

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5143 HTRA HB 62

715

ALASKA MARINE HIGHWAY SYSTEM

REVENUE AND DIRECT EXPENSES BY ROUTE
FY 1983

\$ THOUSANDS

14000

12000

10000

8000

6000

4000

2000

0

LEGEND
REVENUE
DIRECT EXPENSES

ROUTE

SEATTLE

PRINCE
RUPERT

NORTH
PAN-
HANDLE

SOUTH
PAN-
HANDLE

WINTER
PAN-
HANDLE

M/V
CHILKAT

M/V
TUSTU-
MENA

M/V
BARTLETT

1002.00
489.00

1036.00
630.00

3531.00
1000.00

700.00
210.50

4351.00
1910.10

2420.00
1396.10

1104.50
1102.00

1204.00
1170.00

SEPTEMBER 10, 1984 BS

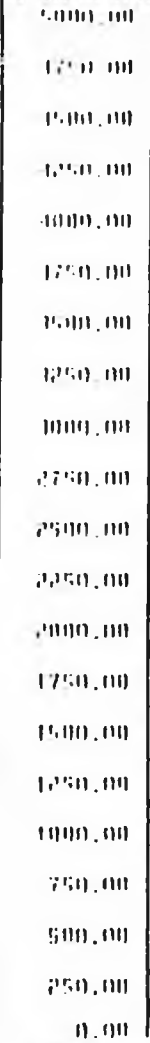
ALASKA MARINE HIGHWAY SYSTEM

REVENUE AND DIRECT EXPENSES, BY MONTH

SEATTLE SEACWAY
FY 1991

LEGEND
 REVENUE
 DIRECT EXPENSES

THOUSANDS



MONTH

JUL. AUG. SEP. OCT. NOV. DEC. JAN. FEB. MAR. APR. MAY JUN. AVG.

