



**MINUTES OF A MEETING
OF THE ASSOCIATION OF VANCOUVER ISLAND
AND COASTAL COMMUNITIES EXECUTIVE
HELD AT THE MARY WINSPEAR CENTRE
2243 BEACON AVENUE, SIDNEY
FRIDAY, OCTOBER 29, 2010**

IN ATTENDANCE: Mayor Christopher Causton, Oak Bay, President
Chair Joe Stanhope, Nanaimo RD, First Vice-President
Councillor Barry Avis, Qualicum Beach, Second Vice-President
Director Mary Marcotte, Cowichan Valley RD, EA Representative
Mayor John Fraser, Tofino, Director at Large
Councillor Ronna-Rae Leonard, Courtenay, Director at Large
Mayor Darren Inkster, Sechelt, Director at Large
Mayor Barry Janyk, Gibsons, Past President

STAFF ATTENDANCE: Iris Hesketh-Boles, Executive Coordinator

GUESTS: Tony Law, Chair, BC Ferries Advisory Committee Chairs
Sean Wouters, Department of Fisheries and Oceans
Chad Rintoul, Maureen Ralph, Mary Winspear Centre

President Causton called the meeting to order at 10:05 am.

AGENDA

The agenda was approved by consensus.

1. MINUTES

On a motion by Second Vice-President Avis,, seconded by Director John Fraser,
That the minutes of the June 11, 2010 regular Executive meeting be adopted was
CARRIED

Staff provided a brief update on the expected impacts of HST for the Association as reported in 3 (a) Financials to September 30, 2010 and Anticipated Impacts of HST. Overall, there should be minimal impact as HST paid will be offset by HST collected and are recorded in a separate account that does not affect the budget.

On a motion by Second Vice-President Avis, seconded by First Vice-President Stanhope,
That the minutes of the September 10, 2010 teleconference meeting be adopted was
CARRIED

2. REPORTS

a. President's Report

President Causton reported on a luncheon meeting he and staff had with Grant Hughes, Director of Community Relations with the University of Victoria that resulted in their offer to have Dr. Andrew Weaver provide the keynote address for the 2011 AGM & Convention. He also highlighted a meeting Oak Bay recently had with Terasen Gas and recommended that AVICC strike a sub-committee to meet with Terasen Gas. Members agreed that the sub-committee should be comprised of President Causton, First Vice-President Stanhope, Mayor Ruttan (Nanaimo), Tim Wood (CAO, Saanich) and Doug Holmes (CAO, Nanaimo). EA Representative Marcotte asked if local governments would receive any fees for lines running through their districts. Mayor Causton agreed to check and advise. Director Leonard also raised the issue of the effect on community energy systems.

b. Executive Coordinator's Report

Staff provided a brief overview of the report that was distributed. Some discussion occurred with respect to the website. It was noted that Civicinfo.bc.ca has a good resource area on their website that provides an avenue for members to share resources with one another. It is located at <http://www.civicinfo.bc.ca/13.asp>. Staff was cautioned against posting non-member communications on the website to maintain neutrality.

3. FINANCIAL AND ADMINISTRATION

a. Financials to September 30, 2010

On a motion by First Vice-President Stanhope, seconded by EA Representative Marcotte,
That the September 30, 2010 financial statement be received was CARRIED

b. Long-Service Awards

On a motion by EA Representative Marcotte, seconded by Director Leonard,
That the long-service policy contained within the Executive Policies be rescinded was CARRIED

EA Representative Marcotte noted for the records that Michael Callijou who had been awarded a long-service award in 2006 was from Duncan.

DELEGATIONS:

11:00 a.m. – Sean Wouters, Department of Fisheries and Oceans presented via teleconference on the process related to the development of the new aquaculture regulations. The following were the key points resulting from the presentation and questions arising:

- Province will have responsibility for land tenure and business licence; the federal government will be responsible for management related responsibilities, i.e. waste issues
- Expect the regulations to be in place by December 18, 2010; policies will be developed in the new year and are expected to involve a consultation process
- Over the summer, the draft regulations went to Gazette for a 60 day vetting period; over 1,200 submissions were received; regional staff don't get to see input; would anticipate that the key issues would have been fee structure, recognition of First Nations rights and need for integrated management planning
- 140 farms are located on the island; unsure of those located on Sunshine Coast, but will double-check and provide Mayor Janyk with information
- Treasury Board approval was received over the summer to set up a program; 55 new staff

will be hired (2-3 each in Ottawa and Vancouver with remainder in the temporary locations of Campbell River, Courtenay and Nanaimo); Executive noted the concern that staff should be regionally distributed and therefore some staff should be located in Port Alberni; permanent location of staff to be decided at a later date

