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WASHINGTON STATE FERRIES

State Toll Bridges, Tunnels, And Ferries

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- 47.56.010 Definitions. "Toll bridge" means a bridge constructed or acquired under this chapter, upon which tolls are charged, together with all appurtenances, additions, alterations, improvements, and replacements thereof, and the approaches thereto, and all lands and interests used therefor, and buildings and improvements thereon.
- "Toll road" means any express highway, superhighway, or motorway at such locations and between such termini as may be established by law, and constructed or to be constructed as a limited access highway under the provisions of this chapter by the department, and shall include, but not be limited to, all bridges, tunnels, overpasses, underpasses, interchanges, entrance plazas, approaches, toll houses, service areas, service facilities, communications facilities, and administration, storage, and other buildings that the department may deem necessary for the operation of the project, together with all property, rights, easements, and interests that may be acquired by the department for the construction or the

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operation of the project, all of which shall be conducted in the same manner and under the same procedure as provided for the establishing, constructing, operating, and maintaining of toll bridges by the department, insofar as those procedures are reasonably consistent and applicable. [1984 c 7 § 246; 1961 c 13 § 47.56.010. Prior: 1953 c 220 § 1; 1937 c 173 § 1, part; RRS § 6524-1, part.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.56.030 Department in charge of toll facilities including ferries for enumerated purposes. The department of transportation shall have full charge of the construction of all toll bridges and other toll facilities including the Washington state ferries, and the operation and maintenance thereof. The transportation commission shall determine and establish the tolls and charges thereon, and shall perform all duties and exercise all powers relating to the financing, refinancing, and fiscal management of all toll bridges and other toll facilities including the Washington state ferries, and bonded indebtedness in the manner provided by law. The department shall have full charge of design of all toll facilities. The department shall proceed with the construction of such toll bridges and other facilities and the approaches thereto by contract in the manner of state highway construction immediately upon there being made available funds for such work and shall prosecute such work to completion as rapidly as practicable. The department is authorized to negotiate contracts for any amount without bid in order to make repairs to ferries or ferry terminal facilities or removal of such facilities whenever continued use of ferries or ferry terminal facilities constitutes a real or immediate danger to the traveling public or precludes prudent use of such ferries or facilities. [1977 ex.s. c 151 § 66; 1969 ex.s. c 180 § 3; 1961 c 278 § 8; 1961 c 13 § 47.56.030. Prior: 1937 c 173 § 10; RRS § 6524-10.]

47.56.032 Authority of department and commission relating to state ferries. All powers vested in the toll bridge authority as of September 21, 1977, relating to the acquiring, operating, extending, designing, constructing, repairing, and maintenance of the Washington state ferries or any part thereof and the collecting of tolls and charges for use of its facilities, shall be performed by the department. The commission shall determine all fares, tolls, and other charges for its facilities and shall directly perform all duties and exercise all powers relating to financing, refinancing, and fiscal management of the system's bonded indebtedness in the manner provided by law. [1984 c 7 § 247; 1961 c 278 § 9.]

Severability—1984 c 7: See note following RCW 47.51.141.

47.56.040 Toll bridges authorized—Investigations. The department is empowered, in accordance with the provisions of this chapter, to provide for the establishment and construction of toll bridges upon any public highways of this state together with approaches thereto wherever it is considered necessary or advantageous and

practicable for crossing any stream, body of water, gulch, navigable water, swamp, or other topographical formation whether that formation is within this state or constitutes a boundary between this state and an adjoining state or country. The necessity or advantage and practicability of any such toll bridge shall be determined by the department, and the feasibility of financing any toll bridge in the manner provided by this chapter shall be a primary consideration and determined according to the best judgment of the department. For the purpose of obtaining information for the consideration of the department upon the construction of any toll bridge or any other matters pertaining thereto, any cognizant officer or employee of the state shall, upon the request of the department, make reasonable examination, investigation, survey, or reconnaissance for the determination of material facts pertaining thereto and report this to the department. The cost of any such examination, investigation, survey, or reconnaissance shall be borne by the department or office conducting these activities from the funds provided for that department or office for its usual functions. [1984 c 7 § 248; 1961 c 13 § 47.56.040. Prior: 1937 c 173 § 3; RRS § 6524-3; prior: 1913 c 56 § 2; RRS § 6525.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.56.042 State boundary bridges—Investigations—Agreements with counties or states. The department is authorized to enter into agreements with any county of this state and/or with an adjoining state or county thereof for the purpose of implementing an investigation of the feasibility of any toll bridge project for the bridging of a river forming a portion of the boundary of this state, and the adjoining state. The department may use funds available to it to carry out the purposes of this section. These agreements may provide that if any such project is determined to be feasible and is adopted, any advancement of funds by any state or county may be reimbursed out of any proceeds derived from the sale of bonds or out of tolls and revenues to be derived from the project. [1984 c 7 § 249; 1961 c 13 § 47.56.042. Prior: 1955 c 203 § 1.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.56.050 Purchase of bridges and ferries authorized—Provisions applicable. (1) The department, whenever it is considered necessary or advantageous and practicable, is empowered to provide for the acquisition by purchase of, and to acquire by purchase (a) any bridge or bridges or ferries which connect with or may be connected with the public highways of this state (b) together with approaches thereto.

(2) In connection with the acquisition by purchase of any bridge or bridges or ferries under subsection (1) of this section, the department, the state treasurer, any city, county, or other political subdivision of this state, and all of their officers:

(a) Are empowered and required to do all acts and things provided for in this chapter to establish and construct toll bridges and operate, finance, and maintain

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such bridges insofar as the powers and requirements are applicable to the purchase of any bridge or bridges or ferries and their operation, financing, and maintenance; and

(b) In purchasing, operating, financing, and maintaining any bridge or bridges or ferries acquired or to be acquired by purchase under this section, shall act in the same manner and under the same procedures as are provided in this chapter to establish, construct, operate, finance, and maintain toll bridges insofar as such manner and procedure are applicable to the purchase of any bridge or bridges or ferries and their operation, financing, and maintenance.

(3) Without limiting the generality of the provisions contained in subsections (1) and (2) of this section, the department is empowered: (a) To cause surveys to be made for the purpose of investigating the propriety of acquiring by purchase any such bridge or bridges or ferries and the right of way necessary or proper for that bridge or bridges or ferries, and other facilities necessary to carry out the provisions of this chapter; (b) to issue, sell, and redeem bonds, and to deposit and pay out the proceeds of the bonds for the financing thereof; (c) to collect, deposit, and expend tolls therefrom; (d) to secure and remit financial and other assistance in the purchase thereof; and (e) to carry insurance thereon.

(4) The provisions of RCW 47.56.220 apply when any bridge or bridges or ferries are acquired by purchase pursuant to this section. [1984 c 7 § 250; 1973 c 106 § 25; 1961 c 13 § 47.56.050. Prior: 1945 c 266 § 1; Rem. Supp. 1945 § 6524-3a.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.56.060 Toll bridges—General powers of department and officials—Financial statements. The department, the officials thereof, and all other state officials are empowered to act and make agreements consistent with law as may be necessary or desirable in connection with the duties and powers conferred upon them respectively by law regarding the construction, maintenance, operation, and insurance of toll bridges or the safeguarding of the funds and revenues required for such construction and the payment of the indebtedness incurred therefor. The department shall keep full, complete, and separate accounts of each toll bridge, and annually shall prepare balance sheet and income and profit and loss statements showing the financial condition of each such toll bridge, which statement shall be open at all reasonable times to the inspection of holders of bonds issued by the department. [1984 c 7 § 251; 1961 c 13 § 47.56.060. Prior: 1937 c 173 § 17; RRS § 6524-17.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.56.070 Toll facilities authorized—Provisions applicable—Restrictions. The department of transportation may, with the approval of the transportation commission, provide for the establishment, construction, and operation of toll tunnels, toll roads, and other facilities necessary for their construction and connection with

public highways of the state. It may cause surveys to be made to determine the propriety of their establishment, construction, and operation, and may acquire rights of way and other facilities necessary to carry out the provisions hereof; and may issue, sell, and redeem bonds, and deposit and expend them; secure and remit financial and other assistance in the construction thereof; carry insurance thereon; and handle any other matters pertaining thereto, all of which shall be conducted in the same manner and under the same procedure as provided for the establishing, constructing, operating, and maintaining of toll bridges by the department, insofar as reasonably consistent and applicable. No toll facility, toll bridge, toll road, or toll tunnel, shall be combined with any other toll facility for the purpose of financing unless such facilities form a continuous project, to the end that each such facility or project be self-liquidating and self-sustaining. [1977 ex.s. c 151 § 67; 1961 c 13 § 47.56.070. Prior: 1953 c 220 § 3; 1937 c 173 § 3 1/2; RRS § 6524-3 1/2.]

47.56.075 Toll roads, facilities—Legislative authorization or local sponsorship required. The department shall approve for construction only such toll roads as the legislature specifically authorizes or such toll facilities as are specifically sponsored by a city, town, or county. [1984 c 7 § 252; 1961 c 13 § 47.56.075. Prior: 1953 c 220 § 7.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.56.077 Concessions to operate private business on toll road right of way prohibited. The department shall not grant concessions for the operation or establishment of any privately owned business upon toll road rights of way. [1984 c 7 § 253; 1961 c 13 § 47.56.077. Prior: 1953 c 220 § 8.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.56.080 Construction of toll bridges and issuance of bonds authorized. Whenever in the judgment of the transportation commission it is considered in the best interest of the public highways of the state that any new toll bridge or bridges be constructed upon any public highway and across any stream, body of water, gulch, navigable water, swamp, or other topographical formation and operated by the state the commission shall adopt a resolution declaring that public interest and necessity require the construction of such toll bridge or bridges and authorizing the issuance of revenue bonds for the purpose of obtaining funds in an amount not in excess of that estimated to be required for such construction. The issuance of bonds as provided in this chapter for the construction of more than one toll bridge may at the discretion of the commission be included in the same authority and issue of bonds. [1977 ex.s. c 151 § 68; 1961 c 13 § 47.56.080. Prior: 1937 c 173 § 6; RRS § 6524-6.]

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- Credit permits for vehicular passage: RCW 47.56.247, 47.56.248*
- Sale, lease of unneeded toll facility, ferry system property—Franchises for utility, railway purposes: RCW 47.56.253 through 47.56.257.*
- Traffic violations and unlawful acts on toll facility or ferry: RCW 46.61.690.*
- 47.60.010 Ferry system, toll bridges, and facilities authorized—Power to contract, sell and lease back. The department is authorized to acquire by lease, charter, contract, purchase, condemnation, or construction, and partly by any or all of such means, and to thereafter operate, improve, and extend, a system of ferries on and crossing Puget Sound and any of its tributary waters and connections thereof, and connecting with the public streets and highways in the state. The system of ferries shall include such boats, vessels, wharves, docks, approaches, landings, franchises, licenses, and appurtenances as shall be determined by the department to be necessary or desirable for efficient operation of the ferry system and best serve the public. The department may in like manner acquire by purchase, condemnation, or construction and include in the ferry system such toll bridges, approaches, and connecting roadways as may be deemed by the department advantageous in channeling traffic to points served by the ferry system. In addition to the powers of acquisition granted by this section, the department is empowered to enter into any contracts,

agreements, or leases with any person, firm, or corporation and to thereby provide, on such terms and conditions as it shall determine, for the operation of any ferry or ferries or system thereof, whether acquired by the department or not.

The authority of the department to sell and lease back any state ferry, for federal tax purposes only, as authorized by 26 U.S.C., Sec. 168(f)(8) is confirmed. Legal title and all incidents of legal title to any ferry sold and leased back (except for the federal tax benefits attributable to the ownership thereof) shall remain in the state of Washington. [1984 c 18 § 1; 1984 c 7 § 296; 1961 c 13 § 47.60.010. Prior: 1949 c 179 § 1; Rem. Supp. 1949 § 6584-30.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.60.013 Emergency powers of governor to insure continued operation of ferry and toll bridge system—Cost reimbursement. The governor is authorized to take such actions as may be necessary to insure the continued operation of the Puget Sound ferry and toll bridge system under any emergency circumstances which threaten the continued operation of the system. In the event of such an emergency, the governor may assume all the powers granted by law to the transportation commission and department of transportation with respect to the ferry system. In addition, notwithstanding the provisions of chapters 47.60 and 47.64 RCW, the governor may contract with any qualified persons for the operation of the Washington state ferry system, or any part thereof, or for ferry service to be provided by privately owned vessels. Administrative costs to the office of the governor incurred in the exercise of this authority shall be reimbursed by the department. [1981 c 341 § 1.]

Severability—1981 c 341: "If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected." [1981 c 341 § 2.]

47.60.015 "Washington State Ferries"—Name authorized. The department is authorized to operate its ferry system under the name: "Washington State Ferries." [1984 c 7 § 297; 1961 c 13 § 47.60.015. Prior: 1953 c 33 § 1.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.60.017 State ferry system a public mass transportation system. The legislature finds and declares that the state ferry system is a public mass transportation system. [1974 ex.s. c 105 § 1.]

47.60.020 Eminent domain—Condemnation proceedings. For the purpose of carrying out any or all of the powers granted in this chapter, the department has the power of eminent domain for the acquisition of either real or personal property used or useful for the Puget Sound ferry system. Condemnation pursuant to this chapter shall be the procedure set out in chapter 8.04 RCW. The department may institute condemnation proceedings in the superior court of any county or other

court of competent jurisdiction in which any of the property sought to be condemned is located or in which the owner of any thereof does business, and the court in any such action has jurisdiction to condemn property wherever located within the state. It shall not be necessary to allege or prove any offer to purchase or inability to agree with the owners thereof for the purchase of any such property in the proceedings. It is the intention of this section to permit the consolidation in one action of all condemnation proceedings necessary to acquire a ferry system and every type of property incident thereto, irrespective of its location within the state or diversity of ownership. Upon the filing of a petition for condemnation as provided in this section, the court may issue an order restraining the removal from the jurisdiction of the state of any personal property sought to be acquired by the proceeding during the pendency thereof. The court further has the power to issue such orders or process as are necessary to place the department into possession of any property condemned. [1984 c 7 § 298; 1961 c 13 § 47.60.020. Prior: 1949 c 179 § 2; Rem. Supp. 1949 § 6584-31.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.60.030 Existing contracts—Prior negotiations and bids validated. In any case where the department takes over any property or properties which are under lease, contract, or concession, or where the department has heretofore entered into any contract or negotiation or received any bid for any of the purposes set forth in this chapter, the department is authorized to continue in effect and carry out any such contract, lease, or concession or complete any such negotiation or accept any such bid or any modification of any of them which appears advantageous to the department without regard to any limitations or directions as to the manner thereof contained in this chapter. However, this section shall not be construed as requiring the department so to act, but this section is permissive only and then only in respect to contracts, leases, concessions, negotiations, or bids existing, entered into, or received prior to April 1, 1949. [1984 c 7 § 299; 1961 c 13 § 47.60.030. Prior: 1949 c 179 § 7; Rem. Supp. 1949 § 6584-36.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.60.040 Survey by department. For the purpose of obtaining information for the consideration of the department upon the acquisition of any ferries or ferry facilities or the construction of any toll bridge under this chapter, the department shall make any examination, investigation, survey, or reconnaissance for the determination of material facts pertaining thereto.

The cost of any such examination, investigation, survey, or reconnaissance, and all preliminary expenses leading up to and resulting in the issuance of any revenue bonds including, but not being limited to expenses in making surveys and appraisals and the drafting, printing, issuance, and sale of bonds under this chapter shall be borne by the department out of the motor vehicle fund. All such costs and expenses as well as any thereof

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warrants shall be payable solely out of part or all of the revenues derived from the operation of the Puget Sound ferry system as shall be provided in the resolution authorizing their issuance, and shall be drawn upon, and the principal thereof and interest thereon shall be payable out of, such fund or funds as shall be created in and provided by the resolution. The warrants may be interest-bearing coupon warrants with a fixed maturity date, or may be interest-bearing registered warrants payable in order of their issuance whenever there is sufficient money in the fund upon which they were drawn to redeem any of them. [1984 c 7 § 308; 1961 c 13 § 47.60.122. Prior: 1953 c 159 § 1.]

Severability—1984 c 7: See note following RCW 47.01.141

47.60.124 Revenue refunding bonds to redeem interim warrants. If it is deemed advisable or found necessary to redeem any or all of such warrants, the department is authorized to issue its revenue refunding bonds for that purpose. The bonds shall constitute obligations only of the department, and shall not be obligations of the state of Washington. The refunding bonds shall be payable solely out of part or all of the revenues derived from the operation of the Puget Sound ferry system as shall be provided in the resolution authorizing their issuance. [1984 c 7 § 309; 1961 c 13 § 47.60.124. Prior: 1953 c 159 § 2.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.60.126 Interim warrants and refunding bonds— Laws applicable. All provisions of chapter 47.60 RCW pertaining and applicable to the revenue bonds of the department authorized in that chapter are applicable to the warrants and revenue refunding bonds authorized herein except insofar as otherwise provided by RCW 47.60.122 through 47.60.126. [1984 c 7 § 310; 1961 c 13 § 47.60.126. Prior: 1953 c 159 § 3.]

Severability—1984 c 7: See note following RCW 47.01.141

47.60.130 Unit or combined operation— Continuous project—Rental, charter, lease, of system property—Sale of unneeded property. Such ferry system, including any toll bridges, approaches, and roadways incidental thereto, may be financed and operated in combination or separately as one or more units as the department of transportation may determine, and such ferry system together with any toll bridge hereafter constructed by the department upon or across the waters of Puget Sound or Hood Canal, or any part of either, replacing one or more presently operated ferry routes, is declared to be a continuous project within the meaning of RCW 47.56.070. The department is empowered to rent, lease, or charter any property acquired under this chapter. If the department determines that any real property (including lands, improvements thereon, and any interests or estates) originally acquired for the ferry system is no longer required for the purposes of the ferry system, the department shall offer it for sale in the manner and with the authority authorized to the department by RCW 47.12.063 or 47.12.283. The secretary of

transportation may adopt rules further implementing this section. The proceeds of all such sales shall be paid into the separate trust fund of the state treasury established pursuant to RCW 47.60.150. [1979 ex.s. c 189 § 6; 1973 1st ex.s. c 177 § 5; 1961 c 13 § 47.60.130. Prior: 1955 c 22 § 1; 1953 c 32 § 1; 1949 c 179 § 3, part; Rem. Supp. 1949 § 6584-32, part.]

Effective date—1979 ex.s. c 189: See note following RCW 47.12.283.

47.60.140 System as self-liquidating undertaking— Powers of department—Concessions. (1) The department is empowered to operate such ferry system, including all operations, whether intrastate or international, upon any route or routes, and toll bridges as a revenue-producing and self-liquidating undertaking. The department has full charge of the construction, rehabilitation, rebuilding, enlarging, improving, operation, and maintenance of the ferry system, including toll bridges, approaches, and roadways incidental thereto that may be authorized by the department, including the collection of tolls and other charges for the services and facilities of the undertaking. The department has the exclusive right to enter into leases and contracts for use and occupancy by other parties of the concessions and space located on the ferries, wharves, docks, approaches, and landings, but, except as provided in subsection (2) of this section, no such leases or contracts may be entered into for more than five years, nor without public advertisement for bids as may be prescribed by the department. However, except as provided in subsection (2) of this section, the Colman Dock facilities may be leased for a period not to exceed ten years.

(2) As part of a joint development agreement under which a public or private developer constructs improvements on ferry system property, the department may lease such property and improvements to such developers for that period of time, not to exceed fifty-five years, or not to exceed thirty years for those areas located within harbor areas, which the department determines is necessary to allow the developer to make reasonable recovery on its initial investment. Any lease entered into as provided for in this subsection that involves state aquatic lands shall conform with the Washington state Constitution and applicable statutory requirements as determined by the department of natural resources. That portion of the lease rate attributable to the state aquatic lands shall be distributed in the same manner as other lease revenues derived from state aquatic lands as provided in RCW 79.24.580. [1987 c 69 § 1; 1984 c 7 § 311; 1965 ex.s. c 170 § 58; 1961 c 13 § 47.60.140. Prior: 1951 c 259 § 1; 1949 c 179 § 5, part; Rem. Supp. 1949 § 6584-34, part.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.60.145 Historic ferries— Acquisition by qualified persons or organizations. (1) An "historic ferry" is any vessel in the Washington state ferries fleet which has been listed in the Washington state register of historic places.

Severability—1984 c 7: See note following RCW 47.01.141.

47.60.275 Authority and jurisdiction of local law enforcement officers at state ferry terminals and upon ferries. Law enforcement officers of cities, towns, and counties which are served by state ferries shall have, and are hereby authorized to exercise, concurrent jurisdiction and authority with state law enforcement officers in the enforcement of laws of the state and local governmental divisions at those state ferry terminals located within the respective governmental division served by such local law enforcement officers and on state ferries at the terminals and throughout the ferry runs, notwithstanding that the ferry may not be in the officer's governmental division. [1969 ex.s. c 13 § 1.]

47.60.277 "No Smoking" areas on state ferries—Establishment directed. See RCW 47.56.730.

47.60.280 Ferry service—Lummi Island to Orcas Island—Limitation on operation. The department is authorized and directed to establish and operate a ferry service from a suitable point on Lummi Island in Whatcom county to a suitable point on Orcas Island in San Juan county by the most feasible route if and when Whatcom county constructs a bridge from Gooseberry Point on the mainland to Lummi Island. The actual operation of the ferry service shall not begin until Whatcom county has completed the construction of such bridge. [1984 c 7 § 322; 1961 c 13 § 47.60.280. Prior: 1959 c 198 § 1.]

Severability—1984 c 7: See note following RCW 47.01.141

47.60.282 Ferry service between Port Townsend and Keystone—Operation authorized, when. The department is authorized to operate a ferry service between Port Townsend and Keystone on Admiralty Inlet if the certificate of convenience and necessity for the ferry operation is theretofore surrendered, rights thereunder are abandoned, and the ferry service is discontinued. In no event may the department undertake such a ferry service preceding events as set forth herein or before April 1, 1973. [1984 c 7 § 323; 1972 ex.s. c 44 § 1.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.60.283 Ferry service between Port Townsend and Keystone—Purpose. The purpose of RCW 47.60.282 and 47.60.283 is to provide service on the ferry route between Port Townsend and Keystone to be determined by the department. Operation of this route is necessary for the economic health, safety, and welfare of the people of the state. Additionally, state operation of this route will further benefit the people of the state by providing better access to important installations maintained by the United States Navy and the United States Coast Guard. [1984 c 7 § 324; 1972 ex.s. c 44 § 2.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.60.290 State ferries—Review of tariffs and charges. Subject to the provisions of RCW 47.60.326,

the department is hereby authorized and directed to review tariffs and charges as applicable to the operation of the Washington state ferries for the purpose of establishing a more fair and equitable tariff to be charged passengers, vehicles, and commodities on the routes of the Washington state ferries. [1983 c 3 § 136; 1972 ex.s. c 24 § 6; 1961 c 13 § 47.60.290. Prior: 1959 c 199 § 1.]

47.60.300 State ferries—Scope of review—Periodic reviews required. The review shall include but not be limited to tariffs for automobiles, passengers, trucks, commutation rates, and volume discounts. The review shall give proper consideration to time of travel, distance of travel, operating costs, maintenance and repair expenses, and the resultant effect any change in tariff might have on the debt service requirements of the department as specifically provided in existing financing programs. The review shall also include the allocation of vessels to particular runs, the scheduling of particular runs, the adequacy and arrangements of docks and dock facilities, and any other subject deemed by the department to be properly within the scope of the review. The department is further authorized and directed to make a like review within every three-year period. [1984 c 7 § 325; 1961 c 13 § 47.60.300. Prior: 1959 c 199 § 2.]

Severability—1984 c 7: See note following RCW 47.01.141.

47.60.310 State ferries—Local expressions—Local advisory committees. (1) The department is further directed to conduct such review by soliciting and obtaining expressions from local community groups in order to be properly informed as to problems being experienced within the area served by the Washington state ferries. In order that local representation may be established, the department shall give prior notice of the review to the legislative authority of Clallam, Island, Jefferson, King, Kitsap, Pierce, San Juan, Skagit, and Snohomish counties.

(2) Each such county legislative authority shall appoint a committee to consist of five members to serve as an advisory committee to the department or its designated representative in such review.

(3) The members of each county ferry advisory committee shall be appointed for four-year terms. The initial terms shall commence on July 1, 1982, and end on June 30, 1986. Any vacancy shall be filled for the remainder of the unexpired term by the appointing authority. At least one person appointed to each advisory committee shall be representative of an established ferry-user group or of frequent users of the ferry system, at least one shall be representative of persons or firms using or depending upon the ferry system for commerce, and one member shall be representative of a local government transportation planning body or its staff. Every member shall be a resident of the county upon whose advisory committee he or she sits, and not more than three members shall at the time of their appointment be members of the same major political party.



BRITISH COLUMBIA FERRY CORP.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P O Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 9, 1989

MEMORANDUM

TO: Representative Bette Cato

ATTN: Wendy Mulder

FROM: Karla Hart *KH*
Legislative Analyst

RE: British Columbia Ferry Corporation
Research Request 89.227

The British Columbia Ferry Corporation is a Crown (public) corporation which provides nearly all of the ferry services within British Columbia. You requested a copy of the enabling legislation (Attachment A) and an overview of the corporation's operational process. This memorandum includes a brief history of the corporation, the corporation's operating costs, revenues and subsidies, and a comparison of the British Columbia Ferries (B.C. Ferries) and Alaska Marine Highway System passenger and vehicle traffic.

B.C. Ferries History

The British Columbia provincial government first entered the ferry business following a 1958 seamen's strike which left Vancouver Island isolated from the mainland. Private industry chose not to participate in a provincial plan-- in June 1960 the British Columbia Ferry Authority began service with a two hour run between the mainland and Vancouver Island. In subsequent years, the ferry authority expanded operations by purchasing private ferry companies which served small routes and by adding new ferries and routes to the system.

In 1985, 14 ferries which had been operated by the Provincial Ministry of Transportation and Highways were transferred to B.C. Ferries. The B.C. Ferries' fleet now includes 38 vessels--ranging from one of 42 feet with a capacity of only 23 passengers, to 13 vessels over 400 feet which are capable of carrying from 157 to 376 vehicles and 750 to 1,466 passengers each.¹

¹British Columbia Ferry Corporation, Annual Report 1987-1988, p. 19.

Originally, B.C. Ferries and government toll bridges were administered jointly by a toll authority. In the late 1960s, toll bridges were eliminated and B.C. Ferries was placed under the Ministry (Department) of Transportation and Highways as a separate division.

British Columbia Ferries was reorganized as the British Columbia Ferry Corporation, a Crown corporation (similar to Alaska's public corporations), on January 1, 1977. According to Patrick Morris, corporate secretary, financing was the key factor to incorporation--as a Crown corporation, B.C. Ferries could depreciate assets and obtain financing in corporate style.² However, Crown corporations are not liable to taxation. Administratively, the corporation continues to report to the government through the Ministry of Transportation and Highways.

The B.C. Ferry Corporation objectives are to establish, administer and maintain a ferry, shipping and related service, and to engage in any other business or undertaking necessary or incidental to the operation of a ferry, shipping or related service. The corporation is overseen by a board of nine directors, appointed at the pleasure of the executive branch (Lieutenant Governor in Council).

The corporation has the power and capacity to acquire by any means except expropriation, to charter, to hold in its own name, and to use and operate ferries and terminals and such other property and assets, both real and personal, as are considered by the corporation to be necessary or required for the conduct of its operations. Subject to the approval of the executive branch, B.C. Ferries may acquire other marine transportation related services or facilities, including private ferry and shipping corporations. As a policy, B.C. Ferries has focused on the car-ferry business and stayed out of the shipping business.

²Unlike Alaska public corporations which specifically prohibit the issuance of shares, the Ferry Corporation Act authorizes the issuance of shares. Mr. Morris explained that the shares exist as a means of establishing ownership of the corporation; they are owned only by the Crown and are not available for public sale or transfer.

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Subsidies, Revenues and Expenses of B.C. Ferries

The Ferry Corporation Act anticipated the continuing need for subsidies and provided that the corporation receive an annual highway equivalent subsidy. The subsidy was based upon the sum of annual maintenance and motorized capital costs of lengths and classes of highways determined to be substantially equivalent to the ferry routes operated. This section of the Act was amended in 1982--the legislature concluded that the formula-based subsidies were too high. The corporation now submits a proposed budget request through the Ministry of Transportation and Highways and participates in the normal budget process.

Although ferry tolls are set by the corporation--with consideration given to the costs of operating and maintaining ferries, terminals and other properties and assets--tolls are subject to executive branch approval. When considering the corporation budget, the government can recommend that additional funds be generated through fare increases rather than higher government subsidies. Table 1 presents the subsidies, gross operating revenues and operating expenses from 1980 through 1989. The corporation's FY 88 financial statements, Attachment B, provide details on corporation assets, liabilities, income and deficits.

Table 1
B.C. Ferries Financial Summary
(in thousands of Canadian dollars)

FY ³	SUBSIDY	GROSS OPERATING REVENUES ⁴	OPERATING EXPENSES
1980	\$49,477	\$ 82,867	\$ 88,695
1981	53,106	99,552	104,956
1982	58,891 ⁵	112,199	133,856
1983	43,000	110,689	139,013
1984	43,000	120,514	132,553
1985	43,000	125,530	125,308
1986	40,000	134,900	146,245
1987	57,000	166,573	182,616
1988	57,000	168,488	176,083
1989	51,000	na	na

In addition to the appropriated annual subsidies, the corporation is subsidized through the rent-free use of certain lands and facilities, and the lease of three ships at an annual cost of \$1 each (the Province pays \$4,819,800 per year for these ships).

³The corporation's fiscal year ends March 31.

⁴Gross operating expenses are calculated before the costs of food and goods sold are deducted.

⁵This is the last year that the corporation received a subsidy based on an annual highway equivalent.

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Comparison of Traffic on B.C. and Alaska Ferries⁶

The British Columbia Ferry Corporation and the Alaska Marine Highway System traffic levels and patterns are very different. To provide some perspective, the Alaska Marine Highway System transported roughly two passengers and vehicles for each 100 passengers and vehicles transported by B.C. Ferries in FY 87.⁷ However, vehicles travel an average of 206 miles and passengers an average of 213 miles aboard Alaska ferries; the average B.C. Ferries journey is 19 miles for vehicles and 20 miles for passengers.

* * *

I hope this information is helpful. If you have questions, please call.

Attachments

⁶FY 1987 traffic information from the 1986-87 British Columbia Ferry Corporation Annual Report and the 1987 Alaska Marine Highway System Annual Traffic Volume Report.

⁷In FY 87 (April 1, 1986-March 31, 1987), B.C. Ferries transported over 17 million passengers and almost 6.5 million vehicles. Alaska Marine Highways transported 375,538 passengers and 100,772 vehicles in FY 87 (July 1, 1986-June 30, 1987).

B.C. Reg. 644/76

- (h) In paragraph 2.06 in the first and second lines strike the words "or approaches".
- (i) In paragraph 2.07 in the second line strike the words "or approaches" and in the last line strike the words "or approaches".
- (j) In paragraph 2.08 in the second line strike the words "or approaches".
- (k) In paragraph 3.01 in the third line strike the words "Department of" and in the fourth line strike the words "and approaches".
- (l) In paragraph 3.02 in the third line strike the words "or an approach".
- (m) In paragraph 3.03 in the second line strike the words "British Columbia Toll Authority Ferry System" and substitute the word "corporation".
- (n) In paragraph 3.04 in the first line strike the words "upon the approaches or" and in (d) in the last line strike the words "or approaches".
- (o) In paragraph 4.02 in the second and third lines strike the words and figures "Order in Council No. 1238, approved May 25th, 1960, and amendments thereto" and substitute the words "the corporation by regulations" and strike the words "this regulation" in the last line and substitute the words "these regulations".
- (p) In paragraph 4.03 in the second line strike the words "approaches or" and in the third and fourth lines strike the words and figures "Order in Council No. 1238/60 and amendments" and substitute the words "the corporation by regulations"; and
- (q) In paragraph 4.04 in the third line strike the words "and approaches".

J. DAVIS

Minister of Energy, Transport and Communications

W. R. BENNETT

Presiding Member of the Executive Council

ja4—9822

B.C. Reg. 645/76

Filed December 20, 1976

BRITISH COLUMBIA FERRY CORPORATION ACT

ORDER IN COUNCIL 3610, APPROVED AND ORDERED DECEMBER 16, 1976

Pursuant to the *British Columbia Ferry Corporation Act*, and upon the recommendation of the undersigned, the Lieutenant-Governor, by and with the advice and consent of the Executive Council, orders that with effect on January 1, 1977, which, for the purposes of the *British Columbia Ferry Corporation Act*

B.C. Reg. 645/76

(hereinafter referred to as the "Act"), be and is hereby designated as the transfer date.

1. Subject to the specific exclusions described in section 2 hereof, the ferry system is hereby transferred to and vested in the British Columbia Ferry Corporation to the extent described below:

- (a) All right, title, and interest of the Government in and to those ferries described in Part I of Schedule A attached hereto and made a part of this Order:
- (b) Those ferries described in Part II of Schedule A attached hereto and made a part of this Order which are chartered to the Government and comprise part of the ferry system are each subchartered to the corporation at a charter-hire of \$1 per annum upon the terms and conditions of the charter to the Government in so far as such terms and conditions are appropriate and applicable:
- (c) All terminals which, immediately prior to the transfer date, comprise part of the ferry system in the operation of the ferries referred to in (a) and (b) above, including the Deas maintenance facility comprised of a three-berth maintenance yard with administration and storage buildings, machine shop, and other related facilities:
- (d) All inventories of parts and equipment on hand immediately prior to the transfer date which have been purchased for the purposes of the ferry system:
- (e) All consumable stores and supplies on hand immediately prior to the transfer date which have been purchased for the purposes of the ferry system:
- (f) All right, title, and interest of the Government in and to
 - (i) all leases of or licences to use and occupy lands and premises which, immediately prior to the transfer date are used and occupied by the ferry system; and
 - (ii) all agreements, licences, franchises, and permits for the provision of goods or services to or the granting of concessions, rights, and franchises by the Government on behalf of the ferry system which, immediately prior to the transfer date, comprise part of the ferry system;
- (g) All shore-based machinery, equipment, vehicles, fixtures, furniture, and other movable property which, immediately prior to the transfer date, comprises part of the ferry system, whether or not situate at terminals or other places of operation of the ferry system:
- (h) All cash and imprest funds on hand immediately prior to the transfer date which are required for the normal operation of the ferry system:
- (i) All accounts receivable of the ferry system immediately prior to the transfer date:
- (j) All other properties and assets owned by the Government which, immediately prior to the transfer date, comprise part of the ferry system and which are necessary for and incidental to the operation of ferry, shipping, and related services.

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2. The following are excluded from the ferry system as transferred to and vested in the corporation and do not form part of the ferry system owned and operated by the corporation, namely:

- (a) The lands upon which the terminals are situate which remain in the name of the Government and are held for the use and benefit of the corporation;
- (b) The off-terminal lands and premises of the Government used or occupied by the ferry system;
- (c) Those liabilities of the Government incurred up to the transfer date in respect of the ferry system, whether accrued or contingent on the transfer date except to the extent funds are provided by the Government pursuant to the Act after the payment thereof;
- (d) The inventories of parts, equipment, and consumable stores maintained by the Ministry of Highways and Public Works at the Deas maintenance facility; and
- (e) The ferry operated on the Kelsey Bay-Beaver Cove route and the tackle, apparel, stores, equipment, furniture, and appurtenances on board, the terminal at Beaver Cove and related inventories and equipment.

Those public service employees who, immediately prior to the transfer date, comprise the crew of the ferry referred to in (e) above are not and do not become employees of the corporation but remain public service employees.

3. The value to be attributed to the properties and assets being transferred to and vested in the corporation pursuant to section 1 are hereby determined to be as follows:

- (a) For the assets described in subsections (a), (b), (c), (f), (g), and (j) of section 1, the sum of \$1.
- (b) For the assets described in subsections (d) and (e) of section 1, an amount equal to the lesser of the current replacement cost thereof and the latest invoice cost thereof as at the transfer date.
- (c) For the assets described in subsections (h) and (i) of section 1, an amount equal to the net book value thereof on the transfer date after making provision for an allowance for doubtful accounts in respect of the accounts receivable.

4. With effect on the transfer date, the corporation shall allot and issue to the Government shares in the capital of the corporation for an aggregate amount equal to the value of the assets of the ferry system as determined under section 3 hereof.

J. DAVIS

Minister of Energy, Transport and Communications

W. R. BENNETT

Presiding Member of the Executive Council

B.C. Reg. 645/76

SCHEDULE A

PART I

Official No.	Name	Official No.	Name
312273	<i>Queen of Sidney</i>	313942	<i>Sunshine Coast Queen</i>
312277	<i>Queen of Tsawwassen</i>	323841	<i>Powell River Queen</i>
314040	<i>Queen of Victoria</i>	323848	<i>Mayne Queen</i>
318636	<i>Queen of Saanich</i>	323854	<i>Bowen Queen</i>
318673	<i>Queen of Esquimalt</i>	190667	<i>Salt Spring Queen</i>
320045	<i>Queen of the Islands</i>	192296	<i>Vesuvius Queen</i>
320068	<i>Queen of Nanaimo</i>	150894	<i>Pender Queen</i>
322953	<i>Queen of New Westminster</i>	330605	<i>Dogwood Princess</i>
322978	<i>Queen of Burnaby</i>	319730	<i>Howe Sound Queen</i>
323870	<i>Queen of Prince Rupert</i>	368854	<i>Queen of Surrey</i>
195484	<i>Langdale Queen</i>	198842	<i>Mill Bay</i>

PART II

370060	<i>Queen of Coquitlam</i>
370065	<i>Queen of Cowichan</i>
370066	<i>Queen of Alberni</i>

ja4—9822

B.C. Reg. 646/76

Filed December 20, 1976

BRITISH COLUMBIA FERRY CORPORATION ACT

ORDER IN COUNCIL 3611, APPROVED AND ORDERED DECEMBER 16, 1976

Pursuant to the *British Columbia Ferry Corporation Act*, and upon the recommendation of the undersigned, the Lieutenant-Governor, by and with the advice and consent of the Executive Council, orders with effect on January 1, 1977, that the adoption, with the amendments described below, by the British Columbia Ferry Corporation of Passenger and Ferry Tariff No. 1, approved by Order in Council 1901/68, and published as B.C. Reg. 170/68, as amended to December 31, 1976, be and is hereby approved to fix the fares, tolls, and other charges for the use of the ferry, shipping, and other related services under the British Columbia Ferry Corporation's jurisdiction, subject to the following amendments:

- (a) The deletion from the title page of the reference to "Province of British Columbia, B.C. Ferries" and to "Her Majesty the Queen in right of the Province of British Columbia as represented by the Minister of Transport and Communications" and the substitution therefor in each instance of the words "British Columbia Ferry Corporation".
- (b) The deletion from page four of the reference to "Her Majesty the Queen in right of the Province of British Columbia as represented by the Minister of Transport and Communications" and the substitution therefor of the words, "British Columbia Ferry Corporation".

FERRY CORPORATION ACT**CHAPTER 128****Interpretation****1. In this Act**

"corporation" means the British Columbia Ferry Corporation established under this Act;

"board" means the board of directors of the corporation;

"ferry" means any and all methods and means of water transport including, but not limited to, ships, boats, vessels, barges, hydrofoils and hovercraft;

"ferry system" means the undertaking carried on by and the assets used and operated by the British Columbia Ferries Division of the Ministry of Energy, Transport and Communications that, immediately prior to the transfer date, were vested in the Crown in right of the Province;

"terminals" includes buildings, fixtures, structures, docks, wharves, ramps, landings, approaches, ways, offices and other improvements and facilities, other than land, necessary for or incidental to the operation of ferry, shipping and related services and incidental facilities and improvements;

"transfer date" means January 1, 1977.

1976-8-1.

Corporation established

2. (1) There is established a corporation, to be known as the British Columbia Ferry Corporation, consisting of not more than 9 persons appointed as directors under section 3, who constitute the board.

(2) The corporation may operate under the name "B.C. Ferries" or "British Columbia Ferries", or such other name as the Lieutenant Governor in Council may designate.

(3) The corporation is an agent of the Crown in right of the Province.

(4) The Minister of Finance is the fiscal agent of the corporation.

1976-8-2.

Directors

3. (1) The Lieutenant Governor in Council shall appoint the directors of the corporation, who shall hold office during pleasure.

(2) The Lieutenant Governor in Council shall appoint one of the directors as chairman.

(3) The corporation shall pay to the chairman and other directors the salaries, directors' fees or other remuneration and expenses as the Lieutenant Governor in Council may determine.

(4) A majority of the directors holding office constitute a quorum at meetings of the board, and the affirmative votes of a majority of the directors present at a meeting at which a quorum is present are sufficient to pass any resolution of the corporation.

(5) The board shall meet at least quarterly to determine the policies of the corporation and to supervise and review its affairs.

(6) The directors shall manage the affairs of the corporation or supervise the management of those affairs and may

- (a) exercise the powers conferred on them by and under this Act;
- (b) exercise the powers of the corporation on behalf of the corporation; and
- (c) delegate the exercise or performance of any power or duty conferred or imposed on them to any person employed by the corporation.

(7) The board may pass the resolutions it considers necessary or advisable for the management and conduct of the affairs of the corporation and the exercise of its powers or duties including, without limiting the generality of the foregoing, resolutions respecting the calling and holding of meetings of the board and the procedure to be followed at the meetings.

(8) A resolution in writing, signed by all the directors, is as valid and effectual as if it had been passed at a meeting of directors duly called and constituted.

1976-8-3.

Capitalization

4. The authorized capital of the corporation is one million shares without par value, but the maximum consideration for the issue of all the shares of the corporation shall not exceed \$100 million.

1976-8-4.

Officers and employees

5. (1) The directors shall appoint a general manager to hold office during the pleasure of the board and the directors shall fix the salary to be paid to the general manager.

(2) The directors shall define the duties of the general manager.

(3) The directors, or, if authorized by the directors, the general manager, may appoint the officers and employees considered necessary to carry on the business and operations of the corporation, and may define their duties, determine their remuneration and provide a system of organization to fix responsibility and promote efficiency.

(4) The *Public Service Act* and the *Public Service Labour Relations Act* do not apply to the officers and employees of the corporation.

(5) The *Pension (Public Service) Act* applies to the corporation and its employees and

- (a) the corporation and its employees shall be deemed to be an employer and its employees within the meaning of that Act;
- (b) the corporation shall make the deductions from the salaries of the employees as required under section 6 of that Act and pay the money to the Commissioner under that Act; and
- (c) the corporation shall, in addition, pay to the Commissioner employer's contributions in amounts equivalent to the amounts required under that Act.

(6) The corporation may require a bond under the *Bonding Act* from such of its officers and employees as it may designate.

1976-8-5; 1983-9-11, effective April 1, 1983.



Objects and powers

6. The objects of the corporation are, and it has the power and capacity,
- (a) to establish, operate, administer and maintain a ferry, shipping and related service, including, subject to section 7 (1), the ferry system, and to engage in any other business or undertaking necessary or incidental to the operation of a ferry, shipping or related service;
 - (b) to acquire by any means except expropriation, to charter, to hold in its own name, and to use and operate ferries and terminals and such other property and assets, both real and personal, as are considered by the corporation to be necessary or required for the conduct of its operations, and to use and operate the ferries, terminals and other property and assets acquired for ferry, shipping and related purposes;
 - (c) subject to the approval of the Lieutenant Governor in Council, to lease, charter, mortgage, sell or otherwise dispose of ferries and terminals and other properties and assets, both real and personal, the corporation holds;
 - (d) to undertake such construction and reconstruction of ferries or terminals as in the opinion of the corporation is necessary or required for the conduct of its operations;
 - (e) subject to the approval of or on the direction of the Lieutenant Governor in Council, to add or delete routes of the ferry or shipping service carried on by the corporation;
 - (f) to enter into agreements with or accept grants or fees for services from persons, corporations, municipalities or regional districts and other governmental authorities or any of their agencies, for the purposes of this section;
 - (g) to invest or loan the funds not otherwise required for the purposes of the corporation in those investments or loans authorized by the Lieutenant Governor in Council;
 - (h) subject to the approval of the Lieutenant Governor in Council, to acquire by any means, except by expropriation, the whole or any part of the property, assets and undertaking, and to assume in whole or in part the obligations and liabilities of any person carrying on or entitled to carry on activities which the corporation is authorized to carry on or which can be carried on incidental to, or in connection with, the exercise of the objects and powers of the corporation;
 - (i) subject to the approval of the Lieutenant Governor in Council, to acquire all or any of the shares of another corporation, incorporated for the purpose of, or engaging in, the operation of ferry, shipping and related services, or in any other business necessary or incidental to the operation of ferry, shipping and related services;
 - (j) subject to this Act, to borrow such money as the corporation considers necessary or advisable and to issue notes, bonds, debentures and other securities for that purpose; and
 - (k) to do the things not inconsistent with this Act it considers necessary or advisable for carrying out any of its objects and powers.

Acquisition of assets

7. (1) The ferry system, subject to the additions or exclusions as may be designated by the Lieutenant Governor in Council, shall be transferred to and vested in the corporation on the transfer date and at the value determined by the Lieutenant Governor in Council.

(2) With effect on the transfer date, the corporation shall allot and issue, to the Crown in right of the Province, shares in the capital of the corporation at a price, or for a consideration, equal to the aggregate of

- (a) the value of the ferry system as determined under subsection (1); and
- (b) the money paid to the corporation on or before the transfer date for the purchase of shares pursuant to section 19 (1) (a).

(3) The shares in the corporation shall be registered in the name of the Minister of Finance and shall be held by him on behalf of the Crown.

1976-8-7.

Financial administration

8. (1) The corporation shall establish and maintain an accounting system satisfactory to the minister, and shall, whenever required by him, render detailed accounts of its revenues and expenditures for the period or to the day as he may designate.

(2) All books or records of account and other financial records shall at all times be open for inspection by the minister or such other person as he may designate.

(3) The Minister of Finance may direct the Comptroller General of the Province to examine and report to the Treasury Board on any or all of the financial and accounting operations of the corporation.

(4) The accounts of the corporation shall, at least once in every year, be audited and reported on by an auditor appointed by the Lieutenant Governor in Council, and the costs of the audit shall be paid by the corporation.

(5) The minister shall lay before the Legislative Assembly annually

- (a) a report of the corporation of its operations for the preceding fiscal year; and
- (b) a financial statement showing the assets and liabilities of the corporation at the end of the preceding fiscal year and the operations of the corporation for that year, in the form as may be required by the minister.

(6) The report and financial statement referred to in subsection (5) shall be laid before the Legislative Assembly within 90 days next following the end of the fiscal year for which the report and statement are made if the Legislative Assembly is then sitting, otherwise within 15 days after the opening of the next following session.

(7) The financial statement referred to in subsection (5) shall be prepared in accordance with generally accepted accounting principles.

(8) The *Financial Information Act* applies to the corporation.

1976-8-8.

One fund

9. All funds, including borrowings, income and revenue that come into the hands of the corporation, whether as agent, trustee, owner or otherwise, shall form one fund out of which the corporation shall pay all expenditures necessary for its purposes.

and the corporation shall account for the fund and all payments out of it in its annual report.

1976-8-9.

Fiscal year

10. The fiscal year end of the corporation is March 31.

1976-8-10.

Operations

11. (1) The corporation, subject to the approval of the Lieutenant Governor in Council or such board, commission or other body as he may designate, shall fix the fares, tolls and other charges for the use of the ferry, shipping and other related services under its jurisdiction.

(2) The corporation, in fixing fares, tolls and other charges, shall give consideration to the costs of operating and maintaining ferries, terminals and its other properties and assets and the amount required annually to meet depreciation and interest charges.

1976-8-11.

Acquisition of land by minister

12. (1) On behalf of the corporation and subject to the approval of the Lieutenant Governor in Council, the minister charged with the administration of the *Ministry of Transportation and Highways Act* may, in accordance with that Act, acquire such land as may be necessary for the purposes of this Act.

(2) Unless otherwise directed by the Lieutenant Governor in Council, the land acquired under this section shall be vested in and held in the name of the Crown for the use and benefit of the corporation.

1976-8-12; B.C. Reg. 91/79; B.C. Reg. 537/79.

Tenders for works

13. (1) The corporation shall invite tenders by public advertisement for the construction, modification or repair of ferries or terminals involving capital expenditures unless

- (a) the corporation considers that compliance with this section would cause a delay that would be contrary to the public interest; or
- (b) the work could be more expeditiously and economically executed by the officers and employees of the corporation.

(2) The corporation shall open in public all tenders received pursuant to subsection (1), at a time and place stated in the advertisement inviting the tenders, and the amount of each tender shall then and there be publicly announced or made available for inspection by any person.

1976-8-13.

Borrowing powers

14. (1) Subject to the approval of the Lieutenant Governor in Council and within the borrowing limitations prescribed by section 16, the corporation, for the purpose of carrying out any of the objects or powers referred to in this Act or for the exercise of any power, right, function or duty conferred or imposed on it under this or

any other Act, may borrow such money as it may consider necessary or advisable and may issue notes, bonds, debentures and other securities bearing interest at the rates and payable as to principal and interest in the currencies and at the places and times and in the manner as the corporation may determine.

(1.1) The board of directors may, by resolution, delegate any of their powers or the powers of the corporation under this section to any director or officer of the corporation.

(1.2) A resolution under this section approved by the required number of directors by telex, telegraph, telephone or any other similar means of communication confirmed in writing or other graphic communication, is as valid and effectual as if it had been passed at a meeting of the directors properly called and constituted.

(2) The notes, bonds, debentures and other securities of the corporation may be made redeemable in advance of maturity at the times and at the prices as the directors of the corporation may determine at the time the securities are issued.

(3) The corporation may borrow and issue securities in such amount as will realize the net sum required by the corporation for its purposes, and a recital or a declaration in a resolution of the corporation authorizing the issue of securities to the effect that the issue of the securities so authorized is being made for the purposes of the corporation and that the amount is necessary to realize the net sum required for the purposes of the corporation is conclusive evidence of the fact.

(4) Subject to the approval of the Lieutenant Governor in Council, the corporation, on the terms and conditions considered necessary or advisable, may sell, exchange or otherwise dispose of the notes, bonds, debentures and other securities of the corporation, and either at par value or at less or more than par value, and may charge, pledge, hypothecate, deposit or otherwise deal with the securities as collateral security, and may do any of these things.

(5) Securities of the corporation, dealt with as collateral security, when

(a) redelivered to the corporation or its nominees on or after payment, satisfaction, release or discharge, in whole or in part, of any indebtedness or obligation for which the securities may have been given as collateral; or

(b) the corporation again becomes entitled to the securities.

may be treated by the corporation as unissued and, subject to the approval of the Lieutenant Governor in Council,

(c) may be issued, reissued, charged, pledged, hypothecated, deposited, dealt with as collateral security, sold or otherwise disposed of on the terms and conditions the directors of the corporation may consider necessary or advisable; or

(d) at the option of the corporation, may be cancelled, and in that case, subject to the approval of the Lieutenant Governor in Council, fresh securities in the same amount, in similar form and with similar consequences may be issued instead, and on the issue or reissue a person entitled to them has the same rights and remedies as if the securities had not been previously issued.

but the borrowing power of the corporation shall be deemed not to have been affected by the issuance, reissuance, pledging, depositing or selling of the securities under this section.

(6) The notes, bonds, debentures and other securities of the corporation shall be in the form as may be determined by the directors of the corporation, subject to the approval of the Minister of Finance.

(7) The notes, bonds, debentures and other securities shall bear the seal of the corporation and, together with any coupons attached, shall bear the signatures in writing, as defined in the *Interpretation Act*, of

- (a) the chairman and another director or officer, or
- (b) other directors or officers as the corporation may determine.

(8) The directors of the corporation may provide that the seal of the corporation may be engraved, lithographed, printed or otherwise mechanically reproduced on any security to which it is to be affixed.

(9) The seal of the corporation when so mechanically reproduced shall have the same force and effect as if manually affixed, and the mechanically reproduced signatures shall for all purposes be valid and binding on the corporation, notwithstanding that the person whose signature is so reproduced has ceased to hold office before the date of the security or before its issue.

(10) Subject to any restriction that may be placed on it by the Lieutenant Governor in Council and within the borrowing limitation prescribed by section 16, the corporation may also borrow, by way of temporary loans from any person, the sums on the terms, for the purposes and on the conditions as the directors of the corporation may determine, by way of bank overdraft or line of credit, or by the pledging as security for the temporary loans of notes, bonds, debentures or other securities of the corporation pending their sale or in lieu of selling them, or in whatever other manner the directors of the corporation may determine. Any cheques, promissory notes or other instrument that may be necessary or advisable in connection with borrowing money and obtaining advances by way of such temporary loans may be executed in whatever manner the directors of the corporation may determine.

