British Columbia Ferry Commission

BC Ferries' Drop Trailer Services Submission

Public Comments Received

British Columbia Ferries Commissioner
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November 30, 2010

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Opportunity to Comment Submissions
On BC Ferries' Drop Trailer Services

On September 30, 2010, the British Columbia Ferry Commission, the independent regulator of BC Ferry Services Inc., announced that it was seeking public comment on BC Ferries' submission on its drop trailer services offered on its major routes. The deadline for comments was November 1, 2010. This document is a compilation of submissions received.

Submission #1

From: Bob Painton
To: letters@tc.canwest.com
Sent: Thursday, September 30, 2010 8:43 AM
Subject: B.C. Ferries Drop Trailer Business

DROP TRAILERS
B.C. Ferries vs. Washington Marine Group
B.C. Ferries Main objective, move the paying public &
vehicles from point "A" to point "B"
Washington Marine Group, move trailers from point "A"
to point "B" (no paying public) or tractor drivers.
Selling Deck Space, Cost etc. vs. Public Drive Up.
B.C. Ferries Commercial Division, "Drop Trailers" Office Space,
Office Staff, Sales Staff, Cars for Sales Staff, Tractors, Drivers,
Insurance, costs goes on & on.
Several times over the past year, I have been left behind, on both
sides, as I watch them load Drop Trailers and the driver walks
off the ship. Once I was on the loading ramp and told to back off
so they could load a Drop Trailer.
The drivers uploading the Drop Trailers on both sides, walk on,
unlock the door, start the engine and drive off, they never do a
safety walk around, check air lines etc. In some cases the single
axle Tractors they use, don't meet the G.V.W. off the Trailers "To Pull"
them on or off the Ship. Braking may be an issue.
Plus the whole program creates a double standard, what they can do,
and the paying public can't. Park and walk off, can I.
And the weird thing is! The C.E.O.'s of both company's are Americans.
No Ego's There, eh.

Robert J. Payton
Esquimalt B.C.

Submission #2

From: Jim and Ann Fisher
Sent: October-01-10 8:20 AM
To: info@bcferrycommission.com
Subject: Drop Service

Hi I do not see how B.C. ferries can have this drop service at a lower cost when it has 40 new trucks and people only drive on the ship and get off and wait for 2 hrs to move the next truck I have been in the Trucking industry for 35 years and do not see how this can work if you can explain the to me that would be great Thanks Jim

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Submission #3

From: Darren and Dayna Jones
Sent: October-05-10 5:58 PM
To: info@bcferrycommission.com
Subject: drop trailer service

I would like to publicly register my outrage at the way BC Ferries undercuts the commercial industry. David Hahn says the main routes are not subsidized by the taxpayer, so therefore the drop trailer service isn't as well??? What a condescending and insulting attitude!!!!I formally request that I, as one of the countless minions that pay subsidy to this overrated service, see my money NOT used to run private industry out of business!!! PLAY FAIR OR GET OUT OF THE GAME HAHN!

Darren Jones

Submission #4

From: frank thompson
Sent: October-09-10 7:29 PM
To: info@bcferrycommission.com
Subject: BC Ferry Drop Trailer Service

I am against a subsidized Crown Corporation<which we all know this is, in all but name> competing in the private sector. It is surprising that a free enterprise government that continues to privatize services is allowing this to happen.
Private drop trailer service is being offered and BC Ferries should not be involved, especially when they are continually trying to off load ferry service to the gulf islands onto the private sector. I call this cherry picking .
Where are they getting the extra money to lease or buy the 50 or so tractors required to do the job and the parking space required for 10 to 40 commercial trailers ?
If they have all this extra parking space<for drop trailers> why did they do large parking expansions at some of the terminals?
Already I have seen some of these drop trailers take up space on the ferries that could have been used by non-commercial traffic. So not only is the government subsidizing , but the general public is also giving up space , for you can be sure that these drop trailers will always get on the boat . Are these drop trailers paying reservation fees to cross.., or do they have special privileges' and preferences on sailing. It would seem that yet again the general public is the loser as they are subsidizing commercial drop trailers and losing spaces on the ferries.

frank Thompson

Submission #5

From: Grant Renton
Sent: October-12-10 12:08 PM
To: mary@bcferrycommission.com
Subject: Re: Drop Trailer Services: Opportunity to Comment

To whom it may concern,

Being in the same industry as BC Ferries drop service, I know the costs involved and BC Ferries is not charging any where what they should. To off set this loss in revenue in that area they have increased the cost of recreational and over length traffic and I believe that is not right. I travelled on the Nanaimo to Horseshoe Bay run with a utility trailer and it cost me more for that small trailer then it would have cost me to bring over a second vehicle, by quite a bit. I think BC Ferries is doing a disservice to the residents of BC and we will make up the short fall, as usual.

Grant Renton

Submission #6

From:
Sent: October-12-10 1:16 PM
To: info@bcferrycommission.com
Subject: bcferrycommission.com/DropTrailer

If all the legal requirements are met, no tax dollars are subsidizing the service, and BC Ferries is showing a profit on the Drop Trailer service there is no problem for me. They are just providing a service at the best price.

