator, mediator, labour relations officer or other person or body appointed to resolve or inquire into a labour relations dispute.”

Summary of the Application

The Application as submitted to the commissioners is in five parts and supported by a number of appendices containing supplementary information and technical reports. The actual amount of the capital expenditure has been redacted from the Application as shown on BC Ferries' or the commissioner's website due to the commercially sensitive nature of such information. The commissioner accepts BC Ferries' request to the commissioner to not disclose this information in accordance with section 54 of the Act until after the procurement process is completed as disclosure of such information could reasonably be expected to harm their negotiating position with various suppliers. Accordingly a separate order will be released to BC Ferries with the actual amount of the major capital expenditure approved by the commissioners. This separate order shall remain confidential until completion of the procurement process.

In addition to the Application BC Ferries submitted certain supplementary information ("Supplementary Information") which they have requested the commissioners not disclose as disclosure may be harmful to the interests of BC Ferries and/or third parties. Upon review of the Supplementary Information the commissioners agree that disclosure of the Supplementary Information may be harmful to the interests of BC Ferries and/or third parties and in accordance with section 54 of the Act such information is not being disclosed.

The Application outlines BC Ferries' intention to implement the organization's *Fare Flexibility and Revenue Management Strategy* and *Digital Experience Strategy*. The capital expenditure requested is centered on the costs to implement interdependent information technology elements to replace the existing website to support the Digital Experience Strategy. This will include a web commerce platform, a customer-facing web store-front typically used to create awareness of products and services offered, handle online purchase transactions, and provide customer support and a web content management system.

Another key element of the strategy is the implementation of decision support software for a revenue management system, often used to dynamically forecast traffic and generate pricing recommendations. Leveraging this capability, BC Ferries intends to influence customer behavior and further achieve goals such as capacity optimization and/or revenue optimization.

Scope of the Review

The commissioners' review relies on documents and representations of BC Ferries' management, the review and conclusions of their consultant, as well as comments received from the public.

The review involved an assessment of the overall reasonableness and prudence of the Initiative as well as an assessment of the Initiative's technical aspects and associated risks by the commissioners' consultant.

It is outside the scope of the commissioners' review to perform due diligence on the procurement process (e.g. by reviewing contract bid documents) other than reviewing the risk assessment and mitigation strategies involved in the process.

In reviewing the Application, the commissioners are mindful of their statutory responsibilities under the Act to balance the interests of ferry users, taxpayers and the ferry operator. In the context of reviewing an application for approval of a major capital expenditure, the commissioners are of the view that these interests are protected and balanced if the proposed major capital expenditure meets the criteria set out in subsection 55(4) above.

Review Process

The commissioners engaged the consulting firm of Deloitte LLP ("Deloitte") as their consultant to provide technical and expert advice during the review of the Application. Deloitte was asked to provide an assessment as to whether the information provided by BC Ferries in its application and answers to follow up questions reasonably support the proposed major capital expenditure for the Initiative and that the major capital expenditure is reasonable, prudent and consistent with the current Coastal Ferry Services Contract and the long-term capital plan of BC Ferries.

Deloitte was also asked to confirm whether or not BC Ferries had responded adequately in its Application to the commissioner's section 55 Application Guidelines. The consultants examined the Application and the index or the cross reference of BC Ferries' responses to the commissioner's section 55 guidelines contained therein and report that the explanations and information provided by the company are satisfactory and do support the proposed major capital expenditure.

In conducting this review the commissioners have carefully considered the assessment by Deloitte in reaching their conclusions regarding the Application. In accordance with section 55(2) the determinations and conclusion of the commissioners are based on their assessment of whether the proposed major capital expenditure is:

- a. reasonable as defined in the commissioner's section 55 Application Guidelines,
- b. prudent as defined in the commissioner's section 55 Application Guidelines,
- c. consistent with:
 - i. the current Coastal Ferry Services Contract, and
 - ii. the long term capital plan of the ferry operator.

For purposes of applying the requirements of section 55 the commissioners are guided by the following definitions as stated in the section 55 Application Guidelines:

"Reasonable", is defined as:

"An intelligent approach supported or justified by reason; fair, proper, sound behavior that avoids needless error and steers clear of extremes." (BusinessDictionary.com)

"Prudent", is defined as:

"Good judgment or wisdom gained from experience, expressed in a realistic and frugal attitude. Prudence, however, is not the same as grave caution or wariness concerned only with preserving the status quo." (BusinessDictionary.com)

Conclusion of Commissioners' Consultant

In its report to the commissioners Deloitte states that:

"BCFS has adequately responded to the questions posed in the Section 55 Application Guidelines; and the major capital expenditure for FF&DE Option 2 (Full Software Upgrade) is reasonable, prudent, and consistent with BCFS' Long Term Capital Plan & Coastal Ferry Services Contract, taking into consideration the observations identified in this review".

The commissioners have reviewed the observations identified by Deloitte and have concluded some of them warrant consideration by the commissioners in their determinations to follow.

Commissioners' Findings and Determinations

1) **Is the proposed major capital expenditure for a full software upgrade as described in the Application reasonable?**

In its Application BC Ferries states that the principal objectives of the Initiative are to improve fare affordability by reducing pressure on future fares, improve the customer experience and to replace the existing website platform with a modernized robust new platform. Other objectives of the Initiative as stated in the Application are to adhere to the recommendations of the commissioners in their regulatory report, issued on January 24, 2012, to achieve better capacity utilization by improving yield and capacity management capability and upgrading traffic forecasting and reservations and point of sale systems.

BC Ferries has recognized for some time that its current pricing practices and outdated technology systems present significant barriers to achieving its stated objectives. Its pricing, and the systems that support it, were developed around a business model where customers primarily purchase tickets on departure, and where there is only one price/per traffic type/per route. Over time, BC Ferries has evolved this model in a limited way to include the ability to purchase a separate reservation in advance on certain routes, and to accommodate additional passenger types (e.g. experience card holders, assured loading card holders).

In the Application BC Ferries describes the current state of its business model as follows:

“This model and the rigid information technology systems behind it significantly limit BC Ferries’ ability to design attractive and relevant pricing in a number of ways, including the ability both to design different fare products that are attractive to different customer groups and to control the availability of discounted fares at a sailing level. To evolve the business model to accommodate modern travel options, BC Ferries’ information technology systems must be significantly improved. It is anticipated that when advance purchase pricing options are made

available, the portion of customers who choose to purchase in advance will grow over time. Nonetheless, a portion of vessel capacity will continue to be held for those passengers that choose to buy their ticket on a “show and go” basis at departure or hold assured loading tickets.

Today, the ability of BC Ferries to optimize capacity is constrained by the current business model, whereby the majority of customers do not reserve, but purchase their tickets on departure. During busier periods, on some routes BC Ferries runs additional round trips to accommodate higher demand. Many of these round trips are at the discretion of operations managers in reaction to the build-up of traffic at a terminal. Because of these circumstances, BC Ferries has ships and crews on standby, with associated incremental costs. From a capacity management perspective, this is an inefficient approach and only works to reduce the duration of sailing waits, rather than to prevent them. Investments in this Initiative will enable the Company to incent customers to book and purchase their travel in advance, thereby providing the ability to match capacity and demand more accurately.”

The commissioners accept that the stated objectives of the Initiative are reasonable, with the intended outcome of improving fare affordability by reducing pressure on future fares through yield and capacity management. The commissioners also accept that the current state of pricing and support technology systems are inadequate and are significant barriers to BC Ferries in its efforts to modernize its business model.

With these objectives in mind BC Ferries identified some options to address the shortcomings of their current customer facing information technology as follows:

- Option 1- minimum software upgrades required to continue maintaining the current web-based services;
- Option 2 - full software upgrade to fully enable the Fare Flexibility and Revenue Management and Digital Experience Strategies (assuming 3% or 5% incremental traffic growth) and;

Option 3 – Status quo.

The Application contained a Net Present Value (NPV) analysis for Options 1 and 2. The analyses for Options 1 and 2 include revenue, capital costs, operating and maintenance costs, and other life cycle costs over a 13-year period (10 years after implementation).

Deloitte reviewed the technology options considered for each option and concluded that Option 3 (Status Quo) is not a reasonable or prudent option, as it does not align with BC Ferries' business strategies in revenue management and digital experience nor does it address the end-of-life issues facing the current website as well as specific business continuity risks identified by BC Ferries. Deloitte further concluded that Option 2 (full software upgrade) is the preferred option having:

- the highest net present value (NPV) of all options considered,
- a technology solution architecture that is the best fit for its intended use, and
- the best fit to the achievement of BC Ferries' revenue management and digital experience business strategies.

Deloitte also assessed the risks, sensitivities and mitigation strategies related to the NPV analysis of Option 2. The primary risks are lower-than-expected incremental traffic growth and a possible increase in project costs/contingency. Based on the information available and the modelling performed, Deloitte came to the conclusion that the risk mitigation strategies of Option 2 in the event of lower-than-expected incremental traffic growth appear reasonable from an NPV perspective.

The commissioners believe the traffic growth assumptions of 3%-5% to be in the range of reasonableness and that even if the traffic growth is only 1.5%, Option 2 is still the preferred option and produces a positive NPV. As to the possible increase in project costs or contingency this would have to be subject to the commissioners' approval if project costs are expected to exceed the total capital costs stated in the Application. The commissioners noticed that revenue and cost assumptions included in the NPV analysis

for Option 2, as confirmed by Deloitte, is based on the current reservable routes only namely routes 1, 2, 3, 30, 9, 10, 11 and 17 (“Reservable Routes”). In the Application BC Ferries states its intention to roll out the Initiative to other routes after implementation of the Initiative on the Reservable Routes. BC Ferries also note that public consultation would be necessary before extending the Initiative beyond the Reservable Routes. In consideration of the interests of ferry users on these routes and the concerns expressed in some public comments, the commissioners have determined that BC Ferries must satisfy a condition of public consultation before proceeding with the Initiative beyond the current Reservable Routes.

Based on a review of the NPV analysis and Deloitte’s conclusions, the commissioners find that the full software upgrade, as described in the Application, reflects an intelligent approach supported by reasonable assumptions and is therefore reasonable.

2) Is the proposed major capital expenditure for a full software upgrade prudent?

The commissioners have defined Prudent as:

“Good judgment or wisdom gained from experience, expressed in a realistic and frugal attitude. Prudence, however, is not the same as grave caution or wariness concerned only with preserving the status quo.”

In its report Deloitte identified a minor observation with respect to the risk related to BC Ferries’ ability to manage the Initiative’s interdependencies with other parallel IT programs and projects. While the Initiative does not reflect “grave caution or wariness concerned only with preserving the status quo” it does present a challenge for BC Ferries to successfully manage a number of large complex IT projects simultaneously. For the Initiative to be considered prudent by the commissioners the implementation timelines and budget must be “realistic and frugal”. The interdependencies present a risk to the timelines and budget being considered realistic and frugal as non-alignment of the interdependencies could result in budget overruns and delays in implementation. Good judgment suggests it would be wise to strengthen the overall governance of all

interdependent parallel projects. If such measures are implemented the commissioners would be satisfied that the Initiative is prudent.

3) Are the total capital costs associated with the Initiative consistent with the NPV analysis and BC Ferries' most recent long term capital plan?

The commissioners and Deloitte compared the total capital costs contained in the confidential Supplementary Information filed with the Application with the 12 year capital plan submitted by BC Ferries as part of its submission for the next performance term. The commissioners find that capital costs associated with the Initiative is consistent with the NPV analysis and BC Ferries' most recent long term capital plan.

4) Is the Initiative consistent with the current Coastal Ferry Services Contract?

The Coastal Ferry Services Contract between the Province and B.C. Ferries specifies the minimum number of round trips to be delivered per contract year ("Core Service Levels") per designated route.

By implementing the Initiative, BC Ferries expects to better match capacity with demand and therefore will be able to reduce the number of discretionary sailings currently needed and achieve additional operational savings. Only discretionary sailings will be impacted and Core Service Levels will be maintained. Accordingly the commissioners find that the Initiative is consistent with the current Coastal Ferry Services Contract.

Summary of Public Comments

The commissioners invited public comments on the Application between December 2nd and 31st of 2014. A total of 102 comments were received from individuals and stakeholder groups. Common themes identified in these comments include:

Advanced Reservation Model / Certainty & Wait time	Reservation is a norm in travel industry and should be adopted to reduce wait time and improve operations efficiency
Advanced Reservation Model / Reservation Fee	Reservation fee punishes those who plan ahead and agreed it is a good idea to remove
Advanced Reservation Model	Inconvenience to reserve same-day sailings for coastal/island commuters
Advanced Reservation Model	Reservations is not necessary for public transportation / highway system and creates segregation of customers
Consultation Period	Consultation period inconveniently coincides with Holiday season or not long enough
Customer Experience	Flexible pricing is only available for customers with a credit card, precluding those who prefer other payment mechanisms or those who do not use a credit card (e.g. underage students)
Customer Experience	Customers who do not use the internet will not be able to take advantage of advanced purchase / flexible pricing
Implementation Timeline	Advanced Reservation is long overdue functionality much needed before 2017 as stated in project timeline
Minor Routes	Reservation system may not work for daily commuter traffic on minor routes and Route 3 (Horseshoe Bay to Langdale) with frequent changes in travel plans
Pricing Model	Concerned that cancellation of reservation fee and off-peak discounts will lead to broad base fare increases and high "rack rate" fares to maintain price cap
Pricing Model	Increasing fares will further reduce ferry affordability for residents of coastal communities

The commissioners are aware of the timing issue for public comments during the holiday season. However, the commissioners are governed by the requirement under the *Coastal Ferry Act* that they must respond to section 55(2) applications within 2 months from receipt of the application and it is their standard practice to allow approximately 21 days from date of a public notice for public comments.

In spite of the timing issue for public comments the commissioners received 102 submissions, the greatest number of comments or submissions on this application compared to any other s.55(2) application submitted by BC Ferries. In reviewing the comments the commissioners conclude that, on balance, there is overall support for the Initiative subject to the following major concerns:

1. The reservation system may not work on minor routes.

The commissioners are aware of the issues and challenges to extend the reservation system proposed in the Application to the minor routes. The commissioners agree there needs to be a comprehensive consultation process undertaken by BC Ferries with ferry users on these routes before they consider extending the reservation system beyond the current Reservable Routes.

2. Cancellation of reservation fee and off-peak discounts will lead to broad base fare increases and high “rack rate” fares to maintain price cap.

The commissioners believe that the price cap model which sets the upper limit of annual increases for the weighted average fare spread over 24 routes will moderate the impact of eliminating the current reservation fee as well as the offering of off-peak discounts. Ferry users have requested access to off-peak discounts for some time which under the price cap model will need to be offset by either raising peak fares or by increasing traffic volumes. This is how a price cap model is supposed to work: protecting the revenues and financial sustainability of the ferry operator while providing fare flexibility for ferry users.

Conclusion

Based upon their review of the Application as well as the supporting information supplied by BC Ferries, the conclusions of their consultant and the comments received from the public regarding the Application, the commissioners find that, with certain conditions, the proposed major capital expenditure as described in the Application to be:

- (a) reasonable,
- (b) prudent, and
- (c) consistent with:
 - (i) the current Coastal Ferry Services Contract, and
 - (ii) any long term capital plan established by the ferry operator.

Accordingly, the proposed major capital expenditure are approved subject to the following conditions:

- a) The maximum amount of the major capital expenditure for the Initiative is set at the total amount as stated in the Application which will be confirmed by a separate confidential order to BC Ferries. The maximum amount will remain confidential until substantial achievement of all milestones identified in the project plan for the Initiative;
- b) All future life cycle capital costs for the Initiative which enable continued functionality of the Initiative or sustainment of the benefits from the Initiative will be subject to the commissioners' further approval;
- c) BC Ferries may commence the procurement process for the Initiative, but must not enter into a binding agreement until it satisfies the commissioners that issues identified in the performance review of the parallel Automated Customer Experience ("ACE") program, as they relate to the Initiative, have been addressed and that an appropriate, integrated IT program management process is in place;
- d) If BC Ferries is authorized to proceed with implementation of the Initiative pursuant to subparagraph (c) above, it may do so only on the routes 1, 2, 3, 30, 9, 10, 11 and 17 (the "Reservable Routes"). If BC Ferries decides at some future date that it wishes to proceed with implementation of the Initiative beyond the Reservable Routes, it must satisfy the commissioners that a comprehensive public information and consultation process has been undertaken and that the concerns of ferry users on the relevant routes have been considered.



Gordon Macatee
BC Ferries Commissioner



Sheldon Stoilen
BC Ferries Deputy Commissioner

Appendix A

Deloitte Report



Independent Review of BC Ferries' Application under Section 55 of the Coastal Ferry Act

Fare Flexibility and Digital Experience Initiative



February 20, 2015

British Columbia Ferry Commission

Note: This report has been redacted such that information of a confidential and commercially sensitive nature is not included.

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Note: Following sections of this report have been removed as it includes information of a confidential and commercially sensitive nature.

- Appendix B - Summary of Information Requests
- Appendix C - Supplemental Information
- Appendix D - Documents Reviewed
- Appendix E - Compliance with Section 55 Application Guidelines
- Appendix F - Follow-up Questions and Points of Clarifications

1 Executive Summary

Deloitte Inc. (Deloitte) was engaged in November 2014 by the British Columbia Ferry Commission (the Commission) to conduct an independent review of British Columbia Ferry Services Inc.'s (BCFS) Application (the Application) for the **Fare Flexibility and Digital Experience Initiative** (FF&DE) submitted on December 2, 2014 in accordance with Section 55 of the *Coastal Ferry Act* (the Act). Details of our review are outlined in this report (the Report).

BCFS understands that the success and sustainability of the Company is directly related to its customers seeing value in the services offered. Accordingly, BCFS has developed two business strategies, the **Fare Flexibility and Revenue Management Strategy** and the **Digital Experience Strategy**, which together modernize the way BCFS sets pricing, sells travel, and manages capacity utilization of sailings. BCFS expects these strategies will drive increases in traffic on reserveable routes, online/self-serve transaction volumes and revenues, while improving the overall customer experience.

The BCFS **Fare Flexibility and Digital Experience initiative** (FF&DE) will deliver the information technology elements required for the successful deployment of BCFS **Fare Flexibility and Revenue Management Strategies** and the system-wide modernization of the Company's information technology platforms to support the **Digital Experience Strategy**.

The scope of the Application was limited to current reserveable routes only (i.e. Routes 1, 2, 3, 30, 9, 10, 11, and 17 – Proposed Routes). Furthermore, the Application makes no provision to extend FF&DE functionality such as advance purchase, new pricing structure, and revenue management capabilities beyond these routes.

Deloitte's mandate for this review on behalf of the Commission was to provide support to whether:

- BC Ferries has adequately responded to the relevant questions posed in the Section 55 application guidelines; and
- The proposed major capital expenditure is reasonable, prudent and consistent with the **Coastal Ferry Services Contract** and BC Ferries' long-term capital plan.

Further to the mandate above, Deloitte was also asked to:

- a) Review and assess the business case of the project, key assumptions, cost estimates/potential benefits and determine their reasonableness;
- b) Review software and vendor selection process; review key contract provisions;
- c) Review and assess project plan timelines and determine their reasonableness; and
- d) Review and assess key project risks and mitigation strategies.

Upon completing our mandate and identifying additional areas of observations, we conclude:

- BCFS has adequately responded to the questions posed in the Section 55 Application Guidelines; and
- The major capital expenditure for FF&DE Option 2 (Full Software Upgrade – see below) is reasonable, prudent, and consistent with BCFS's Long-term Capital Plan & **Coastal Ferry Services Contract**, taking into consideration the observations identified in this review.

1.1 Overall Findings

BCFS has presented three technology solution options in the Application and has indicated its preference for Option 2 (Full Software Upgrade). These options are differentiated primarily based on functional scope and size of investment:

- Option 1: Oracle Software Platform Upgrade Only;
- Option 2: Full Software Upgrade; and
- Option 3: Status Quo.

We reviewed the three technology solution options considered by BCFS and we agree that their selection of Option 2 (Full Software Upgrade) over other options considered is reasonable and appropriate. This finding is based on Option 2 having:

- The highest net present value (NPV) of all options considered;
- A technology solution architecture that is the best fit for its intended use; and
- The best fit to the achievement of BCFS's revenue management and digital experience strategies.

1.2 Business Case

BCFS conducted extensive internal and external research in the development of the business case for Option 2 (Full Software Upgrade). In the end analysis, the business case relies heavily on revenue management techniques generating incremental traffic growth on reserveable routes to achieve a positive NPV. Different strategies have been modelled that identify approaches BCFS can take to mitigate against substantial variances in its incremental traffic growth projections while still achieving financial returns similar to, or greater than those of the other options considered.

1.3 Software and Vendor Selection

BCFS has initiated a multi-stage software and vendor selection approach common to Information Technology projects of a similar scale, but have not yet selected any software / vendor to enter into contractual agreements. BCFS has used RFEOI¹ and RFI² mechanisms to engage external revenue management and e-commerce platform vendors to inform its business and technology architecture strategies for FF&DE in the project planning stages. It should be noted that RFEOI/RFI price assumptions were based on vendor responses from 2013 and many of them may have changed due to changing market circumstances; apart from negotiation strategies, BCFS will require tight scope management practices to control final costs.

BCFS has also used the information and knowledge gained from these processes to form the basis of its capital cost and project implementation planning estimates for FF&DE. While these estimates include some allowance built-in to compensate for the higher degree of uncertainty typically associated with early stage project estimation, additional diligence or control over cost escalations and scope management may be warranted to manage the built-in contingency across the lifetime of the project.

1.4 Project Plan & Project Risk

BCFS recognizes that there are considerable synergies between FF&DE and other interdependent IT initiatives currently underway in parallel, such as Automated Customer Experience (ACE) and PCI Payment Services programs, and realizing these synergies is heavily dependent on close program management coordination & control between these key interdependent programs over the life of their implementations. BCFS is proposing to take a number of steps to better manage and govern the interdependencies and risks between these programs once the Application has been approved, however, we have provided recommendations to further strengthen BCFS's proposed program management approach.

¹ RFEOI: Request for Expression of Interest

² RFI: Request for Information

We recommend BCFS to consider putting in place a more active Integrated Program Management Office atop current project/program management bodies in FF&DE, ACE Program, and PCI Payment Services project to further mitigate some of the inherent risks of managing the programs independently.

1.5 Summary of Observations

A number of observations that warranted additional analysis and follow-up were identified in our review and are illustrated in the table below by the relevant Section 55 categories and the focus areas of our review. These observations are described in further detail below.

Section 55 Application Guideline Category	Observations							
	Business Case		Software & Vendor Selection Process		Project Plan		Project Risk	
	Major	Minor	Major	Minor	Major	Minor	Major	Minor
Project Description		1						
Timing and In-service Date								
Rationale and Explanations								
Does the Proposed Capital Expenditure Demonstrate Good Judgment, based on Wisdom, Experience and Good Sense?								
Wise Use of Resources								
Showing Due Consideration for the Future								
Not Excessive								
Demonstrating Good Value at a Fair, Moderate Price								
Coastal Ferry Services Contract								
Long-term Vision for Coastal Ferry Services in British Columbia								
Information Technology Projects		1						1

Table 1 Summary of Observations Identified in Review

Section 55 Guideline:	3. Project Description i) Provide an estimate of the total capital costs associated with the proposed investment
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- The capital costs in the FF&DE business case include a significant future capital investment for website renewal beginning at the end of its useful technology life³; however, the current Section 55 Application appropriately does not include this future capital request. The planned website renewal will be required to sustain the FF&DE benefits based on anticipated incremental traffic growth. There is a risk, however, that the capital required may need to be adjusted based on the actual incremental traffic growth required to sustain the FF&DE business case benefits. This associated future investment to sustain FF&DE may fall below the capital investment thresholds set by the Commission that would otherwise trigger a future Section 55 Application for major capital expenditure approval. In this circumstance the Commission may miss the opportunity to determine whether continued capital investment related to the original FF&DE Application is still prudent and reasonable.

³ Source: BCFS Section 55 Application for FF&DE, BCFS Response to Deloitte Questions

**Section 55
Guideline:**

6. Specific Questions

- g) Information Technology Projects*
- ii. Provide support information for key assumptions in the business case.*

- The FF&DE project is in the initial planning stages and as such BCFS has not entered into any formal third party agreements that would typically provide clearer contractual certainty as to the overall project costs. A projected capital cost allowance for slight cost overruns has been provided for in the Application but may not be sufficient to cover unanticipated costs; additional diligence or control over cost escalations and scope management may be warranted to manage the built-in contingency across the lifetime of the project.

**Section 55
Guideline:**

6. Specific Questions

- g) Information Technology Projects*
- vi. Describe any major risks that could affect the project's success*

- There is a highly synergistic relationship between FF&DE, ACE and the PCI Payment Services programs, both in terms of project delivery synergies as well as the business and IT outcomes the successful delivery of these interrelated programs are expected to generate over the long run. The approach BCFS has chosen to manage these three interdependent programs has been optimized to suit the individual programs as opposed to the whole group of interdependent programs. While BCFS is proposing to implement a number of program management practices that could address some of the program risks identified, a more formal program management oversight related to the three independent initiatives is not yet in place. More formal interdependent program management oversight enhances BCFS's ability to realize the intended synergies between these critical initiatives.
- Given FF&DE is in early planning stages, a periodic health check maybe conducted by BCFS or by the Commission across inter-related programs ensure the appropriate level of controls have been implemented and BCFS planned actions have been carried out.

2 Section 55 Application Background

British Columbia Ferry Services Inc. (BCFS) is one of the largest ferry operators in the world, providing year-round vehicle and passenger service on 24 routes to 47 terminals, with a fleet of 35 vessels. In fiscal 2014, BCFS has carried 19.7 million passengers and 7.6 million vehicles throughout coastal British Columbia and is an essential transportation link that connects British Columbia's coastal communities⁴. A **Coastal Ferry Services Contract** (CFSC) between the Province and BCFS defines service levels on each regulated route.

British Columbia Ferry Commission (Commission) is a provincial regulatory agency operating under the **Coastal Ferry Act** with responsibilities for making regulatory decisions affecting ferry operators in the Province. BCFS is setup as an operating subsidiary of British Columbia Ferry Authority (Authority), an independent corporation established by the Province of British Columbia in 2003.

The 2012 *Coastal Ferry Amendment Act* revised Section 55 of the **Coastal Ferry Act** to require BCFS to first obtain the Commissioner's approval before incurring a major capital expenditure - resulting in the addition of Section 55 (2). By Order 12-04, dated September 30, 2012, the Commissioner determined that for the purposes of Section 55 (2), a major capital expenditure includes:

“any capital expenditure which exceeds \$30 million, inclusive of component programs and interest during construction, and irrespective of the level of expenditure, any new vessel or terminal, and any vessel life extension which extends the life of the vessel by more than five years.

In addition, upgrades to information technology (IT) systems in excess of \$5 million which support ticketing and reservations, are considered a major capital expenditure.”