(11) The Minister of Finance, as fiscal agent of the corporation, may arrange all details and do, transact and execute all deeds, matters and things that are requisite during the negotiation of a loan or for the purpose of placing a loan.

(12) Money raised by the corporation under this section shall be paid by the corporation into the fund established under authority of section 9.

(13) The corporation, except in the case of a temporary loan of a term not exceeding 5 years and of issues of securities repayable in instalments of principal, shall set aside in each year during the period mentioned in this subsection a sum that, together with interest compounded annually at a rate determined by the Lieutenant Governor in Council, would be sufficient, irrespective of the dates of maturity of the securities being issued, to provide a sinking fund for the repayment in full of any securities issued by the corporation within a period not exceeding 30 years after the date of issue.

(14) The sums referred to in subsection (13) shall be paid to the Minister of Finance, who shall act as trustee for the corporation, shall establish one or more appropriate sinking fund trustee accounts, and, subject to subsection (15), shall invest the sums and the interest earnings in investments permitted for a trust fund under section 36 (2) of the *Financial Administration Act*.

(15) Notwithstanding anything in this Act, the corporation may make such other provisions as may be approved by the Lieutenant Governor in Council for the payment by the corporation to the Minister of Finance as trustee for the corporation of a sinking fund for the repayment at or before maturity of the whole or any part of securities issued by the corporation and for the application from time to time by the Minister of Finance on behalf of the corporation of the whole or any part of the sinking fund so paid and any interest earnings to the purchase, and, in the case of securities issued subject to redemption in

advance of maturity, to the redemption by call of those securities, and the Minister of Finance shall apply the sinking fund in accordance with the provisions so approved, and securities purchased or redeemed may be retained in the sinking fund, and, if retained, may be cancelled on the authorization of the Lieutenant Governor in Council.

1976-8-14; 1981-15-94, proclaimed effective November 26, 1981; 1983-25-8, effective October 26, 1983 (B.C. Reg. 397/83).

Authorization to borrow from *Canada Pension Plan*

15. (1) Notwithstanding anything in this Act, the corporation may, in the bylaw or resolution under section 14, authorize the Minister of Finance or, with the concurrence of the Minister of Finance, authorize the Minister of Finance of Canada to determine any matter required to be determined under section 14 for the purpose of

- (a) borrowing money from the Canada Pension Plan Investment Fund established under the *Canada Pension Plan*; and
- (b) issuing and selling to the Receiver General and Minister of Finance of Canada for the credit of the Canada Pension Plan Investment Fund debentures as security for the loans.

(2) Subsection (1) shall be conclusively deemed to have been the law since January 1, 1977 and is retroactive to the extent necessary to give effect to its provisions on and after that date, and every bylaw or resolution passed under section 14 since that date for the purpose of borrowing money from the Canada Pension Plan Investment Fund shall be conclusively deemed to grant the authorization referred to in subsection (1), and debentures issued and sold to the Receiver General and Minister of Finance of Canada under section 14 are validated and confirmed.

1978-21-3.

Maximum borrowing power

16. The aggregate of the sums that may be borrowed under the authority of this Act, after payment of discount, commission, brokerage and all other expenses of all loans, shall not exceed the aggregate net sum of \$250 million, and in computing that aggregate net sum the following shall be excluded:

- (a) sums borrowed by the corporation for any of the purposes of
 - (i) repayment on account of advances by the Crown to the corporation or repayment of notes, bonds, debentures or other securities of the corporation purchased by the Crown;
 - (ii) payment, refunding, exchange or renewal of the whole or any part of a loan raised or security issued by the corporation, except to the extent that a sinking fund is available for the payment of the loan or securities, and a recital or declaration in a resolution of the corporation authorizing the issue of securities as to the amount of a sinking fund so available is conclusive evidence of the fact; or
 - (iii) payment of the whole or any part of a loan, a liability or bonds, debentures or other securities, payment of which is guaranteed or assumed by the corporation;
- (b) sums borrowed by the corporation that have been repaid by the corporation otherwise than out of the proceeds of the sale of securities of the corporation issued for the purpose;

- (c) sums borrowed by the corporation to repay in whole or in part outstanding temporary loans of the corporation;
- (d) the amount of debt of any person assumed by the corporation or money borrowed to repay the debt so assumed;
- (e) securities of the corporation hypothecated or pledged by the corporation as collateral security for temporary loans of the corporation, except to the extent that the net sum realized on any subsequent sale by the corporation of such securities exceeds the amount of the temporary loan paid or to be repaid from the proceeds of the sale.

1976-8-15.

United States dollar equivalent

17. For the purpose of calculating the sum to be set aside for a sinking fund under section 14 (13) in respect of securities payable in United States dollars, \$1 in lawful money of Canada shall be deemed to be the equivalent of \$1 in lawful money of the United States of America.

1976-8-16.

Government guarantee

18. (1) The Crown may, on terms as the Lieutenant Governor in Council approves, guarantee

- (a) the payment of principal and interest; and
 - (b) the performance of any obligation for the payment of money.
- of the notes, bonds, debentures and other securities issued by the corporation.

(2) The Lieutenant Governor in Council may authorize

- (a) the Minister of Finance; or
- (b) an officer of the Ministry of Finance,

to sign the guarantee on behalf of the Crown, and the signature of that person on the guarantee is conclusive proof that this section has been complied with.

(3) The guarantee, in the form and manner the Lieutenant Governor in Council approves, may be endorsed on the notes, bonds, debentures and other securities issued by the corporation and the signature of the person authorized to sign the guarantee may be reproduced by engraving, lithographing, printing or other means.

(4) The reproduced signature of a person referred to in subsection (3) shall for all purposes be deemed to be the signature of that person and is binding on the Crown notwithstanding

- (a) that the person whose signature is reproduced did not hold office at the date of the notes, bonds, debentures or other securities or at the date of their delivery; or
- (b) that the person who holds that office at the date the signature is affixed is not the person who holds that office at the date of the notes, bonds, debentures or other securities or at the date of their delivery.

(5) Money required to be paid by the Crown in respect of a guarantee given under this section shall be paid out of the consolidated revenue fund without an appropriation other than this Act.

1976-8-17.

Guarantees respecting leases

18.1 (1) The Crown may, on terms approved by the Lieutenant Governor in Council, guarantee payments of the corporation under a lease made by or to the corporation.

(2) The Lieutenant Governor in Council may authorize

(a) the Minister of Finance, or

(b) an officer of the Ministry of Finance,

to sign the guarantee on behalf of the Crown, and the signature of that person on the guarantee is conclusive proof that this section has been complied with.

(3) Money required to be paid by the Crown in respect of a guarantee given under this section shall be paid out of the consolidated revenue fund without an appropriation other than this Act.

1982-9-1.

Subsidies from government

19. (1) During the first fiscal period of the corporation, the Minister of Finance may, for the purpose of providing financial assistance to the corporation for such fiscal period, apply a sum not exceeding \$25 million

(a) for the purchase of shares in the capital of the corporation; and

(b) for a grant to the corporation

in the proportions as he may determine, and the money required shall be paid out of the consolidated revenue fund without an appropriation other than this section.

(2) The Lieutenant Governor in Council, on recommendation of the Minister of Finance, may authorize the Minister of Finance to pay to the corporation an annual highway equivalent subsidy.

1976-8-18; 1982-9-2.

Additional funds from purchase of shares or loans

20. In addition to any other money authorized to be paid under section 19, the Lieutenant Governor in Council may, by order, authorize the Minister of Finance to

(a) purchase unissued shares of the corporation;

(b) purchase notes, bonds, debentures or other securities of the corporation; and

(c) advance money to the corporation for its temporary or long term purposes on the terms and conditions as the Lieutenant Governor in Council may determine.

and the money required shall be paid out of the consolidated revenue fund without an appropriation other than this section.

1976-8-19.

Exemption from taxation

21. The corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except in so far as the Crown is liable.

1976-8-20

Transfer of Ferry Authority

22. (1) On the transfer date, all rights, properties and assets remaining vested in and all liabilities of the British Columbia Ferry Authority established under the *British Columbia Ferry Authority Act*, not transferred to and vested in the Crown in right of

the Province by the *British Columbia Ferry Authority (Vesting) Act, 1968* are transferred to, vested in and assumed by the corporation, including, in particular,

- (a) all the liabilities of the British Columbia Ferry Authority in respect of the payment of the principal and interest on the outstanding bonds and debentures of the British Columbia Ferry Authority; and
- (b) all money and investments in or forming part of the sinking funds established for the repayment of those bonds and debentures of the British Columbia Ferry Authority.

(2) On the transfer date, the *British Columbia Ferry Authority Act* and the *British Columbia Authority (Vesting) Act, 1968* are repealed and the British Columbia Ferry Authority is dissolved.

(3) Notwithstanding the repeal of the *British Columbia Ferry Authority Act* and the *British Columbia Ferry Authority (Vesting) Act, 1968*,

- (a) the unconditional guarantee by the Crown of the payment of the principal of and interest on the bonds and debentures of the British Columbia Ferry Authority remains valid and binding according to its tenor;
- (b) in the event that the assets of the sinking fund described in subsection (1)(b) are insufficient to discharge the liabilities described in subsection (1)(a) at the time when payments of those liabilities are required to be made, the sums required to discharge those liabilities shall be paid out of the consolidated revenue fund without an appropriation other than this section, and
- (c) a surplus remaining in the sinking fund described in subsection (1) (b) after the discharge of the liabilities described in subsection (1) (a) shall be paid into the consolidated revenue fund.

1976-8-21; 1981-20-23, proclaimed effective February 11, 1982.

Employees of ferry system

23. (1) On the transfer date, those public service employees as defined in the *Public Service Act*, who are working for the ferry system, are, notwithstanding the *Public Service Act*, employees of the corporation and shall cease to be public service employees and shall be deemed, with effect from the transfer date, to have been appointed pursuant to and for the purposes of section 5 (3).

(2) On the transfer date, every public service employee who, prior to that date had been confirmed in his appointment under the *Public Service Act* and who is subject to appointment to the corporation under subsection (1),

- (a) shall not suffer any reduction in salary by reason only of his appointment under subsection (1);
- (b) is entitled to equivalent superannuation or pension plan benefits as he is entitled to in the public service and full credit in respect of his contributions and the contributions of the government on his behalf during his period in the public service; and
- (c) is entitled to participate in the Public Services Medical Plan and to maintain group insurance coverage by an insurance contract under the Public Service Group Insurance Plan.

(3) Any question or difference between the corporation and an employee or a trade union representing employees respecting

- (a) the interpretation or application of this section;

(b) the interpretation or application of any provision of a collective agreement in force between the government and a trade union referred to in subsection (4); and

(c) any question arising by reason of subsection (4);

may be referred by the parties or any of them to the Industrial Relations Council in accordance with the procedure set out in the *Industrial Relations Act* and the regulations under that Act, and the Industrial Relations Council may decide the question or difference

(d) in any of the ways; and

(e) by applying any of the remedies

available in respect of the settlement of a question or difference under the *Industrial Relations Act* with the necessary changes and so far as they are applicable.

(4) On the transfer date, the corporation is bound by every collective agreement in force between the government and a trade union acting on behalf of the employees of the ferry service or any of them, as if the corporation were a party to the collective agreement and if

(a) a provision of the collective agreement is not applicable or is ineffective for any reason, and

(b) the corporation and the trade union representing the employees, after negotiation, cannot agree on an amended provision,

either party may apply to the Industrial Relations Council pursuant to subsection (3) and, in addition to the powers of the Industrial Relations Council under subsection (3) and under section 53 of the *Industrial Relations Act*, the Industrial Relations Council may determine a method by which the provision may be made applicable and effective and may order the collective agreement to be amended accordingly.

1976-8-22; 1985-15-26, 27, effective March 2, 1987 (B.C. Reg. 248/86); 1987-24-71, 72, effective July 27, 1987 (B.C. Reg. 246/87).

Company Act

24. (1) Notwithstanding section 3 (1) of the *Company Act*, sections 19, 21 (1), 32, 33, 124, 125, 144 to 148 and 152 of that Act apply to the corporation.

(2) The Lieutenant Governor in Council may declare that one or more additional provisions of the *Company Act* apply to the corporation.

1976-8-23.

Ferry Act

25. The *Ferry Act* does not apply to the corporation.

1976-8-24.

Public Service Benefit Plan Act

26. The *Public Service Benefit Plan Act* applies to the officers and employees of the corporation.

1976-8-25.

Regulations

27. The Lieutenant Governor in Council may make regulations.

1976-8-29.

B.C. Reg. 150/60
O.C. 1543/60

Ferry Corporation Act

TSAWWASSEN AND SWARTZ BAY FERRY REGULATION, TERMINALS AND APPROACHES

[includes amendments up to B.C. Reg. 644/76]

DIVISION (1)

Interpretation

1.01 In this regulation, unless the context otherwise requires, all words and expressions other than those set forth in the *Ferry Corporation Act* have the meanings assigned to them by the *Motor Vehicle Act*, the *Highway Act* and the *Commercial Transport Act*, and where there is more than one meaning under those statutes, the meaning under the *Motor Vehicle Act* applies.

[am. B.C. Reg. 644/76, ss. (a), (b).]

DIVISION (2)

Traffic Rules and Regulations

2.01 The *Motor Vehicle Act*, the *Highway Act*, the *Commercial Transport Act* and other Acts relating to the operation of vehicles upon a public highway apply to the operation of vehicles on the terminals.

[am. B.C. Reg. 644/76, s. (d).]

2.02 The driver of a vehicle shall obey the instructions of an applicable traffic control device, except when otherwise directed by a peace officer or by an employee of the corporation or of the Ministry of Transportation and Highways authorized by the corporation to direct traffic.

[am. B.C. Reg. 644/76, s. (c).]

2.03 The driver of a vehicle upon the terminals shall, upon request by a peace officer or by an employee of the Corporation or of the Ministry of Transportation and Highways authorized by the Corporation to inspect licences and permits, produce any licence or permit issued under the *Motor Vehicle Act* or the *Commercial Transport Act*, or under this regulation, and shall allow the licence or permit to be taken in hand for the purpose of inspection.

[am. B.C. Reg. 644/76, ss. (c), (e).]

2.04 No person shall make a U-turn, or otherwise reverse the direction in which a vehicle is proceeding, while driving or operating a vehicle upon the terminals, unless directed to do so by a peace officer or by an employee of the corporation or of the Ministry of Transportation and Highways authorized by the corporation to direct traffic.

[am. B.C. Reg. 644/76, ss. (c), (f).]

**FERRY CORPORATION ACT
TSAWWASSEN AND SWARTZ BY FERRY,
TERMINALS AND APPROACHES**

2.05 Where a traffic control device has been placed, painted or erected upon the terminals, indicating the direction or manner in which vehicles shall proceed, no person shall drive or operate a vehicle other than in the direction or manner indicated, unless otherwise directed by a peace officer or by an employee of the corporation or of the Ministry of Transportation and Highways authorized by the corporation to direct traffic.

[am. B.C. Reg. 644/76, ss. (c), (g).]

2.06 No person shall stop, stand or park a vehicle upon the terminals, except when it is necessary to comply with a traffic control device, or with the direction of a peace officer or employee of the Corporation or of the Ministry of Transportation and Highways authorized by the Corporation to direct traffic, or except in areas designated for public parking.

[am. B.C. Reg. 644/76, ss. (c), (h).]

2.07 In the event of a breakdown or other disablement of a vehicle on a terminal any peace officer or employee of the corporation or Ministry of Transportation of Highways authorized by the corporation to direct traffic may arrange for the necessary towing of the vehicle, or the supplying of gasoline, or such other assistance as may be necessary; and all charges in such connection shall be paid for by or for the driver or operator of the vehicle before it is removed from the terminal.

[am. B.C. Reg. 644/76, ss. (c), (i).]

2.08 In the event of a vehicle being unlawfully stopped, parked or left standing on a terminal, any peace officer or employee of the corporation or the Ministry of Transportation and Highways authorized by the corporation to direct traffic may remove or cause the vehicle to be removed from the place where it is found, and all charges or costs in connection with the removal and of the storage of the vehicle shall be paid by the owner or operator of the vehicle before it is returned to the owner or operator.

[am. B.C. Reg. 644/76, ss. (c), (j).]

2.09 The parking lot provided at each terminal for public parking may be used by ferry patrons only. No person shall park a vehicle in any such lot for a period exceeding 48 hours.

FERRY CORPORATION ACT
TSAWWASSEN AND SWARTZ BY FERRY,
TERMINALS AND APPROACHES

DIVISION (3)

Loads, Sizes and Weights

3.01 All overweight or oversize vehicles operated by virtue of a special permit issued in accordance with the provisions of the regulations made under the *Motor Vehicle Act* and the *Commercial Transport Act* may be required by the corporation to proceed upon the terminals only at specified hours and upon certain days of the week, and every person shall comply with those requirements.

[am. B.C. Reg. 644/76, ss. (c), (k).]

3.02 The prohibitions set forth in the *Canada Shipping Act* with regard to the transportation of inflammable, explosive or dangerous substances on passenger vessels apply to the transportation of such substances on a terminal, and no person shall do anything in contravention of any such prohibition.

[am. B.C. Reg. 644/76, s. (l).]

3.03 Vehicles carrying fuel or supplies for use on vessels owned and operated by the Corporation are exempt from the provisions of section 3.02.

[am. B.C. Reg. 644/76, s. (m).]

3.04 The following are prohibited from travelling upon the terminals except by virtue of a special permit issued under the regulations made under the *Motor Vehicle Act*:

- (a) vehicles with metal tires, or pneumatic tires which are flat or not inflated with air;
- (b) animals which are being led, ridden or driven;
- (c) push carts, wheelbarrows or similar devices;
- (d) vehicles or loads which, in the opinion of an employee of the corporation or the Ministry of Transportation and Highways authorized by the corporation to exercise such authority, would endanger persons or property or render the use of the terminals unsafe.

[am. B.C. Reg. 644/76, ss. (c), (n).]

DIVISION (4)

Fares

4.01 The corporation may erect and maintain at or on the terminals a ticket booth or ticket booths, and may appoint and employ all necessary ticket collectors and other officials necessary to direct and control them in the performance of their duties; all persons so appointed and employed shall be under the direction and control of the Corporation.

[am. B.C. Reg. 644/76, s. (c).]

150/60

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TSAWWASSEN AND SWARTZ BY FERRY,
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4.02 It is the duty of every ticket collector appointed under this regulation to collect and enforce payment of the fares imposed by the Corporation by regulations, and to enforce due observance of the provisions of these regulations.

[am. BC. Regs. 144/62; 644/76, s. (o).]

4.03 The driver of any vehicle, and any pedestrian, entering upon or using the terminals shall comply with this regulation, and shall stop and pay the fares according to the rates as fixed by the corporation by regulations.

[am. BC. Regs. 144/62; 644/76, s. (p).]

4.04 The provisions of this regulation do not apply to persons who are actually engaged in the operation, maintenance, inspection and repair of the terminals, except as to payment of fares.

[am. B.C. Reg. 644/76, s. (q).]

DIVISION (5)

Penalties

5.01 Every person who violates any provision of this regulation, or refuses or neglects to observe or perform any duty or obligation created or imposed by the regulation, or who directly or indirectly evades or attempts to evade the payment of any fare which he is required to pay under the regulation, is liable, on summary conviction, to a fine of not more than \$300.

[Provisions of the *Ferry Corporation Act* relevant to the enactment of this regulation: section 27]

B.C. Reg. 209/77

considered as Commercial Grade, and the percentage of loss to be applied to individual samples of fruit will be:

Commercial Grade reduced to Cull 100"

J. HEWITT
Minister of Agriculture

W. R. BENNETT
Presiding Member of the Executive Council

je21—552

B.C. Reg. 210/77

Filed June 13, 1977

BRITISH COLUMBIA FERRY CORPORATION ACT

ORDER IN COUNCIL 1814, APPROVED AND ORDERED JUNE 9, 1977

Pursuant to the *British Columbia Ferry Corporation Act*, and upon the recommendation of the undersigned, the Lieutenant-Governor, by and with the advice and consent of the Executive Council, orders that Order in Council 3610/76, as approved and ordered on December 16, 1976, and designated as B.C. Reg. 645/76, be amended by repealing section 3 and substituting as section 3 the following:

"3. The values to be attributed to the properties and assets being transferred to and vested in the corporation pursuant to section 1 are hereby determined to be as follows:

- (a) For the assets described in subsections (a), (b), (c), (f), (g), and (j) of section 1, the sum of \$1.
- (b) For such of those assets described in subsections (d) and (e) of section 1 for which conventional inventory accounting and valuation practices are appropriate,
 - (i) where reasonably ascertainable, amounts equal to the lesser of the current replacement cost thereof and the latest invoice cost thereof as at the transfer date and subject to such adjustments as may be necessary to give recognition to obsolescence as at the transfer date; or
 - (ii) where not reasonably ascertainable, amounts equal to either the lesser of current replacement cost thereof and the latest invoice cost thereof are not reasonably ascertainable, at amounts equal to the estimated laid-down cost as at the transfer date and subject to such adjustments as may be necessary to give recognition to obsolescence as at the transfer date.
- (c) For such of those assets described in subsections (d) and (e) of section 1 for which conventional inventory accounting and valuation practices are not appropriate and therefore the cost of which would be treated as an expense when incurred, the sum of \$1.

B.C. Reg. 210.77

- (d) For the assets described in subsections (h) and (i) of section 1, an amount equal to the net book value thereof on the transfer date after making provision for an allowance for doubtful accounts in respect of the accounts receivable."

J. DAVIS

Minister of Energy, Transport and Communications

W. R. BENNETT

Presiding Member of the Executive Council

je21—552

B.C. Reg. 211/77

Filed June 13, 1977

DOMESTIC ANIMAL PROTECTION ACT

ORDER IN COUNCIL 1815, APPROVED AND ORDERED JUNE 9, 1977

Pursuant to the *Domestic Animal Protection Act*, and upon the recommendation of the undersigned, the Lieutenant-Governor, by and with the advice and consent of the Executive Council, orders that sections 6 and 8 of the *Domestic Animal Protection Act* shall apply within all municipalities of the Province of British Columbia.

J. HEWITT

Minister of Agriculture

W. R. BENNETT

Presiding Member of the Executive Council

je21—552

B.C. Reg. 212/77

Filed June 13, 1977

HOSPITAL INSURANCE ACT

ORDER IN COUNCIL 1822, APPROVED AND ORDERED JUNE 9, 1977

Pursuant to the *Hospital Insurance Act*, and upon the recommendation of the undersigned, the Lieutenant-Governor, by and with the advice and consent of the Executive Council, orders that effective June 28, 1977, the Pemberton and District Diagnostic and Treatment Centre, Pemberton, be designated as a "diagnostic and treatment centre":

And that the list of hospitals designated by Order in Council 1391/58, approved June 11, 1958 (B.C. Reg. 71/58), as amended, be further amended

(Council Statutes of B.C. Vol. 2 - 1979)

1979

FERRY

RS CHAP. 127

FERRY ACT

CHAPTER 127

[Act administered by the Ministry of Transportation and Highways]

Interpretation

1. In this Act "ferry" means any ferry under the control of the Legislature. *[Note: see section 25, Ferry Corporation Act.]*

RS1960-144-2.

Application

2. Nothing in this Act extends to the owner or master of any vessel plying between 2 ports in the Province, or regularly entered or cleared by the officers of Her Majesty's Customs at any of those ports, or in any way affects any privilege granted by the Parliament of Canada, or by the Legislature of the Province, to the proprietor of any bridge, railway or other company, in respect of ferries within the meaning of this Act.

RS1960-144-3.

Power to grant ferry licence

3. The Lieutenant Governor in Council may, by order, establish and grant a charter or licence for any ferry in the Province.

RS1960-144-4.

Ferry licence under Great Seal

4. No charter or licence in respect of any ferry shall be granted except under the Great Seal and by order of the Lieutenant Governor in Council and after public competition, as provided in this Act.

RS1960-144-5.

Public competition

5. (1) Whenever a ferry is established or becomes vacant, it is the duty of the Minister of Transportation and Highways to offer the charter, licence or renewal of licence for the ferry to public competition, and for that purpose to give notice in the Gazette and in one or more newspapers published or circulating in the locality in which the ferry is or is to be situate or operated, or ought to be operated, of the time and place at which tenders will be received for the charter, licence or renewal of licence, for the ferry.

(2) The Minister of Transportation and Highways shall report the result of the competition to the Lieutenant Governor in Council, and the charter, licence or its renewal may be granted accordingly.

RS1960-144-6; 1977-75-6; B.C. Reg. 91/79; B.C. Reg. 537/79

Term and assignment of licence

6. (1) Ferry licences and renewals of ferry licences under section 5 may be granted for a period not exceeding 10 years and may contain provisions for their renewal to the holder for a similar period, subject to those conditions as to satisfactory service and otherwise as the Lieutenant Governor in Council may specify.

(2) Ferry licences and renewals of ferry licences granted under this Act, with the consent of the Minister of Transportation and Highways, may be assigned to any person who undertakes in a manner satisfactory to the minister to operate the ferry in accordance with the licence.

RS1960-144-7; 1977-75-6; B.C. Reg. 91/79; B.C. Reg. 537/79; 1983-10-21, effective October 26, 1983 (B.C. Reg. 393.83).

Regulations

7. The Lieutenant Governor in Council may make regulations, including those
- (a) defining the manner in which, the conditions (including any duty or sum to be paid for the licence) under which and the period for which licences shall be granted in respect of any ferry;
 - (b) fixing tolls or rates for carrying persons and chattels on a ferry, fixing different tolls or rates for different classes of persons, and prescribing schedules of ferry departures or arrivals;
 - (c) establishing and fixing special tolls or rates for through traffic, by way of a joint tariff or otherwise, at which persons and chattels shall be carried over any ferry as part of a continuous route in connection with the traffic facilities or lines operated by any steam railway company, tramway or electric railway company, and to fix the period during which the special tolls or rates shall have effect;
 - (d) enforcing the payment of those tolls or rates by the persons carried, or for whom chattels are carried, over the ferries;
 - (e) for annulling and declaring the forfeiture of any ferry licence in consequence of its conditions, or any of them, not having been fulfilled, or in consequence of the licence having been obtained by fraud or misrepresentation, or through error;
 - (f) imposing penalties, not exceeding \$10 in any case, for the violation of these regulations.

RS1960-144-8; 1984-25-12.

Publication of regulations

8. The Minister of Transportation and Highways shall cause all regulations to be published in the Gazette at least 3 times during the 3 months following their date.

RS1960-144-9; 1977-75-6; B.C. Reg. 91/79; B.C. Reg. 537/79.

Inquiries

9. Where reasonable grounds are shown to the Minister of Transportation and Highways, he may, either himself or by any person specially appointed by him in writing for that purpose, make inquiry under oath as to any matter connected with any ferry or ferry charter or licence, and the minister or appointed person then has the same power as is vested in any court of law in civil cases, of summoning any party or witnesses, of enforcing their attendance and of requiring and compelling them to give evidence on oath, whether orally or in writing, and to produce documents and things he deems requisite to the full investigation of the matter.

RS1960-144-10; 1977-75-6; B.C. Reg. 91/79; B.C. Reg. 537/79.

Offences

10. (1) A person who interferes with the rights of a chartered or licensed ferryman, by conveying passengers or goods for hire or profit, with intention to lessen the tolls or revenue of any ferry within the limits assigned to the ferryman by any charter or licence is, on conviction, liable to a penalty not exceeding \$100.

(2) Every person who without lawful authority interferes with, obstructs or impedes the operation of, takes charge of or operates

(a) a ferry that is chartered or licensed under this Act, or a vessel, landing or appliance used or maintained for the purpose of a ferry, chartered or licensed under this Act; or

(b) a ferry that is owned or operated by the Crown, or a vessel, landing or appliance used or maintained for the purpose of a ferry that is owned or operated by the Crown.

is liable on conviction to a penalty not exceeding \$100.

RS1960-144-11.

Recovery of penalties

11. All penalties imposed by this Act, or by any regulation under the authority of this Act, are recoverable on conviction, on the oath of a credible witness other than the informer, and 1/2 of every penalty shall be paid to the informer, and the other 1/2 shall belong to the Crown.

RS1960-144-12.

Disposition of fines and fees

12. All money arising out of ferry licences, and out of penalties incurred in regard to those licences which may belong to the Crown, under this Act, shall form part of the consolidated revenue fund.

RS1960-144-13.

B.C. Reg. 62/58
O.C. 1407/58

Ferry Act

LADNER FERRY TOLLS

[effective July 15, 1958]

1. The following is the tariff of tolls or rates at which persons and chattels shall be carried over the Ladner Ferry across the Fraser River between Ladner Ferry Landing and Woodward's Landing:

Passengers (on deck or in vehicle):

Adult-

One trip \$0.10
Commutation tickets-15 for 1.00

Child-

Under 12 years and over 6 years .05
Under 6 years Free

Vehicles (rate includes driver and load without extra charge):

Passenger car, without trailer (regardless of length)-

One trip .35
Weekly pass-16 crossings per week 1.50
With trailer, as for "combination of vehicles."

Other vehicles, such as trucks, buses, trailers, wagons, including combinations of vehicles, such as car with trailer, truck with trailer, etc.-

Basic charge on first 18 feet or portion thereof of overall length of vehicles or combination of vehicles-

Single fare .35
Commutation tickets-10 for 2.50

Unit charge on each 9 foot unit or portion thereof in excess of first 18 feet of overall length of vehicle or combination of vehicles, also on motorcycles and livestock-

One trip, per unit .20
Commutation tickets-25 units for 4.00

Motorcycle, with or without sidecar 1 unit
Bicycle (rider, according to passenger rates) Free

Livestock:

In vehicle Free

On deck-

Horse or cattle, each 1 unit
Pig, sheep, etc., per 4 animals 1 unit

Freight:

In vehicle Free

On deck-

Up to 100 lb. per person Free
In excess of 100 lb. not carried.

62:58

FERRY ACT
LADNER TOLLS

2. to 3. Spent.

[Provisions of the *Ferry Act* relevant to the enactment of this regulation:
section 7]

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B.C. Reg. 152/60
O.C. 1661/60

Ferry Act

FRANCOIS LAKE FERRY TOLLS

I. The following is the tariff of tolls or rates at which persons and chattels shall be carried over the Francois Lake Ferry across Francois Lake between North Bank and South Bank:

Scheduled trips:

On all trips operating regularly, daily or otherwise, at specified times as listed and publicized in the schedule of operation of Francois Lake Ferry, all categories of traffic Free

Special trip:

On a special trip, other than a scheduled trip, when operated by request from an individual or group of the public, charge to cover the initial crossing and return crossing of the vessel \$10.00

Special trips shall be available only for emergency, except when prior arrangements have been made with the approval of the Minister of Transportation and Highways.

[Provisions of the *Ferry Act* relevant to the enactment of this regulation: section 7]

Ferry Act

KELSEY BAY-BEAVER COVE FERRY TOLLS

[effective April 1, 1977]

[includes amendments up to B.C.Reg. 168/77]

1. The following is the tariff of tolls at which persons and chattels shall be carried over the North Island Princess between Kelsey Bay and Beaver Cove:

Passengers (on deck or in vehicle):

Cash rate-

Adult (over 14 years)	\$6.00
Child (6-14 years)	3.00
Child (under 6 years)	Free
Senior citizens (Monday to Thursday, except for statutory holidays)	Free
Blind and paraplegic (plus person accompanying each)	3.00

Resident Rate-

Adult (one trip)	3.00
Child (one trip)	1.50

Vehicles (including combination of vehicles such as auto and trailer, truck and trailer, etc., but excepting bicycles)

Rates for vehicles do not include driver. Vehicles are assessed by units according to overall length of the vehicle or combination of vehicles.

Auto when without trailer-

Up to 10 feet overall length	1 unit
Over 10 feet overall length	2 units

Vehicles other than autos, each 10 foot length
(portion of a unit to be treated as a whole)

Cash rate—each 10 foot unit	7.50
Motorcycles, with or without sidecar	5.00
Resident Rate—one 10 foot unit	6.00

Industrial Vehicles

Cash tolls only apply to

First 20 feet, 3 × \$7.50	22.50
Each additional 5 feet or part thereof	7.50

Miscellaneous

Bicycle (rider according to passenger rate)	Free
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Freight

in vehicle	Free
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97/77

FERRY ACT
KELSEY BAY-BEAVER COVE FERRY TOLLS

on deck, not permitted except each passenger is allowed to carry, free of charge, personal baggage not exceeding 100 pounds.

[am. B.C. Reg. 168/77.]

[Provisions of the *Ferry Act* relevant to the enactment of this regulation: section 7]

ATTACHMENT A
Ferry Corporation Act, Chapter 128

FERRY CORPORATION ACT**CHAPTER 128****Interpretation****1. In this Act**

- "corporation" means the British Columbia Ferry Corporation established under this Act;
- "board" means the board of directors of the corporation;
- "ferry" means any and all methods and means of water transport including, but not limited to, ships, boats, vessels, barges, hydrofoils and hovercraft;
- "ferry system" means the undertaking carried on by and the assets used and operated by the British Columbia Ferries Division of the Ministry of Energy, Transport and Communications that, immediately prior to the transfer date, were vested in the Crown in right of the Province;
- "terminals" includes buildings, fixtures, structures, docks, wharves, ramps, landings, approaches, ways, offices and other improvements and facilities, other than land, necessary for or incidental to the operation of ferry, shipping and related services and incidental facilities and improvements;
- "transfer date" means January 1, 1977.

1976-8-1.

Corporation established

2. (1) There is established a corporation, to be known as the British Columbia Ferry Corporation, consisting of not more than 9 persons appointed as directors under section 3, who constitute the board.
- (2) The corporation may operate under the name "B.C. Ferries" or "British Columbia Ferries", or such other name as the Lieutenant Governor in Council may designate.
- (3) The corporation is an agent of the Crown in right of the Province.
- (4) The Minister of Finance is the fiscal agent of the corporation.

1976-8-2.

Directors

3. (1) The Lieutenant Governor in Council shall appoint the directors of the corporation, who shall hold office during pleasure.
- (2) The Lieutenant Governor in Council shall appoint one of the directors as chairman.
- (3) The corporation shall pay to the chairman and other directors the salaries, directors' fees or other remuneration and expenses as the Lieutenant Governor in Council may determine.
- (4) A majority of the directors holding office constitute a quorum at meetings of the board, and the affirmative votes of a majority of the directors present at a meeting at which a quorum is present are sufficient to pass any resolution of the corporation.
- (5) The board shall meet at least quarterly to determine the policies of the corporation and to supervise and review its affairs.

(6) The directors shall manage the affairs of the corporation or supervise the management of those affairs and may

- (a) exercise the powers conferred on them by and under this Act;
- (b) exercise the powers of the corporation on behalf of the corporation; and
- (c) delegate the exercise or performance of any power or duty conferred or imposed on them to any person employed by the corporation.

(7) The board may pass the resolutions it considers necessary or advisable for the management and conduct of the affairs of the corporation and the exercise of its powers or duties including, without limiting the generality of the foregoing, resolutions respecting the calling and holding of meetings of the board and the procedure to be followed at the meetings.

(8) A resolution in writing, signed by all the directors, is as valid and effectual as if it had been passed at a meeting of directors duly called and constituted.

1976-8-3.

Capitalization

4. The authorized capital of the corporation is one million shares without par value, but the maximum consideration for the issue of all the shares of the corporation shall not exceed \$100 million.

1976-8-4.

Officers and employees

5. (1) The directors shall appoint a general manager to hold office during the pleasure of the board and the directors shall fix the salary to be paid to the general manager.

(2) The directors shall define the duties of the general manager.

(3) The directors, or, if authorized by the directors, the general manager, may appoint the officers and employees considered necessary to carry on the business and operations of the corporation, and may define their duties, determine their remuneration and provide a system of organization to fix responsibility and promote efficiency.

(4) The *Public Service Act* and the *Public Service Labour Relations Act* do not apply to the officers and employees of the corporation.

(5) The *Pension (Public Service) Act* applies to the corporation and its employees and

- (a) the corporation and its employees shall be deemed to be an employer and its employees within the meaning of that Act;
- (b) the corporation shall make the deductions from the salaries of the employees as required under section 6 of that Act and pay the money to the Commissioner under that Act; and
- (c) the corporation shall, in addition, pay to the Commissioner employer's contributions in amounts equivalent to the employees' contributions made under sections 6 (1) and 7 (1) of that Act.

(6) The corporation may require a bond under the *Bonding Act* from such of its officers and employees as it may designate.

1976-8-5

Objects and powers

- 6. The objects of the corporation are, and it has the power and capacity,
 - (a) to establish, operate, administer and maintain a ferry, shipping and related service, including, subject to section 7 (1), the ferry system, and to engage in any other business or undertaking necessary or incidental to the operation of a ferry, shipping or related service;
 - (b) to acquire by any means except expropriation, to charter, to hold in its own name, and to use and operate ferries and terminals and such other property and assets, both real and personal, as are considered by the corporation to be necessary or required for the conduct of its operations, and to use and operate the ferries, terminals and other property and assets acquired for ferry, shipping and related purposes;
 - (c) subject to the approval of the Lieutenant Governor in Council, to lease, charter, mortgage, sell or otherwise dispose of ferries and terminals and other properties and assets, both real and personal, the corporation holds;
 - (d) to undertake such construction and reconstruction of ferries or terminals as in the opinion of the corporation is necessary or required for the conduct of its operations;
 - (e) subject to the approval of or on the direction of the Lieutenant Governor in Council, to add or delete routes of the ferry or shipping service carried on by the corporation;
 - (f) to enter into agreements with or accept grants or fees for services from persons, corporations, municipalities or regional districts and other governmental authorities or any of their agencies, for the purposes of this section;
 - (g) to invest or loan the funds not otherwise required for the purposes of the corporation in those investments or loans authorized by the Lieutenant Governor in Council;
 - (h) subject to the approval of the Lieutenant Governor in Council, to acquire by any means, except by expropriation, the whole or any part of the property, assets and undertaking, and to assume in whole or in part the obligations and liabilities of any person carrying on or entitled to carry on activities which the corporation is authorized to carry on or which can be carried on incidental to, or in connection with, the exercise of the objects and powers of the corporation;
 - (i) subject to the approval of the Lieutenant Governor in Council, to acquire all or any of the shares of another corporation, incorporated for the purpose of, or engaging in, the operation of ferry, shipping and related services, or in any other business necessary or incidental to the operation of ferry, shipping and related services;
 - (j) subject to this Act, to borrow such money as the corporation considers necessary or advisable and to issue notes, bonds, debentures and other securities for that purpose; and
 - (k) to do the things not inconsistent with this Act it considers necessary or advisable for carrying out any of its objects and powers.

1976-8-6.

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Acquisition of assets

7. (1) The ferry system, subject to the additions or exclusions as may be designated by the Lieutenant Governor in Council, shall be transferred to and vested in the corporation on the transfer date and at the value determined by the Lieutenant Governor in Council.

(2) With effect on the transfer date, the corporation shall allot and issue, to the Crown in right of the Province, shares in the capital of the corporation at a price, or for a consideration, equal to the aggregate of

- (a) the value of the ferry system as determined under subsection (1); and
- (b) the money paid to the corporation on or before the transfer date for the purchase of shares pursuant to section 19 (1) (a).

(3) The shares in the corporation shall be registered in the name of the Minister of Finance and shall be held by him on behalf of the Crown.

1976-8-7.

Financial administration

8. (1) The corporation shall establish and maintain an accounting system satisfactory to the minister, and shall, whenever required by him, render detailed accounts of its revenues and expenditures for the period or to the day as he may designate.

(2) All books or records of account and other financial records shall at all times be open for inspection by the minister or such other person as he may designate.

(3) The Minister of Finance may direct the Comptroller General of the Province to examine and report to the Treasury Board on any or all of the financial and accounting operations of the corporation.

(4) The accounts of the corporation shall, at least once in every year, be audited and reported on by an auditor appointed by the Lieutenant Governor in Council, and the costs of the audit shall be paid by the corporation.

(5) The minister shall lay before the Legislative Assembly annually

- (a) a report of the corporation of its operations for the preceding fiscal year; and
- (b) a financial statement showing the assets and liabilities of the corporation at the end of the preceding fiscal year and the operations of the corporation for that year, in the form as may be required by the minister.

(6) The report and financial statement referred to in subsection (5) shall be laid before the Legislative Assembly within 90 days next following the end of the fiscal year for which the report and statement are made if the Legislative Assembly is then sitting, otherwise within 15 days after the opening of the next following session.

(7) The financial statement referred to in subsection (5) shall be prepared in accordance with generally accepted accounting principles.

(8) The *Financial Information Act* applies to the corporation.

1976-8-8.

One fund

9. All funds, including borrowings, income and revenue that come into the hands of the corporation, whether as agent, trustee, owner or otherwise, shall form one fund out of which the corporation shall pay all expenditures necessary for its purposes.

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and the corporation shall account for the fund and all payments out of it in its annual report.

1976-8-9

Fiscal year

10. The fiscal year end of the corporation is March 31.

1976-8-10

Operations

11. (1) The corporation, subject to the approval of the Lieutenant Governor in Council or such board, commission or other body as he may designate, shall fix the fares, tolls and other charges for the use of the ferry, shipping and other related services under its jurisdiction.

(2) The corporation, in fixing fares, tolls and other charges, shall give consideration to the costs of operating and maintaining ferries, terminals and its other properties and assets and the amount required annually to meet depreciation and interest charges.

1976-8-11

Acquisition of land by minister

12. (1) On behalf of the corporation and subject to the approval of the Lieutenant Governor in Council, the minister charged with the administration of the *Ministry of Transportation and Highways Act* may, in accordance with that Act, acquire such land as may be necessary for the purposes of this Act.

(2) Unless otherwise directed by the Lieutenant Governor in Council, the land acquired under this section shall be vested in and held in the name of the Crown for the use and benefit of the corporation.

1976-8-12; B.C. Reg. 91/79; B.C. Reg. 537/79.

Tenders for works

13. (1) The corporation shall invite tenders by public advertisement for the construction, modification or repair of ferries or terminals involving capital expenditures unless

(a) the corporation considers that compliance with this section would cause a delay that would be contrary to the public interest; or

(b) the work could be more expeditiously and economically executed by the officers and employees of the corporation.

(2) The corporation shall open in public all tenders received pursuant to subsection (1), at a time and place stated in the advertisement inviting the tenders, and the amount of each tender shall then and there be publicly announced or made available for inspection by any person.

1976-8-13.

Borrowing powers

14. (1) Subject to the approval of the Lieutenant Governor in Council and within the borrowing limitations prescribed by section 16, the corporation, for the purpose of carrying out any of the objects or powers referred to in this Act or for the

exercise of any power, right, function or duty conferred or imposed on it under this or any other Act, may borrow such money as it may consider necessary or advisable and may issue notes, bonds, debentures and other securities bearing interest at the rates and payable as to principal and interest in the currencies and at the places and times and in the manner as the corporation may determine.

(2) The notes, bonds, debentures and other securities of the corporation may be made redeemable in advance of maturity at the times and at the prices as the directors of the corporation may determine at the time the securities are issued.

(3) The corporation may borrow and issue securities in such amount as will realize the net sum required by the corporation for its purposes, and a recital or a declaration in a resolution of the corporation authorizing the issue of securities to the effect that the issue of the securities so authorized is being made for the purposes of the corporation and that the amount is necessary to realize the net sum required for the purposes of the corporation is conclusive evidence of the fact.

(4) Subject to the approval of the Lieutenant Governor in Council, the corporation, on the terms and conditions considered necessary or advisable, may sell, exchange or otherwise dispose of the notes, bonds, debentures and other securities of the corporation, and either at par value or at less or more than par value, and may charge, pledge, hypothecate, deposit or otherwise deal with the securities as collateral security, and may do any of these things.

(5) Securities of the corporation, dealt with as collateral security, when

(a) redelivered to the corporation or its nominees on or after payment, satisfaction, release or discharge, in whole or in part, of any indebtedness or obligation for which the securities may have been given as collateral; or

(b) the corporation again becomes entitled to the securities,

may be treated by the corporation as unissued and, subject to the approval of the Lieutenant Governor in Council,

(c) may be issued, reissued, charged, pledged, hypothecated, deposited, dealt with as collateral security, sold or otherwise disposed of on the terms and conditions the directors of the corporation may consider necessary or advisable; or

(d) at the option of the corporation, may be cancelled, and in that case, subject to the approval of the Lieutenant Governor in Council, fresh securities in the same amount, in similar form and with similar consequences may be issued instead, and on the issue or reissue a person entitled to them has the same rights and remedies as if the securities had not been previously issued,

but the borrowing power of the corporation shall be deemed not to have been affected by the issuance, reissuance, pledging, depositing or selling of the securities under this section.

(6) The notes, bonds, debentures and other securities of the corporation shall be in the form as may be determined by the directors of the corporation, subject to the approval of the Minister of Finance.

(7) The bonds, debentures and other securities shall bear the seal of the corporation and, together with the coupons, if any, attached, shall bear the manual, engraved, lithographed or printed signatures of the chairman and secretary of the corporation or such other directors or officers of the corporation as it may determine.

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(8) The directors of the corporation may provide that the seal of the corporation may be engraved, lithographed, printed or otherwise mechanically reproduced on any security to which it is to be affixed.

(9) The seal of the corporation when so mechanically reproduced shall have the same force and effect as if manually affixed, and the mechanically reproduced signatures shall for all purposes be valid and binding on the corporation, notwithstanding that the person whose signature is so reproduced has ceased to hold office before the date of the security or before its issue.

(10) Subject to any restriction that may be placed on it by the Lieutenant Governor in Council and within the borrowing limitation prescribed by section 16, the corporation may also borrow, by way of temporary loans from any person, the sums on the terms, for the purposes and on the conditions as the directors of the corporation may determine, by way of bank overdraft or line of credit, or by the pledging as security for the temporary loans of notes, bonds, debentures or other securities of the corporation pending their sale or in lieu of selling them, or in whatever other manner the directors of the corporation may determine. Any cheques, promissory notes or other instrument that may be necessary or advisable in connection with borrowing money and obtaining advances by way of such temporary loans may be executed in whatever manner the directors of the corporation may determine.

(11) The Minister of Finance, as fiscal agent of the corporation, may arrange all details and do, transact and execute all deeds, matters and things that are requisite during the negotiation of a loan or for the purpose of placing a loan.

(12) Money raised by the corporation under this section shall be paid by the corporation into the fund established under authority of section 9.

(13) The corporation, except in the case of a temporary loan of a term not exceeding 5 years and of issues of securities repayable in instalments of principal, shall set aside in each year during the period mentioned in this subsection a sum that, together with interest compounded annually at a rate determined by the Lieutenant Governor in Council, would be sufficient, irrespective of the dates of maturity of the securities being issued, to provide a sinking fund for the repayment in full of any securities issued by the corporation within a period not exceeding 30 years after the date of issue.

(14) The sums referred to in subsection (13) shall be paid to the Minister of Finance, who shall act as trustee for the corporation, shall establish one or more appropriate sinking fund trustee accounts, and, subject to subsection (15), shall invest the sums and the interest earnings in securities of Canada or any province, or in securities the principal and interest of which are guaranteed by Canada or any province.

(15) Notwithstanding anything in this Act, the corporation may make such other provisions as may be approved by the Lieutenant Governor in Council for the payment by the corporation to the Minister of Finance as trustee for the corporation of a sinking fund for the repayment at or before maturity of the whole or any part of securities issued by the corporation and for the application from time to time by the Minister of Finance on behalf of the corporation of the whole or any part of the sinking fund so paid and any interest earnings to the purchase, and, in the case of securities issued subject to redemption in advance of maturity, to the redemption by call of those securities, and the Minister of Finance shall apply the sinking fund in accordance with the provisions so approved, and securities purchased or redeemed may be retained in the sinking fund, and, if retained, may be cancelled on the authorization of the Lieutenant Governor in Council.

Authorization to borrow from *Canada Pension Plan*

15. (1) Notwithstanding anything in this Act, the corporation may, in the bylaw or resolution under section 14, authorize the Minister of Finance or, with the concurrence of the Minister of Finance, authorize the Minister of Finance of Canada to determine any matter required to be determined under section 14 for the purpose of

- (a) borrowing money from the Canada Pension Plan Investment Fund established under the *Canada Pension Plan*; and
- (b) issuing and selling to the Receiver General and Minister of Finance of Canada for the credit of the Canada Pension Plan Investment Fund debentures as security for the loans.

(2) Subsection (1) shall be conclusively deemed to have been the law since January 1, 1977 and is retroactive to the extent necessary to give effect to its provisions on and after that date, and every bylaw or resolution passed under section 14 since that date for the purpose of borrowing money from the Canada Pension Plan Investment Fund shall be conclusively deemed to grant the authorization referred to in subsection (1), and debentures issued and sold to the Receiver General and Minister of Finance of Canada under section 14 are validated and confirmed.

1978-21-3.

Maximum borrowing power

16. The aggregate of the sums that may be borrowed under the authority of this Act, after payment of discount, commission, brokerage and all other expenses of all loans, shall not exceed the aggregate net sum of \$250 million, and in computing that aggregate net sum the following shall be excluded:

- (a) sums borrowed by the corporation for any of the purposes of
 - (i) repayment on account of advances by the Crown to the corporation or repayment of notes, bonds, debentures or other securities of the corporation purchased by the Crown;
 - (ii) payment, refunding, exchange or renewal of the whole or any part of a loan raised or security issued by the corporation, except to the extent that a sinking fund is available for the payment of the loan or securities, and a recital or declaration in a resolution of the corporation authorizing the issue of securities as to the amount of a sinking fund so available is conclusive evidence of the fact; or
 - (iii) payment of the whole or any part of a loan, a liability or bonds, debentures or other securities, payment of which is guaranteed or assumed by the corporation;
- (b) sums borrowed by the corporation that have been repaid by the corporation otherwise than out of the proceeds of the sale of securities of the corporation issued for the purpose;
- (c) sums borrowed by the corporation to repay in whole or in part outstanding temporary loans of the corporation;
- (d) the amount of debt of any person assumed by the corporation or money borrowed to repay the debt so assumed;
- (e) securities of the corporation hypothecated or pledged by the corporation as collateral security for temporary loans of the corporation, except to the extent that the net sum realized on any subsequent sale by the corporation

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of such securities exceeds the amount of the temporary loan paid or to be repaid from the proceeds of the sale.

1976-8-15.

United States dollar equivalent

17. For the purpose of calculating the sum to be set aside for a sinking fund under section 14 (13) in respect of securities payable in United States dollars, \$1 in lawful money of Canada shall be deemed to be the equivalent of \$1 in lawful money of the United States of America.

1976-8-16.

Government guarantee

18. (1) The Crown may, on terms as the Lieutenant Governor in Council approves, guarantee

- (a) the payment of principal and interest; and
- (b) the performance of any obligation for the payment of money, of the notes, bonds, debentures and other securities issued by the corporation.

(2) The Lieutenant Governor in Council may authorize

- (a) the Minister of Finance; or
 - (b) an officer of the Ministry of Finance,
- to sign the guarantee on behalf of the Crown, and the signature of that person on the guarantee is conclusive proof that this section has been complied with.

(3) The guarantee, in the form and manner the Lieutenant Governor in Council approves, may be endorsed on the notes, bonds, debentures and other securities issued by the corporation and the signature of the person authorized to sign the guarantee may be reproduced by engraving, lithographing, printing or other means.

(4) The reproduced signature of a person referred to in subsection (3) shall for all purposes be deemed to be the signature of that person and is binding on the Crown notwithstanding

- (a) that the person whose signature is reproduced did not hold office at the date of the notes, bonds, debentures or other securities or at the date of their delivery; or
- (b) that the person who holds that office at the date the signature is affixed is not the person who holds that office at the date of the notes, bonds, debentures or other securities or at the date of their delivery.

(5) Money required to be paid by the Crown in respect of a guarantee given under this section shall be paid out of the consolidated revenue fund without an appropriation other than this Act.

1976-8-17.

Subsidies from government

19. (1) During the first fiscal period of the corporation, the Minister of Finance may, for the purpose of providing financial assistance to the corporation for such fiscal period, apply a sum not exceeding \$25 million

- (a) for the purchase of shares in the capital of the corporation; and
 - (b) for a grant to the corporation
- in the proportions as he may determine, and the money required shall be paid out of the consolidated revenue fund without an appropriation other than this section.

(2) The Lieutenant Governor in Council, on the recommendation of the Minister of Finance, may authorize the Minister of Finance to pay to the corporation ~~in its 1977 fiscal year and in each subsequent fiscal year~~ a sum of money, to be known as the annual highway equivalent subsidy, ~~that is, in the opinion of the Lieutenant Governor in Council, substantially equivalent to the aggregate of the annual cost of maintaining, and the annual amortization of the capital cost, of lengths and classes of highways in the Province which, in the opinion of the Lieutenant Governor in Council, are substantially equivalent to the ferry routes operated by the corporation, the sum to be calculated in accordance with a formula to be approved by the Lieutenant Governor in Council.~~

B.C. Legislature
appropriates subsidy
annually through
budget process
deleted

1976-8-18.