Bob Tritschler
Parksville,BC

Submission #7

From: Jakob Knaus
Sent: October-12-10 1:16 PM
To: BC Ferry Commission
Subject: BC Ferries - Drop Trailer Services - public feedback

Dear Commissioners,

If BC Ferries (in fixing their fares for drop trailers) have covered all their costs and earn 14 % return on equity then I see no reason to qualify their lower rates as "unfair advantage". Making use of normally unused capacity during periods of low traffic makes sound business sense and is enhancing the financial viability of BC Ferries. BCF had two lousy years and have not earned the proscribed 14 % on equity. Every possibility to allow them a fair financial return should be made use of.
Regards
Jakob Knaus

Submission #8

From: Robin Holmgren
Sent: October-12-10 4:49 PM
To: Ferry Commission
Subject: drop trailers

Dear bcferrycommission,

The drop trailer business provides an alternate service and utilizes vacant space on the ferries.
The vacant space does have a value?
The competition does not like to compete unless it has to. There is a concern about competing with a subsidized carrier.
I think the major runs that the drop trailer business is running on do make a profit so to what degree is the run subsidized?

----Competition has value to the Province. It keeps the private carrier honest and the rates fair.
--- If it is viewed that BC Ferries has an unfair advantage then set a minimum price for service example:10 % less than private carrier for similar miles.
--- Also, ensure that BC Ferries pays it's workers the same wage rate/or more than private carrier. Look at the workers contract to compare value.

I support the BC Ferries fully utilizing their car deck space by competing in the drop trailer business.

thank you

Robin Holmgren

Submission #9

From: ted welp
Sent: October-12-10 8:39 PM
To: mary@bcferrycommission.com
Subject: RE: Drop Trailer Services: Opportunity to Comment

To better serve the residents of Powell River we would like to see an increase in subsides for the northern routes of BC Ferries comparable to those currently offered to other means of public transportation.

Submission #10

From: John Chapman
Sent: October-16-10 11:13 PM
To: info@bcferrycommission.com
Subject: BC Ferry Drop Trailer Service

Mary Stambulic Oct 16, 2010
Assistant to the Commissioner
BC Ferry Commission

Dear Ms Stambulic,

It seems to me like the BC Ferry submission is quite thorough. I would add the following observations to their detailed proposal:

1. Cost to consumer --the ability to offer this service is built on tax dollars. How many drivers are employed and how do they spend their time? What is the payback period for the purchase of all the trucks including driver, insurance, depreciation, and maintenance? How many trucks were purchased? It is important that this is the extra capacity that is being used, and will not displace any passengers.

2. Trailer storage and impact on cost of parking at the ferry terminals: It is expensive to leave cars at the terminal but taking cars when not absolutely necessary seems contrary to promoting greenness. There should be more economical parking at the terminal. There is obviously space as the truck and trailer business takes up a fair amount of space.

3. Seems like the existing truck ferry service has been a monopoly --some competition would be a good thing. Freight prices affect cost of living on Vancouver and Gulf Islands.

4. Now that BC Ferries is `at arms length' from the government, the public has no control over or insight into BC Ferries activities except apparently through this commission. I am convinced that the public did and does not want to spend big bucks on huge ferries. I am convinced that the public did not want to spend big bucks on fast ferries either. I am also convinced that these ferries should be constructed in BC or at least in Canada--it is a travesty that they are not. Why should the public support BC ferries in any activities that have not had transparent decision making with monies originating from the public. The ferries are a public utility in fact if not in law.

5. The costs provided by BC Ferries are very vague, and the only corroboration is the statement by Gary Saleba, President of EES Consulting, that the charges and cost calculations are fair. I think the cost structure should be transparent, not hidden. Why would we believe BC Ferries' Management, which has a poor track record of public service and an excellent record of self-service? Since the Commission has been supplied other financial information, I hope they will look at it thoroughly.

6. There are obviously some pros and cons to BC Ferries getting into the truck trailer business. Economics and service to the public lie at the heart of any fair and reasonable decision. I expect and trust that you, the Commission, will have some considered final decision after reviewing all the pertinent facts.

Should some BC ferries facts be wilfully or ignorantly incomplete in your opinion, that would be reason enough in mine to deny their application.

Yours truly,

John Chapman

Submission #11

From: Heath Lansdowne
Sent: October-17-10 11:02 AM
To: info@bcferrycommission.com
Subject: drop trailers

To whom it may concern,

the minute i saw that BC Ferries started taking drop trailers i felt that it was unfair. not only to the sealink (?) service but also to passenger service on the ferries. i don't want to be left behind because bc ferries can make more money by filling the boat up with drop trailers than they can with cars. one car is $2.33 per foot (up to 20') with trailers at $5.25 per foot, or two cars stacked (using the ramps to occupy the same area as a trailer) at only $4.68 per foot. They make more money and potentially cause delays for personal vehicles. this is unnecessary. Commercial vehicles have two options to get to the mainland while personal vehicles only have the one. this is just another example of mr. Hahn trying to make a buck at the expense of the residents and taxpayers of coastal BC while helping to destroy an existing business and put people out of work. Perhaps the real reason for this is to in fact force the drop trailer carrier out of business and then gain access to the land to expand the ferry terminal further, or perhaps set up a separate drop trailer service on the same location with the same equipment after acquiring it cheap. Who knows, but i wouldn't put it past him. Please look carefully into this situation, it just doesn't seem right or fair.
Heath Lansdowne

Heath Lansdowne
Homecraft Design
Modern, Efficient Home Designs
homecraftdesign@shaw.ca

Submission #12

Michael P. Robinson
Saanichton, B.C.

October 22, 2010

Sent Via Electronic Mail

Ferry Commissioner
BC Ferry Commission
PO Box 1497 Comox, BC,
V9M 8A2.

Dear Sir:

Re: Comment on BC Ferries' Submission on its Drop Trailer Service

I am responding as an interested member of the public. This letter is in response to a request for comments on the drop trailer service being provided by the BC Ferry Corporation (BCF) on the routes between the Lower Mainland and Vancouver Island as outlined in its submission to the BC Ferry Commission.

