



**For Immediate Release
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Ferry Commission Issues Ruling on BC Ferries' Drop Trailer Service

The BC Ferry Commissioner today released his decision under section 45.1 of the *Coastal Ferry Act*, which became law in 2010 and addresses situations of unfair competitive advantage for a regulated ferry operator.

Following an extensive review, which included public consultation, stakeholder input as well as independent analysis provided by PricewaterhouseCoopers LLP, the commissioner determined that BC Ferries' drop trailer service on its major routes has an unfair competitive advantage. This is because BC Ferries:

- operates under a regulatory framework designed to allow it to meet the cost of providing its contracted capacity, plus a return on equity, through price caps set before the start of each performance term; and
- is exempt from income tax.

As a result, the commissioner ruled that for BC Ferries' costs indirectly related to the drop trailer service, a "route overhead charge" should be applied. This charge recognizes BC Ferries' provision of terminal and deck space and marine transport, for drop trailers. It is in addition to the costs that BC Ferries considers appropriate as presented in its submissions to the commission.

When the "route overhead charge" is applied, the commissioner has determined that BCFS is pricing its drop trailer service on its major routes below its direct costs and an appropriate proportion of indirect costs associated with the service.

As a result, effective April 1, 2011, BC Ferries' drop trailer service on its major routes will be regulated through a minimum allowed tariff, the level of which will be reviewed from time to time by the commission.

As part of his decision, the commissioner has ordered BCFS to provide reports on its drop trailer traffic within 60 days of the end of each quarter, demonstrating that its drop trailer tariff complies with his decision.

Due to the commercial sensitivity of pricing information in the competitive market for freight, the commissioner is not in a position to publish the level of the minimum tariff, or BC Ferries actual tariff in relation to it.

In releasing his decision, Commissioner Martin Crilly said that the ruling should remove the uncertainty in the market and set a level playing field, while still allowing for BC Ferries to offer drop trailer service to its customers at reasonable rates. BC Ferries will not be limited on how it can expand the service, including during peak periods.

For more information, please visit http://www.bcferrycommission.com/what_s_new.html.

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