Additional funds from purchase of shares or loans

20. In addition to any other money authorized to be paid under section 19, the Lieutenant Governor in Council may, by order, authorize the Minister of Finance to

- (a) purchase unissued shares of the corporation;
- (b) purchase notes, bonds, debentures or other securities of the corporation; and
- (c) advance money to the corporation for its temporary or long term purposes on the terms and conditions as the Lieutenant Governor in Council may determine,

and the money required shall be paid out of the consolidated revenue fund without an appropriation other than this section.

1976-8-19.

Exemption from taxation

21. The corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except in so far as the Crown is liable.

1976-8-20.

Transfer of Ferry Authority

22. (1) On the transfer date, all rights, properties and assets remaining vested in and all liabilities of the British Columbia Ferry Authority established under the *British Columbia Ferry Authority Act*, not transferred to and vested in the Crown in right of the Province by the *British Columbia Ferry Authority (Vesting) Act, 1968* are transferred to, vested in and assumed by the corporation, including, in particular,

- (a) all the liabilities of the British Columbia Ferry Authority in respect of the payment of the principal and interest on the outstanding bonds and debentures of the British Columbia Ferry Authority; and
- (b) all money and investments in or forming part of the sinking funds established for the repayment of those bonds and debentures of the British Columbia Ferry Authority.

(2) On the transfer date, the *British Columbia Ferry Authority Act* and the *British Columbia Authority (Vesting) Act, 1968* are repealed and the British Columbia Ferry Authority is dissolved.

(3) Notwithstanding the repeal of the *British Columbia Ferry Authority Act* and the *British Columbia Ferry Authority (Vesting) Act, 1968*,

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- (a) the unconditional guarantee by the Crown of the payment of the principal of and interest on the bonds and debentures of the British Columbia Ferry Authority remains valid and binding according to its tenor; and
- (b) in the event that the assets of the sinking fund described in subsection (1) (b) are insufficient to discharge the liabilities described in subsection (1) (a) at the time when payments of those liabilities are required to be made, the sums required to discharge those liabilities shall be paid out of the consolidated revenue fund without an appropriation other than this section.

1976-8-21

Employees of ferry system

23. (1) On the transfer date, those public service employees as defined in the *Public Service Act*, who are working for the ferry system, are, notwithstanding the *Public Service Act*, employees of the corporation and shall cease to be public service employees and shall be deemed, with effect from the transfer date, to have been appointed pursuant to and for the purposes of section 5 (3).

(2) On the transfer date, every public service employee who, prior to that date had been confirmed in his appointment under the *Public Service Act* and who is subject to appointment to the corporation under subsection (1).

(a) shall not suffer any reduction in salary by reason only of his appointment under subsection (1);

(b) is entitled to equivalent superannuation or pension plan benefits as he is entitled to in the public service and full credit in respect of his contributions and the contributions of the government on his behalf during his period in the public service; and

(c) is entitled to participate in the Public Services Medical Plan and to maintain group insurance coverage by an insurance contract under the Public Service Group Insurance Plan.

(3) Any question or difference between the corporation and an employee or a trade union representing employees respecting

(a) the interpretation or application of this section;

(b) the interpretation or application of any provision of a collective agreement in force between the Public Service Commission and a trade union referred to in subsection (4); and

(c) any question arising by reason of subsection (4);

may be referred by the parties or any of them to the Labour Relations Board in accordance with the procedure set out in the *Labour Code* and the regulations under that Act, and the Labour Relations Board may decide the question or difference

(d) in any of the ways; and

(e) by applying any of the remedies

available in respect of the settlement of a question or difference under the *Labour Code* with the necessary changes and so far as they are applicable.

(4) On the transfer date, the corporation is bound by every collective agreement in force between the Public Service Commission acting on behalf of the Treasury Board and a trade union acting on behalf of the employees of the ferry service or any of them, as if the corporation were a party to the collective agreement and if

- (a) any provision of the collective agreement is not applicable or is ineffective by reason of references to the Public Service Commission, Public Service Grievance Board, Treasury Board, *Public Service Act* or *Public Service Labour Relations Act*, or for any other reason; and
- (b) the corporation and the trade union representing the employees, after negotiation, cannot agree on an amended provision,

either party may apply to the Labour Relations Board pursuant to subsection (3) and, in addition to the powers of the Labour Relations Board under subsection (3) and under section 53 of the *Labour Code*, the Labour Relations Board may determine a method by which the provision may be made applicable and effective and may order the collective agreement to be amended accordingly.

1976-8-22.

Company Act

24. (1) Notwithstanding section 3 (1) of the *Company Act*, sections 19, 21 (1), 32, 33, 124, 125, 144 to 148 and 152 of that Act apply to the corporation.

(2) The Lieutenant Governor in Council may declare that one or more additional provisions of the *Company Act* apply to the corporation.

1976-8-23.

Ferry Act

25. The *Ferry Act* does not apply to the corporation.

1976-8-24.

Public Service Benefit Plan Act

26. The *Public Service Benefit Plan Act* applies to the officers and employees of the corporation.

1976-8-25

Regulations

27. The Lieutenant Governor in Council may make regulations.

1976-8-29.

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ATTACHMENT B
B.C. Ferry Corporation FY '88 Financial Statements

F I N A N C I A L S T A T E M E N T S

As at March 31, 1988

Assets (expressed in thousands)	March 31, 1988	March 31, 1987
Current assets		
Cash (Note 1)	\$22,129	\$10,974
Accounts receivable	2,826	1,668
Inventories (Note 2)	11,022	10,565
Prepayments and deposits	2,668	1,461
Current portion of reserved funds (Note 3)	5,700	5,700
Current portion of debenture (Note 4)	835	770
	45,180	31,138
Reserved funds (Note 3)	12,297	11,090
Debenture (Note 4)	40,130	40,966
Fixed assets (Note 5)		
Ships, berths, buildings, equipment and land	557,641	548,349
Less accumulated depreciation	293,377	263,713
	264,264	284,636
Deferred charges (Note 6)	3,359	4,693
	\$365,230	\$372,523

Approved by the Board

 Director
 Director

Liabilities (expressed in thousands)	March 31, 1988	March 31, 1987
Current liabilities		
Accounts payable and accrued liabilities	523,966	526,902
Deferred revenue	2,032	2,580
Current portion of long-term debt (Note 7)	5,700	5,700
Current portion of obligations under capital leases (Note 8)	1,280	1,128
	32,978	36,310
Long term debt (Note 7)	31,858	37,558
Obligations under capital leases (Note 8)	87,791	88,591
Accrued sick leave liability (Note 9)	5,705	4,728
	158,332	167,187
 Shareholder's equity		
Share capital		
Authorized		
1,000,000 shares without par value with a maximum consideration of \$100,000,000		
Issued		
68,512 shares	6,851	6,851
Contributed surplus (Note 10)	250,401	250,401
Deficit	(50,354)	(51,916)
	206,898	205,336
	\$365,230	\$372,523

F I N A N C I A L S T A T E M E N T S

(expressed in thousands)

Year ended March 31, 1988	1988	1987
Operating revenues		
Tolls	\$138,591	\$131,938
Catering	28,201	30,585
Parking & other income (Note 11)	1,696	1,431
	168,488	163,954
Less cost of food and goods sold	11,550	12,619
	156,938	151,335
Operating expenses		
Salaries, wages and benefits	111,080	113,144
Fuel and lubricants	25,418	26,922
Operating supplies and services	16,542	16,437
Repairs, maintenance and replacements	16,233	18,647
Marketing, general and administrative	4,795	5,580
Contracted services	2,015	1,886
	176,083	182,616
Operating income (loss) before subsidy	(19,145)	(31,281)
Province of British Columbia subsidy (Note 12)	57,000	57,000
Income from operations	37,855	25,719
Investment income (Note 11)	5,593	2,619
Interest expense (Note 13)	12,223	10,387
Net interest expense	6,630	7,768
Income before depreciation	31,225	17,951
Depreciation	29,663	29,552
Income (loss) before extraordinary item	1,562	(11,601)
Extraordinary item (Note 14)	—	1,951
Income (loss) for the year	\$ 1,562	\$ (9,650)

Statement of Profit

(expressed in thousands)

Year ended March 31, 1988	1988	1987
Deficit at beginning of year	\$ 51,916	\$ 32,400
Income (loss) for the year	1,562	(9,650)
	50,354	42,050
Dividend paid February 12, 1987 (Note 16)	—	9,866
Deficit at end of year	\$ 50,354	\$ 51,916

Statement of Cash Flows

(expressed in thousands)

Year ended March 31, 1988	1988	1987
Sources (Uses) of cash		
Cash from operations		
Operations (Note 15)	\$ 27,231	\$ 20,309
Extraordinary item (Note 14)	—	1,951
	27,231	22,260
Financial activities		
Payments from reserved funds	5,700	—
Long term debt payment	(5,700)	—
Payments received on debenture	771	—
Capital lease	102	41,756
Capital lease payments	(750)	(1,025)
Payments to reserved funds	(5,327)	(322)
Appreciation of reserved funds	(1,580)	(4,208)
Dividend paid (Note 16)	—	(9,866)
Purchase of debenture	—	(41,736)
	(6,784)	(15,401)
Investment activities		
Fixed asset additions	(9,292)	(10,519)
Disposal of fixed assets	—	8,702
	(9,292)	(1,817)
Increase in cash	11,155	5,042
Cash at beginning of year	10,974	5,932
Cash at end of year	\$ 22,129	\$ 10,974

Note: In this statement cash includes only cash available for day-to-day operations and does not include Reserved Funds cash.

FINANCIAL STATEMENTS

Year Ended March 31, 1988

In accordance with Section 8(7) of the Ferry Corporation Act the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies adopted in the preparation of these financial statements are as follows:

Inventories

Inventories are valued at the lower of cost and current replacement cost.

Long-Term Disability Plan

The Corporation records as a current year expense the estimated present value of payments, until retirement, to employees eligible under the Long-Term Disability Plan. The plan is administered by the Superannuation Branch of the Public Service Commission, which receives and invests premiums from the Corporation. The excess of premiums paid under the Plan over the reserves required for future payments is included in prepaid expense. In 1987 there was a deficiency of funds which was included in accrued liabilities.

Fixed Assets:

Acquired from the Province of British Columbia:

Effective January 1, 1977

(a) Ships

Ships, which comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-In-Council dated December 16, 1976 and transferred at an assigned value of \$1, have been revalued by the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

Three ships presently under charter by the Province until 1994 are subchartered to the Corporation for the same period at an annual cost of \$1 each. Under the terms of the sub-charter agreement with the Province, the Corporation may in 1994 request that the Province exercise its option to purchase these ships at its own expense in which case clear title to the ships will be transferred to the Corporation. Accordingly, these ships are reflected as capital assets of the Corporation in the accompanying financial statements and are stated at their estimated depreciated replacement value as at January 1, 1977.

(b) Berths, buildings and equipment

Berths, buildings and equipment transferred at an assigned value of \$1 are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

Effective October 1, 1983

On October 1, 1983 the remaining buildings and equipment at Deas Dock facility, not acquired from the Province on January 1, 1977 were transferred at an assigned value of \$1. These assets are reflected in the accompanying financial statements at their estimated depreciated replacement value as at October 1, 1983 based upon an appraisal made by Universal Appraisal Company Limited as at that date.

Additions and disposals subsequent to January 1, 1977

The costs of major replacements, additions, extensions and improvements are capitalized in the fixed asset accounts. The costs of maintenance, repairs, minor renewals or replacements are charged against income. On retirement or disposal of fixed assets, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of income.

Depreciation

Fixed assets are depreciated on the straight line method based upon the following useful lives:

Ships	25 years
Berths	5 - 10 years
Buildings and equipment	4 - 25 years

Leases

All leases which transfers substantially all of the benefits and risks incidental to the ownership of property are accounted for as if they were acquisition of assets and incurrence of obligations at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. Assets recorded under capital leases are amortized on a straight-line basis over their useful lives.

Amortization of Long-Term Debt Discount and Issue Costs

Promissory note discount is amortized on a compound interest method over the term of the debt. Issue costs for promissory notes and capital leases are amortized on a straight-line basis over the term of the debt.

Provision for Annual Refit Costs

The Corporation provides for ship refit expense by charging against income the anticipated costs over the period between refits.

Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

Notes to Financial Statements

ended March 31, 1988

Funds, other than those required for immediate settlement of liabilities, are invested in short-term securities authorized pursuant to the terms and provisions of the Financial Administration Act of British Columbia. The investments are arranged through the Ministry of Finance of the Province.

	1988	1987
	(expressed in thousands)	
Drive components, parts and supplies	\$ 9,278	\$ 8,893
Fuel and lubricants	1,083	1,089
Grunds for meals and catering supplies	661	583
	\$ 11,022	\$ 10,565

3. Reserved Funds

	1988	1987
	(expressed in thousands)	
The Corporation has segregated investments that are required for specific purposes or as required by long term debt and capital lease obligations.		
Sinking funds for long-term debt (Note 7)		
Administered by the Corporation	\$ 9,497	\$ 10,930
Less amount included in current assets to satisfy currently due debt repayment	3,700	3,700
	3,797	5,230
Administered by the Province	1,582	1,132
	3,379	6,362
Sinking fund for capital lease (Note 8)		
Administered by the Province	1,213	—
Fund for accrued sick leave liability (Note 9)		
Administered by the Corporation	3,705	4,728
	\$ 12,297	\$ 11,090

The current portion of \$5,700,000 included in the Reserved Fund balance of \$16,790,000 at March 31, 1987, has been reclassified to current assets to conform with the presentation adopted for the current year.

4. Debenture

	1988	1987
	(expressed in thousands)	
8.18% Debenture with the Province of British Columbia due December 10, 2006	\$ 40,965	\$ 41,736
Less: Principal due within one year	835	770
	\$ 40,130	\$ 40,966

By agreement with the Province, semi-annual payments to the Corporation equal the amount required under the lease obligation for the Queen of Oak Bay (Note 8). Excess funds are placed in a sinking fund to cover increased payments on the lease (Note 3).

5. Fixed Assets

	1988				1987			
	(expressed in thousands)							
	Cost or Appraised Value		Accumulated Depreciation		Net Book Value		Net Book Value	
Ships owned	\$262,213	\$142,914	\$119,299	\$142,914	\$119,299	\$133,420	\$133,420	
Ships under capital lease	127,828	45,787	82,041	127,828	45,787	87,041	87,041	
Berths, buildings and equipment	155,632	104,676	70,956	155,632	104,676	75,322	75,322	
Land	7,095	—	7,095	7,095	—	7,095	7,095	
Construction in progress	7,273	—	6,273	7,273	—	10,890	10,890	
	\$557,041	\$293,377	\$204,264	\$557,041	\$293,377	\$284,006	\$284,006	

6. Deferred Charges

	1988	1987
	(expressed in thousands)	
Long term debt discount and expenses	\$3,021	\$4,337
Lease executory costs	338	356
	\$3,359	\$4,693

7. Long-term Debt

	1988	1987
	(expressed in thousands)	
8.95% Promissory notes (effective rate of 15.75%), are repayable in five equal annual instalments of \$5.7 million	\$22,800	\$28,500
Less current portion	5,700	5,700
	17,100	22,800
12.08% Promissory note (effective rate of 12.44%) due September 9, 2003 is repayable by annual sinking fund payments of \$322,492	14,758	14,758
	\$31,858	\$37,558

Principal and sinking fund payments due in each of the next five years:

1989	1990	1991	1992	1993
\$6,022,492	\$6,022,492	\$6,022,492	\$6,022,492	\$322,492

The Province of British Columbia unconditionally guarantees the payment of principal and interest on the promissory notes.

8. Obligations Under Capital Leases

	1988	1987
	(expressed in thousands)	
The Corporation has obligations under capital leases for the M.V. "Queen of Oak Bay", M.V. "Queen of Surrey", M.V. "Quinsam" and other equipment.		
Total minimum lease payments are:		
M.V. "Queen of Oak Bay"		
Implicit interest rate 8.14%	\$ 95,524	\$ 98,564
M.V. "Queen of Surrey"		
Implicit interest rate 8.685%	86,406	90,578
M.V. "Quinsam"		
Implicit interest rate 10.64%	8,089	10,034
Other equipment — Tractor		
Implicit interest rate 10.0%	49	100
Other equipment — Forklift		
Implicit interest rate 10.44%	138	—
	\$190,206	\$199,285

Payable in fiscal year ending in:

	1988	1987
1988	\$ —	\$ 8,532
1989	8,434	8,522
1990	8,379	8,471
1991	8,379	8,471
1992	9,216	9,310
1993	9,216	9,199
1994 and subsequent	146,582	146,776
	\$190,206	\$199,285
Less interest	101,135	100,506

Present value of net minimum capital lease payments

	89,071	89,779
Less current portion	1,280	1,128
	\$ 87,791	\$ 88,651

Legislators tout ferry authority

By BELINDA CHASE
Daily News Staff Writer

Touting the independence of the B.C. Ferry System, an official with the system told the Senate Transportation Committee Wednesday that changing to a corporation has benefitted the operation.

Patrick Morris, corporate secretary of the British Columbia Ferry Corp., made his presentation as part of the committee's meeting on a bill that would separate the Alaska Marine Highway System from the state Department of Transportation. An authority, composed of a board of directors, would oversee the operations of the system.

The committee, chaired by Sen. Lloyd Jones, R-Ketchikan, met before a crowd of about 30 at the local Legis-

lative Information Office.

The B.C. Ferry System operates on a much larger scale than Alaska's, with an annual budget of about \$216 million compared to Alaska's \$65-67 million. Its system does require a subsidy, which is set at \$51 million annually for the next 16 years. Revenue generated from fares makes up the remainder, said Morris. The system split from the government in 1977, at a time when it had a reputation for strikes and poor service, along with bad employee morale and decreased revenues, said Morris.

Plagued with problems

The Alaska ferry system has been plagued with many of the same problems and Jones is pushing for an authority to help upgrade it.

"The authority stems from a lot of

chronic problems the marine system has," he said.

An Inland Boatmen's Union of the Pacific representative told the committee that workers were neutral on supporting an authority, but it did have some concerns under the proposed bill.

The biggest concern is funding, said Mike Wilson, business agent for the union. The union favors the system being able to keep the \$32-\$35 million in revenues annually. The authority also must be able to work with the three unions, he added.

He also questioned how the board of directors is compiled. It wouldn't be feasible to appoint a new board every time a new governor is elected, he said.

Jones noted Wilson's concern. One

of the goals of the authority is to put some continuity into the system, said Jones.

Unlike the proposed authority, the B.C. Ferry System board has unlimited terms and is represented by citizens in various regions. Morris questioned having a union representative on Alaska's board, stating that in British Columbia that could be perceived as someone "with strings attached."

Jones stressed the importance of the union representative on the board.

"They are part of what makes that whole operation run," he said.

The board would be set up to bring expertise to the system, he added. Those members would include a union representative, maritime industry representatives and members of the public.

See 'Ferry authority,' page A-3

KDN / 12/6/89

Ferry authority

Continued from page A-1

New ferry system director Jim Ayers outlined a seven-goal plan to improve management of the system Wednesday. It includes a mission statement, ship maintenance and replacement system, cost accounting and revenue system, marketing plan, a ferry system fund, capital replacement fund and career development and employment opportunities.

Jones said that these goals are compatible with the proposed authority but could change from year to year with the change in legislators and governors.

Ayers also believes his outline is not incompatible with an authority. But before an authority can be formed a mission statement needs to be completed, he added.

Dedicating funds for Alaska's ferries has been supported by many wanting to keep the system up and running, however, it would require voter approval.

The system's revenues are now put into the state's general fund for general budgeting. Dedicating funds would provide a set amount for the system each year.

Those legislators in attendance Wednesday included Jones, Sen. Jack Coghill, R-Nenana; Sen. Paul Fischer, R-Soldotna; Rep. Richard Foster, D-Nome, chairman of the House Transportation Committee.

FERRY ACT

CHAPTER 127

[Act administered by the Ministry of Transportation and Highways]

Interpretation

1. In this Act "ferry" means any ferry under the control of the Legislature. *[Note: see section 25, Ferry Corporation Act.]*

RS1960-144-2.

Application

2. Nothing in this Act extends to the owner or master of any vessel plying between 2 ports in the Province, or regularly entered or cleared by the officers of Her Majesty's Customs at any of those ports, or in any way affects any privilege granted by the Parliament of Canada, or by the Legislature of the Province, to the proprietor of any bridge, railway or other company, in respect of ferries within the meaning of this Act.

RS1960-144-3.

Power to grant ferry licence

3. The Lieutenant Governor in Council may, by order, establish and grant a charter or licence for any ferry in the Province.

RS1960-144-4.

Ferry licence under Great Seal

4. No charter or licence in respect of any ferry shall be granted except under the Great Seal and by order of the Lieutenant Governor in Council and after public competition, as provided in this Act.

RS1960-144-5.

Public competition

5. (1) Whenever a ferry is established or becomes vacant, it is the duty of the Minister of Transportation and Highways to offer the charter, licence or renewal of licence for the ferry to public competition, and for that purpose to give notice in the Gazette and in one or more newspapers published or circulating in the locality in which the ferry is or is to be situate or operated, or ought to be operated, of the time and place at which tenders will be received for the charter, licence or renewal of licence, for the ferry.

(2) The Minister of Transportation and Highways shall report the result of the competition to the Lieutenant Governor in Council, and the charter, licence or its renewal may be granted accordingly.

RS1960-144-6; 1977-75-6; B.C. Reg. 91/79; B.C. Reg. 537/79.

Term and assignment of licence

6. (1) Ferry licences and renewals of ferry licences under section 5 may be granted for a period not exceeding 10 years and may contain provisions for their renewal to the holder for a similar period, subject to those conditions as to satisfactory service and otherwise as the Lieutenant Governor in Council may specify.

(2) Ferry licences and renewals of ferry licences granted under this Act, with the consent of the Minister of Transportation and Highways, may be assigned to any person who undertakes in a manner satisfactory to the minister to operate the ferry in accordance with the licence.

RS1960-144-7; 1977-75-6; B.C. Reg. 91/79; B.C. Reg. 537/79; 1983-10-21, effective October 26, 1983 (B.C. Reg. 393/83).

Regulations

7. The Lieutenant Governor in Council may make regulations, including those
- (a) defining the manner in which, the conditions (including any duty or sum to be paid for the licence) under which and the period for which licences shall be granted in respect of any ferry;
 - (b) fixing tolls or rates for carrying persons and chattels on a ferry, fixing different tolls or rates for different classes of persons, and prescribing schedules of ferry departures or arrivals;
 - (c) establishing and fixing special tolls or rates for through traffic, by way of a joint tariff or otherwise, at which persons and chattels shall be carried over any ferry as part of a continuous route in connection with the traffic facilities or lines operated by any steam railway company, tramway or electric railway company, and to fix the period during which the special tolls or rates shall have effect;
 - (d) enforcing the payment of those tolls or rates by the persons carried, or for whom chattels are carried, over the ferries;
 - (e) for annulling and declaring the forfeiture of any ferry licence in consequence of its conditions, or any of them, not having been fulfilled, or in consequence of the licence having been obtained by fraud or misrepresentation, or through error;
 - (f) imposing penalties, not exceeding \$10 in any case, for the violation of these regulations.

RS1960-144-8; 1984-25-12.

Publication of regulations

8. The Minister of Transportation and Highways shall cause all regulations to be published in the Gazette at least 3 times during the 3 months following their date.

RS1960-144-9; 1977-75-6; B.C. Reg. 91/79; B.C. Reg. 537/79.

Inquiries

9. Where reasonable grounds are shown to the Minister of Transportation and Highways, he may, either himself or by any person specially appointed by him in writing for that purpose, make inquiry under oath as to any matter connected with any ferry or ferry charter or licence, and the minister or appointed person then has the same power as is vested in any court of law in civil cases, of summoning any party or witnesses, of enforcing their attendance and of requiring and compelling them to give evidence on oath, whether orally or in writing, and to produce documents and things he deems requisite to the full investigation of the matter.

RS1960-144-10; 1977-75-6; B.C. Reg. 91/79; B.C. Reg. 537/79.

Offences

10. (1) A person who interferes with the rights of a chartered or licensed ferryman, by conveying passengers or goods for hire or profit, with intention to lessen the tolls or revenue of any ferry within the limits assigned to the ferryman by any charter or licence is, on conviction, liable to a penalty not exceeding \$100.

(2) Every person who without lawful authority interferes with, obstructs or impedes the operation of, takes charge of or operates

(a) a ferry that is chartered or licensed under this Act, or a vessel, landing or appliance used or maintained for the purpose of a ferry, chartered or licensed under this Act; or

(b) a ferry that is owned or operated by the Crown, or a vessel, landing or appliance used or maintained for the purpose of a ferry that is owned or operated by the Crown,

is liable on conviction to a penalty not exceeding \$100.

RS1960-144-11.

Recovery of penalties

11. All penalties imposed by this Act, or by any regulation under the authority of this Act, are recoverable on conviction, on the oath of a credible witness other than the informer, and 1/2 of every penalty shall be paid to the informer, and the other 1/2 shall belong to the Crown.

RS1960-144-12.

Disposition of fines and fees

12. All money arising out of ferry licences, and out of penalties incurred in regard to those licences which may belong to the Crown, under this Act, shall form part of the consolidated revenue fund.

RS1960-144-13.

Ferry Act

LADNER FERRY TOLLS

[effective July 15, 1958]

1. The following is the tariff of tolls or rates at which persons and chattels shall be carried over the Ladner Ferry across the Fraser River between Ladner Ferry Landing and Woodwards Landing:

Passengers (on deck or in vehicle):

Adult-

One trip \$0.10
Commutation tickets-15 for 1.00

Child-

Under 12 years and over 6 years .05
Under 6 years Free

Vehicles (rate includes driver and load without extra charge):

Passenger car, without trailer (regardless of length)-

One trip .35
Week'y pass-16 crossings per week 1.50
With trailer, as for "combination of vehicles."

Other vehicles, such as trucks, buses, trailers, wagons, including combinations of vehicles, such as car with trailer, truck with trailer, etc.-

Basic charge on first 18 feet or portion thereof of overall length of vehicles or combination of vehicles-

Single fare .35
Commutation tickets-10 for 2.50

Unit charge on each 9 foot unit or portion thereof in excess of first 18 feet of overall length of vehicle or combination of vehicles, also on motorcycles and livestock-

One trip, per unit .20
Commutation tickets-25 units for 4.00

Motorcycle, with or without sidecar 1 unit

Bicycle (rider, according to passenger rates) Free

Livestock:

In vehicle Free

On deck-

Horse or cattle, each 1 unit

Pig, sheep, etc., per 4 animals 1 unit

Freight:

In vehicle Free

On deck-

Up to 100 lb. per person Free

In excess of 100 lb. not carried.

B.C. Reg. 152/60
O.C. 1661/60

Ferry Act

FRANCOIS LAKE FERRY TOLLS

1. The following is the tariff of tolls or rates at which persons and chattels shall be carried over the Francois Lake Ferry across Francois Lake between North Bank and South Bank:

Scheduled trips:

On all trips operating regularly, daily or otherwise, at specified times as listed and publicized in the schedule of operation of Francois Lake Ferry, all categories of traffic Free

Special trip:

On a special trip, other than a scheduled trip, when operated by request from an individual or group of the public, charge to cover the initial crossing and return crossing of the vessel \$10.00

Special trips shall be available only for emergency, except when prior arrangements have been made with the approval of the Minister of Transportation and Highways.

[Provisions of the *Ferry Act* relevant to the enactment of this regulation: section 7]

Ferry Act

KELSEY BAY-BEAVER COVE FERRY TOLLS

[effective April 1, 1977]

[includes amendments up to B.C.Reg. 168/77]

1. The following is the tariff of tolls at which persons and chattels shall be carried over the North Island Princess between Kelsey Bay and Beaver Cove:

Passengers (on deck or in vehicle):

Cash rate-

Adult (over 14 years)	\$6.00
Child (6-14 years)	3.00
Child (under 6 years)	Free
Senior citizens (Monday to Thursday, except for statutory holidays)	Free
Blind and paraplegic (plus person accompanying each)	3.00

Resident Rate-

Adult (one trip)	3.00
Child (one trip)	1.50

Vehicles (including combination of vehicles such as auto and trailer, truck and trailer, etc., but excepting bicycles)

Rates for vehicles do not include driver. Vehicles are assessed by units according to overall length of the vehicle or combination of vehicles.

Auto when without trailer-

Up to 10 feet overall length	1 unit
Over 10 feet overall length	2 units

Vehicles other than autos, each 10 foot length (portion of a unit to be treated as a whole)

Cash rate-each 10 foot unit	7.50
Motorcycles, with or without sidecar	5.00
Resident Rate-one 10 foot unit	6.00

Industrial Vehicles

Cash tolls only apply to

First 20 feet, 3 × \$7.50	22.50
Each additional 5 feet or part thereof	7.50

Miscellaneous

Bicycle (rider according to passenger rate)

Free

Freight

in vehicle

Free

97177

FERRY ACT
KELSEY BAY-BEAVER COVE FERRY TOLLS

on deck, not permitted except each passenger is allowed to carry, free of charge, personal baggage not exceeding 100 pounds.

[am. B.C. Reg. 168/77.]

[Provisions of the *Ferry Act* relevant to the enactment of this regulation: section 7]

**Lloyd's Speech
Southeast Conference
September 21, 1989**

Last session the Senate Transportation Committee, which I chair, introduced Senate Bill 310. It establishes a Marine Highway Authority, a public corporation of the state within the Department of Transportation and Public Facilities along the same lines as the Alaska Railroad Authority. In essence, this bill would transfer policy decision making from the Department of Transportation to an autonomous seven member board, specifically designed to watchdog the Alaska Marine Highway Authority.

As you are aware, the State of Alaska has been wrestling with declining revenues for several years now. Each year the legislature is asked to cut the budget in order to balance the funds available. And each year services such as the Marine Highway System are in jeopardy. In the three years I've been in Juneau, I've seen the Marine Highway System used as a political football in this budgetary squirmish. It's time to take the offensive to ensure its security. I see the creation of a Marine Highway Authority as an insular move, away from the cold political winds of the future. Already those winds have chipped away at the system. The Department of Transportation, Commissioner Mark Hickey in particular, has had a tremendous job at keeping the ferries afloat.

I've had numerous meetings with Commissioner Hickey on this bill. He and I disagree on the necessity of an authority, but never-

the-less, we've had a good dialogue on the pros and cons of the bill.

We both agree that something has to be done to ensure solid funding of the System. One idea, which Commissioner Hickey and I have discussed, is setting up a funding formula which would return a portion of the Marine Highway revenues back to the system. Currently the revenues are deposited directly to the general fund. Here's how the formula would work: The Marine Highway System would receive a base commitment from the legislature. On top of that, a portion of its revenue would be allocated back to the system. The percentage of the program receipts would depend on the system's performance in the prior year. And because a portion of the increased program receipts would be returned to the System, managers would have a greater incentive to increase ridership and revenues. Already ridership has grown, in the past few years, vehicle usage is up and the amount of revenues generated by the system has increased. With a greater incentive, we may be able to see the System grow to its maximum potential. And based on this funding mechanism, the System's overall budget would be sustained and possible increased.

Another point on which the Commissioner and I agree is the fact that the Department of Transportation, which currently manages the Alaska Marine Highway System, is constantly changing. There has been no continuity in management style and direction since the inception of the Alaska Marine Highway System in

1963. This has hurt the system over the years. On numerous occasions the legislature has asked for detailed accounting to formulate the System's budget. The department could not provide this information. This has given legislators the impression the Department and the Marine Highway System is inefficient. In defense of Commissioner Hickey, this situation has improved over the last two years, but again, there's no guarantee that his policies will be carried through when future commissioners are appointed. Also, the Commissioner has other major duties to perform. He or she cannot, and should not, concentrate solely on the Marine Highway System, whereas sole job of a Marine Highway Authority would be to manage and advocate for the system.

Recently the Marine Highway System celebrated its silver anniversary. For twenty-five years the ferries have been connecting remote Alaskan towns with each other and the lower 48. Alaskans have come to depend on the ferry system for transportation, commerce and pleasure. The ferry system employs 850 people at the peak of the season. The System not only serves Southeast Alaska, but also Southcentral and the Aleutian Chain, a fact many of my colleagues in the legislature often forget. Because the system is so important to the citizens of this state, it is inconceivable to me to allow it to be managed on a crisis by crisis basis.

There have been, and continues to be, controversies surrounding the Marine Highway System--the labor disputes, the scheduling, the move of the southern terminus from Seattle to

Bellingham. These controversies are based, for the most part, on money, or the lack of it. It takes money to operating all nine ferries efficiently. Money is the contributing factor regarding the amount of runs a ferry can make to a particular community. We need at least \$30 million a year to support the system, and this does not include upgrading an aging fleet. Each year we continue this valuable service, we face the issues of competitive pay, rising fuel costs, and greater community demand. It would be irresponsible for me to claim that this bill solves all the money problems. What it does do, however, is puts into place a system and management plan that will be beneficial in the long run at securing the funds to keep the Marine Highway System stable for the future. This does not necessarily depoliticize the process, but gives the process more integrity, especially with hostile legislators who would like to see more money pumped into their own districts.

Whether or not you're sold on the idea of a Marine Highway Authority, I would like to hear from you. I've already initiated extensive discussions with Mike Wilson of the IBU-P, since a major portion of the budget involves labor. I've also talked to numerous individuals who work on the ferry system as well, and they've come up with several good suggestions. Commissioner Hickey and I will continue to talk as this bill evolves, and the Senate Transportation Committee will be holding a hearing on the bill in Ketchikan sometime in October. It's the first of many hearings to be held in my district as well as in Juneau. I encourage you, as city leaders, to

openly discuss the bill, its potential and its drawbacks, and let me know your opinions. I think we all agree the Alaska Marine Highway System is viable and important to all our communities. I need your local expertise and input. We must work together to avoid further deterioration of a system which is vital to our communities. Thank you.

Marine highway commission proposed

By KIRK McALLISTER

THE JUNEAU EMPIRE

Two Southeast senators have combined forces in an effort to improve management of the Alaska Marine Highway system.

Sen. Jim Duncan, D-Juneau, has introduced a bill (SB473) setting up a ferry commission that would be responsible for general policy and the appointment of the marine highway system director.

Sen. Lloyd Jones, R-Ketchikan, meanwhile, has been working since last year on a bill (SB310) that would set up a Marine Highway Authority that would be an independent entity within state government much like the Alaska Permanent Fund Corp. or the Alaska Railroad Corp.

Duncan and Jones have now apparently joined together behind the commission concept as an initial step towards a separate marine highway authority.

Gov. Steve Cowper has balked at the authority concept because, among other things, it would remove the ferry system from the Department of Transportation and Public Facilities and would negotiate labor contracts separately from other

ALASKA NEWS

state unions that currently must go through the Division of Labor Relations.

But the commission, as envisioned by Duncan and Jones, is a less radical idea than the separate authority concept since the marine highway would remain part of DOT. So far now, Jones has dropped the authority idea and opted to go with Duncan's commission concept.

The commission would be made up of seven members appointed by the governor to five-year, staggered terms. Membership would include the commissioner of the Department of Transportation and Public Facilities, a representative of the tourism industry, the maritime industry, Southeast and Gulf of Alaska residents and a person who represents the interests of the public.

Commissioners would serve without compensation other than per-

dium and travel expenses. Major duties of the panel would include appointing the director of the system, working on schedules and fees, construction of facilities, replacement and overhaul of vessels, produce an annual report on the system for the governor and legislature, establish policy for the system and hold public meetings on the system's operation.

"I think this is a mid-range step designed to bring continuity to the system and more long-range planning," Duncan said. "It should bring stability in the management of the system."

Jones agreed with that assessment saying the appointment of the marine highway system director by the commission would make the position less of a political appointment that would change with changes in administrations.

"Continuity in the management of the system has always been our goal," Jones said. "I see this (the commission bill) as a first step. Establishing an authority is the only way the system will be able to survive in the long term but this is a step in the right direction."

Jim Ayers, current director of the ferry system, said that Gov. Cowper in his State of the State message last month, said a marine highway authority wasn't necessary at this time. The ferry system is facing much tougher and immediate questions than whether the director should be appointed by a commission or an authority established, he said.

"There are major management and financial decisions that need to be addressed," Ayers said. "The system is at a crossroads. We need to make the decisions necessary to keep the system going for the next 20 years."

One of the ships (the Chilkat) in the nine-vessel fleet is currently laid up and may never come back into service because of prohibitive costs, Ayers said. The rest of the fleet is also getting older plus a decision needs to be made about whether small "feeder" vessels should be added to the fleet.

A new master plan study of the system is scheduled to be released next week. Currently, the system generates about \$35 million annually of the \$65 million needed to operate the system.

Juneau Empire Article

- c. Definitively state in statutes that non-profit agencies providing services not directly related to their main purpose and which are identified as being in direct competition with an existing business or hindering the establishment of a new profit-making business, must either cease providing that particular service to the public or must pay taxes on those services as "unrelated profit-making ventures."
6. The state should stop competing and contract to private labs with the state being more aware of private services that are available and not duplicate.

9. PROBLEM: EDUCATION/TRAINING

There is a lack of networking between the education sector and the small business sector as to what programs are needed, the ability of businesses to train employees or have apprentice programs.

RECOMMENDATIONS

1. Provide funding and/or tax credits for an apprentice training program to assist small business to develop an effective and more productive work force.
2. The State Board of Education and State Vocational Education Board should be separated into two boards to better service Alaskan students.
3. The state funded SB191 program similar to the "Job Training Partnership Act" (JTPA) should be expanded with an emphasis on the private sector designing and delivering the training through the RFPO process.

10. PROBLEM: TRANSPORTATION/MARKETING

The state does not have a transportation policy.

RECOMMENDATIONS

1.
 - a. Develop a transportation policy that includes highways, ports, airports, barge service and the railroad; and
 - b. Establish one commission each for DOT, Alaska Marine Highway System, and airports similar to the Alaska Railroad to set policy and long range goals. Each should have their own budget with income generated remaining in the department directly related - i.e. gas tax to DOT, airport feed to airports, etc.
2. The Alaska Marine Highway System serves as a vital link to the continental surface transportation network:
 - a. Provide year-round marine highway service to Kodiak, Prince William Sound, Dutch Harbor and all other coastal communities presently served in Southwest Alaska, without lapse.
 - b. The Alaska Marine Highway System should request proposals for emergency replacement vessels immediately upon scheduling of refurbishment.
 - c. Extend the AMHS to include service to Western Alaska.

Hired by Ak. Marine Hwy —

AKERS REPORT

Summer, 1989
AKERS Marine Consulting Co

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CONTRACTOR: _____

ESTIMATED DOLLAR AMOUNT OF THIS PROCUREMENT (INCLUDE ALL RENEWAL OPTIONS): \$ _____

REQUEST FOR ALTERNATE PROCUREMENT (RAP) NUMBER: _____

THE PROCUREMENT:

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b. <input type="checkbox"/> COMPETITIVE SEALED PROPOSAL	d. <input type="checkbox"/> SOLE SOURCE
	f. <input type="checkbox"/> EMERGENCY

RESULTING IN AN:

f. <input type="checkbox"/> INITIAL CONTRACT
g. <input type="checkbox"/> AMENDMENT NO. _____
h. <input type="checkbox"/> OPTION RENEWAL NO. _____

DATE OF AWARD: _____
(MUST BE COMPLETED)

PERIOD OF PERFORMANCE: FROM: _____ TO: _____
(INCLUDE ALL RENEWAL OPTIONS) (MONTH/YEAR) (MONTH/YEAR)

PROCUREMENT AWARDED IN-STATE: YES NO

ITEM OR SERVICE PROVIDED BY PROCUREMENT (What and Where):

PROCUREMENT OFFICER: _____ TELEPHONE: _____

1 - INTRODUCTION

As one aspect of assessing cost control within the Alaska Marine Highway System (AMHS) Acres is undertaking a feasibility study into a maintenance management system (MMS).

The second report in this study is a Component Review of the AMHS that discusses current systems and practices and identifies changes that may be needed in order to enable an MMS to be introduced.

2 - EXECUTIVE SUMMARY

The AMHS is a system in dire need of redirection. Unless prompt action is taken to address its overall problems, no amount of maintenance management will prevent the demise of one of Alaska's major assets - the Marine Highway.

The system cannot be run as an adjunct to the bureaucratic process, dependent for 100% of its funding from the General Fund and not being permitted to manage its cash flow and operate in a business like manner. Unless separation can be achieved from DOTPF the condition of the fleet both physically and in terms of morale will continue to deteriorate.

2.1 - AMHS Management

Management of the AMHS must be established to manage a ferry fleet - not a Federal Highways program. It is essential that adequate expertise, effort and direction be available to run the vessels, which are after all the backbone of the system. A comparison of current management and an outline of an appropriate management structure and justification is provided in section 3.1.

2.2 - Accounting System

Efforts are being made, in which Acres has been involved, to redirect the capture and reporting of financial data within an appropriate chart of accounts. Without the ability to record and analyze cost and revenue data within logical areas, management cannot function.

An overview of an outline chart of accounts, and a discussion of the need for such an organization of cost and revenue capture is provided in section 3.2.

2.3 - Procurement

Unlike roads and terminals, a shipping operation is dynamic and as such requires its managers to respond promptly to operational needs. The procurement system under which the AMHS operates creates both time delays and needless increased costs. There are mechanisms by which the AMHS can meet the prerogatives of state purchasing policy, and at the same time operate the fleet efficiently. Section 3.3 addresses this issue.

2.4 - Current Maintenance Practices

2.4.1 - Ship

Essentially the chief engineers along with the senior heads of departments have had ultimate responsibility for keeping the ships operating. Shore operational staff have been and are unable, because of limited resources, to do other than respond to emergencies and provide temporary band aids to shipboard problems.

Thus each ship has had to develop maintenance procedures that are responsive to the unique needs of the vessel, and the chief engineer's perception of its maintenance requirements. This has been possible only because of the very low turnover of AMH crews. However it has resulted in individually effective policies that are non-portable between vessels, and are only incidentally responsive to the needs of the system as a whole.

2.4.2.- Shore

Shore maintenance requirements are presently limited because of the replacement of existing facilities has only recently been completed. However needs of the newer sophisticated systems will begin to grow in the next 2-3 years and the current organization is unlikely to be able to cope.

Section 3.4 addresses current maintenance practices.

2.5 - Management/Staff Relationships

There is an extraordinary degree of mistrust between ship and shore that has its root in the overall relationship between management and staff.

Ship systems and operations cannot function in isolation from the shore, both are interdependent. There must therefore be an effective dialogue between the two, outside of contract negotiations. Planning forums for the ship to understand managements prerogatives, and the shore to respond to ongoing needs of each vessel are essential.

The division of the two into employer and employee camps must cease and ship personnel be made fully aware that their input to both the short and long term planning process is both understood and appreciated. Section 3.5 expands on the topic.

2.6 - Maintenance Management

A corporate maintenance management system, that is integrated with effective management of the fleet, can materially assist in cost containment and vessel life extension programs.

However, as some other fleet operators have discovered, introduction of maintenance management is just one aspect of a thorough overhaul of the total management system. See Section 3.6.

2.7 - Risk Management

Under normal circumstance Risk Management and maintenance management are only peripherally connected. However in a ferry fleet, because of the human element and the number and complexity of fire and safety systems that must be maintained. The two cannot be separated.

At the present time, the AMHS is piggybacked onto the state Risk Management activity which becomes a part of overhead. As a result of this separation little thought appears to be given within the AMH to the implication to the State of even a minor incident on one of the vessels. Safety and safety systems must be a day to day concern of both deck, stewards engine room and shore management. It should not be considered only when USCG inspection comes around or after an incident, see Section 3.7.

2.8 - Stores

Ship stores are one of the few areas that can reasonably be handled by a bid process. However, as in other areas there must be a counter balance achieved between price and quality. This is particularly important with, for example, food items which are the point of contact with the passenger and an important element in the well being of the crew. If quality is reduced to minimize costs, then complaints will escalate disproportionately to the saving.

Just as in other areas, procurement must be done by qualified people who are able to make, and justify, decisions not to use a low bidder.

2.9 - Spares

The present procurement process is crippling the fleet and leading both to increased direct costs and paperwork. Neither are necessary.

Clear policies must be set out that permit the fleet to operate safely, efficiently and economically, but at the same time maintain the spirit of the state's fair bidding process.

Section 3.9 sets out a recommended policy, without which an HMS cannot function.

Both the spares and the stores function will be seriously impacted by the decision to move terminal operations to Bellingham.

3 COMPONENT REVIEW

3.1 - AMHS Management

Current management of the AMHS is inadequate to the needs of the fleet and would not be able to gain any benefits from a maintenance management system.

There are three steps needed to save the fleet from an early demise

- 1) separate the AMHS from the DOI/PF
- 2) enable AMH to retain revenues
- 3) create a lean, efficient and professional marine management team.

Unless this process can be achieved, and soon, there is little hope for the continuation of an effective fleet, and no hope for an MMS.

3.1.1 - Separation from DOI/PF

Because the ferry fleet is an integral part of the Department of Transport and Public facilities, its administration and directives are essentially political rather than business orientated. While the State had access to unlimited funding, this situation did not matter much, funds could be found to implement directives.

However reducing funding while at the same time imposing more and more public burdens on the fleet (e.g KSI) creates intolerable pressures.

The fleet cannot, on the one hand, save money while on the other spend additional sums through state programs. Either greater funds are provided or the AMH must be able to manage itself in a business like manner.

3.1.2 - AMH to Retain Funding

The AMH is remarkable in that given the social obligations of the service, it is able to return close to 60% of its operating costs. By comparison Marine Atlantic, a Crown Corporation in Canada returns less than 40% of its costs.

The AMH may never, because of the social obligation nature, its route and service characteristics, be able to return a profit on operating costs. However it could return better than 70% given the opportunity to manage itself in a business like manner.

An essential part of this is to enable the AMH to retain its revenues. Without that there is no incentive for management to maximize revenue and the current situation will continue to apply - minimize costs at all cost.

There will need to be top up funding by the state, but this top up will be a known and budgeted amount each year. It can be negotiated as part of the agreement to establish a separate entity.

CIP funding can still be utilized for life extension and major refurbishment programs, with the AMH knowing in advance, how much would be available and being able to budget accordingly. The planning process for this work would also benefit from better operational input.

3.1.3 - Create a Lean, Efficient and Professional Marine Management Team

Current management and staffing for administrative purposes is outlined in the organization chart on the following page. From this outline it will be seen that there are only two persons with

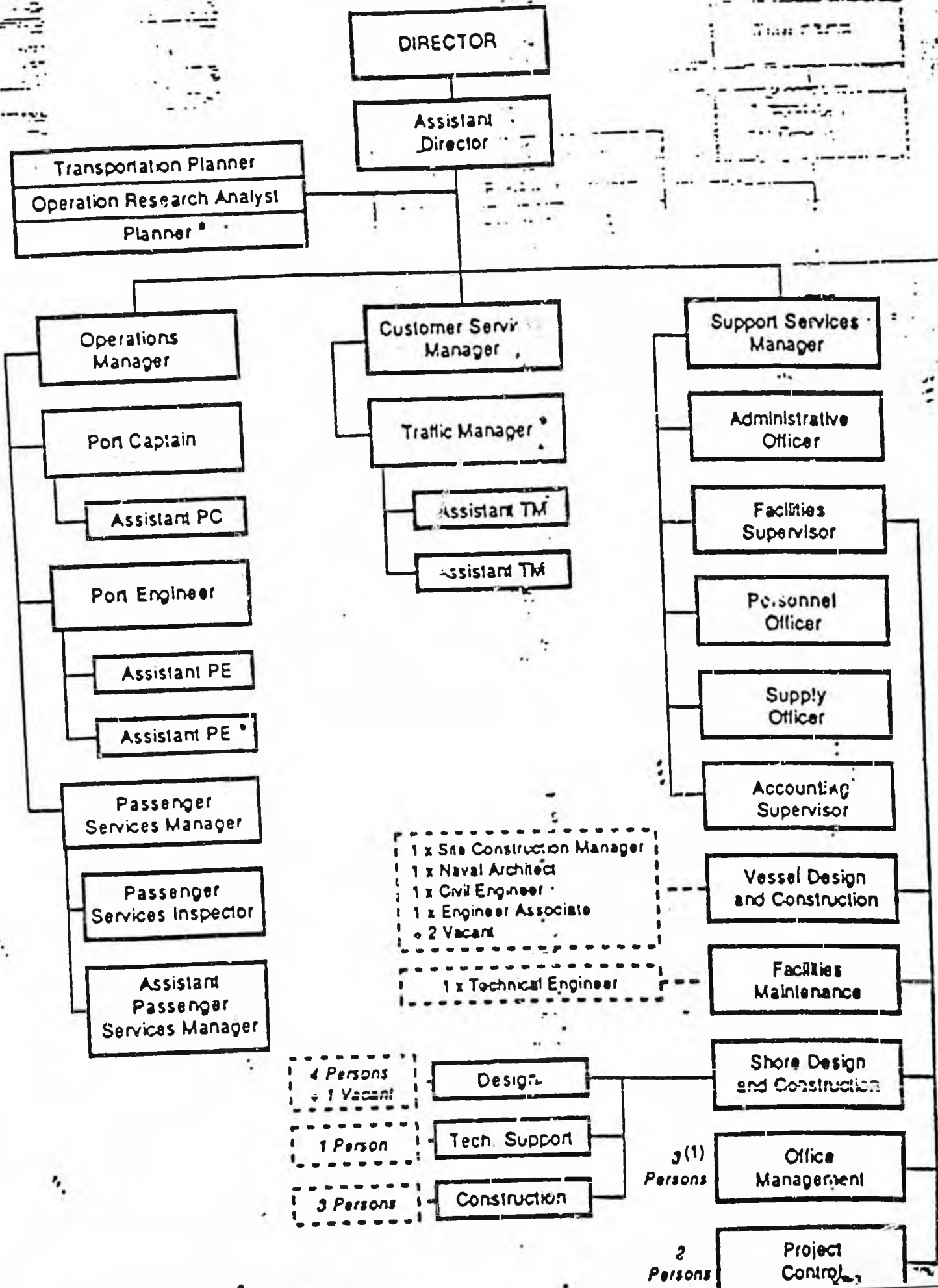
direct-marine experience involved in running the maintenance activity of a fleet of nine ageing ferries, plus one person responsible for crewing and deck department.

On the other side of the fence there are 5 persons involved in vessel design and construction, only one of whom has any direct qualifications for such activity. There are a further 8 persons in shore design and construction.

There are innumerable other persons involved in different support areas, but the basic operation of the fleet comes down to a totally insufficient core group of 5 marine professionals. This group is too small to do other than react to emergencies, it cannot plan for effective future maintenance and operational activity of the fleet. Without reinforcement with good calibre marine professionals it will be unable to support the fleet let alone administer an MMS. Other fleets reviewed relative to their use of MMS consider it important to have no more than three ships assigned to an individual asst. port engineer. A revised management structure and staffing is provided.

Capital projects appear to be developed and progressed without the benefit of any input from the ship involved or operations. Nor is there any effort to undertake a life cycle costing exercise to determine, over time, what the alternatives are and what the least cost solution will be.