I have read the Memorandum 37, the BCF submission (as published on your web site) and have contacted Seaspan Coastal Intermodal Company (SCIC). My comments will be confined to the issues of pricing methodology of services by BCF relative to the established market pricing of services by SCIC and VIBS plus, the expected implications of the BCF drop trailer business strategy, as laid out by BCF, on the alternative service providers and the core service users of the BCF.

BCF has retained EES Consulting to conduct the COSA analysis and justify the BCF position on pricing. Reviewing EES Consulting credentials, their strong suit is in conducting cost allocations for publicly regulated utilities for establishing cost based utility rates. Their methodology is appropriate for a cost allocation pricing method and makes the application methodology quite clear that the components being allocated do not include a full costing formula.

There is no discussion from the consultant published in the BCF document that indicates that neither drop trailer service rates are established on the same basis as core services or does that the rates determined from the applied methodology have any relationship to market rates charged by the competing drop service providers. Relative to the market and the rate methodology established for core services, it must be concluded that the drop trailer service is subsidized by the core service components of BCF customers and, due to the marginal cost allocations, are artificially and significantly below what the market competition can match. If this pricing regime is allowed to continue, it does constitute an unfair competitive advantage. Unfair to the private sector providers and unfair to the core service users of BCF services.

From the drop trailer submission of BCF, it is apparent that the intent of initiating drop trailer service was to fill underutilized vessel capacity. While supportable in concept, it is incredibly naïve to state that the provision of drop trailer service is achievable without consequences to either the drop trailer service level commitments to customers or compromising service to core service users.

The pricing strategy from the onset of service was to undercut the competition to establish a viable level of business to warrant the set-up costs and acquisition of staff and equipment. The strategy appears to be quite successful and volumes reported by SCIC appear to be better than anyone expected. (This statement is difficult to verify as this information is unavailable to the public and thus a barrier to many interested parties to provide objective comment. However, given the Commission's publication of Memorandum 37, the statements of the private sector service providers appear to have credibility). There has been no information published from BCF, despite the requirement to do so by the Commission regarding the marketing plans and business volumes expected over time and the implications of experienced volumes to date and into the future upon the core service users.

If volumes continue to grow through continued erosion of the private sector volumes or the event of one or both of the private sector providers being forced out of business due to unsustainable losses (as contended by the private sector providers) then the volumes of traffic for drop trailer service will increasingly displace core service capacity. There are unverifiable reports that this is already occurring due to the time commitments of the product lines being offered by BCF. As reported by BCF, the "At" product uses 2 available sailings and the "By" product uses 4 available sailings. These are relatively narrow windows to provide the drop trailer service while committing to only use excess vessel capacity. It is well documented that several days of the week in the winter and most days of the week in the summer have full capacity vessels utilized by core service users.

What happens to core service users when the drop trailer service volume demands exceed supply of non-core customer vessel capacity? What happens when there is a mechanical failure or smaller vessels are brought onto the routes when the larger vessels are unavailable due to failure or scheduled maintenance. The core services users in those cases are left with less than desirable service levels let alone adding drop trailer service capacity.

BCF cannot with any credibility state that they will not displace core service users and renege on commitments to drop trailer service customers. Passenger vehicle displacement is reportedly happening NOW and there has yet to be any scaling back of private sector supply.

One can only surmise the public outrage when passenger vehicles are left behind in favour of drop trailer service to meet BCF commitments to drop trailer service customers. Especially when the public is informed that the drop trailer service is not priced equally to core service users and the travelling public is "subsidizing" the drop trailer service while they are being left behind!
Drop trailer service is and will be competing with core service users for vessel deck space. They must be priced as a core service or a better alternative is to price the service based upon market rates established prior to BCF entry into the drop trailer service in March 2009. To continue down the current path will lead to conflict over vessel space, an undermining of public confidence in the BCF and an ultimate loss of choice of service for the movement of goods and services to and from Vancouver Island.

Yours truly,

Michael P. Robinson

B.C. Ferry Commission
c/o Mr Martin Crilly

July 19, 2010

Dear Mr. Crilly:

I have been reluctant to voice my opinion about B.C. Ferries for many years but find the Drop Trailer Program extremely unfair to the private sector.

It is very easy for ferry management to project a need to fill empty vehicle spaces. That is exactly how B.C. Ferries got started. The premier of the day insisted that the voters of B.C. must have access to their Legislature. Two ferries would provide an optional connection between Vancouver Island and the Mainland. Unfortunately the start up process did not include a directive to the effect that the new Crown Corporation must be completely "cost recovery"!

Fifty years later many companies have left the scene or been forced to give up their services due to unfair competition from B.C. Ferries. If the drop trailer raid on the private sector is not stopped I predict that history will be repeated. The writer proposed, at your Ferry Conference several years ago, that the appropriate ferry terminals be cleared to provide over night access for the private sector. This would require considerable study to develop a workable plan but it has the potential to display a true partnership with the private sector. B.C.F.C's mandate should be held to its historical growth plan, which requires a driver with each vehicle. That seamless line was severed by management purchasing yard tractors, to replace the trailer owner's tractor and driver.

B.C.F.C. management has indicated that the trailer customers are very happy with the new service. Why wouldn't they be?! The service provides another option for routing trailers with an organization that has received an operating subsidy from two levels of Government to the tune of $178,052,000 for the last fiscal year. The private sector has no defence and given enough years of new growth from B.C.F.C., will see its market share bleed away. It's only a matter of time before ferry management offer a night service for drops, as they struggle to find new earnings, because the Federal and Provincial Governments' contributions will not be growing fast enough.