VESSEL COLUMBIA
 MATAPUSKA
 MALASPINA



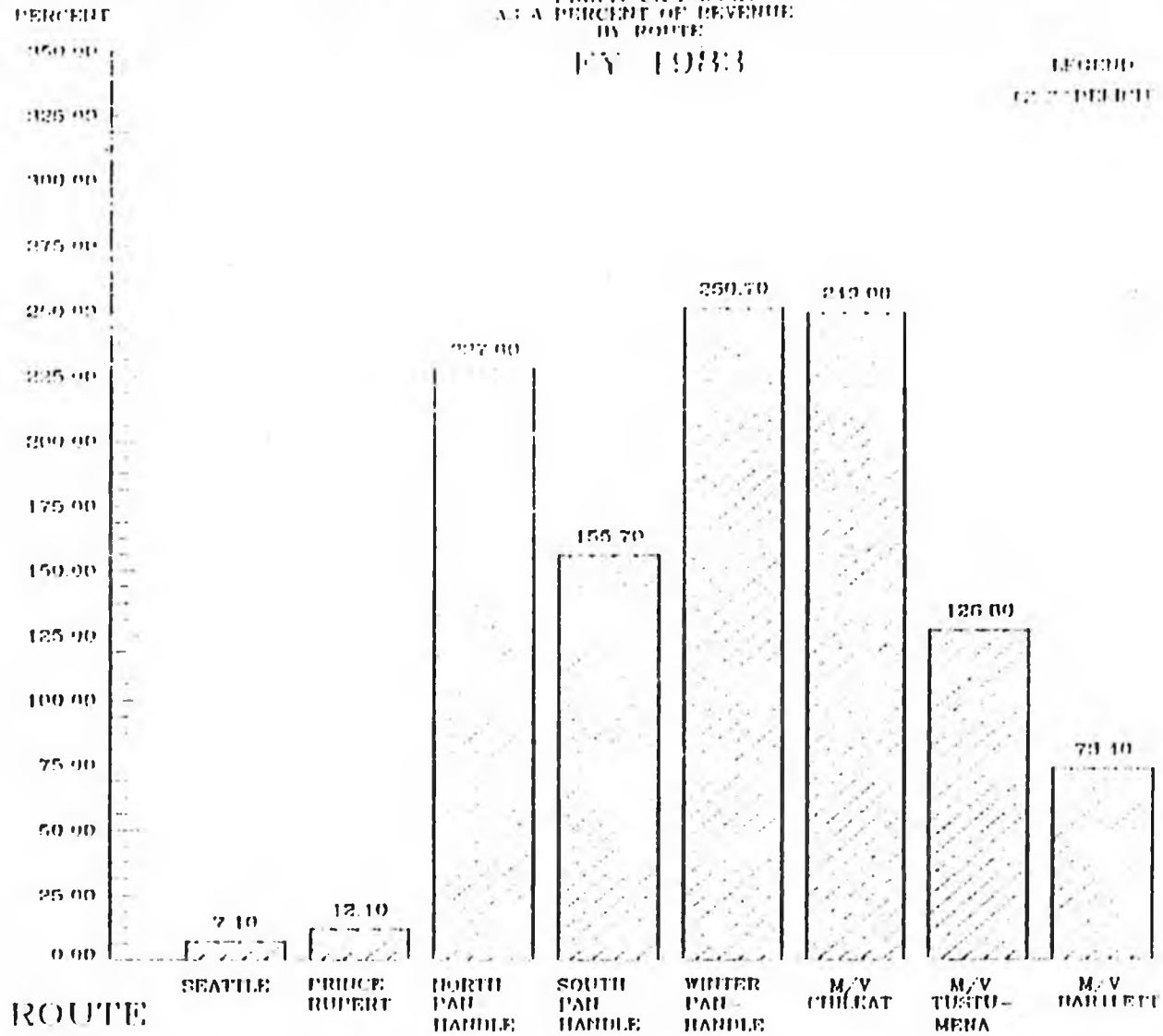
FEBRUARY 20, 1991 P3

ALASKA MARINE HIGHWAY SYSTEM

PROFIT OR DEFICIT
AS A PERCENT OF REVENUE
BY ROUTE

FY 1983

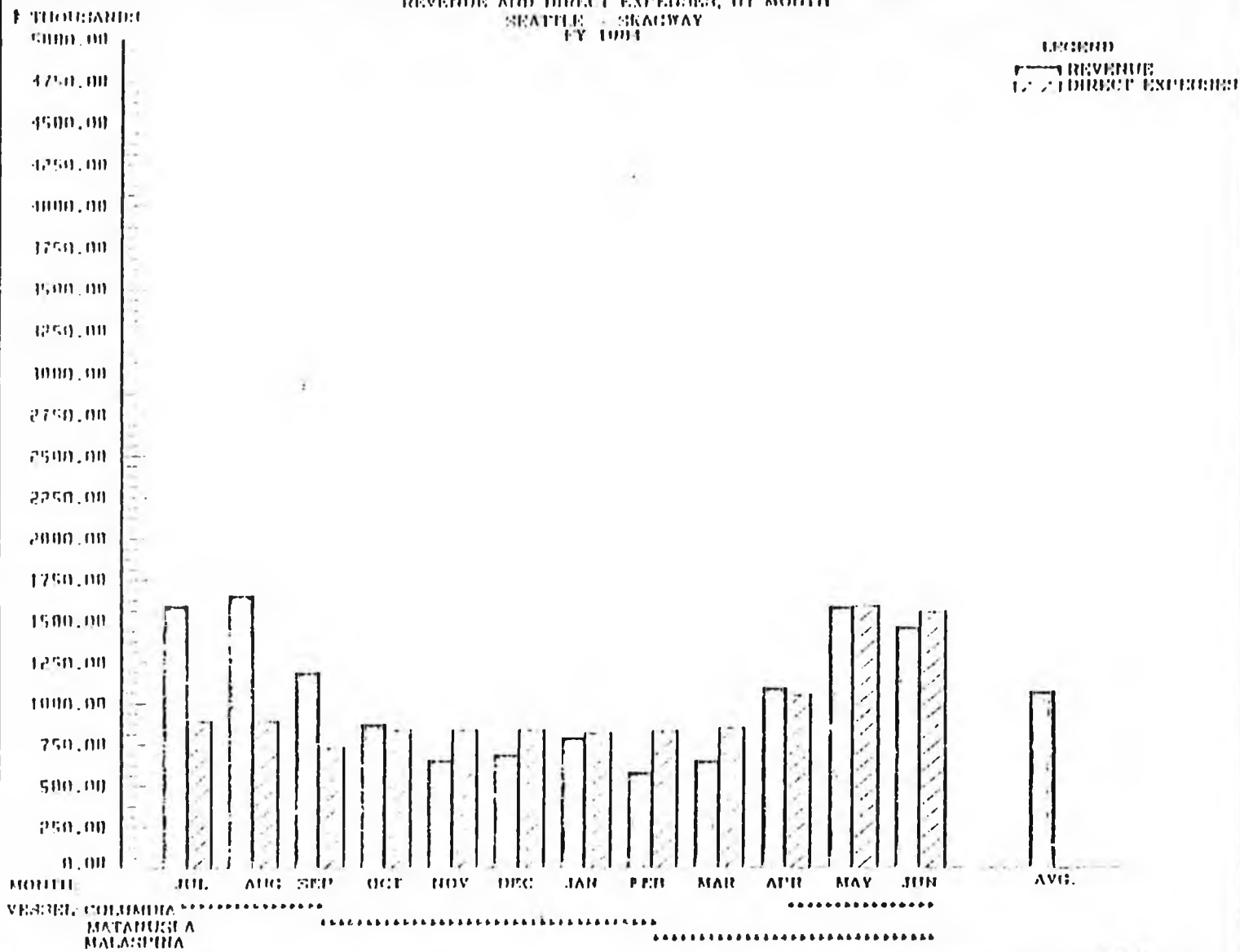