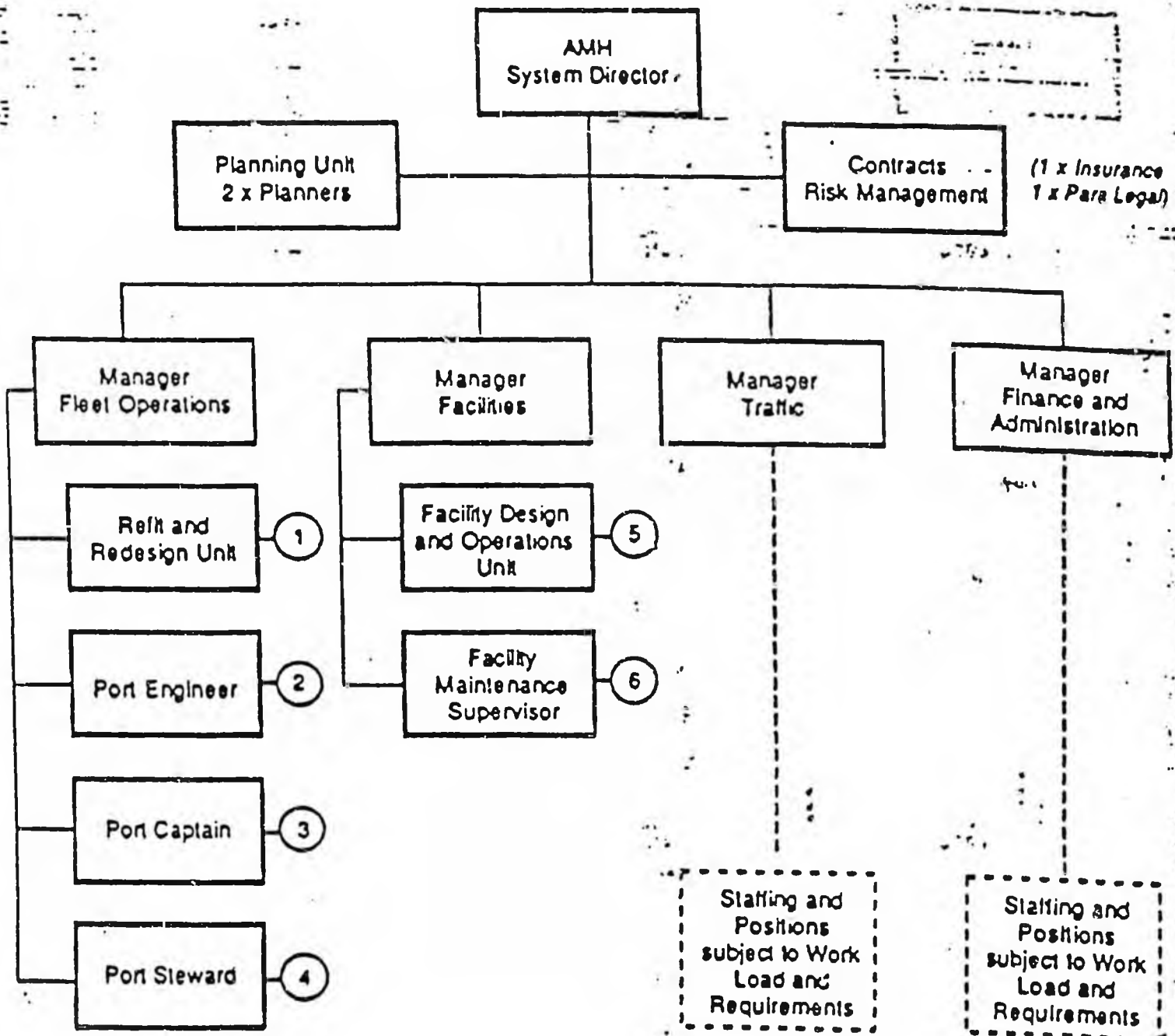
At present money is wasted because of a lack of feedback between departments relative to CIP projects, many of which appear to be unnecessary in the form in which they are implemented.



(1) Secretarial

• Position Vacant

RECOMMENDED FUTURE AMH MANAGEMENT STRUCTURE



- | | |
|--|--|
| <p>① Naval Architect x 1
Marine Engineer x 1</p> <p>② Assistant Port Engineer SW, based in Valdez
Assistant Port Engineer x 2 in Ketchikan
Procurement x 1 in Ketchikan
Storeman x 1 in Ketchikan
Technical Procurement x 1 in Bellingham</p> <p>③ Assistant Port Captain x 2
Safety Officer x 1</p> | <p>④ Assistant Port Steward x 2
Hotel Supplies Procurement x 1 in Bellingham</p> <p>⑤ Civil Engineers x 2
Technical Assistance x 1</p> <p>⑥ Assistant Facility Supervisors x 2</p> |
|--|--|

For any major project, the project team should consist of the ship department head involved, representatives from Port Engineer, Port Captain and Port Steward as appropriate, the CIP project manager, planning and contracts. In this way the project manager has the benefit of operational advice relative to the activity being considered; the implications relative to ship support are fully understood; planning is able to develop a fully built up future cost rationale for different solutions that enable informed choices to be made, contracts have an experienced review panel available to make sure all eventualities are covered, and last, but not least the ship is involved in the process from beginning to end, leading to better relationships between ship and shore.

3.2 - Accounting System and Cost Control

At the present time the AMHS knows how much was spent in any given year, but not the detail of where it was spent. Some sections can be identified - for example fuel and personal services. Some detail is potentially available e.g. Stewards and Pursers supplies, but all detailed data is suspect because of the extraordinary complexity of the coding process for access to AKSAS.

A steamship accounting system is unique only in the sense that it has more relationship with other transportation systems such as air or rail than it does with conventional business accountancy. Thus the chart of accounts for the AMHS must reflect, both on the cost and revenue side, the unique requirements of financial reporting for a ferry fleet.

A logical framework, which need not exceed 7 digits, but can be used at a much higher level, is all that is required to provide managers with realistic data within each department. By integrating this coding system with the MMS, invoices can be readily assigned to the

appropriate department and budget allocation versus actual costs retrieved readily by ship or fleet at any point in time.

Acres has prepared, and submitted on March 22nd a preliminary chart of accounts that uses a logical breakdown of areas to provide the essential detail needed.

These codes may be used in conjunction with AKSAS to enable management to retrieve data on a timely basis and have on-line access to high quality comparative information. Because of the lack of historical data, budgeting for future costs is almost impossible, except on a guesswork basis. Thus a ship orientated cost capture system will assist in identifying areas where excessive costs are involved.

3.3 - Procurement

The current procurement policies mandated for the fleet have imposed a crippling time and paperchase burden on the proper functioning of the AMHS. They also lead to increases - rather than decreases, in the cost of maintenance and operation.

It must be recognized that a ferry fleet operates 365 days each year with many thousands of pieces of equipment that are essential to its safe and effective operation. Much of this equipment is sole source and cannot be bid in a conventional manner. Operations management must therefore be free to make decisions that are in the best interests of the fleet and the state.

This is not to suggest that operations and vessels should have carte blanche to purchase whatever, whenever and wherever, but that there should be a sensible set of policies laid down that are easy to administer and enable the fleet to be operated effectively.

-There must also be a recognition that stores and spares are two different areas. Consumable stores may be planned, while spares and parts are, at the present time totally unplannable. In the future, the introductory of an MMS will increase the proportion of preplanned spares and thus the quantity that can be bid under state procurement policies, but an MMS will never eliminate the need for ship and shore to respond promptly to specific requirements.

There should be an agreed list of sole source vendors for unique items that cannot be bid in a conventional manner. For spares and maintenance on these items it should be agreed that operations has the freedom to order when needed. This sole source listing could be made available on demand and made subject to an appeal process. Examples are MAK engine components and Syncrolifts for the terminals.

There should be an agreement that certain circumstances will preclude the normal bid process. These might be:

- . Ship Safety
- . Ship Certification
- . Ship Scheduling
- . Traffic Emergencies.

Purchasing limits for direct purchase without quote, purchase by telequote, purchase under state purchasing guidelines, must be set at realistic levels and either updated annually to reflect cost increases, or reviewed at no less frequently than 2 year intervals to set new levels.

3.4 - Management/Staff Relationships

Disillusionment of ship crews in management is so great, it is difficult to see how, with the present set up there can be any meaningful dialogue relative to maintenance management. There is,

—rightly or wrongly, a pervasive belief that much of management is unable or unwilling to comprehend the needs of the fleet: There certainly appears to be too little contact between operators and the fleet (which is understandable given the work pressures they are under) and no contact whatsoever with senior management, planning and contracts people.

No fleet can effectively operate without regular feed back between ship and shore. This feed back comes in two forms:

1) Regular meetings of heads of departments

The Chief Stewards meet annually, but Masters, Chief Engineers and Pursers do not appear to have the opportunity for such meetings.

2) Riding the vessels

Management must be out in the fleet more to be able to understand crew positions on issues and appreciate the impact of what is being planned or considered relative to individual vessels and the fleet as a whole. Operations must have the time to be able to do this and so must senior management and planning.

The concept of ship maintenance requests (SMR's) is good. However there is too little feed back to the ship relative what will or will not be implemented and the reasons. In the absence of firm information it is human nature to think the worst and come, perhaps, to unwarranted conclusions.

The "Katanouska" experiment in January this year is a step in the right direction, but does not enable specific policy issues to be addressed on a departmental basis. While such meetings may have a place in management/staff relationships they cannot be the sole forum.

Maintenance Management will require detailed discussions at a departmental level both at the concept stage and during implementation, to ensure that the principles are understood and concerns are properly addressed.

The current maintenance efforts are in a state of turmoil because of newly mandated purchasing policies that make it almost impossible for the ships to be maintained in a timely and cost effective manner.

The discussion in section 3.3 of this report on procurement addresses this vital issue.

3.5 - Maintenance Management

3.5.1 - Ship

Maintenance Management on the Alaska Marine Highway currently only exists at the ship level for regular planned maintenance activity. There is no effective preventative maintenance system in place within the system for either ship or shore equipment.

Methods of handling planned maintenance are as numerous on these ships and chief engineers. However, from the simplest blackboard system to the most sophisticated, using PC's, they achieve their purpose of reinforcing the chief engineer's understanding of the machinery and equipment in his care.

However the present ship systems are almost exclusively organized to meet the needs of the engine room and do not extend to deck machinery, Galley, Hotel items etc. Thus there is no comprehensive ship system in the vessels.

Because of the varying degrees of sophistication in planned maintenance activity within the fleet, a full featured MMS introduced across the fleet would be doomed to failure. The approach must be to provide a system that can effectively be used at as simple or as complex a level as the chief and his 1st engineer require and are prepared to support. The incentive must always be there to make use of all the systems capabilities; but it should function adequately even if only the top one or two levels are being used.

While there is some weekly and monthly reporting by engineering crew to management, there is insufficient manpower in head office to undertake even minimal analysis.

There is general acceptance and interest in the possible introduction of a comprehensive system that could, through different attributes, be used widely on the ship. For example Purser and Stewards departments have indicated that various aspects of their documentary work could readily be "computerized".

An essential starting point for any "planning" exercise is an understanding of the condition of the asset base for which the plans are being formulated. While this is available, in terms of annual inspection reports for marine facilities, nothing is available on the fleet. ABS and USCG inspection reports simply record whether or not the vessel meets statutory criteria for classification or certification purposes, at the point of inspection. They do not offer an opinion and are not part of a planning document.

The AMH needs complete independent condition surveys on each vessel to be able to commence the planning process for both regular maintenance and major refit work. These condition surveys, together with commentaries provided by chief engineers, master, 1st mate, Port

Engineer, Port Captain and Port Steward will provide an essential-basis for ship history files that do not at present exist.

Information derived from these documents enables management to determine corrective maintenance requirements; to bring the vessel up to a "bench mark" condition. Future planned and preventative maintenance and refit activity may then be measured against this benchmark and be planned from it.

Current reporting from the ship is in the form of weekly and monthly reports. If there are major problems while the ship is underway, then a Coast Guard incident report must be filed.

Weekly Report

Non mandatory in terms of content and thus its use as a fleet planning and vessel history document is limited. Current content of the single page (letter size) report includes the following:

- . Personnel Changes
- . Fuel Bunkered
- . Fuel Used
- . Summary of major work undertaken.

Monthly Report

Is mandatory in terms of content, but is primarily fuel orientated with fuel bunkered and location, on hand start and end month, used per day and per mile. Lube oil consumption Engine and Auxiliary running hours. No details are requested on non routine maintenance. Copies of representative monthly and weekly reports are incorporated with this review in the appendices.

Engine Logs

Engine logs are stored in Juneau. These should however be retained in the Port Engineers office in Ketchikan and form part of each vessel's machinery history.

Some monitoring of machinery condition is accomplished through Lubricating oil analysis. However no trend analysis is undertaken within APH and because of the varying labs involved, consistent histories are not available. If lubricating oil analysis is to be used as a component of machinery condition trends, then consistent comparative histories must be maintained and used.

3.5.2 - Shore

As noted previously facilities conduct an annual condition survey for each terminal. Two maintenance runs are made each year plus any emergency work that is needed by a contract crew from Public Facilities. The crew is part of the group which supports all public buildings within S.E. Region. Regulatory requirements are nominal and involve only OSHA, who inspect infrequently.

Systems involved in the maintenance requirements included Emergency generators, electronic controls, 3 Synchrolift systems, hydraulic systems, coating systems, Cathodic Protection.

A formal MMS that incorporated shoreside equipment would be valuable in being able to generate a maintenance calendar and history for each item. With more sophisticated machinery and equipment now in place, a more comprehensive work order and work description orientated system will be needed that will supercede earlier "lubricate and check" procedures. Facilities maintenance are moving in this direction and will need a formal system within the next 2-3 years as original components wear and require replacement.

3.6 - Risk Management

AMH Marine risk includes standard Hull and Machinery, Pollution, Protection and Indemnity, to \$200 million. There is a \$1 million dollar retention or deductible on each incident, which is self insured by the Department of Risk Management. FY 1990 premium will be \$2.8m which, given the size, age and operating characteristics of the fleet is excellent, although it apparently does not cover full replacement value of the vessels.

In general, maritime law has tended to limit shipping companies liability for loss or damage arising out of a marine incident, in the absence of actual fault or privity on the part of senior management. Historically it has been sufficient for management to be able to demonstrate that it believed it had appointed a competent master, for this limitation of liability to be accepted.

However precedent in recent years, as established (as in the cases of the "Marion", "Garden City" and "The Lady Gwendolyn",) has considerably reduced the efficiency of the historic argument. This may be summarized by the UK House of Lords in the case of "The Lady Gwendolyn" wherein it was stated:-

"It seems to me that any company which embarks on the business of shipowning must accept the obligation to ensure efficient management of its ships if it is to enjoy the very considerable benefits conferred by the Statutory right to limitation".

"The Lady Gwendolyn" was the first case in which the responsibilities of management were spelled out, the subsequent cases of the "Marion" and the "Garden City" consolidated the premise into both the need to establish proper controls and to ensure that the requirements of those systems and controls are being followed. For example Exxon will find it hard to limit liability in the Valdez spill because the master was known to have had a "substance abuse" problem.

Risk Management for a ferry fleet and safety, in its broadest sense, go hand in hand. First it is necessary to identify the risk. On the AMHS, with a high proportion of retired people on board at all times and all embarkation/disembarkation via the car deck, there is a very real risk of injury simply in getting on and off the ships. Other matters that can increase risk are:

- Hold down chains
- Oil, water or ice on decks or lack of, non slip paint
- Cramped stairways
- Loose or inadequate hand rails
- Lack of signage or lighting
- Unmarked doorsills and stairways
- Loose chairs or tables
- Lack of a clear access route for foot passengers
- Poor emergency information.

The list is endless, but very real in the ability of a minor defect to create a major claim.

The ship operator must thus minimize those risks that are unavoidable, and seek to diminish the impact of any problem that may occur.

Some measures may be taken to minimize risk and adequately prepare management should a problem occur.

1. Issue, and keep updated on a regular basis, a book of standing instructions for each vessel in the fleet.
2. Keep informed of developments relative to tort or negligence, transportation regulatory matters, and marine and liability assurance.

3. Establish procedures for compiling investigative reports of any incident to ensure a balanced view is available. These procedures should include witness statements and the proper approach to these statements.
4. Hold seminars and workshops on legal and insurance matters for management and senior crew. The Pursers and Stewards departments need to be intimately involved in these discussions.

These seminars should cover personal injury situations as well as vessel collision/stranding and vehicular damage scenarios.

The above commentary has covered, primarily, the risk of passenger injury and the impact on the AMH. However both management and senior deck and engine crew need to be aware of the extent of more conventional coverage for Hull and Machinery damage, Pollution liability and Protection and Indemnity coverage. The same procedures should be followed in terms of keeping informed of developments and making sure that each year the coverage is known and understood.

The AMH should also have instituted a set of formal guidelines relative to operation of the vessels and that these follow Coastguard requirements and specific service characteristics of the route.

Exemplary areas are:

- . Navigation equipment fully functional
- . No port departures on one engine
- . Propeller pitch fully functional
- . Limiting conditions for entrance crossings
- . Limiting conditions for areas of extreme tidal flows.

The best approach to these guidelines is via regular masters and chief engineers meetings, which should be held on an annual basis. In this way operating guidelines can be changed as Coastguard rules change, or service conditions change with new terminals.

3.7 - Stores

Stores are regular consumable items that can be predicted with some certainty, acquired in large volumes and warehoused by the AMH against need.

Examples are:

Deck Stores	Paint Cordage
Engine	Rags Solvents Lubes and Greases Nuts, bolts, O rings, clamps
Galley	Food Items Galley and Cafeteria Supplies
Stewards	Linens Soaps Cleaning Materials

Budgets can be set and a cost control system readily instituted. In fact many of the existing line items in the AMH module of AKSAS address stores items on each ship in the fleet.

Accounting should have a good knowledge of stores requirements, budget and achievement levels for every vessel over time. Engine stores will require locations to be found and formalized within each ship. See next section for more detail.

3.8 - Spares

The supply of spares in any fleet operation is a major problem that can only be partially resolved by an PMS. With a lack of commonality through the fleet in term of machinery and equipment, it is not really possible to achieve as good a central spares depot as might be desired. However it is possible to achieve some preplanned stocking of essential spares on both a ship by ship basis and a fleet basis.

At present spares are stored on board each ship, except for major items such as spare propellers and tail shafts and some engine and miscellaneous spares which are warehoused in Seattle. There is an urgent need to inventory this equipment and determine what is appropriate to the fleet and what may be sold or traded.

Because of the procurement system thrust on the AMH, there will be a tendency of the ships to overorder (i.e a just in case policy) on major spares items that are critical to ship operation, but which would involved major hassles if ordered on a just in time basis. Thus a sympathetic system relative to spares ordering will in fact reduce costs. The AMH will also have to be prepared for considerable increase in cost and logistical problems relative to spares with the move to Bellingham. Where a supplier or agency could supply material virtually on call in Seattle, the three hour drive to Bellingham will make it necessary for a full day plus travel costs and possibly accommodation costs to be charged against a service call.

Shipboard Spares

Only the "Columbia" has a single custom made stock room for ship board spares. Other ships e.g "Taku" have fabricated locations, but most store spares in many locations. As a result finding a spare part that is known to be on board becomes a major problem.

Each vessel will need to be reviewed relative to available space and parts needs and store rooms fabricated and outfitted. It will not be possible to concentrate everything in one place (there is insufficient space available) without affecting revenue earning space. However much better organization can be provided and the spares and engine stores activity streamlined.

3.9 - Contracts

At the present time contracts prepared by facilities and planning are far too complex and contain a considerable amount of non-essential and inappropriate language. At a rough estimate, in excess of 60% of contract sections are unnecessary relative to a marine job.

On the other hand contract documents prepared by marine operations, while simpler and more to the point, omit many background clauses that provide both guidance and protection relative to shipyard bid work.

The optimum contract is thus somewhat more comprehensive than present operations documents, but significantly less bulky than facilities contracts.

Standard contractual language and formats may be included in an MMS that will ensure a workable document is produced. We would recommend that AMH submits a selection of contract documents to two Consulting Marine Engineering companies for review and preparation of standard clauses relative to work which the AMH has undertaken by outside vendors. In preparing these documents, it should be kept in mind that the more complex and onerous the document, the greater the cost to AMH, without any material improvement in the product.

Contracts should contain clauses relative to:

- . Good workmanship
- . Welder qualification ABS certified or equivalent
- . Adherence to recognized quality standards e.g. AQAPI or an acceptable quality control manual
- . Paint systems to be applied within manufacturers requirements for surface preparation, humidity and temperature
- . Requirements relative to weld testing (ASTM) for all steel work
- . A realistic approach to liquidated damages. Daily rates should at the very least equate to earning capacity of the ship on a daily basis.

Unless work needs are highly specific, the AMH should avoid, to the extent possible, detailed design or over complex specification relative to shipyard work. Performance language places responsibility with the shipyard and gives the AMH more control in the event of an incomplete or unsatisfactorily completed project.

All contractual shipyard work requires proper supervision to both ensure completion is to satisfactory standards and is either within budget or has minimal overrun. This activity can only be effectively undertaken by qualified marine personnel. Use of contract personnel on a consulting basis is recommended as reinforcement to the Port Engineers Staff. Such involvement should not exceed 2% of contract value and will save more than this amount in eventual costs.

4 - RECOMMENDED ACTION

4.1 - Implementation within 6 Months

- (i) Overhaul procurement process in conjunction with operations to develop a responsive process for obtaining stores and spares that are needed promptly.

The basic criteria have to be:-

- (a) How long will the state procurement process take?
- (b) How soon are the items needed?

If (b) is less than (a) then procurement must proceed via an expedited route.

- (ii) Inventory ship stores and spares in Seattle, Ketchikan and Juneau. Determine what is needed in each location, whether none or more of Seattle spares can be moved to Bellingham or Ketchikan. Request list from ships of all onboard stores and spares by department. Request ships to give details of where and how they could provide proper stores and spares storage.
- (iii) Overhaul ship safety procedures. A knowledgeable senior marine person with the fleet should be designated as safety officer and given time, budget and staff support, to review current procedures and introduce in conjunction with the vessels "Standing orders".
- (iv) Contract for baseline surveys of each ship in the fleet. This activity is essential for any MMS. This activity should cost no more than \$30,000 over all vessels and would include written detailed reports, with recommended remedial action. Work will probably need to be spread over 12 months in order to permit

in dry-dock and afloat inspections. The inspections should include a current resale value and a replacement value on each vessel and should be undertaken as if the AMH were buying the vessels from a third party and wished to be made aware of all and every identifiable problem relative to each ship.

Implementation as soon as Possible

Reorganize the management structure to be responsive to the needs of running a ferry fleet. This will require more people in marine operations and less in other areas. See management structure.

Commence approaches regarding separation of AMH from DOTPF into state corporation. The Alaska Railroad can be used as a model.

Introduce a simplified accounting system that properly identifies the functional areas of the ferry operation.

Establish a system by which meaningful, regular exchanges between ship and shore can be undertaken.

- EMPLOYEE BENEFITS

EMPLOYEE BENEFITS

CAPT. & C/E BENEFITS
DECK CREW BENEFITS
ENGINE CREW BENEFITS
STEWARDS DEPT. BENEFITS
CATERING STAFF BENEFITS

LS - CONTROLLABLE OVERTIME

CONTROLLABLE OVERTIME

CAPT. & C/E OVERTIME
DECK CREW OVERTIME
ENGINE CREW OVERTIME
STEWARDS DEPT. OVERTIME
CATERING STAFF OVERTIME

S - DECK CREW WAGES

DECK CREW WAGES

OFFICERS WAGES
AB WAGES
OS WAGES

LS - ENGINE CREW BENEFITS

ENGINE CREW BENEFITS

ENGINEERS BENEFITS
MECHANICAL ASSISTANTS BENEFITS
OILERS BENEFITS
ELECTRICIANS BENEFITS

LS - STEWARDS DEPT. OVERTIME

STEWARDS DEPT. OVERTIME

PURSER'S OVERTIME
CLEANING STAFF OVERTIME
OTHER HOTEL STAFF OVERTIME

FOURTH LEVEL - PERISHABLE PRODUCE

15100 PERISHABLE PRODUCE
15110 MEAT
15120 POULTRY
15130 FISH & SEAFOOD
15140 DAIRY PRODUCTS
15150 FRESH FRUITS
15160 FRESH VEGETABLES

TERTIARY LEVEL - RISK MANAGEMENT

16000 RISK MANAGEMENT
16100 P AND I INSURANCE
16200 HULL & MACHINERY
16300 3RD PARTY LIABILITY
16400 CATASTROPHIC RISK
16500 STRIKE INSURANCE
16600 EXCESS LINES

TERTIARY LEVEL - FUEL

17000 FUEL
17100 MAIN ENGINES
17200 AUXILIARIES
17300
17400

FOURTH LEVEL - MAIN ENGINES

17100 MAIN ENGINES
17110 NAVIGATING CONSUMPTION
17120 MANOUVERING CONSUMPTION
17130 IN PORT CONSUMPTION

FOURTH LEVEL - AUXILIARIES

17200 AUXILIARIES
17210 NAVIGATING CONSUMPTION
17220 MANOUVERING CONSUMPTION
17230 IN PORT CONSUMPTION

TERTIARY LEVEL - STATUTORY SURVEY & INSPECTION

18000 STATUTORY SURVEY & INSPECTION
18100 HULL
18200 MACHINERY
18300 ELECTRICAL
18400 PASSENGER SPACES
18500 SAFETY EQUIPMENT
18600 NAVIGATIONAL EQUIPMENT

FOURTH LEVEL - MACHINERY

18200 MACHINERY
18220 TAIL SHAFT SURVEY
18230

SECONDARY LEVELS - SHORE FACILITIES

20000 SHORE FACILITIES
21000 PERSONAL SERVICES
22000 REPAIR & MAINTENANCE
23000 STORES & SUPPLIES (DOCK)
24000 STORES & SUPPLIES (SERVICE AREA)
25000 FOOD SERVICES
26000 RISK MANAGEMENT ALLOCATION
27000 POWER & UTILITIES
28000 STATUTORY SURVEY & INSPECTION
29000

TERTIARY LEVELS - REPAIR & MAINTENANCE

22000 REPAIR & MAINTENANCE
22100 MOORING & FENDERING
22200 PASSENGER & VEHICLE TRANSFER
22300 PASSENGER & VEHICLE WAITING
22400 DOCK DECK & CATWALKS
22500 SUPPORT STRUCTURE
22500 DOCK ACCESS

SECONDARY LEVELS - ADMINISTRATION & PLANNING

40000 ADMINISTRATION & PLANNING
41000 VESSEL OPERATIONS
42000 CUSTOMER SERVICES
43000 SUPPORT SERVICES
44000 BUDGET
45000 PLANNING
46000 SYSTEM DIRECTOR

TERTIARY LEVELS - VESSEL OPERATIONS

41000 VESSEL OPERATIONS
41100 PERSONAL SERVICES
41200 COMMUNICATIONS
41300 OFFICE SUPPLIES, EXPENSES
41400 TRAVEL
41500 OUTSIDE SERVICES
41600

FOURTH LEVELS - PERSONAL SERVICES

41100 PERSONAL SERVICES
41110 PORT CAPTAIN
41120 PORT ENGINEER
41130 PORT STEWARD

TERTIARY LEVELS - SUPPORT SERVICES

43000 SUPPORT SERVICES
43100 PERSONNEL SERVICES
43200 COMMUNICATIONS
43300 OFFICE SUPPLIES, EXPENSES
43400 TRAVEL
43500 OUTSIDE SERVICES
43600

FOURTH LEVELS - PERSONNEL SERVICES

43100 PERSONNEL SERVICES
43110 ADMINISTRATIVE OFFICE
43120 PROCUREMENT & SUPPLY
43130 PERSONNEL & LABOUR RELATIONS
43140 FINANCE
43150 FACILITIES SUPERVISOR
43160

TERTIARY LEVELS - VENDING MACHINES

75000 VENDING MACHINES
75100 SHIP BORNE MACHINES
75200 TERMINAL/SHARED MACHINES
75300 OFFICE
75400 SHOP/WORK PLACE VENDING MACHINES
75600

FOURTH LEVELS - SHIP BORNE VENDING MACHINES

75100 SHIP BORNE VENDING MACHINES
75110 COFFEE/HOT DRINKS
75120 POP/COLD DRINKS
75130 SANDWICHES
75140 CONFECTIONARY
75150 CIGARETTES
75160

Sen. Coghill supports ferry system changes

State Sen. Jack Coghill of Nenana says he probably knows more about Southeastern than Southeastern knows about him. He also knows a lot about the ferry system.

The senator was in Ketchikan last week for a senate transportation committee meeting chaired by Ketchikan's Sen. Lloyd Jones and attended by other state legislators as well as British Columbia ferry officials.

Discussion at that meeting focused on Sen. Jones's SB310 which would separate the Alaska Marine Highway System from the Department of Transportation. It would become a separate authority with a board of directors charged with oversight of ferry management and operations.

There from the beginning Sen. Coghill, whose senate district encompasses the rural highway areas surrounding Fairbanks, a long way from Southeastern, was however a member of the state senate finance committee when the legislature passed the enabling legislation for the ferry system shortly after Statehood.

Sen. Coghill understands the structures of the state departments and basic functioning of state government. His signature was sixth on the Constitution of the State of Alaska as one of the delegates to the Convention which drafted that document in 1956.

"I was a young 30 then," he says, when it was suggested he must be as old as Moses. "Now I'm a young 64."

Awareness up north? Asked if Interior and the many

Anchorage legislators are aware of the ferry system's importance to Southeastern, Coghill said. "Not really."

He said the Ketchikan district's legislative delegation of Sen. Lloyd Jones and Reps. Robin Taylor and Cheri Davis have been effective in bringing the issue up for debate. But he believes that people of Southeastern can be of great assistance in making the rest of the state aware of the need for adequate transportation in Southeastern's roadless regions.

"The rest of the state needs to be aware that the marine highway is as important as highways anywhere in the state or airports in the bush."

Start talking 'lane miles'

"Put the ferry system's profits back into the system," he says. "Start talking of the marine routes in 'lane miles' and even double or quadruple 'lane miles.'"

The senator suggests that service organizations from Eagles to Elks to Toasmasters to VFW's and American Legions and Soptimists any organization which allows political action committees to write their counterparts in other Alaska cities.

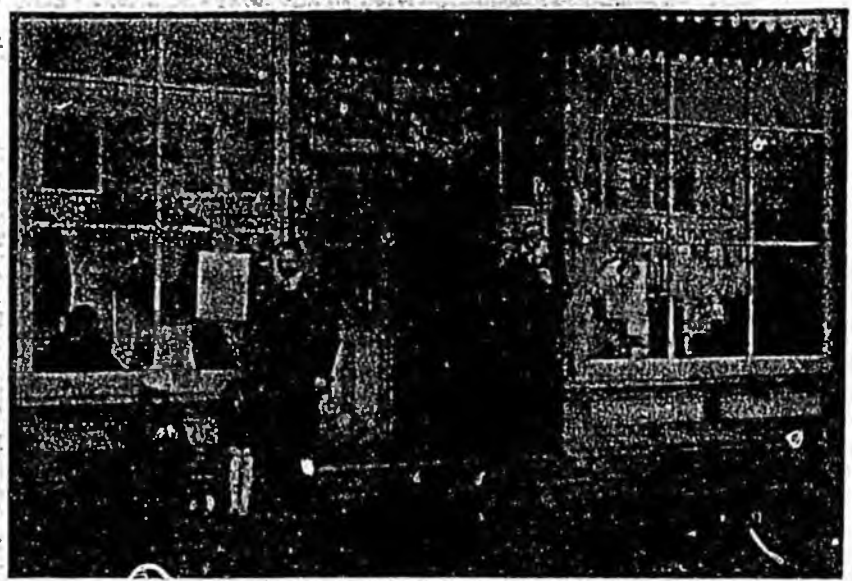
"Each companion club can adopt about a dozen pen pals in the Legislature," he said. The transportation committees already know the issues; it's the other legislators who need to be made aware. They will respond to mail from their own constituents.

A candidate for U.S. Gov.

Sen. Coghill, a candidate for Lieutenant Governor in the next election, gave this response when asked if there was one thing he'd like to say to Ketchikan during his visit.

"We're spending our state wealth every year to promote government." Many millions being spent is money from our resource base. "It's like spending an acre of your farm each month to pay your utility bill," he says.

That resource money ought to go to economic development and other resource development: timber, mining, transportation, fisheries, tourism, agriculture, and bridges, such as needed over Tongass Narrows.



FO'C'S'LE BAR BUILDING, c.1900, was first Hanson's United States Store and from 1910 to 1932 was P.J. Gilmore Clothiers in the picture above, with the owner, (r), and clerk Otto Soberg, (l).
Courtesy P.J. Gilmore Jr./Jim Elkins

City's oldest building houses bits of the past

The Fo'c's'le Bar building is thought to be the oldest commercial building in Ketchikan. It's been standing since at least 1900 and may have been there a little longer.

The wheelhouse on the back wall of the present bar was built more than 50 years ago, probably in 1937 when a halibut fisherman named Jack Barseth moved his Fo'c's'le Bar there from a former location at Grant and Front Streets.

At the turn of the century the building was Louis Hanson's United States general store. He was a native of Norway who arrived in Juneau Jan. 1, 1900, but soon after moved to Ketchikan.

Above the store were living quarters where the family of parents and four children lived.

Inga Brinck's first home

The youngest was Inga, now Mrs. George Brinck, owner of the Revilla Apartments. Shortly after Inga's birth in 1909, mother and children moved to the Seattle area while Hanson operated the trading boat *Nettie Belle* and visited every little hamlet and settlement in the region with supplies. He also began construction of the Bon Marche building into which he would move his store and

family on their return.

Four years later Mrs. Hanson and the children headed back for Ketchikan aboard the vessel *Dolphin* which went on the rocks off the coast of British Columbia. It was Friday the 13th in 1913. Four-year-old Inga was the first person off the boat during the rescue, evicted by a woman stranger who insisted on being the first off.

The Hansons continued their interrupted journey to Ketchikan aboard the *Princess May*.

The Hansons' Front Street building had been bought in 1910 by P.J. Gilmore who opened a very fashionable and popular men's furnishings store, the first all-men's shop in the city. Libby Oaksmith says P.J. Gilmore was a quiet man and a natty dresser himself.

The Gilmore family lived elsewhere and the living quarters over the store were probably used for warehousing. P.J. Gilmore Jr. says.

It was Gilmore Clothiers until 1932. At that time Jack Barseth moved in as a tenant and in 1937 bought the building and moved the Fo'c's'le Bar in.

Bars came back

Stan Oaksmith remembers the bars going in when Prohibition ended in 1932. He says first beer and wine were allowed and it was later that hard liquor was available again.

Next door to the Fo'c's'le was the Yukon, a tobacco store that became a bar about the same time.

The bars in those days closed at midnight or 1 a.m. and the patrons retired across the street to Petersburg Kate's White Lunch Cafe, he recalls. The cafe was about where the north end of the Sour-dough Bar is today.

Another popular after-hours cafe (they had beer and wine licenses in those days) was the Dragon Tavern, where Diaz Cafe is today.

Juke Boxes raked

Oaksmith remembers the period well because he had just started in the music business and wanted to move juke boxes into the bars and cafes. City ordinance prohibited music in bars except for small radios.

Oaksmith went to city council and asked to be allowed to put juke boxes in. Council said juke boxes might encourage patrons to get rowdy. They suggested the

(cont. p. 8)

Pre-school party

Totem Heritage Center's annual Christmas Party for pre-school children will be held beginning at 10 a.m. Tuesday, Dec. 12, for children three to five years of age.

The party is sponsored and arranged by Totem Heritage Center's staff and volunteers.

Registration is required. Parents may call 225-5900 for registration or further information.

Perspective

QUITE BY ACCIDENT I stumbled across an interesting truth during the weeks I've been putting together the Ketchikan Record. From comments I've heard, I discovered the "real" newspapers have evolved and polished and perfected themselves right out of the business they profess to be in: providing stories and ads people actually read. I didn't think about this a lot before jumping in with a first edition of the little paper. I knew national TV and local radio got any urgent news to me quick and easy, and I knew nothing at all about ads. But I happen to love print and newspapers, so decided to try something different.

I decided to let the little Ketchikan Record be a smorgasbord of little stories and opinions and hints that were in no rush to be printed anywhere else. There were practical reasons. Just one person writing and grabbing whatever presented itself in a given week. Little time to sit in on meetings or to interview or to categorize stories for specific pages or layouts. I just put in what interested me, wherever it fit, and hoped there were others similarly interested. I didn't worry that much about "AP style" which says okay should always be spelled OK or that Legislature should always be capitalized. Who cares.

But then came the "discovery." There were others out there who not only felt the same way but wanted to write a column or a paragraph or two about what they were interested in. David Marks came first and faithfully turns in his delightful copy every week. B.J. Johnson writes when she has time. Glenn Greene shares his gardening knowledge when his work schedule allows. Lloyd Brooks on his week off from the ferry system draws cartoons. A professional man who prefers to write under pseudonyms writes the Rock Walker and sport fishing stories. Lonnie Haughton sent a story. So did Dan Branch. Then from far off New Hampshire came an envelope from Bob Kinerk, eager to write about Ketchikan. "I'm surprised where my thoughts have led me," he said in a recent letter enclosed with his articles. Not only did I find myself with a smorgasbord, I found myself with a potluck, and readers liked it. This evolved into "audience participation journalism." I hope to see more of it.

Back to the "real" newspapers. They're thick and full of ads and make money. I'm in business. I bought an issue of the Anchorage News out of curiosity a while back and had enough pages to light fires in my fireplace for a whole week. All those expensive ads going up in smoke. I've become very aware of ads lately, since I've been on the selling end. And not nearly aggressively enough.

And that made me think. Have newspaper ads become so evolved and polished and perfected that no one reads them anymore anyway? Why can't ads be as interesting to read as the news copy. Is there another way to put ads together? I never sold or put an ad together in my life before trying the Record, and face it, ads are mostly boring. And this in an age when shopping has become an avocation and bumper stickers say "A woman's place is in a mall." Maybe it's time to forget the professional books' ideas of what an ad "should" be and maybe give shoppers and those looking for services themselves a hand in what ads should say to bring the customers in. It's a thought . . .

I'm not in this for the money, readers, or I would have chosen some other line of work. But the little Ketchikan Record is a little eight-page test tube in which writers and readers and advertisers can mix up a formula for something new and better, for all of us.

Wow. Can you see the Seattle P-I writing, "Please present your ideas to Nordstrom about what you'd like to see in their half-page ads." Unlikely. But luckily we live in a small town where such an idea might work.

Holiday Dilemma

1. TO SPEND MONEY I CAN'T SPARE ON JUNKY GIFTS FOR SOME PEOPLE I HARDLY KNOW...
2. TO DECORATE OR NOT TO DECORATE
3. TO ATTEND AS MANY PARTIES AS POSSIBLE OR TO ATTEND SOME (OR NONE)...
4. TO HOST A PARTY OR FAMILY GATHERING OR GO OUT...
5. TO SHOP IN PERSON OR BY MAIL OR PHONE...
6. TO CUT BACK OR TO EXPAND THE GIFT AND/OR CARD LISTS...
7. TO GIVE ONLY PRACTICAL GIFTS AND LEARNING TOYS OR DUMB, NOISY STUFF...
8. TO NOT WORRY ABOUT ANY OF THIS - GET INTO THE SPIRIT AND ENJOY!



© THE KETCHIKAN RECORD 12-11-89 MARK WHEELER

Letters: On The Record

On the Record:

This letter is about question No. 2 in the Ketchikan Trivia column of your Dec. 4 issue, "Is the correct spelling 'Deermont' or 'Deermount' Street?" Your answer states that the borough tells you that it is Deermont.

Quite some time ago I wrote to the Wavemaker and asked the same question. I had noticed a new sign at the corner of E. 4th Street that said "Deermont." All the other signs on the road said "Deermount."

I also asked about the spelling in the phone book map. The Wavemaker's answer was that the correct spelling is Deermont, and that the Deermont sign would be changed. Within a week the sign was changed. (However, it is no longer there.) All the signs on the road say Deermount.

The Wavemaker also said in the answer that the phone company would try to correct the spelling in their 1989 phone book if they could get the information to the printer in time. (They evidently didn't make it.)

Again I'll ask: is it Deermont or Deermount?
Barbara, Mix

Dear Barbara:

It must depend on who you ask and when. It is possible the person who answered this time from the borough was busy so just looked in the phone book!

Logically it ought to be Deermount, after the mountain. Anyone have a definitive answer?

CHRISTMAS ALASKA-STYLE

Mike Harpold of U.S. Customs & Immigration called to ask permission to reprint the Ketchikan Record's Dec. 4 issue Christmas story in his office's newsletter. The newsletter, called "The Southeast Tattler," goes to all Southeastern Customs & Immigration offices, to Anchorage and to the regional office in St. Paul, Minn.



The Ketchikan Record has increased its circulation to 3,000, no change in advertising rates. The Record welcomes appropriate columns, short articles and letters that pertain to the hometown format of life in Southeast Alaska.

HAPPY HOLIDAYS

TO OUR READERS

KETCHIKAN RECORD 611 Pine St. 225-0369
from June Allen and contributors.

Househints

Door-to-door vacuum cleaner salesmen used an old sales technique that very often clinched a sale.

They would come to a prospective buyer's home, vacuum the carpet thoroughly with the housewife's own vacuum cleaner. Then they would put a clean white hankie over the bag neck of the "new model" they were demonstrating and vacuum over the same area. The clean hankie would be full of dust and dirt, proving their machine was superior.

What they didn't tell prospective buyers was that the same thing would have happened if they had put the clean hankie over the housewife's own machine and vacuumed again.

Which proves that a single vacuuming with any machine does not pick up all the dirt and dust.

Think of the salesmen's technique and vacuum once in one direction and go over it again in the opposite direction.

Most people habitually plug the vacuum cleaner into one outlet; try plugging it into one in a different part of the room and vacuuming the rug from a different angle.

Move large pieces of furniture if there has been a spill. Otherwise it isn't necessary.

If spots are noticed after vacuuming, spray plain water or a mild non-sudsing ammonia solution onto the spot. Then blot with a folded paper towel until the dirt comes up.

Never use soap or cleaner on carpets because they leave gummy deposits which collect more dirt.

Rain makes Ketchikan folk become eternal optimists

By BOB KINERK

I have tried telling friends here that the weather in Ketchikan is mostly periods of showers interspersed with periods of heavy rain. My humor usually goes for naught, however. People nod politely, but their eyes go blank. They think I've misspoken myself and they're too polite to correct me.

I have some misgivings, actually, about referring much to rain. If someone has told me he plans to visit Southeast Alaska I feel obliged to mention somewhere in the conversation that he might slip some foul weather gear into his bags before he sets off.

Most people persuaded to make the trip have already read several travel brochures where the fine print makes the same recommendation and they haven't been caught napping. They sometimes go into great detail about the windbreakers they're packing, or their Gor-Tex evening slippers.

I think an hour spent on the deck of a ferry when the wind is boiling up from the south and so many sheets of rain are lashing down they practically have to take numbers — like people at the deli counter — to get their chance to trench you, will disabuse most people of the notion that any kind of clothing offers protection from what Southeastern people mean when they say rain.

My misgivings don't stem from

my failure to adequately warn these hardy travelers, however. My misgivings stem from the importance you have to give the rain when you try to describe it, an importance out of all proportion to the impact it has on most people's day-to-day lives.

We who have played ball in the rain and picnicked in the rain wonder why people in this Eastern part of the country cancel shopping trips because of showers or sulk because a little drizzle chills a holiday parade.

If anybody has a right to sulk, it should be people in Southeastern, but I don't remember a lot of sulking going on. A lot of cursing, yes — some of it quite creative. And a lot of creativity, it seems to me, also went into reading signs of weather to forecast a change for the better. Even 10-year-olds got very practiced at peering toward the seamless clouds and saying, "The wind is changing. It'll probably clear up."

The kind of optimism that habit engenders, in my experience, is

something a person from Ketchikan carries with him all his days, and he doesn't just apply it to the weather. It's a frame of mind that's a gift to him no matter what adversity he faces.

My daughter, who is not a sentimentalist, thinks the words inscribed on my tombstone ought to be, "Another feeble attempt at humor." But I am of a different persuasion. If the fashion for engraving things on tombstones is still in vogue when I die, I think I'd like the carver to attempt a picture of a man stepping out of a doorway and squinting toward the sky. His expression will be guarded but hopeful. And underneath the picture I'll have ordered carved, "Hey, the wind is changing. It's going to be nice."

Bob Kinerk grew up in Ketchikan. He is now an editor with The Manchester Union Leader in New Hampshire. A nationally recognized playwright, he prefers living close to New York at this time.

TRY THIS ONE

That was a headline on this small item in a 1921 newspaper. It is quoted verbatim:

A man with a mania for juggling figures produced pencil and paper and said to a friend, "Put down the number of your living brothers. Multiply that by two. Add three. Multiply the result by five.

"Add the number of living sisters. Multiply by ten. Add the number of dead brothers and sisters. Subtract 150 from the result."

The friend did it. "Now," said the other, "the right hand figure will be the number of deaths, the middle figure the number of living sisters, and the left hand figure the number of living brothers."

And it was so. The article was signed, "London Tid-Bits."





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This week's Ferry Tales deal with the political side of the ferry system, or more accurately, getting politics out of the ferry system.

A state senate transportation committee meeting was held in Ketchikan last week, chaired by Ketchikan's Sen. Lloyd Jones and attended by Sens. Jack Coghill of Nenana and Paul Fischer of Soldotna and Rep. Richard Foster of Nome, chairman of the house transportation committee.

British Columbia ferry officials also attended to say that independence from politics has benefited the B.C. ferry operation.

Sen. Jones has drafted SB310 which proposes a separate marine highway authority with a board of directors with the expertise to operate the ferry system successfully.

Sen. Jones said at the meeting that one of the goals of the proposed board-of-governance authority is to put some continuity of management and experience into the system, so that marine highway management and direction doesn't change with every change in state administration.

New marine highway director Jim Ayers outlined at the meeting a seven-goal plan to improve management. The goals sounded a lot like the goals from the Matanuska Miracle seminars which were never implemented. If this writer is correct, the first implemented Miracle goals were to be announced in late March. The Exxon Valdez spill occurred and the public never heard of the Miracle goals again.

From Sen. Jones

In speaking with the Ketchikan Record, Sen. Jones said his proposed marine highway authority would be a first step in moving the ferry system toward management like the Alaska Railroad (which became successful when separated from politics).

The board of directors of a marine highway board would include the commissioner of transportation. A second member would be someone, not limited to

FERRY TALES

By JUNE ALLEN

the state of Alaska, with extensive maritime expertise. This member would be the only one who could be a non-Alaskan.

There would be a member with commercial freight expertise. One would be from the tourism industry. There would be three members from the general public, two from Southeastern and one from Southwestern.

Sen. Jones said he is aware that many Alaskans resent the emphasis on tourist travel on their ferries when simple, adequate transportation is needed from the state's marine highway.

But he points out the tourist dollars are necessary, and especially, "If all the ships are operating as they should be and not laid up, there would be plenty of room for both tourists and Alaska's traveling the system."

Sen. Jones said Anchorage and Fairbanks need to become aware of how many of their visitors arrive via the Alaska Marine Highway System.

The senator also points out that Bellingham is willing and eager to promote the Alaska ferries but it's kind of hard to do with one ship sailing a week.

He said he welcomes suggestions from the public and ferry workers about his senate bill proposal and that is "open for amendments."

From Capt. Art Johnson

Capt. Art Johnson says he wasn't much in favor of Bette Cato's bill at first, (a former Valdez legislator who suggested separation of ferries and politics), because he thought it would just create more bureaucracy.

Now he says he's a little fearful of a board appointed by a governor. He'd want to know that the

directors on the board would serve out full terms as they gained experience and not serve only until the next election.

Capt. Johnson believes the marine highway needs a lot of advertising which it isn't getting.

He'd like to see two ships out of Bellingham year-round. "If people knew there was space available, they'd travel on the ferries."

He also suggests a substantial cut in fares to promote wintertime travel. Another concern is the need for replacement of vessels. "They're getting up in years," he says.

He says he's not sure who's responsible for the muddled condition of the ferry system and said, "It's too bad there isn't someone out there to give us some leadership."

From Homer Sarber

Former Inland Boatmen's Union official Homer Sarber, says taking the ferry system out of the political arena is a positive move. He says Sen. Jones was aboard his ship just a week before and talking with crew members. Sarber believes most of the crews basically support the senator's objective.

"We'd like to see some continuity in management," he says, "not just being an appendage of the DOT. The way it is, the system's getting short shrift."

From Jerry Johansen

Jerry Johansen is boson on the Taku but also a member of the marine highway advisory board which serves at the pleasure of the Governor and commissioners.

He says the advisory board should perhaps take a look at the new bill. He said he'd comment

after that was done.

From Don Haseltine

Purser Don Haseltine says copies of the bill have been passed around to the ships, and workers have been talking about it.

He says there appear to be mixed feelings about it.

"Anything to solidify management would assure support," he says.

From Mike Crosby

Matanuska purser Mike Crosby says the system keeps getting worse and worse. He says nickel and dime "savings" are getting out of hand.

"A passenger can't even get a cup of coffee after midnight."

He says it's the general opinion that something needs to be done to stabilize the system. "Every time a new governor comes in, there are changes," and things get worse. "There are people just hoping the system keeps running at all."

He says getting the ferry system out of politics with governance by a responsible board would be "a good deal," but he worries

because everything has to be approved by the legislature. He hopes there is some way to identify to the legislature the amount of money the ferries bring in. "They need to be educated."

"This is our highway," he stresses. And he wonders what would happen if the road between Anchorage and Fairbanks were closed to traffic except once a week.

From Bob Pickrell

Bob Pickrell, publisher of the New Alaskan and outspoken critic of ferry system management, says, "Anything's better than what we've got."

Detour meeting

The ferry system Detour committee will meet with new ferry system director Jim Ayers at noon Thursday, Dec. 14, at Charley's Restaurant. The meeting is open to the public.



"The Plaza's GREAT Christmas GIVEAWAY!"



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No purchase necessary.
Drawing Dec. 30th, 3:00 p.m.

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Ketchikan's first full color fold out walking tour map comes out in Spring 1990.

Don't miss the boat.
Put your business on the map!
Call Marty West at Ditto Plus 225-7587

One of the featured stories in the December 1951 issue of the Alaska Sportsman concerns a fishing trip made by Joe Brandø, Joe Stanton and Charles Van Dover to Bostwick Inlet (11 miles south of Ketchikan on Gravina Island).

The authors claim the inlet offers the best variety of fishing anywhere in Alaska, from halibut, salmon and rockfish to crabs to clams on the beach plus cut-throat and Dolly Varden up the stream entering the inlet.

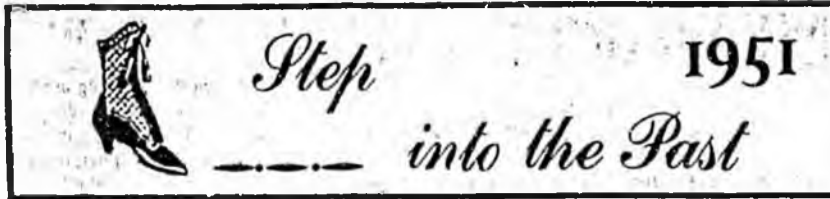
On shore, they wrote, were the abandoned shacks and smokehouse of an early Indian village. Because of a long dry spell that summer, the men were able to follow the stream quite a ways up.

It was here they climbed trees in panic after coming upon a pack of 20 wolves. None of the fishermen carried a gun.

When the wolves gave up and moved on, the men hurried back to their boat. They were not generally believed in Ketchikan but the next day a group of (armed) men went back to investigate and found the tracks of the wolf pack.

It was not the fishermen's fear of the wolves that occasioned the story but the fact that, without weapons, they had missed out on about \$1,000 in bounties.

Pictured in that issue is the Eagle grave marker totem at the entrance to Totem High Park. Carved by Haida carver John Wallace, it was intended to be a copy of the Howkan village Eagle totem. However, working from memory, the 80-year-old carver created an almost entirely new version. The Chilkat blanket



the breast of the copy was not on the original and was not part of the totem carving tradition, the story says.

The carver said the blanket design symbolizes mountains, clouds and creatures who live in the mountains. The three small faces at the top of the blanket are a fair-weather cloud with light rain clouds on each side. The large eyes, round nostrils and teeth below the clouds are the face of the mountain itself and the face below that symbolizes the homes of animals on the slopes.

Flanking the lower face are whale tails, symbolic of whales carried to the mountains by thunderbirds. The spaces between the designs are filled with traditional

patterns. The carver painted the pole black, white and yellow.

Walter Stensland of Ketchikan found the skeleton of a man on the shore of George Inlet. Stensland was prospecting a limestone deposit when one of the blasts shattered the floor of a tiny cave and the remains were found in the debris. There was no clothing or paper or any other identification found with the bones.

In Alaska an old expression for being insane was, "missed too many boats" or "saw the stems of too many boats." In 1951 a federal investigation of care for mentally ill Alaskans (sent down

south then) resulted in the plans for construction of an in-state facility for the mentally ill.

Done away with that year was the jury system for judging whether or not a person was insane.

Two Ketchikan boat owners lost their vessels to fire while hunting in 1951.

Russ Cowger's boat Pamara-jah burned to the water while tied to a float when Cowger was hunting on Cleveland Peninsula.

Bill Eastham's Laurel Ann, anchored in Ice House Cove on Carroll Point, was destroyed when a downdraft exploded the oil stove.

Alaska's birthrate in 1951 had soared 35 percent in two years. In the first eight months of 1951, there were 2,651 births. During the same period deaths increased only 15 percent, from 667 to 772. Marriages increased 19 percent, to a high of 1,018.

The Alaska canned salmon pack in 1951 totaled approximately 3,400,000 cases, about 2,100,000 cases below normal. Bristol Bay had a poor year but Southeastern's good pink run brought up the total.

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Rock and roll, country, variety!

Gene Shannon & Barbara Vaught

"Fair Warnin'" "A nice place to bring your friends . . ."

"The fanciest drinks in town."

108 Main St.

The view from here

By DAVID MARKS

I get lots of junk mail. It comes from ordering magazines, entering sweepstakes, and filling out warranty cards. Now I get ads for a plethora of magazines, contests, and brochures for electronic goodies I can't afford.