I wish you well with your deliberations, which I believe will follow the Government's directives to the letter. Unfortunately, they are always politically driven and have the support of B.C.F.C. management and the Board of Directors, something I witnessed first-hand for forty years.

Sincerely,

W. A. [signature]

Submission #14

B.C. Ferry Commission
c/o Mr. Martin Crilly
RE: B.C. Ferries Submission on its "Drop Trailer Service"

October 26, 2010

Dear Mr. Crilly:

The writer had previously written you on this matter (July 19, 2010). This follow up letter is provided since reading B.C. Ferries' submission on the matter, which leaves the impression that they are "entitled" to this work. The writer was in the ferry business (Coast Ferries), with his late father from the late fifties and saw the initial Tsawwassen to Swartz Bay service expand to consume several private companies, including ours in 1997.

The private drop trailer service evolved since the 1950's and is now offered by two independent companies. They have expanded on the number of vessel combinations justified, as the market demand has grown. It should be noted that my correspondence has not been shared with either of these companies since B.C. Ferries submitted its justification. It should also be noted that I have no financial interest in either company.

The unfair competitive advantage from B.C. Ferries drop service negatively impacts any private operation because it has never been given a mandate to be "completely cost recovery". This oversight has meant the need for a continuous Government subsidy since 1960. One cannot forget that capital debt accrued to an additional one billion dollars which was forgiven. Our company initiated, then were forced to give up or sell seven routes provided by B.C. Ferries today. Put it another way: B.C. Ferries has never been capable of paying all its bills from the gross revenue generated from its tariff, as the founding drop trailer companies must do!

The trucking industry has benefited from the B.C. Ferries fleet expansion without paying their fair share of the cost. Just compare the tariff against the foot print of a truck to a car, then compare the light and loaded weight of the two types of transportation on a cost per pound, ton or kilogram. It becomes very clear that the displacement of the fleet (physical dimensions) would be considerably smaller and cheaper if built for cars, light trucks and limited large transport vehicles.

The sole justification for the Government of the day to go into the ferry business in 1960 was because both public marine carriers of the day had labour strikes at the same time. Voter access to the Legislature in Victoria became the sole excuse to build the first two vessels.

A spread sheet on the various vehicle revenues versus their footprint along with the tariff value based on weight as well, will clear up any doubt that the private drop trailer marine operators are being unfairly challenged. The Government funds to B.C. Ferries, whether called a subsidy or contract, does not change the fact that they are not generated from the tariff. This reality forms the keel of why B.C. Ferries should be required to cease all drop trailer operations at the conclusion of the Commissioner's work due to very unfair competition.

Yours truly,

W. A. New

W.A. (Bill) New

Submission #15

Drop Trailer Services Comment:

Thank you for the opportunity to comment.

From a consumer perspective, the Drop Trailer Services no doubt offers business, industry and the public more options than is currently available by Seaspan. This theoretically translates to lower costs, faster service and more convenience to the user(s). This not only affects BC Ferries but everyone living on Vancouver Island and Gulf Islands. In my view, the BC Ferries are following the "Principles of Public Interest" and this service benefits all.

Further, I would like to see the Drop Trailer Service fares reduced if they are willing to travel at off hours ie: 2100, 2200, 2300 hours, similarly for Recreational users of motor homes, truck-trailer,(fifth wheels), diesel pushers or other recreational vehicles. Perhaps other businesses could benefit by traveling off hours to fill the boats, making private vehicles a priority. It is very rare to see the larger ferries dropping the (3rd) deck, if ever, to accommodate more passenger vehicles especially on long weekends.

Is the government subsidized ferries subjecting Seaspan to unfair competition? Well, it is certainly offering more options, and if it increases the bottom line to the Corporation and the taxpayers of this province, then every effort should be made to accommodate BC Ferries. The Seaspan rates are considerably higher….. Is Seaspan the only company that offers trailer transport to the Islands…? If so… are they not a monopoly. In my view, BC Ferries Service Inc. is simply offering an alternative service at a fair price.

Note: Interestingly, I called Seaspan, and enquired if they would allow me to drive my recreational truck/camper/trailer which equals 55' feet, ***but*** I cannot travel with my vehicle. Perhaps they would be willing to expand their service for recreational users and change their policies/prices to accommodate the recreational community; thereby equaling the playing field.

When I contacted Seaspan and asked what the fare would be for my 30' cargo trailer. The employee stated that my cost would be $5.50 per foot plus fuel surcharge and HST for my trailer only. This translated to $245.76, and does not include my truck and camper. We just came back from the mainland and it cost us, $230.00 one way for 52 feet of truck and trailer. Obviously, I won't be using Seaspan any time soon.

In summary, I agree with the submissions of the BC Ferries Service Inc. made to the Commission and in my view the Drop Trailer service should continue.

Thank you

Bruce COLEMAN

Submission #16

Submitted by:
Vicki Huntington, MLA
Delta South

Dated:
October 28, 2010

See Pages 18 and 19.