- Proposed licencing structure: 4 categories (salmon, marine fin fish (sable), freshwater (trout farms in the interior) and shellfish); all include a range of conditions; many federal and provincial conditions required previously will be rolled into the new licences
- Final revisions on the licencing structure are being completed and will be forwarded for comment to FN, Province and NGO's; an application package will be sent to operators
- Application process does not include inspections as they already have licences, but operators will be required to meet the new conditions; the initial licence term will be short to allow for amendments; enforcement will be strengthened with 12-15 new fisheries officers being hired with fines up to \$500,000; a Help Desk is to be established
- Currently there is no communication plan with local governments; have met with RD's on an "ask basis"; members were referred to documents on the DFO website located at <http://www.pac.dfo-mpo.gc.ca/consultation/aquaculture/index-eng.htm#news>
- Regarding consideration being given to removing open-net cage fish farming and moving to land-based enclosures, the issue has not been researched and is not at a stage to be financially feasible although the Department has an interest in facilitating further research
- Responding to the concern raised around the potential approval of a coal mine in the vicinity of an already established shellfish industry, the Province would be responsible for land-use approvals and therefore has jurisdiction to ensure that the two were compatible

In closing Mayor Causton thanked Mr. Wouters for his presentation and in response Mr. Wouters volunteered to be available to provide updates at future meetings if so desired. Mayor Causton also noted that the topic might be timely for a small workshop at the 2011 AGM & Convention.

11:30 am – Tony Law, Chair BC Ferries Advisory Committee Chairs Committee – President Causton welcomed Mr. Tony Law extending Executive's appreciation for his flexibility in adapting to the change of schedule, followed by members introducing themselves. Mr. Law provided a brief overview of the role of advisory committees and outlined the process that will be undertaken leading up to the renewal of the Coastal Ferry Services contract, responding to questions as they arose. Some of the key points included:

- Advisory Committees provide advocacy as opposed to lobbying
- Many of the regular clients of BC Ferries have the lowest incomes in BC (particularly the minor routes)
- The Commissioner sets price caps for each route group; the second term finishes in 2012; BC Ferries is able to set rates within the limitations of caps; the current contract for Commissioner Martin Crilly is set to lapse at December 31, 2010 and will not be renewed; Crilly's work has been well respected; the widely held view is that this is an inopportune time to bring on a new Commissioner in light of work required leading up to Performance Term 3
- The ferry funding formula includes ferry user fees, government contributions (federal and provincial plus those of social programs), a transportation fee and northern adjustment (see attached appendix for specifics); the northern adjustment fee was added as the northern routes were not sustainable under the base formula
- Any surplus is provided as a small dividend to the provincial government with the remainder being reinvested into the system; surpluses cannot be transferred to the minor routes or put toward capital investments (see attached appendix for specifics)

- Since 2003 when the Coastal Ferry Act was introduced, rate increases have averaged 60% while CPI has increased only 10%; both vehicle and passenger traffic has declined causing a squeeze on the local economies; has resulted in a Catch 22 situation that is in a downward spiral in that a decline in traffic results in fare increases; BC Ferries research hasn't found a link between fares and decline; question raised as to whether consideration has been given to obtaining objective data; Ferry Advisory Committee has hired an independent consultant with report to be available in the spring
- Consideration has not been given to funding on basis of road equivalent tariffs as is done in Scotland as the provincial government and BC Ferries do not agree with concept
- A member noted that private ferries have not seem same type of fare increases and wondered if there are lessons to be learned
- In terms of advice to the task force expected to be struck by UBCM to explore ways to eliminate extreme fare hikes, the following was noted: the present BC Ferries is more responsive than prior to 2003 and is getting to be efficient; the strategy for the northern and major routes is working; a similar strategy is needed for the minor routes, i.e. something similar to the northern routes for capital needs and a transportation subsidy and fares linked to CPI
- Political advocacy is required to protect services like the Mill Bay Ferry that are considered lifelines by the communities that they serve, but are not financially feasible

President Causton thanked Mr. Law for his insights. Mr. Law advised that he would follow-up with a summary sheet of key data (has been received and is attached as an appendix to these minutes) and expressed his appreciation for the invitation noting that it will be important to have the voice of local governments heard during next several months of the process.