⁴ Source: BCFS Annual Report 2013-14

3 Independent Review Mandate

On December 2, 2014 the Commissioner received a formal Section 55 Application from BCFS related to the proposed **Fare Flexibility and Digital Experience Initiative**. Deloitte was engaged by the Commission to review the Application concerning the proposed IT capital expenditure to assist the Commission to respond to the Application within 2 months as required by the **Coastal Ferry Act**. Our review was conducted in accordance with Section 55 of the **Coastal Ferry Act** and addressed whether:

- BC Ferries has adequately responded to the relevant questions posed in the guidelines; and
- The proposed major capital expenditure is reasonable, prudent and consistent with the **Coastal Ferry Services Contract** and BC Ferries' long-term capital plan.

In determining whether the proposed major capital expenditure is reasonable and prudent, Deloitte has:

- a) Reviewed and assessed the business case of the project; reviewed and assessed key assumptions, cost estimates/potential benefits and determined their reasonableness;
- b) Reviewed software and vendor selection process;⁵;
- c) Reviewed and assessed project plan timelines and determine their reasonableness;
- d) Reviewed and assessed key project risks and mitigation strategies; and
- e) Summarized conclusions and any recommendations on (a) to (d) above.

3.1 Scope

The scope of our engagement included:

- Review of Section 55 of the **Coastal Ferry Act** and the Section 55 Application Guidelines ;
- Review of the **Coastal Ferry Services Contract**;
- Review of BCFS's Capital Plan for fiscal years 2015 through 2026;
- Detailed review of the **Fare Flexibility and Digital Experience Initiative** Section 55 Application and supplementary information;
- Correspondence and teleconference with BCFS to clarify details of Section 55 Application;
- Regular status updates with the Commission; and
- Review of a draft report of our findings with the Commissioner.

⁵ BCFS has not entered into contractual agreements with third parties related to FF&DE software and vendor selection; As such, a review of key contract provisions has not been performed

3.2 Notice to Readers

This report is issued by Deloitte for the exclusive use of the Commission in connection with its assessment of the Section 55 Application by BCFS for **Fare Flexibility and Digital Experience Initiative** submitted December 2, 2014. This report has been redacted such that information of a confidential and commercially sensitive nature is not included.

Deloitte's work did not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls nor attestation nor review services in accordance with the standards established by the Chartered Professional Accountants of Canada. Accordingly, we do not express an opinion nor any other form of assurance on the financial or other information, or operating internal controls, of the Project.

Deloitte did not examine, compile or apply agreed upon procedures over the financial information used in this Report under the requirements of the Chartered Professional Accountants of Canada and we therefore are unable to express assurances on such information except where expressly stated in the Report to form part of the scope of our work.

Further this Report does not constitute an opinion as to legal matters, including the interpretation of the **Coastal Ferry Act** or any other similar matters. The economic impact of the various procurement options used by BCFS is also outside the scope of Deloitte's work.

Our work is based primarily on the information and assumptions listed in this Report. While we reviewed information from various sources, we did not perform checking or verification procedures except where expressly stated in the Report to form part of the scope of our work. Our work and commentary is subject to assumptions, which may change with the benefit of further detailed information. We make no representation regarding the sufficiency of our work and had we been asked to perform additional work, additional matters may have come to our attention that would have been reported to the BC Ferry Commission.

Some of the documents and figures we reviewed were produced by third parties or were commercially sensitive. We did not corroborate or verify these documents and figures with these parties. It is outside the scope of our review to evaluate the methodology / assumptions used to conduct independent studies or to develop RFI/RFEI responses; therefore, we have accepted the information as presented, including conclusions.

The outputs of the Report are intended to provide the BC Ferry Commission with information to assist in informing their decision making process pertaining to the Initiative. Deloitte accepts no liability in respect of any loss, damage or expense of whatsoever nature caused by any use the reader may choose to make of this Report, or which is otherwise consequent upon the gaining of access to the Report by the reader.

Our Report, including schedules and appendices, must be considered in its entirety by the reader. Selecting and relying on specific portions of the analyses, or factors considered by us in isolation may be misleading.

4 Approach to the Independent Review

Deloitte reviewed BCFS's Section 55 Application and its supporting documents to assess if the proposed major IT capital expenditure is reasonable, prudent and consistent with the current **Coast Ferry Services Contract** and any long-term capital plan of the ferry operator.

In addition to document reviews on the formal Application, collaborative teleconferences and face-to-face meetings with BCFS personnel were conducted to address follow-up questions or observations Deloitte had as part of the review. Our comments and conclusions are based on written responses from BCFS to several information requests and clarifications to our questions.

Our Findings are based on each of the categories under Section 55 Application Guideline and on each of the following focus areas per our mandate:

- Business Case, including key assumptions, cost estimates/potential benefits;
- Software and vendor selection process;
- Project plan timelines; and
- Project risks and mitigation strategies.

Further details to our approach and information reviewed are outlined in the following appendices:

- Appendix A - Public Comments
- Appendix B - Summary of Information Requests
- Appendix C - Supplemental Information
- Appendix D - Documents Reviewed

5 Description of the Application

According to BCFS, the **Fare Flexibility and Digital Experience initiative** (FF&DE) will deliver the information technology elements required for the successful deployment of BCFS **Fare Flexibility and Revenue Management Strategy** and the system-wide modernization of the Company's information technology platforms to support the **Digital Experience Strategy**. Its associated capital expenditure is centered on the costs to implement the following interdependent information technology elements:

- The replacement of the existing website to support the Digital Experience Strategy, which includes a new e-commerce platform with commercial strength, multi-channel, secure, e-commerce software that the customer can access from any device;
- The implementation of Decision Support Software to support the Fare Flexibility and Revenue Management Strategy.

BCFS believes this initiative will enhance the experience of BCFS customers by improving travel certainty with advanced purchase of fares, offering lower-cost pricing options for travellers with flexible schedules, and renewing its online web storefront to improve its ease of use.

As stipulated in the Application, the scope of the financial analysis considered in this Application was limited to current reserveable routes only (i.e. Routes 1, 2, 3, 30, 9, 10, 11, and 17 – Proposed Routes). Furthermore, the Application makes no provision to extend FF&DE functionality such as advance purchase, new pricing structure, and revenue management capabilities beyond these routes.

Based on its preferred FF&DE Option 2 – Full Software Upgrade, BCFS is requesting Commission approval for the major capital expenditure for the Project, inclusive of Interest During Construction (“IDC”) and supplemental Project expenditures.

5.1 Implement Digital Experience Strategy with FF&DE

According to the Application, the BCFS **Digital Experience Strategy** outlines a vision for the BCFS website, mobile site and mobile applications, and social media integration. In BCFS's vision, components such as a commercial strength, e-commerce platform with market-tested functionality and robust performance, a revenue management decision support system, and ACE capabilities (such as e-booking and customer relationship management software) will offer BCFS customers a self-service experience that will:

- Present a smooth, intuitive booking process;
- Offer incentives for customers to purchase in advance through a digital channel;
- Handle an increase in the volume of advance ticket sales;
- Display prices and fare/itinerary choices in an easy to understand way;
- Direct customers to sailings where promotion fares are available, and
- Present intuitive pricing alternatives if the price is too high or the desired sailing is not available.

As indicated in the Application, full implementation of FF&DE vision (i.e. Option 2 – Full Software Upgrade) will include the core commercial-strength e-Commerce platform on which the digital experience and integration with ACE will be built. With the implementation of **Digital Experience Strategy**, BCFS hopes to increase the volume of revenue from online self-service, increase customer satisfaction, and ultimately decrease operational booking costs per transaction.

5.2 BCFS Plans to Implement Fare Flexibility and Revenue Management Strategy with FF&DE

As described in the BCFS Application, the **Fare Flexibility and Revenue Management Strategy** identifies the need for a new revenue management decision support system for the purpose of managing fares and improving operational efficiency through better capacity management. This strategy envisages a change to the current business model on reserveable routes. Today, BCFS customers purchase their fare on departure, and some guarantee their space by paying an additional reservation fee in advance. BCFS foresees that customers will be able to pay the full applicable fare in advance in the future, without paying a separate reservation fee, and may have access to discounted fares as well, subject to availability.

BCFS expects the full implementation of FF&DE (i.e., Option 2) will include the revenue management decision support system that enables BCFS to optimize its sailing capacities and to influence customer demand through pricing tactics. Further, BCFS believes the successful implementation of its **Fare Flexibility and Revenue Management Strategy** could lead to a significant increase in the volume of advance ticket sales online, requiring a reliable commercial-strength e-Commerce platform as delivered by FF&DE.

5.3 Information Technology Programs and Projects Parallel to FF&DE

While FF&DE is a stand-alone Application under Section 55 of the **Coastal Ferry Act**, BCFS indicates the FF&DE Program is dependent on synergies being realized between the ACE Program and a number of other IT programs currently underway at BCFS. These programs include:

ACE Program	The ACE Program is a parallel program under way at BCFS that plans to deliver new middleware and back-end software, hardware and development platforms over a multi-year phased approach. The primary components of the ACE Program are: • Booking, Ticketing and Check-in System will replace the existing reservations and ticketing point of sale systems • Customer Relationship Management supports improved customer relations • Card Management introduces a flexible solution that will support the management of evolving BC Ferries card requirements • Terminal Hardware supports ever-evolving safety and security requirements, while maintaining or enhancing the customer experience
PCI Payment Services	PCI Payment Services will enable the acceptance of all forms of payment (BC Ferries cards as well as credit and debit card payment). This also includes the consolidation of all payment processing into a single module.
Vacations, Accommodation, Activities Booking	Vacations, Accommodation, Activities Booking is an online booking engine for vacations packages, accommodations and activities.

Table 1 Parallel IT Programs and Projects at BCFS⁶

⁶ Source: BCFS Section 55 Application for FF&DE

6 Analysis of Technology Solution Options

BCFS has presented three technology solution options in the Application to satisfy the FF&DE requirements. The section below discusses these options in detail, presents our finding on BCFS's preferred option (i.e., Option 2 - Full Software Upgrade), and highlights the key factors influencing BCFS's options analysis. Identification of alternatives other than BCFS-developed technology solution options is outside of our mandate for this review.

6.1 Description of Technology Solution Options and NPV

BCFS has conducted Net Present Value (NPV) analyses for Option 1, Option 2 (3% incremental traffic growth) and Option 2 (5% incremental traffic growth). These analyses includes revenue, capital costs, operating and maintenance costs, and other life cycle costs over a 13-year period. An NPV analysis was not performed for Option 3 (Status Quo) as there is no projected investment data and this option did not appear sustainable over the time period of the business case.

We have reviewed the technology solution options considered by BCFS and we agree that their selection of Option 2 (Full Software Upgrade) over other options considered is reasonable and appropriate. This finding is based on Option 2 having:

- The highest net present value (NPV) of all options considered;
- A technology solution architecture that is the best fit for its intended use; and
- The best fit to the achievement of BCFS's **revenue management** and **digital experience** strategies.

Description of Option	Details	13-Year NPV
Option 1: Oracle Software Platform Upgrade Only Minimum investment required to continue maintaining the current web-based services for BCFS customers	- Upgrade web software platform from Oracle 10g to current versions - Adapt/Modify existing web applications code/configuration for new web software platform - Retain current Web Content Management System - No revenue management decision support system	(\$4.8M)
Option 2: Full Software Upgrade Software platforms and tools to fully enable the Fare Flexibility and Revenue Management and Digital Experience Strategies	- Mobile applications - Commercial-strength e-Commerce platform - Multi-channel Web Content management - Revenue management decision support system	\$10.5M (3% Incremental Traffic Growth) \$33.5M (5% Incremental Traffic Growth)
Option 3: Status Quo No action towards the inflexibility and technical issues associated with the current website software platform	N/A	NPV not provided

Table 2 Summary of BCFS Options and NPV⁷

⁷ Source: BCFS Section 55 Application for FF&DE

The following key assumptions were used by BCFS in the NPV analyses:

-
- Inflation Rate: 2%
 - Discount Rate: 7%
 - Life of investment: 7 years
 - NPV is calculated over 13 years
-

Table 3 FF&DE Options Analysis Key Assumptions⁸

6.2 Key Influencing Factors

BCFS's preference to Option 2 (Full Software Upgrade) of **Fare Flexibility and Digital Experience Initiative** is supported by an options analysis and the results of research, benchmarking and analyses conducted as part of their **Fare Flexibility and Revenue Management Strategy** and **Digital Experience Strategy** in the areas of customer demand elasticity, industry benchmarks, and target technical architecture.

We have reviewed a number of assumptions in the options analysis and have provided our comment to following key factors:

- Return on Investment
- Risk Mitigation to Modelled Incremental Traffic Growth and Project Cost Sensitivities
- Technical Architecture Fit
- Alignment to Business Strategy

6.2.1 Return on Investment

According to BCFS, Option 2 (Full Software Upgrade) requires the largest amount of up-front capital investment; however, it is the only option projecting a positive net-present-value (NPV). Option 2 presents the highest return on investment amongst all options considered.

Overall costs and benefits identified by Option 2 are largely related to incremental private vehicle traffic driven primarily out of new revenue management capabilities on the Proposed Routes.

BCFS has conducted an extensive amount of qualitative and quantitative research to arrive at its conclusion that a 3-5% increase of private vehicle traffic is reasonable. BCFS states that a 3-5% incremental traffic increase is reasonable to BCFS based on the industry benchmarks and quantitative research it commissioned. We found that the BCFS assumptions are largely supported by revenue management experiences from other jurisdictions and limited analysis of actual BCFS customer / traffic patterns were done. Furthermore, none of the following factors appears to have been incorporated:

- Stated customer behaviors vs. actual customer behaviors,
- Customer response to "rack-rate" fare product,
- BCFS-specific empirical price elasticity benchmarks based on proposed fare structure & travel purpose/patterns, etc.

Based on our experience and discussions with BCFS, having additional data points like these could reinforce BCFS's incremental traffic increase assumptions.

6.2.2 Risk Mitigation to Modelled Incremental Traffic Growth and Project Cost Sensitivities

To assess the risks related with lower than planned incremental traffic growth, BCFS modelled the following risk mitigation scenarios:

⁸ Source: BCFS Section 55 Application for FF&DE

- Incremental traffic growth is lowered by half of its low-end estimate (i.e. 1.5% incremental traffic increase) or reduced to 0%, and
- Project costs have increased.

According to BCFS, Option 1 (Oracle Software Platform Upgrade Only) has resulted in a negative NPV based on capital costs incurred in the platform upgrade only with no projected incremental revenue or operational savings.

Aside from the initial capital costs required to implement FF&DE, BCFS indicated that much of the operational costs (e.g., call center support, credit card processing, etc.) to support FF&DE can be scaled with the level of advance fare purchasing/reservation. This is a controllable cost that can be dynamically adjusted by BCFS via changing the ratio of sailing capacity available for advance purchase. As per discussions with BCFS, this would be the primary risk mitigation mechanism BCFS would plan to use to control operating costs in the case of lower than expected incremental traffic growth once FF&DE has been implemented.

Description of Option	Sensitivity Modelled
Option 1: Oracle Software Platform Upgrade Only	
• Upgrade web software platform from Oracle 10g to current versions • Adapt/Modify existing web applications code/configuration for new web software platform • Retain current Web Content Management System • No revenue management decision support system	• Project cost increased
Option 2: Full Software Upgrade	
• Mobile applications • Commercial-strength e-Commerce platform • Multi-channel web content management • Revenue management decision support system	• 3% Incremental Traffic Growth • Ratio of sailing capacity purchased in advance as planned • Project cost increased
Option 2: Full Software Upgrade (Risk Mitigation Scenario A)	
Full Software Upgrade • Risk Mitigation – 50% of Low-End of Incremental Traffic Growth	• 1.5% Incremental Traffic Growth • Ratio of sailing capacity purchased in advance is lowered • Project cost increased
Option 2: Full Software Upgrade (Risk Mitigation Scenario B)	
Full Software Upgrade • Risk Mitigation – No Incremental Traffic Growth	• 0% Incremental Traffic Growth • Ratio of sailing capacity purchased in advance is lowered • Project cost increased
Option 3: Status Quo	• n/a

Table 4 Summary of Options and sensitivity scenarios⁹

An unanticipated increase in project costs above planned levels (e.g., cost overruns) could impact the NPV for Option 2 on 3% and 5% growth scenarios but not affect their overall ranking of return on investment amongst options reviewed.

In the event where project costs have increased as per modelled scenario A above (with incremental traffic growth on the Proposed Routes are halved to 1.5%), BCFS indicated their mitigation strategy would be to limit the sailing capacity available for advance purchase in order to control variable costs. This approach is modelled to achieve a 13-year NPV higher than that of Option 1 with the same cost overrun applied and still remains the better option from an NPV perspective.

⁹ Source: BCFS Section 55 Application for FF&DE. BCFS Dynamic Model

In the worst-case scenario modelled by BCFS, where project costs have grown as per modelled scenario B above (with 0% incremental traffic growth materializes on the Proposed Routes), BCFS's mitigation strategy would result in a relatively flat line decline in NPV on the first four years of FF&DE operation until further BCFS remediation.

In summary, based on the information available and the BCFS modelling scenarios performed, the risk mitigation strategies of Option 2 concerning lower-than-expected incremental traffic growth appear reasonable from an NPV perspective.

6.2.3 Alignment to Business Strategy

BCFS's Fare Flexibility and Revenue Management Strategy identified an opportunity to use Revenue Management Practices to increase traffic-related revenues while reducing service delivery costs. To do this, BCFS would need to adapt to a new fare structure on its currently reserveable routes; allocate sailing capacity against forecasted customer demand; and direct customer sailing demand to less-utilized sailings.

Aside from requiring a shift in customer behavior from paying for their travel on departure towards advanced purchase, this BCFS strategy also requires the ability to generate dynamic traffic demand forecasts on a sailing-by-sailing basis and optimize fare availability and deck space allocations on each sailing.

Moreover, BCFS believes the successful execution of these strategies will drive significant increases in online traffic and grow BCFS's reliance on a stable, easy-to-use, e-commerce platform.

Of the three options presented by BCFS in the Application that we have reviewed against BCFS business strategy fit, we agree that Option 3 (Status Quo) would not be a reasonable or prudent option, as it does not align with BCFS's business strategies in revenue management and digital experience.

Option 1 (Oracle Software Platform Upgrade Only) presents the baseline option in this Application to sustain continual operation of existing website with current functionalities; however, it does not offer additional capabilities in revenue management nor provide the platform required to implement BCFS **Digital Experience Strategy**. While it is possible to introduce new functionalities or improve the web platform's performance in the future, BCFS stated that additional functionalities on top of Option 1 will have to be custom-built requiring greater effort and timeframes as compared to leveraging the available commercial-off-the-shelf (COTS) e-commerce platform packages with generally lower risk and proven functionalities¹⁰. Without a revenue management decision support system in Option 1, BCFS has indicated that it will not be able to implement **Fare Flexibility and Revenue Management Strategy**.

According to BCFS, Option 2 (Full Software Upgrade) is the only sustainable option included that will address both the **Fare Flexibility and Revenue Management Strategy** and **Digital Experience Strategy** over its useful life with a robust multi-channel e-commerce platform and the necessary revenue management decision management system.

6.2.4 Technical Architecture Fit

BCFS has prepared a high-level technical architecture outlining the components required for FF&DE:

- A multi-channel Web Content Management System (WCMS) that will enable BCFS to deliver content to a variety of end user devices from one responsive website;
- Multi-channel e-commerce capability providing a single consolidated shopping cart which allows users to purchase products and services they need on-line, through multiple purchasing channels, using the device of their choice;
- A revenue management Decision Support System to support the Fare Flexibility and Revenue Management Strategy; and

¹⁰ Source: BCFS Section 55 Application for FF&DE

- Capability to interface with the service-oriented enterprise service bus for access to booking, ticketing, check-in, customer relationship management, vacations, accommodation, activities, and transfers bookings (Travelink), card management, PCI payment services, other third-party business services, and BCFS' internal systems.

As demonstrated in comparison table below, Option 3 (Status Quo) will not deliver components that are aligned to the FF&DE target architecture. While Option 1 (Oracle Software Platform Upgrade Only) may provide a partial fit to the FF&DE technical architecture, Option 2 (Full Software Upgrade) is the only solution proposed that would address all aspects of the FF&DE technical architecture.

FF&DE Technical Architecture Components	Option 1 (Oracle Software Platform Upgrade Only)	Option 2 (Full Software Upgrade)	Option 3 (Status Quo)
Multi-channel Web Content Management System	Partial Fit	Fit	No Fit
Multi-Channel e-Commerce capability providing single consolidated shopping cart	No Fit	Fit	No Fit
Revenue Management Decision Support System	No Fit	Fit	No Fit
Capability to interface with service-oriented enterprise service bus to access other BCFS internal systems	Fit	Fit	No Fit

Table 5 Technical Architecture Fit across FF&DE Options¹¹

Legend

- Fit: Technical architecture component is fulfilled by proven software packages
- Partial Fit: Technical architecture component is fulfilled with partial functionalities of COTS software or fulfilled by custom development
- No Fit: Technical architecture component is not fulfilled

¹¹ Source: BCFS Section 55 Application for FF&DE, BCFS Response to Deloitte Questions

7 Detailed Review Findings

BCFS submitted its Application based on its preferred technical option (Option 2 - Full Software Upgrade). This section highlights our findings on whether BCFS has adequately responded to the relevant questions in the Section 55 Application Guidelines and whether the proposed major capital expenditure is reasonable, prudent, and consistent with the **Coastal Ferry Services Contract** and BCFS's long-term capital plan. Our conclusions are supported by analyses of the following areas as outlined in our mandate:

- Business Case, including key assumptions, cost estimates/potential benefits;
- Software and vendor selection process;
- Project plan timelines; and
- Project risks and mitigation strategies.

Our findings are described in detail herein and supplemented by BCFS-addressed follow-on questions / points of clarification in Appendix F - Follow-up Questions and Points of Clarifications.

7.1 Business Case Review

Our finding: the business case appears reasonable, notwithstanding the minor observations identified

We have carefully reviewed the net-present-value (NPV) financial analysis provided by BCFS for Option 2 (Full Software Upgrade) in the Application as well as through follow-up review sessions.

We have noted that tariff revenue from incremental traffic growth remains the single largest source of benefits amongst multiple benefit categories identified by BCFS. This is not ideal as it leads to a business case that is overly sensitive and depends on incremental traffic growth happening as expected.

To mitigate against this, BCFS was asked to identify other potential initiatives and benefits that may be pursued after the successful implementation of FF&DE to further mitigate the risk of a shortfall in incremental traffic growth. While the size of the potential benefits identified by BCFS are unknown at this point, there appears to be a number of opportunities as outlined in Appendix C - Supplemental Information that may be further validated and / or quantified by BCFS beyond the scope of this review.

A number of observations were made in the areas of business case sensitivity, assumptions used, timing of benefit streams, and software cost-of-ownership models. We have discussed these observations in detail with BCFS and we are generally satisfied with BCFS responses and/or planned mitigations.

In our review of BCFS's Application, we have observed sufficient levels of detail in the business case at the current stage FF&DE is in and are satisfied with the amount of effort, consideration, and external validation included in the business case and the assumptions used.

We believe the FF&DE business case is reasonable pertaining to BCFS proceeding with discussed mitigation plans for other noted observations and addressing the following minor observations:

Minor Observation: B.C. Ferry Commission may not have visibility over the achievement of FF&DE benefits and future investments in FF&DE

The capital costs in the FF&DE business case includes a significant future capital investment for website renewal beginning at the end of its useful technology life¹²; however, the current Section 55 Application appropriately does not include this future capital request. The planned website renewal will be required to sustain the FF&DE benefits based on anticipated incremental traffic growth. There is a risk, however, that the capital required may need to be adjusted based on the actual incremental traffic growth required to sustain the FF&DE business case benefits. This associated future investment to sustain FF&DE may fall below the capital investment thresholds set by the Commission that would otherwise trigger a future Section 55 Application for major capital expenditure approval. In this circumstance the Commission may miss the opportunity to determine whether continued capital investment related to the original FF&DE Application is still prudent and reasonable

Minor Observation: FF&DE budget makes only minor allowance against increased costs over the life of the program

The FF&DE project is in the initial planning stages and as such BCFS has not entered into any formal third party agreements that would typically provide clearer contractual certainty as to the overall project costs. A projected capital cost allowance for slight cost overruns has been provided for in the Application but may not be sufficient to cover unanticipated costs; additional diligence or control over cost escalations and scope management may be warranted to manage the built-in contingency across the lifetime of the project.

7.2 Software and Vendor Selection Process Review

Our finding: the software and vendor selection process undertaken by BCFS to date appears reasonable within BCFS's current initial progress in software / vendor selection (RFEOI / RFI only) in which no decisions have been made.

We have carefully reviewed artifacts of the RFEOI and RFI exercises conducted in 2013 by BCFS and engaged BCFS to seek additional clarifying details to our observations. BCFS has initiated a multi-stage software / vendor selection approach consistent with public tendering approaches for Information Technology projects of similar scale. BCFS has completed only the first two steps of the following timeline to date:

Procurement Activity	Time Frame ¹³
Request for Expression of Interest ("RFEOI") – Website Renewal	June 2013 (Completed)
Request for Information ("RFI") – Revenue Management System	August 2013 (Completed)
Non-binding Request for Pre-Qualification ("RFPQ")	November/December 2014 (Planned)
Request for Proposal and contract award for: Multi-channel website content management and e-commerce software platform licenses and integration services (website platform/integration);	March/April 2015 (Planned)
Request for Proposal and contract award for: - Website, mobility and social media user experience, user interface design, usability testing services ("Website UX/UI"); - Revenue management Decision Support System service and support.	March/April 2015 (Planned)

Table 6 FF&DE Procurement Activity Timeline¹⁴

At this time, BCFS has not entered into contractual agreement with software / integration services providers for FF&DE; as such, no review of key contract provisions was undertaken.

According to BCFS, it has engaged external experts early in project planning to develop its business & technical strategies with the intent to leverage external expertise and to prevent major misalignment between BCFS's strategies and industry best practices.

¹² Source: BCFS Section 55 Application for FF&DE, BCFS Response to Deloitte Questions

¹³ Source: BCFS Section 55 Application for FF&DE, BCFS Response to Deloitte Questions

¹⁴ Source: BCFS Section 55 Application for FF&DE, BCFS Response to Deloitte Questions

BCFS has referenced vendor cost estimates gathered through the RFEOI and RFI processes as the basis of BCFS's cost estimates included in their Application. Cost estimates used also appears to be in-line with other cost figures received in RFEOI / RFI with no significant variances. BCFS should note that final cost figures at RFP/contract award may differ from the RFEOI/RFI price quotes due to negotiation strategies and changing market circumstances since the issuance of RFEOI / RFI in 2013.

In our review of BCFS's Application, we have observed sufficient levels of planning and are comfortable with BCFS's approach to involve vendors early to shape its solution. We have not identified any concerns with respect to FF&DE Software and Vendor Selection effort undertaken to date as the major procurements have not taken place yet.

Provided there is a time interval between when high-level FF&DE requirements were developed during 2013 RFEOI/RFIs and the upcoming RFPs; scope management may be a key area of software / vendor selection process going forward.

7.3 Project Plan Review

Our finding: the Project plan timelines appear reasonable based on the information provided

We have reviewed the preliminary project plan timelines provided by BCFS for Option 2 (Full Software Upgrade) and engaged BCFS to seek explanations to our observations.