Submission #17

From: Alex Dugan
Sent: October-29-10 3:56 PM
To: info@bcferrycommission.com
Subject: Fw: BCFS Drop Trailer Pricing Strategy

Submission to The BC Ferry Commisioner,

I am writing as an independent business owner in the freight distribution sector on Vancouver Island. I have read the submission by to BCFS to the Ferry Commission and I feel that at best, it is a shallow attempt to pass off the true cost of the trailer drop service as an "incremental" cost and doesn't come close to capturing the real cost of carrying the drop trailer service. If we at Central Island Distributors followed the BCFS logic then perhaps any new customers (service) that we provide could be priced at our fuel and labour cost only, as the trucks and warehouses and management and all other assets the company owns are "being used anyway"? Nonsense! And what of the BCFS or by comparison, our present customers? Would they receive a reduction in fares or charges? The true cost of providing a drop trailer service must be fully costed and include the cost of the assets being used. As a government subsidized corporation, the BCFS has an unfair advantage over those barge companies presently providing a service where no costs are subsidized or guaranteed by the government. Perhaps if the BC Government gave the BCFS's competition $400,000,000 to build new barges, then maybe they could argue that the competition for the drop trailer services is fair and "equal"? As an aside.....what about the trailers containing "dangerous goods"? Is the BCFS ready to accept responsibility for dangerous goods, mixed with the passenger service??

Even more disturbing to us is the statement that "core" customers would receive significant fare reductions? "Core customers would be determined by the amount of use??? Given there is only a finite amount of "unused" space on the sailings, (in their submission they indicated that only unused space and not currently used space would be used) what happens when one or two freight carriers use this space up? Does this mean that the select few will be afforded the preferential rate?? And, the rest of us would be left behind or pay a higher rate? As a Government backed corporation, the fares for all customers using the service should be EQUAL. No preferential fares should be considered for an elite few.

In closing, the BCFS has purchased a number of "hostler" trucks and also a number of hiqhway trucks. Does this mean the ferry service will also be entering the trucking sector as well? Perhaps offering to deliver trailers to Island/Mainland destinations either with BCFS owned vehicles or perhaps a "partnership" with a favoured trucking company?
The BCFS is an extension of the Trans Canada Highway and all persons using their service should be charged and treated equally, thus levelling the playing field. They should stick to THEIR core business of providing service to "live load" passengers and vehicles and leave the private sector to handle anything else.

Regards,
Alex Dugan
President
Central Island Distributors
Nanaimo, BC

Submission #18

Submitted by:
Gino Crisanti
President
3PLogix Group of Companies

Dated:
October 31, 2010

See Pages 20 to 21.

Submission #19

From: Kanakos, Jeannie
Sent: November-01-10 3:22 PM
To: info@bcferrycommission.com
Subject: Submission to BC Ferries Commission

To the Commission:

I am writing to express significant concern with BC Ferries seeking approval to move into the areas such as (drop trailer) and indirect competition (live) from BCFS – with what appears to be as a subsidized activity. This definitely puts other private sector businesses at a disadvantage. There should always be sufficient safeguards put in place to ensure that this competition comes on a level playing field. There are examples in other markets where subsidized, government sanctioned monopolies leveraged their privileged position to compete unfairly in markets outside their core mandate. BC Hydro, Teresen Gas, (BC Gas), Canada Post, Telus (BC Tel) and ICBC immediately are examples and all entered markets outside their core service mandate but have since been prevented from cross subsidizing and undercutting their private sector competition. This needs to happen in the BC Ferries case as well.

As a former Councillor in Delta, I know that there are businesses in the area which will be negatively impacted if this initiative is approved. Please either deny the request or ensure that steps are taken to keep a level playing field for all businesses.

Regards,

Jeannie Kanakos

Senior Consultation Specialist

Golder Associates

Delta BC

Submission #20

From: Craig Long
Date: Tue, 02 Nov 2010 17:30:27 -0700
To: Martin Crilly <martin.crilly@bcferrycommission.com>
Subject: Thanks, Drop Trailer Submission

November 1, 2010

Mr. Martin Crilly,

City Transfer would like to express our position in regards to the pilot spot trailer service provided by BC Ferries from the lower mainland to Vancouver Island. Commercial marine services on the entire coast of BC have been provided very successfully for many years by private companies and the emergence of a heavily subsidized government owned drop trailer service is unacceptable and not justifiable. The notion that BC Ferries is a private company is false and legal smoke and mirrors. The BC Government owns all special preferred shares of BC Ferries and the government appointed BC Ferry Authority has voting shares and appoints the BC Ferries board of directors.

Within the service contract between BC Ferries and the BC Government subsidies of 106 million dollars annually are paid directly to BC Ferries. The subsidy is termed as a service fee contract but no other private companies had the opportunity to bid and it is now locked in for the next 60 years with an option to renew.

BC Ferries is a single entity and have single set of financial statements which all subsidies are ultimately applied. To take the position the drop service is provided only on the profitable routes and therefore not subsidized is absurd. The luxury of having this cookie cutter approach is not possible with private companies and is further proof BC Ferries is not an authentic private company.

When the new version of BC Ferries was formed all the terminals on the coast of BC were given to BC Ferries in the form of a 60 year lease. The value of this lease is virtually zero in reference to the true value of the facilities which allows BC Ferries to have a false cost structure which is another significant form of long term subsidy. In addition the provincial service fee revenues there is also clearly stated in the annual reports a "Federal-Provincial Subsidy".

BC Ferries is permitted by the BC Government to earn profit which is tax free, a luxury true private companies do not have. Again this is another form of subsidy and applies to all of BC Ferries and all their routes including the drop trailer service route. In summary BC Ferries is by all accounts government owned service heavily subsidized by tax payers and should provide essential transportation to the people of BC. Entering into the competitive private sector is unethical and unfair competition, in addition to the obvious drop trailer service every commercial vehicle traveling on BC Ferries is disproportionately subsidized and has an unfair advantage of private freight carriers. It is our opinion BC Ferries needs to immediately stop providing the drop trailer service and focus on providing the essential service of the traveling public.

Regards,
Craig Long, President
City Transfer Inc.