Actually, most of it is pretty interesting. I don't even mind the daily requests for money as long as a good catalog comes with it. I guess I'd rather get junk mail than open an empty mailbox, even if it's all addressed to "occupant".

The ones I don't appreciate are those that assume I'm an ignoramus. The main culprits are usually the sweepstakes. Recently I got an "Official Letter of Notification" that said, "The addressee has been certified as an official sweepstakes winner of a major prize." What I noticed first is that they expected me to believe the notice was personally signed and notarized - only it was all merely printed on. I hate that. Do they really think I'll believe it's a personal letter?

I was informed that I didn't win one of the grand prizes (surprise), but "one of the most valuable prizes of the main prize grouping

plus a MAJOR EXTRA BONUS". (their caps)

I won a cubic-zirconia diamond! The quality was attested to by statements from other customers: F. Fabe from Milfor, CN; J. Bellous of Baldwin, WI; J. Guillion from Lewisville, TX; E.

.... where's my calculator 22,122,000 people. Who are they kidding?

I have another one that exclaims, "Congratulations. Your exclusive entry put you in the only group from which our next big ten million dollar winner will

'I really read my junk mail'

Ellsworthington from St. Mary's, GA and M. Montgomery of Castro Valley, CA.

Those are distinctive names in pretty small towns. Did you know not one of them has a listed phone number? In fact, Castro Valley (itself is unlisted)

But look! It says here that I have "qualified among only 9% as an entrant in the New \$10,000.00 Grand Prize Sweepstakes. This means 91% of the entire U.S. population has not qualified." This places me smack in the middle of a select group of

come." Is this supposed to excite anyone whose I.Q. is larger than their hat size?

One even stooped to begging. It said "no purchase necessary" followed by something like "but please buy at least two" whatchamacallits.

It's illegal to require a purchase. Have you ever searched out the instructions for what to do instead? In a perverse fit of rebellion, I did.

I had to cut this out, tape that here, then glue (no staples) the whole thing to a plain 3 x 5 card

Inventive Gourmet

Cooking with Herbs

Herbs have histories which reach back into ancient history. Not only do they enhance cooking, they have medicinal properties as well.

Oregano is one of the better known herbs because of its use in Italian cooking. You taste it atop pizzas. It is the wild form of the milder marjoram plant.

Combined with basil, thyme and rosemary, it "makes" spaghetti sauce.

Oregano and marjoram are said to aid sound sleep, ease headaches and stimulate appetite. They also flavor poultry, rice dishes and meatloaf, and should be added to sauces in the last ten minutes of cooking time.

and print the following in plain letters and mail to a different address. Whew! All of this was in blindingly fine print, reminding me constantly that if I didn't do it right I could be disqualified. I felt pretty dumb doing all that stuff, but I showed them! I didn't make a purchase!

There are two however, that I always return - Publisher's Clearing House and Ed McMahon's. At least they don't pretend much. Besides, someone has to win right?

I mean, I'm not *too* dumb, am I? Ten million dollars! And I don't have *too* many magazines yet. You'd do it if you were me, right? Let's see, the stamps are here somewhere . . .

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Random Thoughts by Lloyd Brooks

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"For the jolly fat man and his assistants . . . round trip . . . same day!"

Bill of Rights Day: foundation of freedom

CONVERSATIONAL HISTORY

By JUNE ALLEN

It was Dec. 15, 1791, that the Bill of Rights (the first ten Amendments to the Constitution) was ratified. The founding fathers had had four years in which to consider and draft amendments to a Constitution which they had created through compromise and diplomacy just four years before.

It took three years for all 13 new states to accept the Constitution after that first Constitutional Convention which began May 14, 1787.

Free from British colonial rule in 1783, the new states were linked loosely together under the Articles of Confederation. Each state issued its own paper money, nine states had their own navies and several states had sent ministers abroad to try to borrow money.

Such a loosely organized Confederation Congress, saddled by lack of funds, was limited to diplomacy rather than governance. A Constitution tying the states together was sorely needed.

The Constitutional Convention was held in Philadelphia, the largest city in the United States, and it got off to a slow start.

George Washington there

Gen. George Washington of Virginia, reluctant at first, was persuaded to attend because his celebrity status would help attract delegates from other states. He was one of the first to arrive, on time.

Ben Franklin, host of the Convention and the consummate diplomat, was 81 years old and the President of Pennsylvania. He attended sessions when his bouts of gout allowed.

It often took weeks to travel up and down the 13 states. Delegates trickled in throughout the month. Many, succumbing to the attractions of Philadelphia, attended only half of the meetings.

Some of the delegates from the South, accustomed to rural ways and manners such as scratching and spitting over the verandah, were put off by the big city manners and fashions of the time.

Secret meetings!

The weather grew hot as the Convention meetings continued. Windows were kept closed at Independence Hall. Because the meetings were secret. This was probably the first "executive session" in the nation's history.

The reason? James Madison (who became the fourth President of the United States) was a youthful 36 at the time and later said, "Opinions were so various and at first so crude that it was necessary that they should be long debated before any uniform system of opinion could be formed."

What aren't you doing? His father, however, annoyed at the secrecy, wrote to him as the Convention moved further into summer, "If you cannot tell us what you are doing, you might at least give us some information of what you are *not* doing." (Ketchikan politicians: take note.)

States and individuals had their own cherished plans for drafting a Constitution and each of these had to be offered and considered. Each was debated. There were long-winded delegates who bored the others with speeches of two-day lengths. But the Convention continued.

Near the end of June, the great debate began on the composition and selection of what would become the House of Representatives and the Senate. Smaller states felt threatened by the larger which would have larger representation. The small states were determined to keep their equality.

(Alaska understands this point.)

God's guidance asked This debate could have ended the convention in failure, but Ben Franklin decided to ask for divine guidance to save the day. He said that if a sparrow cannot fall to the ground without God's notice, would it be probable that an empire could rise without his aid?

Franklin suggested a clergyman be found to offer morning prayers. Then someone pointed out the Convention had no funds to hire a clergyman so the session adjourned without a vote, on his motion.

Alexander Hamilton is often

quoted as saying the motion was left dangling because some of the delegates were opposed to "foreign aid."

After an appropriate celebration of the Fourth of July, Philadelphia-style and quite acceptable to the Southern delegates, the Convention reconvened and by mid-month accepted a compromise - the basic present structure of the Congress - by a narrow margin.

Slavery and a king

In August the subject of slavery came up. It was hotly debated. Slavery was accepted (pro tem) because if it had not been, the Southern delegates would have walked out and there would have been no Constitution.

Because of the secrecy of the meetings, rumors flew that a king was being considered, rather than a president of the new United States. For once the convention

broke its rule of secrecy, after being nudged by a newspaper report, and said it had never once considered a king.

By Sept. 12 the Preamble, "We the people of the United States . . ." had been written and Sept. 17 the Convention held its final meeting. The Great Convention had ended. Four years later the Bill of Rights to that enduring document was ratified. How long since you've read it?

HOW LONG SINCE YOU'VE READ

THE Bill of Rights

I
Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press, or the right of the people peaceably to assemble; and to petition the Government for a redress of grievances.

II
A well regulated militia, being necessary to the security of a free State, the right of the people to keep and bear Arms; shall not be infringed.

III
No soldiers shall, in time of peace be quartered in any house, without the consent of the Owner, nor in time of war, but in a manner to be proscribed by law.

IV
The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things

to be seized.

V
No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb, nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use without just compensation.

VI
In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial, by an impartial jury of the State and district wherein the crime shall have been committed, which district shall have been previously ascertained by law, and to be informed of the nature and cause of the accusation; to be confronted with the witnesses against him; to have compulsory process for obtaining witnesses in his favor,

and to have the Assistance of Counsel for his defence.

VII
In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

VIII
Excessive bail shall not be required, nor excessive fines imposed, nor cruel and unusual punishments inflicted.

IX
The enumeration in the constitution, of certain rights, shall not be construed to deny or disparage others retained by the people.

X
The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.

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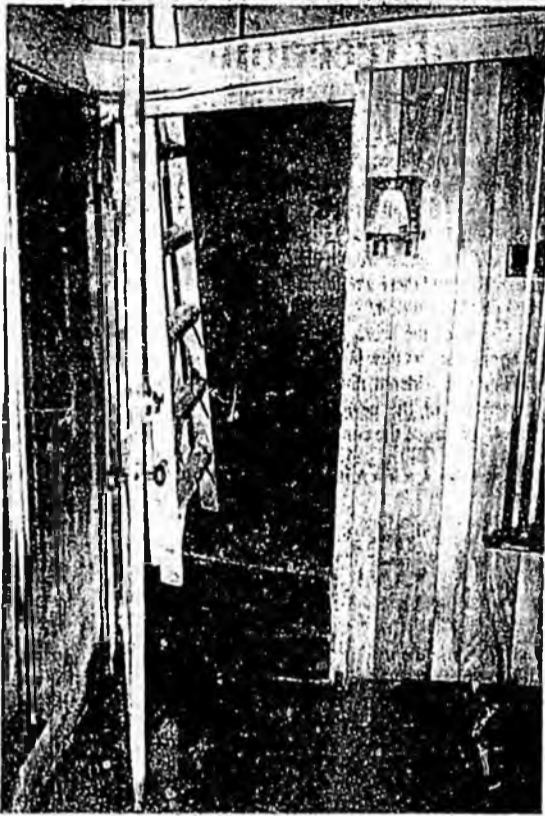
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Briefs



ORIGINAL 1900 STAIRCASE, curving up to living quarters above, remains in present Fo'c's'le Bar. But the upstairs rooms are now used for storage and office space.

City's oldest building

music machines were moneymakers.

So Oaksmith negotiated a contract with the city in which he would pay 10% of the jukebox take for permission, to operate. When the councilmen discovered how little it amounted to, they thereafter set a flat license fee for such machines.

Today the living quarters above the Fo'c's'le Bar are used as owner Jim Elkin's office and for storage. At some time in the past they had been partitioned off into sleeping rooms.

But the original woodwork and hardware remains. A kitchen of long ago - a sluk framed by 2x4s - still stands. There's an old pantry and a stairwell leading directly to the street, blocked off now. Curved stairway remains

And downstairs in the main bar room, just to the left of the pool table, is an old door that opens on to a curved staircase. Behind the decorative, wheelhouse, leading up, are the old banisters, worn smooth.

There's still a little bit left of very old Ketchikan.

SETTING THE RECORD STRAIGHT

Troubles come in threes, Marlene Scanlon discovered in the past two weeks.

In promoting Scanlon Gallery's Wildlife Art show, first the Ketchikan Daily News printed a picture of Terry Pyles' Humpback whale upside down and then the Ketchikan Record, not once but twice misidentified pictures in a story of the art show.

The sculptures "Glory Run" and "Bore Tide" are by artists Jacques and Mary Regat of Anchorage.

Our apologies to all the artists and especially to Marlene.

Annette Island.

Before the war Pan Am's planes were Sikorsky Clippers. After the war they were Strato-Clippers.

PARKS AND REBUILDING

Harry Johansen called to tell us that before the Parks and Rec building on Main Street was KTKN-KATV, it was Reagan's Cold Storage, although he wasn't sure of the spelling.

There was a meat cutter on duty and lockers, and customers could bring in their deer to be cut and wrapped.

He thinks before that it was a clothing store, but he wasn't sure which one.

PAN AM LOCATIONS

Bud Beck, commenting on a Step in to the Past feature, called to tell us that Pan Am Clippers landed at Peninsula Point before World War II. But after wartime Annette Island airfield was built, the Pan Am planes landed at

ABOUT THE BOROUGH

After reading a recent Ketchikan Trivia column, Roland Stanton called to tell us that the late Don King was the first borough chairman. He also said that Ketchikan Gateway Borough was

the only borough in the state to organize voluntarily. Other boroughs organized only after a mandatory borough act, he said.

He also mentioned that it was the late Paul Wingren who suggested the name "Gateway" for Ketchikan's borough. In so doing he won a \$25 prize but declined the money.

WANT ADS

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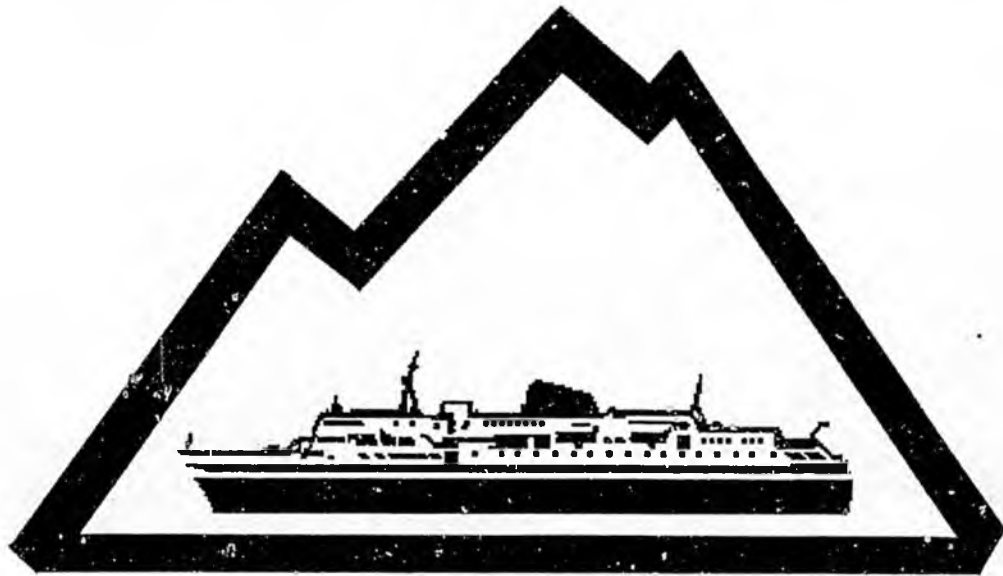
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ALASKA MARINE HIGHWAY SYSTEM

TRANSPORTATION COMMITTEE PRESENTATION

DRAFT

FEBRUARY 7, 1990

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TABLE 1

AMHS VESSEL INFORMATION

	<i>ML</i> TAKU	<i>ML</i> MATANUSKA	<i>ML</i> MALASPINA	<i>ML</i> COLUMBIA	<i>SE/North</i> LECONTE	<i>SW</i> BARTLETT	<i>SW</i> TUSTUMENA	<i>out</i> CHILKAT	<i>SE/South</i> AURORA
DATE COMPLETED	1963	1963	1963	1974	1974	1969	1964	1957	1977
LENGTH	352	408	408	418	235	193	296	100	235
BEAM	74	74	74	85	57	53	59	35	57
DRAFT	15	15	15	17	13	13	15	8	13
TONNAGE	2458	3029	2928	3946	1328	933	2174	256	1281
HORSEPOWER	8000	8000	8000	12350	4300	3468	3600	730	4300
CREW	42	50	50	66	24	24	37	7	24
PASS CAPACITY (SUMMER)	500	500 746	516 750	522 970	250	170	220 325	65 82	250
STATEROOMS	44	112	86	91	0	0	27	0	0
BERTH CAPACITY	106	256	274	312	0	0	58	0	0
VEH CAPACITY	105	120	120	170	47	38	50	15	47
MAX # OF VANS	10	21	21	22	10	13	12	1	10

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TABLE 2

DOLLARS BY COMPONENT

Component	(1)	(2)	(3)	
	FY89 ACTUALS	FY90 PROJECTED	FY91 ESTIMATE	
Marine Admin	\$2,352.0	\$2,210.4	\$2,352.8	(without budget analyst position)
Cus Ser Mngmt	2,422.3	2,521.3	2,567.7	(without \$250.0 marketing funds)
Ops Mngmt	771.3	891.4	981.6	
MFE Mngmt	434.6	339.6	464.5	
Marine CIP*	1,261.5	1,387.9	1,224.7	
Sub-total	\$7,241.7	\$7,350.6	\$7,591.3	
SE Shore	\$2,567.4	\$2,618.4	\$2,627.6	
SW Shore	680.2	790.3	780.0	
SE Vssl Op/Ov	45,943.5	46,228.9	46,747.3	(Vssl Ops represents FY90 service with about 1/2% cost increase)
SW Vssl Op/Ov	9,359.7	9,205.0	9,251.0	
Sub-total	\$58,550.8	\$58,842.6	\$59,405.9	
Total AMHS	\$65,792.5	\$66,193.2	\$66,997.2	

*GF funding not required for this component

o/o
 9 Cust. service
 2 facilities
 3 Admin
 85 - Operations - \$56 million

Trying to implement cost accounting
each vessel a cost center

in operating budget - extreme variable costs that are hard to manage
 overhaul is 1 big variable (Asbestos) (Parts)
 Very hard to predict costs

1986 procurement code is just now taking hold
 change orders big issue - thinks tightend up

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TABLE 3a

WEEKS OF SERVICE

	FY89 ACTUAL	FY90 PROJECTED	FY91 ESTIMATE
	-----	-----	-----
COLUMBIA	15.3	19.0	19.0
MATANUSKA	45.0	43.5	44.1
MALASPINA	42.9	32.0	27.9
TAKU	33.6	43.0	43.9
	-----	-----	-----
SE MAINLINE	136.8	137.5	134.9
AURORA	39.4	44.5	44.1
LECONTE	44.9	44.0	45.4
CHILKAT	14.6	0.0	0.0
	-----	-----	-----
SE FEEDER	98.9	88.5	89.5
	=====	=====	=====
SE VSSLS	235.7	226.0	224.4
TUSTUMENA*	38.4	38.5	38.5
BARTLETT	42.5	43.5	44.1
	-----	-----	-----
SW VSSLS	80.9	82.0	82.6
	=====	=====	=====
TOTAL AMHS	316.6	308.0	307.0

*includes alternative service during Tustumena refurb

TABLE 3b

TRAFFIC AND REVENUES

	FY89 ACTUALS	FY90 PROJECTED	FY91 ESTIMATE
	-----	-----	-----
AMHS TRAFFIC			
PASSENGERS	395,000	391,000	394,000
VEHICLES	105,000	106,000	107,000
AMHS REVENUE*	\$35,837.0	\$34,800.0	\$37,100.0

*does not include op bdgt CIP revenues

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TABLE 4

VESSEL COSTS

	(1)		(2)		(3)	
	FY89 ACTUALS		FY90 PROJECTED		FY91 ESTIMATE	
	TOTAL	OVERHAUL*	TOTAL	OVERHAUL*	TOTAL	OVERHAUL*
COLUMBIA	6,175.9	943.9	7,013.1	966.4	7,258.2	
MATANUSKA	8,856.9	528.0	9,206.5	542.4	9,337.5	
MALASPINA	8,548.9	407.2	7,647.1	588.3	7,677.7	
TAKU	7,106.4	613.0	8,604.2	730.9	8,647.2	
AURORA	4,251.0	358.2	4,718.9	347.2	4,742.5	
LECONTE	5,014.9	568.7	4,809.7	364.7	4,833.7	
CHILKAT	304.1	60.4	1.6	0.0	1.6	
ALL VSSLS	5,685.4	11.5	4,227.8	10.0	4,248.9	
TOTAL SE	45,943.5	3,490.9	46,228.9	3,549.9	46,747.3	3,585.1
TUSTUMENA	5,198.8	463.2	4,882.0	382.4	4,906.4	
BARTLETT	3,329.0	282.3	3,662.0	250.8	3,680.3	-
ALL VSSLS	831.9	0.1	661.0	5.0	664.3	
TOTAL SW	9,359.7	745.6	9,205.0	638.2	9,251.0	704.6
SE & SW TOT	55,303.2	4,236.5	55,433.9	4,188.1	55,998.3	4,289.7

*overhaul operating funds only: SIP not included

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TABLE 5

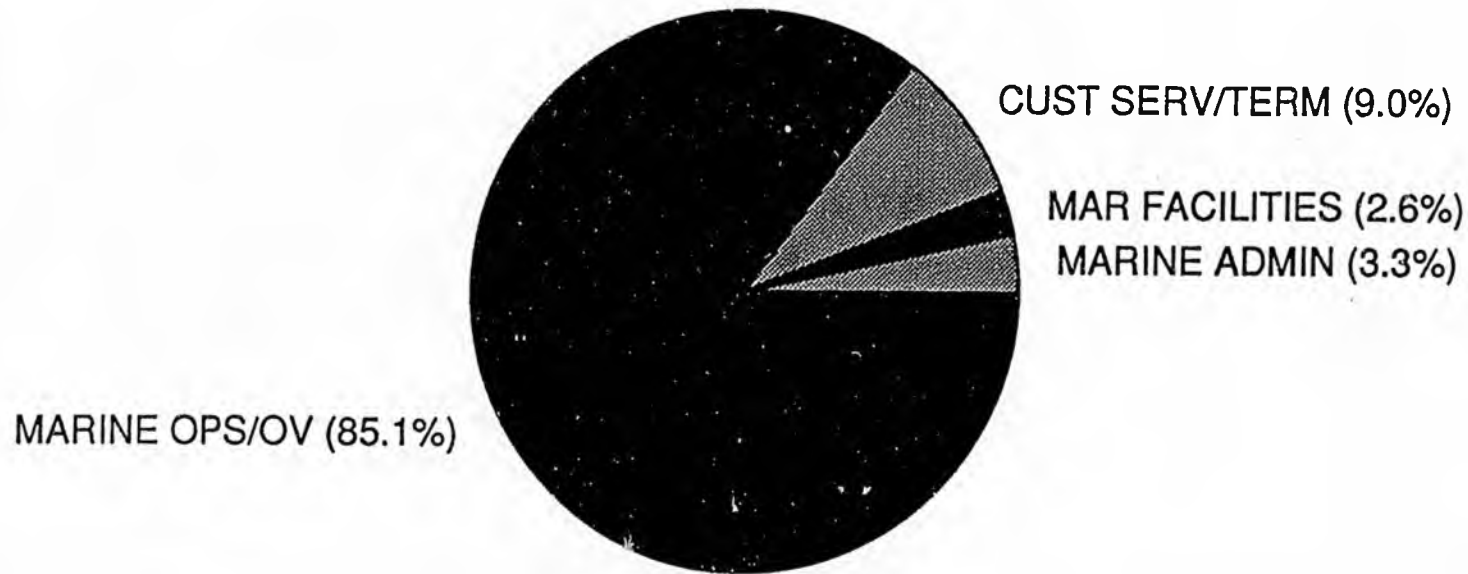
PERSONNEL BY COMPONENT

Component	(1)			(2)			(3)		
	FY89 PFT	ACTUALS PPT	TOT	FY90 PFT	PROJECTED PPT	TOT	FY91 PFT	ESTIMATE PPT	TOT
-----	----	----	----	----	----	----	----	----	----
Marine Admin	46	1	47	44	1	45	46	1	47
Cus Ser Mngmt	16	17	33	15	17	32	15	17	32
Ops Mngmnt	14	0	14	14	0	14	15	0	15
MFE Mngmnt	5	0	5	3	0	3	5	0	5
Marine CIP	21	0	21	20	0	20	17	0	17
	----	----	----	----	----	----	----	----	----
Sub-total	102	18	120	96	18	114	98	18	116
SE Shore	23	16	39	23	15	38	19	15	34
SW Shore	3	2	5	3	2	5	3	2	5
SE Vssl Op/Ov	518	109	627	518	109	627	518	109	627
SW Vssl Op/Ov	63	35	98	63	35	98	63	35	98
	----	----	----	----	----	----	----	----	----
Sub-total	607	162	769	607	161	768	603	161	764
Total AMHS	709	180	889	703	179	882	701	179	880

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TOTAL AMHS OPERATING BUDGET

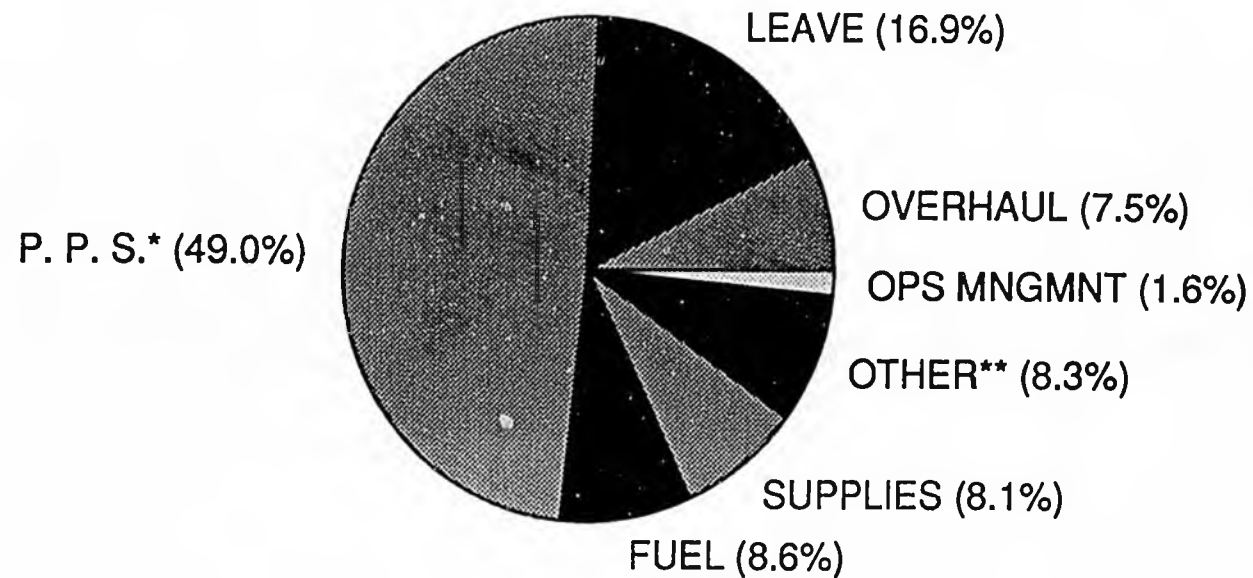
FY 90 Total = \$66,193,200*



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SE and SW VESSEL OPERATIONS

FY90 Total = \$56,325,300



*P. P. S. = Productive (Non-Leave) Personal Services

**Includes travel, risk management and non-overhaul contractual and equipment

**ALASKA MARINE
HIGHWAY SYSTEM**

House Transportation Committee

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October 26th, 1989

TO: House Transportation Committee members

FROM: Representative Bette Cato

SUBJECT: Alaska Marine Highway System

During the past 4 months, House Transportation Committee staff and I have been working on an overview of the Alaska Marine Highway System. A detailed analysis has also been completed on House bill 81 - An act establishing an Alaska Marine Highway Authority.

While I realize there are still many questions that need to be answered, I feel strongly that it is time to take a good hard look at the current system. It is becoming increasingly evident that AMH is having difficulty keeping up with the demands being placed upon the system. This is not surprizing when we consider the system is now 25 years old and no significant changes have taken place during this time.

Aging vessels, coupled with budgetary constraints force ships to be off line for longer periods of time. As a result, several areas in our state have winter service schedules that are totally inadequate. No funds have been identified for vessel replacement. No alternate deployment scenario has been proposed. The system just seems to be *existing* year to year.

AMHS and DOT/PF management have continually assured me the department is aware of the concerns and changes will be made. While I commend each Director and Commissioner for their efforts, the basic problem still remains: There has been no continuity in AMHS management. During the past 4 years, the leadership of the system has changed 6 times (3 Commissioners and 3 Directors). This causes the AMHS to be in a constant holding pattern while new management become familiar with the marine highway. It is therefore not surprizing that the Master plan for AMH is now two years overdue. This is disastrous when we realize that federal funding authorized in SLA 86 for hi-speed ferries cannot be approved until a Master Plan is adopted.

The AMHS operates like a business. The vessels sail 24 hours a day, 365 days a year. Like any business, it needs to have strong leadership, a well defined plan for the future and the ability to respond quickly to change. If the system is to survive, it cannot continue to be subject to politics and bureaucracy. It is time to provide the system with the autonomy it needs to operate efficiently. I feel the creation of an Alaska Marine Highway Authority would accomplish this goal. While AMHS would still be an instrumentality within DOT/PF, an authority would provide management with the autonomy to aggressively plan for the future and the continuity to implement these plans.

I apologize if I have been too outspoken on this issue, but as many of you are aware, the marine highway system is something I have always felt very strongly about. In compiling this report, I realized how many hours have been spent studying the problems of the system. I am sorry to say, very few of the recommendations made have ever been implemented.

I hope this report will provide you with background information and ideas from which to base your decisions. If you would like any further information, please do not hesitate to contact the staff in my Anchorage office, 561-7625.

Thank you.

THE ALASKA MARINE HIGHWAY AUTHORITY

THIS YEAR, THE ALASKA MARINE HIGHWAY SYSTEM CELEBRATED IT'S 25TH ANNIVERSARY. THE SYSTEM HAS UNDERGONE MANY CHANGES SINCE IT WAS FIRST ESTABLISHED IN THE EARLY 1960'S. DEMANDS ON THE SYSTEM CONTINUE TO GROW WHILE THE FUNDS AVAILABLE TO RUN THE SYSTEM HAVE NOT INCREASED SIGNIFICANTLY OVER THE PAST 4-5 YEARS.

SEVERAL REPORTS/STUDIES COMPLETED DURING THE PAST 5 YEARS HAVE LOOKED AT ALTERNATIVES FOR THE SYSTEM. CONCERNS HAVE BEEN EXPRESSED ABOUT THE ABILITY OF THE A.M.H.S. TO CONTINUE TO PROVIDE ADEQUATE, EFFICIENT AND ECONOMICAL TRANSPORTATION SERVICE FOR ALASKA.

One area that draws constant debate is the overall mission and expectations of the AMHS.

Proponents of the system feel strongly that:

- The AMHS is a vital link in the state's transportation system. There is no private service for transportation of passengers, vehicles or roll on/roll off freight containers on many of the statewide routes or schedules maintained by the AMHS
- While general fund appropriations are needed to maintain the system, the revenues generated cover over 50% of the total costs needed to run the system.
- the mission of the system is being fulfilled by AMH and, given the service obligations, proponents feel it is impressive that the system is able to return over 50% of it's operational costs.

DOT/PF acknowledge changes are still needed, however management feels there needs to be some clarification of what exactly have been the problems and what specific fundamental changes are desired in modifying how the system functions. Management feels many improvements and changes have been implemented over the past few years and that once *clearly* defined, other areas of concern will be addressed.

WHY CHANGES ARE NEEDED

In April 1984, former Governor Bill Sheffield's AMHS Task Force concluded, among other issues, that the system needed to redefine its goals due to changes in needs and priorities since the start of the system in 1963. The Task Force felt there was a definite "lack of continuity of purpose" and a need for a comprehensive plan to provide for future operations." The main issue the Task Force seemed concerned about was ensuring continuity in top department and AMHS management.

Today, almost 5 years later, the AMHS Master Plan is still not completed. This report, due almost 2 years ago, is expected to be available at the end of 1989.

With the recent resignation of the AMHS Director, Mr. George Davidson, continuity in AMHS management continues to be of concern. During the past 5 years, three directors and three Commissioners have managed the system. Without a concrete plan in place and with no continuity in management, real concerns over the future of the AMHS continue to be raised.

After numerous meetings and discussions, the following points summarize several of the main areas of concern:

- Many of the ships in the current fleet are old. The cost of maintaining the vessels continues to increase while funds to run the system appear to be decreasing.
- The system does not appear to have kept pace with industry changes. Basically, the ships utilized by the system today are the same vessels that were originally purchased 25 years ago. Large, inefficient mainline vessels are still providing in-state feeder route service.
- No funds are available for vessel replacement. With the high cost of vessel replacement (Columbia \$70 million, Malaspina \$53 million), the time is fast approaching when major capital funds are going to be required to purchase new vessels. To date, no funding source has been identified. With a total yearly federal DOT allocation of approximately \$140 million, it would take almost half of the state's total yearly allocation to replace a vessel. With

many other ongoing transportation projects, this approach would severely impact the allocation of funds to other much needed transportation projects and, at best, one existing vessel could be replaced.

- Each year, the amount of time vessels are off-line is increasing. This, in part, is due to the lack of adequate funding and also because the age of the vessels make overhaul periods more lengthy. Regardless, service to much needed areas like Cordova is affected.
- Many of the recommendations made by the Governor's Task Force in 1984 have not been implemented. While there is a tremendous number of studies on alternatives for the AMHS, the system today is much the same as it was 25 years ago.
- While federal and general funds (\$4,905,000) have been authorized to build high speed ferries, the department has not evaluated any high speed ferry vessels or alternative deployment scenarios. These funds remain on hold pending completion of the system master plan.
- Opportunities to expand/increase service by working with other ship lines such as Gotland have not been fully capitalized upon. AMHS is now faced with trying to respond to the impacts felt by Gotlands presence in the marketplace.
- The AMHS appears to be unable to make quick decisions when required. While departmental support staff are beneficial to the system, state procurement procedure and state bureaucracy reduce the systems ability to make much needed immediate management decisions. Vessels remain off-line for long periods of time while departmental procedures and requirements are adhered to.

SUMMARY

After 25 years of operation, it is time to look at the future of the AMHS. While the original statement of mission for the system still holds true today, (to provide a vital link in the state's transportation system), many other factors now need to be considered. With the demands continually increasing, the marketplace constantly changing, technology becoming more sophisticated, and the budgeting process becoming more uncertain, it is time to look very carefully at the future of this important system.

THE BASIC QUESTIONS REMAIN:

1. What *exactly* is the desired role of the AMHS?
2. What changes/plans need to be implemented today to ensure the AMHS will continue to provide efficient in-state transportation services in future years?
3. In what direction should the system be headed?
4. What expectations do we have for the system?
5. How can the current system be improved upon?

THE ALASKA MARINE HIGHWAY AUTHORITY

HOUSE BILL 81

THE PURPOSE OF HOUSE BILL 81 IS TO ESTABLISH AN AUTHORITY FOR THE OPERATION, MANAGEMENT, PLANNING, AND CONSTRUCTION OF FACILITIES FOR THE MARINE HIGHWAY SYSTEM WITH A LEGAL EXISTENCE INDEPENDENT AND SEPARATE FROM STATE GOVERNMENT.

THIS REPORT WILL ATTEMPT TO GO THROUGH EACH SECTION OF HOUSE BILL 81 AND ADDRESS THE INTENT OF THE BILL AND ANSWER QUESTIONS THAT HAVE BEEN RAISED CONCERNING EACH AREA.

1. CREATION OF THE AUTHORITY

THE AUTHORITY IS ESTABLISHED AS A PUBLIC CORPORATION. WHILE THE AUTHORITY IS STILL AN INSTRUMENTALITY OF THE STATE WITHIN THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, IT HAS A LEGAL EXISTENCE INDEPENDENT OF AND SEPARATE FROM THE STATE. ESSENTIALLY, THE AUTHORITY IS RESPONSIBLE FOR THE OVERALL MANAGEMENT OF THE AMHS. THE BOARD OF DIRECTORS FOR THE AUTHORITY ANSWER DIRECTLY TO THE GOVERNOR. WHILE THE AUTHORITY HAS A LEGAL EXISTENCE OF IT'S OWN, IT IS STILL AN INSTRUMENTALITY WITHIN THE D.O.T AND THEREFORE LEGALLY STILL CONSIDERED TO BE A STATE AGENCY.

The AMHS was established in the early 1960's. Voters approved the sale of bonds to fund four vessels, the M/V Tustemena, M/V Matanuska, M/V Taku and the M/V Malispina. Since that time, 5 more vessels have been added to the fleet which now comprises a total of nine vessels.

The mission of the AMHS is derived from a variety of sources. Its enabling legislation provided its initial direction. The mission for the AMHS is stated as follows:

Mission statement of AMHS:

The AMHS serves as a marine mode alternative in lieu of a land highway system, and provides basic access among and between the communities which it serves and the continental surface transportation network. To the extent that capacity and fiscal capability is available to provide services at a level beyond basic access to Alaskan communities, service will be provided to spread system costs over a larger traffic base permitting better service to Alaskans and supporting local economic development.

Many questions concerning the direction, policies, mission and overall operations of the AMHS under the authority have been raised.

The following information attempts to review House bill 81 (Establishing and Alaska Marine Highway Authority). Each section of the bill is discussed and questions that may need to be addressed have been raised.

THE ORGANIZATION

The authority consists of seven directors appointed by the Governor:

- a representative of commercial carrier
- a representative of the maritime industry
- a representative from the tourism industry
- four members of the public at large served by the marine highway system as follows:
 - a. one member from region one (extending from Dixon Entrance to Icy Cape)
 - b. one member from region two (Kodiak Island)
 - c. one member from region three (Prince William Sound)
 - d. one member from region four (Interior Alaska)

The directors serve at the pleasure of the governor for four year terms.

The directors must be residents of the state and shall comply with the requirements of AS 39.50 (Conflict of Interest).

Directors of the authority will serve without compensation but are entitled to travel and per diem expenses authorized by law for state boards and commissions.

Question

a. Should the Board of Directors be increased to include the Commissioner of the Department of Transportation and Public Facilities?

b. What criteria should govern board composition? Should an employee sit on the board? Should there be other government officials on the board?

c. Should there be a requirement for one member to have at least 5 to 10 years experience in marine highway management. In order to adequately meet this requirement should the instate residency requirement be waived for this seat?

d. Is there a need to have a representative from an employee bargaining unit/union on the board?

e. Do members of the board need to be confirmed by the legislature?

STAFF

The authority shall employ an executive director who serves at the pleasure of the authority as its chief administrative officer. The executive director may, with the approval of the authority, select and employ staff as necessary. Employees of the authority other than legal counsel and the executive director are in the classified service under AS 30.25. In addition to regular employees the authority may contract for and engage the services of those persons/agencies the authority considers necessary for the purpose of developing information, studies, hearings, investigations or other proceedings.

Question

1. Will employees of the authority be state employees?

Yes. All employees of the authority except the executive director and legal counsel are in the classified service under AS 39.25. Employees will therefore be subject to all requirements and benefits outlined under Chapter 39 (Public Officers and Employees statute).

Who currently negotiates union contracts on behalf of the state and the A.M.H.S.?

The negotiating team for the state consists of two representatives including the chief spokesman from the Department of Administration; two representatives from the Alaska Marine Highway System (usually the Personnel Officer and the Assistant Director); and this past year a representative from the DOT&PF headquarters staff.

Will the authority have direct control over the labor relations functions, particularly collective bargaining?

The state labor relations agency will remain the negotiating team for the A.M.H.S. It would seem beneficial to have two members from the authority as part of the state negotiating team. Currently, two members from A.M.H.S sit on the negotiating team. Consideration could be given to changing/adding members to the negotiating team to include members from the authority. Ultimately, the final labor relations decisions rest with the Governor. Under an authority this would not change.

PERSONNEL AND UNIONS

What unions currently represent employees of the A.M.H.S.? What is the status of each union contract?

Currently, all vessel employees are represented by one of three unions:

The Inland Boatman's union - This union represents the largest group of ferry workers. Approximately 625 workers belong to this union. Contract talks with IBU representatives and the administration ceased this summer when union members overwhelmingly rejected a wage agreement with the AMHS. Talks will not resume again until February 1990 when the workers' three year contract requires wage talks to begin for the contract's final year.

Masters, Mates and Pilots Association - representing 65 licensed captains and deck officers, has been working without a contract since March, 1988. This union has been working under yearly agreements until both sides can come to terms on a contract.

Marine Engineers Beneficial Association - This union represents approximately 60 employees. The union reached agreement on a three year contract June, 1989 calling for a wage reopener. The issue of a cost of living increase still needs to be agreed upon before April 1, 1990.

Four other unions represent 121 shoreside personnel:

Alaska State Employees Association
Alaska Public Employees Association
Public Employees Local 71
Public Employees Association

SOUTHEAST SYSTEM

Employees hired prior to April 1, 1985

Years of Continuous Service	Vacation Accrual (hours per year)
1 but less than 2	84 = 1 work week, or 2 wks vacation
2 but less than 3	168 = 2 work weeks, or 4 wks vacation
3 but less than 4	252 = 3 work weeks, or 6 wks vacation
4 but less than 5	336 = 4 work weeks, or 8 wks vacation
5 but less than 7	420 = 5 work weeks, or 10 wks vacation
7 but less than 10	504 = 6 work weeks, or 12 wks vacation
10 or more	588 = 7 work weeks, or 14 wks vacation

Employees hired after April 1, 1985

Years of Continuous Service	Vacation Accrual (hours per year)
1 but less than 2	84 = 1 work week, or 2 wks vacation
2 but less than 3	168 = 2 work weeks, or 4 wks vacation
3 but less than 4	252 = 3 work weeks, or 6 wks vacation
4 but less than 5	336 = 4 work weeks, or 8 wks vacation
5 or more	420 = 5 work weeks, or 10 wks vacation

The tables above are covering the employees in the southeast system. The employees in the southwest system of IBU earn "A" days (accumulated days off) based on the following schedule for each day that they work:

SOUTHWEST SYSTEM

Employees hired prior to April 1, 1985

Years in the System	Accrual Rate
0 but less than 2	1/2 day
2 but less than 3	2/3 day
3 but less than 7	3/4 day
7 but less than 9	7/8 day
9 or more	1 day

Employees hired April 1, 1985 and after

Years in the System	Accrual Rate
0 but less than 2	1/2 day
2 but less than 5	5/8 day
5 but less than 7	3/4 day
7 or more	7/8 day

Members of the MM&P union employed on the M/V TUSTUMENA earn southeast accruals for each month of employment as well as 1/2 an "A" day for each day worked. MM&P employees on the M/V BARTLETT receive 12 days of vacation for each thirty (30) days of employment.

Members of the MEBA union in the southwest system receive personal leave instead of vacation and sick leave. Those employees hired prior to April 1, 1985, receive 12.75 days per month; those employees hired after April 1, 1985, receive 11.75 days per month.

9. In view of the fact that many AMHS employees work a week on week off schedule, how many total days/weeks would each group of employees ~~would~~ be off work each year for vacation?

Southeast employees normally work 84 hours during a work week; their work schedule is to work one week followed by one week off. They earn leave for the 84 hours worked in one week but receive no leave credit for the week off. This in itself would equate to the employees receiving 26 weeks off during the course of a year plus the vacation accruals as listed above.

Comparison of Productive Hours/Year: Vessel and shore employees.

If employees take 100% of the leave they accrue each year, how many hours of productive time would be left, assuming no sick leave consumption?

IBU - Southeast

(1) No. of weeks/ year	(2) Vac hours/ year	(3) Vac weeks/ year (2)/42	(4) Weeks avail for work (1)-(3)	(5) Week/on Week/off avail- ability (4)/(2)	(6) Hours/ week	(7) Produc- tive hours/ year (5)*(6)	(8) No of emplys in this catgry
52	84	2	50	25	84	2,100	25
52	168	4	48	24	84	2,016	14
52	252	6	46	23	84	1,932	36
52	336	8	44	22	84	1,848	30
52	420	10	42	21	84	1,764	43
52	504	12	40	20	84	1,680	65
52	588	14	38	19	84	1,596	129

Shore side Employees

(1) No. of weeks/ year	(2) Vac hours/ year	(3) Vac weeks/ year (2)/37.5	(4) Weeks avail for work (1)-(3)	(5) Week/on Week/off avail- ability (4)/(2)	(6) Hours/ week	(7) Produc- tive hours/ year (4)*(6)	(8) No of emplys in this catgry
52	112.5	3.0	49.0	N/A	37.5	1,837.5	unknown
52	157.5	4.2	47.8	N/A	37.5	1,792.5	unknown
52	180.0	4.8	47.2	N/A	37.5	1,770.0	unknown
52	225.0	6.0	46.0	N/A	37.5	1,725.0	unknown

SW employees in IBU work 8 hour days continuously. MM&P and MEBA employees work 8 hours per day on M/V TUSTUMENA and 12 hours per day on the M/V BARTLETT. Only time off is for vacation or sick leave.

10. How many relief employees were hired to cover vacation leave during FY 88 or FY 89? What was the cost to the system for these relief employees?

In FY 88, 2 new temporary employees were hired in MM&P; 30 new temporary employees were hired in MEBA; and 90 new temporary employees were hired in IBU. In FY 89, to date, 8 new temporary employees have been hired in MEBA; 28 new temporary employees have been hired in IBU; none have been hired in MM&P.

To hire the 118 IBU employees for 6 pay periods and the 40 licensed employees for approximately 168 hours equals approximately \$1,036,100.00 plus benefits. These new employees provided coverage for summer positions, vacation leave and sick leave. Other full time permanent employees provide vacation coverage on a regular basis.

11. Currently, what are the unions that represent Alaska Marine Highway employees? How many employees belong to each union or bargaining unit?

VESSEL
EMPLOYEES

IBU 625
MEBA 80
MM&P 60

SHORESIDE EMPLOYEES

Exempt 5
LTC 6
Supervisory 17
Confidential
General
Government 115

12. How long is each union contract/agreement in place for?

IBU currently has a three year agreement with the State of Alaska, with yearly wage reopeners, which will expire on March 31, 1991. MM&P has a one year agreement which will expire March 31, 1989. MEBA does not currently have an agreement in place; negotiations are continuing in order to reach a long term agreement.

13. Who currently negotiates these contracts on behalf of the state?

The negotiating team for the State consists of two representatives including the chief spokesman from the Department of Administration, Division of Labor Relations; two representatives from the Alaska Marine Highway System, usually the Personnel Officer and the Assistant Director; and this past year we have included a representative from the DOT&PF headquarters staff.

14. What is the anticipated annual cost, including accumulated debt, by employee vacation accrual?

The most recent figures in EIS indicate the following accruals per year. The dollar values shown assume that the accrued hours would be paid at today's wages. COLA compensation is not included. The following table shows the value of outstanding leave liability.

Category	Accrual/Year		Use/Year		Contribution to debt/Year	
	Hours	Dollars	Hours	Dollars	Hours	Dollars
SE IBU vacation	171,180	2,512,900	161,370	2,368,890	9,810	144,010
SE MEBA vacation	36,600	303,370	35,480	778,790	1,120	24,580
SE MM&P vacation	28,990	662,711	25,100	573,790	3,890	88,930
Total SE	236,770	3,978,981	221,950	3,721,470	14,820	257,520
SW IBU A-days	92,400	1,118,040	87,100	1,053,910	5,300	64,130
SW MEBA Pers. Lv.	10,970	174,400	10,630	168,990	340	5,410
SW MM&P A-days	6,220	112,100	5,390	97,140	830	14,960
SW MM&P vacation	12,300	191,000	10,650	165,380	1,650	25,620
Total SW	121,890	1,595,540	113,770	1,485,420	3,120	110,120
Total SE and SW	358,660	5,574,521	335,720	5,206,890	22,940	367,640

Note: "Dollars" are estimated based on average wage per hour by bargaining unit. COLA compensation is not included. "Use" in SW is estimated based on SE rates.

AMHS Outstanding Leave Liability*
as of 9-30-88

<u>HOURS</u>	<u>IBUP</u>	<u>MEBA</u>	<u>MM&P</u>
SE vacation	139,497	33,722	23,589
SW vacation	313	1,182	8,555
SW personal lv	588	9,766	0
SW A-days	<u>62,963</u>	<u>474</u>	<u>4,653</u>
TOTAL	203,361	45,144	36,797
TOTAL VACATION HOURS.....			285,302
SE sick lv	233,834	57,940	67,918
SW sick lv	<u>43,175</u>	<u>1,982</u>	<u>12,470</u>
TOTAL	277,009	59,922	80,388
TOTAL SICK LEAVE HOURS.....			417,319

<u>DOLLARS</u>	<u>IBUP</u>	<u>MEBA</u>	<u>MM&P</u>
SE vacation	2,329,600	785,700	594,400
SW vacation	4,200	20,200	157,300
SW personal lv	8,000	167,200	0
SW A-days	<u>851,900</u>	<u>8,100</u>	<u>85,600</u>
Total	3,193,700	981,200	837,300
TOTAL VACATION \$\$'s.....			5,012,200
SE sick lv	3,905,000	1,350,000	1,711,500
SW sick lv	<u>584,200</u>	<u>33,900</u>	<u>229,300</u>
Total	4,489,200	1,383,900	1,940,800
TOTAL SICK LEAVE \$\$'s.....			7,813,900
TOTAL SYSTEM LEAVE LIABILITY.....			<u>\$12,826,100</u>

*"Hours" represents actual figures. "Dollars" represents an estimate based on average wage per hour by bargaining unit. COLA compensation is not included.

POWERS OF THE AUTHORITY

The authority has been granted power to:

- adopt and enforce bylaws and regulation for the conduct of its business and for the use of its services and facilities.
- maintain offices at places in the state that are served by the marine highway system.
- subject to appropriation of the legislature, acquire, hold, use and dispose of its income, revenues, funds, and money.
- operate, maintain, improve, and extend a system of ferries connecting with the public roads and highways of the state.
- establish rates and tariffs, after public hearings.
- modify routes, after public meetings.
- acquire, hold, use, lease, rent, construct, and dispose of real and personal property for its purposes.
- sue and be sued
- adopt an official seal.

DUTIES OF THE AUTHORITY

House Bill 81 stipulates duties for the authority:

- Assist the residents, businesses, and communities of the state in obtaining the best and most frequent possible marine passenger and freight service.
- Schedule vessel sailings to maximize the frequency of service to all ports.

- Encourage and integrate with other public and private carriers to provide maximum service within the state and between Alaska and ports outside the state.
- encourage in state vessel maintenance, construction and service to the greatest extent possible.
- employ residents of the state to the greatest extent possible.
- provide reservation access and marketing information throughout the state
- recognize Alaska based unions and employee associations.
- require prepayment of reservations

The authority would provide the marine highway system with the autonomy it needs to make day to day management decisions. Currently, the Commissioner of DOT/PF is given direct and full responsibility for all modes of transportation including roads, airports and ferries. With the size of the department and the number of responsibilities, it is impossible for any Commissioner to be involved in the decisions affecting the system on a daily basis. The authority would provide continuity of leadership on a continual basis. In contrast to the Commissioner, board members for the authority would have a single purpose.

Decisions affecting the system such as vessel replacement, labor relations, routing, fare increases, budgetary concerns, etc. would be dealt with on an ongoing basis by the board of directors and employees of the authority. Essentially, instead of the decisions being made by one person who is responsible for the entire transportation system, you would have seven members who would deal with all issues affecting the *AMHS only*, on a continual daily basis.

Focusing this much time and attention ("brainpower") in one single area will no doubt benefit the system. Many people argue that management of any business is the key to its success.

ALASKA MARINE HIGHWAY SHORE FACILITIES

There are currently 35 AMHS shore facilities within Alaska. 18 of these shore facilities are owned by the State of Alaska (AMHS). The remaining 17 facilities are owned by other entities or individuals and leased by the AMHS.

Under the authority, it is proposed that all shore facilities and land currently used by the AMHS to provide service would be transferred/leased to the authority.

House bill 81 (Page 3 line 20) provides the authority with the following powers:

- a. Maintain offices at a place in the state and at places out of state that are served by the marine highway system.
- b. acquire, hold, use, rent, lease, construct, and dispose of real and personal property for its purpose.
- c. operate, maintain, improve, and extend a system of ferries connecting with the public roads and highways of the state including the boats, vessels, wharves, docks, approaches, landings, and appurtenances the authority determines to be necessary or desirable for safe and efficient operation of the ferry system.

QUESTION

*a. How should land ownership be handled insofar as terminal holdings are concerned?
Should title to the land be given to the authority?*

The land and facilities currently utilized by the A.M.H.S belongs to several different entities. The State Department of Transportation holds title to a majority of the land however, the Department of Natural Resources also has title to some of this land. In addition, the land and facilities leased by the A.M.H.S. is owned by cities, boroughs and private individuals. It is anticipated the leases currently in place with the A.M.H.S. could be transferred or renegotiated by the authority. The questions surrounding the lands currently held by the state would need to be addressed. Should land currently held by the state and utilized by the A.M.H.S. be transferred to the authority?

b. What restrictions, if any, should apply to appropriate land uses?

c. What about public use of this land?

This section is somewhat unclear. Page 6, Line 18 states the authority may adopt regulations governing the use of ferry terminal facilities by the public.

d. Should any powers of eminent domain be granted?

e. Is there a need to more clearly define the specific power of the authority to manage, lease, purchase, dispose or exchange lands that belong to the state?

House bill 81 provides the authority with the power to acquire, purchase, gift or exchange privately or publicly owned land in fee simple or easements that it considers necessary and reasonable for either temporary or permanent public use. The authority may vacate land by filing a deed in the appropriate recording district. This land would then revert to the persons, heirs, or successors to whom it was vested at the time of taking.

The authority may transfer land not considered necessary for use to the Department of Natural Resources for disposal. Proceeds of disposal shall be credited to the funds from which the purchase was originally made.

g. Is there a need for the Department of Natural Resources to approve any land purchases by the authority?

The authority may acquire land or materials notwithstanding the fact that title to it is vested in the state or a department, agency, commission, or institution of the state.

h. What about purchasing supplies and equipment? Would State Procurement Policies need to be followed?