BCFS conducted an RFEOI in 2013 to obtain responses from multiple leading vendors on possible timelines and resource estimates to implement BCFS requirements as derived from BCFS **Digital Experience Strategy**. Competitive responses from these external vendors have provided a perspective on the high-level timeline and estimated resources required based on the vendors' experience implementing similar solutions.

Our review found FF&DE project plan timelines & estimates are closely aligned to timelines and resource estimates provided by vendors' response to RFEOI.

As noted in the submission, FF&DE intends to leverage components delivered by other parallel projects/programs, most notably ACE Phase 1 Release 1 and PCI Payment Services. FF&DE project plan timeline is therefore considered co-dependent on the milestones of external projects. BCFS effort to align these milestones and optimize time-to-delivery is evident.

In our review of BCFS's Application, we have observed adequate details in the project plan activities to support their conclusions - recognizing however, it is a preliminary project plan based on high-level requirements and will be developed in further detail as part of future FF&DE scoping and planning activities.

We have observed minor timeline discrepancies between the preliminary project plan, business case projections, and aligned schedules across multiple parallel BCFS projects. In response, BCFS has indicated they plan to complete further iterations of detailed project planning for FF&DE if their Application is approved. We are generally satisfied with BCFS's approach, recognizing high-level project timelines are typically refined once the software and vendors are selected, contracted, and detailed implementation planning commences.

In our review of BCFS's Application, we have observed sufficient detail in the Information Technology implementation project reflective of the early planning stage FF&DE is in and are comfortable with the high-level project plan timelines. We have not identified any concerns with the high-level FF&DE project plan.

7.4 Project Risk Review

Our finding: Project Risk & mitigation strategies appear reasonable, considering the minor observations identified

We have carefully reviewed the project risks and mitigation strategies provided by BCFS for Option 2 (Full Software Upgrade) and engaged BCFS in Question & Answers sessions to seek clarification to follow-up questions.

BCFS maintains a risk register for FF&DE containing descriptions of high-level risks and mitigation strategies. BCFS proposed to start using the risk register to track project risks on a day-to-day basis once the Application is approved and begin consolidating risk registers across key related projects to provide an integrated view of risks.

One of the identified areas of risk in FF&DE is the realization of a positive NPV in the business case through incremental traffic growth. We are satisfied with the business case risk mitigation approach by BCFS that is discussed in detail in the Analysis of Technology Solution Options section.

Another area of risk for FF&DE relates to the project's ability to manage interdependencies with the ACE program and PCI Payment Services project. While BCFS is proposing a number of project management leading practices to address individual program and cross-program risk, we found that the proposed approach is currently optimized to manage the individual programs independently and could be enhanced to more effectively manage the programs in a more formal and integrated manner.

We recommend BCFS to consider putting in place a more active Integrated Program Management Office atop current project/program management bodies in FF&DE, ACE Program, and PCI Payment Services project to further mitigate some of the inherent risks of managing the programs independently.

In our review of BCFS's Application, we have observed the use of project risk reporting mechanisms common in other similarly-sized projects and the identification of inter-project risks at a high level. In response to our follow-up questions, BCFS has indicated the project risk registers for FF&DE will be actively used by the project to provide timely reporting of risks & mitigations once the Application is approved.

We have noted some opportunities to improve program risk management practices in FF&DE and are generally satisfied with BCFS response on their plans to consolidate risk registers across related programs/projects once the Application is approved.

In principle, we believe the identified key project risks and mitigation strategies, along with the risk management practices, are reasonable and are reflective of an early-stage Information Technology implementation project such as FF&DE. Our finding pertains to BCFS proceeding with discussed mitigation plans for other observations we have noted and addressing the following minor observation:

Minor Observation: Lack of integrated program management across inter-dependent projects may affect ability to realize synergies

There is a highly synergistic relationship between FF&DE, ACE and the PCI Payment Services programs, both in terms of project delivery synergies as well as the business and IT outcomes the successful delivery of these interrelated programs are expected to generate over the long run. The approach BCFS has chosen to manage these three interdependent programs has been optimized to suit the individual programs as opposed to the whole group of interdependent programs - which is understandable since the programs were initiated at different times and may have had different requirements at the time. While BCFS is proposing to implement a number of program management practices that could address some of the program risks identified, a more formal program management oversight related to the three independent initiatives is not yet in place. More formal interdependent program management oversight enhances BCFS's ability to realize the intended synergies between these critical initiatives.

Given FF&DE is in early planning stages, a periodic health check maybe conducted by BCFS or by the Commission across inter-related programs ensure the appropriate level of controls have been implemented and BCFS planned actions have been carried out.

7.5 Consistency with Long-term Capital Plan

Our finding: the Application appears consistent with BCFS's FY2014-2026 Long-term Capital Plan

We have compared projected capital outlay of Option 2 of FF&DE initiative against the most recent BCFS capital plan covering April 1, 2014 through April 1, 2026 (Submitted to the commission as part of Performance Term Four submission).

The line item "**IT – Transforming the Customer Experience**" in BCFS's long-term capital plan is closely matched to the amount of capital required for the FF&DE Option 2 as presented in this Application. Given the consistent amount and timing of capital between the Application and BCFS's long-term capital plan, we believe FF&DE initiative as outlined in this Application is consistent with BCFS long-term capital plan. The **Transforming the Customer Experience** (TTCE) Initiative was renamed by BCFS to **Fare Flexibility & Digital Experience** (FF&DE) Initiative;

7.6 Consistency with Coastal Ferry Services Contract

Our finding: the Application appears consistent with Coastal Ferry Services Contract

Through "Core Service Levels", the **Coastal Ferry Services Contract** between the Province and BCFS regulates the minimum number of round trips to be delivered per contract year per designated route.

According to BCFS, it is expected these additional operational savings can be achieved by leveraging FF&DE to enable an improved accuracy in matching capacity with demands and reduce the number of discretionary sailings currently needed. Deloitte has reviewed the current service levels and projected sailing changes to identify that BCFS plans to continue to deliver the core service levels required in the CFSC on route(s) with discretionary sailings it planned on reducing. We found the Application to be consistent with the CFSC.

7.7 Adequacy in response to Section 55 Guidelines

Our finding: the Application has adequately responded to the relevant questions posed in the guidelines

We have reviewed the Application and cross-references to Section 55 Guidelines as provided by BCFS and concur that the Application has adequately responded to relevant questions in the guideline. Details of our review are available in Appendix E - Compliance with Section 55 Application Guidelines in this document.

8 Conclusions

Our mandate for this review on behalf of the Commission was to provide support as to whether:

- BC Ferries has adequately responded to the relevant questions posed in the guidelines; and
- The proposed major capital expenditure is reasonable, prudent and consistent with the **Coastal Ferry Services Contract** and BC Ferries' long-term capital plan;

Further to the mandate above, Deloitte was also requested to:

- a) Review and assess the business case of the project, key assumptions, cost estimates/potential benefits and determine their reasonableness;
- b) Review software and vendor selection process; review key contract provisions;
- c) Review and assess project plan timelines and determine their reasonableness; and
- d) Review and assess key project risks and mitigation strategies.

Based on the requirements of our mandate to conduct an independent review of BCFS Section 55 Application, we conclude that:

- BCFS has adequately responded to the questions posed in the Section 55 Application Guidelines; and
- The major capital expenditure for FF&DE Option 2 (Full Software Upgrade) is reasonable, prudent, and consistent with BCFS's Long-term Capital Plan & **Coastal Ferry Services Contract**, taking into consideration the observations identified in this review

We reviewed the technology solution options considered by BCFS and we agree that their selection of Option 2 (Full Software Upgrade) over other options considered is reasonable and appropriate. This finding is based on Option 2 having:

- The highest net present value (NPV) of all options considered;
- A technology solution architecture that is the best fit for its intended use; and
- The best fit to the achievement of BCFS's revenue management and digital experience business strategies.

We have identified three minor observations in our review:

1. B.C. Ferry Commission may not have visibility over the achievement of FF&DE benefits and future investments in FF&DE;
2. FF&DE budget makes only minor allowance against increased costs over the life of the program; and,
3. Lack of integrated program management across inter-dependent projects may affect ability to realize synergies.

A number of planned BCFS actions related to these observations were discussed in our interactions with BCFS and will be undertaken by BCFS once the Application is approved. In addition, we have recommended BCFS to consider putting in place a more active Integrated Program Management Office atop current project/program management bodies in FF&DE, ACE Program, and PCI Payment Services project to further mitigate some of the inherent risks of managing the programs independently.

Appendix A - Public Comments

The general public is invited to comment on FF&DE Section 55 Application between December 2 and 3 of 2014. A total of 102 comments were received from individuals and stakeholder groups. Common themes identified in these comments included:

Advanced Reservation Model / Certainty & Wait time	Reservation is a norm in travel industry and should be adopted to reduce wait time and improve operations efficiency
Advanced Reservation Model / Reservation Fee	Reservation fee punishes those who plan ahead and agreed it is a good idea to remove
Advanced Reservation Model	Inconvenience to reserve same-day sailings for coastal/island commuters
Advanced Reservation Model	Reservations is not necessary for public transportation / highway system and creates segregation of customers
Consultation Period	Consultation period inconveniently coincides with Holiday season or not long enough
Customer Experience	Flexible pricing is only available for customers with a credit card, precluding those who prefer other payment mechanisms or those who do not use a credit card (e.g., underage students)
Customer Experience	Customers who do not use the internet will not be able to take advantage of advanced purchase / flexible pricing
Implementation Timeline	Advanced Reservation is long overdue functionality much needed before 2017 as stated in project timeline
Minor Routes	Reservation system may not work for daily commuter traffic on minor routes and Route 3 (Horseshoe Bay to Langdale) with frequent changes in travel plans
Pricing Model	Concerned that cancellation of reservation fee and off-peak discounts will lead to broad base fare increases and high "rack rate" fares to maintain price cap
Pricing Model	Increasing fares will further reduce ferry affordability for residents of coastal communities

Table 7 Common themes from public comments received (in Alphabetical order)¹⁵

From a frequency perspective, the following topics are most frequently mentioned in the public opinions submitted:

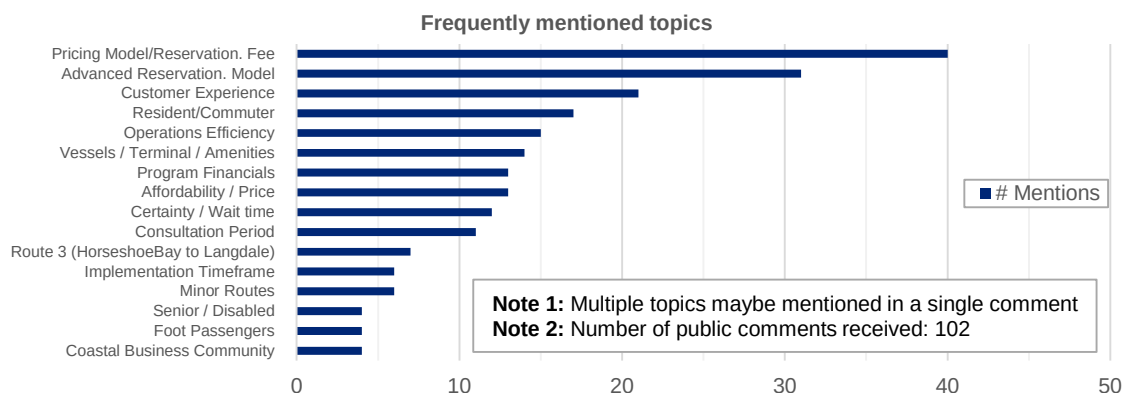


Figure 2 Most frequently mentioned topic in public comments¹⁶

¹⁵ Source: Public Comments on BCFS Section 55 Application for FF&DE, B.C. Ferry Commission

¹⁶ Source: Public Comments on BCFS Section 55 Application for FF&DE, B.C. Ferry Commission

Appendix B - Summary of Information Requests

This appendix has been removed as it includes information of a confidential and commercially sensitive nature.

Appendix C - Supplemental Information

This appendix has been removed as it includes information of a confidential and commercially sensitive nature.

Appendix D - Documents Reviewed

This appendix has been removed as it includes information of a confidential and commercially sensitive nature.

Appendix E - Compliance with Section 55 Application Guidelines

This appendix has been removed as it includes information of a confidential and commercially sensitive nature.

Appendix F - Follow-up Questions and Points of Clarifications

This appendix has been removed as it includes information of a confidential and commercially sensitive nature.



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Appendix B

Public Comments

	Date Received	Text of email/letter
1.	3-Dec-14	I am a BC resident and a business owner. I live in Vancouver but use the ferries for vacation travel to Vancouver island and the gulf islands. I want to submit my comments to the referenced initiative. This is about the smartest move I have heard from BC Ferries in a long time. Charging people extra to reserve has been a ridiculous policy. People who reserve in advance should be charged the same or less. As BC Ferries notes, advance bookings allow them to plan their vessel availability better and add extra sailings well in advance and at a lower cost to the organization. From the customer's perspective the idea of avoiding 2-5 hour wait times during peak season is the most obvious benefit. Please approve this expansion. It is a very smart move and will benefit ferry users tremendously.
2.	3-Dec-14	I believe the proposed changes are a step forward but I also believe there should be a discount for people who live on the islands and are required to use the ferry system as part of any vehicle travel on the mainland of British Columbia. The ferries are part of the Tran-Canada highway system.
3.	3-Dec-14	I have been a regular passenger on the Tsawwassen to Gulf Islands route for nearly 30 years, and for the majority of that time I have advocated for many of the "innovations" now being proposed by BC Ferries. Things such as off-peak fares, and incentives for frequent travellers have been standard on virtually every mode of transportation in virtually every first world country for decades!! All I can say is BC Ferries is long, LONG overdue in considering such changes. Needless to say, I STRONGLY urge the Commission to accept the proposals without hesitation or reservation (sorry, that was unintentional). I also vehemently urge the Commission to strongly press BC Ferries to implement items such as off-peak and frequent traveller incentives immediately. These cannot possibly be so difficult to bring online that they need wait until 2017 as the proposal suggests. Revamping the computer and reservation system may take time, but surely the incentives mentioned do not! The economies of many ferry dependant coastal communities cannot wait for three more years to dig out from under the hardship caused by the exorbitant rate increases witnessed in the past decade under the current management system of BC Ferries.
4.	3-Dec-14	I would like to provide some general feedback on the proposals in the above initiative. While i fully support fare flexibility and demand based pricing if it means discounted fares for off peak travel, I am afraid that it will actually just equate to more expensive fares during peak times, with no actual discount the rest of the time. If you want to encourage more people to travel you cannot simply manipulate pricing optics, you must offer actual incentives and legitimately discounted pricing. If the past decade is any indication this initiative will do nothing to increase revenue as even more people will chose not to travel during peak times, and those who have flexibility will travel off peak. The timeline of this project is also not acceptable. Three years is too long to implement a technology that is already

		common in many other industries. I am also disappointed by the ongoing attempt to get more money out of less travelers by the inevitable up-selling and add-on selling of products through the "free" on-line reservation system and ultimately the segregation of passengers into economic classes through this process. Will you be charging for checked bags? Charging to reserve a window seat? Charging for VIP access to the cafeteria? Tours of the bridge for \$29.99? Charging to be the first one off/off the boat? I had better stop giving you ideas.... but hopefully you get my point. It sounds like you plan on running a discount airline instead of a ferry system. Please stick to providing a reliable transportation service that offers good service and value. My family has all but stopped using the ferry system due to the cost and inconvenience.
5.	3-Dec-14	I fully support the direction announced today. This is a significant move in a constructive direction. Please continue along this path.
6.	4-Dec-14	Congratulations, this is the best news I have heard about BC Ferries in a very long time. Finally some creative thinking and listening to customers comments. I hope this comes to fruition in the very near future.
7.	4-Dec-14	The concepts being discussed re: rehaul of the reservation system is long overdue. Please proceed. I have been saying since we arrived on the Island 8 years ago, that those of us who plan ahead (i.e. reserve) are punished - because we have to pay extra to advise you we will be travelling. Flipping the model is great. In fact, if you flip it and ask for full payment ahead of time, you will improve your cash flow and likely take less time at check-in, thereby making the entire trip faster and more efficient. And for those of us 55+, many whom are retired, we can plan to travel on off-peak hours and take advantage of some discounts. Hope you can make it work.
8.	4-Dec-14	I am a senior, Use a smart phone, have booked my airline tickets online for years, and think it is long overdue that BC Ferries has a system whereby I can do that to travel on the Ferries. I fully support the current application to improve this booking system
9.	4-Dec-14	Thank god , it's about time ! Don't wait and start it ASAP !
10.	4-Dec-14	I am hoping that you will take into consideration the people who have 'BC FERRY CARDS for DISABLED PEOPLE' when you configure the new online process. It is a very respectful system for the disabled right now, but I am wondering how it will be done once the reservation lines no longer exist.

		Also, a sign on the elevators telling people to please use the stairs if possible would be appreciated. The two (and often only one because the other is out of order) elevators are very difficult to get on because everyone seems to want to use them. The Washington State ferries have a sign that says “This elevator is intended for use by: -People with Disabilities -Senior Citizens -Passengers with Small Children, Strollers and Luggage Please do not use this elevator unless absolutely necessary. This area is monitored by closed circuit video surveillance camera.” While the wording could be changed a little, the content would discourage the average person from clogging up the system, and allowing those who really need the elevators to be able to use them.
11.	4-Dec-14	I think it is a great idea to be able to book a ferry on-line. I vote for it.
12.	4-Dec-14	I read, with excitement (until I noted the start date), that BC ferries is finally looking at a new online booking system, to include more options. FINALLY some out of the box thinking that will, hopefully, result in much needed money to BC Ferries' AND island residents' coffers. I realize this system is in the planning/research stages at this time, so want to ensure you seriously consider one more major element to this concept. PLEASE, PLEASE, PLEASE ISSUE A VANCOUVER ISLAND RESIDENT DISCOUNTED FARE CARD. I (and 100s of business owners and residents we know) would benefit greatly from a resident card. As business owners, we pay so much more for everything provided by island suppliers. As residents, we choose to stay on the island rather than visit other nearby islands or head to the island, Prince Rupert or the Sunshine Coast. This was not the case prior to the fare increases. It was exciting to head off-island for a day or a weekend, but now the costs make these adventures prohibitive. The benefits of our visits would increase the economies of all areas. The same holds true for Vancouver residents, increasing ridership AND tourism dollars, which would truly boost our island(s) Economies...thereby providing more money for ALL to ride more ferries! A win-win for all simply by lowering fares for island and Vancouver and area residents. We could simply apply for a BC Fare card. (Take off on our BC Care card) and all reap the benefits! I salute BC Ferries for FINALLY realizing the ridership would increase if the fares are decreased, especially for islanders who continue to suffer from the economic hardships of the 2008 recession/depression. Many businesses have shut their doors and many more are just hanging on. Savings passed on from island suppliers/distributors, who have had to face the increasing fares all these years, would be a welcome incentive to keep the doors open. Savings at the grocery stores, and for all other items we use on the island, would also be a welcome bonus. We have watched prices for EVERYTHING increase since the fares increased, corresponding to the most financially challenging times in many decades. Again...these savings for all, combined with a discounted fare for island ferry riders, would definitely increase BC Ferries ridership...a beneficial circle of good for all.

		Thank you for this opportunity to pass on this idea, which I hope you take under serious consideration. Here's to the reality of a BC Ferries Discounted Fare Card...sooner than 2017!
13.	4-Dec-14	There has been a lot of negative press regarding BC Ferries prices lately. The social media has blown up and thousands of comments have been posted daily. I am sure you do not see a lot of these concerns, but they all seem to say the same thing: RESIDENTS OF VANCOUVER ISLAND CANNOT AFFORD TO LEAVE THIS LAND! BC Ferries has addressed that vehicle traffic is at an all time, concerning low. This has nothing to do with the fact that we like to be isolated to Vancouver Island, and has nothing to do with the fact that we do not love our families and friends in other parts of this vast country. We do not go to the mainland because we simply CANNOT afford it. There is NO way that we can justify spending almost \$200.00 on a day trip to Vancouver for transportation. We could barely afford it when we were invited to go to a wedding in Whistler this past summer and did not have the option of walking on. Instead of BC ferries valuing their local customers, they have instead turned us off from supporting them at all. BC Ferries has NO competition, but yet spends millions in advertising each year. The luxurious ferry services are uncalled for, and I no longer use them and am not prestigious enough to sit in the Sitka Lounge that I have NOT ONCE seen open. Make no mistake, I do not live in poverty. We are just a regular middle class family that works hard and saves our money. We no longer drive on the ferry due to the prices, and will walk on if we EVER use the ferry. My husband has just recently started flying with Harbor and Tofino Air for work trips as it takes him downtown and costs less than traveling on your boats. I think you have heard this all before, but I must mention that this new proposal is a slight step in the right direction. However, I know how the corporate world works, and recognize that by 2017 ticket prices will be so high that we will be lucky enough to be paying discounted fares that are equivalent to the value of a ticket now-- a little too late. Why do residents of Vancouver Island not have an incentive to leave the island? Why do we not have that luxury and freedom of mobility? It is a human right! Can we not pay a locals-only fee? Or a one-way-only fare with a free return? We can provide proof of residency! I mean, don't you want ticket sales to be higher? Gas prices have dropped over 30 cents in the last two months, we do not see fares adjusting because of this. They only continue to get higher. In June of 2012 BC Ferries offered two passengers and a regular size vehicle for \$49.99. I came to Vancouver Island every weekend that month while I was living in Vancouver. That's \$100.00 a round trip. Then it was around \$67.00 after the promotion had ended, and, because I was in a long distance relationship with my husband, I came again every weekend until I ran out of money at the end of August. I continued to be a walk on passenger two to four times a week until I moved to Nanaimo in February of 2013. Since the prices have gone up, and since my family has grown, we have drove on twice in the last two years, and I have walked on no more than six times. I need to bring my vehicle

		to Vancouver as it is just NOT convenient to bring a toddler carseat, stroller, and bag on the bus with me to Vancouver from the Ferry port. To me, it is just a task too impossible, and NOT worth the money. I know that this is not your fault, as our province sold and privatized the Ferries a few years back. But please, could you consider SOME BETTER initiative than only allowing regular customers discounts? And really, how much of a discount would it be? I believe it is time for the government to step in and tell BC ferries to stop spending money on unnecessary marketing, luxurious boats, and ridiculously high wages. How much does the CEO make a year? I KNOW how much my captain friends make, and they are not struggling. Why do they not have one or two sailings a day, on a boat with only a bathroom and vending machine geared for local residents of Vancouver Island only Costing \$49.99 for a vehicle and two passengers? COME ON! Please help us work together as a province to provide equal mobility opportunities for those who are not rich: team up with Mastercard or Visa to gain BC Ferry dollars! We, as a community, are desperate for change. This is not merely a complaint letter, this is a plea. Please help us gain the opportunity to explore the rest of the country, the city of Vancouver, and help us to restore our faith in our Provincial government in this beautiful land we call home.
14.	4-Dec-14	Regarding the new ferry pricing changes, i have a grave fear that what will happen is that high volume times will go up in price, and quiet times will remain as is or only go slightly up. With this, i disagree - it is already FAR too expensive and should be treated as are the highways - government managed and fares reduced or eliminated except for commercial purposes. If the best we can do is pursue this model of fare variations based on time of day and busyness of routes, then PLEASE reduce fares all around and then reduce the quiet times fares!
15.	4-Dec-14	We are recent residents of Vancouver Island and enjoying Island life. One thing that has intrigued us is that residents of the Island don't get a discounted rate to get on and off the Island. We would definitely increase the number of times we cross to the mainland if we got a discounted rate. From talking with longterm islanders I understand that this has been discussed in the past but didn't go anywhere. Will this be considered within the current review? If not, in what way can this be brought forward to the Commission.
16.	4-Dec-14	How to Increase Ferry Ridership and Ultimately Profits.... Understand that BC ferries is only a 'water highway' When you start rebuilding goodwill, BC ferries will have increased ridership and paying passengers. SHOW goodwill by reducing fares a lot!!! Travelers would spend more onboard and in tourism if they hadn't paid so much for the ferry fare already. Yes - upgrade and speed up the online system. Have also BC Ferries' website be easy to book and read for

		information. Online reservations should be free. Online fares should be drastically cheaper but non-refundable so BC ferries gets its money no matter what. Collaborate financially with Tourism BC so that fares are low and serve tourism (as well with priority for BC commuters) Passengers need a big break too: 1) BC Senior passengers (65 plus) - should be n/c (the car they bring is another matter and charged regular rates...) 2) Children - 0-11 yrs old - free when they are accompanied by an adult or senior 3) All Disabled - free with fare for attendant 3) BC Frequent Passengers/commuters - deserve a fare break too as they too use the 'water highway' back and forth for commuting to jobs. Jobs are harder to find on the Islands and passengers should be supported to work, pay taxes, and ultimately be able to afford onboard purchases (ie food) for themselves or their families. 5) rest of BC residents too - visiting family, going to sports events As an aside - Wifi service on all ferries is a useful tool for business travel and needs to be upgraded to provide real WiFi service on the ferries themselves and in all terminals.
17.	4-Dec-14	I have lived on the island since 1999 when I moved here to go to university. I have watch walk on fares double and vehicle fares massively increase only to watch the ferries begin to lose money. We are the only system in the world that I can think of where if you reserve in advance not only do you not get a discount like most others, you actually pay more. There should be no question in your minds that there should be no more fares add ons if you reserve and if anything maybe we should attempt to incent this behaviour as it should be a preferred approach. I would also like there to be more leniency if you don't arrive in time. You pay extra to reserve and then you arrive 25 minutes before departure and have to get in the line and possibly miss your ferry...pathetic. At the least having a plan to pay less for off peak times is an excellent idea. Maximize ridership...improve benefits of taking the ferries.