LEGEND
□ PROFIT
▨ DEFICIT



SEPTEMBER 10, 1984 BS

ALASKA MARINE HIGHWAY SYSTEM

REVENUE AND DIRECT EXPENSES, BY MONTH
SEATTLE - SEAGWAY
FY 1991



VEHICLE COLUMBIA
 MATANUSKA
 KALAGANHA

FEBRUARY 20, 1991 RS

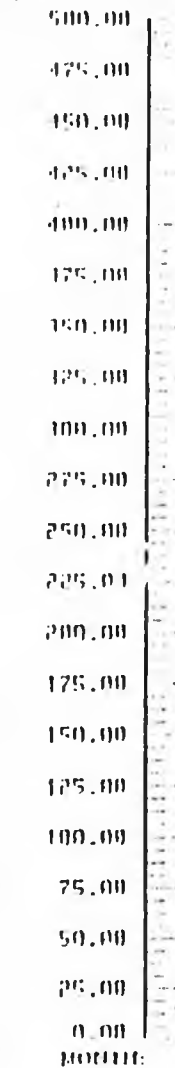
ALASKA MARINE HIGHWAY SYSTEM

REVENUE AND DIRECT EXPENSES

M/V CHELSEA

FY 1984

THOUSANDS



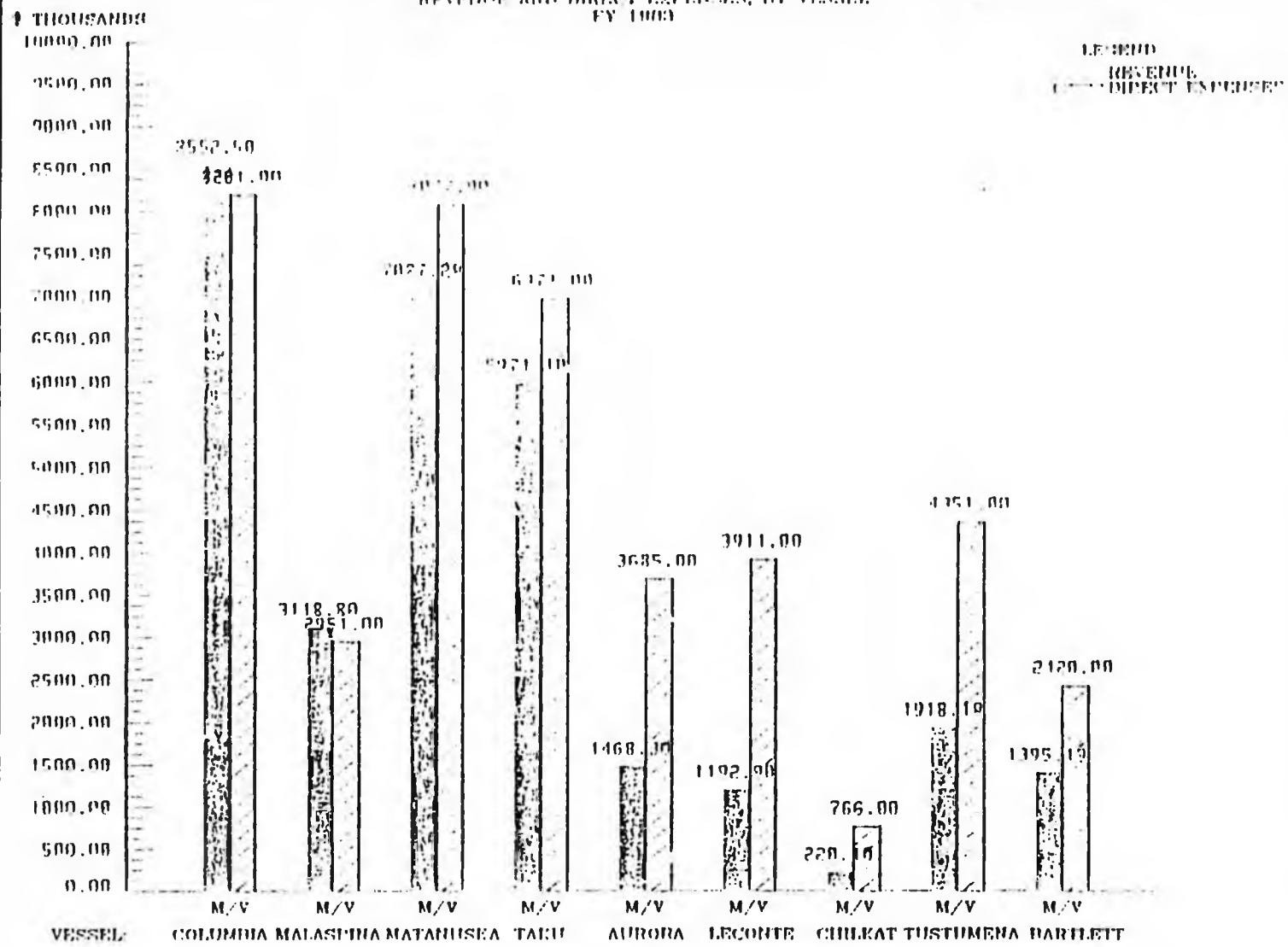
LEGEND
 [Solid Bar] REVENUE
 [Hatched Bar] DIRECT EXPENSES