Page 6 Line 13 states that any purchasing undertaken for the acquisition or maintenance of ferry terminal facilities are governed by AS 36.30 (State Procurement Code)

AMHS - owned facilities

Angoon
Auke Bay
Clark Bay
Cordova
Haines
Hollis
Hoonah
Kake
Ketchikan
KVMF/South Berth
Metlakatla
Petersburg
Sitka
Skagway
Tenakee
Valdez
Whittier
Wrangell

Non-AMHS owned facilities

Chignik
Cold Bay
Cordova
Homer
King Cove
Kodiak
Ouzinkie
Pelican
Port Lions
Prince Rupert
Sand Point
Seattle
Seldovia
Seward
Tatilted/Ellamar
Unalaska
Valdez

In 1988, AMHS, Marine Facilities engineering division completed a condition survey report for all 36 shore facilities. The following pages outline the status of each facility

AMHS Shore Facility Long Term

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
1989	Hoonah	Illumination	3	Improve area lighting	
1989	Hoonah	Parking	3	Provide and delineate long-term and transient parking	
1989	Hoonah	Staging	3	Enlarge staging area	\$400,000
1989	Valdez	Fendering	3	Replace fender systems	\$120,000
1990	Petersburg	Other: Sea-plane float	5		\$100,000
1992	Metlakatla/ Walden Pt.	Lift/Pontoon	0	Add ballast handling or ramp adjusting system	
1992	Metlakatla/ Walden Pt.	Building	8	Renovate for indoor plumbing	
1992	Metlakatla/ Walden Pt.	Power	8	Provide auxiliary/emergency generator	
1992	Metlakatla/ Walden Pt.	Sewer	0	Provide sewer system	
1992	Metlakatla/ Walden Pt.	Water	0	Provide water system	\$250,000
1992	Tenakee Springs	Fendering	6	Replace timber fender piles on dock	\$ 40,000
1994	Petersburg	Fendering	6	Replace southern lead in fender	
1994	Petersburg	Illumination	8	Improve to accommodate improved parking/staging area	
1994	Petersburg	Mooring	6	Add zincs to piles	
1994	Petersburg	Mooring	6	Replace southern lead in dolphin	
1994	Petersburg	Parking	6	Reconstruct and reconfigure parking area	
1994	Petersburg	Staging	6	Reconstruct and reconfigure staging area	\$450,000
1995	Auke Bay-mainline	Sewer	6	Replace with secondary system/ marine outfall or tie to city system	\$ 30,000
1995	Clark Bay	Basin	7	Remove pinnacles on approach to allow larger vessels	
1995	Clark Bay	Building	5	Provide new building with all amenities, like Sitka	

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
1997	Whittier	Catwalks/ Gangways	0	Reconfigure for TUSTEMENA	
1997	Whittier	Fendering	0	Add fendering for TUSTEMENA	
1997	Whittier	Mooring	0	Add mooring structures for TUSTEMENA	
1997	Whittier	Transfer	0	Construct TUSTEMENA	\$550,000
1995	Multiple				
	Angoon	Mooring	8	Add zincs to piles	
	Auke Bay - Mainline	Mooring	8	Add zincs to piles	
	Haines	Mooring	8	Add zincs to piles	
	Hoonah	Mooring	8	Add zincs to piles	
	Skagway	Mooring	8	Add zincs to piles	
	Tenakee Springs	Mooring	8	Add zincs to piles	\$ 25,000
2000	Angoon	Parking	4	Provide and delineate transient and long-term parking	
2000	Angoon	Illumination	8	Reconfigure for new terminal building	
2000	Angoon	Building	0	Construct new terminal building	
2000	Angoon	Power	0	Construct power system with terminal building	
2000	Angoon	Sewer	0	Construct sewer system with terminal building	
2000	Angoon	Staging	7	Expand and delineate traffic pattern	
2000	Angoon	Water	0	Construct water system with terminal building	\$500,000
2001	Auke Bay-mainline	Building	9	Expand terminal building	
2001	Auke Bay-mainline	Power	9	Improve to accommodate improvements	\$150,000
2001	Haines	Building	8	Expand terminal building and add covered walkways	
2001	Haines	Fendering	6	Replace bulkhead fendering	
2001	Haines	Mooring	6	Rehabilitate/repair bulkhead	
2001	Haines	Power	9	Improve power system to accommodate terminal building expansion	
2001	Haines	Sewer	8	Improve to accommodate expanded terminal building	
2001	Haines	Water	7	Develop new potable source, provide system to ship, and expand terminal	\$1,000,000
2001	Hoonah	Mooring	0	Add dolphins to allow larger vessels	
2001	Hoonah	Fendering	0	Add fender systems for larger vessels	
2001	Hoonah	Catwalks/ Gangways	0	Add catwalks/gangways for larger vessels	\$300,000

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
2001	Sitka	Mooring	5	Add zincs to piles	
	Whittier	Mooring	0	Add zincs to piles	
	Wrangell	Mooring	8	Add zincs to piles	\$ 40,000
	Multiple - Auke Bay	Catwalks/ Gangways	9	Clean and recoat catwalks/gangways	\$ 60,000
	Auke Bay	Transfer	8	Clean and recoat bridge, replace worn hinges	\$ 80,000
	Haines	Catwalks/ Gangways	9	Clean and recoat catwalks and gangways	\$ 30,000
	Haines	Transfer	9	Clean and recoat	\$ 80,000
	Ketchikan-mainline	Catwalks/ Gangways	8	Clean and recoat catwalks and gangways	\$ 40,000
	Ketchikan-mainline	Lift/Pontoon	9	Clean and recoat pontoon	\$ 80,000
	Ketchikan-mainline	Transfer	9	Clean and recoat	\$ 80,000
	KVMF South Berth	Workfloat	9	Clean and recoat workfloats	\$150,000
	KVMF South Berth	Lift/Pontoon	9	Clean, recoat and change zincs	\$100,000
	KVMF South Berth	Transfer	9	Clean and recoat	\$ 80,000
	Metlakatla	Lift/Pontoon	7	Clean, recoat pontoon, change zincs	\$100,000
	Petersburg	Catwalks/ Gangways	9	Clean and recoat catwalks/gangways	\$ 60,000
	Petersburg	Lift/Pontoon	9	Clean and recoat barge, change zincs	\$ 80,000
	Petersburg	Transfer	9	Clean and recoat transfer bridge	\$ 80,000
	Sitka	Catwalks/ Gangways	9	Clean and recoat catwalks/gangways	\$ 20,000
	Sitka	Lift/Pontoon	9	Clean and recoat, change zincs	\$ 80,000
	Sitka	Transfer	9	Clean and recoat transfer bridge	\$ 80,000
Skagway	Catwalks/ Gangways	7	Clean and recoat catwalks/gangways	\$ 20,000	
Skagway	Transfer	8	Clean and recoat pedestrian transfer bridge	\$100,000	
Tenakee Springs	Lift/Pontoon	9	Clean, recoat, and replace zincs	\$ 80,000	
Whittier	Catwalks/ Gangways	9	Clean and recoat	\$ 20,000	
Whittier	Transfer	9	Clean and recoat	\$ 80,000	
Wrangell	Catwalks/ Gangways	8	Clean and recoat catwalks/gangways	\$ 40,000	
Wrangell	Transfer	9	Clean and recoat transfer bridge	\$ 80,000	
				TOTAL	\$1,700,000

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
2001	Wrangell	Power	8	Improve power system with terminal expansion	
2001	Wrangell	Building	9	Enlarge terminal building	
2001	Wrangell	Water	9	Improve water system with terminal expansion	
2001	Wrangell	Illumination	9	Improve illumination with enlarged terminal building	\$190,000
2001	Valdez	Mooring	7	Replace existing dolphins if new alignment not selected by 2006	\$700,000
2001	Whittier	Basin	9	Maintenance dredge	\$100,000
2016	Angoon	Fendering	8	Replace fendering system	\$ 50,000
2016	Auke Bay-mainline	Mooring	9	Replace mooring system	
2016	Auke Bay-mainline	Fendering	9	Replace fendering system	
2016	Auke Bay-mainline	Catwalks/ Gangways	9	Replace catwalks/gangways	\$300,000
2016	Cordova	Mooring	7	Replace backup	
2016	Cordova	Lift/Pontoon	7	Replace lift system	\$270,000
2016	Hoonah	Building	6	Replace terminal building	\$250,000
2016	Ketchikan-mainline	Mooring	7	Replace remaining dolphins and dock	
2016	Ketchikan-mainline	Fendering	7	Replace fender systems on remaining structures	
2016	Ketchikan-mainline	Catwalks/ Gangways	8	Replace catwalks and gangways	\$520,000
2016	Sitka	Mooring	9	Replace mooring system on dock	
2016	Sitka	Fendering	9	Replace dock fendering	\$220,000
2016	Skagway	Mooring	7	Replace dolphin "R"	
2016	Skagway	Mooring	7	Replace dolphin "A"	
2016	Skagway	Fendering	7	Construct new fender system on dolphin "A"	\$180,000
2016	Tenakee Springs	Mooring	8	Replace mooring system	
2016	Tenakee Springs	Fendering	8	Replace fendering system	
2016	Tenakee Springs	Transfer	9	Replace transfer system	\$220,000
2016	Wrangell	Fendering	8	Replace steel dolphin fendering	\$ 60,000
2026	Haines	Mooring	9	Replace steel dolphin	
2026	Haines	Fendering	9	Replace steel dolphin fendering	
2026	Haines	Catwalks/ Gangways	9	Replace steel catwalks/gangways	
2026	Haines	Lift/Pontoon	9	Replace lift system	
2026	Haines	Transfer	9	Replace transfer bridge	\$820,000

<u>Year</u>	<u>Site</u>	<u>Component</u>	<u>Rating</u>	<u>Action Needed</u>	<u>Projected Cost</u>
2026	Whittier	Lift/Pontoon	9	Replace lift system	\$200,000
2026	Whittier	Mooring	9	Replace dolphin	\$150,000
2026	Wrangell	Mooring	8	Replace steel dolphins	
2026	Wrangell	Lift/Pontoon	8	Replace lift	\$240,000

AMHS VESSELS AND ROUTES

What was the total operating budget each year for the past 5 years?

AMHS OPERATING BUDGET

YEAR	AUTHORIZATION	EXPENDITURE
1984	63,147,200	62,128,800
1985	65,658,900	65,434,200
1986	68,124,600	65,793,900
1987	65,529,900	64,310,900
1988	67,039,500 *	65,595,200

*Includes retirement Incentive Program, \$1,143,300

How many passengers and vehicles traveled on the AMHS each year for the past 5 years?

AMHS TRAFFIC --- 1984 to 1988 (calendar years)

YEAR	PASSENGERS	VEHICLES
1984	367,250	95,510
1985	369,429	96,266
1986	347,869	92,025
1987	378,691	99,975
1988	394,532	107,314

How many total gallons of fuel did the system use each year for the past 5 years? What was the average price per gallon paid for this fuel?

AMHS FUEL CONSUMPTION & PRICES

Fiscal year	GALLONS	AVG PRICE PER GALLON
1985	9,126,821	\$0.87
1986	9,148,503	\$0.81
1987	7,980,930	\$0.52
1988	7,784,666	\$0.54
1989	8,014,580	\$0.62

NAME OF VESSEL	YEAR PLACED IN SERVICE	ORIGINAL COST	REPLACEMENT COST	NUMBER OF PASSENGERS	NUMBER OF VEHICLES	NUMBER OF STATEROOMS	GALS/FUEL PER HOUR
M/V COLUMBIA	1974	\$22.00	\$70.00	1000	180	91	415
M/V MALISPINA	1963	\$5.00	\$53.00	750	120	86	215
M/V MATANUSKA	1963	\$5.00	\$53.00	750	120	112	240
M/V TUSTUMENA	1964	\$5.20	\$29.00	200	54	27	190
M/V LECONTE	1974	\$5.60	\$21.50	250	47	0	250
M/V TAKU	1963	\$5.00	\$28.50	500	105	44	215
M/V AURORA	1977	\$7.70	\$21.00	250	47	0	250
M/V BARTLETT	1969	\$3.20	\$12.00	236	40	0	170
M/V CHILKAT	1959	N/A	1.5	75	15	0	35

WHAT FUNDS ARE CURRENTLY AVAILABLE FOR REPLACEMENT OF EXISTING VESSELS?

There are no funds currently available for vessel replacement.

WHERE WOULD THE NEW REPLACEMENT VESSEL BE BUILT?

The only legal requirement is that it be built in the United States. Otherwise, it would be built by the lowest bidder.

WHAT TIME PERIOD WOULD WE BE LOOKING AT FOR ACTUAL VESSEL DELIVERY IF WE PLACED THE ORDER TODAY?

Two to three years, assuming award of a single design/build contract today. Separate design and build contracts would add six months to the process.

WHAT IS THE ANTICIPATED USEFUL LIFE FOR EACH VESSEL? (WHAT YEAR DO YOU ANTICIPATE THE VESSEL NEEDING REPLACEMENT?)

With proper maintenance and refurbishment, the time is indefinite. The older the vessels get, the more that maintenance and refurbishment costs. Even so, proper maintenance and refurbishment requires less cash flow than replacement.

The useful life of a vessel may also be cut short by "mission obsolescence", which can occur as changing market conditions and technology render the vessel unsuitable for new conditions. An evaluation of potential mission obsolescence within the fleet would require a projected needs analysis coupled with speculation into technological advances which may occur in the future.

WHAT IS THE CURRENT STATUS OF EACH VESSEL?

As of mid-September, 1989, all vessels are operations except the Chilkat, which is moored in Ketchikan. The Chilkat is recommended for surplus, and will require a shaft overhaul before the Coast Guard will allow it into passenger service.

As we move into the overhaul and lay up season, various vessels will move out of operational status into overhaul or lay-up status.

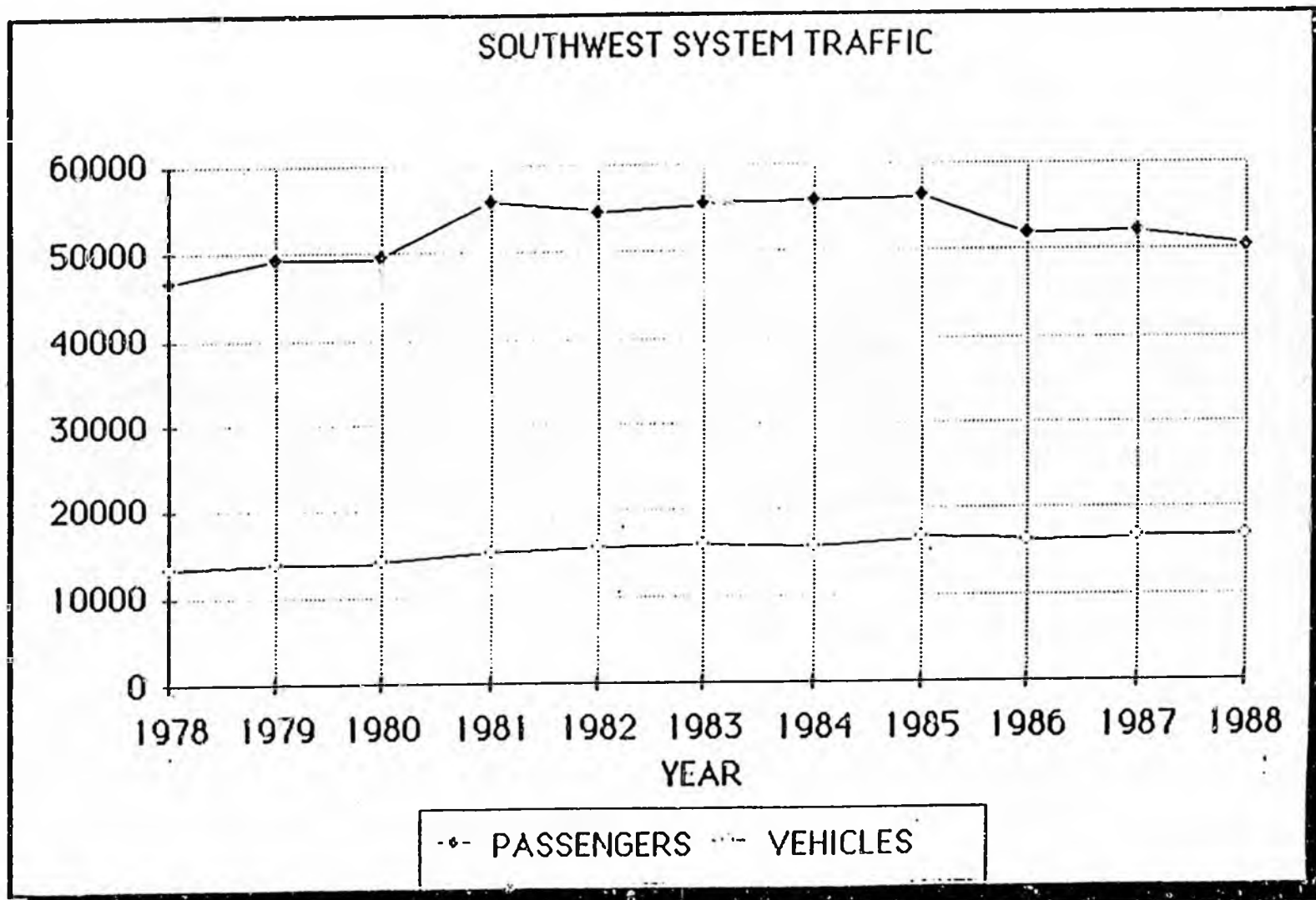
IN WHAT YEAR DID THE LEGISLATURE APPROPRIATE FUNDS (FEDERAL OR STATE) FOR THE ACQUISITION OF A HIGH SPEED FERRY? HOW MUCH WAS AUTHORIZED? WHAT IS THE STATUS OF THIS FUNDING?

Chapter 128/SLA 86 authorized \$4,905,000 total (FA and GF) to build high speed ferries. Approved revised program documents the current authorization at \$4,228,765 (\$353,541 GF and \$3,875,224 FA) The project requires federal approval to proceed which is conditioned on completion of the Master Plan. If the plan recommends high speed ferries we would reevaluate all projects in the six year plan and start as soon as practical within funding constraints. (The Master Plan is scheduled to be completed at the end of 1989)

HOW MUCH HAS BEEN SPENT TO STUDY THE HIGH SPEED FERRY CONCEPT? WHEN WERE THESE STUDIES UNDERTAKEN?

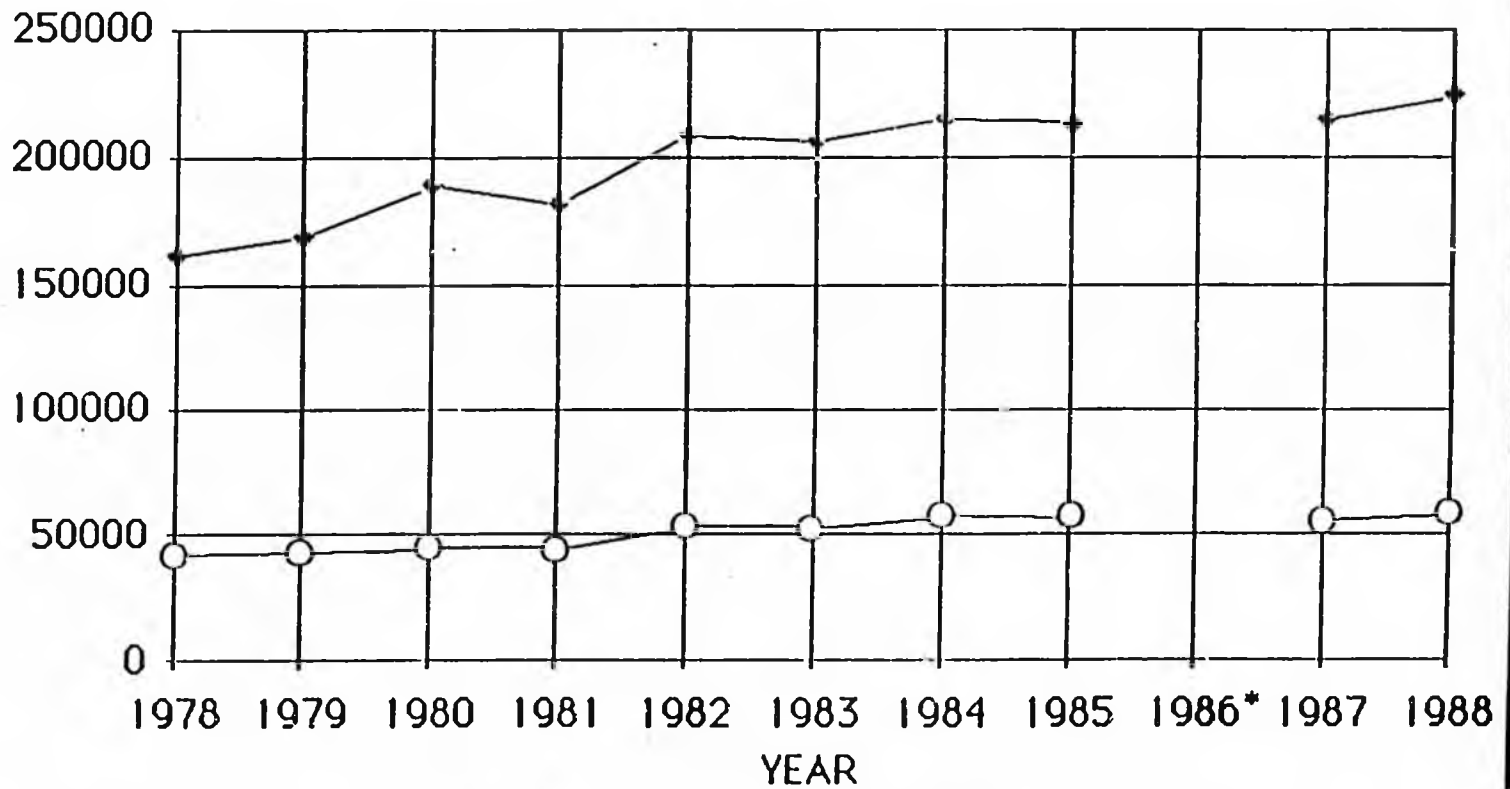
In 1983 a Jetfoil Demonstration Project was completed for \$3,469,903.99 No other specific high speed ferry studies have been conducted, however, both the Southeast Alaska Transportation Plan of 1985 and the AMHS transportation Plan of 1986 evaluated high speed ferries for use in the Southeast system.

AMHS 1988 TRAFFIC VOLUME REPORT



AMHS 1988 TRAFFIC VOLUME REPORT

SOUTHEAST MAINLINE TRAFFIC

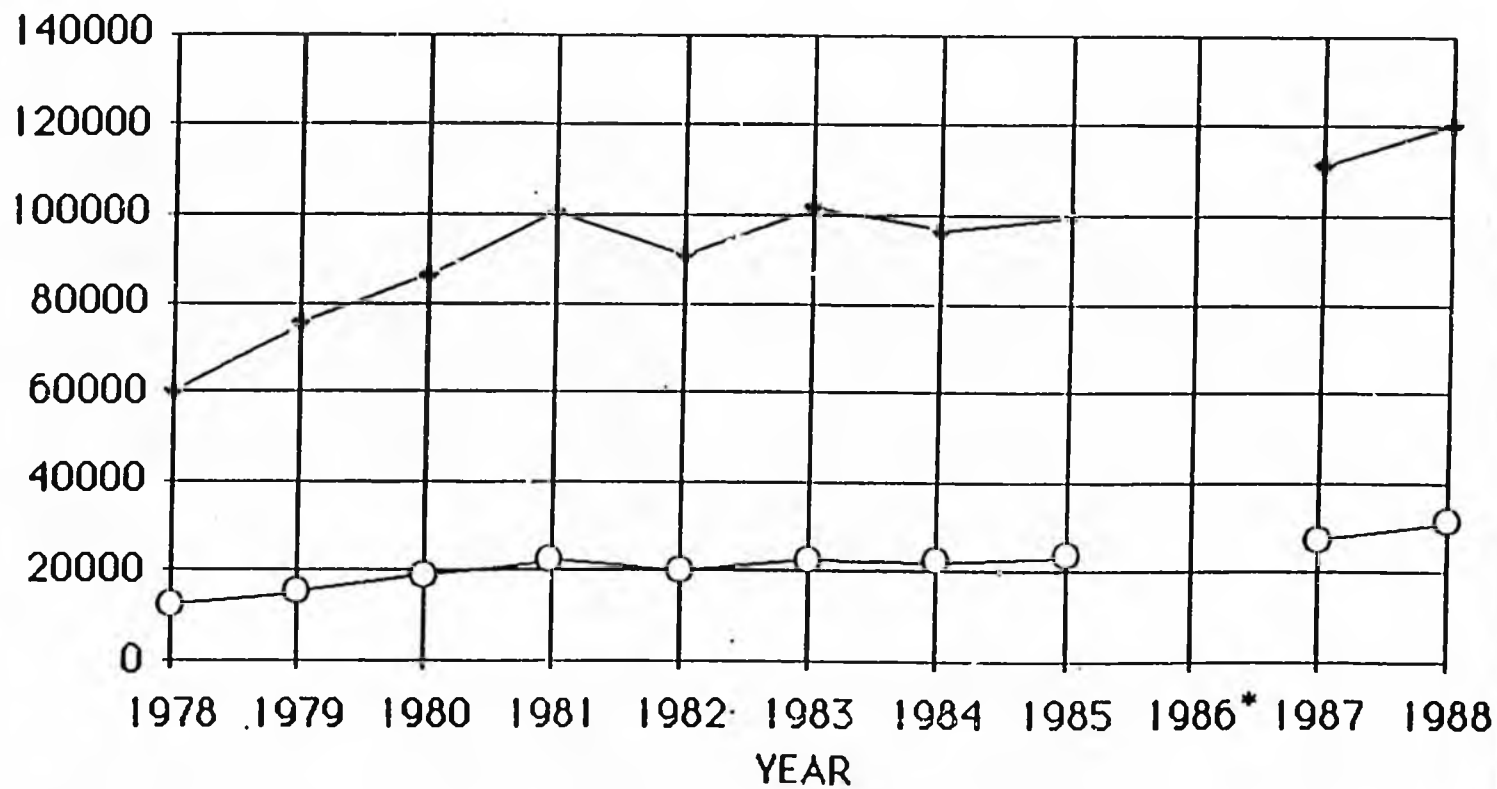


*1986 Data not available

◆ PASSENGERS ○ VEHICLES

AMHS 1988 TRAFFIC VOLUME REPORT

SOUTHEAST SECONDARY TRAFFIC



*1986 Data not available

◆ PASSENGERS ○ VEHICLES

BUDGET AND APPROPRIATIONS

The authority would submit its annual budget to the Legislature through the Governor. The authority shall expend money appropriated by the legislature as authorized by the legislature..

The authority, with the cooperation of the Department of Transportation and Public Facilities, shall prepare a comprehensive long range plan for the development and improvement of the marine highway system and shall revise and update the plan at least every five years. The comprehensive long-range plan and revisions and updates of the plan are subject to legislative approval by law.

WOULD THE AUTHORITY STILL BE ELIGIBLE FOR FEDERAL FUNDS?

Yes. The authority is an instrumentality of the state within the Department of Transportation and Public Facilities. Therefore, the authority would still be eligible for federal funds. The authority would work with DOT/PF to prioritise projects for federal funding.

WOULD REVENUES GENERATED BY THE AUTHORITY BE AVAILABLE FOR USE BY THE AUTHORITY?

Presently, the Constitution does not allow for dedicated funds. An amendment could be considered to allow the authority to expend the revenues it generates. A general fund appropriate would still be required to provide adequate funding for the system to operate. Currently, revenues generated by the system cover over 50% of the systems operating costs. By allowing the AMHS to spend the revenue it generates, a more direct relationship with performance and work would probably result. The incentive to implement cost savings would be there.

If the dedicated fund problem were resolved, some consideration could be given to adding a formula whereby a percentage of new revenues goes to help reduce the general fund contribution. By doing this the state and the system would benefit.

Additional detail in response to question No 4

AMHS HISTORICAL "FINAL AUTHORIZATION" AND "ACTUAL EXPENDITURES"
OPERATING BUDGET ONLY, 1984 THROUGH 1989

	1989		1988		1987		1986		1985		1984	
	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP
MARINE ADMIN	2,353.7	2,352.0	2,261.5	2,216.6	2,236.7	2,236.6	2,407.6	2,405.4	2,436.8	2,372.1	2,991.4	2,819.3
MFE MANAGEMENT	435.0	434.7	515.7	410.9	387.8	387.6	411.4	393.5	423.2	373.2	---	---
MFE CI:	1,556.8	1,131.9	1,424.6	1,200.7	1,343.8	1,235.7	1,350.7	970.8	1,028.1	942.6	---	---
CUST SERV MNGMNT	2,423.1	2,422.3	2,359.2	2,357.9	2,070.1	2,069.7	1,420.8	1,410.2	943.5	935.4	---	---
SE SHORE	2,532.2	2,506.0	2,243.9	2,240.6	2,414.8	2,414.5	2,425.1	2,389.8	2,416.3	2,416.0	2,625.1	2,575.7
SW SHORE	681.2	680.2	475.5	474.9	628.2	627.8	650.5	650.6	726.8	718.2	812.3	784.3
HAR OPS MNGMNT	772.5	771.3	1,807.8	806.3	937.3	937.1	828.7	820.2	618.7	616.0	---	---
SE VESSL OPS/OVRHL	46,875.3	46,498.5	45,629.3	45,456.2	46,288.2	45,193.5	49,209.9	47,337.4	47,585.1	47,580.7	---	---
SW VESSL OPS/OVRHL	9,531.7	9,406.8	9,178.7	9,177.8	9,223.0	9,208.4	9,419.9	9,416.0	9,256.4	9,256.1	---	---
HAR MKTNG D&WP	---	---	---	---	---	---	---	---	224.0	223.9	---	---
RIP	---	---	1,143.3	1,143.3	---	---	---	---	---	---	---	---
SE VESSL OPS	---	---	---	---	---	---	---	---	---	---	41,086.8	41,248.1
SW VESSL OPS	---	---	---	---	---	---	---	---	---	---	8,581.9	5,615.5
SE VESSL OVRHL	---	---	---	---	---	---	---	---	---	---	6,059.5	8,056.9
SW VESSL OVRHL	---	---	---	---	---	---	---	---	---	---	990.2	1,029.0
TOTALS.....	67,161.5	66,203.7	67,039.5	65,595.2	65,529.9	64,310.9	68,124.6	65,793.9	65,658.9	65,434.2	63,147.2	62,128.8

COSTS TO ESTABLISH AN ALASKA MARINE HIGHWAY AUTHORITY

The Department of Transportation and Public Facilities estimates an initial cost of \$450,000 to establish the AMHS authority.

Ongoing costs of approximately \$300,000 are also projected. It is anticipated these ongoing costs could be absorbed by the authority once established. The initial monies required to establish the authority would probably need to be appropriated by the legislature.

HOW OTHER SYSTEMS OPERATE

WASHINGTON STATE FERRIES

The Washington State Ferry (WSF) system began operation in 1951. The state purchased 16 ferries, 20 terminals and miscellaneous supplies for \$4.95 million. Today, the Marine Division of the Washington State Department of Transportation controls assets valued at over \$308 million and operates 22 vessels which carry seven million vehicles and 17 million passengers each year.

All ferries are capable of carrying cars as well as passengers. The largest vessels in the system are two 440 foot "jumbo" ferries, each with a capacity of 206 autos and 2,000 passengers. The smallest ferry (150 feet) is capable of carrying 40 autos and 200 passengers. The ferries are not equipped with sleeping facilities, although food service is available on the majority of the vessels.

The system operates nine routes serving 20 terminal locations throughout Puget Sound. Routes are devoted to both commuting and recreational travel. The shortest route is 1.5 nautical miles (15 minutes) in the Tacoma urban area. The longest route is 38 nautical miles (3 1/2 hours) in the San Juan Islands. Recreational travel accounts for 32 percent of all ferry trips. Seventy percent of all passengers are recreational travelers.

TRAFFIC

The system makes an average of 323 daily trips, carrying 47,000 passengers and 19,000 vehicles. The summer months are the busiest time, traffic drops by 57 percent during the winter.

FARES

Fares range from \$0.90 (passenger) and \$3.40 (car and driver) for a 15 minute route to \$5.50 (passenger) and \$23.65 (car and driver) for a 3-1/2 hour route.

During the past six years, WSF has acquired six new vessels. Traffic on some routes is expected to decline, while other routes are expected to expand substantially. To accommodate the growth, the system plans to purchase four passenger-only vessels. These

ferries will be utilized on runs that currently experience traffic overloads during certain service periods.

FINANCIAL STRUCTURE

Fares and revenues cover approximately 70% of operating expenditures and 40% of operating and capital expenditures during the last three fiscal years.

In addition to fares, the WSF system acquires revenue from taxes and a toll bridge. Tax revenues include vehicle registration fees, state gas taxes and a motor vehicle excise tax surcharge. It is interesting to note that these taxes generate 48% of the systems total revenues. The remaining revenue is generated as follows: Fares 40%, Toll bridge 9.8% and bond revenue 8%.

Table 1 shows a breakdown of revenues versus expenditures.

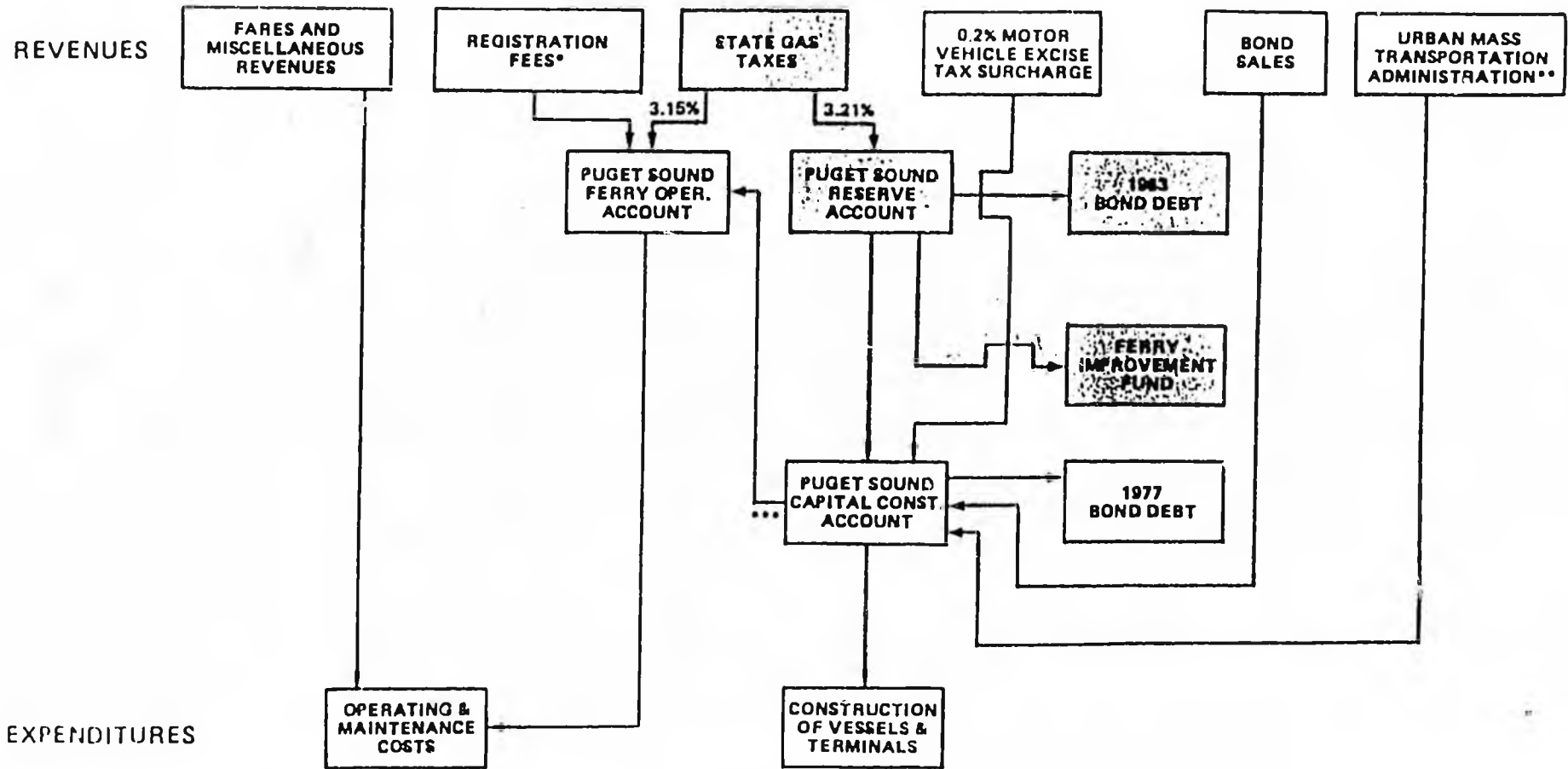
Table 2 shows the financing for the WSF system.

TABLE 1



Washington State Department of Transportation
Marine Division

WASHINGTON STATE MARINE TRANSPORTATION FINANCING



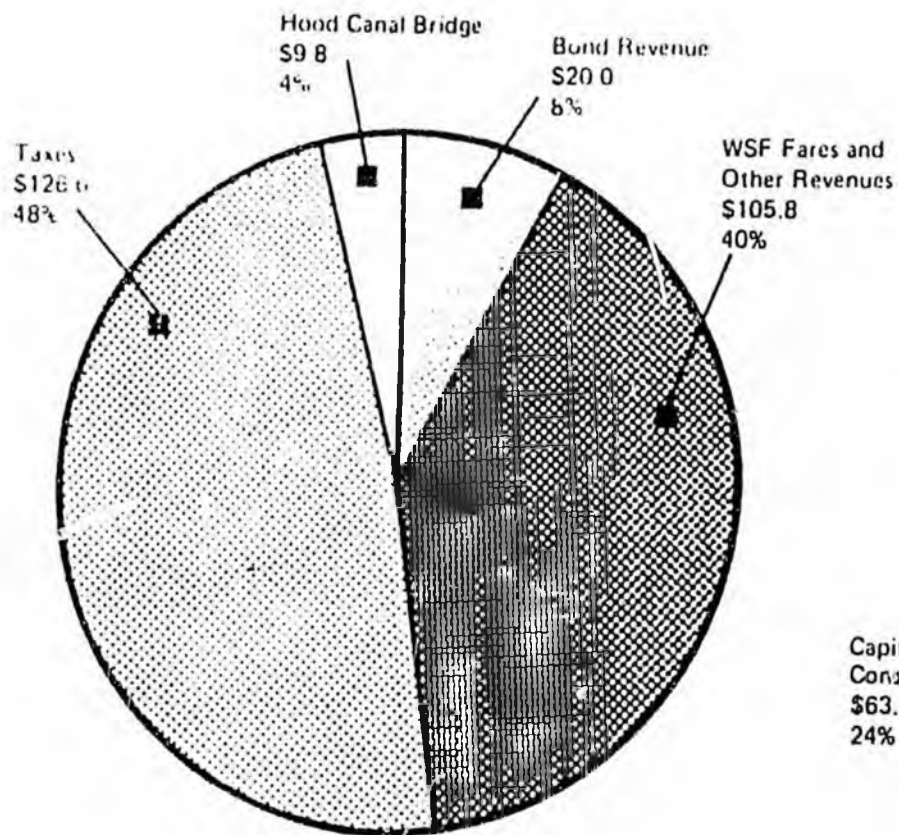
* 27.37% of \$7.40 of new car and \$.40 of old car registration fees

** UMTA is part of the U.S. Department of Transportation.

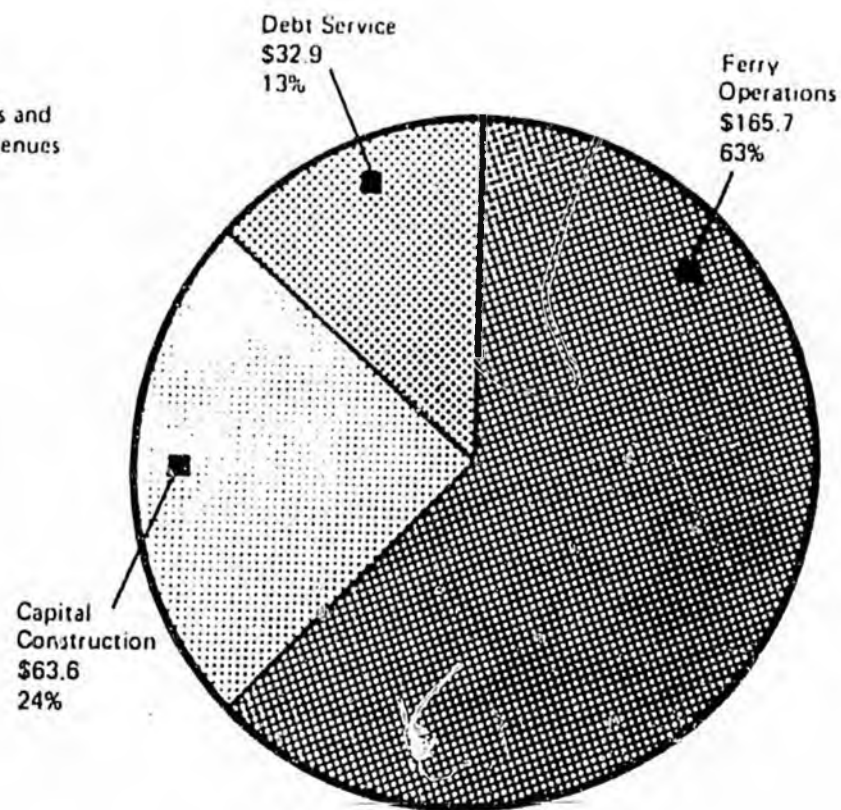
*** Receipts from Bond Sales and UMTA cannot be transferred as tax support for operations.



1985 - 1987 ANTICIPATED REVENUES AND EXPENDITURES



REVENUES



EXPENDITURES

BRITISH COLUMBIA FERRY CORPORATION

British Columbia Ferries was reorganized as the British Columbia Ferry Corporation, a Crown corporation (similar to Alaska's public corporations), on January 1, 1977. According to Patrick Morris, corporate secretary, *financing was the key factor in incorporation----as a Crown corporation, B.C. Ferries could depreciate assets and obtain financing in corporate style.* However, Crown corporations are not liable for taxation. Administratively, the corporation continues to report to the government through the Ministry of Transportation and Highways.

The B.C. Ferry Corporation objectives are to establish, administer and maintain a ferry, shipping and related service, and to engage in any other business or undertaking necessary or incidental to the operation of a ferry, shipping or related service. The corporation is overseen by a board of nine directors, appointed at the pleasure of the executive branch.

The corporation has the power and capacity to acquire by any means except expropriation, to charter, to hold in its own name, and to use and operate ferries and terminals and such property and assets, both real and personal, as are considered by the corporation to be necessary or required for the conduct of its operations. Subject to approval of the executive branch, B.C. ferries may acquire other marine transportation related services or facilities, including private ferry and shipping corporations. As a policy, B.C. ferries has focused on the car ferry business and stayed out of the shipping business.

SUBSIDIES, REVENUES AND EXPENSES

The Ferry Corporation Act anticipated the continuing need for subsidies and provided that the corporation receive an annual highway equivalent subsidy. This section of the act was amended in 1982 -- the legislature concluded that the formula based subsidies were too high. The corporation now submits a proposed budget request through the Ministry of Transportation and Highways and participates in the normal budget process.

Although ferry tolls are set by the corporation -- with consideration given to the costs of operating and maintaining ferries, terminals and other properties and assets -- tolls are subject to executive branch approval. When considering the corporation budget, the government can recommend that additional funds be generated through fare increases, rather than higher government subsidies.

Table 1 presents the subsidies, gross operating revenues and operating expenses from 1980 through 1989.

Attached are the British Columbia Ferry Corporation's financial statements for year ending March 1985 and March 1988. Both financial statements clearly show tremendous growth for the system.

In 1985, the B.C. Government instructed the corporation to pare costs in all possible areas. By year end, the system had reduced operating expenses by almost \$12 million over the previous year. These savings were attained by cutting costs on specific routes, streamlining of labor costs in line with the provisions of the collective agreements and by placing a concentrated effort to continually operate the service in the most efficient manner. Total operating loss for the year (after depreciation) was \$2 million compared with \$12 million the previous year. This was an outstanding effort when it realized that traffic was down 3.9% in passengers and 0.5% in vehicles.

In 1988, operating expenses were again pared down in certain vital areas. Salaries and wages were reduced as well as fuel costs. The only operating increases in 1988 were the the areas of maintenance and replacement costs and in marketing.

The information provided to House Transportation Committee staff seems to indicate tremendous progress for the B.C. ferry corporation. The system appears to have a very well defined plan for the future. The goals set by the board each year appear to be carried out.


In 1989, the amount of government subsidy the corporation received was reduced by \$6 million over the 2 previous years. This is very impressive.

F I N A N C I A L S T A T E M E N T S

As at March 31, 1988

Assets (expressed in thousands)	March 31, 1988	March 31, 1987
Current assets		
Cash (Note 1)	\$22,129	\$10,974
Accounts receivable	2,820	1,668
Inventories (Note 2)	11,022	10,565
Prepayments and deposits	2,668	1,461
Current portion of reserved funds (Note 3)	5,700	5,700
Current portion of debenture (Note 4)	835	770
	45,180	31,138
Reserved funds (Note 3)	12,297	11,090
Debenture (Note 4)	40,130	40,966
Fixed assets (Note 5)		
Ships, berths, buildings, equipment and land	557,641	548,349
Less accumulated depreciation	293,377	263,713
	264,264	284,636
Deferred charges (Note 6)	3,359	4,693
	\$365,230	\$372,523

Approved by the Board

 Director
 Director

Liabilities (expressed in thousands)	March 31, 1988	March 31, 1987
Current liabilities		
Accounts payable and accrued liabilities	\$23,956	\$26,902
Deferred revenue	2,032	2,580
Current portion of long-term debt (Note 7)	5,700	5,700
Current portion of obligations under capital leases (Note 8)	1,280	1,128
	32,978	36,310
Long term debt (Note 7)	31,858	37,558
Obligations under capital leases (Note 8)	87,791	88,591
Accrued sick leave liability (Note 9)	5,705	4,728
	158,332	167,187
 Shareholder's equity		
Share capital		
Authorized		
1,000,000 shares without par value with a maximum consideration of \$100,000,000		
Issued		
68,512 shares	6,851	6,851
Contributed surplus (Note 10)	250,401	250,401
Deficit	(50,354)	(51,916)
	206,898	205,336
	\$365,230	\$372,523

F I N A N C I A L S T A T E M E N T S

(expressed in thousands)

Year ended March 31, 1988	1988	1987
Operating revenues		
Tolls	\$138,591	\$131,938
Catering	28,201	30,585
Parking & other income (Note 11)	1,696	1,431
	168,488	163,954
Less cost of food and goods sold	11,550	12,619
	156,938	151,335
Operating expenses		
Salaries, wages and benefits	111,630	113,144
Fuel and lubricants	25,418	26,922
Operating supplies and services	16,542	16,437
Repairs, maintenance and replacements	16,233	18,647
Marketing, general and administrative	4,795	5,580
Contracted services	2,015	1,886
	176,083	182,616
Operating income (loss) before subsidy	(19,145)	(31,281)
Province of British Columbia subsidy (Note 12)	57,000	57,000
Income from operations	37,855	25,719
Investment income (Note 11)	5,593	2,619
Interest expense (Note 13)	12,223	10,387
Net interest expense	6,630	7,768
Income before depreciation	31,225	17,951
Depreciation	29,663	29,552
Income (loss) before extraordinary item	1,562	(11,601)
Extraordinary item (Note 14)	—	1,951
Income (loss) for the year	\$ 1,562	\$ (9,650)

Statement of Deficit

(expressed in thousands)

Year ended March 31, 1988	1988	1987
Deficit at beginning of year	\$ 51,916	\$ 32,400
Income (loss) for the year	1,562	(9,650)
	50,354	42,050
Dividend paid February 12, 1987 (Note 16)	—	9,866
Deficit at end of year	\$ 50,354	\$ 51,916

Statement of Changes in Financial Position

(expressed in thousands)

Year ended March 31, 1988	1988	1987
Sources (Uses) of cash		
Cash from operations		
Operations (Note 15)	\$ 27,231	\$ 20,309
Extraordinary item (Note 14)	—	1,951
	27,231	22,260
Financial activities		
Payments from reserved funds	5,700	—
Long term debt payment	(5,700)	—
Payments received on debenture	771	—
Capital lease	102	+1,756
Capital lease payments	(750)	(1,025)
Payments to reserved funds	(5,327)	(322)
Appreciation of reserved funds	(1,580)	(4,208)
Dividend paid (Note 16)	—	(9,866)
Purchase of debenture	—	(+1,736)
	(6,784)	(15,401)
Investment activities		
Fixed asset additions	(9,292)	(10,519)
Disposal of fixed assets	—	8,702
	(9,292)	(1,817)
Increase in cash	11,155	5,042
Cash at beginning of year	10,974	5,932
Cash at end of year	\$ 22,129	\$ 10,974

Note: In this statement cash includes only cash available for day-to-day operations, and does not include Reserved Funds cash.

FINANCIAL STATEMENTS

Year Ended March 31, 1988

In accordance with Section 8(7) of the Ferry Corporation Act the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies adopted in the preparation of these financial statements are as follows:

Inventories

Inventories are valued at the lower of cost and current replacement cost.

Long-Term Disability Plan

The Corporation records as a current year expense the estimated present value of payments, until retirement, to employees eligible under the Long-Term Disability Plan. The plan is administered by the Superannuation Branch of the Public Service Commission, which receives and invests premiums from the Corporation. The excess of premiums paid under the Plan over the reserves required for future payments is included in prepaid expense. In 1987 there was a deficiency of funds which was included in accrued liabilities.

Fixed Assets:

Acquired from the Province of British Columbia:
Effective January 1, 1977

(a) Ships

Ships, which comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-in-Council dated December 16, 1976 and transferred at an assigned value of \$1, have been revalued by the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

Three ships presently under charter by the Province until 1994 are subchartered to the Corporation for the same period at an annual cost of \$1 each. Under the terms of the sub-charter agreement with the Province, the Corporation may in 1994 request that the Province exercise its option to purchase these ships at its own expense in which case clear title to the ships will be transferred to the Corporation. Accordingly, these ships are reflected as capital assets of the Corporation in the accompanying financial statements and are stated at their estimated depreciated replacement value as at January 1, 1977.

(b) Berths, buildings and equipment

Berths, buildings and equipment transferred at an assigned value of \$1 are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977.

Effective October 1, 1983

On October 1, 1983 the remaining buildings and equipment at Deas Dock facility, not acquired from the Province on January 1, 1977 were transferred at an assigned value of \$1. These assets are reflected in the accompanying financial statements at their estimated depreciated replacement value as at October 1, 1983 based upon an appraisal made by Universal Appraisal Company Limited as at that date.

Additions and disposals subsequent to January 1, 1977.

The costs of major replacements, additions, extensions and improvements are capitalized in the fixed asset accounts. The costs of maintenance, repairs, minor renewals or replacements are charged against income. On retirement or disposal of fixed assets, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of income.

Depreciation

Fixed assets are depreciated on the straight line method based upon the following useful lives:

Ships	25 years
Berths	30 years
Buildings and equipment	4.25 years

Leases

All leases which transfers substantially all of the benefits and risks incidental to the ownership of property are accounted for as if they were acquisition of assets and incurrence of obligations at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. Assets recorded under capital leases are amortized on a straight-line basis over their useful lives.

Amortization of Long-Term Debt Discount and Issue Costs

Promissory note discount is amortized on a compound interest method over the term of the debt. Issue costs for promissory notes and capital leases are amortized on a straight-line basis over the term of the debt.

Provision for Annual Refit Costs

The Corporation provides for ship refit expense by charging against income the anticipated costs over the period between refits.

Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

Notes to Financial Statements

Year Ended March 31, 1988

Assets, other than those required for immediate settlement of liabilities, are invested in short-term securities authorized pursuant to the terms and provisions of the Financial Administration Act of British Columbia. The investments are arranged through the Ministry of Finance of the Province.

	1988	1987
(expressed in thousands)		
Inventory		
- components, parts and supplies	\$ 9,278	\$ 8,803
- fuel and lubricants	1,083	1,080
- goods for resale and catering supplies	681	583
	\$ 11,022	\$ 10,565

3. Reserved Funds 1988 1987

(expressed in thousands)

The Corporation has segregated investments that are required for specific purposes or as required by long-term debt and capital lease obligations.

Sinking funds for long term debt (Note 7)		
Administered by the Corporation	\$ 9,497	\$ 10,930
Less amount included in current assets to satisfy currently due debt repayment	5,700	5,700
	3,797	5,230
Administered by the Province	1,582	1,132
	5,379	6,362
Sinking fund for capital lease (Note 8)		
Administered by the Province	1,213	—
Fund for accrued sick leave liability (Note 9)		
Administered by the Corporation	5,705	4,728
	\$ 12,297	\$ 11,090

The current portion of \$5,700,000 included in the Reserved Fund balance of \$16,790,000 at March 31, 1987, has been reclassified to current assets to conform with the presentation adopted for the current year.