18.	5-Dec-14	My submission about BC Ferries Flexibility and Digital Experience Initiative is two fold; One to address the Initiative and one to address the public sentiment that I have seen on my Social Media Channels. First, I have some very serious concerns about the Fare Flexibility and Digital Experience initiative, itself. Not so much about the concept (which has does some value) but in the implementation. From my research, the ACE (Automated Customer Experience) program, which is supposed to be upgrading the computers / POS software and integrate with a new CRM, has been in the BC Ferries Business Plans and budgets since 2012. The Website Software Upgrade has been in the Business Plans and Budget since 2013. Considering that your office had concerns about the ACE program (addressed in a December 2013 Program Review), I am sure you can understand my concern, as a ferry user and taxpayer, we are potentially looking at a TransLink Compass Card style implementation, with massive cost overruns and timelines not met. I (and many whom I have talked with) have concerns that the 2017 "start date" is a cover up for an already failed and flawed implementation. Second, since launching the Dear BC Ferries Facebook Page (which adds about 200 new followers a day) there has been one comment that has been "Loud and Clear"; Ferry fares are getting out of reach of the average users. While I am sure that the Management Team at the BC Ferries Head Office got recommendations from highly paid analysts, telling them that a new digital reservations system will help increase ridership thru ease and flexibility of reservations, I am hearing different from the actual users of the ferry system. Flexibility and Digital Experience aside, many will still not be able to afford to ride the ferry system, except out of pure necessity or emergency. With another fare increase on the horizon in 2015 (and likely 2016), even the proposed discount features will still see the final cost, at check out, beyond that of many who need the ferry system, both on the Islands and on the mainland. I am fully aware that BC Ferries faces some significant challenges ahead and that revenue to pay for large capital expenditures is going to be needed. We, the users of the ferry system, do not believe, however, that the revenue should be found in features that are non-essential to the actual operation of the ferry. We do not need a fancy reservation system or a large on-board restaurants to improve our "experience". We need a safe and efficient extension to our highways system, that runs on a regular and reliable schedule and does not empty the pocket books of hard working British Columbians or adventure seeking tourists. On behalf of those who follow the Dear BC Ferries Social Media channels, we ask you, as the BC Ferries Commissioner, to reject the proposal on the table now and tell the management of BC Ferries to revisit the plan with an eye to upgrade only what is required to make the system operate effectively and focus the remaining funds on saving the ridership money, rather than making a profit for our marine highway system.
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19.	5-Dec-14	In reviewing the proposal by BC Ferry to introduce variable pricing I am very concerned. The people running the BC Ferry system continue to present changes to the Ferry system more consistent with running a cruise line than an extension of our highway system. Hotels, cruises, and the other examples BC Ferries refers to in discussing their variable pricing are all examples of discretionary spending. People who live on the Gulf Islands or Vancouver Island will need to use the ferry system just the same as how the rest of us use our highways. The service provided by BC Ferries is continually being reduced and the prices are generally going up. If variable pricing will be introduced I believe people who are tourists will feel gouged. Residents on the island will be made to be even more excessive fees than they already are. I would suggest that unless there is a significant cap on the variable pricing for island residents that this proposal not be supported. I would also suggest that BC Ferries should propose a more low priced proposal going forward for those who do not need or desire their cruise ship style of travel. Perhaps if they introduced a ship more like what is offered in Washington State with less amenities as an option to the high priced variable ships this would at least give people a choice. Considering BC Ferry has a monopoly they do not appear to show much interest in basic ferry travel. This proposal appears to be just one more justification to increase prices and I would encourage you to not accept it in its current form.
20.	5-Dec-14	Regarding the BC Ferries (BCF) Fare Flexibility and Experience Initiative application: Aside from the application being one of the most fluffy and repetitive documents I've seen in some time, there's some good thinking captured in it. In general, I'm in agreement with the concept but there's room for clarification in the application before it can be considered. Specifically, BCF refers to "discounted rates" that will be available for users should they choose to move their travel to other non-peak sailings. Further, there's reference to the elimination of the current reservation fee. Both of these are positives however what's not apparent is the baseline rate structure used to establish the definition of "discounted fare". What rate is the fare discounted from? Is it the current (flat) fare schedule that would be applied to "peak" sailing and then discounted, or is the current reservation fee (or a portion of it) to be added to the current rates to create a new, higher baseline from which the discount would then be applied? Or would a new fare structure be implemented that sees a higher base rate applied to peak sailings (when

		compared to today's structure) and this rate then used to apply a discount structure to? This needs to be clarified and stated and approved prior to this application being accepted as valid and complete. As you know, BCF has now tipped and has priced itself beyond the reach of the casual traveller. And as you know, this is causing massive consternation in the small communities that BCF serves. Any rate and schedule changes going forward MUST increase affordability in balance with convenience for the travelling public that rely on the service. I'm concerned that because the forecasted rate structure is not detailed, and because there is a large emphasis on the term "discount" in the application, that the intent is to raise the base rates to which the discount would then be applied. Need I remind you that "peak" sailings are high usage for a reason - and the peak times generally represent habits associated to the convenience of remote travellers accessing their homes or destinations, and as such, are not easily moved or changed. If my suspicion is correct, this new structure will in fact result in yet higher fees for the regular user and lower fees for those who have flexibility in their ability to plan travel. If so, this is not acceptable. The last point to make is the observation that the proposed IT plan includes the BCF Vacation business- this is a surprise. It's my belief that while there may be BCF revenues associated to this arm of the business - those revenues are not discreet or additional, meaning they are not (measurable) revenues that would not or could not be recognized via other sources, but from the same clientele. It's also my belief that the operating expenses associated to this arm of the business are extremely high meaning the profit margins associated to revenues is very low (I have requested (via FOI) this information, but my request was refused). I fully expected this arm of the business to remain "alive" while lease commitments etc. were in place for the downtown office (which is located in THE most expensive retail place in Vancouver btw), but I'm dismayed to see the extension of this arm included in these commerce decisions - I believe this is an error and that it's inclusion may dilute the primary objective of the project, which is to provide convenient affordable travel for the residents of the the communities the system serves, their visitors and the commerce associated to their various economies. Appreciate the opportunity for input
21.	4-Dec-14	I am very concerned about the latest ferry proposal to move to an airline-style booking system. As part of the highway system, our ferry services are absolutely essential. We who live on the island often go to mainland British Columbia, not for travel or pleasure, but for business, family, and personal reasons. We often cannot make such plans in advance, as one who is planning a holiday might. In the event of an emergency, it would be tragic if the ferry service were fully booked and we could not get off the island. If the ferry system projects an increase of 5% over the next three years, as reported by CTV, then this bid to "modernize" is merely a cash grab. We who live on the island cannot and must not be held hostage to corporate greed.

22.	8-Dec-14	Mr. Macatee, I read about the proposed changes to reservations & that if customers don't prebook they will have to pay a higher fare price. This is an excerpt from what I read in the province newspaper: Mike Corrigan said fare discounts haven't been determined, but the current reservation-fee system will be dropped for customers who book online, while travellers who arrive at the ferry terminal without booking will pay more. "When people book, the beauty will be they have certainty of travel," Corrigan said. "They will go online, they will plan, book and pay online and when they show up at the ferry terminal it will just be confirmation that they've done so and they will travel aboard the ferry." Currently, ferry customers arrive at terminals and wait in line to pay with cash or credit cards. Customers who purchase a reservation prior to arrival are placed in a separate line where they are guaranteed a spot on a specific ferry sailing. Mr. Macatee I live on the Sunshine Coast in Roberts Creek & our highway is the ferry from Langdale to Horseshoe Bay. Do you have to make a reservation to travel on the highways you use? Of course not. It is obvious that Mr Corrigan doesn't actually have to use the ferry system for day to day travel if he thinks booking ahead like an airline company will work for most people. Ferry travel is not like booking a flight on an airline --If we want to take a day trip into Vancouver, we don't always plan ahead, I can make up my mind to go that morning & catch the 8:20am ferry. I also make unplanned trips to visit friends, family, take in movies, plays, etc. Trips on the ferry can be a spur of the moment decision & I don't feel I should be punished for using the only mode of transport available to us. Please look at every aspect of this proposal and say NO to it. This is only going to hurt the people who have to travel by ferry on a daily/weekly/ or monthly timetable.
23.	12-Dec-14	My concern living on the Sunshine Coast is losing the one way fare and TAP. After taking a quick look thru this document, I could find nothing relating to these two aspects of our use of the ferries. It's sometimes when great reports like this one come out, that there is fine print that is missed by the reader. Can you assure me that we will continue to have the one-way fare and the use of the TAP form. Don't forget....this is our Highway, the only one we have.

24.	13-Dec-14	I feel that BC Ferries' current reservation policy is archaic. I only ride the ferry between Nanaimo and Vancouver roughly twice a year, but I never make a reservation, because I refuse to be penalized \$15-\$22 each way for planning ahead and helping BC Ferries better anticipate and manage their passenger loads. A system similar to airline bookings (where it is standard practice to reserve and pay in advance) seems more fair to me. I do most of my travel planning online, and BC Ferries really needs to join other travel providers in the modern age. I would take advantage of discounted off-peak fares, and I would pay in advance in order to get a lower rate. However, I normally have a flexible schedule, and I know that many others do not. I don't think that the penalty for "last-minute" travellers should be so great that they are discouraged from riding the ferry at all. At the end of the day, I want a clear and easy advance booking process (and you would be surprised how little it would take to get me to advance purchase), but, because the ferry is a connector in the ground transportation system, I also want to know that it's available when I need it. If I need to make an emergency trip to the mainland for family, medical, or other reasons, the ferry is already the most economical mode of transportation. Please don't gouge people at this end, because many may simply be unable to book ahead. The BC Ferries website needs a complete overhaul; I think we can all agree on that. Too many PDFs, lack of mobile-friendly features, difficult reservation process. Please approve investment in a new website design. I do hope that, in designing mobile features and apps, that they don't forget about Blackberry users. In closing, and without knowing the final costs and impact on fares, I support the fare flexibility and digital experience initiative in principle. Thank you for your time,
25.	13-Dec-14	BC Ferry Commission has requested public input regarding the latest proposal by BC Ferries to impose an on-line advance sale & reservation system on ferry users. I can see that the BC Ferries website would require a serious overhaul in order to accommodate this infrastructure. With all the associated on-line purchase requirements needed to be put in place, the site would no doubt have to be built from the ground up, an expensive undertaking. The ferry system in BC has been an integral part of road travel in this province for the past several decades. It is merely an extension of our highway system. To impose an on-line reservation and ticket purchase system for the ferries is tantamount to imposing the same requirement on transit riders or bridge tolls under the guise of "saving money" on early-bird fares.

		Ferry travel should be open, accessible and available to all without making it more difficult. Currently ferry customers can roll up to the toll booth at any terminal and have a reasonable expectation of riding on the next scheduled crossing, without having to plan this relatively short trip weeks in advance. Many routes served by BC Ferries are not more than 95 minutes in duration and nothing more than a floating bus. Why is BC Ferries constantly striving to turn this short trip into an "experience"? All most of us want is to get from point A to point B safely and economically. BC Ferries should apply the KISS formula to everything they do (Keep It Simple, Stupid).
26.	13-Dec-14	I am writing to say that I do not like the proposal for fare flexibility & Digital experience Initiative that BC Ferry has announced. The ferry system is my highway . Do you have to make a reservation to use any other highways in BC. I don't think so. BC Ferry can't possibly be compared to an airline company reservation system. This proposal sounds like its based on people taking the ferry as part of a vacation or maybe a planned business trip. Not everyone takes the ferry for planned vacations, etc. I don't use the ferry for vacations or business (except to get to doctor appointments), I use it as part of the highway system to get from/to the Sunshine Coast, BC. Sure you can book reservations for both, but airline trips are usually planned months or years in advance, unlike the ferry where people usually decide that day or week to make a trip. I don't plan ahead to take a ferry like I do for a vacation on an airline. I live in Roberts Creek, BC and I may decide any day of the week to take the ferry (my highway) from Langdale to Horseshoe Bay to do some shopping or visit friends & relatives. From what I have read, if I don't book ahead I will be penalized & not get any discount. This is absurd. I have to take a ferry to get to the mainland, I have no other choice but to use the ferry. Why should I have to pay more just because I don't know ahead of time that I want to travel to Vancouver or other destinations

		using my highway - I think residents that have to use the ferry system should get a break on fares, not pay more. People book airlines because they are usually going away on a specific day & returning on a specific day. On many of the trips I take on the ferry, I don't know how many days I will be away or any specific day I am returning. Again if I don't make a reservation ahead, I will be charged more according to this fare flexibility proposal. Please take into consideration all the people who use the ferry as a highway as part of their daily lives, not just vacationers who want to visit the islands or the Sunshine Coast. Consider giving residents a special card or something that will help offset the extra money we would pay if we don't book ahead on BC Ferry. Booking ahead will be difficult for myself & I'm sure other residents that have to use the ferry to travel to the mainland. Please take an objective look at this proposal & consider the coastal residents who will be affected & have to pay more if they have to book ahead all the time in order to get the discount rate.
27.	14-Dec-14	I am just curious as to how long we have known about this application proposal and has it been in the local papers for a while? I see you also have some horrendously long web address which would put anyone off trying to go in and check on the info – or was that the plan!! Please can you not have something a little more easier for most of us to type in?? Maybe there is another address?? Goodness, it is Christmas after all – a time when we are all so busy so it is unreasonable to have a deadline of December 31st! (forgive me if this notice has been in the paper for months) Any suggestions will probably not be of much use anyway I am afraid – it is the same old thing – the public cry and the fares (or whatever is being suggested), will go ahead as you people want it to! It is well known that lowering costs to go to the arts /hockey or other activities etc, will always draw in more people if they feel it is reasonable, and the ferry fares certainly are not reasonable for the local person. Many people I know have cut back on the travelling because of the fares. Sorry, I just needed to give a blast on the fares as I love going to the Island and it is impossible now. Thank you for your time
28.	14-Dec-14	The deadline of December 31, 2014 for submissions regarding the IT initiative of BC Ferry is unrealistic given that the Corporation admits that "details regarding foot passengers and non-major routes have not been worked out yet." The deadline should be extended until such time that the Corporation has provided the details and, specifically, how the costs would be distributed across the system. On the surface, the initiative would seem to benefit the major routes thus, given the current government's bias towards user pay, those routes should bear the costs. If, on the other hand, the position is to cost system-wide, then one would wonder why the selective application of this position. If there is a benefit to all, then why wouldn't this position apply to all costs and benefits through out the

		transportation system in BC?
29.	16-Dec-14	BCFS Inc. SECTION 55(2) APPLICATION DECEMBER 2, 2014 FARE FLEXILITY AND DIGITAL EXPERIENCE INITIATIVE December 16, 2014 <u>Background and reason for this submission</u> The information provided in this submission is based on my personal and business experience as a BCF customer as well as 8 years' experience as a member of the Northern Sunshine Coast Ferry Advisory Committee, including 6 years as Chair. I have reviewed the application in detail and am very concerned about many of the specific initiatives and in general the overall lack of any kind of justification for them, financial or otherwise. My overriding reason for making this submission is the potential negative impact on the economic health of the Northern Sunshine Coast Coastal Community. A healthy ferry transportation system is vital to our commerce based economy and it is my opinion that this current BCF initiative will cause further harm. An effective and affordable transportation system is fundamental to economic development which, by definition, includes sustaining current business activity. This ferry system reached the 'tipping point' of affordability several years ago as concluded in the Commissioner's January 2012 Coastal Ferry Act Review. Prior to, and since that report, ferry traffic has declined in response to fare increases that are well above the BC CPI. It can be argued that changes in ferry traffic are one of the more important indicators of economic activity on the BC Coast, an argument that I support. It is my opinion that the proposed BCF Fare Flexibility Initiative has the potential to cause further traffic decline, as opposed to increasing traffic as concluded in the above application. In addition, I believe the initiative will unfairly penalize a significant portion of BCF customers who have to travel during peak traffic demand periods for business, school or personal reasons. <u>Discussion – Based on specific sections of the above application</u> a) Main Section of the application – Pages 1 to 55 a. Introduction – BCF claims to 'understand its customers on page 3. I completely disagree and believe BCF do not understand the customer base, specifically those living on the Northern Sunshine Coast (NSC). This BCF initiative will target routes 3 and 17 at some point in the roll out, both important routes for NSC residents and to claim this initiative will grow the on line tariff revenue 70% on the two routes is highly unlikely. I find no overall realistic justification for this anywhere in this application. It is important to note that on an annual basis the majority of BCF customers using

NSC routes are residents.

b. Section 1, Initiative description – The Overview beginning on page 7 again makes unsupported claims about customer use, specifically in this case, the use of mobile devices and conventional personal computers. In my experience NSC customers are generally not supportive of reservations (the main on line revenue source) and, as an example, there were many objections when reservations were first implemented on route 17. First come first served is still a popular concept locally. In addition, reservations on route 3 are problematic in some cases due to connectivity issues; people lose reservations because they can't get to Langdale in time. Also note that ferry users returning home from business trips, medical appointments, sports and other personal activity often cannot predict which sailing they will use and therefore can't reserve until the last minute, which currently is not possible. A final point, the population demographic for the NSC is heavy to seniors, many of whom do not and will not have internet capability.

c. Section 1, Current practices and Historical Perspective – This part of the report, on pages 10 and 11 mention 'modern travel options' and 'industry best practices review' which suggests the initiative is in part based on other travel industries. For the record, a ferry system is not a cruise line or an airline. It is, in fact, part of the highway system in British Columbia and is viewed as such by the majority of its customers. This fact, in and of itself, will limit the e-commerce aspect of this initiative.

Also on page 11, BCF states that 'step 1' is complete, a step that includes customer research. There is no mention in this report what customers were consulted and who made up the 'customer focus group', a term used later in the application. The only customer information appears to have come from random on line feedback and customer complaints, a very limited cross section of BCF customers. **Because so much of this initiative is claimed to be driven by customers, BCF should be required to explain the details on that consultation.**

d. Section 1, BC Ferries website – The fact that there has not been a major upgrade to the website since 2006 (page 12) speaks for itself. I have used the reservation system recently and it does work, however it is probably appropriate to do another major upgrade. The issue is the questionable need for and the value of the initiative components related to that upgrade.

e. Section 1, Business drivers and Objectives – On page 12 BCF quantify the projected traffic increase from this initiative as 'between 3 and 5 percent incremental traffic on reserveable routes'. I can find no detailed explanation for this estimate in this application hence it must simply be a 'boardroom guesstimate'. As mentioned earlier, I believe this fare flexibility initiative will reduce traffic and not increase it. My reasons for this opinion include:

i. Because the fare flexibility will have to be revenue neutral, as it always is, the current reservation revenue will have to be embedded in the tariff as stated later in the report so that the most expensive fare (set price) for the 'show and go' customer will likely be higher than current fares due to the discounted on line fares for non-peak demand and

reserveable travel times. There will be many of the 'show and go' customers on the NSC and they will be financially penalized.

- ii. In the case of NSC ferry customers, many have to travel at peak demand times because they work Monday to Friday, they or their children attend school or they are attending weekend events such youth sports tournaments, festivals, etc. Those customers will pay more, reservations or not.
- iii. As stated before, many NSC based ferry customers are not able to determine what return ferry they will be catching due to uncertainty in their travel plans, hence they will become part of the 'show and go' customers on the return trip, often in a peak demand situation such as Sunday travel.
- iv. Based the potential to 'reduce pressure on future fare increases', outlined in detail later in this application, I seriously doubt it will be significant enough to drive an overall traffic increase on any of the reserveable routes and specifically on route 17. The higher fares on peak travel times will likely reduce trips for the discretionary traveller and result in an overall traffic decline.

In summary, there is not enough 'real' customer or analytical evidence in this application to support the 3 to 5% traffic increase.

f. Section1, Digital Experience Strategy – Item 4 one page 20 mentions a 'rewards program'. I can find no details of this in the application. Typical of the claims in this application on page 21, second bullet, is the statement 'encourage them to travel with BC Ferries more often, thereby capturing discretionary and incremental revenue. On what basis are these type of items presented?

g. Section 1, Synergy with ACE program – I am somewhat familiar with the ACE program and support it, particularly the automated vehicle measuring system. This automated measuring system provides a huge opportunity for BCF to move to a cost/foot fare for all non-commercial traffic. **If BCF wants to make a positive customer change, this is it.** In my opinion, even on a revenue neutral basis, this change would be well received by the majority of BCF customers from smart car travellers to 'current' over length customers.

h. Section 2, Analysis of options – This is a very weak discussion of options with no substantive analysis to justify option 2. BCF acknowledges that the 'estimated growth in revenue is mainly attributed to the anticipated growth in traffic' which in turn appears to be a BCF guesstimate. They also claim the generation of additional on board revenue is based on the anticipated growth in traffic, another guesstimate based on an initial guesstimate! (page 41, paragraph 3) On top of that they also indicate that all this is dependent on 'customer acceptance of a move to advance purchase of travel and on-board amenities, etc. (page 43, first bullet under cons). **Questionable 'customer acceptance' is sufficient reason to question the justification for a major capital expense that requires the Commissioner's approval?**

i. Section 3, Other considerations – The price cap implications stated by BCF are self-defeating. **How could any reasonable person accept that an annual price cap that will be reduced by 0.07% in PT4 and by 0.39% in PT5 for a grand total of a 1.82% reduction in the price cap in 2024 be a driver for increased traffic over a 10 year period?** Remember that BCF forecast ‘a moderate increase in traffic for Fiscal 2013 and traffic steady at 2013 levels for Fiscal 2014’. The price cap for PT3 was set based on this level traffic forecast which as we know did not happen. In fact all traffic dropped between 1.1% and 1.3% in each of the first two years of PT3. For Fiscal 2015 vehicle traffic is down by .65% ytd and passenger traffic is down by .36% ytd with little chance of recovery by March 31, 2015 (as of October 2014). Note that the BCF traffic forecast in the current PT4 submission indicates traffic will be relatively flat in Fiscal 2014 and 2015 which probably won’t happen as noted above. I mention these historical forecasts because they were wrong and there is no reason to believe the forecasts in this application will in fact happen. In my opinion the price cap analysis in this section is simply not credible.

In the section on ancillary services BCF suggest that, again, the increased traffic will increase sales of food, merchandise and vacation packages. This assumption is not valid based on my comment on price cap analysis.

j. Section 3, Completed and future consultations – On page 47 BCF states that customer focus groups were used to validate customer expectations for this initiative and that an external consultant used customer focus groups to design a ‘reservation booking flow’.

As previously stated BCF has not identified the makeup and size of these customer focus groups nor provided any written summaries which make the above statements and other comments relative to customer consultation invalid. **It is my opinion, prior to approval of this submission or a revised submission, BCF should be required to conduct a customer consultation for all routes based on the process used by the Commissioner in the fall of 2011. This should be done by BCF staff, no consultants, and available to all residents, including local Government, of ferry dependent coastal communities if they choose to participate.**

k. Section 4, Procurement and Risk – On page 49 BCF state that ‘fixed price contract awards are contemplated’ as part of the procurement strategy. History tells us that large software projects are often over budget and late in delivery. I seriously doubt that this procurement objective is possible for a project of this magnitude, one where specific design requirements have not yet been established. In fact, BCF acknowledges that this may happen in the risk and mitigation discussion.

l. Section 5, Summary and Conclusion, pages 54 and 55 – Based on my comments above, I do not agree that this initiative will increase traffic or reduce pressure on fares nor will it enhance the customer experience significantly for NSC residents. **The necessary consultation with ferry dependent communities must be completed as discussed**

above prior to approval of this initiative.

2. Appendix A: Fare Flexibility and Revenue Management Strategy Report, Pages 56 – 84

a. This entire document, Appendix A dated September 30, 2014 is obviously one of the main source documents for the main body of the application. Very little new information is found in these pages. There are a few new items, however, that are alarming. There is confirmation that the 3% to 5% increase in traffic is predicted for routes 3 and 17 (bottom of page 64); unlikely to happen in my opinion. There is also confirmation that the reservation fee will be embedded in the fare (page 67); likely increasing the nominal fare.

It is concerning that a premium fare and assured loading will be designed specifically for time sensitive ‘business’ passengers when there are other passengers who also have time sensitive needs; specifically those NSC residents with medical appointments on Vancouver Island. This is a glaring omission as a result of no public consultation.

Item 4.3.2 clarifies that it will cost more for NSC residents who are ‘schedule sensitive’ due to work and school commitments and need to travel during periods of high demand, notably Friday and Sunday; another result of no public consultation.

In Appendix A of Appendix A there are more unsubstantiated claims of customer acceptance based on ‘customer focus groups. As already mentioned, the composition and size of these groups, together with the details of the consultation, are necessary to validate these conclusions.

In Appendix B of Appendix A it is claimed that shaping demand will avoid congestion and sailing waits at terminals. It seems to me that history and human nature will still result in customers rushing to ferry terminals at the last minute resulting in very little improvement in this situation.

3. Appendix B: Digital Experience Strategy, Pages 85 - 178

a. I have no comments on Appendix B.

4. Appendix C: BC Ferries Website and Fares, Customer Feedback, Pages 179 – 187

a. On the Web, Fares & Reservations, Customer Feedback – This information appears to be customer feedback/complaints/suggestions by email or phone to customer service representatives; this is assumed because there is no other explanation that I can find. Assuming this is so, the feedback is not relevant as ‘customer consultation’ relative to this initiative. It is useful information obviously but it does not serve to evaluate the proposed

capital project identified in this application. There is still no evidence of appropriate customer consultation.

5. Appendix D – Responses to Section 55 Application Guidelines Questions, Pages 188 – 193

a. It is disappointing that the Commissioner's Section 55 Guidelines Questions do not include a pre-application requirement for community/customer consultation for projects that obviously have a direct impact on ferry users and coastal communities. As stated previously, I believe this is necessary for this capital project.

Conclusions and Recommendations based on my review of this Section 55(2) Application

1. There has been no customer or community consultation specifically related to this capital project application to the commissioner. Since this project will have a significant impact on ferry users and coastal communities, as stated earlier in this submission, I believe this project should be delayed until such time as BCF conducts that consultation using a process similar to that used by the Commissioner in the fall of 2011.
2. The 3% to 5% traffic increase resulting from this project has not been supported by any evidence of an analytical study that supports the conclusion. If this is a guesstimate as I have assumed then BCF should be required to develop and provide some justification for this level of traffic increase. As stated in the body of my submission I believe it is more likely that the proposed fare structure will have a negative impact on traffic because a significant number of ferry users will experience a fare increase during peak demand periods. Continuing traffic loss due to high fares has the potential to cause economic harm to the NSC.
3. Even if the proposed traffic increase does happen it does not significantly reduce pressure on fares which seems to be the major justification for the fare structure proposal identified in this application. A price cap reduction of 1.82% 10 years down the road will not have a positive impact on traffic. I support the notion that a fare reduction in the order of 25% is needed to initiate a climb back to historical higher traffic levels in the mid 2000's, in part because ferry users discretionary income has been falling at the same time as ferry fares have been escalating far beyond the 2011 tipping point of affordability.
4. The automated measuring system which is part of the ACE system should be a priority with the objective of a length based tariff for all non-commercial vehicles. In my opinion that will have a positive impact on ferry traffic and BCF customers.
5. Although not directly related to this application the Commissioner guidelines for Section 55(2) applications should include a requirement for public and community consultation for projects that will impact ferry users and the economic or social health of the coastal community(s) involved. On the NSC we now have had two important projects reach the Commissioner's office without any public consultation from BCF. Those projects include this one and the Queen of Burnaby replacement. Ferry users and Community representatives/Government should have the opportunity to discuss project impacts with BCF prior to Section 55(2) applications being finalized.