12:45 pm – Executive were introduced to Mary Winspear Centre staff Chad Rintoul, Manager and Maureen Ralph, Client Services who then provided a brief tour of the Convention facilities.

4. CONVENTION

a. Debrief 2010 UBCM Convention & AVICC Luncheon

On a motion by Director Fraser, seconded by Second Vice-President Avis,
That the report be received was

CARRIED

b. 2011 AVICC Convention Planning

As a result of the tour, Executive advised they felt that the theatre was the preferred venue for resolutions and speakers with Bodine Hall to be used for workshop type sessions. The issue of wheelchair accessibility was raised.

Agreement was reached that the pre-conference program should consist of a half-day tour of the peninsula similar to the UBCM Convention Agricultural Tours. Staff will contact UBCM organizers for the provincial organizing contact. Ideally a luncheon would be incorporated, and the Minister of Agriculture and Lands would be able to participate as would the Chair of the ALC. First Vice-President Stanhope advised that he would be willing to contact Richard Bullock, Chair of the ALC. Partners would be welcomed to participate.

The proposal from LGLA may be considered for a concurrent workshop session.

In response to evaluation feedback received over the years, regular presenters like BC Hydro and Terasen Gas will be asked to incorporate delegate interaction and focus on key topics as opposed to a general state of the union address.

Members agreed that President Causton, EA Representative Marcotte, Second Vice-President Avis and Director Leonard would form a Convention Program Planning Sub-committee in order to prepare a program for approval at the January meeting.

Consensus was that the Saturday evening should end with the entertainment as the smooth transition between the performance entertainment and DJ music would be difficult and few people typically stay to dance as it has already been a long day.

Discussion arose as to Executive accommodations. Executive were asked to advise staff of arrangements made by their staff for accommodations for the 2011 AGM & Convention. Staff will then attempt to relocate those not already booked for the Pier Hotel to that facility.

5. POLICY

a. Derelict Vessels

Executive agreed that the Derelict Vessels Sub-Committee would remain in place and that members would be asked to serve on the provincial/federal advisory committee when it was established.

b. Update on June Electoral Area Forum

EA Representative Marcotte provided a brief update noting that it may be necessary to bring issues facing electoral areas back to this table to discuss advocacy assistance.

d/e. Environmental Review Process and Aquifers

It was noted that many local government rely on groundwater, that there are many land-use demands that have a potential effect on aquifers, that there currently is a lack of information and studies available and that better regulation will be required to meet all needs. It was suggested that it would be valuable to know which members have aquifers in their areas in order to share information. This information may already be available as a result of having been collected by UBCM's Small Water Systems Committee. Director Leonard to follow-up with Andy Shadrack to determine what information is available and follow-up with staff if more research is required. Environmental process and watershed protection was identified as a possible Convention workshop session.

e. Saving Small Towns Conference

On a motion by Second Vice-President Avis, seconded by Director Fraser,
That Executive endorse the conference by distributing information to members and
providing the Conference with a booth at no charge during the 2011 AGM & Convention
was CARRIED

f. UBCM BC Ferries Task Force

On a motion by Second Vice-President Avis, seconded by First Vice-President Stanhope,
That the President write a letter to the Minister of Transportation and Infrastructure urging
the extension of Commissioner Martin Crilly's contract to allow completion of the necessary
work leading up to the setting of price caps for Performance Term 3 was CARRIED

g. Gas Franchise Fees

As noted under the 2 a) President's Report, Executive agreed to establish a sub-committee to meet with Terasen Gas to move this issue forward.

6. CORRESPONDENCE/COMMUNICATIONS

On a motion by Past-President Janyk, seconded by First Vice-President Stanhope,
That the following correspondence be received was CARRIED