Submission #21

From: frank thompson
Sent: November-03-10 4:24 AM
To: marystambulic@shaw.ca
Subject: RE: BC Ferry Drop Trailer Service

thank you for your reply;
other situations have come to my attention about bc ferries drop trailer.
1/ bc ferries do not drop trailers on the boat, but leave the tractor attached and send it over without the driver.
2/ do they charge for the tractor being on the ferry
3/since the drivers are not on the ferry ,they have to walk onto the ferry when it docks and if there is more then one tractor/trailor then it slows down the unloading of the boat.
4/ if they arent charging for the tractor to travel ,two factors come in to play-----------------------who is paying for the space taken and how many paying cars are missing out because of it?

thanks frank thompson

Submission #22

From:
Sent: November-03-10 7:19 PM
To: Mary Stambulic
Subject: Re: Opportunity to Comment - Drop Trailer Service

Hello Mary:

Thanks for your response.

To be honest with you, just acknowledging my email would be just fine.

BC ferries has certainly made their case, Seaspan rates are ***not competitive***, and we all pay extra as a result. As I mentioned, Seaspan appears to be a monopoly and is obviously complaining that BC Ferries is edging in on their business. ***How many other carriers are doing similar Drop Trailer Service on the scale of Seaspan/BC Ferries... please list them*** so I can call them to determine what my rate would be for my 55 feet of truck, camper, and trailer. Obviously there has been complaints to the Commissioner. Do not the Commissioners take into account the end user(s) of the goods and services being shipped to the Island, or is that not even considered into the equation.

If you need some help making a reasonable decision, I'm retired, got lots of time and am certainly willing to do the right thing. If you do not understand my position, please give me a call and I'd certainly be willing to enter into some dialogue with the powers at be stating my position. I'd even be willing to drive one of the Bull Trucks loading trailers if that would help the situation and get things moving, efficiently, cost effectively and to the benefit of all.

Yours sincerely.
Bruce Coleman

Submission #23

From: Dale Rosling
Date: Wed, 04 Aug 2010 10:57:15 -0700
To: Martin Crilly <martin.crilly@bcferrycommission.com>
Cc: Sheldon Stoilen <sheldon.stoilen@bcferrycommission.com>
Subject: Drop trailer service

Gents,

I am writing you to tell you my company, Summit Logistics' view on the BC Ferries drop service.

We were one of the first to come on board with BC Ferries and make the move from Seaspan.

Our company services Safeway stores in BC, including Vancouver Island.

Our move was not an easy one as Seaspan had always serviced us well.

However our problem with Seaspan was that the time of their sailings didn't always work best for us.

We have 3 drivers stationed on the Island.

Our **Sunday to Thursday driver** was always able to start by 6 Pm everyday. On Stat Holidays the scheduled boats changed to later around 10 Pm.

Our **Tuesday to Saturday driver** was 6 Pm Tues to Fri. On Saturday the sailing arrived about 10 Pm and the driver was not done working till 7 Am on Sunday which was his first day of his weekend. Not great for him or the stores planning their labour.

Our **Fri to Mon driver** was 6 Pm Fri., 10 Pm Sat., had the load there by noon on Sunday but could not start until he had 10 hours off usually about 5 pm.Mon was 6 Pm.

When **BC Ferries** opened up numerous sailings and regular times going to Victoria and Nanaimo we had to take advantage of this opportunity.

Our drivers now regularly can start their shift at 3 pm and finish their work by around 1 am, 7 days a week. This is much better for our drivers' work schedules, as well as for the Safeway stores in more accurately estimating load arrival times so they can efficiently staff for restocking.

If you have any questions please call.

Yours

Dale Rosling
Transportation Superintendent
Summit Logistics

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October 28, 2010

BC Ferry Commission
PO Box 1497
Comox, BC
V9M 8A2

Dear Commissioner,

I am pleased to take this opportunity to submit a comment to your Inquiry into the Drop Trailer Service offered by BC Ferries.

The issue before the Inquiry is one of fair competition. Let me say at the outset that private-sector operators in the drop trailer business -- such as Seaspan Coastal Intermodal (a corporate constituent of mine) -- support fair competition within the market they serve. The competition, however, must occur on a level playing field.

BC Ferries' history as a Crown Corporation, and its newer status as a quasi-public corporation, gives the company a number of advantages over their private-sector competition. The existing BC Ferries did not have to purchase land or build its terminal infrastructure; it pays a preferential property tax; it is exempt from corporate income tax; and it was able to adapt existing public equipment for its drop trailer service.

Conversely, private companies such as Seaspan Coastal Intermodal and Van Isle Barge Services had no similar benefit of government investment. Their customer rates must factor in not only greater tax obligations but also the costs of assets such as land, terminals, mobile equipment and ships.

BC Ferries admits that its core customers (i.e., passenger traffic) bear the costs of operating the ferry service, which then allows the corporation to charge an incremental rate to its drop trailer customers. This is an important point because BC Ferries has a monopoly on foot and vehicular passenger traffic. The company thus uses its monopoly position to subsidize a drop trailer service with rates that undercut those the private-sector must charge simply to recover costs.

I urge the BC Ferry Commission to impartially examine both BC Ferries' use of publically-funded infrastructure and its practice of cross-subsidization to compete in the drop trailer market. I believe a rate floor that fairly reflects the costs the private sector must incur in order to operate would be a good step in addressing the clear imbalance that currently favours BC Ferries.

Thank you for your time and consideration, and I look forward to the results of your decision.