		Thank you for the opportunity to provide comment on this Section 55(2) application
30.	17-Dec-14	I would love to comment on this initiative but I am unclear as to what it actually entails. Questions: 1. If there will be off-peak discounts, will there also be peak inflation? How will these prices compare to current prices (specifically please)? 2. You state that the current software cannot support flexible pricing yet there is currently flexible pricing for oversized vehicles. What's up with that? 3. Has there been a comparative study on different fuel sources? I'm not convinced that LNG is the best alternative. 4. Are you sure people want more food and retail options? I understand that these generate revenue for the ferries, I would like to understand how much they impact our actual fares. All that I want from my ferry system is ferries that run frequently and predictably, are priced based on the fact that they are part of the highway system, and sustainable both environmentally and economically.
31.	5-Dec-14	I am delighted to hear that the Ferry Commission is considering a move to no-charge booking for ferry trips. I have thought for years that this should be the way things were. I hope the digitalization will go smoothly and effectively without all the snags associated with so many other initiatives in BC, i.e. the school records, the medical records, ec. Your choice of system should depend on the expertise of the company as well as past experience with the system. Innovation sounds great initially, but as demonstrated, often leads to failure to perform along with disastrous costs.
32.	05-Dec-14	RE: overhauling online booking, They will spend millions to do this again. Save the money, go back to no reservation, except for trucks {with no fee's} because of deck space they take up. Everyone else would be first come first served, all you need is a call in line, that they can access to find out available space on each sailing. Until times get better and they have a cash flow go back to the basic's. They are building more ferries in Poland, they should have looked at the Duke point issue of sailing a super C with a deck that is never opened, because they lack the passengers. But the Deck department needs the truck space to keep goods moving to and from the main land. This ferry could be used in a better location because of the abundance of space it has. Poland should be building a truck ferry for that run to accommodate lots of trucks and fewer passengers. The super C would be more of a fit without deck 5.
33.	5-Dec-14	I read with interest the article "BC Ferries to revamp reservation system"... in today's Vancouver Sun. In addition of

		what has been said in this article, I would recommend that the BC Ferry Commission get together with major hotels or hotel chains especially in Victoria and offer some more lucrative ferry/hotel deals that can be booked online. Senior discounts would also be welcome! What kept me traveling to Vancouver Island in the past years were the terribly high ferry prices. I searched several times in the past for hotel and ferry deals and couldn't find any online. Your plan to offer off-peak deals would definitely motivate me to use BC Ferries more often.
34.	05-Dec-14	I am a frequent self-employed corporate user of the ferries swartz-tsw route. I appreciate your service and variety of sailing times. I know I speak for many business customers when I say FLEXIBILTY is key. Booking a return time for trip or maybe even a departure time is not going to happen. schedules change for business and we need flexibility and that is a good current PLUS of your system as it is. certainly bringing back off speak specials or midnight sailings is of interest but the key is being able to show up and get on the boat (I do have the "assured loading card" and it is great except for the 2 year expiry date. Love your buffet service as well and always use it. If there was a way to load the first on in the first off lanes rather than "squaring" then that would also be helpful. For example, I often get there at 5:40 AM for the 7 and don't have to use my assured loading card. Assured loads loads first (As they should) and they get the inside lane which offloads first -as they should. However, I arrived at 5:40 and 90% of the time, due the squaring I end up in the outside land and thus leave the ferry last. With your increases in fares I do now opt more for Harbour Air and have a the rental car waiting on the other side (harbour air has the keys for me so away I go). I just wanted to pass on my feedback (have never done so and have been an active regular happy user for 25+ years).
35.	05-Dec-14	I couldn't figure out your on-line application process, hence this email. I hope many more people tell you, and the BC Ferry Commission not only hears "LOUD and CLEAR" but listens and acts... 1. Return the ferries to Ministry of Transportation, run as a service to the public, not a for-profit business. 2. Fire the board running BC Ferries, with no severence packages... they haven't earned them... their methods/ideas/focus have decreased ridership, not improved the service. Decrease the number of managers by half (600+ is top heavy) ! Do not take this fiasco out on ferry employees. 3. Charge a fair fare... the majority of us are not tourists, we're commuters... and the tourists will use the service more as well. As fares have increased we have correspondingly decreased the number of times we travel on the ferry. We've decreased our travel back a forth from almost once a month (from about 10 years ago) to barely once a year now, due to the current fare costs. We have family in Williams Lake, and when necessary, it is much cheaper and faster for a single person to book a flight from Campbell River to Williams Lake, than it is to take the ferry and drive, pay for gas, an overnight stay on the mainland (because I can no longer drive 13+ hours in one go) plus meals for the journey. As for public desire for "digital experience", I am a senior who does not happily use "digital" services... My only experience at trying to reserve for a ferry was extremely frustrating... We were in an emergency situation, trying to book a reservation from Campbell River, for the ferry from Nanaimo to Horseshoe Bay, but after several attempts weren't able to do so; the on-line service had crashed, which we found out about several days later via a news cast on tv. That was a few years ago.

		Another attempt, albeit a few years later, didn't recognize my profile, and of course after not using the system for such a long time, I had forgotten my password. I simply gave up trying. So I am distressed now to think that the only way to use the ferry in future, may be to book a reservation on-line... an alternate method (like being able to phone and talk to a real person) should be available if reservations are going to be the only way.
36.	5-Dec-14	I might be a simple lifelong resident of a coastal community (Gibsons), and although I had to move away nearly 5 years ago so my husband could have a life other than riding late ferries back and forth every day at ever increasing costs, I would definitely like to comment on BC Ferries proposed Fare Flexibility and Digital Experience initiative. Many British Columbians are extremely unhappy with the position that the BC Liberals have put our ferry service in over the past 8 or 9 years. Schedules are in complete disarray all the time, nobody ever knows what the schedule is from month to month and sometime from day to day. Fares are sky high and showing no signs of slowing down. Communities are suffering. Commuters are spending countless hours getting back and forth. Seniors have been ripped off for their free fares, even though the province is still paying BC Ferries for them. There is one manager for every 10 employees....Here's another suggestion. How about we actually have people run this service who know anything about ferries? First we had Mr. Hahn and then the various Ministers', most of whom are from the North or Interior where there ARE no ferries. Let's use the KISS principle here one more time. You know "Keep It Simple Stupid". BC Ferries is not a cruise line. It is not an airline. Recognizing that an essential link between the mainland and the coastal communities was required, it is a coastal bus that was set up in 1960 by WAC Bennett as an affordable and reliable alternative to the Black Ball and CPR ferries. We really don't need any "Initiatives". Here is what it would take as an incentive for me to use the ferries more. LOWER THE FREAKIN' FARES! Don't give us fare flexibility or a digital experience or slot machines or more advertising on the ships or fewer sailings or any of those things. Get rid of 50% of the useless managers, lower the fares and start running on time again. You'd be amazed at how many people would come back, and quickly. As I said, I may be a simple soul, and not a high-faluting, overpaid rocket scientist, but the solution to BC Ferries' troubles isn't really that difficult. Feel free to call. I have no doubt that I can help you figure this out. After all, we had a perfectly good functioning ferry system from 1960 until 2006, the year that Mr. Gordon Campbell decided to dismantle our service. So Mr. Ferry Commissioner and Mr. Corrigan - not sure how much "louder and clearer" my suggestions can be. Hope

		you're listening!
37.	5-Dec-14	BC Ferries is not a cruise line. It is not an airline. Recognizing that an essential link between the mainland and the coastal communities was required, it is a coastal bus that was set up in 1960 by WAC Bennett as an affordable and reliable alternative to the Black Ball and CPR ferries. We really don't need any "Initiatives". Here is what it would take as an incentive for me to use the ferries more. LOWER THE FREAKIN' FARES! Don't give us fare flexibility or a digital experience or slot machines or more advertising on the ships or fewer sailings or any of those things. Get rid of 50% of the useless managers, lower the fares and start running on time again. You'd be amazed at how many people would come back, and quickly. We had a perfectly good functioning ferry system from 1960 until 2006, the year that Mr. Gordon Campbell decided to dismantle our service. So Mr. Ferry Commissioner and Mr. Corrigan - not sure how much "louder and clearer" my suggestions can be. Hope you're listening!
38.	5-Dec-14	In 2013, from March to October we rode the Swartz Bay ferry eighteen times; in 2014, the number of times we used the same route was zero. We now fly . Flying takes less time and we now find it less expensive. We have given up using BC Ferries when we visit our grandchildren in Kelowna. Complaints about the ferries fall on deaf ears. We find the ferries are beyond the tipping point. In our opinion, the ferries are beyond hope.
39.	5-Dec-14	All I know is, I have to pay \$200/mo just to take my son into town for weekly appointments. You are supposed to be a highway. Our islands have been highjacked! Yes, great, you're not going to stiff us with extra reservation fees, noble. Thank you. But the kind of increases we have been seeing over these last 6 years have been astronomical. And the only savings available are if you actually HAVE enough money to load a card. Its so stupid. Residents should have completely different fares, based on their drivers licenses and you should be kind to us. Otherwise, you are right "It should be noted that should these traffic increases be achieved, overall traffic levels will still be below those experienced in 2008"...well duh, look at the price difference!? It's not rocket science. CUT YOUR ADMINSTRATIVE TOP HEAVY CEO SALARY INCREASES, REDUCE FARES FOR RESIDENTS TO 2008 LEVELS AND YOU WILL SEE AN INCREASE IN TRAFFIC. THEN AND ONLY THEN. Otherwise, you are choking the life out of our islands
40.	5-Dec-14	If BC ferries is interested in efficiency and sustainability why not start passenger only ferries with cheaper fares, lower gas bills, fewer staff/and services. In combination with improved public transit, this would increase ridership and local

		economies. This may not provide max profits but it would attract more people to the islands.
41.	6-Dec-14	I would like to see more consideration given to the effects of sailing reductions and fare increases on the “big” picture. This would need include impacts on the local economies, growth in the affected areas, etc. In other words, let’s see a multi factor benefit cost analysis. The reductions and fare increases appear to have had a direct impact on the economies of the Sunshine Coast areas and a devastating affect on the Bella Coola area. Perhaps more thought can be given to this situation.
42.	6-Dec-14	I think this a great idea and long over due. Pre-registration should be mandatory on the larger routes. It would help with staffing the ships with the proper number of crew. It would help with safety – A Spirit boat holds 470 cars. Only 470 cars would make their way up the Pat Bay Hwy every hour. There would be no need to ‘race’ up the hwy to beat the car of ahead of you, cause everyone will have a reserved spot. It will help with traffic/congestion. No longer will cars line up down the hwy outside a ferry terminal waiting to board a ferry. If total reservations had been mandatory 10 years ago, you would not have had to increase the size of ferry terminals to hold more cars (so they would not spill out onto the hwy). It would help with security – if all passengers had to prepay – you would have a record of how many people are on the ship and generally who they are. Thanks for the opportunity to provide input!
43.	6-Dec-14	Why not use the current reservation system with modifications as a temporary no-fee reservation system for everyone to start using now. It can be done. Charging non-reservation customers an additional fee should include some positive outcomes and options. Use extra fee as a credit coupon for the purchase of their return ticket which can be purchased at gift shop, restaurant, etc. gift cards, donation to charity etc. or for next on-line reservation. Alternatively or in combination an immediate credit for any on-board purchase. Option to purchase at current fare price for return trips after April 1, e.g. Rvers. Fares go up each year and making the return reservation (which can be changed if necessary) would be desirable at the lower cost. Credit the new reservation date (if change made) with payment already made. Particularly thinking of RVers who return after April 1 at the higher fares.

		If two reservations made at the same time for going and coming provide a little discount (return fare like Airlines do) for travellers and tourists. Phrase out Departure Bay Terminal and phase in 24hr, 7 days, 365 days service at Duke Point.
44.	6-Dec-14	With respect to the application that has been made regarding the “Fare Flexibility and Digital Experience Initiative”. The initiative does not ensure a system wide advantage that will result in reduced fares. In fact it proposes to raise fares by including the existing reservation fee in the new cost structure for those who do not have the ability to pay in advance. The proposal states 1.2 Objectives and Scope The principal objectives of the Initiative are to: A. Reduce Pressure on Future Fares and Improve Fare Affordability: As envisaged by the two business strategies, this Initiative will generate revenue by increasing both traffic and online ancillary purchase" How will booking online increase traffic and purchases when the rates are already too high for most to travel? We have personally reduced our trips from 6-10 x per year to the lower mainland to 2 times per year. Being able to pay in advance for a "reduced" fare that is actually the same expensive fare does not alter our decision to travel less due to the high cost. With respect to the smaller routes, do customers even "want" to book in advance and if so, how will they be guaranteed a spot on that particular sailing? If the spot is not guaranteed, why would the customer pay in advance? Will there be space set aside in the loading area for reserved and non reserved customers? What will these changes to the loading sites for the smaller terminals cost? Is it even possible? Who will ensure that reserved customers board first and will this require more staff? If this ticketing system requires booking through an e-commerce site, how will BC Ferries ensure that customers with limited internet access will be able to book tickets as is the case for many small islands? The ferry that I take on my daily commute is more similar to a bus than an airline. I do not have time to go online and book my ticket in advance, and often circumstances dictate I adjust my travel times by an hour due to work or child demands. This is flexibility, to be able to travel on the ferry at a time that I choose and not be hindered by an e-commerce site that may or may not be accessible if the site or internet is down.

		Please consider carefully the impact the proposal will have on the average user, not just tourists or discretionary travel.
45.	6-Dec-14	That's thinking "out of the box"!! If the ridership is low for a sailing, please make it worth our while to take that sailing for example, make the fee \$5.00 less per person at least. And for the vehicle, make it about 1/3 less the normal cost. Passengers will not bother much for fees that are deemed "a token" effort. Make it worth our while!!
46.	7-Dec-14	The proposed fare system may help passengers,tourists that know in advance when they like to use the ferry and have on line access How about the ones that need to cross the water on the spur of the moment such as family emergencies,medical reasons or just for the day The proposed system is modelled after the airlines booking procedure but is the ferry not part of the Canadian Highway System and should be easy accessible It is not fair to penalize them and make it difficult and expensive to get to mainland.
47.	7-Dec-14	I am availing myself of the opportunity to comment on BC Ferries' proposal for a Fare-Flexibility and Digital Experience Initiative. My first concern about this proposal is that the public-comment period is only for the month of December. It should go without saying that many people with an interest in this issue who would like to do so may not comment because they are caught up in the holidays. In addition, I find it strange that the commissioner has not created a form for comments that can be filled out on his website. Furthermore, the proposal is also difficult to comment on because it is unknown how BC Ferries plans to implement it in practice or if it even has a plan; some of its contents may be not be acted on and what ultimately emerges in 2017 may be very different from what is found in this application. In section 38(1) of the Coastal Ferry Act the commissioner is called upon to balance the interests of taxpayers, the interests of ferry users, and the financial sustainability of ferry operators. In my view, the interests of taxpayers and financial sustainability have generally been given more weight than the interests of ferry users. I feel this will likely prove true once more when the proposal at hand is decided upon. This proposal is a radical one. It involves completely re-thinking the way BC Ferries' fares have worked even since the ferry system was first started in 1960. Until this point, ferries were show-up-and-go; only 16 percent of travellers make a reservation. First, let me be clear that I have no objection to BC Ferries' upgrading its website and computers or to the broad concept of having passengers in cars--let me repeat that--in cars who "just show up" pay more. I also have no

objection to the terminal automation upgrades found on page 138.

My first concern about this is how it will affect foot passengers. Fare for those without a vehicle are significantly lower than those with vehicles. The benefits to be gained from prepayment of fares and the introduction of flexible fares seem, to this casual observer, to be much less substantial for this group of travellers than those to be reaped by those travelling with vehicles. While reserving vehicle space ahead of time makes perfect sense, for foot passengers it is not an issue as sailing waits for them are virtually unheard-of even with the recent uptick in their numbers due to rising fares. Foot passengers should not be subjected to the totality of BC Ferries' proposed new fare regime.

My second concern is how BC Ferries plans to deal with the minor routes with regards to this proposal. The geographical extent to which this proposal will be implemented is not made clear by BC Ferries. It seems to be tailor-made for the major routes, but is grossly ill-suited for the minor routes. It is absolutely not "one size fits all." Having daily commuters who live on, say, Quadra Island but work in Campbell River make reservations to come back home each day to avoid paying extra at the toll booth is ridiculous. I doubt if this will actually happen, but I urge the commissioner to ensure each group of routes has the fare and reservation system most appropriate for their needs.

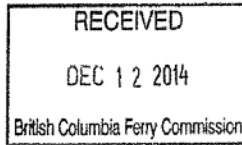
My third concern is with BC Ferries' suggestion on page 10 that this new computer system will enable it to "design different fare products that are attractive to different customer groups." To begin with, the idea of different "fare products" is, as noted above, utterly absurd on the minor routes. And as well, there's no Seawest Lounge on, say, the Powell River Queen . Secondly, trying to divide the travelling public into different classes based on ability to pay is not in the interests of the vast majority of ferry users, who are ordinary people with ordinary incomes living in this province. It is mainly in the interests of foreign tourists and those with high incomes. BC Ferries likes to pretend it runs a cruise-ship-like luxury service, but this notion is belied by the prominent presence of needle disposal containers in terminal bathrooms. Whether it likes it or not, BC Ferries has to serve everyone and ideally it should do so as equally as possible.

Finally, I urge the commissioner to ensure that the new fare regime is, when implemented, fully comprehensible to the travelling public. The way airfares are calculated is largely opaque; you could go onto an airline website, price a flight and get a price, then come back five minutes later and get a completely different price. Outside the online reservation system, travellers should continue to be able to look up what they'll pay for which sailings in a complete, predictable, and understandable publicly-available tariff not much different from the PDF files currently made available at http://www.bcferrries.com/travel_planning/fares/.

As it stands, BC Ferries' proposal seems unnecessarily complicated even for the major routes. On one hand, passengers might enjoy picking options off an online menu and it probably isn't such a bad idea to create peak and off-peak fares. But, on the other hand, maybe there should be some kind of limit to avoid this getting too far out of hand? BC Ferries proposes on pages 67 and 68 a minimum of seven different fare categories. Without knowing how it will work in practice, it sounds intimidating. I caution the commissioner to ensure the results of this proposal will not overwhelm the travelling public.

48.	9-Dec-14	Have you considered adopting ferry fares for vehicles that more fairly reflect the room they take on the car deck? Your current shortest length is 20 feet (6.1 m). With today's technology and posted information, each make and model of vehicle, particularly cars, could be given its own fare structure based on the length of the vehicle. For instance, a Smart car is barely 3 metres long; my 2003 VW Golf is about 4.2 m, many small cars today are 3.9 - 4.4 m in length (e.g., Nissan Versa, Honda Fit, VW Golf, Mercedes B250, Ford Flesta, BMW i3, Mini and Mini Clubman, Kia Soul, to name only a few). With controlled spacing on the ferry, a significantly greater number of cars could be carried than the standard 6.1 m vehicle length you currently use indicates. You already measure larger vehicles and charge them accordingly. Why not recognize today's smaller vehicles? There would no doubt be much favourable publicity possible with a move like this!
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BC Ferry Commission
P.O. Box 9279 Stn Prov Govt,
Victoria, B.C.
V8W 9J7



In response to the invitation for commentary on B.C. Ferries' proposed Fare Flexibility and Digital Experience Initiative.

The ferry system as it is presently structured does not meet the needs of the many and varied communities which it serves. This proposal would create further inequality in the system. While it may be of benefit to the major lower mainland routes it would further alienate the minor routes who would not benefit from this technology. The corporation is encouraged to take a commercial approach to managing the service however this request for a major capital expenditure to finance management strategies is not in the best interests of those communities who constitute the largest areas which the fleet serves and who are the most dependant on the service.

The proposal does not meet the conditions of the Coastal Ferry Act under section 55(4) which requires that approval for major capital expenditure must meet the following conditions.

- a) Reasonable The proposal is not reasonable in that it seeks to implement a system which principally benefits the major lower mainland routes.
- b) Prudent The proposal is not fiscally prudent as the major routes which it aims to promote are already profitable.
- c) Consistency with the current Coastal Ferry Service Contract.

The contract requires that the ferry corporation provide fair, equal and affordable service to all ferry users. The commercial element of this proposal targets the smallest sector of ferry users (that is the tourists) at the expense of those communities who are totally dependant on the service and who do not require marketing promotions, frequent travel points or advance booking services.

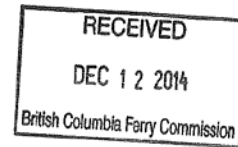
If the corporation continues to focus on the commercialization of the system the minor routes which are totally dependant on ferry service must be returned to the jurisdiction of the Department of Highways where their revenues will not be utilized in marketing strategies which are of no benefit to their essential need of a transportation service.

This initiative offers no relief to the immediate problem of low ridership which is a direct result of unaffordable fares. If the advertising budget were completely eliminated and that capital applied to reducing fares on every route, ridership would increase without the need for any costly new information technology or inflated marketing budgets. The tourism sector is already well promoted by Tourism B.C. As the ferry is the only means of accessing most minor routes and island destinations it hardly seems prudent to expend capital on marketing. The current website already has an efficient advance booking and reservation system, if further efficiencies are to be found, the advertising budget should be examined.

50.	15-Dec-14	Yes, updating BC Ferries technology will be money well spent. Discounts for non-prime time travel are well overdue. Waiting in ferry line-ups and worry about potential lineups are unnecessarily stressful. Making almost all trips reservable at no extra cost makes so much sense. Can you imagine showing up at the airlines without a reservation? Chaos would ensue (similar to BC Ferries on long weekends). One thing I have not heard mentioned is offering reservations for foot passengers. We have a recreational property on Saturna, had my daughter's wedding on Saltspring and my parents live on Vancouver Island. Much of our stress around ferry travel has been over foot passengers at peak times. When we were planning my daughter's wedding on Saltspring, we remembered the chaos at Galiano ferry terminal a few years ago- there were 2 large weddings on the same weekend and many foot passengers were left standing on the dock even though there was room on the ferry (something about staffing). We had nightmares about BC Ferries ability, or inability, to handle "surprise" customers. It would have been ideal for BC Ferries and passengers both if everyone attending the wedding could have reserved well in advance. You may hear objections from some senior citizens who don't use smart phones or say they don't have access to internet. But their numbers are dwindling rapidly. My husband is 70 and I am 61 and we are very attached to our smartphones whether traveling the world or crossing the straight close to home. Good luck with upgrading to technology for the 21st century. I look forward to the improvements.
51.	16-Dec-14	Thank you for providing the opportunity to provide comment on the above Initiative. As a long term BC Ferries user and an observer of many changes over the past 40 years I don't necessarily support your intended implementation objectives nor the outcomes of these initiatives. I do not support moving the traveling public toward a prepaid and online process. Those are your objectives not the travellers. The public currently has that option and chooses not to use it for many reasons, uncertainty of travel and thus personal risk assessment of ability to talk to a human at the ferry corporation to rectify a missed prepaid situation in a timely manner. Further I don't think the hardware and software described and implementation of the system should cost in excess of 5 million dollars. Since the Travelling public will have to fund these proposed initiatives, if surveyed at this time with high fares and a slow economy, they may say that now is not the time to spend this amount on this plan. I agree with the preamble description of the commitment BC Ferry Corporation had to fulfilling the contract with the province of BC and providing service to its clients.

		Thank you for providing an opportunity to provide comment.
52.	17-Dec-14	I want to be able to book a reservation without additional cost. If properly done – ferries could book additional ferries at peak times and possibly cancel the ones that have very little customers. It makes sense so my questions is - Why would it take 2 years to get a website up and running. ? Yikes, typical government bureaucracy at work.
53.	14-Dec-14	I fully support having ferry reservation opportunities built into the fare system at no extra cost. It is long overdue. I understand Washington State ferries has had a full reservation system for many years. It would benefit the entire system by reducing the need for bigger parking lots to handle longer line-ups waiting for extra sailings.
54.	4-Dec-14	I am a resident of Vancouver Island and am constantly hearing news about BC Ferries is trying to generate more revenue and get people back on the ferry. Ridership is at an all-time low and fares are at an all-time high. Why does this correlation seem to be beyond BC Ferries' grasp that the rates are too high for the island populations to support riding? The latest news is money being poured into a new website to try to increase ridership. DON'T WASTE THE MONEY on a new website! Just CUT fares! That will be how you see an increase in ridership. The average household income in Nanaimo is \$52,000 annually. How can you expect people bringing in that kind of money to afford \$200 round trip to get the mainland? Ferry management makes too much money - look at Washington State's model. Start addressing the true reasons for these ridiculous rates and you will see a change, which will positively impact the economy on both sides of the Salish Sea. How is it so clear to everyone but the people running the system. The willful blindness is embarrassing for the organization. Please provide a response so I know my concerns have been heard.
55.	8-Dec-14	Yes, or I could have been more succinct - do not PUNISH the PLANNERS! Best of luck.

December 5, 2014



BC Ferry Commission
PO Box 9279 Stn Prov Gov
Victoria BC
V8W 9J7

Re: BC Ferries to revamp reservation system offer off-peak deals, Vancouver Sun,
Thursday, December 4, 2014
BC Ferries, Off-peak discounts in the works, The Metro Thursday, December 4,
2014

I am writing in regard to the reports mentioned in the above newspapers on Thursday,
December 4, 2014.

It was noted that the BC Ferry Commission is asking for public comments on the
proposals so reason for my writing. Although, I am aware that the BC Ferry Commission
is only asking for public comments and does not indicate that they will in fact be read.
However, because I am upset I need to get this off my chest and write, with the
knowledge that my letter along with hundreds of others will be placed in the garbage as
the Commission has already made their decision on this important topic.

Once again, BC Ferries hits the news.

I live on the Sunshine Coast as a resident and as a commuter, therefore, I am totally
against the revamp reservation system. As I arrive at the ferry terminal for transportation
home or to lower mainland, Vancouver, which the Sunshine Coast is part of, I will be
forced to pay more. I do not have a smart phone or tablet and do not want either. The
CEO quoted: "as a upgrade is necessary as it has been 25 years and he wants the
reservations to be like taking a airplane or booking a hotel". Could you please tell the
CEO that BC ferries provides transportation and is not a airplane or hotel. Our needs are
different. He no doubt did not take into consideration that people actually use the ferry
for transportation, not that we want to, but we don't have a choice, other than our own
boat or swim across. When transportation is provided i.e., buses, skytrain – pre
reservations pre paid are not required - show up, pay and get transportation for the same
price going to the same place as other passengers. He is taking this away from users. I
am very concerned about the fact that I will have to pay more to arrive at the terminal for
transportation. This is not fair. The experience with the ferries keeps getting worst.

I have been advocating for road access from the Sunshine Coast, the Minister of
Transportation, Todd Stone, even raised the issue when he was on the Coast in October
2014.

If it were not for the fact that I enjoy living on the Sunshine Coast for the lifestyle and proximity to the lower mainland, I would consider moving and putting the stress of the ferries behind me. However, at the moment I do not have the opportunity to move but feel that is the only choice.

I knew BC ferries would raise the fares in a sneaky way and the latest report has proved me correct. First, removing the seniors discount, next, cutting fares, now paying more to use the ferries. It keeps getting worst. There is never discussion by the CEO to clean up the inefficient administration, too many managers for staff, high wage union workers for wiping off a table in the cafeteria or sweeping the floor, his over the top salary to operate a monopoly. The users of transportation always get hit. The CEO needs to look at his own administration to find the dollars.

I agree that updates are no doubt necessary to a system that is 25 years old but need to be fair to residents and not catering to visitors who BC ferries want to offer a cruise ship service.