	1988	1987
(expressed in thousands)		
8.18% Debenture with the Province of British Columbia due December 10, 2006	\$ 40,965	\$ 41,736
Less: Principal due within one year	835	770
	\$ 40,130	\$ 40,966

By agreement with the Province, semi-annual payments to the Corporation equal the amount required under the lease obligation for the Queen of Oak Bay (Note 8). Excess funds are placed in a sinking fund to cover increased payments on the lease (Note 3).

	1988		1987	
	(expressed in thousands)			
	Cost or Appraised Value	Accumulated Depreciation	Net Book Value	Net Book Value
Ships owned	\$262,213	\$142,914	\$119,299	\$133,420
Ships under capital lease	127,828	45,787	82,041	87,315
Berths, buildings and equipment	135,632	104,676	30,956	35,322
Land	5,685	—	5,685	5,491
Construction in progress	6,273	—	6,273	3,086
	\$537,641	\$293,377	\$264,264	\$284,636

	1988	1987
(expressed in thousands)		
6. Deferred Charges		
Long-term debt discount and expenses	\$3,021	\$4,337
Lease executory costs	338	356
	\$3,359	\$4,693

	1988	1987
(expressed in thousands)		
7. Long-term Debt		
8.05% Promissory notes (effective rate of 15.75%) are repayable in five equal annual instalments of \$5.7 million	\$22,800	\$28,500
Less current portion	5,700	5,700
	17,100	22,800
12.08% Promissory note (effective rate of 12.44%) due September 9, 2003 is repayable by annual sinking fund payments of \$322,492	14,758	14,758
	\$31,858	\$37,558

Principal and sinking fund payments due in each of the next five years:					
1989	1990	1991	1992	1993	
\$6,022,492	\$6,022,492	\$6,022,492	\$6,022,492	\$322,492	

The Province of British Columbia unconditionally guarantees the payment of principal and interest on the promissory notes.

	1988	1987
(expressed in thousands)		
8. Obligations Under Capital Leases		
The Corporation has obligations under capital leases for the M.V. "Queen of Oak Bay", M.V. "Queen of Surrey", M.V. "Quinsam" and other equipment. Total minimum lease payments are:		
M.V. "Queen of Oak Bay"		
Implicit interest rate 8.14%	\$ 95,524	\$ 98,564
M.V. "Queen of Surrey"		
Implicit interest rate 8.685%	89,406	90,378
M.V. "Quinsam"		
Implicit interest rate 10.64%	8,089	10,034
Other equipment — Tractor		
Implicit interest rate 10.0%	49	109
Other equipment — Forklift		
Implicit interest rate 10.44%	138	—
	\$190,206	\$199,285

Payable in fiscal year ending in:		
1988	1987	
1988	\$ —	\$ 8,532
1989	8,434	8,522
1990	8,379	8,473
1991	8,379	8,473
1992	9,216	9,310
1993	9,216	9,199
1994 and subsequent	146,582	146,776
	190,206	199,285
Less interest	101,135	109,506
Present value of net minimum capital lease payments	89,071	89,779
Less current portion	1,280	1,128
	\$ 87,791	\$ 88,651

FINANCIAL STATEMENTS

(continued)

Year Ended March 31, 1988

9. Accrued Sick Leave Liability

On September 1, 1978 the Corporation introduced short term illness and injury and long term disability plans and as of that date all employees ceased accruing sick leave credits. Under the collective agreement with the employees, in the event of illness, the accumulated sick time may be withdrawn prior to retirement. On retirement, any balance remaining is payable in cash at 50% of a credited time.

An actuarial evaluation by The Alexander Consulting Group Limited (formerly Reed Sternhouse Associates Limited) as at March 31, 1988 determined that the recorded liability for the portion payable on retirement was \$395,000 in excess of that required. This excess is being reflected in operations over three years ending March 31, 1990. In addition, the actuarial evaluation of withdrawals prior to retirement in event of illness for \$1,000,909 has been recorded in the accounts for the current year.

Funds reserved for liquidation of this liability are invested in short term securities (Note 3).

10. Contributed Surplus

	1988	1987
	(expressed in thousands)	
Excess of estimated depreciated replacement value over assigned value of \$1 of assets acquired from the Province of British Columbia		
— Ships, berths, buildings and equipment acquired January 1, 1977	\$249,674	\$249,674
— Buildings and equipment acquired October 1, 1983	727	727
	\$250,401	\$250,401
11. Other Income	1988	1987
	(expressed in thousands)	
Parking income	\$ 942	\$ 964
Other income	754	467
	\$1,696	\$1,431

Interest earned on funds in bank and investments of \$2,619,000 included in Other Income at March 31, 1987 has been reclassified to Investment Income to conform with the presentation adopted for the current year.

12. Provincial Subsidy

The Corporation received a cash subsidy of \$57,000,000 (1987 — \$57,000,000) from the Province of British Columbia. This cash subsidy is determined annually.

Additionally, included in fixed assets as "ships under capital lease" are three ships leased from the Province at an annual cost of \$1 each. The annual cost of these charters to the Province is \$4,819,800 which is included in the provincial "Estimates" as part of the subsidy to the Corporation.

Also, the Corporation utilizes Crown land for terminals and highway access without the payment of rental or property taxes. The value of these benefits has not been determined. The Corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except insofar as the Crown is liable.

13. Interest Expense

	1988	1987
	(expressed in thousands)	
Interest expense — amortization of promissory note discount and amortization of debt issue cost on		
— long term debt and capital leases	\$ 12,222	\$ 10,296
— short term borrowings	1	91
	\$ 12,223	\$ 10,387

14. Extraordinary Item

Recovery of receivables in 1987 from British Columbia Steamship Company (1975) Limited written off in Fiscal Year 1982-83

15. Cash from Operations

	1988	1987
	(expressed in thousands)	
Income (loss) for the period before extraordinary item	\$ 1,562	\$11,601
Items not involving cash		
Depreciation	29,663	29,552
Amortization of promissory note discount and debt issue costs	1,334	1,170
Increase (decrease) in accrued sick leave liability (Note 9)	977	(339)
Cash generated from (used for) operating working capital		
Accounts receivable	(1,158)	(147)
Inventories	(457)	25
Prepayments and deposits	(1,207)	(479)
Accounts payable and accrued liabilities	(2,935)	1,262
Deferred revenue	(548)	866
Cash generated from operations	\$27,231	\$20,309

16. Dividend

The dividend was paid from the proceeds of the sale of the S.V. "Princess of Vancouver" and the extraordinary item (Note 14) in 1987.

17. Pension Plan

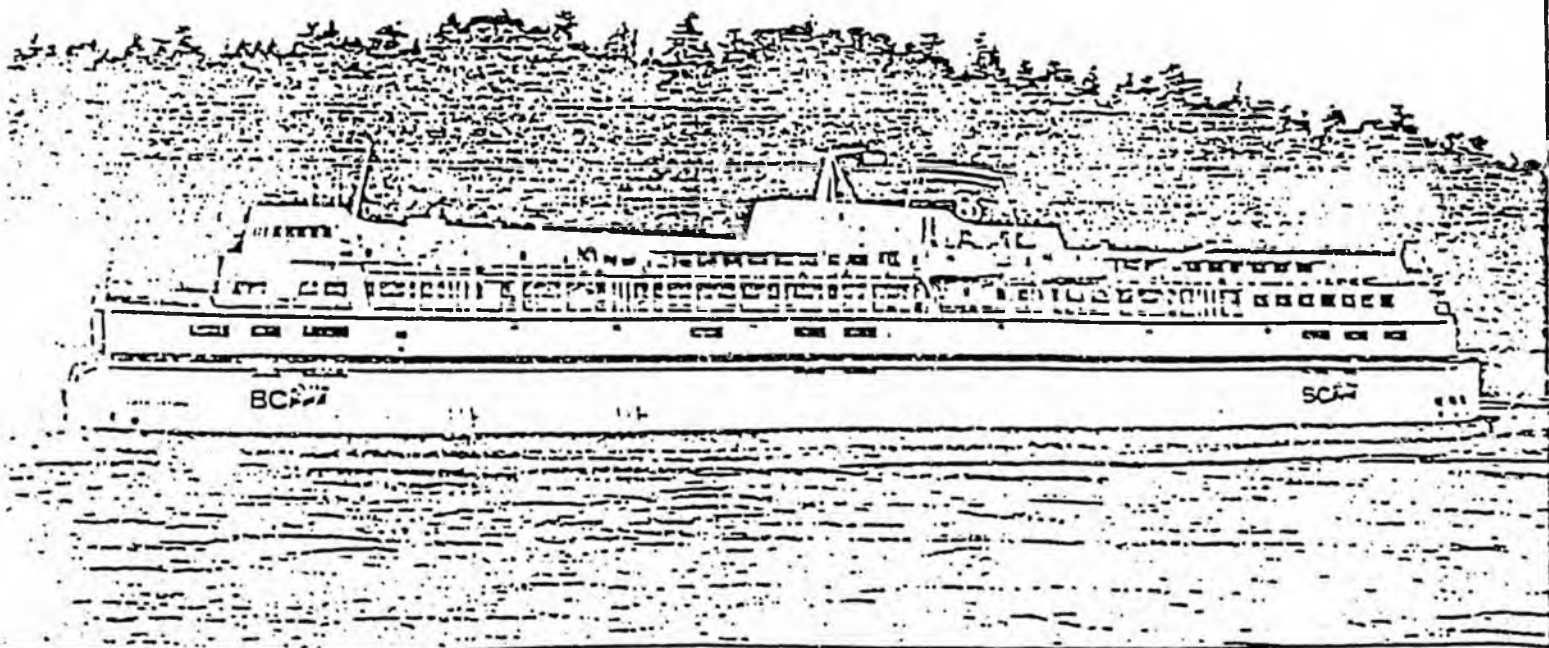
The Pension (Public Service) Act applies to the Corporation and its officers and employees. Accordingly, the Corporation is required to pay into the Public Service Superannuation Fund amounts equal to employees' contributions required under the Act.



BRITISH COLUMBIA
FERRY CORPORATION

ANNUAL REPORT

1984/85



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REPORT OF THE COMMISSIONER

The Honourable Alex V. Fraser Minister of Transportation & Highways:

1984-85 yielded appreciable reductions in the B.C. Ferry Corporation's operating deficit. This was achieved while still meeting the Corporation's mandate of offering the best possible service in the most efficient manner. While 1983-84 was effectively a year of stabilization and overall operational streamlining, this past fiscal year has been one of significant adjustment to the service to high loss areas. At the same time, the modest traffic growth experienced in 1983-84 over that of 1982-83 was once again reversed in 1984-85. The traffic results were well below expectations, with vehicles at 4,460,069 and passengers at 11,912,943. This represents a decline of .5% in vehicles and 3.9% in passengers over 1983-84.

In keeping with the British Columbia Government's instructions to pare costs in all possible areas, a major assessment review of high loss areas was completed. The review, which touched on all aspects of service to the North Coast, Sunshine Coast and Gulf Islands, took a three-pronged approach: 1) to reduce operating costs, particularly during the low revenue off season period by more closely matching schedules to traffic demand and patterns; 2) to provide residents of communities dependent upon the ferries as a transportation link with a service that would meet their day to day requirements; and, 3) to maximize the Corporation's role in the province's vital tourist industry.

I am pleased to report that the success of the Ferry Corporation's ongoing cost reducing program is due in part to the spirit of cooperation that prevailed between the communities concerned and the Corporation in implementing cost reducing measures that have already yielded impressive results. For example, service to the North Coast was reduced between Prince Rupert and Port Hardy during traditionally low traffic months. However, the projected savings allowed the Corporation to carry out ship renovations necessary to implement a day boat operation during the summer tourist season. The summer of 1985 will see the launching of this new day cruise service between Prince Rupert and Port Hardy - a service that will substantially increase the tourist activity to northern communities.

Efficiency measures undertaken on the Sunshine Coast also involved a reduction in the number of sailings. However, a ramp at Langdale terminal was doubledeckerd with the result that the route can now be fully operated with a doubledeckerd ship. This has effectively increased the lift-off capacity while at the same time allowing the Corporation to operate the service in a more cost efficient manner.

While the emphasis this past year was directed to cutting costs on specific routes, overall savings were achieved in all facets


of the operation. Labour costs, which account for the major part of the operating budget, were substantially reduced by a general streamlining of the establishment in line with the provisions of the collective agreement.

As mentioned, the anticipated turnaround in traffic levels did not materialize during 1984-85. Indeed, while in 1983-84 a slight increase in vehicles and passengers was experienced, this past year has seen a decline of 22,638 vehicles and 484,952 passengers. Nevertheless, despite the general decline in traffic, the month of August set an all-time record for passengers and vehicles. Also, a hopeful indication that recovery has begun is the performance of commercial vehicle traffic. For all routes, commercial traffic was up 3% over 1983-84 and 8% over 1982-83. For the last quarter of 1984-85, commercial traffic on the two Vancouver Island routes was up 5.5%. In the past, commercial traffic has often been a precursor or leading indicator of overall traffic trends.

With this in mind plans are underway to meet the increased demand during Expo '86. The fleet's expansion since 1980 by way of lifting five major vessels, plus the ships presently laid up, has put the Corporation in an excellent position to meet projected vehicle lift-off demands. In addition, bus passenger pick up and drop off zones are being revamped at the major terminals to make it a more attractive and convenient means of travel.

British Columbia's ferry fleet plays an important role in preserving the coastal residents' way of life by offering a vital transportation link. At the same time the fleet itself is seen by millions of tourists as a major attraction. The B.C. Ferry Corporation's employees, management and board of directors take pride in meeting the many and varied needs of their travelling public.

On behalf of the Board,



Stuart M. Hodgson
Chairman

These features with a forecasting model, it is possible to quickly predict capacity utilizations, licence requirements and probable overloads. By using the spreadsheet application, senior managers can analyze various scenarios with regard to tariff and revenue items. The system, therefore, is a powerful tool that can aid senior management in both short term and long term planning.

Engineering

The Corporation's major construction project this year was the fitting of the "Queen of Alberta." The contract was placed February 27, 1984 and 105 days later, on June 11, 1984, the ship was back in service with a new upper car deck doubling its original vehicle capacity.

Coinciding with this project was a major upgrading of facilities at Langdale Terminal. The vehicle loading ramps were double-decked in order to permit simultaneous loading of both vehicle decks. New offices and waiting rooms were constructed and the holding compound layout was redesigned.

Modifications were commenced on the "Queen of the North" to suit the new "Day Cruise" service. Because of the cancellation of contracted tug and barge service to the Queen Charlotte Islands, both the "Queen of the North" and "Queen of Prince Rupert" were outfitted to carry refrigerated trucks by installation of new car deck exhaust systems to enable truck cooling units to operate during the crossing of Hecate Strait. The holding compound at Skidegate Terminal was increased in size to accommodate drop trailer traffic.

Improvements in facilities at major terminals have continued.

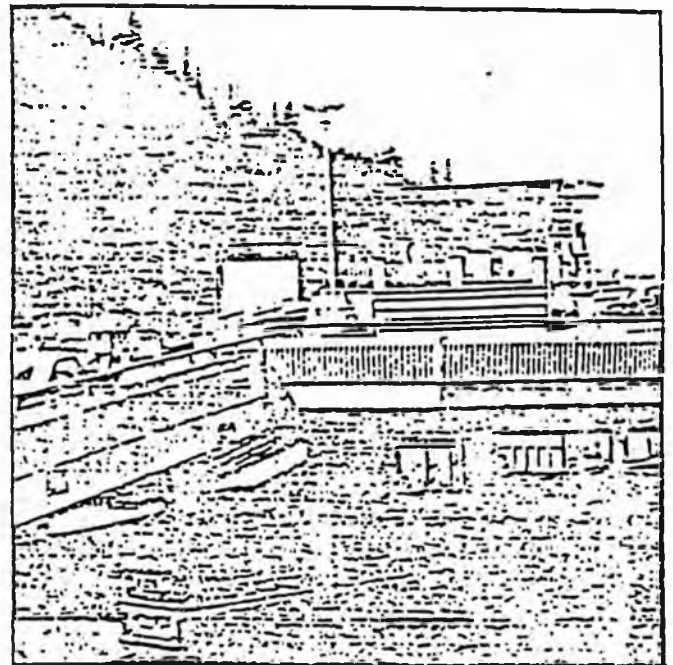
At Swartz Bay a new passenger pick-up facility was completed adjacent to the docks, thus shortening the walking distance for discharging foot passengers and alleviating congestion at the departure ticketing area. New toll booths were built in order to improve the flow of traffic and expand the holding compound. Planning is underway at Swartz Bay for double-laning the upper vehicle ramp at Number 1 Berth; for expansion of the

refrigerated and dry stores area; and for construction of a new bus passenger loading facility which will include six bus bays and a new passenger waiting room.

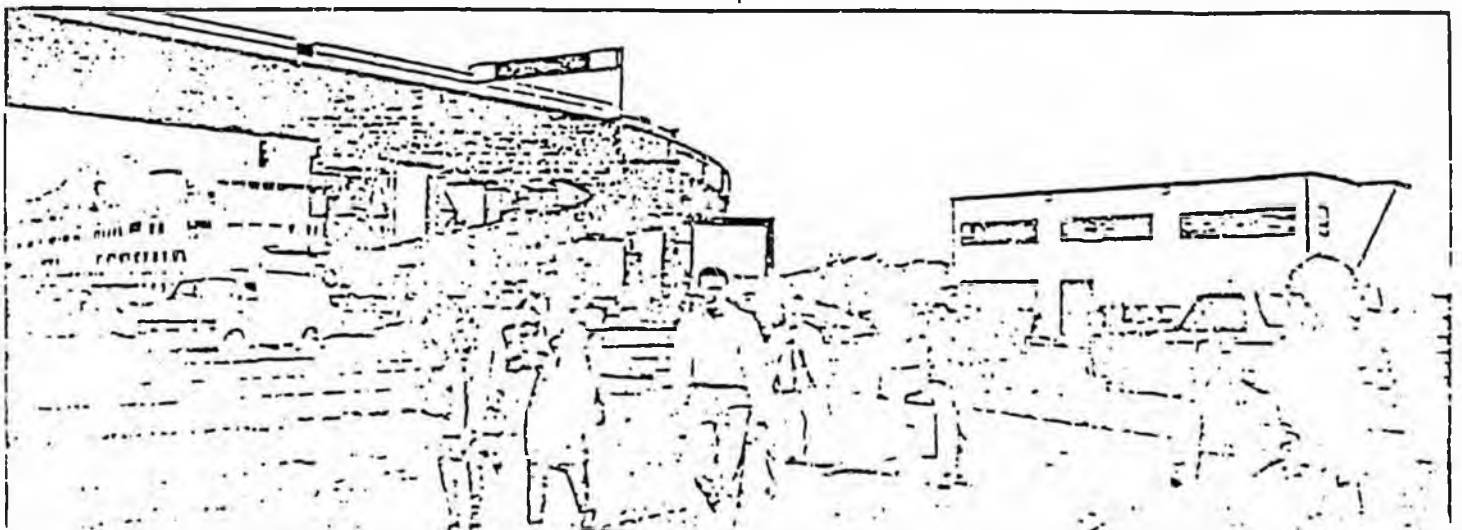
At Tsawwassen the upper vehicle ramp at Number 2 Berth has been widened to two lanes, thus speeding the loading and unloading process, and the cafeteria was expanded to provide additional seating.

At Horseshoe Bay the upper vehicle holding area was extended and a new passenger waiting room and control tower were built.

After a period of extensive testing during 1983-84, fuel metres have been fitted to all major vessels. The fuel metres, together with better ship scheduling, has resulted in total fuel consumption in 1984/85 of 76,258,000 litres, a 3% reduction from the previous year.



Control tower, Horseshoe Bay



Overhead ramp, passenger waiting room, and office, Langdale

Computerized reservations for the Gull Islands and North Coast which were completed in 1993 have been streamlined, and now offer an even more efficient service to travel agents and the general public. This process will continue as we prepare well ahead for the anticipated volume of enquiries that will be generated by E po 86.

Labour Relations

The main Labour Relations activity during 1994 was the administration of the collective agreement that was concluded in 1993. This included developing a layoff and recall procedure with the Union which allowed the Corporation to downsize its work force.

A number of grievances arose as a result of the new contract language; however, the parties were able to resolve these differences of opinion in accordance with procedures established under the collective agreement. This last fiscal year saw no time loss due to picket action of any kind, including third-party picketing.

Personnel

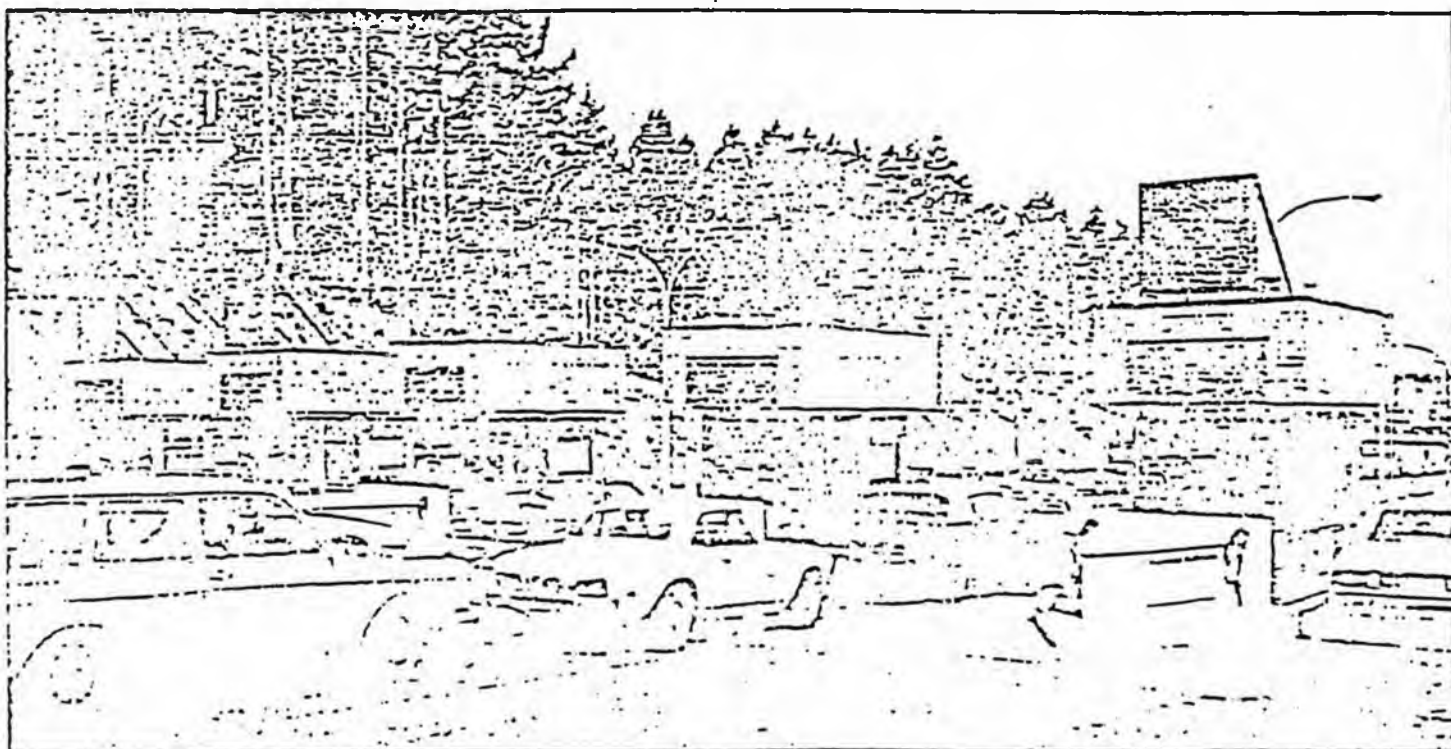
The greater flexibility in manning and improvements in scheduling afforded by the Agreement concluded on October 30, 1993, impacted most significantly on the personnel function in 1994. A new bargaining unit establishment, reflecting the Corporation's ongoing commitment to reduce overall wage costs by means of the rationalization of the Corporation's human resource requirement to a level commensurate with its real operational requirements, was accepted and approved. At the same time the Corporation's commitment to reduce its

outstanding banked overtime liability continued with positive results; careful manpower planning reduced the total banked overtime by 31%.

The new bargaining unit establishment of 1951 positions resulted in a reduction of 221 positions effective October 10, 1994. Where the reduction impacted on an employee it was effected in consultation with that employee, his Union representative and his Union executive. As a result of the extensive preparatory work completed, and despite the inevitable rippling effect of "bumping," the overall reduction in the number of employees was brought about with a minimum of disruption of personal inconvenience. Of those employees who were laid off and who elected to return to work with the Corporation when work is available, and after allowing for attrition of present regular employees through retirement, death, disabilities, etc. it is considered that the vast majority will return to work as full time regular employees within the next 18 months. In the interim, they will be offered every opportunity to work for the Corporation throughout the busy summer months or any other time that their services can be used.



A.L. Collier
President and
Chief Executive Officer

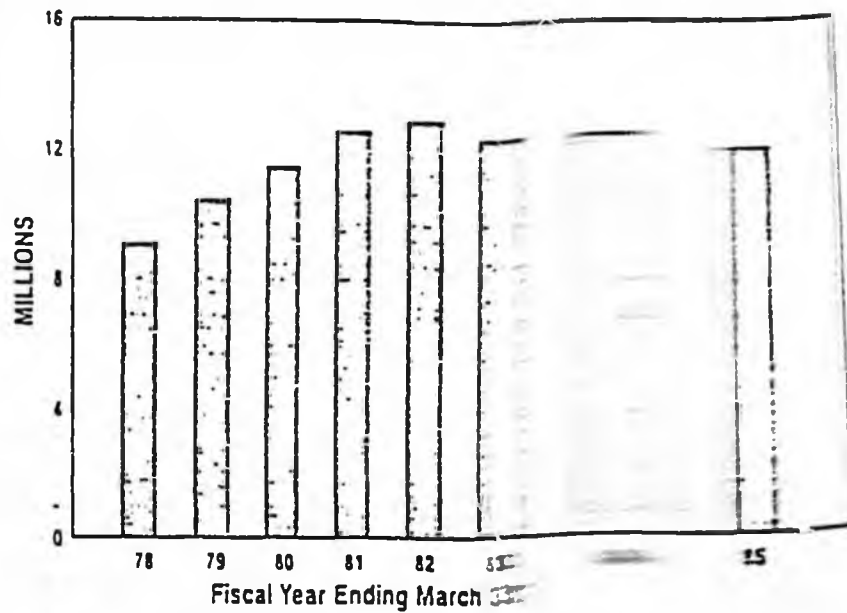


Row of toll booths, Swartz Bay

TOTAL PASSENGERS - 4%

After a small increase in 1983/84, passenger traffic has fallen again in 1984/85.

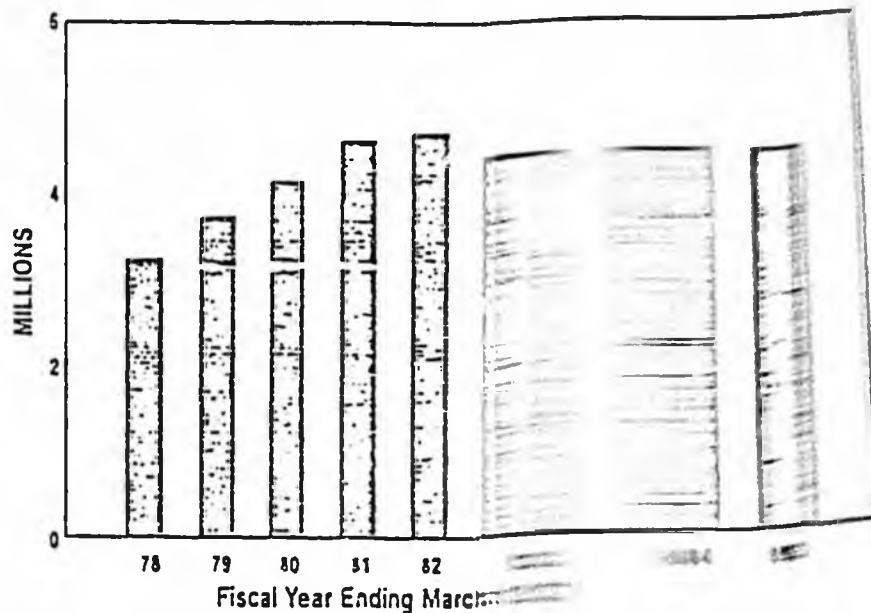
Over the past 24 years, 185 million passengers have been carried. The 200 millionth passenger is expected during the summer of 1986.



TOTAL VEHICLES - 0.5%

Total vehicle traffic has remained virtually unchanged over the past three years.

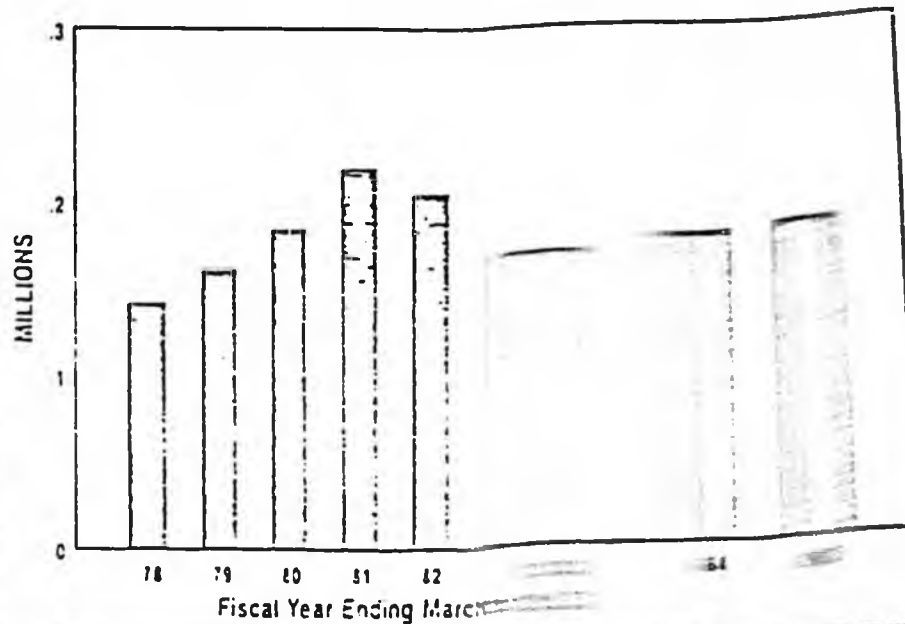
Over 67 million vehicles have been carried since 1960.



COMMERCIAL VEHICLES + 3%

Commercial vehicles have shown a steady increase over the past two years after suffering a sharp decline in the early 1980's.

In the past, commercial traffic has usually been a precursor or leading indicator of changes in other traffic categories.




Balance Sheet

as at March 31, 1985

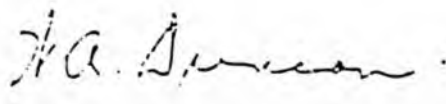
ASSETS

	1985	1984
	(expressed in thousands)	
CURRENT ASSETS		
Cash (Note 1)	\$ 11,943	\$ 3,861
Accounts receivable (Note 2)	800	505
Inventories (Note 3)	8,558	9,252
Prepayments and deposits	<u>849</u>	<u>583</u>
	<u>22.150</u>	<u>14.201</u>
 RESERVED FUNDS (Note 4)	 <u>7.817</u>	 <u>—</u>
 FIXED ASSETS (Note 5)		
Ships, berths, buildings, equipment and land	477,874	465,418
Less accumulated depreciation	<u>204.709</u>	<u>173.645</u>
	<u>273.165</u>	<u>291.773</u>
	 <u>\$303.132</u>	 <u>\$305.974</u>

APPROVED BY THE BOARD



Director



Director

Statement of Income

YEAR ENDED MARCH 31, 1985
(expressed in thousands)

	1985	1984
Operating Revenues		
Tolls	\$100,628	\$ 94,828
Catering	22,396	23,737
Other income (note 9)	<u>2,506</u>	<u>1,949</u>
	125,530	120,514
Less cost of food and goods sold	<u>8,993</u>	<u>9,174</u>
	<u>116,537</u>	<u>111,340</u>
Operating Expenses		
Salaries, wages and benefits	79,518	83,449
Fuel and lubricants	23,886	25,352
Materials, operating supplies and services	10,186	10,338
Contracted replacements, repairs and maintenance	5,263	6,950
Marketing, general and administrative	3,630	3,518
Charter fees	<u>2,825</u>	<u>2,946</u>
	<u>125,308</u>	<u>132,553</u>
Operating Loss Before Subsidy	8,771	21,213
Province of British Columbia Subsidy (note 10)	<u>43,000</u>	<u>43,000</u>
Income from operations	34,229	21,787
Interest Expense (note 11)	<u>5,177</u>	<u>6,198</u>
INCOME BEFORE DEPRECIATION	29,052	15,589
Depreciation	<u>31,004</u>	<u>30,586</u>
LOSS FOR THE YEAR AFTER DEPRECIATION	<u>\$ 2,012</u>	<u>\$ 14,997</u>

Summary of Accounting Policies

YEAR ENDED MARCH 31, 1985

In accordance with Section 8(7) of the Ferry Corporation Act the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

Inventories –

Inventories are valued at the lower of cost and current replacement cost.

Long-Term Disability –

Amounts paid to the Superannuation Branch of the Public Service Commission under the Long-Term Disability Plan are accounted for by the Corporation on the basis of accruing in the financial statements that portion estimated to be payable to employees until retirement for individual disability with the balance of the amounts paid being included in prepaid expenses.

Fixed Assets –

Acquired from the Province of British Columbia effective January 1, 1977:

(a) Ships

Ships, which comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-In-Council dated December 16, 1976 and transferred at an assigned value of \$1, have been revalued by the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977 on the basis of construction records for labour and materials valued at 1977 cost exclusive of any federal ship building subsidies which may have been available during the extended period of years during which the individual ships were built and during which such subsidies fluctuated substantially. The estimated depreciated replacement value of the ships at January 1, 1977 is not intended to reflect fair market value of the fleet nor can it be considered to approximate fair market value because of the specialized nature and limited saleability of the ships themselves.

In addition, three ships presently under charter by the Province until 1994 are subchartered to the Corporation for the same period at an annual cost of \$1 each, with the Corporation being responsible for all operating, repair, and maintenance costs. Under the terms of the subcharter agreement with the Province, the Corporation may in 1994 request that the Province exercise its option to purchase these ships at its own expense in accordance with the terms of its charter agreement. In the event that such option is exercised, clear title to the ships will be transferred to the Corporation. As a result of these transactions and agreements, these ships are reflected as capital assets of the Corporation in the accompanying financial statements and are similarly stated at their estimated depreciated replacement value as at January 1, 1977.

Notes to Financial Statements

YEAR ENDED MARCH 31, 1985

1. CASH AND SHORT-TERM INVESTMENTS

Funds, other than those required for immediate settlement of liabilities, are invested in short-term commercial securities authorized pursuant to the terms and provisions of the Financial Administration Act of British Columbia. The investments are arranged through the Ministry of Finance of the Province.

2. ACCOUNTS RECEIVABLE

Provision has been made for the uncollectibility of a 1980 accounts receivable of \$1,950,619 due from the British Columbia Steamship Company (1975) Ltd. for the lease and modifications to the Lessee's specifications of the M.V. "Queen of Prince Rupert".

3. INVENTORIES

	1985	1984
	(expressed in thousands)	
Spare components, parts and supplies	\$ 6,987	\$ 6,832
Fuel and lubricants	1,153	1,980
Goods for resale and catering supplies	418	440
	<u>\$ 8,558</u>	<u>\$ 9,252</u>

4. RESERVED FUNDS

The Corporation has segregated assets that are required for specific purposes or as required by long-term debt obligations.

	1985	1984
	(expressed in thousands)	
Sinking funds for long-term debt (note 6)		
Administered by the Province	\$ 345	\$ —
Administered by the Corporation	<u>3,300</u>	<u>—</u>
	3,645	—
Fund for accrued sick leave liability (note 7)	<u>4,172</u>	<u>—</u>
	<u>\$ 7,817</u>	<u>\$ —</u>

5. FIXED ASSETS

	1985		1984	
	(expressed in thousands)			
	Cost or Appraised Value	Accumulated Depreciation	Net Book Value	Net Book Value
Ships owned	\$ 282,725	\$ 105,472	\$ 177,253	\$ 192,581
Ships under capital lease	72,697	22,256	50,441	43,771
Berths, buildings and equipment	120,524	76,981	43,543	50,966
Land	723	—	723	723
Construction in progress	<u>1,205</u>	<u>—</u>	<u>1,205</u>	<u>3,732</u>
	<u>\$ 477,874</u>	<u>\$ 204,709</u>	<u>\$ 273,155</u>	<u>\$ 291,773</u>

8. CONTRIBUTED SURPLUS

	1985	1984
	(expressed in thousands)	
Excess of estimated depreciated replacement value over assigned value of \$1 of assets acquired from the Province of British Columbia		
- Ships, berths, buildings and equipment effective January 1, 1977	\$ 249,674	\$ 249,674
- Buildings and equipment effective October 1, 1983	<u>727</u>	<u>727</u>
	<u>\$ 250,401</u>	<u>\$ 250,401</u>

9. OTHER INCOME

	1985	1984
	(expressed in thousands)	
Parking and ancilliary traffic revenue	\$ 947	\$ 837
Interest earned on funds in bank and short-term investments	<u>1,559</u>	<u>1,112</u>
	<u>\$ 2,506</u>	<u>\$ 1,949</u>

10. PROVINCIAL SUBSIDY AND BENEFITS

The Corporation receives a subsidy from the Province of British Columbia which is determined annually.

Included in fixed assets as "ships under capital lease" are three ships leased from the Province at an annual cost of \$1 each. The annual cost of these charters to the Province is \$4,819,800. In addition the Corporation utilizes Crown land for terminals and highway access without rental or property taxes. The value of these benefits is indeterminable. The Corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except insofar as the Crown is liable.

The Corporation utilizes Ministries and Agencies of the Provincial Government for negotiation and purchase of fuel, materials, and communications. The aggregate of these transactions is \$39.3 million (1984 - \$45.3 million).

11. INTEREST EXPENSE

	1985	1984
	(expressed in thousands)	
Interest expense, amortization of promissory note discount and amortization of debt issue cost on:		
- long term debt	\$ 5,171	\$ 4,292
- short term borrowings	<u>6</u>	<u>1,906</u>
	<u>\$ 5,177</u>	<u>\$ 6,198</u>

Statistical Review

YEAR ENDED MARCH 31

	1985	1984	1983	1982	1981	1980
	(expressed in thousands)					
Financial						
Operating Revenue						
- Gross	\$125,530	\$120,514	\$110,689	\$112,199	\$ 99,552	\$ 82,867
Operating Expense	125,308	132,553	139,013	133,856	104,956	88,695
Operating Loss before Subsidy	8,771	21,213	37,213	31,221	14,261	13,667
Subsidy	43,000	43,000	43,000	58,891	53,106	49,447
Cash Flow from Operations	28,355	17,198	(3,005)	35,831	44,811	38,583
Depreciation and Amortization	31,064	30,586	34,724	26,087	22,148	20,271
Interest on Debt	5,177	6,198	5,073	893	779	880
Working Capital (Deficiency)	2,214	(6,799)	(37,506)	(11,495)	15,612	21,878
Additions to Property	12,456	7,142	26,804	74,376	44,919	39,369
Total Assets	303,132	305,974	339,370	357,817	334,696	312,048
Long-term Debt	36,446	35,586	20,428	31,716	13,764	15,513
Operating Traffic						
- Passengers	11,913	12,398	12,275	12,764	12,513	11,423
- Vehicles	4,460	4,483	4,463	4,713	4,626	4,161
Miles						
- Passengers	269,703	283,745	278,975	339,395	334,078	314,844
- Vehicles	96,531	97,569	97,020	118,633	116,318	106,735
Utilization						
- Passengers	28%	25%	27%	26%	28%	26%
- Vehicles	59%	56%	50%	48%	60%	57%

Statistical Review

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VANCOUVER ISLAND

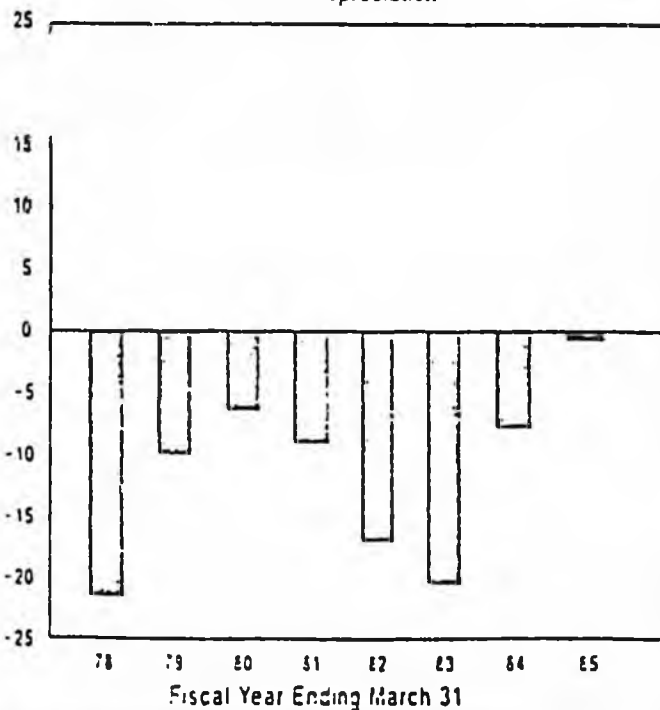
The two Mainland-Vancouver Island routes are among the busiest ferry routes in the world, carrying 7.8 million passengers and 2.8 million vehicles in 1984/85.

A concentrated effort at improving cost efficiency over the past 3 years has resulted in a tremendous reduction in the loss.

For the first time this year the Vancouver Island routes are very close to a break-even operation.



VANCOUVER ISLAND
Loss after Depreciation

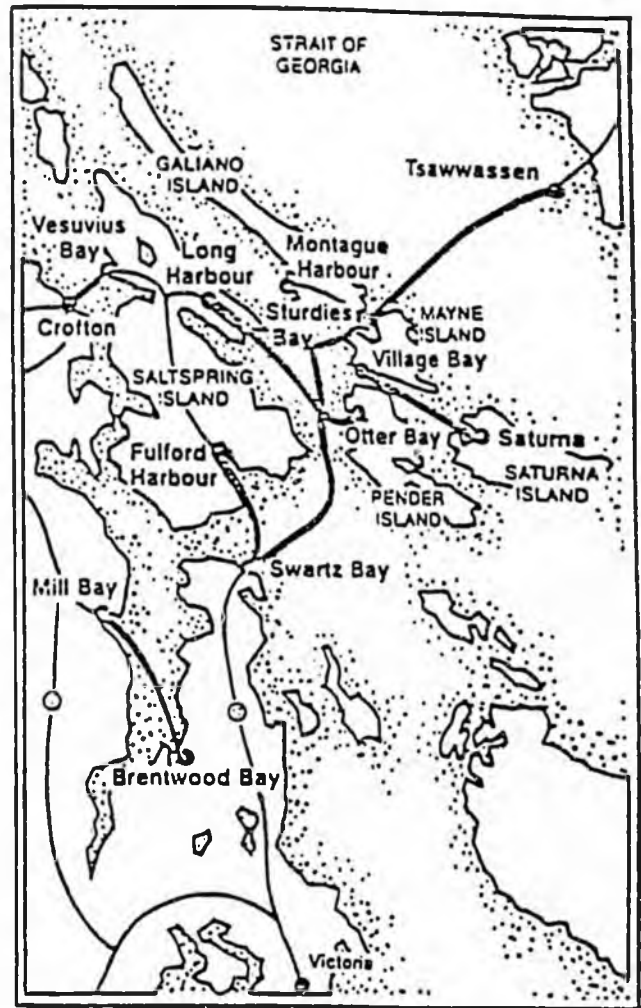


GULF ISLANDS

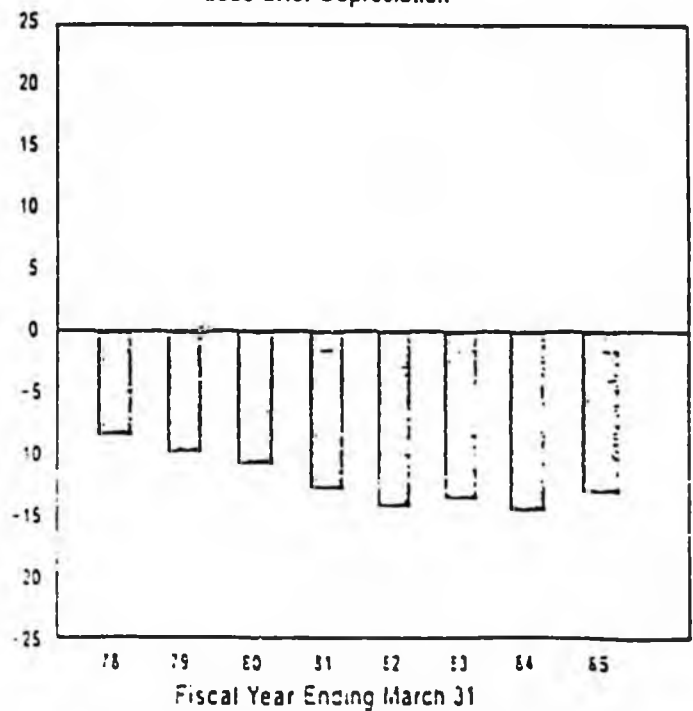
The Gulf Islands vessels service the islands of Salt Spring, Pender, Galiano, Mayne and Saturna. The region also includes the Brentwood-Mill Bay route.

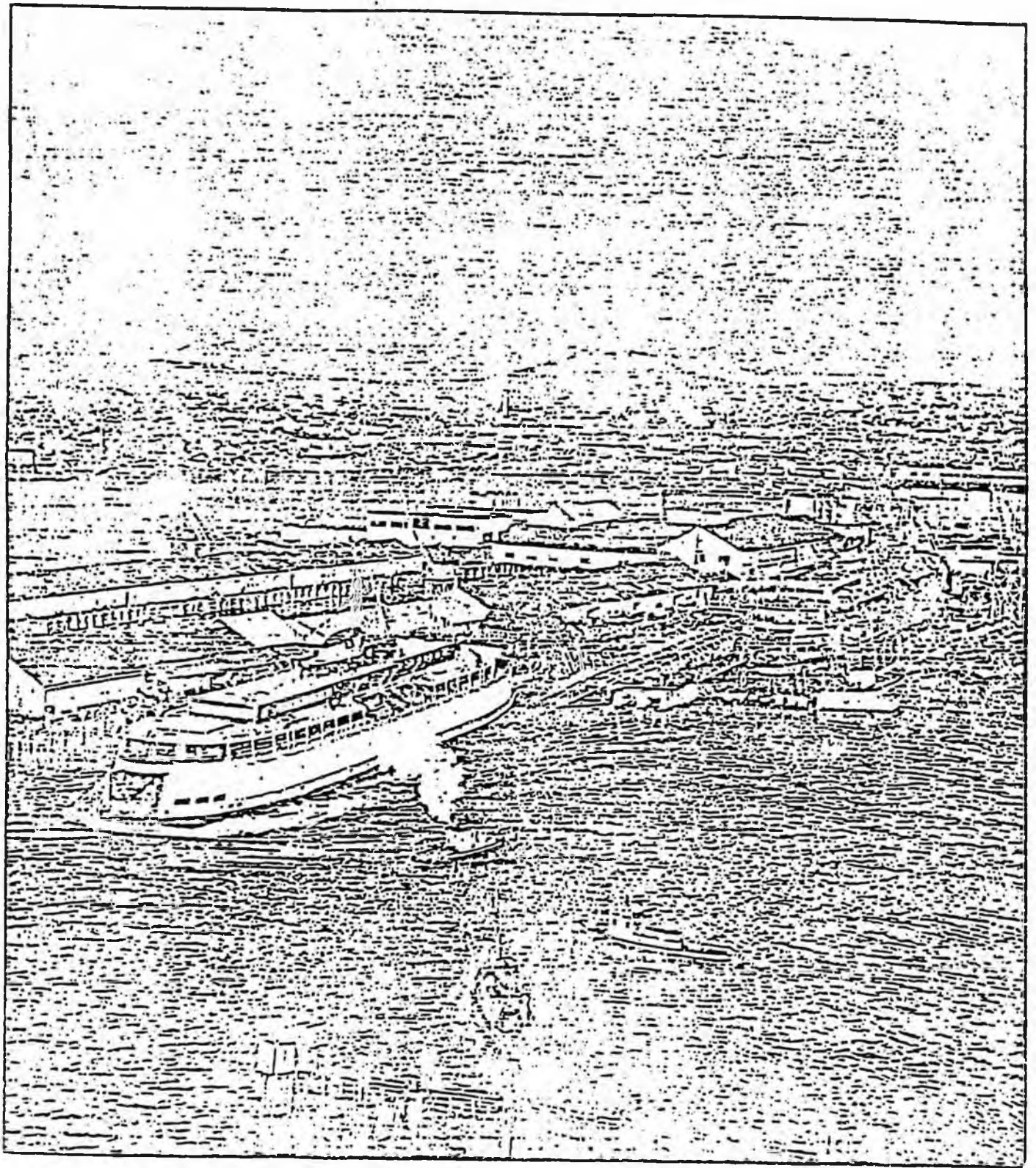
In 1984/85 these routes carried 1.5 million passengers and 623,000 vehicles.

The operating loss in 1984/85 was \$13 million, which is a 9% reduction from the previous year.



GULF ISLANDS
Loss after Depreciation





Port Hardy - Bella Bella - Prince Rupert (Summer)
Port Hardy - Bella Bella - Prince Rupert - Skidegate (Winter)

M.V. "Queen of the North" (Year-round)

Prince Rupert - Skidegate (Summer)

M.V. "Queen of Prince Rupert"

Brentwood - Mill Bay

M.V. "Mill Bay"

Langdale - Gambier Island - Keats Island

M.V. "Dogwood Princess II"

Prince Rupert - Port Simpson - Kincolith

Passenger Service only (under contract)

Other Vessels

M.V. "Queen of Burnaby"
M.V. "Queen of the Islands"
M.V. "Queen of Nanaimo"
M.V. "Queen of New Westminster"
M.V. "Queen of Sidney"

Pay Parking Lots Available

Departure Bay	350	vehicles
Horseshoe Bay	180	"
Langdale	85	"
Swartz Bay	450	"
Tsawwassen	1250	"

Catering

Passengers have the convenience of an enlarged cafeteria system on the converted ferries. These cafeterias have seating for up to 224 people at one time. There is also a snack bar on the four vessels operating between Tsawwassen and Swartz Bay. These ships also provide buffet service during the peak summer schedule. Catering facilities are also on most other vessels servicing the major routes and at major terminals except Horseshoe Bay.

(4)

In April 1967, British Columbia Ferries purchased the "Pere Nouvel", which was renamed the M.V. "Sunshine Coast Queen", to replace the "Langdale Queen" and the "Sechelt Queen" on the Howe Sound service. This double-ended ferry was the largest in the fleet at that time, having a capacity of over 180 cars. This is no longer the case, as the stretch-lifted ferries now have lift-off capabilities of up to 400 vehicles. The "Sunshine Coast Queen" has since been sold.

In June 1967, the M.V. "Mill Bay" was purchased from Coast Ferries and serves the Saanich Peninsula between Brentwood Bay, on the Peninsula, to Mill Bay, approximately 15 miles from Duncan.

The "Howe Sound Queen", which has a carrying capacity of 70 automobiles, was taken over to replace the "Bowen Queen" to alleviate the increasing traffic on the Horseshoe Bay/Bowen Island route.

The jumbo vessels, Queens of "Cowichan" and "Coquitlam", were added to the fleet in 1976. Both capable of carrying 362 automobiles each, they were joined by the "Queen of Alberni", built specifically to carry overheight, commercial, and recreational vehicles. All have elevators and on board cafeterias.

On January 1, 1977, British Columbia Ferries became British Columbia Ferry Corporation, a Crown Corporation. The Chairman of the Board is Stuart Hodgson, President is Andrew Collier. George Baldwin is the General Manager.

Three minor vessels, the M.V.s "Mayne Queen", "Powell River Queen", and "Bowen Queen", were stretched and repowered in 1979. Each ship is now capable of carrying 70 vehicles.

In May-1979, the "Dogwood Princess II" replaced the "Dogwood Princess" on the Gambier and Keats Islands route. The new passenger-only vessel carries 38 people.

On May 29, 1980, the M.V. "Queen of the North", formerly the "Queen of Surrey", commenced service on the Inside Passage run. Port Hardy became the new terminus on northern Vancouver Island on May 31, 1979, replacing Kelsey Bay. During the summer, this vessel departs from Port Hardy every other day with an en route stop at Bella Bella once a week. In the off-season service between the two ports is on a once-weekly basis.