- a) June 24, 2010 - Esquimalt
Re: Coastal Drilling and Oil Tankers
- b) July 6, 2010 – LMLGA to Director of the Canadian
Security Intelligence Service re Recently Made Comments
- c) July 13, 2010 – Minister Shirley Bond to Town of Lake Cowichan
Re: State of South Shore Road Within the Town of Lake Cowichan
- d) July 16, 2010 – VIEA to Mayor Causton
Re: Thank You Meeting with LINK Team
- e) July 21, 2010 – LMLGA
Re: Appeal for Flood Victims
- f) September 20, 2010–LMLGA to Minister Clement, Industry Canada
Re: Replacement of the Mandatory Long Form with Voluntary Survey for the 2011
Census
- g) October 20, 2010–Islands Trust to Minister Shea, Fisheries & Oceans
Re: Protection of Glass Sponge Reefs
- h) Te-mexw Treaty Advisory Committee
Re: Local Government Declare Interests in Temexw Treaty
- i) October 18, 2010 – Minister Strahl, Transport, Infrastructure and Communities
Re: Accessibility of the National Transportation System for People with Disabilities
- 4(b) July 21, 2010 – LGLA
Re: Partnership Opportunity With Your Area Association
- 4(b) September 10, 2010 – Town of Sidney
Re: 2011 AVICC Annual Convention
- 5(g) October 8, 2010 – Minister Bennett to Major Mary Sjostrom
Re: Gas Franchise Fee Issues

Comments included:

- The VIEU LINK Project reported out at the VIEU Conference held October 25; feedback received was that it was heavy on research, but was not action or strategy oriented.
- In response to the Islands Trust's request to distribute their correspondence on the Protection of Glass Sponge Reefs to members, staff will create a place on the AVICC website for members to share information with other members.

7. INFORMATION

None.

8. OTHER BUSINESS

None.

9. NEXT MEETING

10:00 am, January 14, 2011, Nanaimo Regional District Office

ADJOURNMENT

The meeting was adjourned at approximately 1:40 pm.

Mayor Christopher Causton
President

Iris Hesketh-Boles
Executive Coordinator

Tony Law
(Ferry Advisory Committee Chairs)
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Executive, Association of Vancouver Island and Coastal Communities
c/o: iheskethboles@ubcm.ca

30 October 2010

Dear AVICC Executive

re: Coastal Ferry Service

I appreciated and enjoyed the opportunity to meet with you yesterday.

As promised, attached is a two-page briefing that covers the main points we discussed. I hope this document will be useful for supporting action by AVICC and UBCM to implement the resolutions passed at the conventions.

The next few months is the most crucial period since the Coastal Ferry Act was established in 2003. Decisions by the Province on service levels and service fees will determine whether or not coastal communities will suffer even higher annual increases over and above the steady escalation in fares experienced since 2003.

The voice of local governments will be important during this period.

Between now and next summer the Province will decide on new provisions in the Coastal Ferry Services contract. The decision will be made by the Minister of Transportation and Infrastructure no doubt in consultation with the Cabinet. It will be important for not only the Minister but also MLAs (particularly those with coastal constituencies or seats in Cabinet) to hear from local governments.

The BC Ferry Commissioner will be seeking public comment when he announces preliminary price caps next spring. It is hard to see what action he/she can take in response to public input regarding limiting fare increases; the Commissioner cannot change the service levels or service fees established in the revised contract and is required to give priority to the sustainability of BC Ferries. Nevertheless, responding to the invitation for public comment will provide a good opportunity to have statements made on record.

The BC Ferry Commission website (<http://www.bcferrycommission.com/>) includes some useful information and documents. There are also documents of interest on the Ferry Advisory Committee Chairs' website <http://www.gabriola.org/facc/fpNewsRelease.php>. I would be glad to provide any further information you may require.

Thank you for your interest in this crucial issue.

Yours truly,

Tony Law – Chair, Ferry Advisory Committee Chairs

Briefing: COASTAL FERRY SERVICE AND PT3 – 1. The background

The *Coastal Ferry Act* was introduced in 2003 to create a “financially stable marine transportation system”, ensure “modest and predictable fare increases”, promote “enhanced economic development” and support “tourism growth”.

REVENUE – BC Ferries Financial year '09/'10 <i>(millions of dollars)</i>	Corporate Total	% of Revenue	Group 1 Majors	Group 2 Langdale	Group 3 North	Group 4 Minors
Tariff revenue	\$450.5	64.4%	\$332.2	\$34.3	\$15.1	\$68.9
Ancillary Revenue	\$74.9	10.7%	\$61.3	\$6.4	\$3.0	\$4.3
Social program reimbursements invoiced by BCF	\$22.1	3.2%	\$10.8	\$2.6	\$0.9	\$7.8
Federal Subsidy (indexed to CPI)	\$26.9	3.8%	0	\$1.0	\$6.7	\$19.3
Provincial Transportation Fees	\$125.6	17.9%	0	\$3.7	\$47.6	\$74.3