58.	4-Dec-14	I am aware of the proposed consultation process for proposed changes to the way parts of BC Ferries will operate. <i>(personal information removed)</i> is a Vancouver-based company that has a social engagement platform that brings stakeholders into the heart of the organization. It engages people with a purpose, focuses on problem-solving and buy-in and generates highly specific outcomes. The platform represents a disruptive technology that could save the tax payer large sums of money, but doing so quickly and with high quality insight. I would like the opportunity to show the platform in action and demonstrate the potential to the commission. I look forward to hearing from you.
59.	9-Dec-14	I am writing to comment on the above BC Ferries initiative. The Ferry Corporation has characterized the initiative to be equivalent to pre-purchase and check-in procedures of airlines and hopes to move the public to 98% pre-purchase of ferry fares. Unfortunately, the customer experience for catching a ferry is not as streamlined as that of an airline. I have more regularly reserved for an important trip by BC Ferries from Victoria to Vancouver; however, my return journey while I am in-transit has not been as convenient for pre-planning for a ferry reservation. Generally, when I have an airline reservation, I am within 30 to 45 minutes of an airport location. My airline trips are generally several days and there are only one or two schedule or routing options. When at home, I can reasonably plan for normal travel to the ferry terminal and arrive in time for my reservation; although, I have been critical of a 30 minute cut-off for reservation arrival prior to sailing. When I am travelling, I could be several hours away from the ferry terminal. Changing your arrangements because of unknown traffic or weather situations is problematic. I would not know of traffic congestion or other delays; therefore, I would need to calculate the expected travel time while being reluctant to pay the fee because of the vagaries of traffic or weather conditions on limited routes to the ferry terminal. The ferry terminal has not reserved a specific ticket lane for pre-reservations, so there may even be a backup at the terminal. I have more than once been delayed by an hour or more at a back-up on a major highway or awaiting access to the terminal and missed my intended ferry. If I arrived before one hour of my ferry reservation, I was returned to general boarding lines and may then miss the ferry that I had reserved! Unlike airline travel, my ferry arrangements are generally not as predictable because they are shorter excursions that have more potential for change; therefore, I would not plan for specific return travel dates or times, except for annual vacations. My experiences when trying to book online at last minute or with a mobile device are generally not positive as there have been time cut-offs or a number of technical glitches often occur, especially on a mobile device. It is not reasonable to expect that vehicle drivers will be able to access the ferry reservation system while in-transit to the terminal, when traffic or weather situations are better known. I certainly agree that the reservation fee has been a detriment to pre-purchase of fares and that there might be a better approach to fare management. The BC Ferry Corporation has approached reservations as a potential source for added revenue and that customers would be willing to pay this fee for certainty of travel time. As fares continued to rise and it was evident that there are fewer trips that are overloaded, customers have not been willing to incur an added expense, when the risk of being left behind is much lower. If there are opportunities to pre-purchase fares at a lower price, most customers would do so; however, there should not be a significant disincentive to arrive at the terminal without a reservation, since most drivers are not as able to manage their travel equal to that of an airline

		passenger. Often, an airline passenger chooses to lose an entire day in their travel arrangements in considering the flight time, travel to airport, security and ground travel to their final destination. Airline travel is generally over long distances, but ferry travel is more localized. The difference is on short airline trips, such as the seaplane travel from Victoria Harbour to Vancouver Harbour; however, the air time is limited and ground transport to a downtown location is included in that fare or within a short taxi or BC Transit ride. In such cases you would not require a vehicle and are satisfied with that choice. When you travel on BC Ferries, your travel time is much more extensive considering the ground transportation as well. It has become evident that the short Harbour to Harbour seaplane travel is cost competitive for single travellers, when ground transportation time is included, if a vehicle is not required. Even the lowering cost of rental vehicles is changing options there as well. I am also not aware that these smaller travel operators incur such major costs for creating a ticket pre-purchase online program as the BC Ferry Corporation proposal of \$18 Million. I agree that BC Ferries should rework their fare and reservation system, but their expectation that they will move to an equal platform to that of the airlines with 98% pre-purchased fares is not reasonable. I also believe that their information technology implementation cost exceeding \$18 million is out of range with other travel competitors. If their 'pay to show' surcharge is in the range of \$22 like that of the existing reservation system, when you may have at least one sailing to wait, then there will be significant resistance. I do not agree that only 2 percent of travellers will not be able to reasonably determine and plan their short-term travel arrangements on major BC Ferry routes considering traffic and highway weather or travel conditions beyond one day or for several hours ahead. That being said, this will mean that most travellers will be required to book using mobile devices, while motoring to or from the ferry terminal. How then will the BC Ferry Corporation be able to preplan crew schedules to reduce overtime or other labour costs? I expect then that there will be reservation time cut-offs, which will further exacerbate the frustration of the travelling public to pre-plan their arrival time to a ferry terminal. While pre-purchase of ferry fares at off-peak times or at a discount is a laudable goal, the expectation of this proposal to be equal to the airline industry is not as feasible as the BC Ferry Corporation expects. I hope that other consultations will be offered and that customer commentary will be used to guide changes to this proposal.
60.	10-Dec-14	This is a comment on BC Ferries' submission for performance term four of the Ferry Services Contract. I have already commented on BC Ferries' digital experience initiative and will not do so again here. On page 16 and onward in "Strategies for Enhanced Efficiency in Performance Term Four and Beyond," BC Ferries outlines the need for possible changes to service levels on routes 2 and 30. I am amenable to service cuts on the Tsawwassen-Duke Point route as it was introduced later (early 1990s) than routes 1 and 2 and carries the least amount of traffic. It was also meant to be part of the government's ultimate plan for fast ferries (the PacifiCats could not carry trucks), and arguably is a remnant of that initiative. However, I am opposed to cuts on route 2 as it is a vital link used by commuters between Nanaimo and Vancouver. I have, in fact, long in favour of rationalizing the three terminals in Nanaimo. Duke Point terminal was purpose-built in

		the 1990s; it is located outside the city and could potentially be expanded. Ideally, I would like to see Departure Bay closed and all Nanaimo traffic routed through Duke Point. Doing this would also be a relief to those who live around the Departure Bay terminal. This is a much "gentler" way of implementing cuts than eliminating or drastically cutting route 2. I am also in favour of doing something about the terminal for trips to Gabriola Island in downtown Nanaimo; hopefully, the province's current bridge study will result in a solution to this problem without BC Ferries having to get involved. I have no objection to BC Ferries' Gulf Islands proposals. I am in favour of reducing the number of terminals on Salt Spring Island, though exactly how this would be accomplished is unclear to me at present.
61.	17-Dec-14	I support the proposed changes to the ferry rate structure. Also, I would like to see at least 90% of all spaces on the boat available for reservations (at a reduced rate for reserving beforehand) and I would like to be able to pay the whole fee on line beforehand. They do not allow the use of debit which is a terrible inconvenience. They could start using automation a little more and get rid of the booth operators. They could also put booths on just one side and so pay the round trip all at once. Trying to make sure you have kept enough cash for the return ferry trip gets a little nerve wracking at times. They also need to pay their executives a little less money. Nobody needs \$500,000 to live. Their perk is working for government so should expect to receive less pay.. Unions also look on gov't as a cash cow. Workers should be paid no more than what they make in industry. Ferries have to start taking their responsibility seriously and operate within the income that they receive from the services that they provide. If they cannot make money on the busy ferry between Campbell River and Quadra Island, there is something seriously wrong. The ferry system is the big negative to living on the island. As a retiree, I just cannot afford the \$300.00 to make a trip to the mainland very often. (trip plus meals, gas, hotel) It makes it very difficult to visit family or attend events on the mainland. I believe island residents should have to pay no more than 1/2 price and not have to pay extra for over-height or over- length. There is a lot that could be done to reduce expenses and increase revenues if there is the will and vision to do it. Thankyou for the invitation to comment.
62.	18-Dec-14	As a concerned community member of Saturna Island, I would like to inquire how all of our residents that DO NOT have computers are supposed voice their opinion? The Gulf islands are populated with many retirees that have no access to a PC or even how to use one.

63.	18-Dec-14	Thank you for this opportunity to respond to the proposed changes. This is long overdue and much needed in order to encourage new customer travel. Frankly it doesn't go far enough and I would include adding wireless services for passengers waiting in the car queues as well as for those onboard. Right now service is not reliable or accessible to everyone. Also in order to further enhance the travel experience of users I would consider adding a sports bar to each vessel that has the capacity. I realize that this is not part of this proposed application but please consider it in future upgrades. Many passengers do not drive and would welcome this opportunity to socialize in surroundings more conducive to conversations when travelling in parties of 4 or more. Thank you. I look forward to the new digital system
64.	19-Dec-14	I was reading your proposals for new ticketing ideas. I believe the reservation system without extra fees should be the standard. This is a good way for customers to help the ferry commission plan ahead better. Without charging you are acknowledging that customers are booking to make ferry service somewhat better for all. Living up island and trying to make a ferry 20.minutes before sailing can be a hazard. People begin to speed not wanting to lose their reservation costs. The people who take time to plan should not be the ones paying extra. Last minute bookings could be charged an extra \$5 if that was necessary. Because of ferry costs I hardly get to see my grandchildren in Vancouver and when someone in the family is ill these trips back and forth can be very budget breaking for young families. I don't get summer visitors coming to the island for a short visit when they reach Vancouver. I understand ferries are expensive to run but if you cut back on advertising at big events those savings could go to reducing fares. Also CEO salaries should never be tied to profits in a year. Pay an adequate wage for the responsibilities taken and do away with bonuses when that money really belongs to the public. Thank you for considering these viewpoints in your deliberations. Merry Christmas
65.	21-Dec-14	I applaud the plan to do away with the fee-for-reservation system, which should never have been introduced as it created a two-tier service. However, reducing fares for some sailings has me concerned that the new system may be used to unfairly increase fares for travel at peak times.
66.	22-Dec-14	I would like to comment on your fare flexibility and the cost to do so. I think you would be wise to study instead the idea of a fixed link(s) between the Island and Mainland. YES A BRIDGE(S)!! I fail to understand why the Government has not even considered a study. Or, asked the public what they would like. Or, considered a referendum on this topic. I for one, would jump at the chance to be heard and would definitely be in favour of a fixed link(s) or BRIDGE. I have travelled across the bridge to Prince Edward Island, and if PEI can do it, why can't we??????

67.	22-Dec-14	I have recently learned that in 2017 you will be introducing a Computerized system in which people will be able to book and pay for Ferry rides by online computer. Many people, like myself do not own a computer. Will we still be able to drive to the Terminal and pay for the ferry ride at the Terminal toll-booths? Also, why don't you accept debit/interact as a form of payment? Thank you.
68.	22-Dec-14	I have one more question In regards to the proposed fare system are walk on foot passengers also subjected to the reservation procedure
69.	23-Dec-14	Was there supposed to be a notice of this in the newspaper ahead of the Dec. 2 start date? Just want to make sure that I didn't miss a booking somewhere. I would assume if there was a newspaper booking done, the newspaper serving Gabriola would be included.
70.	23-Dec-14	I can see the value in the proposal for peak times on the two main routes between Vancouver and Vancouver Island. However, the ferry corporation continues to misunderstand the nature of its business and its clients. In the summer and at certain peak holiday periods, there may be a significant percentage of "tourists" on board that can make discretionary trips but for most of us, the ferry system is a bus system. We use the same ferry daily and there are no other options. To charge what is in effect a premium for workers that may not know their precise schedule in advance is unreasonable and will further erode the viability of the whole system. Skiers and golfers use the Sea To Sky Highway for recreation and pay no toll. My tax money subsidizes that service because it is good for the overall economy of the province. The ferry system should revert to the Department of Highways to make sure the whole province, not just Vancouver, has a diverse and strong economy. PS: I am stunned to hear the cost of \$15 million to create a reservation system. These systems already exist and are in use all over the world. This seems like the same sort of overkill as advertising the ferry monopoly at Canuck games or building a castle in Victoria instead of a leasing a simple office building.
71.	24-Dec-14	I agree with the idea of a digital way to book a reservation on a ferry,quicker and easier then the present system. What I disagree with is the present system of loading priority, for example on the Little River ,Westview run, you can be the 15 car to purchase a ticket and the last one to board the ferry. When you arrive at the terminal early to ensure you will get on the ferry ,the loading should be in that order. At present there in no logical order to loading vehicles. The staff should have the flashlights with the long flouresent red ends to direct the vehicles, instead of their fingers. Be nice to see some changes for the good instaed of always for the bad.
72.	26-Dec-14	ferries are so expensive that ferry traffic has reduced. this has noticibly hurt economies of sunshine coast and van island. i would prefer tolls on every mainland bridge and sea to sky highway and transfer some toll earnings to reduce

		ferry costs. reduce the number of ferry executives and reduce the pay. salary in line with washington ferry executive is fair not the triple value bc government placing on ferry public servant executives. if these executives are so talented go get your halfmillions plus from the private sector. all public servant executive should make less than judges and family doctors. they are not rocket scientists. we believe we can find suitable replacements from our phd educated youth. we have high incomes, we are doing well but see continued disparity between haves and havenots ferry prices are adding harm to diverse economy
73.	29-Dec-14	The proposal for on-line booking of tickets without additional charges to reserve, for lower fares for off-peak travel, and therefore shorter wait times are great ways to improve the current system. I am a "senior" who uses the Swartz Bay-Tsawassen route primarily, and in the 15 years I've lived in Victoria, the fares have increased substantially, as you know. These proposed changes appear to be the "fix" that is required to get the ferries back into the category of affordable travel on the extension of the highway system that it was when first taken over by the government. I strongly support your efforts to improve the function of B.C. Ferries in these ways.

TIMES COLONIST

B.C. Ferries pitches off-peak discounts, online booking

Katie DeRosa and Carla Wilson / Times Colonist

December 3, 2014 10:42 PM



On busy days, the car lineup for ferries at Swartz Bay can spill onto the highway. Photograph By LYLE STAFFORD, Times Colonist

B.C. Ferries is looking at a complete overhaul of its online system, allowing passengers to book travel in advance without having to pay a reservation fee and offering discounted fares for off-peak times.

In a bid to catch up to online booking systems used by airlines, the plan would update B.C. Ferries' rigid fare system and software, making it easier for travellers to compare prices for different routes and book a journey from a smartphone or tablet.

"Our current systems are 25 years old, so think about that from a technological perspective," Mike Corrigan, B.C. Ferries president and chief executive officer, said in an interview. "We've heard from customers and they want more options. They want to be able to get a discount for travelling during off-peak times and more certainty in booking in advance. They want shorter wait times at the terminal if they have prepaid tickets in hand."

If the proposal is approved by the B.C. Ferry Commission, the initiative would start in 2017, rolled out first on the major Vancouver Island-Vancouver routes, with the smaller Gulf Island routes to follow.

The upgrades are expected to cost between \$10 million and \$15 million.

The plan would include an enhanced travel card and frequent customers would see offers based on their travelling habits.

Only two per cent of B.C. Ferries' revenue comes from online reservations. In 2014, B.C. Ferries received \$13.4 million through reservation fees.

"We want to flip the model around like airlines where 98 per cent of purchases are completed online," Corrigan said.

B.C. Ferries predicts that the new website would handle more than 70 per cent of all fare revenue on certain routes.

The plan could increase traffic by three to five per cent. B.C. Ferries would be better able to match its capacity with customer demand, allowing it to cut costs by cutting the number of extra sailings.

"If we can increase traffic to that amount and increase revenue, then we can spread that benefit across the ferry system and help keep fares lower than they otherwise would be," Corrigan said.

Critics have blasted B.C. Ferries for fare hikes and service cuts that they say have resulted in the loss of millions of potential passengers and harmed B.C.'s tourism industry.

Rob Fleming, NDP MLA for Victoria-Swan Lake, said the proposal is an indication B.C. Ferries and the provincial government are finally "admitting there's a ridership crisis."

"The solution being offered up is a very expensive technological solution," he said. "They're also saying we have to wait until 2017, which is ridiculous." The tourism industry and those who depend on ferries "need a solution now, not three years from now."

Brian Hollingshead, a Saturna Island resident and co-chairman of the Ferry Advisory Committee, welcomed a revamped system. "All those people who sat there for two- or three-sailing waits, they will rejoice in it," he said. Hollingshead hopes the plan increases revenue and prevents more cuts to Gulf Island routes.

Frank Bourree, a tourism expert with Chemistry Consulting, said the proposed online reservation plan is a "brilliant strategy" that will appeal to consumers.

The B.C. Ferry Commission is asking for public comments by the end of December. To view the application, go to bcferrycommission.com and click on What's New.

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Article rank 6 Dec 2014 : Times Colonist

EDITORIALS Ferries' plans the right move

It's about time B.C. Ferries moved into the 21st century. The corporation plans to do a complete overhaul of its online system, including allowing travellers to make reservations without paying an extra fee and offering discounts for off-peak travel.

That is where B.C. Ferries should be going, but how it goes there will make all the difference.

While this is a major change of direction for the ferry corporation, it's not new or radical in the world of travel. Airlines sell 98 per cent of their tickets online.

Only two per cent of B.C. Ferries' revenue comes from online reservations, but CEO Mike Corrigan says the corporation would like to see that figure climb to 70 per cent.

Such a system would help more closely match traffic and capacity, reducing the number of vessels travelling empty and cutting down on the necessity of keeping crews on standby for extra sailings when demand grows. That would help reduce costs, but Corrigan would not go so far as to say it would reduce fares. Rather, the changes could "help keep fares lower than they otherwise would be."

The corporation's brief to the ferry commissioner worries that "customers may not embrace the new advancepurchase model as anticipated, resulting in lower traffic."

Resistance to change is always a challenge, but it shouldn't be a major one in this case. No one these days shows up at the airport without a ticket and realistically expects to get on a plane. Travellers should quickly become accustomed to the same arrangement at the ferry terminal.

The current system is backward. Ferry passengers pay a penalty for having the foresight to reserve a place on the ferry — they pay up to \$22 as a non-refundable reservation fee. Washington-bound ferries charge a reservation fee, but it is applied to the price of the ticket.

Corrigan says B.C. Ferries intends to correct that, requiring "show and go" passengers to pay the extra fee, rather than those who make reservations.

Perhaps that is unfair. Ferries are not airplanes. People generally plan days, weeks or months ahead for travel that involves flying. Not so with a jaunt to Saltspring Island or the mainland. People see the ferries as part of the highway system, always there, always available. So change will require some education and much input. And limiting public input to the month of December seems unwise when people are occupied with so many other things. Extending the comment period to the end of January would give people time to contemplate ramifications of the proposed changes and offer their views.

Given that the corporation is operating its website with 25-year-old technology, updating the system is long overdue. But care should be taken in that area — the corporation should resist the temptation of custom software. It should be quite feasible to adapt systems already in use by airlines and other ferry services, rather than risking bugs and breakdowns with a proprietary system.

Reinventing the digital wheel has resulted in some very expensive wheels in this province. B.C. Ferries should not be in a hurry to uphold that dubious tradition.

The New Democrat Opposition has criticized the ferry corporation's plans, saying solutions are needed now, not in 2017, which is when the changes are expected to be in place. Improving service should be an ongoing effort, but the proposed changes are a major shift — they shouldn't be rushed. Costly stumbles tend to occur when a project is made to run too fast.

B.C. Ferries is the constant target of complaints and criticism, but it operates a good service. Done right, the proposed changes should make that service better.

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Article rank 5 Dec 2014 Times Colonist

Proposed ferry fare changes long overdue

Re: "New ferry fare system in pipeline," Dec. 4.

As a B.C. senior, still resentful at the removal of our free travel concession, it gives me some satisfaction that B.C. Ferries is contemplating doing something sensible and long overdue.

I welcome the prospect of being able to reserve a place on my chosen sailing without being ripped off for more than the cost of an additional passenger. I also welcome the possibility of reducing my fare by travelling at a less congested time. For me, this concept is a winner.

I believe that the changeover to an online booking model will meet with an enthusiastic response. As for those who have not embraced the digital age, I see no suggestion that "turn up and go" will be abolished.

My real concern is that B.C. Ferries will bow to pressure from the likes of Rob Fleming, NDP MLA for Victoria-Swan Lake, who is demanding an instant solution. To properly specify, design, build and implement a major system between now and 2017 is extremely ambitious. Even if the booking engine is purchased complete from one of the suppliers to the airline industry, it will take significant work to adapt it and add the user interfaces for the system to work for B.C. Ferries.

What we need now is a decision to proceed and a total commitment to do it right. What we do not need is a rushed design and implementation that ultimately costs five to 10 times the current estimate, frustrates passengers and fails to deliver the results that B.C. Ferries needs. Ian Martin Saanichton

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78.	24-Dec-14	On behalf of Gabriola Ferry Advisory Committee, I am pleased to offer our endorsement to the response you will have received from the Committee of FAC Chairs. There is no doubt that BC Ferries' website and ticketing systems are long overdue an overhaul and the FAC acknowledges that the present system, whereby customers who reserve in advance for ferry travel are charged up to \$22 for the privilege, works contrary to most reservation systems that offer discounts for advance payment. We welcome BC Ferries' proposals to drop the reservation fee, but our concern is that BC Ferries currently makes \$13 million income from reservation fees and that lost income - together with the cost of financing the new investment - will all have to be recovered through ferry fares. Although ferry fares are, of course, subject to regulation, the "price cap" is measured against the <i>average</i> fare paid, and not against individual fares. Thus, if BC Ferries makes discounted fares available to up to 80% of their customers who travel on the major routes, then the remaining 20% (including most of us who depend on the minor ferry routes) could face higher prices as a result - and providing the <i>average</i> fare stays within the price cap, there's effectively no limit to the increase that BC Ferries could apply to non-reservable fares. Gabriola FAC recognises the close parallel with Britain's railways after privatisation, when train operators wanted to offer deep discounts to attract new passengers to fill thousands of empty seats. Rail Regulators accepted this was desirable, but to ensure that the train operators didn't impose higher fares on regular commuters, limits were imposed on permitted fare increases for "regulated" rail fares (season tickets, commuter fares and most tickets purchased on the day of travel), pushing the incentive back onto train operators to fund the discounts offered for advance bookings by attracting new business. The FAC considers the same principle should be applied to ferry fares. After all, why should ferry users who (for whatever reason) cannot take advantage of discounted advance fares be expected to pay more, simply to fund those that can? The FAC would like to see the price cap mechanism on ferry fares exclude any discounted fares, so that it's the average fare available to "turn-up-and-go" travellers (still the majority of ferry users) that is, in future, regulated through the price cap. We believe there is more than enough scope for BC Ferries to fund the new discounted fares by attracting more business onto the major routes. There has to be an incentive on BC Ferries to grow the market, without expecting ferry users on Gabriola and elsewhere to pick up the tab until they do. We also support the call for a new body to
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		represent the interests of ferry users on the major routes
79.	18-Dec-14	Dear Commissioner Macatee Re: British Columbia Ferry Services Inc. (“BCFSI”) – Proposed Online Booking service I recently read a news release in the Dec. 4, 2014 Vancouver Province stating that BCFSI has applied to the Ferry commission for approval to implement an online booking system similar to airlines (Fare Flexibility and Digital Experience Initiative). According to the article those booking online in advance will be charged less than those who show up at the terminal. I am involved with the BC Ferry Coalition working to obtain a fair, affordable and effective ferry system for ferry dependent communities. We implore the BC Ferry commission to addresses the needs of the ferry users as its’ mandate outlines and decline this request. This proposal is equivalent to asking Port Mann Bridge or Skytrain users to book their travel before they arrive at the bridge or terminal. If the fares/tolls aren’t enough to deter people the inconvenience will. This proposal will not address the two most important issues with BCFSI, declining ridership and increasing operating costs. A booking system such as that proposed will make it more cumbersome for ferry users to access the ferry system. This proposed system will lead to further decreases in ridership as it restricts and complicates ferry travel. Unfortunately those who reside in ferry dependent communities will have no choice but to use whatever ticketing system BCFSI and the Commission decide. However, tourists and those undertaking discretionary travel will have choice and may decide not to travel or to travel to another location in BC or abroad What about those who still don’t have access to a computer? Will they be penalized for not being online? Have you tried to book an airline flight online lately? I’m not sure it is a system we want to emulate for our ferry

system. I defy you to tell what the “standard” airfare is between any two Canadian cities. A system such as they propose will not provide transparency with respect to fares. This is not in the interest of ferry users. It will lead to increased fares as one of the objectives of this booking system would be to increase fares. The other side of the lower fares for low traffic routes and off-peak hours coin, is by definition, higher fares for high traffic routes and peak hours. Only the latter is going to lead to the revenue gains BCFSI needs. The good thing is that BCFSI is finally recognizing that reduced fares may increase ridership. Something we suggest they do system wide to increase ridership.

Has BCFSI advised how much this new booking system is going to cost to implement? \$100 Million? \$200 Million? This is typically the price range of such a system. It will be a very complex system and have greater requirements than most airline booking systems.

How much will it cost to operate each year? \$20M? \$30M? It would seem they will need more terminal staff to sort out traffic, confirm bookings etc. and more background people to administer the booking system. This will increase BCFSI operating costs not decrease them. We have heard lots of rhetoric from BCFSI about reducing operating expenses but they continue to increase year over year.

Where is BCFSi going to get the money for this system? I assume it is not included in the \$3.1 Billion 12 year capital plan the BC Ferry commission has already approved. Speaking of which, I would appreciate a copy of that decision or the link to it. I understand the Commission is to publish all their decisions. I trust this includes the information provided by the Operator. Specifically how they intend to fund and pay back the debt required to meet this capital plan. Anybody can come up with a plan to spend money. Finding the money and paying it back is a different story.

I have asked My Clarke, BCFSI CFO how he plans to fund this capital expenditure program and how the existing and new debt is going to be repaid. They have advised they only have a one year plan and development of a long term financial plan rests on the outcome of PT4 submission. In the meantime they will use their Operating Loan. They must have a plan based on certain assumptions regarding fares and operating expenses. It would be completely irresponsible to propose a \$3.1 billion capital expenditure program without at least a rudimentary plan. It would be irresponsible of the B.c. Ferry Commission to approve the capital without the accompanying Financial Plan.

None of their published Business Plans or Presentations outline the funding and repayment plan. In commercial banking any plan for funding for capital expenditures always required details of the financing required and a repayment plan. I think it is reasonable for ferry users to know how their ferry system is going to fund and payback the debt required for this significant capital expenditure program, The Commission should be very interested in this aspect to protect the interests of the ferry users and ensure the financial sustainability of BCFSI as their mandate requires.

I assume you have some financial acumen and if not your deputy Mr. Stollen is a C.A. and does. I have a commercial

		banking background and have some understanding of financial matters. The vast majority of the populace do not. I believe this places a high duty on those who do understand to act in a responsible manner. Too often I see financially unsustainable schemes implemented to the detriment of an uneducated public. Your role as B.C. Ferry Commissioner is to protect the interests of the ferry users from irresponsible actions by BCFSI. I would like you to explain to me how BCFSI is going to be able to meet operating expenses, Interest and principal payments on debt and capital expenditures required to maintain operations over the next 12 years? I don't see it. Who is going to repay the \$3 billion plus debt at the end of 12 years? Where is the financial integrity in building a huge debt burden in BCFSI with repayment to come some undefined time in the future from some undefined source when all the current players have made their money and left the scene. The current operating results of BCFSI prior to government subsidies do not provide any funds for interest, principal repayment or capex. With fares increasing by 4% in 2015 and operating expenses increasing 5% it is unlikely the operating results of BCFSI are going to provide such funds anytime soon. Even the bond underwriters agree greater support from the Provincial Government is required. It appears you are the only person in BC who can tell BCFSI what to do or not do. We are relying on you to protect ferry users from abuses by the monopolistic operator that is BCFSI as your mandate dictates. Decisions regarding BCFSI need to be based on the needs of ferry dependent communities and ferry users and less on the needs of the insolvent company BCFSI , the bond underwriters and the Provincial Government. I look forward to your response and a copy of your decision regarding the \$3.1 billion capital program. We will be providing more analysis and criticism of the financial structure of BCFSI and its' unsustainability in our submission regarding PT4.
80.	18-Dec-14	Would you please consider the Cut-Off time before a sailing to change to: 15 minutes before ACTUAL departure. We have been in the line-up and the ferry is late, BUT the cashier won't allow us to purchase because of your cut-off time is for ACTUAL, even tho the ferry is late.