The "Queen of Prince Rupert" was chartered by B.C. Steamship Company to operate between Seattle, Washington and Victoria during the summer of 1980. She was returned to B.C. Ferries in October of that year and commissioned to the service between Prince Rupert and Skidegate, Queen Charlotte Islands. The "Queen of Prince Rupert" operates on the Skidegate - Prince Rupert route in the summer.

Two more jumbo (360-car) ferries, the Queens of "Surrey" and "Oak Bay", were built at Burrard Yarrow's Corporation in Vancouver and Victoria. They entered service in May and June of 1981.

(6)

In the spring of 1981, an enormous and exciting conversion program was commenced. Two of the original seven major vessels, those built between 1961 and 1964 and which had already been "stretched", were now to be "lifted". The ship was cut in half again, this time horizontally, the top half raised on hydraulic jacks, and a new deck inserted. The upper sun deck solariums also underwent change, they were covered in and made into more useful and attractive seating areas. The midships lounge on the promenade deck was also renovated with a snack bar added. Since then, two more of this class vessel have been converted, this time adding ramps, bringing the car carrying capability to, believe it or not, 400 cars!

The "Queen of Alberni", B.C. Ferries' "overheight vehicle" ship, was lifted in the spring of 1984 increasing her car-carrying capacity from 150 to 300 vehicles and returned to service on the Horseshoe Bay/Langdale route 3 months later.

At her 1986 refit, the "Queen of Alberni's" passenger lounges and cafeteria were enlarged making this vessel more suitable for service on the Horseshoe Bay/Departure Bay route.

During the Expo season (May - October, 1986), five ferries that had been in lay-up were repainted in the new B.C. Ferry colours (red, marine blue, and white) and came into service to assist with the heavy demand expected during the World's Fair.

Yes, since 1960, there have been many changes, both on and off the ships of B.C. Ferries. Carpeted decks, where there was once linoleum; cafeterias with an extensive menu; elevators (the new ships have two each); restrooms for the disabled; and pay phones. And ashore, special ramps had to be constructed to comply with the converted vessels' modifications; overhead walkways extended, improved, and carpeted for foot passengers' comfort; greater parking areas; new and more ticket booths; and extra berths and docking facilities. The list just goes on!

MEMORANDUM

State of Alaska

Department of Transportation & Public Facilities

TO: The Honorable Steve Cowper
Governor

DATE: August 9, 1989

FILE NO:

TELEPHONE NO: 465-3900

FROM: Mark S. Hickey *MSH*
Commissioner

SUBJECT: Alaska Marine Highway
System Authority -
Issue Analysis

The purpose of this memorandum is to discuss the advisability of creating a public authority or corporation to run the Alaska Marine Highway System (AMHS), and to explore the key issues involved with undertaking such an endeavor. In recent times, a number of key state policy-makers have suggested that this type of structure should be established or seriously studied as a way to address problems or shortcomings apparently due to the current structure.

What is missing so far from the debate regarding establishment of an AMHS authority is enunciation of a clear, widely held explanation or statement of the long-term mission of the System. As part of that effort, there needs to be some clarification of what exactly have been the problems and what exactly is desired in fundamental changes in how the System functions. Once there is some consensus on these points, it is then possible to examine the current organization and alternatives to design appropriate adjustments to achieve that mission.

The failure of a clear, widely held view being enunciated by authority supporters about what role the AMHS needs to fulfill and why it should pursue that role is easily my largest reservation about the advisability of pursuing creation of an authority at this time. As they say in transportation, I'm afraid the cart may be in front of the horse.

Background

The AMHS was created in 1963 as a fleet of four ferries to serve Alaskans in Southeast in lieu of "hard links" or roads connecting isolated Alaskan communities with other communities and the connected road systems through Canada. Since then the System has evolved into a fleet of nine ferries, now also serving most of Southcentral Alaska and the Aleutian Chain, and providing a direct "Lower 48" connection through the Puget Sound. There has been a tremendous increase in the number of communities, passengers and vehicles served since its beginning. In addition to its primary role of providing Alaskans with basic transportation services, an ever increasing part of the System's business is to support tourism.

Since FY 85, the AMHS total annual operating budget has remained essentially unchanged in current dollars, with a slight decrease in FY 90 due to the health benefit reduction by the legislature. During this same period of time, passenger ridership has grown 8.1% and vehicle usage is up 12.5%. Revenues have also grown, along with considerable improvement in the ratio or percentage of total expenditures funded by generated revenues. For example, FY 89 revenues covered over 56% of total costs, which is a new high. Costs have also risen during this time, partly due to increased usage and the effects of inflation on certain items. Inability under the labor contracts to control effectively leave usage levels during this period probably added to service level impacts.

Vessel age has increased during this period, while the level of annual capital appropriations for general system repairs has dropped. Starting in FY 88, most vessel overhauls have been performed at the Ketchikan Shipyard Repair Facility, creating an increased level of expense. The net result of these considerations is that a greater portion of the annual operating budget has had to be used for major vessel maintenance and overhaul costs, thereby further reducing the amount of funds to support direct service.

The implication of these factors is that during a time of ever increasing demand for service by Alaskans and non-Alaskans alike, the AMHS has experienced ever increasing real reductions in its purchasing power or funds to provide direct service. In most cases, this has usually meant a loss in frequency and/or convenience, versus a complete elimination of service to a particular community. It should also be noted that there appears to be widely held views that service levels have dropped more than the facts would support. Unfortunately, years like FY 89, during which funding could not support maintenance service levels and overhaul problems curtailed certain winter services, have further exacerbated these views.

Management Emphasis

In April 1984, former Governor Sheffield's AMHS Task Force concluded that among other issues the System "is handicapped by the lack of current, specific and accurate information." They called the record keeping systems "archaic" and in need of immediate replacement. They also found a need to redefine the goals of the system, and that there was a definite "lack of continuity of purpose" and a need for a comprehensive plan to provide for future operations.

Interestingly, the Task Force also addressed the basic question of organization and suggested consideration of a public authority or corporation, or continuation of the present arrangement under DOT&PF with a policy-making commission at its head. The main issue they seemed concerned about was ensuring continuity in top department and AMHS management. Without endorsing this concept, I must concur that the entire DOT&PF organization has suffered greatly due to its overall lack of continuity in top management since its inception.

Within three months of assuming responsibility over the AMHS in December 1986, it became quite evident that there existed an absolute void of useable information about almost all aspects of its operations. Further, I found little evidence of any real consideration for accountability or sound management practices guiding day-to-day actions. Nor did I discover any real effort by the past administration to address these matters as identified by their Task Force, with the possible exception of the reservations system.

As a result, we set out on a process to first put in place a streamlined management team of competent professionals in all key posts, followed by the next step of establishing the necessary management practices to generate useable information and control day-to-day actions. The final step in the plan was to generate a comprehensive system plan using the information created through the prior steps. In practice, it has taken longer to implement the first two steps than originally thought, thereby delaying our attention on the comprehensive plan.

On the other hand, real successes have been achieved in the last two and a half years, including the development of a reasonably accurate vessel-by-vessel cost data base for FY 88 and 89. We now possess considerable more ability to predict accurately the relevant fiscal implication of various proposals (e.g., labor provisions) or actions necessary to implement budget reductions.

Authority Impetus/Popular Myths

The combination of our inability to articulate the comprehensive system plan, and the real and perceived impacts resulting from the growing budget dilemma (including the resulting impact on legislative perceptions about the System's efficiency), has served as the primary impetus for many to support the establishment of a public authority as a way to address existing problems.

Whether an authority structure will allow better resolution of these issues is debatable, depending in part on exactly how the authority is structured, and whether the right type of board members and top managers are selected. Anyone who argues that one organization approach is a guarantee for success, while another means certain failure is providing too simplistic an analysis.

Many proponents have argued that an authority will automatically result in certain benefits that will probably not materialize. For example, one argument is that an authority will help remove the AMHS from "politics." Although an authority may change the politics, it will not remove the System from politics when it needs in excess of \$30 million a year in general funds to operate, and the legislature must act annually to appropriate all funds. Even if a constitutional amendment is passed to establish a dedicated fund to keep and manage its revenues, annual appropriations will still be needed. There are also future capital decisions needed eventually regarding vessel age and replacement that will significantly involve the legislature.

Another argument is that an authority will allow the AMHS to keep its own revenues and ultimately become a self-sustaining entity. Putting aside the dedicated fund problem, I disagree that it is possible to make the AMHS a self-sustaining entity unless its mission is significantly changed, and a completely different type of vessel is used allowing for a significant reduction in operating costs. Although I believe it's a worthwhile goal to have the AMHS act in a more businesslike manner and achieve greater self-sufficiency within reason, I don't think it's realistic or appropriate to seek a total self-sufficient operation. The AMHS is fundamentally a basic transportation system similar to our land highway system. Highways do not fully pay for their own existence, nor can or should the AMHS particularly given the high operating costs inherent in its operation.

Real benefits will accrue if the AMHS is allowed to spend the revenue it generates. This would create more of a direct relationship with performance, and work as an incentive. Some consideration could be added through a formula whereby a percentage of new revenues goes to help reduce the general fund contribution. The real question is whether it's necessary to establish an authority to create this relationship. This proposal can be pursued under the current organization, and is a concept that we tried to develop with some success last session. We intend to present for your consideration a proposal for the FY 91 budget that would give the AMHS the benefit of any increase in revenue performance over prior years.

One other argument often mentioned in support of an authority is that as part of DOT&PF, the AMHS doesn't have an advocate working solely on its behalf. While I'd agree that the DOT&PF Commissioner institutionally has other considerations and duties that on occasion may moderate AMHS advocacy, the department does act as a System advocate. In fact, last session we did better on behalf of the AMHS than any other part of the department. On the other hand, there is some validity to the argument that under an authority there would be an advocate in the legislature with more of a single purpose. Whether an administration will want to allow that much freedom in the budget process might work to moderate the "advantages" gained by the organization structure.

Taking the AMHS out of the department will also have the effect of allowing the DOT&PF Commissioner freedom to argue more strongly for the other modes with less regard for AMHS needs. It's worth observing that we continue to spend almost as much money to run the AMHS as we do to maintain every state highway and airport except for AIAS. There are AMHS non-advocates in the legislature that might desire more independence in order to argue more easily that less funds are needed for the System, but that instead more support should be given to other modes. One outcome from establishing an authority is that the "subsidy" issue may be viewed as more of a regional issue in the legislative budget debate.

A final, related argument that I question is that setting up the AMHS as an authority will better allow increases in funding, particularly to meet growing service demands. To the extent an authority ensures greater accountability and tighter management, there may be some truth to this argument. However, the organizational structure will be much less a determinant on this issue than OPEC and oil industry developments. Whether more money goes to support ferries is fundamentally a direct function of the decision-making process to allocate the scarce and ever dwindling general fund resource.

Railroad Comparison

Many authority proponents argue that what is needed for the AMHS is the same approach as was used in setting up the Alaska Railroad Corporation (ARRC). They argue that it worked for the ARRC, therefore it should work for the AMHS. This argument fails to recognize there are fundamental differences between these two organizations and their respective missions. The ARRC is basically a freight transportation and real estate development company that provides limited essential or basic surface transportation services to rural areas (e.g., Whittier; Hurricane-Talkeetna), while the AMHS is fundamentally a basic transportation system serving as the primary means of surface transportation for most users. The ARRC has a clear capacity to operate in a self-sustaining manner even in spite of its limited passenger service responsibilities; the AMHS has no realistic prospect to operate on a self-sustaining basis, at least under its current mission.

There are also more subtle differences between the two organizations that could greatly affect the chances for successful implementation of an AMHS authority. The ARRC was never part of state government or our political system; the AMHS is firmly ingrained in all aspects, whether its labor relations, risk management, legal services, or annual budget approval. As a practical matter, I question just how autonomous an organization can be created for the AMHS. At some point there is a real risk of effectively establishing just another line agency masquerading as an authority, which should be weighed against the chaos and negative aspects of making the change.

As an aside, I think there are legitimate policy concerns with pursuing too much autonomy for an organization that spends in excess of \$30 million annually in general funds.

Another difference to consider is that the ARRC had to confront restructuring of its basic organization due to the federal government's decision to pursue divestiture; there is no similar impetus to force the change for the AMHS. While it's hard to predict the implication of this point, I believe at a minimum it may force more accommodations during the legislative process to achieve the desired result, once again potentially diluting the end result. This could be particularly the case with many of the employee issues.

The actual experience of considering and then pursuing establishment of the ARRC is useful as a possible model. Four separate legislative sessions were spent crafting the legislation establishing the ARRC. A thorough and thoughtful analysis and debate occurred exploring the issue of the Railroad's basic mission, followed by a full assessment of all organizational options. Attached is one document generated during that effort. While it should be acknowledged that passage of federal legislation was needed in the case of the Railroad, I believe the analogy is relevant and, as a primary player on that issue, must observe that it will be next to impossible to achieve a good piece of authorizing legislation in only one legislative session.

Possible Benefits

Having played devil's advocate, let me turn to an analysis of some possible benefits that could be achieved through establishment of an AMHS authority. The major, potential benefit that I see is an authority could greatly aid in providing continuity in top management at the System. This has clearly been a problem, as identified in the 1984 Task Force Report. While there are other ways to achieve this goal, an authority clearly allows for greater management continuity. In this aspect, it can be argued that it minimizes the potential for playing politics; although that depends on the board and sitting governor too. Additionally, if you have a problem management team, it might prove more difficult to pursue a prompt change.

Another benefit would be more control over the labor relations functions, particularly with the vessel employees. This benefit will only materialize if there's a willingness to give the authority real control over this function. One reason for using the authority structure is to set an organization apart from the rest of state government, thereby reflecting a somewhat unique mission requiring special considerations. If one goal is more accountability and businesslike performance, then I believe it's critical to give the organization the tools necessary to achieve that goal.

Given the large percentage of the System's costs attributable to labor, I would argue it's imperative to give direct responsibility over labor relations to the authority if it's going to have a reasonable chance to succeed.

I think you can also craft an argument that the AMHS may improve its basic management performance quicker because under an authority structure there should be more public and legislative scrutiny and visibility. This is very difficult to predict, and may not materialize if there's a long "honeymoon" period. Frankly, given the current demands for AMHS service increases and general revenue trends, I doubt there will be much patience in waiting to see performance improvement.

A final argument that holds value is that making the AMHS an authority will make the job of running DOT&PF that much easier. As a general matter, this would be true. The AMHS has clearly taken probably 20% of my time, which means I don't spend that time on other parts of the department. On the other hand, removing the AMHS from the department defeats one of the primary purposes for creating an integrated, multi-modal DOT&PF. Having management for all modes under one structure should mean more efficient service delivery, particularly in Southeast where the modes are intricately interlinked. It is debatable whether this has yet happened after twelve years, and certainly coordination of the planning effort can occur regardless.

This latter point is a consideration that deserves careful review and discussion. I think it's premature to declare DOT&PF a failed experiment. Given the role of transportation in a state like Alaska, I firmly believe it's imperative to have a well-structured and managed DOT&PF managing the state's transportation systems. Whether that means direct and full responsibility for all modes and systems is debatable. Clearly part of the department's problem has been the lack of top management continuity. On the other hand, I would submit that great strides have been made in the last four or five years irrespective of the continuity issue.

Key Authority Issues

If a decision is made to pursue establishment of an authority to run the AMHS, there are a number of key policy issues that must be addressed correctly if the new organization is to be successful. The following is a partial listing of the major items:

- (1) Findings and Purpose: There is a need to articulate clearly the basic purpose and mission expectations.

- (2) Employees/Labor Relations: Will the employees be employees of the state or the authority? Will the authority have direct control over the labor relation functions, particularly collective bargaining?
- (3) Board Composition: What criteria should govern board composition? Should an employee sit on the board? Should there be other government officials other than the DOT&PF Commissioner
- (4) Budgeting/Revenues: What mechanism will be used to allow expenditure of generated revenues? Should a dedicated fund be pursued? How should subsidy levels be set? What about authority to incur debt, or to carry forward funds for reserve purposes?
- (5) Land Ownership: How should this be handled insofar as terminal holdings are concerned? What restrictions, if any, should apply to appropriate land uses? Should any powers of eminent domain be granted?
- (6) Legal Services: Should the AG serve as legal counsel, or should that be left up to the authority similar to the ARRC?
- (7) Regulatory Oversight: What regulatory oversight, if any, should govern rate-setting and major service changes? What limitations should govern competition with private sector services?
- (8) Capital Fund Allocation: Most capital needs are provided for through federal-aid highway funds. How should this funding support be ensured? Should it continue to pass through the DOT&PF?
- (9) Transportation Planning/Coordination: What steps should be taken, if any, to ensure adequate transportation planning and coordination occurs with DOT&PF?
- (10) Procurement: What exceptions, if any, will apply to the authority's procurement requirements?
- (11) One-Time Costs: Initial estimates are that establishing an AMHS authority will result in one-time costs of approximately \$450,000, and that added, ongoing costs will run about \$300,000. How should these expenses be funded?

- (12) DOT&PF Services: DOT&PF currently performs a number of support service, many of which are funded as part of overall department operations (e.g., accounting support; computer services; right-of-way support). Who should perform these services? How should they be funded? The AMHS also provides some transportation support for other department functions. How should this be handled?

Findings/Recommendations

As is probably evident by the analysis, I have serious reservations about the advisability of pursuing legislation at this time to establish a public authority to run the AMHS. Nor am I convinced that an authority is necessary to accomplish the goal of efficiently operating the AMHS. Without more work leading to the development of a widely held consensus identifying the basic, long-term mission and explaining clearly what changes are desired and why, I think at a minimum it is premature to conclude that an authority is the way to go.

I also think it's unrealistic to expect passage of such a comprehensive restructuring in a single legislative session, at least if the desire is to obtain good legislation. It should also be understood that putting the AMHS through such a change will mean additional chaos in performance of basic management duties for at least one to two years. Just when we're beginning to demonstrate some headway in this area, I'd hate to lose ground to implement what may be an out-of-focus reaction to problems largely beyond the System's control.

At the same time, I realize there is a need¹ to provide leadership for the legislature and the public to address both the real and perceived shortcomings with the status quo. Accordingly, I recommend adoption of the following course of action as a more realistic, yet responsive approach:

- (1) Announce an awareness by the administration of the problems due to current budgetary pressures, long standing AMHS deficiencies, and lack of a current, publicly-held, focused mission.
- (2) Acknowledge efforts and successes of current management team to tackle basic problems. Concurrently, acknowledge that you believe basic structural changes may be needed, but first more work is needed to address #1 above. Perhaps offer you sense of what that mission should be and how some of the current budget issues should be confronted.

- (3) Announce a special effort to analyze these issues, with particular emphasis on historical trends involving service changes and AMHS efficiency. Some amount of independent scrutiny should be built into this work. This effort should include polling of users (particularly Alaskans) to ascertain concerns, level of satisfaction and views about the long-term mission.

- (4) Depending on whether warranted based on the results under #3 above, commission the AMHS Advisory Board to perform the following tasks: (a) help articulate answers to #1 above; and (b) propose organizational adjustments if warranted, with special attention to the authority and any specific legislation that should be pursued. This results of this work could be given to the new administration for action during 1990.

I realize this won't be well received by some quarters advocating immediate action. Nevertheless, I believe it's the more responsible way to handle a fairly significant issue. One way to accommodate those who want more now would be to pursue revenue-based budgeting for FY 91 and commit to increments to restore the System's purchasing power to ensure a level of service closer to levels prior to FY 89. Both are responsible positions, and I intend to advocate something like this during the upcoming budget process.

If after reviewing this material, you decide we should pursue an authority structure now, then it's imperative we marshal the necessary resources promptly in order to competently and thoroughly address this matter. This includes ensuring drafting and passage of competent legislation, and funding the costs to carry out establishment of the authority.

Attachment

cc. Garrey Peska, Chief of Staff, Office of the Governor
Bob Evans, Legislative Liaison, Office of the Governor
Ron Clarke, Special Staff Assistant, Office of the Governor
W. Keith Gerken, Deputy Commissioner, Operations
George Davidson, System Director, Alaska Marine Highway System

MEMORANDUM

State of Alaska

Department of Transportation & Public Facilities

TO: John McGrath
Senior Construction Manager
Marine Facilities Engineering
Alaska Marine Highway System

DATE: March 25, 1986

FILE NO:

TELEPHONE NO: 465-2734

FROM: George Diry
Naval Architect
Marine Facilities Engineering
Alaska Marine Highway System

SUBJECT: FAST FERRIES
Selection Program

Late 1986 will bring AMHS the first funds to implement a FAST FERRY SYSTEM.

To embark on a shopping spree is tempting, but a product selected on claims and brochures may prove deceptive. The first purchase will have lasting consequences, and for all its long range savings expectations to be realized the new fleet will have to be objectively selected.

A. Operational Factors, Anticipated Variations

The new vessel breed will increase operating risks due to size and speed relating to:

- the relative importance of the sea conditions
- Potential personal liabilities from passengers and neighboring small crafts.
- Higher collision probability w/submerged or semi-submerged objects.

The upkeep costs will also be proportionally greater because, among other reasons, of the maintenance operation frequency of the main machinery.

The vessels may require the integration of new docking facilities for it may be unfair thinking to expect a craft with performance requirements so much more stringent than the existing vessels, combined with weight and size restrictions, to also have a geometry permitting ready adaptation to the existing not too flexible and inconsistent docking system. The McNamara aircraft syndrome is an easy trap to the laymen.

Because the sea conditions in the Southeast are known to sometimes become extremely severe for small craft, in a short time period, the integration of a wave report/warning system should become a mandatory part of the new infrastructure. It will supply in advance the degree of discomfort to be expected and warn of desired run cancellation. Such information will of course be made public and likely improve safety for the pleasure and fishing craft fleet in the Southeast.

*I have done something
on this subject w/ research
and C. of W. (1)*

B. Need for Comparative and Qualifying Data:

The merits and performance of a vessel can only be appreciated in relation and comparatively to others. To test a given type and size vessel is only valid if the data can be correlated with much more extensive data from a sister vessel or a model, which verifies the cases tested in specific environmental conditions and by extrapolation can validate predictions of overall performance under all other conditions. Such data can be compared from vessel to vessel, using good judgement not to compare apples and bananas as so often is done from a marketing position.

Selecting a candidate without such solid data comparison can lead to substantial shortcomings. Differences as high as 50% will exist between valid candidates in areas which will directly affect economy, comfort, survivability and the environment. The line of vessels we are contemplating does not have a learned history and its data bank is all but non-existent. ✓

To provide a sound and reliable comparative data base for the selection process, we propose the following approach delineated over seven (7) phases. Results from the resulting data collection will also reveal needed quantified values for design and operational constraints.

1. Establishing some dynamic designs parameters:

The seaway can produce degrees of discomfort, vessel stresses and contributes to endangering the vessel(s). In lieu of wave riding buoys records, which are not available, we will collect and analyze available data for the Southeast and more specifically for the first fast ferry route contemplated. In addition to sources like NOAA and AEIDC we shall conduct interviews with selected small vessels operators and officers of the AMHS fleet. } see note (1)

The goal is to arrive to a range of significant wave lengths and heights, with an estimated histogram, which will:

- 1) Produce absolutes for testing the responses of the various candidate vessels in significant exciting zones.
- 2) Provide guidelines for the rating factor to be later integrated in the evaluation process.

This first phase can be initiated in-house. In which case the only extra expenses would be travel to the different locations required for observations and interviews. The time period can be between now and phase 3.

2. Candidate survey/R.F.P.

The candidates will rally on a R.F.P. which will specify the following design factors:

- A description of the payload, cargo and passengers, as determined by the master plan, or as can be assumed within acceptable tolerance.
- The speed, or speed range contemplated, and some elaboration on practical use of that speed.
- A range of waves into which the vessel(s) will be operating.
- The R.F.P. may contain a brief description of the existing docking facilities.

The R.F.P. will require a cost, FOB Ketchikan for consistency, of the vessel as proposed from a builder licensed by the designers if such agreements are applicable.

The R.F.P. text will describe the anticipated model(s) test program, provide proprietary rights warranty, and require the minimum technical information of the proposed craft which will enable model testing and consideration of other main evaluation factors. To prevent an avalanche of "freaky" candidates it has been suggested that a nominal contributory sum or fee be collected from every applicant, say \$1,000. In addition, general description of vessels that can be considered could eliminate candidates which would require testing beyond the scope of the program contemplated.

Once the main design parameters have been accepted the writing of the R.F.P. scope can probably be done in a month, and require another month for general review, including a legislature panel, prior to publication.

The work can be all in-house. The extra cost limited to advertising - say \$10,000.

The total span period would approximate 4 months including 2 weeks publication and allowing 45 days response time.

3. Candidates data collection

A cursory examination will be done of the respondents documents. If lack of, or inadequate technical data is supplied and does not allow investigation through model testing, the candidates are eliminated and their contribution refunded.

The lines and body plans furnished will all be prepared in the same format and reduced to the same model scale. The necessary physical data will be compiled, standardized and presented in concise table form.

all prices quoted will need readjustment(s) (L)

The reproducing and printing costs for that phase would approximate \$4,000 including a trip to the photographer to verify final prints. This phase will be all in house time and should not extend two weeks beyond the RFP response period.

4. Model making and tank testing proposals

With the models characteristics "scopes of work" will be prepared for model makers and testing tank institutions. This will be in-house and can be accomplished over a month period. It will be advantageous to restrict the number of bidding candidates to the minimum, for the spreading of candidates could actually expand worldwide and the necessary verification and supervisory process would become too costly.

This process could be accomplished in a month, but because the contractual amount will reach substantial sums the scheduling may be tied to our flexibility in dealing with the program. We could accelerate the response time to 10 days for the models and 1 month for the tow basin which have to be scheduled after the models are completed.

5. Model Making -

It is hard to anticipate how many model candidates will be proposed but between crew boat type and catamarans the total may reach 10.

Using this number as a base we can anticipate an average cost of \$3,000 per model, ± \$200 depending upon the number involved.

The delivery could have a required limit of 45/60 days.

To the model cost will be added a survey trip to verify acceptability. This acceptance survey shall occur prior to delivery.

6. Model Testing -

The anticipated charge for an estimated 25 working days required in the basin, assuming 10 models treated following a pre-established elimination schedule, will approximate \$100,000. For this amount the necessary model weighing balancing, marking, etc. will be done, and reduction of the base data, without special report can be prepared.

Scaled movies advisable for a few finalist (2 or 3) in motion phases could cost an additional \$3/4,000. The constant supervision necessary to guarantee this functional and meaningful accelerated test program will cost a trip, plus per diem which amounts to an additional \$4,000.

7. Technical/Economical Evaluation -

It is suggested that the Alaska DOT/PF research group be in charge of this evaluation program. A panel of selected members, with exterior additions when appropriate from the University of Alaska and DOT/PF would prepare, between now and phase 7, the necessary comparison tables and matrices. They would have established the different rating multipliers to be applied, including economical and operational factors. After phase 6 the panel will be given a general technical presentation and the tests results from which it can proceed with the selection/rating process.

Concurrently to this work a project by our research group is likely to supply the evaluating committee with useful results directly tied with our fast ferry testing. The mathematical models developed under this program could give technicians new tools to evaluate various design factors and certain basic parameters which influence stability, structural stresses, etc..... However from the latest news this program funding may come too late for timely answers.

GD/mh

cc: Joe Camp - Deputy Commissioner, AMHS
Stan McAlister - Transportation Planner, Marine Facilities
Engineering, AMHS
Harold Moeser - Director, Marine Facilities Engineering,
AMHS

FERRY CORPORATION ACT**CHAPTER 128****Interpretation****1. In this Act**

"corporation" means the British Columbia Ferry Corporation established under this Act;

"board" means the board of directors of the corporation;

"ferry" means any and all methods and means of water transport including, but not limited to, ships, boats, vessels, barges, hydrofoils and hovercraft;

"ferry system" means the undertaking carried on by and the assets used and operated by the British Columbia Ferries Division of the Ministry of Energy, Transport and Communications that, immediately prior to the transfer date, were vested in the Crown in right of the Province;

"terminals" includes buildings, fixtures, structures, docks, wharves, ramps, landings, approaches, ways, offices and other improvements and facilities, other than land, necessary for or incidental to the operation of ferry, shipping and related services and incidental facilities and improvements;

"transfer date" means January 1, 1977.

1976-8-1.

Corporation established

2. (1) There is established a corporation, to be known as the British Columbia Ferry Corporation, consisting of not more than 9 persons appointed as directors under section 3, who constitute the board.

(2) The corporation may operate under the name "B.C. Ferries" or "British Columbia Ferries", or such other name as the Lieutenant Governor in Council may designate.

(3) The corporation is an agent of the Crown in right of the Province.

(4) The Minister of Finance is the fiscal agent of the corporation.

1976-8-2.

Directors

3. (1) The Lieutenant Governor in Council shall appoint the directors of the corporation, who shall hold office during pleasure.

(2) The Lieutenant Governor in Council shall appoint one of the directors as chairman.

(3) The corporation shall pay to the chairman and other directors the salaries, directors' fees or other remuneration and expenses as the Lieutenant Governor in Council may determine.

(4) A majority of the directors holding office constitute a quorum at meetings of the board, and the affirmative votes of a majority of the directors present at a meeting at which a quorum is present are sufficient to pass any resolution of the corporation.

(5) The board shall meet at least quarterly to determine the policies of the corporation and to supervise and review its affairs.

(6) The directors shall manage the affairs of the corporation or supervise the management of those affairs and may

- (a) exercise the powers conferred on them by and under this Act;
- (b) exercise the powers of the corporation on behalf of the corporation; and
- (c) delegate the exercise or performance of any power or duty conferred or imposed on them to any person employed by the corporation.

(7) The board may pass the resolutions it considers necessary or advisable for the management and conduct of the affairs of the corporation and the exercise of its powers or duties including, without limiting the generality of the foregoing, resolutions respecting the calling and holding of meetings of the board and the procedure to be followed at the meetings.

(8) A resolution in writing, signed by all the directors, is as valid and effectual as if it had been passed at a meeting of directors duly called and constituted.

1976-8-3.

Capitalization

4. The authorized capital of the corporation is one million shares without par value, but the maximum consideration for the issue of all the shares of the corporation shall not exceed \$100 million.

1976-8-4.

Officers and employees

5. (1) The directors shall appoint a general manager to hold office during the pleasure of the board and the directors shall fix the salary to be paid to the general manager.

(2) The directors shall define the duties of the general manager.

(3) The directors, or, if authorized by the directors, the general manager, may appoint the officers and employees considered necessary to carry on the business and operations of the corporation, and may define their duties, determine their remuneration and provide a system of organization to fix responsibility and promote efficiency.

(4) The *Public Service Act* and the *Public Service Labour Relations Act* do not apply to the officers and employees of the corporation.

(5) The *Pension (Public Service) Act* applies to the corporation and its employees and

- (a) the corporation and its employees shall be deemed to be an employer and its employees within the meaning of that Act;
- (b) the corporation shall make the deductions from the salaries of the employees as required under section 6 of that Act and pay the money to the Commissioner under that Act; and
- (c) the corporation shall, in addition, pay to the Commissioner employer's contributions in amounts equivalent to the employees' contributions made under sections 6 (1) and 7 (1) of that Act.

(6) The corporation may require a bond under the *Bonding Act* from such of its officers and employees as it may designate.

1976-8-5

Objects and powers

6. The objects of the corporation are, and it has the power and capacity,
- (a) to establish, operate, administer and maintain a ferry, shipping and related service, including, subject to section 7 (1), the ferry system, and to engage in any other business or undertaking necessary or incidental to the operation of a ferry, shipping or related service;
 - (b) to acquire by any means except expropriation, to charter, to hold in its own name, and to use and operate ferries and terminals and such other property and assets, both real and personal, as are considered by the corporation to be necessary or required for the conduct of its operations, and to use and operate the ferries, terminals and other property and assets acquired for ferry, shipping and related purposes;
 - (c) subject to the approval of the Lieutenant Governor in Council, to lease, charter, mortgage, sell or otherwise dispose of ferries and terminals and other properties and assets, both real and personal, the corporation holds;
 - (d) to undertake such construction and reconstruction of ferries or terminals as in the opinion of the corporation is necessary or required for the conduct of its operations;
 - (e) subject to the approval of or on the direction of the Lieutenant Governor in Council, to add or delete routes of the ferry or shipping service carried on by the corporation;
 - (f) to enter into agreements with or accept grants or fees for services from persons, corporations, municipalities or regional districts and other governmental authorities or any of their agencies, for the purposes of this section;
 - (g) to invest or loan the funds not otherwise required for the purposes of the corporation in those investments or loans authorized by the Lieutenant Governor in Council;
 - (h) subject to the approval of the Lieutenant Governor in Council, to acquire by any means, except by expropriation, the whole or any part of the property, assets and undertaking, and to assume in whole or in part the obligations and liabilities of any person carrying on or entitled to carry on activities which the corporation is authorized to carry on or which can be carried on incidental to, or in connection with, the exercise of the objects and powers of the corporation;
 - (i) subject to the approval of the Lieutenant Governor in Council, to acquire all or any of the shares of another corporation, incorporated for the purpose of, or engaging in, the operation of ferry, shipping and related services, or in any other business necessary or incidental to the operation of ferry, shipping and related services;
 - (j) subject to this Act, to borrow such money as the corporation considers necessary or advisable and to issue notes, bonds, debentures and other securities for that purpose; and
 - (k) to do the things not inconsistent with this Act it considers necessary or advisable for carrying out any of its objects and powers.

1976-8-6.

Acquisition of assets

7. (1) The ferry system, subject to the additions or exclusions as may be designated by the Lieutenant Governor in Council, shall be transferred to and vested in the corporation on the transfer date and at the value determined by the Lieutenant Governor in Council.

(2) With effect on the transfer date, the corporation shall allot and issue, to the Crown in right of the Province, shares in the capital of the corporation at a price, or for a consideration, equal to the aggregate of

- (a) the value of the ferry system as determined under subsection (1); and
- (b) the money paid to the corporation on or before the transfer date for the purchase of shares pursuant to section 19 (1) (a).

(3) The shares in the corporation shall be registered in the name of the Minister of Finance and shall be held by him on behalf of the Crown.

1976-8-7.

Financial administration

8. (1) The corporation shall establish and maintain an accounting system satisfactory to the minister, and shall, whenever required by him, render detailed accounts of its revenues and expenditures for the period or to the day as he may designate.

(2) All books or records of account and other financial records shall at all times be open for inspection by the minister or such other person as he may designate.

(3) The Minister of Finance may direct the Comptroller General of the Province to examine and report to the Treasury Board on any or all of the financial and accounting operations of the corporation.

(4) The accounts of the corporation shall, at least once in every year, be audited and reported on by an auditor appointed by the Lieutenant Governor in Council, and the costs of the audit shall be paid by the corporation.

(5) The minister shall lay before the Legislative Assembly annually

(a) a report of the corporation of its operations for the preceding fiscal year; and

(b) a financial statement showing the assets and liabilities of the corporation at the end of the preceding fiscal year and the operations of the corporation for that year, in the form as may be required by the minister.

(6) The report and financial statement referred to in subsection (5) shall be laid before the Legislative Assembly within 90 days next following the end of the fiscal year for which the report and statement are made if the Legislative Assembly is then sitting, otherwise within 15 days after the opening of the next following session.

(7) The financial statement referred to in subsection (5) shall be prepared in accordance with generally accepted accounting principles.

(8) The *Financial Information Act* applies to the corporation.

1976-8-8.

One fund

9. All funds, including borrowings, income and revenue that come into the hands of the corporation, whether as agent, trustee, owner or otherwise, shall form one fund out of which the corporation shall pay all expenditures necessary for its purposes.

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and the corporation shall account for the fund and all payments out of it in its annual report.

1976-8-9.

Fiscal year

10. The fiscal year end of the corporation is March 31.

1976-8-10.

Operations

11. (1) The corporation, subject to the approval of the Lieutenant Governor in Council or such board, commission or other body as he may designate, shall fix the fares, tolls and other charges for the use of the ferry, shipping and other related services under its jurisdiction.

(2) The corporation, in fixing fares, tolls and other charges, shall give consideration to the costs of operating and maintaining ferries, terminals and its other properties and assets and the amount required annually to meet depreciation and interest charges.

1976-8-11.

Acquisition of land by minister

12. (1) On behalf of the corporation and subject to the approval of the Lieutenant Governor in Council, the minister charged with the administration of the *Ministry of Transportation and Highways Act* may, in accordance with that Act, acquire such land as may be necessary for the purposes of this Act.

(2) Unless otherwise directed by the Lieutenant Governor in Council, the land acquired under this section shall be vested in and held in the name of the Crown for the use and benefit of the corporation.

1976-8-12; B.C. Reg. 91/79; B.C. Reg. 537/79.

Tenders for works

13. (1) The corporation shall invite tenders by public advertisement for the construction, modification or repair of ferries or terminals involving capital expenditures unless

- (a) the corporation considers that compliance with this section would cause a delay that would be contrary to the public interest; or
- (b) the work could be more expeditiously and economically executed by the officers and employees of the corporation.

(2) The corporation shall open in public all tenders received pursuant to subsection (1), at a time and place stated in the advertisement inviting the tenders, and the amount of each tender shall then and there be publicly announced or made available for inspection by any person.

1976-8-13.

Borrowing powers

14. (1) Subject to the approval of the Lieutenant Governor in Council and within the borrowing limitations prescribed by section 16, the corporation, for the purpose of carrying out any of the objects or powers referred to in this Act or for the

exercise of any power, right, function or duty conferred or imposed on it under this or any other Act, may borrow such money as it may consider necessary or advisable and may issue notes, bonds, debentures and other securities bearing interest at the rates and payable as to principal and interest in the currencies and at the places and times and in the manner as the corporation may determine.

(2) The notes, bonds, debentures and other securities of the corporation may be made redeemable in advance of maturity at the times and at the prices as the directors of the corporation may determine at the time the securities are issued.

(3) The corporation may borrow and issue securities in such amount as will realize the net sum required by the corporation for its purposes, and a recital or a declaration in a resolution of the corporation authorizing the issue of securities to the effect that the issue of the securities so authorized is being made for the purposes of the corporation and that the amount is necessary to realize the net sum required for the purposes of the corporation is conclusive evidence of the fact.

(4) Subject to the approval of the Lieutenant Governor in Council, the corporation, on the terms and conditions considered necessary or advisable, may sell, exchange or otherwise dispose of the notes, bonds, debentures and other securities of the corporation, and either at par value or at less or more than par value, and may charge, pledge, hypothecate, deposit or otherwise deal with the securities as collateral security, and may do any of these things.

(5) Securities of the corporation, dealt with as collateral security, when

(a) redelivered to the corporation or its nominees on or after payment, satisfaction, release or discharge, in whole or in part, of any indebtedness or obligation for which the securities may have been given as collateral; or

(b) the corporation again becomes entitled to the securities, may be treated by the corporation as unissued and, subject to the approval of the Lieutenant Governor in Council,

(c) may be issued, reissued, charged, pledged, hypothecated, deposited, dealt with as collateral security, sold or otherwise disposed of on the terms and conditions the directors of the corporation may consider necessary or advisable; or

(d) at the option of the corporation, may be cancelled, and in that case, subject to the approval of the Lieutenant Governor in Council, fresh securities in the same amount, in similar form and with similar consequences may be issued instead, and on the issue or reissue a person entitled to them has the same rights and remedies as if the securities had not been previously issued,

but the borrowing power of the corporation shall be deemed not to have been affected by the issuance, reissuance, pledging, depositing or selling of the securities under this section.

(6) The notes, bonds, debentures and other securities of the corporation shall be in the form as may be determined by the directors of the corporation, subject to the approval of the Minister of Finance.

(7) The bonds, debentures and other securities shall bear the seal of the corporation and, together with the coupons, if any, attached, shall bear the manual, engraved, lithographed or printed signatures of the chairman and secretary of the corporation or such other directors or officers of the corporation as it may determine.

(8) The directors of the corporation may provide that the seal of the corporation may be engraved, lithographed, printed or otherwise mechanically reproduced on any security to which it is to be affixed.

(9) The seal of the corporation when so mechanically reproduced shall have the same force and effect as if manually affixed, and the mechanically reproduced signatures shall for all purposes be valid and binding on the corporation, notwithstanding that the person whose signature is so reproduced has ceased to hold office before the date of the security or before its issue.

(10) Subject to any restriction that may be placed on it by the Lieutenant Governor in Council and within the borrowing limitation prescribed by section 16, the corporation may also borrow, by way of temporary loans from any person, the sums on the terms, for the purposes and on the conditions as the directors of the corporation may determine, by way of bank overdraft or line of credit, or by the pledging as security for the temporary loans of notes, bonds, debentures or other securities of the corporation pending their sale or in lieu of selling them, or in whatever other manner the directors of the corporation may determine. Any cheques, promissory notes or other instrument that may be necessary or advisable in connection with borrowing money and obtaining advances by way of such temporary loans may be executed in whatever manner the directors of the corporation may determine.

(11) The Minister of Finance, as fiscal agent of the corporation, may arrange all details and do, transact and execute all deeds, matters and things that are requisite during the negotiation of a loan or for the purpose of placing a loan.

(12) Money raised by the corporation under this section shall be paid by the corporation into the fund established under authority of section 9.

(13) The corporation, except in the case of a temporary loan of a term not exceeding 5 years and of issues of securities repayable in instalments of principal, shall set aside in each year during the period mentioned in this subsection a sum that, together with interest compounded annually at a rate determined by the Lieutenant Governor in Council, would be sufficient, irrespective of the dates of maturity of the securities being issued, to provide a sinking fund for the repayment in full of any securities issued by the corporation within a period not exceeding 30 years after the date of issue.

(14) The sums referred to in subsection (13) shall be paid to the Minister of Finance, who shall act as trustee for the corporation, shall establish one or more appropriate sinking fund trustee accounts, and, subject to subsection (15), shall invest the sums and the interest earnings in securities of Canada or any province, or in securities the principal and interest of which are guaranteed by Canada or any province.

(15) Notwithstanding anything in this Act, the corporation may make such other provisions as may be approved by the Lieutenant Governor in Council for the payment by the corporation to the Minister of Finance as trustee for the corporation of a sinking fund for the repayment at or before maturity of the whole or any part of securities issued by the corporation and for the application from time to time by the Minister of Finance on behalf of the corporation of the whole or any part of the sinking fund so paid and any interest earnings to the purchase, and, in the case of securities issued subject to redemption in advance of maturity, to the redemption by call of those securities, and the Minister of Finance shall apply the sinking fund in accordance with the provisions so approved, and securities purchased or redeemed may be retained in the sinking fund, and, if retained, may be cancelled on the authorization of the Lieutenant Governor in Council.

Authorization to borrow from *Canada Pension Plan*

15. (1) Notwithstanding anything in this Act, the corporation may, in the bylaw or resolution under section 14, authorize the Minister of Finance or, with the concurrence of the Minister of Finance, authorize the Minister of Finance of Canada to determine any matter required to be determined under section 14 for the purpose of

- (a) borrowing money from the Canada Pension Plan Investment Fund established under the *Canada Pension Plan*; and
- (b) issuing and selling to the Receiver General and Minister of Finance of Canada for the credit of the Canada Pension Plan Investment Fund debentures as security for the loans.

(2) Subsection (1) shall be conclusively deemed to have been the law since January 1, 1977 and is retroactive to the extent necessary to give effect to its provisions on and after that date, and every bylaw or resolution passed under section 14 since that date for the purpose of borrowing money from the Canada Pension Plan Investment Fund shall be conclusively deemed to grant the authorization referred to in subsection (1), and debentures issued and sold to the Receiver General and Minister of Finance of Canada under section 14 are validated and confirmed.

1978-21-3.

Maximum borrowing power

16. The aggregate of the sums that may be borrowed under the authority of this Act, after payment of discount, commission, brokerage and all other expenses of all loans, shall not exceed the aggregate net sum of \$250 million, and in computing that aggregate net sum the following shall be excluded:

- (a) sums borrowed by the corporation for any of the purposes of
 - (i) repayment on account of advances by the Crown to the corporation or repayment of notes, bonds, debentures or other securities of the corporation purchased by the Crown;
 - (ii) payment, refunding, exchange or renewal of the whole or any part of a loan raised or security issued by the corporation, except to the extent that a sinking fund is available for the payment of the loan or securities, and a recital or declaration in a resolution of the corporation authorizing the issue of securities as to the amount of a sinking fund so available is conclusive evidence of the fact; or
 - (iii) payment of the whole or any part of a loan, a liability or bonds, debentures or other securities, payment of which is guaranteed or assumed by the corporation;
- (b) sums borrowed by the corporation that have been repaid by the corporation otherwise than out of the proceeds of the sale of securities of the corporation issued for the purpose;
- (c) sums borrowed by the corporation to repay in whole or in part outstanding temporary loans of the corporation;
- (d) the amount of debt of any person assumed by the corporation or money borrowed to repay the debt so assumed;
- (e) securities of the corporation hypothecated or pledged by the corporation as collateral security for temporary loans of the corporation, except to the extent that the net sum realized on any subsequent sale by the corporation

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of such securities exceeds the amount of the temporary loan paid or to be repaid from the proceeds of the sale.

1976-8-15.

United States dollar equivalent

17. For the purpose of calculating the sum to be set aside for a sinking fund under section 14 (13) in respect of securities payable in United States dollars, \$1 in lawful money of Canada shall be deemed to be the equivalent of \$1 in lawful money of the United States of America.

1976-8-16.

Government guarantee

18. (1) The Crown may, on terms as the Lieutenant Governor in Council approves, guarantee

(a) the payment of principal and interest; and

(b) the performance of any obligation for the payment of money, of the notes, bonds, debentures and other securities issued by the corporation.

(2) The Lieutenant Governor in Council may authorize

(a) the Minister of Finance; or

(b) an officer of the Ministry of Finance,

to sign the guarantee on behalf of the Crown, and the signature of that person on the guarantee is conclusive proof that this section has been complied with.

(3) The guarantee, in the form and manner the Lieutenant Governor in Council approves, may be endorsed on the notes, bonds, debentures and other securities issued by the corporation and the signature of the person authorized to sign the guarantee may be reproduced by engraving, lithographing, printing or other means.

(4) The reproduced signature of a person referred to in subsection (3) shall for all purposes be deemed to be the signature of that person and is binding on the Crown notwithstanding

(a) that the person whose signature is reproduced did not hold office at the date of the notes, bonds, debentures or other securities or at the date of their delivery; or

(b) that the person who holds that office at the date the signature is affixed is not the person who holds that office at the date of the notes, bonds, debentures or other securities or at the date of their delivery.

(5) Money required to be paid by the Crown in respect of a guarantee given under this section shall be paid out of the consolidated revenue fund without an appropriation other than this Act.

1976-8-17.

Subsidies from government

19. (1) During the first fiscal period of the corporation, the Minister of Finance may, for the purpose of providing financial assistance to the corporation for such fiscal period, apply a sum not exceeding \$25 million

(a) for the purchase of shares in the capital of the corporation; and

(b) for a grant to the corporation

in the proportions as he may determine, and the money required shall be paid out of the consolidated revenue fund without an appropriation other than this section.

(2) The Lieutenant Governor in Council, on the recommendation of the Minister of Finance, may authorize the Minister of Finance to pay to the corporation ~~in its 1972 fiscal year and in each subsequent fiscal year~~ a sum of money, to be known as the annual highway equivalent subsidy, ~~that is, in the opinion of the Lieutenant Governor in Council, substantially equivalent to the aggregate of the annual cost of maintaining, and the annual amortization of the capital cost of lengths and classes of highways in the Province which, in the opinion of the Lieutenant Governor in Council, are substantially equivalent to the ferry routes operated by the corporation, the sum to be calculated in accordance with a formula to be approved by the Lieutenant Governor in Council.~~

B.C. Legislature
 Appropriations Subsidy
 annually
 budget
 deleted
 process

1976-8-18.

Additional funds from purchase of shares or loans

20. In addition to any other money authorized to be paid under section 19, the Lieutenant Governor in Council may, by order, authorize the Minister of Finance to

- (a) purchase unissued shares of the corporation;
- (b) purchase notes, bonds, debentures or other securities of the corporation; and
- (c) advance money to the corporation for its temporary or long term purposes on the terms and conditions as the Lieutenant Governor in Council may determine,

and the money required shall be paid out of the consolidated revenue fund without an appropriation other than this section.

1976-8-19.

Exemption from taxation

21. The corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except in so far as the Crown is liable.

1976-8-20.

Transfer of Ferry Authority

22. (1) On the transfer date, all rights, properties and assets remaining vested in and all liabilities of the British Columbia Ferry Authority established under the *British Columbia Ferry Authority Act*, not transferred to and vested in the Crown in right of the Province by the *British Columbia Ferry Authority (Vesting) Act, 1968* are transferred to, vested in and assumed by the corporation, including, in particular,

- (a) all the liabilities of the British Columbia Ferry Authority in respect of the payment of the principal and interest on the outstanding bonds and debentures of the British Columbia Ferry Authority; and
- (b) all money and investments in or forming part of the sinking funds established for the repayment of those bonds and debentures of the British Columbia Ferry Authority.

(2) On the transfer date, the *British Columbia Ferry Authority Act* and the *British Columbia Authority (Vesting) Act, 1968* are repealed and the British Columbia Ferry Authority is dissolved.

(3) Notwithstanding the repeal of the *British Columbia Ferry Authority Act* and the *British Columbia Ferry Authority (Vesting) Act, 1968*,

- (a) the unconditional guarantee by the Crown of the payment of the principal of and interest on the bonds and debentures of the British Columbia Ferry Authority remains valid and binding according to its tenor; and
- (b) in the event that the assets of the sinking fund described in subsection (1) (b) are insufficient to discharge the liabilities described in subsection (1) (a) at the time when payments of those liabilities are required to be made, the sums required to discharge those liabilities shall be paid out of the consolidated revenue fund without an appropriation other than this section.

1976-8-21.

Employees of ferry system

23. (1) On the transfer date, those public service employees as defined in the *Public Service Act*, who are working for the ferry system, are, notwithstanding the *Public Service Act*, employees of the corporation and shall cease to be public service employees and shall be deemed, with effect from the transfer date, to have been appointed pursuant to and for the purposes of section 5 (3).

(2) On the transfer date, every public service employee who, prior to that date had been confirmed in his appointment under the *Public Service Act* and who is subject to appointment to the corporation under subsection (1),

- (a) shall not suffer any reduction in salary by reason only of his appointment under subsection (1);
- (b) is entitled to equivalent superannuation or pension plan benefits as he is entitled to in the public service and full credit in respect of his contributions and the contributions of the government on his behalf during his period in the public service; and
- (c) is entitled to participate in the Public Services Medical Plan and to maintain group insurance coverage by an insurance contract under the Public Service Group Insurance Plan.

(3) Any question or difference between the corporation and an employee or a trade union representing employees respecting

- (a) the interpretation or application of this section;
- (b) the interpretation or application of any provision of a collective agreement in force between the Public Service Commission and a trade union referred to in subsection (4); and
- (c) any question arising by reason of subsection (4);

may be referred by the parties or any of them to the Labour Relations Board in accordance with the procedure set out in the *Labour Code* and the regulations under that Act, and the Labour Relations Board may decide the question or difference

- (d) in any of the ways; and
- (e) by applying any of the remedies

available in respect of the settlement of a question or difference under the *Labour Code* with the necessary changes and so far as they are applicable.

(4) On the transfer date, the corporation is bound by every collective agreement in force between the Public Service Commission acting on behalf of the Treasury Board and a trade union acting on behalf of the employees of the ferry service or any of them, as if the corporation were a party to the collective agreement and if

- (a) any provision of the collective agreement is not applicable or is ineffective by reason of references to the Public Service Commission, Public Service Grievance Board, Treasury Board, *Public Service Act* or *Public Service Labour Relations Act*, or for any other reason; and
- (b) the corporation and the trade union representing the employees, after negotiation, cannot agree on an amended provision,

either party may apply to the Labour Relations Board pursuant to subsection (3) and, in addition to the powers of the Labour Relations Board under subsection (3) and under section 53 of the *Labour Code*, the Labour Relations Board may determine a method by which the provision may be made applicable and effective and may order the collective agreement to be amended accordingly.

1976-8-22.

Company Act

24. (1) Notwithstanding section 3 (1) of the *Company Act*, sections 19, 21 (1), 32, 33, 124, 125, 144 to 148 and 152 of that Act apply to the corporation.

(2) The Lieutenant Governor in Council may declare that one or more additional provisions of the *Company Act* apply to the corporation.

1976-8-23.

Ferry Act

25. The *Ferry Act* does not apply to the corporation.

1976-8-24.

Public Service Benefit Plan Act

26. The *Public Service Benefit Plan Act* applies to the officers and employees of the corporation.

1976-8-25.

Regulations

27. The Lieutenant Governor in Council may make regulations.

1976-8-29.

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