PAYMENTS FROM PROVINCE to BC Ferries 2003/04 - 2009/10 <i>(millions of dollars)</i>		PAYMENTS FROM BC FERRIES to Province 2003/04 - 2009/10 <i>(millions of dollars)</i>	
Social programs	\$114.9	Debt repayment and interest	\$453.6
Transportation Fees	\$699.1	Dividends on preferred shares	\$42.3
Other	\$33.4	Other	\$1.6
Total	\$847.5	Total	\$497.5

FARES - Changes for minor routes and Langdale ferry since Coastal Ferry Act introduced in 2003

Consumer Price Index:	+10%
Ferry fares (average)	+60% (Some fares have increased by over 100%)
Transportation Fees paid by Province:	+2%

TRAFFIC - changes during this period of fare increases	Vehicles (<i>1,000</i>)		Passengers (<i>1,000</i>)	
	2003-2004	2009-2010	2003-2004	2009-2010
Group 1 - Majors	4,405	4,452	10,825	10,804
Group 2- Langdale	1,193	1,246	2,555	2,583
Group 3 - North	45	38	117	88
Group 4 - Minors	3,706	3,579	7,870	7,559

AFFORDABILITY - incomes and fares <i>(examples)</i>	Average Earnings (2005 census) BC average: \$25,722	Ferry Fares for family of four to Vancouver Island (*or to Lower Mainland) 2010
Cortes Island	\$7,553	\$94.75
Hornby Island	\$15,298	\$87.50
Southern Gulf Islands	\$15,691	\$62.90
*Powell River	\$20,599	\$139.45

Briefing: COASTAL FERRY SERVICE AND PT3 - 2. The challenge

Coastal Ferry Services Contract and Performance Term Three

The *Coastal Ferry Services Contract* between the Province and BC Ferries specifies, among other things, the core service level to be provided by BC Ferries on each route and the annual Transportation Fee the Province will pay BC Ferries for providing this service. Service levels and Transportation Fees are renegotiated in advance of each Performance Term of the contract. Performance Term Three (PT3) is 2012 to 2016.

PT3 Legislated time-line for establishing the service levels, transportation fees and price caps

- October 2010 BC Ferries provides to the Commissioner data and forecasts on service, expenses and revenues
- this material is published on the BC Ferry Commission web-site
- April 2011 The Commissioner determines eligible costs and sets preliminary price caps
- at this time the Commissioner makes a request for public comment
- July 2011 BC Ferries provides to the Commissioner the latest version of the Contract with the Province
- this will be the result of negotiations in preceding months on service levels and fees
- October 2011 The Commissioner revises and finalizes the price caps based on:
- the Coastal Ferry Services Contract;
- additional information provided by BC Ferries or the Province;
- public comment.
- April 2012 Performance Term 3 begins with new service levels, transportation fees and price caps in effect.

PT3 expenses:

BC Ferries anticipates increasing costs:

- crewing (significant, because of Transport Canada requirements)
- fuel (climbing, as fuel prices are expected to continue to rise)
- capital (high, due to replacement/maintenance of aging vessels and terminals)
(average age of vessels is 35 years; 16 out of 22 are over 30 years old)

PT3 traffic:

BC Ferries is not forecasting any increase in traffic volumes

PT3 efficiencies:

BC Ferries is planning efficiency measures and the Commissioner may identify further measures.

(The Comptroller-General reported that BC Ferries is reasonably well run; significant new savings are unlikely.)

PT3 OPTIONS FOR THE PROVINCE

1) Allow significant fare increases (likely at a rate much higher than experienced so far)

BC Ferries tariff revenue forecasts (assuming no change in service levels or transportation fees):

PT2: <u>2010/11</u>	<u>2011/12</u>	PT3: <u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
\$495.1m	\$515.1m	\$582.5m	\$603.9m	\$614.1m	\$635.4m

With no growth in traffic, this increased revenue would have to come from higher fares which would likely involve percentage annual hikes in the double digits for the minor routes.

2) Reduce service levels

BC Ferries has provided the Province with suggestions of how service could be reduced or restructured as an alternative to significantly increasing fares or increasing the transportation fees. Suggestions include eliminating the Brentwood – Mill Bay ferry, eliminating or restructuring service between Tsawwassen and the Southern Gulf Islands and reducing midday and evening sailings on all routes

3) Increase the transportation fees

The Province could increase the transportation fees it pays to BC Ferries in order to reduce the expected significant impact on fares. The basic fees for the minor routes have remained virtually unchanged since 2003.