81.	29-Dec-14	Why can't u pay by debit at the vehicle toll booths ??????
82.	29-Dec-14	We are writing to ask you to implement the free ferry reservation system as soon as possible. It should have been done years ago on every route. It only makes sense that this should happen. Most people have computers & credit cards & you will be paid in advance of people travelling. That will allow you to plan staffing levels etc & stop all these huge line-ups. If people book & don't show then they lose their money & you benefit. Imagine what it would be like at airports if there was the free for all like you have at ferry terminals. Anyone not booking can come & hope they get on if there are no shows.
83.	29-Dec-14	Re: <u>BC Ferries' Proposed Fare Flexibility and Digital Experience Initiative</u> Ref.: Published Notice of Opportunity to Comment Dear Sirs: This is in response to BC Ferries' ("BCF", "Management") Application for Commission approval ("the Application"). As a resident of both West Vancouver and Quadra Island since 1997, I travel more often than once per month between the communities, and accordingly have a significant connection with, and interest in, the operations, and costs, of BC Ferries. I have been deeply concerned, and dismayed, by the ever-increasing costs of the ever-decreasing service levels, and have seen first hand the resulting human and economic hardship being inflicted on the coastal communities dependent on BCFs' monopoly operation. I make these submissions not only on the above basis, but also from the viewpoint of one with a broad and in-depth knowledge of the processes for regulating such monopolies, having previously served for some eight years (three

terms) as a Member of the BC Utilities Commission (“the BCUC”).

I have reviewed the Application in as much detail as practicable given, in my opinion, the unreasonably limited, and ill-timed opportunity for submissions. The Application entertains far more than a simple upgrade of the BCF Customer Care System, and has far-reaching and fundamental implications for regular users of the system, and in point of fact, for the future viability of the BCF system itself.

I note that Appendix D to the Application – Responses to Section 55 Application Guideline Questions - has certain similarities to the “Certificate of Public Convenience and Necessity” protocol as is almost universally employed in the regulation of the utilities providing monopoly energy services to the public. I would therefore expect that the comprehensiveness and transparency of the Application, and the public interest criteria for examining, and if appropriate, approving it, would be comparable.

For further context, I would refer you to the BCUC’s “Reasons for Decision to Order G-23-10 and Order C-10-110 In the Matter of Terasen Gas Inc. and Customer Care Enhancement Project - Insourcing of Customer Care Services and Implementation of a New Customer Information System” dated July 14, 2010 (“the Terasen Decision”). It deals with parallel circumstances to the portion of the Application covering the Digital Experience Initiative.

It does not, however deal with the Proposed Fare Flexibility corollary section of the Application. For that matter I would refer you to Deloitte Touche Tohatsu International’s “Basics of Canadian Rate Regulation” - in particular, at Section E., where the requirements for rates which are “just and reasonable”, and which comply with the principle of “no undue discrimination” are discussed.

In summary, my review, as attached, establishes that the Application is incomplete, unreasonably opaque, ill considered, and, if approved and implemented, will result in tariff schedules that are unduly discriminatory within customer classes. Accordingly it should be rejected.

I recommend that BCF be directed to benchmark its business practices, customer care practices, and rate structures against those of the comparable nearby providers of such monopoly services – Washington State Ferries and the Alaska Marine Highway System – and use that study as a basis for any further application for revisions to its Customer Care technology systems and rate structures.

Should further discussion or information be required, or should there be any question with respect to any aspect of my submission, please advise.

Review of BC Ferries Application

In order to provide some semblance of structure, this review follows the format of Appendix D to the Application – the Section 55 Application Guidelines Questions. For economy of presentation, the titled, but un-numbered, sections are identified by the initials of their headings only eg. Project Description, item d. is identified as PD d. The *substance of the item* is repeated, as is the *Management response*, followed by the writer’s comments.

PG

d. – *Provide information on the operating costs of the information technology to be replaced and/or upgraded ... - See Section 1.4.2* – there is no information provided, and no earthly reason why it should not be publicly available. See Section 7.2 of the Terasen Decision. It is typical of the level of disclosure made available to the rate-paying public of regulated monopolies. As BCF has absolutely no competitors, and no market risk – other than that self-inflicted by its policies, cost structure, and rates - there is no reason why relevant and material financial information should not be disclosed. Other rate regulated Crown Agencies – ICBC and BC Hydro – provide such disclosure in their applications to their Regulator, all of which becomes a matter of public record.

e. *Compare annual maintenance cost of the existing asset with those expected for the replacement ... – See Supplemental Information* – there is no “Supplemental Information” provided, and again, as per PD d. above, absolutely no reason why it should not be. Note that the cost increase if any, will become part of the cost base to be borne by the customers

f. *Have there been service disruptions due to the inadequacy of the existing capital asset? – Yes, see Section 1.4.2 –* Section 1.4.2 contains no examples of any service disruptions as that term is generally understood ie. BC Ferries service is the operation of vessels; no vessel schedules are cited as being disrupted by the existing system. Running a website is by no means core or otherwise essential to BCF service, it is purely an ancillary service.

g. *If age of the existing capital asset is a factor, what is the estimate of costs of continuing its use? – Not applicable.* *Status quo is not considered a viable option –* Managements’ response is not reasonable. The existing website is functioning and serving the limited number of BC Ferries’ customers who choose to access it. The same issue arose in Terasen and was dealt with at page 6. of the Decision – the Commission Panel found that: “If the status quo were maintained in the current instance, the primary functions .. would still continue to be performed and the customers’ basic needs addressed “. BC Ferries provides no evidence that its circumstances would be any different.

h. *Have there been complaints from the public, or other stakeholders about the existing capital asset? – yes, see Section 1.4.2 and Appendix C –* other than some anecdotal evidence, and in-house canvassing of “Key BCF subject matter experts”, the only quantifiable reference is to an outside consultant’s March 5, 2010 survey of 11 users in regard to “What’s wrong with the BCF website?”, and its March 21, 2010 follow-up

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Statistical reporting of “comments” solicited on the website indicates that only a small percentage of users have any comment to make, and those users represent a small percentage of the 19.9 million passenger and 7.7 million vehicle trips taken by BCF users in F2014.

It is also noteworthy that less than 1 million vehicle reservations were made, and many were by telephone. This confirms that the majority of BC Ferries’ customers are satisfied with the current ‘first-come, first-served” system.

i. *Provide an estimate of the total capital costs associated with the proposed investment – See Section 2.3 and Supplemental Information* – there is no such information in Section 2.3, and no Supplemental Information provided. See comments under PD d. above

n. *Does the proposal include significant features that are innovative or untried? – The business strategies are innovative and new to BC Ferries. However they, along with the technology, is [sic] proven and widely used.* – The technology contemplated for the website upgrade per se may well be proven and widely used. Having said that, there is absolutely no evidence that the “Fare Flexibility” scheme contemplated has any applicability to a service such as BCF is mandated to provide. None of the examples cited by BCF as employing such schemes are of a monopoly provider of short-haul shuttle services to fill gaps in a provincial and regional road transportation network.

With the exception of the few routes north of Vancouver Island, all of BCF’s routes are 2 hours or less in duration. Further, all are of vital importance to the economic well being of the communities they link and, in the aggregate, to the well being of the Province. BCF provides no demographic analysis of its user cohorts to establish that the bulk of the users are other than of a “commuting” nature, and have little to no interest in any other ancillary services provide by or proposed to be provided by BCF

The services provided by BCF as seen by foot passengers are comparable to those of a scheduled public transit system. While fare discounting by way of prepaid transit passes is reasonable, public order and common sense require that the service itself be available on a first-come, first-served basis. The notion that queue-jumping should not only be permitted, but that it should be incited by way of a discounted fare structure offends the very essence of non-discriminatory rates.

The services provided by BCF to vehicular traffic are comparable to those of a toll bridge that opens at scheduled times. Here again, prepaid tolls by way of such features as the “Experience Card” can make sense, but the notion that queue jumping should be encouraged and rewarded by charging lower fares than those available to first-come, first-served travelers is simply bad policy, represents a discriminatory rate structure, and in all likelihood will, if

implemented to any extent, lead to further traffic and revenue losses, and accelerate the financial death spiral that BCF has created for itself.

The existing reservation system does not offend non-discriminatory rates as long as it requires payment of a material fee for the right to queue-jump. It can be seen as analogous to the premium an energy customer pays its monopoly supplier for “firm” vs.

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“interruptible” service. Similarly, at least until recently, Assured Loading was also a non-discriminatory rate option. Discrimination has now entered that picture with BCF’s categorical refusal to provide the service to anyone without internet access.

Nothing presently precludes BCF from incenting increased utilization of low patronage routes and times by posting reduced fare rates for those routes, such fares being made available to all users. Pilot programs can be established and assessed around holiday peaks in order to assess the likelihood that the known revenue loss would be off-set by increased traffic or a reduced requirement for extra sailings.

The material BCF relies on in the Application in support of its wholesale queue-jumping concept is notable in that it makes no reference to the practices at nearby publicly owned operations that provide comparable monopoly services – Washington State Ferries and the Alaska Marine Highway System. For the same reasons that its Regulator, and its Shareholder require BCF to benchmark its business practices, customer care practices and rate structures against comparable electric utilities, the Commission should demand that BCF do the same against comparable ferry services, then, if appropriate amend its Application, and re-submit it for public review and comment before any further consideration for approval.

DPCEDGJ ...

ii. *How has this capital expenditure project been prioritized relative to other capital expenditure projects within the long term capital plan?* – This project is of a high priority based on the strong business case, projected revenue increase and increase in customer satisfaction. – nothing in the Application, other than Management opinion, supports the notion of “a strong business case” for either the website upgrade per se, or for the corollary queue-jumping incentive scheme. The “projected revenue increase” is *de minimus* as to quantum, and is completely unsupported by any modeling or other validation approach – it quite literally appears to have come out of thin air.

No factual basis is provided to support the notion of “increased customer satisfaction”. By its own admission, only a small fraction of BCF’s customers use the reservation service, despite its nominal cost. Further to the comments at PD n. above, if implemented, incenting and rewarding queue jumping by those customers who are technologically inclined and are in a position of having discretionary time to organize and commit to specific routes and times, could well lead to further dissatisfaction among the broader user cohort and give rise to further decreases in traffic. BCF’s sensitivity analyses are glaringly deficient in that they do not consider such outcomes.

iii. *What sources of expertise and experience have been relied upon in deciding to proceed with this capital expenditure?* – See Supplemental Information – no Supplemental Information is provided for review.

viii. *What are the consequences or alternatives if the application is rejected?*– As addressed in section 2.4, status quo is not considered a viable option. Scenarios for reducing the capital expenditure of the proposed Initiative and the associated implications are addressed in Section 3.2. – the notion of the status quo as not an option is addressed at PD g. above. While Section 3.2 discusses the concept of proceeding

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without the “Decision Support System” piece - which supports the queue-jumping incentive scheme - it provides no quantitative information as to what the capital and operating cost savings would be or the benefits likely to be obtained without that piece.

SDCF

ii. *What new technologies or innovations will be incorporated and why are they considered necessary?* – See Section 1.6 and Supplemental Information. – there is no Supplemental Information available for review

vii *What is the impact of the proposed capital expenditure on future price caps assuming no change in non-passenger related revenues?* – See 3.1- BCF claims that Option 2 with 3% traffic growth would give rise to fares 1.82% lower than with Option 1 (web site upgrade only) at the end of 2024. Not only is this decrease *de minimus* in quantum, as pointed out at DPCEDGJ...ii. above, but also the “revenue increase” depends on traffic growth estimates that are unsupported by any modeling or other factual basis. It is noteworthy that BCF states that it is not expecting traffic to recover to 2008 levels.

NE

ii. *What would have to be sacrificed to reduce total costs by 10% and by 20%?* – See Section 3.2. – Section 3.2 does not answer the question.

DGVFMP

ii. *Has the business case been built on a full life cycle costing basis?* – Yes. – BCF’s response is at best problematic. The NPV calculations are based on a seven year “project life”, but the projected reduction in price caps is given as of the end of 2024.

v. *Are the operating costs reasonable?* – Yes, see Supplemental Information. – there is no Supplemental Information available for review

vii. *Is there any expected impact on revenues? – Yes. See Section 2.3 – see comments at SCDF ii above.*

CFSC

i[i] *How does the proposed expenditure support the government long term vision for the future of coastal ferry services? – The Initiative responds by enhancing operational efficiency, improving capacity utilization, enhancing revenues, and reducing pressure on future rates.* – as has been pointed in the above review, there is no factual basis provided in the Application to support BCF’s statement. Given that, it can only be, at best, characterized as an opinion.

5.

ITP

i. *Describe the new system and provide details of the business case for the new system. – See Sections 1 and 2, and Supplemental Information.* – nothing approaching a “business case”, as that term is generally understood, has been provided in the referenced sections. There is no Supplemental information available for review.

ii. *Provide support for key assumptions in the business case. – See Section 2 and Supplemental information.* – Section 2 describes only an analysis of options, it contains no validation of, or other quantified information as to the key assumptions in a business case – were one to be provided. There is no Supplemental Information available for review.

vi. *Describe any major risks that could affect the project’s success. – See section 4.2.* – Section 4.2 does not identify or deal with the risk that the confusion and customer backlash to the rate discrimination attendant with any implementation of such a Fare Flexibility initiative as contemplated could result in a further material decline in BCF’s traffic level and revenue base

vii. *Describe mitigation strategies for major risks that have been identified. – See Section 4.2.* – see comment at ITP vi. above.

84.	30-Dec-14	B.C. Ferries Commissioner, Thank you for the opportunity to respond with feedback on this proposal. While B.C. Ferries thinks this is a great strategy I do not. All I see from the application is B.C. Ferries asking for a large amount of money to change their computer system which is totally adequate now. We do not need or want a Cadillac service and all the people I speak with just want a bare bones service to safely get them to their destination. Generally this ferry service should be for the people of B.C. who need it and while I understand others on vacation etc. use it as well we don't need it to look like or be promoted like a cruise ship service. Presently people can use online services to see deck space availability for sailings, reserve a space and check rates etc. which I use. I don't need to buy goods or be upsold. Using ideas from European ferries, Amtrack or Air Canada to promote this new computer/software for our ferry system is ridiculous. It is funny that I don't see any comparisons to Washington State Ferries anywhere. In my own experience WSF charges approximately \$26.00 us for a trip from Keystone to Port Townsend (return) a forty minute ride each way and B.C.Ferries charges approximately \$70.00 for the similar Horseshoe to Langdale run (return) About reservations, people who use it don't mind paying an extra fee, including myself, and everyone has the option of arriving a little earlier to get a spot. Subject to availability of course. Even the Price Waterhouse report about the ACE program requirements "may have an impact on the budget of the initiative" also escalating the projected cost. 10 to 15 million plus seems a lot to pay for an "incremental" traffic increase which will probably happen anyway. I don't think anyone is saying that B.C.F. doesn't need to upgrade its software once in a while but the users of the ferry system expect fiscal responsibility not the V.P of Marketing & Travel Services idea of a high faluting travel service. In short what is needed is a bare bones upgrade and that should be the B.C.F. mandate for everything.
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85.	30-Dec-14	Dear Mr Gordon Macafee Commissioner This letter is to show you how you can save about \$29.Million and not have to raise ferry fares. <i>(personal information removed)</i> and constantly see either the Mayne Queen or the Queen of Cumberland come all the way from the main passage where all the ferries to Victoria go. I keep saying what a waste of diesel fuel and time plus wear and tear on the engines, So here goes. About 20 years ago BC Ferries put in Berth #2 on Mayne Island which is capable of taking the upper deck traffic from a Victoria bound ferry. The ferry terminal was expanded to 10 lanes to hold traffic bound for other islands. Now you are going to expense millions of dollars having to replace the queen of Nanaimo in 2016 so why dont you save this money get the ramp built to unload from the Victoria ferries and have one sailing in the AM and one in the PM unload the upper deck for all the gulf islands ie Galiano,Mayne,Pender,Saturna,and Salt Spring and have the Mayne and Cumberland Queens deliver them to their respective Islands. Now for the piece de resistance. Build 2 small bridges smaller than the bridge from North Pender to South Pender Go from Mayne to Samuel and from Samuel to Curlew then to Saturna in your own car. Great savings on time and ferry fuel. This would be a better idea than the Site C. 6 Billion dollar fiasco thats before over runs that will surely be there.Look to at least 8 Billion or more and for what a big legal fight with 1st Nations again. Havent we learned from Northern Gateway. So Mr. Macafee what do you think or is this a Buck Rogers too far in the space future for us earhlinks to consider. Have a chat with that young whipper snapper Todd Stone if he wants to beat the Phil Gaglardy. or Alex Fraser legends. I always remember if you think you can you will, If you do not spculate you will not accumulate and if you think you cannot you will not.
86.	30-Dec-14	There is not any chance of my using your new reservation system as I can no longer afford to take my car across to the mainland, I would be travelling as a foot passenger. The increase in the fares have made it very difficult to take my car to Nanaimo and I may take it over 3 to 4 times a year. The other part is the difficulty of even getting on the GABRIOLA ferry. To be assured of getting on I must get in the ferry lineup at least an hour to three quarters of an hour before the ferry leaves. You should be able to understand that I have very little faith in the present ferry system. My belief is that it is very unfair to be taking such generous salaries when you have made such a big botch of your management. The capital to set up your new BCF ferry system will be coming out of the Tax payers pocket and frankly I don't believe it will improve our ferry system that any of your other "UPGRADES"

87.	31-Dec-14	Thank you for the opportunity to comment on a public policy decision. I believe issues such as this should be discussed by duly elected representatives of communities served by BC Ferries, and that the Coastal Ferries Act does not adequately protect the social and economic interests of ferry-reliant communities. That being said, I thank you for your hard work on this. Please excuse grammatical errors, and the general presentation of these points. I could have used extra time to address the entire wordy application. There would certainly be benefits associated with a new system for travelers to make plans ahead of time. Some caution is necessary, because there is limited accountability for decisions that are made by BC Ferries. Thus far, decisions affecting the 50,000+ residents of the Sunshine Coast based on what the Coastal Ferries Act has allowed, have caused considerable hardship throughout the constituency, and in ferry-reliant communities. Sometimes BC Ferries talks about their passengers (customers) as if they are all vacationers. Ferries for the 50,000+ residents of the Sunshine Coast are a daily reality, for work, education, recreation, business, medical, and other reasons. BC Ferries is proposing a system that is intended to spread to small routes from the current plan for the majors. When contemplating the pro's and con's of the application, it should make sense for Hornby Island residents as well as Upper and Lower Sunshine Coast residents. There cannot be a one-size fits-all approach. The cost of this system will be incurred by all British Columbians –but how much more will ferry users be paying for the system? Will passengers on smaller routes be carrying an equal burden as those on the major routes? Comments for consideration under 55(4) of the Coastal Ferries Act. Some things to consider: Introduction: 1. To purchase tickets passengers require a credit card, a mobile device or computer. Youths, passengers without credit cards, seniors without computers, people with limited financial means, etc. will need to be accommodated. 2. What evidence exists that the advance reservation system as proposed will result in an increase of vehicle/passenger traffic? 3. What evidence exists that the advance reservation system as proposed will result in an increase in ancillary purchases? Objectives and Scope: 4. BC Ferries says the system will result in fewer unnecessary additional sailings. How many unnecessary sailings
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were added under the old (current) system?

5. The proposal will disproportionately benefit BC Ferries Vacations, according to the proposal. How does the general public benefit from improvements to BC Ferries Vacations? (BC Ferries Principle 20: “Generate new ancillary revenue, if doing so is considered to be in the interest of ferry users and taxpayers [sic].”).

Pricing and Capacity Management:

6. “...a portion of vessel capacity will continue to be held for those passengers that choose to buy their ticket on a “show and go” basis...” How much? This should be defined. Will BC Ferries limit the deck space for reservations, thereby keeping higher-fare space available?

7. People who travel for business, and people who travel without advance notice should be able to book online close to the sailing.

8. Having ships on standby may be inefficient, but it is difficult to suggest that advance bookings will prevent such circumstances.

9. BC Ferries says two websites are becoming one. Despite upgrades in '06 and '12 have resulted in what the application calls “out-dated, rigid and inflexible, and cannot support these new strategies...”

Website Revenue (Fiscal 2014)

10. This information is limited –perhaps not misleading, but the statistics do not reflect the drop in passengers and vehicles.

11. How much did the previous upgrades cost? Why wouldn't some of the website issues, like “language” have been addressed by now?

12. Increased traffic and revenue only for the routes where reservations are possible. Essentially the smaller routes will not have access to increased revenues, and passengers will subsequently be paying disproportionately more for their routes.

13. What evidence is there that the new system would reduce the number of discretionary sailings? On the face of it, this sounds plausible, but in reality I question whether it is simply good marketing.

14. What specific savings will be incurred by reducing the “Customer Service Centre” and “interactive voice response booking” options? This should be quantified on a short- and long-term basis.

15. “BC Ferries’ ability to grow both incremental traffic and ancillary services is predicated on an intuitive self-serve website providing customers easy access to plan, book and manage their travel accommodations. This revenue growth will lessen pressure on future fare increases.” This is misleading, as there is no scientific evidence to suggest traffic will increase or ancillary products will be sold.

Synergy with ACE

16. Who pays for ACE, and who would pay for the so-called enhanced system? All routes? Some routes?

		17. Payment Services: This paragraph suggests that FOIPPA standards are currently not being met. Best regards for a Happy New Year.
88.	31-Dec-14	As residents of the lower Sunshine Coast, we rely on the ferry system to be our highway to the lower mainland and other areas of BC. We have concerns regarding the direction of BC Ferries of treating the ferries like an airline with reservations and reduced fares for advanced bookings. This is our only highway. We do not always know when we will need to travel in advance. Just as someone in Squamish or Whistler, we may have to make last minute trips to Vancouver for family emergencies, medical or pleasure activities. We have concerns that the new direction of BC Ferries will limit or monetarily penalize us even more for using our highway. This may isolate us from the rest of the province even more. Even our families cannot always plan in advance because of issues that come up with work or with their small children. In the past, there were reduced fares for residents, acknowledging our dependance on the ferries for our highway to the rest of BC. In recent years, the reduced fare has been extended to anyone who wants an experience card. This reduction has nothing to do with residency and anyone can partake. I feel this has resulted in fares being higher for those of us who live on the Sunshine Coast. As long as the government of BC refuses to treat the ferries as a highway, which will result in ever increasing fares, BC Ferries must respect permanent residents rights to have reasonable access to the lower mainland at reasonable prices. We must not be expected to plan our lives out in advance in order access these fares. Remember, we are the people who use this ferry year round, we are the people who buy the goods that BC Ferries transports and that without our residency, BC Ferries would have no need to operate at all. No one has to book in advance to ride skytrain or transit buses or use our highways. This is also a public transportation system!

89.	31-Dec-14	We distribute 3200 copies including every mailbox in the Gabriola region (compared to the 400 to 600 distributed between the Daily News and Bulletin combined circulation on Gabriola), basically covering the same distribution pattern for Gabriola that the Driftwood would cover for Salt Spring, and have boxes at both ends of the Gabriola-Nanaimo BC Ferry route. It would be appreciated if we could be included with notification bookings
90.	31-Dec-14	As a concerned community member of Saturna Island, I would like to inquire how all of our residents that DO NOT have computers are supposed to voice their opinion? The Gulf islands are heavily populated with seniors/retirees that have no access to a PC or even how to use one.
91.	31-Dec-14	I think overall the concept is a long overdue positive step in the right direction. My only concern is the fact that discounted fares would only be available for return trips. I quite often travel at non peak times but do not return in a vehicle for weeks or months. Discount fares for one way travel at non peak times would be welcome. I travel on BC Ferries more than 80 times per year between the mainland and Gabriola Island.

92.	31-Dec-14	A free reservation system is a welcomed change, however tying the reservation to a return trip is a bit ridiculous, many islanders and mainlanders who make frequent trips don't always know when they are returning. I do hope this new system includes the advance purchase of walk on fares. I also don't see why all routes can't be added to the reservation system at the same time, you are certainly allowing plenty of time to implement. Looking forward to a better BC Ferries in 2015, Happy New Year.
93.	31-Dec-14	Please accept this as input on the Fare Flexibility and Digital Strategy Initiative, currently under consultation. I understand the deadline is today. 1. I am pleased to see BC Ferries moving ahead with capital upgrades that will enable them to change their business model to use pricing and fare structures to better manage demand and improve customer experience. I hope that better managing demand will result in reduced operational and capital costs, as well as increased revenue. The submission puts the emphasis on increasing revenue. 2. I travel from the Mainland to the Gulf Islands several times a year, and have always appreciated the reservation system when I've travelled with a vehicle. I do find that this system is biased towards people travelling in a vehicle. With only a very limited number of sailings going to the Gulf Islands, the popular trips are often oversubscribed for passengers. I have been turned away as a walk-on passenger on more than one occasion. And when the next sailing isn't for another 8-12 hours, this effectively ruins your weekend. I would very much like to see BC Ferries provide the option for pedestrians and cyclists to make reservations in advance. I don't believe the Fare Flexibility and Revenue Management Strategy considers providing this option. If BC Ferries is not willing to consider this at this time, I strongly request that this Initiative (currently under consultation) be designed to not preclude the option for enabling pedestrians and cyclists to reserve. 3. Page 7 of the submission says the e-commerce site will be consistent with industry standards for design and useability. I encourage BC Ferries to take a truly user-centered design approach and to aim to surpass industry

		standards. 4. Page 11 of the submission includes the following statement: <i>"Many of these round trips are at the discretion of operations managers in reaction to the build-up of traffic at a terminal. Because of these circumstances, BC Ferries has ships and crews on standby, with associated incremental costs. From a capacity management perspective, this is an inefficient approach and only works to reduce the duration of sailing waits, rather than to prevent them. Investments in this Initiative will enable the Company to incent customers to book and purchase their travel in advance, thereby providing the ability to match capacity and demand more accurately. "</i> I support the intent expressed in this statement, which I understand to be moving away from having ships and crews on standby and thereby reducing inefficiency and costs. However, I note that on page 26 of the Fare Flexibility and Revenue Management Strategy (which is included as an appendix to the submission) there is a statement that operations will still maintain the capability to run additional services as required. Is this a contradiction? Thank you very much for taking these comments into consideration.
94.	31-Dec-14	I appreciate the opportunity to respond to the proposed Fare Flexibility initiatives. My issue with the new reservation system, besides not fully understanding how BC Ferries will implement and price it, is to understand how it will be practical for a transportation link as provided by route 3, that has many customers that use the link more than 20 times a month, which makes it part of their daily lives as SkyTrain or the UBC Express is to others. It is difficult to imagine a reservation system being appropriate for SkyTrain or a city bus. Further, route 3 has a historically dismal on time performance record, less than 50% on time departures, for the nominal 5:30pm sailing from HSB to Langdale for the period June through September. How would a reservation service for a sailing that regularly sails late, function? A premium priced sailing based upon a reservation system that specifies a departure time, that is not regularly met by the operator, seems to be nothing more than further abuse of the

		customer. Can the customer not anticipate some consideration should they have a reservation time that is not honoured regularly by the operator? Can the regular customer that supports the service year round be expected to pay a premium during the summer peak period, and not be acknowledged with a substantial discount for their customer support and their core financial contribution to the service during the off peak seasons? What role will the Commission have in setting and monitoring individual route fares and multiple discounts for advance reservations and time of day that will meet the social and economic needs of local communities, residents and the operator? Currently route 3 operates with legacy assets and a legacy schedule that has not been professionally evaluated to determine the needs of the customer for at least a generation. It is long past time for the service to be evaluated to determine what is actually required by the customer, and what assets would be most appropriate to provide the services, in line with the compromises of cost, convenience and general economics, the well-being of the customer, the communities served, the operator and the Province. Without such a clear determination of needs, a study that the coastal community formally requested BC Ferries undertake with some financial support from the community in the summer of 2013, and what assets and schedules would be required to satisfy such needs, this tweaking of the rates through a new reservation system is being done in the dark, and has the potential to further damage the livelihoods of the ferry users and the economic well-being of the communities served by route 3.
95.	31-Dec-14	I have lived on the islands of the west coast of Canada since 1991, and have travelled on BC Ferries regularly since then. There have been many changes in that time, both good and bad. However since the implementation of the Coastal Ferry Act of 2002 I have seen the modernization and general upgrades to both the ships and shore facilities, which were in need of attention for 100% sure. That is where the positives end. Since 2002 the government of our great province has been pretending that the ferries can be operated on a 'private model' which is out to not only just pay for itself, but in fact turn a profit. The salaries of all of the senior management as well as at least 75% of Atrium staff, yourself Mr. Macatee and Mr. Stoilen, as well as the board of Directors of the ferries are grossly out of proportion with the economic realities of the present day world. At least if one is actually trying to turn a profit, as the ferries seems to be trying to do. Most of the aforementioned as well as many more that I have not mentioned are highly undeserving of the salaries which are so arrogantly taken. Most of these people would not make it in the private sector as if they were to run a private business in this way, the company would fail, or they would be fired before the company did fail. I have been reviewing the ferry corporations quarterly reports posted online since 2012. And what should be painfully obvious to anybody with a high school education, and the patience to read it through closely is that the operational costs of the ferries roughly pays for itself. Give or take 2-3 million dollars either way. It is not until you get into administration costs that one finds cost overruns.