Most sincerely,

Vicki Huntington, MLA
Delta South

cc: Adrian Samuel, Seaspan Coastal Intermodal

3PLogix
A Group of Logistics Companies

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October 31, 2010

BC Ferry Commission
info@bcferrycommission.com
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On July 19, 2010 the BC Ferry Commission found that BC Ferries Drop Trailer service is a competitive service as defined in Section 45.1 of the Coastal Ferry Act, subsequently, on September 24, 2010 the BC Ferry Commission launched a probe over concerns BC Ferries has an unfair competitive advantage over Drop Trailer companies in the private sector.

Van Isle Barge Services (VIBS), www.vanislebarge.com, is a small, entrepreneurial BC based, privately owned and operated company. VIBS operates within the 3PLogix Group of Companies. VIBS operates in the Drop Trailer business arena in the private sector, we operate a fleet of articulating tug and barges, which are designed for the ocean carriage of roll-on and roll-off (drop trailer) cargoes, including semi-trailers, automobiles, off road industrial equipment and other self-propelled vehicles.

The BC Ferry Drop Trailer service directly competes with VIBS Drop Trailer service, which began in 2004 and currently provides for the transportation of cargoes to and from the Lower Mainland (Surrey terminal) and Vancouver Island (Nanaimo terminal) 363 days per year. VIBS moves approximately 45,000 trailers and 6,000 automobiles or pieces of equipment annually.

VIBS respectfully submits our comment on the BC Ferries' submission on its Drop Trailer Services offered on its major routes, (http://www.bcferrycommission.com/DropTrailer.pdf).

We have reviewed the BC Ferry submission, and our previous concerns remain, we do not agree with the submission and its conclusions for the following reasons:

1. Concern over BC Ferries preferential position with regard to taxes has only addressed income tax through the comparison of pre-tax results. What has not been addressed is the potential that they have preferential position with regard to municipal tax, transit tax levies, fuel taxes and property taxes, all of which are hard costs included in our private sector pricing.
2. BC Ferries has adopted a marginal costing approach in capturing only the direct additional costs of the drop trailer service and we take exception to this approach. There is an opportunity cost to the space being utilized for this service and there is utilization of facilities and equipment that would not be offered at no cost to a contracting 3rd party. We believe that a costing methodology which captures more than the direct additional costs needs application here.
3. BC Ferries contends that they are not "unfairly" competing because their price charged exceeds their costs. While we are uncertain that their costs are adequately

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stated (as mentioned in #2 above), we are equally uncertain how they are positioning the revenue they are charging. There is no mention of the Four Square Solution's relationship in the report nor any mention of how the total revenue being charged for the customer's door to door move, is being allocated to the marine portion (BC Ferries) and the drayage service. We remain suspicious as to what the revenue is, as the rates in the marketplace are nowhere near the level of the BC Ferries' published tariff for this service.

4. There is no mention in the report of how the rates for the drop service compare against the main live service that BC Ferries offers. Given that more costs for the drop service and more space is occupied with non-paying tractor footage for each customer's trailer, is the pricing relative and reasonable?
5. Overall the lack of transparency in the details of the information provided from BC Ferries is concerning. We note that BC Ferries has taken the time to provide some advice from a US based cost specialist and as costing is not a specific science with only one correct method, we would expect that the commissioner would retain their own specialist to provide them with insights into the alternative costing methods that are equally supportable.

We strongly believe the BC Ferry Commission should retain advice from an independent economist with experience in sectors including government subsidized operating companies, predatory pricing levels, cost allocation principles and competition.

We further believe if BC Ferries pricing remains unchallenged and continues in the marketplace as it is today our VIBS Drop Trailer service offering will not survive, and will close with repercussions to both the people and the communities of those markets VIBS serves.

In conclusion we believe the government linked, monopoly based economic model can not be extended to private industry and we urge the Commission to consider the direct effects the Drop Trailer service is having on the private sector and to enforce the mandate of the BC Ferry Commission, "if the Commission finds that BC Ferries' drop trailer service is priced below cost, or has an unfair competitive advantage over other companies' drop trailer services, it must order BC Ferries either to (a) handle drop trailers through an alternative ferry service provider, or (b) charge a commission-specified minimum tariff for them".

We would like to thank the BC Ferry Commission for the opportunity to comment and voice our concerns over the BC Ferry Drop Trailer service offering, we would again be happy to meet the Commission to further discuss.

Yours truly,

Gino Crisanti
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RALPH SULTAN, M.L.A.
Member of the Legislative Assembly
West Vancouver - Capilano

November 5, 2010

Martin Crilly
Regional Transportation Commissioner
Translink Commission
P.O. Box 1497
Comox, BC
V9M 8A2

Dear Mr. Crilly:

Re: Establishing a Competitive Price Regime for Truck Trailer Shipments between Vancouver, British Columbia, and Vancouver Island, for Ferry Services

I am a member of the Legislative Assembly (MLA) for West Vancouver-Capilano on the North Shore. I am writing to you in that capacity. I am also writing to you as an economist with what I believe Courts would consider expert knowledge of oligopolistic pricing, competition, and the behaviour of participants in concentrated markets.

Background

A North Shore constituent organization, Washington Marine Group, is involved in commercial ferry, shipdocking and escort, shipbuilding, repair and wastewater treatment businesses in various locations of British Columbia. Its Seaspan subsidiary operates tug and barge services between the Mainland and Vancouver Island, as well as other routes, and shipdocking services in Vancouver, Victoria and elsewhere.

Dennis Washington, owner, has steadily re-invested his corporate earnings in B.C. and to date has committed approximately half a billion dollars to marine infrastructure in this province. Washington Marine and Seaspan are very significant local employers and good corporate citizens on the North Shore.

Competition on Mainland-Vancouver Island drop-trailer Service

As I believe you are aware, B.C. Ferries, through inaugurating a drop-trailer freight service between the mainland and Vancouver Island, has seriously disrupted Seaspan's service on that route. Seaspan has experienced a major and continuing erosion of business due to aggressive pricing by B.C. Ferries. Through B.C. Ferries' actions in ordering expanded equipment and facilities, Seaspan does not doubt B.C. Ferries intention is fundamentally to drive them out of the market. If that is indeed their intent – which one must speculatively surmise based upon behavior – it would be described as an intent to monopolize. In some countries, intent to monopolize is a criminal offense, believe it or not.

A monopoly could quite conceivably emerge, if it has not already emerged, in the aforementioned marine transport service. Should B.C. Ferries provide the bulk of trailer transporter services between Vancouver Island and the Mainland, Seaspan signals their intention to withdraw from the service. A minimum volume of business is necessary if Seaspan's service is to be economically viable.

An additional wrinkle is the need to transport dangerous cargo on a regular basis between Vancouver Island and the Mainland. It is not clear to me that dangerous cargo is, or should be, routinely allowed on BC Ferries' passenger vessels.

Is the Competition "Fair"?

Seaspan argues that competition from B.C. Ferries is unfair because of the subsidies it receives from the provincial government, to which B.C. Ferries CEO David Hahn, with breathtaking innocence, is reported to have responded, "We are just competing with them. I don't know what the problem is." [**as reported in *Victoria Times-Colonist*, January 20, 2010.]

The problem is plain to see: aggressive *marginal pricing* by a large competitor who has the comfort of a large passenger ferry base of business – as well as significant provincial subsidies on unprofitable B.C. Ferries' routes -- to maintain its base load costs. The problem is that B.C. Ferries is destined to achieve a monopoly position through marginal pricing tactics. Once monopoly has been achieved, it would be naïve to think B.C. Ferries would not be tempted to adjust their prices in the other direction.

Canada's Competition Act and the U.S. Sherman Act

All of us wish B.C. Ferries to continue to operate with the free market competitive instincts which have served ferry customers well since the Ferries corporation was restructured. On that score, Ferries' management deserves credit and applause. However, the competitive instincts and skills which have caused them to develop a superior passenger service does not mean we should ignore B.C. Ferries' capacity to abuse its market power through marginal pricing in the freight business.

Canada's *Competition Act* is a federal law governing most business conduct in Canada. It contains both criminal and civil provisions aimed at preventing anti-competitive practices in the marketplace.

There is an American counterpart, the Sherman Act, which criminalizes monopolizing or the intent to monopolize. Our friends south of the border take the enforcement of competition quite seriously. It is an important element in their vigorously competitive economy. In the USA, some might consider B.C. Ferries behavior to construe a violation under the Sherman Act. We are, however, talking about Canada and not the United States.

Remedies for Monopoly Behaviour

I endorsed the conclusions of Comptroller General Cheryl Wenezenki-Yolland who, at the urging of several North Shore MLA's, was directed by the Transportation Minister to look into this matter. Wenezenki-Yolland concluded that B. C. Ferries must be directed to cease abusing its market power, and to provide greater transparency in its operations.

I also endorse the proposition that one means of attaining this goal in the context of Vancouver to Vancouver Island truck trailer transport, is to submit competitors serving this market to be subject to regulatory oversight. My first instinct was to recommend such oversight be provided by the B.C. Utilities Commission, which has a long history of dealing with complex pricing decisions by natural monopolists, and by mixed private-public competitors. However, it is my understanding that this file has been turned over to you.

Whether or not BC Ferries is actually abusing its market power is a question of fact which can only be determined by an examination of the data on pricing, market shares, fixed and variable costs by service category, market volumes, and marketing tactics. Unfortunately, I am informed that BC Ferries is quite secretive about such matters. Probably understandably so – why voluntarily give evidence of potential misbehavior to others unless under some legal compulsion to do so?

Furthermore, the establishment of what would indeed constitute a "fair" price is a complex analytical matter requiring considerations of joint service pricing, the nature of demand, and marginal and full cost pricing analyses. While I have offered to take a first cut at such an analysis, the lack of data stymies the effort. This is not what one would call transparency. Should such data be made available, I would be glad to examine it. In the absence of such information, the promotion of a competitive marketplace and the prohibition of predatory monopoly behavior therefore seems to come down to you.

Good luck! I believe you should consider all of the facts, force disclosure of the relevant data, direct BC Ferries to cease abusing its monopoly power, and address this issue with alacrity.

Yours truly,

Ralph Sultan, MLA
West Vancouver-Capilano

PS: My Expert Credentials

I offer my background as an expert in this area for your consideration. I obtained my Ph.D. in economics at Harvard University in various areas, including industrial organization which is the study of the market behavior of various competitive structures. I taught industrial marketing and pricing at the Harvard Business School for nine years. Harvard University Press published two volumes on pricing in oligopoly which I authored. At Harvard, and prior to that engagement and following it, I have been employed as a senior executive and consultant in various large business organizations, with pricing responsibilities. I taught industrial pricing at IBM and General Electric. I consulted on pricing for Coca Cola and Noranda. I built complex price decision-making models at The Royal Bank of Canada. I have authored chapters on "pricing" in a standard text book published by McGraw Hill in the United States. I have consulted with the Competition Bureau in the drafting of the Competition Act of Canada. I have written about transgressions of the Sherman Act in the United States by oligopolists. I believe courts would accept the above as evidence of my "expert" qualifications.

Cc: Hon. Shirley Bond, Minister of Transportation