		So my response to the ferry corporation's request you Commissioner to ask for approval on something entitled 'Fare Flexibility and Revenue Management Strategy and the Digital Experience'. Would be to eliminate most of the staff of the Atrium, and any position that does not directly affect actual ferry BOAT operation. The staff that is left needs to take a high percentage wage cut of PUBLIC money. Then I might think the corporation serious about managing any public money, let alone more public money. No! And to you Mr. Commissioner(s) earn your money for once. Stop this from happening, by saying that do NOT approve this additional expenditure! Once moderate business practices are implemented on shore, then and only then grant them more money. I realise that I have targeted the ferry commission in this email, but it is not with malice, just frustration towards the direction in which this service is going. Respectfully for what it is worth
96.	31-Dec-14	For once I wish I was actually sitting in a BC Ferries line-up killing time until the next boat arrived so I could more reasonably collect and submit my thoughts on this proposal. The reality is most people do not willingly choose to spend a significant portion of their day waiting at a ferry terminal to start their trip. They do so because that's the way it's always been. It's so much part of the culture that BC Ferries spent a massive amount of money to reconfigure and rebuild the terminal holding areas to hold more vehicles. Even when the online advanced reservation system was introduced, it seemed designed to shoot itself in the foot rather than improved the customer experience. The myriad of problems appear well documented in the BC Ferries proposal submission, but the most egregious flaws were the decision to charge a significant fee for the convenience of a reservation certainty and to limit the number of reservations which could be made on any given sailing - a point which seems to glossed over in the proposal. In effect, on most sailings which were not at risk of overcapacity, there was no benefit in making a reservation other than making a non-tax deductible contribution to BC Ferries bottom line. It also meant BC Ferries got no insight into any potentially underutilized sailings Had BC Ferries implemented an (almost) unlimited no-fee reservation system, or full pay in advance reservation system, BC Ferries would have already had the benefit of knowing to a far better degree what any given demand was. Allowing 80-90% advanced reservations or advanced purchase would not only give BC Ferries certainty over demand but also be able to provide that knowledge to the remaining customer base thereby providing the advance opportunity to travelers to make plans for alternate travel times. I wholeheartedly support the BC Ferries proposal to upgrade their IT infrastructure, reservation and ticketing system,

including the introduction of flexible fare structure. However, the proposal does not go far enough. The proposed enhancements must be geared to a future operational system which is primarily reservations / purchase in advance. Targets should be set to limit no more than 10-15% of spots to be specifically for drive up customers. A target schedule should be set for BC Ferries to achieve up to 90% of spots in sailings to be reservations / purchase in advance. There should be no premium to purchase in advance, nor fee for changes / refunds, etc. up to a reasonable cut-off (say 48hrs).

Customers should be able to purchase online via traditional web browser as well as mobile tablet and phone platforms. The process needs to be simple and fast enough that someone can get up in the morning, check the website (or app) on their and decide, "Today I'm going to <x>, I see the <y> sailing has room and works" and simply purchase in advance and can carry on with the rest of their day, just as easily as planning for a trip at a future date.

In response to the following identified risks, I offer the following comments:

Risk: Unsustainable demand growth during peak periods

It states, " BC Ferries could face increased congestion and sailing waits at terminals, potentially impacting safety at terminals and on highways prior to check in.", yet no mention in the proposal is made in the proposal by moving to a full reservations system of the massive savings offsets in not needing to provide additional vehicle storage capacity for overflow sailings. It is completely unacceptable to plan for a 3 sailing wait in your business model. Tens, if not hundreds of millions of dollars in terminal upgrades could be eliminated if the need for overflow capacity were also eliminated. It's all infrastructure, electronic or physical. Don't analyze them as siloed problems.

The proposal also fails to emphasize the risk of severely underutilized sailings and the wasted resources that consumes. The opportunity to cancel specific sailings and bump customers (with compensation) to another sailing must also be considered as an opportunity.

Risk: Reduction of throughput at check-in kiosks

Check-in kiosks need only sell one product - the drive-up one-way fare for the sailing/vehicle in question. All other fares, purchases can be directed to either terminal or onboard customer service agents at a customer service desk, to the website or via existing customer service options

Risk: Call center is overwhelmed

The sarcastic response is: build a better website. However, consider the next response in conjunction

Risk: Customer adaption

On most routes, BC Ferries has an extended opportunity to interact with their customers while on-board. No mention is made to provide on-board opportunities to demonstrate, showcase and promote the new reservations system during the trip. Information kiosks can be set up on-board to allow customers to view the website, interact with the applications and even make advanced reservations/purchases for their return trip. Such kiosks would also provide comprehensive and accurate user experience feedback as the program is rolled out. This would allow for a faster and better development and roll-out process focusing on the needs of the customer to achieve greater adoption.

Risk: Under forecasting pay on departure traffic:

" An unexpected influx of traffic arrives for a particular sailing ". This is not a risk - it is the status quo today. BC Ferries has no insight at present to this problem and generally no one is aware of it until they are already committed in the lineup. By implementing an advanced reservation / purchase system, BC Ferries does have the ability to make know well in advance limited availability on specific sailings and can use the traditional media, traffic radio, TV, as well as social media to get the message out. There was a classic post-Christmas tale where it seemed everyone had the same idea to avoid the Sunday rush back and go back Monday instead with obvious consequences. With a full advanced reservations / purchase system in place, BC Ferries would have been able to tell its customers Monday was going to be a problem long before they even started pre-Christmas planning, making for smoother sailing for everyone.

I would go so far as to suggest rather than the existing premium charged for an advanced reservation, that a premium be charged to choose to drive up. With simple buy in advance process all users should be able to purchase even a last minute spot online before leaving their home or office for the ferry (or discover the sailing is full, purchase a spot for the next one and avoid spending two hours idling in the terminal).

The unmentioned risk in this proposal is it wants to be all things to all people. The first priority must be to provide capacity certainty via a positive customer experience. Make it easy a quick for people to purchase in advance.

How important is it to be able to pre-purchase your food? Would it be cold or even ready when you went to pick it up? Seems like a lower priority to me.

Given the large number of successful e-commerce sites and the large number of successful online reservations and travel planning sites on the internet and the low likelihood someone will want to purchase something from the online

		gift shop while also purchasing their reservation, do they need to be integrated? Not likely. In short, approve this upgrade and put in place specific objectives or targets to make the online platform the dominant primary mechanism for boarding purchases. Make it easy, make it fast and make it universal. Lastly, make it accountable. BC Ferries must demonstrate to both the Commission and to the public that moving to a flexible, on-line advanced reservation / purchase system saves BC Ferries money, results in better fleet utilization and provides a better customer experience.
97.	31-Dec-14	Open letter, OK to publish with attribution: to BC Ferry Commission, Gabriola Sounder, MLA Respectfully, commission members: According to the documents above, you posted this on Dec, 2, 2014 and set the deadline New Year' eve. I have travelled the Gabriola and Horseshoe ferries frequently in December.. Where have the large posters on the ferry and in the terminal been informing passengers of the initiative and how to comment. . Please correct me if I am wrong. If you care about the input of BC citizens who use the ferries, you would have to try very hard to find a more obscure time (holiday season, one month) and method to move your "initiative" ahead If not for our astute Gabriola Sounder, I would not even know to spend New Years Eve commenting. Though perhaps unintentional, the appearance is this is being carried out in a shadowy corner in the darkest month when everyone is preoccupied. Because of this I find it hard to comment objectively, when I find it hard to trust the sincerity of the invitation given the circumstances. So my first and strongest comment is PLEASE extend the comment period for at least 2 months and post eye-catching, large character notices on all the ferries and terminals. As noted, I have not had much time to think about the 2 initiatives, but the 4 tier system worries me that the ferry system is being taken further from a highway extension service and becoming still harder for ordinary people and those with challenges navigating the many menus placed in our way by supposed service providers. In fact much of what used to be customer service is now outsourced to the customer, whose time is little or not at all valued. Of course better apps on more platforms are a good thing, but that seems more a basic infrastructure necessity in 2015 than an special initiative that is unnecessarily bundled with an additionally complex multi-tier system.

		Particularly worrying is your spokesperson's answer to the Sounder's question: urgently demanded changes to the minor routes like Gabriola, will necessarily happen after the initiatives and are put off to 2020! 2020? So essential app development is bundled with a complex fare structure that will baffle many and the ferry planners cannot multi-task and respond to urgent customer demands as well as develop apps. As an IT professional who routinely upgrades systems in parallel with other business activities, I find that rigid sequential waterfall progression hard to fathom in the age of agile software development. Thank you for your generous consideration.
98.	31-Dec-14	I've just realized that your deadline for comments is tonight, so my apologies if this sounds a bit garbled. My comments are based on these premises: 1. BCF serves not just customers but also communities, and communities' needs are sometimes different from, and additional to, customers needs 2. BCF's current business model, plus government fiscal restraint, frequently puts BCF in conflict with the communities it serves, which also suggests that BCF, in all its activities, should consider communities as a distinct stakeholder group 3. On smaller routes, BCF services are critical to the success of failure of communities & it therefore behoves BCF as a public agency to take community needs & aspirations very seriously 4. Small ferry-dependent communities almost always lack sufficient good data to manage their own affairs well; this is especially the case since the termination of the long form census for 2011 5. Since the vast majority of trips to and from ferry dependent communities are by BCF, BCF has the capacity to dramatically increase the highly useful data available to communities 6. According to BCF, BCF's current IT systems have nowhere near the capacity to generate the type of data that would be most useful to the communities it serves With those premises in mind, I strongly support BCF investment in better IT, but also believe that the investment should be conditional on some of the benefits of the IT investment accruing to ferry-dependent communities in the form of far more data about what types of people are coming into and out of communities, etc. The modalities of

		what data should be provided to communities should be determined early in the process, to ensure the data can be readily generated by the new systems being put in place. Consultation with communities about their data needs should be carried out in a timely fashion - consultation should go beyond FACs to other community agencies, particularly those involved with planning and economic development. The data generated will likely prove beneficial to BCF in future dialogue with communities. It would be useful for BCF to commit to some annual discussion with each ferry dependent community with regard to what the previous year's data show and what they mean for both BCF and the community. The data could be displayed on the "Corporate" stream in the proposed new website. Some community-specific forecasting capability would also be useful. I also recommend that BCF think in advance about open data - providing as much data as possible to the public, so others can use that data for apps and analysis that could be useful to both customers and BCF itself. This would also increase BCF's accountability to the public, as well as its reputation. I could go on about the places in the BCF documentation where communities and their needs are unfortunately omitted (Strategic Objectives, Business Outcomes, Key Stakeholders, Key Users, etc) but will confine myself to noting that a great deal more about communities, data and accountability could be usefully added to section 6.3.1
99.	22-Dec-14	Re: Flexibility and Revenue Management Strategy Dear Commission: The Alberni Valley Chamber of Commerce is pleased to learn of the plans to move forward with a revamp of the reservation system in place today. Our position has long been that the Reservation System should be improved and expanded so as to require its use for almost all travel with BC Ferries. In fact, the model used by both Air Canada and Westjet are exactly what BC Ferries should be implementing. Key features that merit consideration are: • Reservations mandatory except in rare situations of emergency or other 'one of' type events. • Real time access for the public so that they can determine which sailing may be preferable to them. • Varied rates on each route designed to encourage budget conscious travelers to reserve off-peak sailing. • Flexibility to offer incentives for travel during times/dates that may typically be slower than usual. • Group rate discounts, again similar to airlines, thus enabling sports teams, school groups etc. more flexibility to

travel via BC Ferries.

- High use discounts where the public can build up frequent travel points thus encouraging even more use of the Ferry System.

We reiterate that today's system discourages, and in fact penalizes those people who plan ahead and ensure BC Ferries of a customer transaction. That system must be abolished. The Alberni Valley Chamber of Commerce also wishes to encourage BC Ferries to consider additional changes designed to promote travel to/from the Islands of BC.

1. Refrain from further cuts to service; in fact we suggest a complete review of all cuts made thus far.
2. Encourage the use of smaller cars via either a discount, or a 'per foot' charge after a certain minimum criteria has been set.
3. Introduce a program that encourages the vacationing public to consider the Island Communities (or vice versa) via the 'per foot' rate. IE: It is cheaper today to bring 2 Ford F350's on board than it is to bring one that tows a small boat or camper. The latter option often would take less lineal feet and have less weight impact than the former. ***We believe that this policy discourages travel on BC Ferries thus resulting in the loss of economic opportunities for Island Businesses.***

We would also appreciate the opportunity to have a representative of BC Ferries speak at one of our Member Functions sometime in early 2015.

In conclusion we appreciate the opportunity to provide input on your Fare Flexibility and Digital Experience Plan. We believe that this is a positive step moving forward that will result in additional travel thus improving the economic health of all concerned.

Yours truly
ALBERNI VALLEY CHAMBER OF COMMERCE

Bill Collette
Executive Director

100.	31-Dec-14	I have attached some brief comments on the Fare Flexibility and Digital Experience Initiative. Based upon media release and media coverage, my concern is that the public may have an impression that this is a fare reduction exercise and there are no potential downsides. That may result in few public comments on this very important traffic management issue. Have a good holiday! Re: BC Ferries' proposed Fare Flexibility and Digital Experience Initiative I am pleased to provide personal comments on the BC Ferries' application for Fare Flexibility and Digital Experience Initiative. My concern is that the Commission may not receive significant comment from ferry users and the general public. The notice seeking public comment was filed on the Commission web site on December 2, 2014. BC Ferries issued a News Release on December 3, 2014. As December is a time when most are focused on seasonal holiday preparations and events, few have probably taken the time to read the 194 page application. http://www.bcferrycommission.com/wp-content/uploads/2014/12/FC-Public-Notice-for-Fare-Flexibility-and-Digital-Experience-Initiative.pdf https://www.bcferries.com/bcferries/faces/attachments?id=878470 The notice and news release generated some press items. For example: http://www.coastreporter.net/news/local-news/phone-bookings-included-in-bc-ferries-online-plan-1.1661230. http://www.vancouversun.com/business/Ferries+pitches+fare+system+free+online+reservations/10437201/story.html http://www.theglobeandmail.com/news/british-columbia/proposed-reservation-changes-promise-lower-fares-at-bc-ferries/article21939798/ http://www.cbc.ca/news/canada/british-columbia/bc-ferries-plans-to-cut-reservation-fees-offer-off-peak-discounts-1.2860200 The cumulative effect of the notice, news release, and media items has likely left most residents with the general impression that the initiative is simply about moving to free on-line reservations and discounted fares for their off-peak travel, and will not materially impact existing fares. This likely discouraged the public to read through the submission and
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understand that that discounts for off-peak travel will likely result in increases during peak travel times.

The news release may have caused the public to simply interpret that the current reservation fees will be dropped and there will be further discounts available if they can travel at off-peak times. Currently a one-way reservation is charged a non-refundable reservation fee as follows:

- \$15.00 if made 7 or more days in advance of the sailing's scheduled departure date, or
- \$18.50 if made less than 7 days up to day before travel, or
- \$22.00 if made for same day travel.

I expect that the 'free reservations' press coverage has also raised expectations that the new system will be similar to the existing Washington State ferry system whereby there is no charge for reservations. If you arrive late for your reservation and cannot be processed at the toll booth in time to be loaded on your reserved sailing, you may still travel standby, as space is available. If you do not show up for travel on the route reserved on the same day of your reservation, you will be charged a No-Show fee.

Few residents and ferry users have probably read through section 9.3 **Capacity Utilization** of the January 24, 2012 Review of the Coastal Ferry Act prepared by the Commission; and thereby understand that the heart of the Commission's idea was to improve service for passengers who plan ahead and improve the company's ability to prepare for and serve those ferry users.

The Discussion Guide and Feedback Form used for the Ministry's BC Coastal Ferries Community Engagement Fall 2013 consultations contained 4 questions (1.3 thru 1.7) relating to reservation system, time-of-day pricing, and loyalty programs asking participants to rate their opinions on a scale of 'strongly agree' to 'strongly disagree'. The results were tabulated at page iii of the February 2014 summary report. This is the only provincial public consultation on this topic.

While I support the initiative to refine the reservation system, my concern is whether enough local consultation and research has been done to understand the potential benefits and associated risks before proceeding into detailed system design. Section 1.4 .1 Stage:1 "Research" in the BC Ferries Application is shown as complete. Section 3.4 'Completed and Future Consultations' summarizes research activities to date. While the section acknowledges that there was some customer focus group and cojoint analysis, none of this work was described in detail nor attached as an appendix. It would be useful to understand the extent of the focus group activities, the composition of the groups, specific questions asked, any downsides identified, and conclusions reached.

The proposed model is similar to demand management systems currently used by airlines and railways that operate in competitive situations. Such a system may be applicable to the 3 major routes between the lower mainland and Vancouver Island where customers have a choice between the 3 routes and they are not used by residents travelling regularly for work or school. However, there are significant differences in managing traffic to other ferry dependent

		communities where there is only one ferry route and it provides the sole link between sections of the provincial highway system. The recent Ministry / BC Ferries service reduction program has been sharply criticized because there was no prior research or community consultation to quantify the social and economic impacts on local communities and residents. There should be detailed consultation with local communities before making decisions about reservations and fare flexibility as a means of managing traffic on the routes serving ferry dependent communities where much of the traffic is non-discretionary.
101.	31-Dec-14	These are in regards to the 'Fare Flexibility and Digital Experience Initiative' recently released by BC Ferries and the request for public input. As a local user of the BC Ferries, I generally support the Fare Flexibility and Digital Experience Initiative as outlined in the December 2, 2014 report submitted by BC Ferries to your organization. It is important that BC Ferries implement strategies that will encourage greater traffic utilization. Fare Flexibility through strategic pricing appears to be at the core of this initiative due to price sensitivity in a climate of ever increasing fares, operating costs and decreasing traffic. In Section 2 three options are tabled with one and three identified as weak and regressive choices. Option two is promoted as the preferred choice, recommending a large capital investment. This option is based on the prediction of increased traffic growth under two scenarios: 3% growth, breaking even in 7 years and, 5% growth, breaking even in 6 years. Presumably this initiative cannot contribute reliably to reducing pressure on increasing fare structures until incremental revenues are realized. The prediction of growth in traffic through this initiative is speculative, it seems risky to commit such a large expenditure before a 'proof of concept' is established. If the BC Ferry passenger base was offered fare flexibility through a simpler means, that didn't involve a complete 'digital experience' build-up, key motivators such as: fare flexibility, loyalty programs, intuitive online and mobile booking options, it could be proved that ridership would increase. Many of the features of the Digital Experience Strategy are based on numerous organizations' 'best practices' and will no doubt drive some incremental revenue increases through a number of ancillary channels. So from that point of view, modernization of the digital experience is warranted. However, many of the examples

		used are in industries that are highly competitive and are tasked with pulling revenues away from competitors by providing a superior user experience and therefore invest large sums of money to achieve this. I don't believe this is the case for BC Ferries. Attached is our discussion paper that has been written to elaborate on an option to utilize an established 'airline reservation system' that would, with some minor modifications, create a full working model for BC Ferries. In a short timeline, our system can be easily be implemented on a 'live basis' accessing individual or multiple routes thereby achieving fare flexibility and generating predicted increases in traffic revenues. The Blue Sky Booking solution offers a low cost no risk option of proving that the increased traffic strategy can be realized. Thank you for reviewing our discussion paper, I am available to provide further information and details
102.	20-Dec-14	Please accept the attached comments from the Ferry Advisory Committee Chairs in response to the BCFerries Fare Flexibility and Digital Experience Initiative submission. Our primary interest is the impact it will have on ferry fares. In the absence of specific information to the contrary, it appears the initiative will contribute to an increase in the PT4 fare cap (added capital and operating costs exceeding increased revenues). Unfortunately, the necessary information to assess that impact is not included in the submission. Consequently, while impressed by the elegance of the proposed system, we are not, at this time, able to support it. Ferry Advisory Committee Chairs Gord Macatee Ferry Commissioner BC Ferry Commission PO Box 9279 Stn Prov Gov Victoria BC V8W 9J7 20 Dec 2014 Dear Mr Macatee

BC Ferries' Proposed "Fare Flexibility and Digital Experience Initiative"

The Committee of Ferry Advisory Committee Chairs (FACC) broadly welcomes the initiative by BC Ferries to develop and enhance reservation systems for its customers, but has significant concerns about the long-term impact of the proposal on fare levels across both the reservable and non-reservable ferry routes.

Our concern essentially focuses on four aspects of the proposal; the mechanism for financing the capital costs and amortization on the project, recovery of the \$13 million presently generated by the reservation system, the wider impact on vehicle and passenger fares across the ferry system and the protection of ferry users' interests in the process.

Financing the project

The eight reservable routes that will benefit from the proposed "Fare Flexibility" element of the project carry, between them, around two-thirds of BC Ferries' vehicle and passenger traffic and account for almost 90% of operating revenues. The potential benefits to customers on these routes will not, in the foreseeable future, be enjoyed by customers on the remaining unreservable routes. Yet the current mechanism for funding new capital investment would potentially see the capital cost recovery and the recovery of the lost reservations revenue being spread across all 25 regulated routes. Additionally, this would imply that, in the event of the project failing to achieve its financial targets, measures to mitigate any deficits would also impact on ferry users on the non-reservable routes.

Given the scale and uniqueness of this proposal – and the very specific target market at which it is aimed – we encourage the Commissioner to consider the case for containing any financial impacts associated with the fare flexibility and vehicle reservation systems to those ferry routes to which the benefits will accrue. As presented, we would expect the project to become sufficiently profitable to absorb the annual capital costs, the recovery of the lost reservations revenue and the tariff revenue foregone to the fare discounts.

The wider impact on vehicle and passenger fares

In their proposal, BC Ferries states that only about 20% of vehicle traffic on reservable routes is currently pre-booked through the existing reservation systems and that the aim of the project is to progressively increase the proportion of advance reservations using a graduated scale of discounts determined by time of booking and anticipated load factors. The proposal also makes provision for some premium rate products to be made available at higher fare levels, incorporating other undefined benefits as part of the ticket price. The proposal refers to a 'rack rate' that will always be available for 'turn-up-and-go' traffic and for non-discounted reservations that "may" provide free exchangeability or refund (Flexi fares). The 'rack rate' fares would be the default fares when the limited number of 'saver' and 'super saver' advance reservations are sold out. This 'rack rate' would be set such that with discounts and premiums on other fares,

the average fare will meet or exceed the fare cap. It may, or may not, by itself, exceed the fare cap.

This would appear to be consistent with the present mechanism by which the average fare paid (derived from a basket of fares covering all fare products) is moderated against the price cap, but as we have already seen with recent fare increases, this does encourage the operator to increase the most frequently used fares above the price cap, providing there is a rebalancing of the average fare within the successive four quarters.

We are concerned that the implementation of this project under the existing price cap mechanism has the potential to result in significant above-cap fare increases for ‘rack rate’ customers throughout the ferry system in order to fund the discounts proposed for advance reservations. We believe this could prejudice the protection that the price-capping process is intended to provide against excessive fare rises for the majority of ferry users who, for a variety of reasons, cannot take advantage of discounted advance reservations.

There is a close parallel here to the price-capping process applied to Britain’s train operating companies following privatisation, when the trend toward discounted advance reservations threatened to impose substantial increases on standard rail fares for commuters and ‘turn-up-and-go’ off-peak travellers. The UK government identified a basket of fares (the “regulated fares”) that would be subject to a price-capping process linked to general inflation rates, leaving train operators free to offer a range of other fare products (the “unregulated fares”) at rates determined by the market. After more than 20 years of market maturity, 45% of rail users still depend on the protected fare product.

We therefore urge the Commissioner to consider the case for a modification to the price regulation mechanism to protect the interests of ferry users who will continue to use the ferry system who, for whatever reason, are obliged to pay the full ‘rack rate’. We believe there is a strong argument for the basket of ferry fares that is used to derive the average fare paid to exclude fare products (discounts) that are not available to ‘rack rate’ customers and premium fares. This would ensure that the application of the price cap will protect ferry users on both reservable **and non-reservable routes** from predatory price increases on ‘rack rate’ fares as a means of funding discounts for some customers. In effect, we recommend that the ‘rack rate’ fare products become the “regulated fares” controlled through the price capping protocol, with the other fare products treated as “unregulated fares” and not included in the calculation of the average fare.

Ferry user representation

We are also concerned that there is no equivalent body to the Ferry Advisory Committees to represent the interests of the 10 million ferry users each year who travel on the major routes that are the primary target for this proposal. We urge the Ferry Commissioner to consider whether the interests of those 10 million ferry users would best be represented

		through the establishment of some form of Ferry Users’ Council for ferry routes to and from the Lower Mainland.
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Sincerely

Brian Hollingshead, Co-Chair, FACC