FEBRUARY 27, 1985 RS

ALASKA MARINE HIGHWAY SYSTEM

REVENUE AND DIRECT EXPENSES, BY VESSEL

FY 1963



SEPTEMBER 10, 1964 RS

ALASKA MARINE HIGHWAY SYSTEM

REVENUE AND DIRECT EXPENSES, BY MONTH
 FROM 1954 TO 1955

THOUSANDS

5000.00

4750.00

4500.00

4250.00

4000.00

3750.00

3500.00

3250.00

3000.00

2750.00

2500.00

2250.00

2000.00

1750.00

1500.00

1250.00

1000.00

750.00

500.00

250.00

0.00

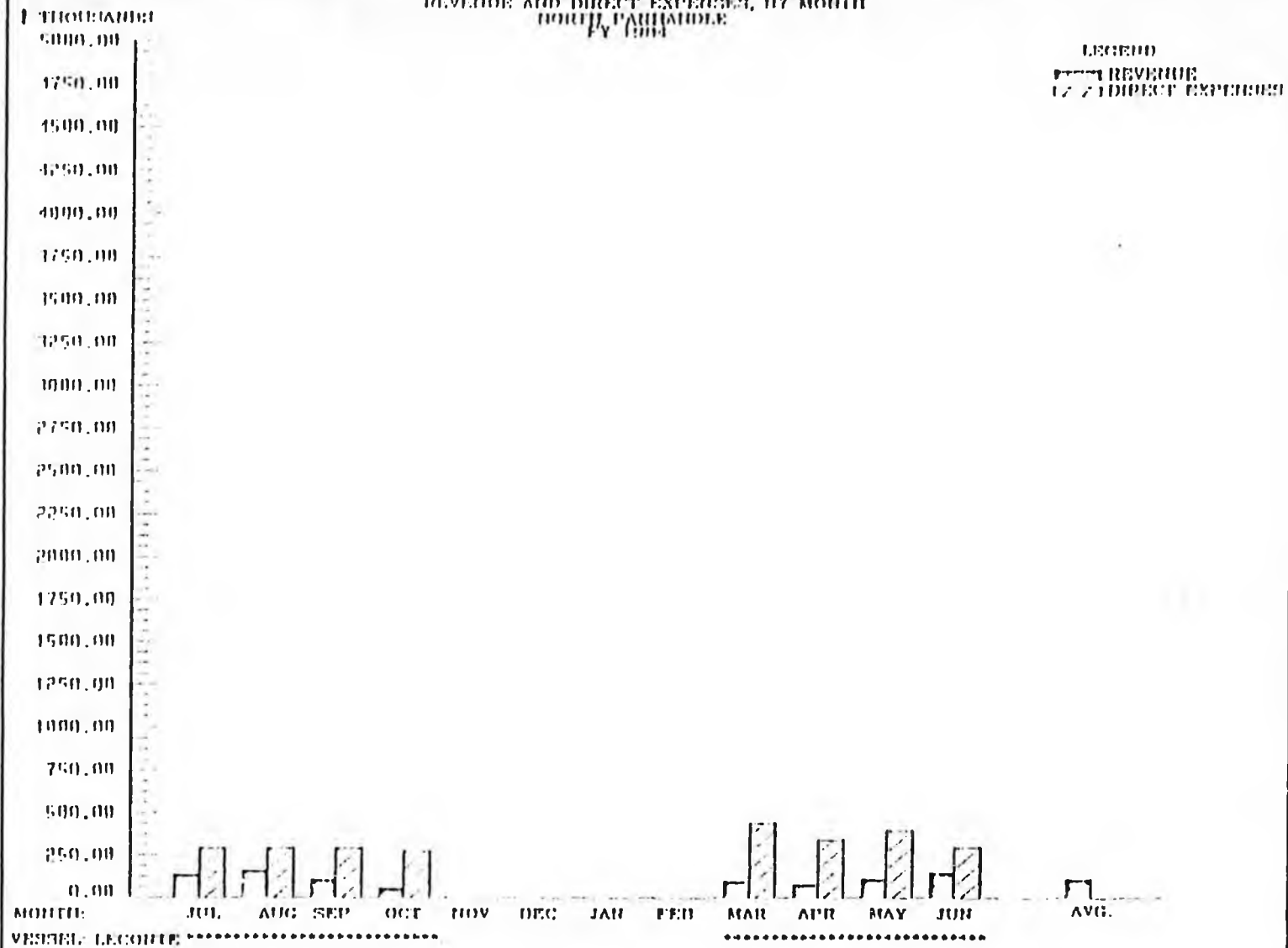
LEGEND
 [] REVENUE
 [/] DIRECT EXPENSES

MONTH: JUL. AUG. SEP. OCT. NOV. DEC. JAN. FEB. MAR. APR. MAY JUN. AVG.
 VESSEL: MATANUSKA
 MALASPINA
 TARD

FEBRUARY 20, 1955 BS

ALASKA MARINE HIGHWAY SYSTEM

REVENUE AND DIRECT EXPENSES, BY MONTH
 MONTH PAIDABLE
 BY 1984



FEBRUARY 20, 1983 R3

ALASKA MARINE HIGHWAY SYSTEM

REVENUE AND DIRECT EXPENSES, BY MONTH
ROUTE PAINTABLE
FY 1964

\$ THOUSANDS

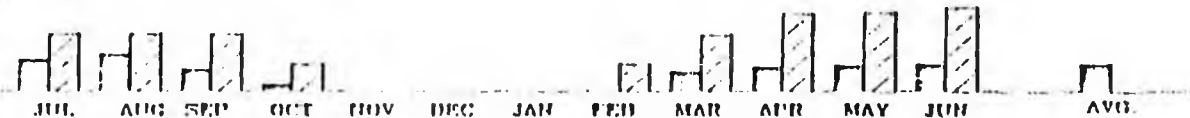
5000.00
4750.00
4500.00
4250.00
4000.00
3750.00
3500.00
3250.00
3000.00
2750.00
2500.00
2250.00
2000.00
1750.00
1500.00
1250.00
1000.00
750.00
500.00
250.00
0.00

LEGEND
 [Solid Bar] REVENUE
 [Hatched Bar] DIRECT EXPENSES

MONTH: JUL. AUG. SEP. OCT. NOV. DEC. JAN. FEB. MAR. APR. MAY JUN. AVG.

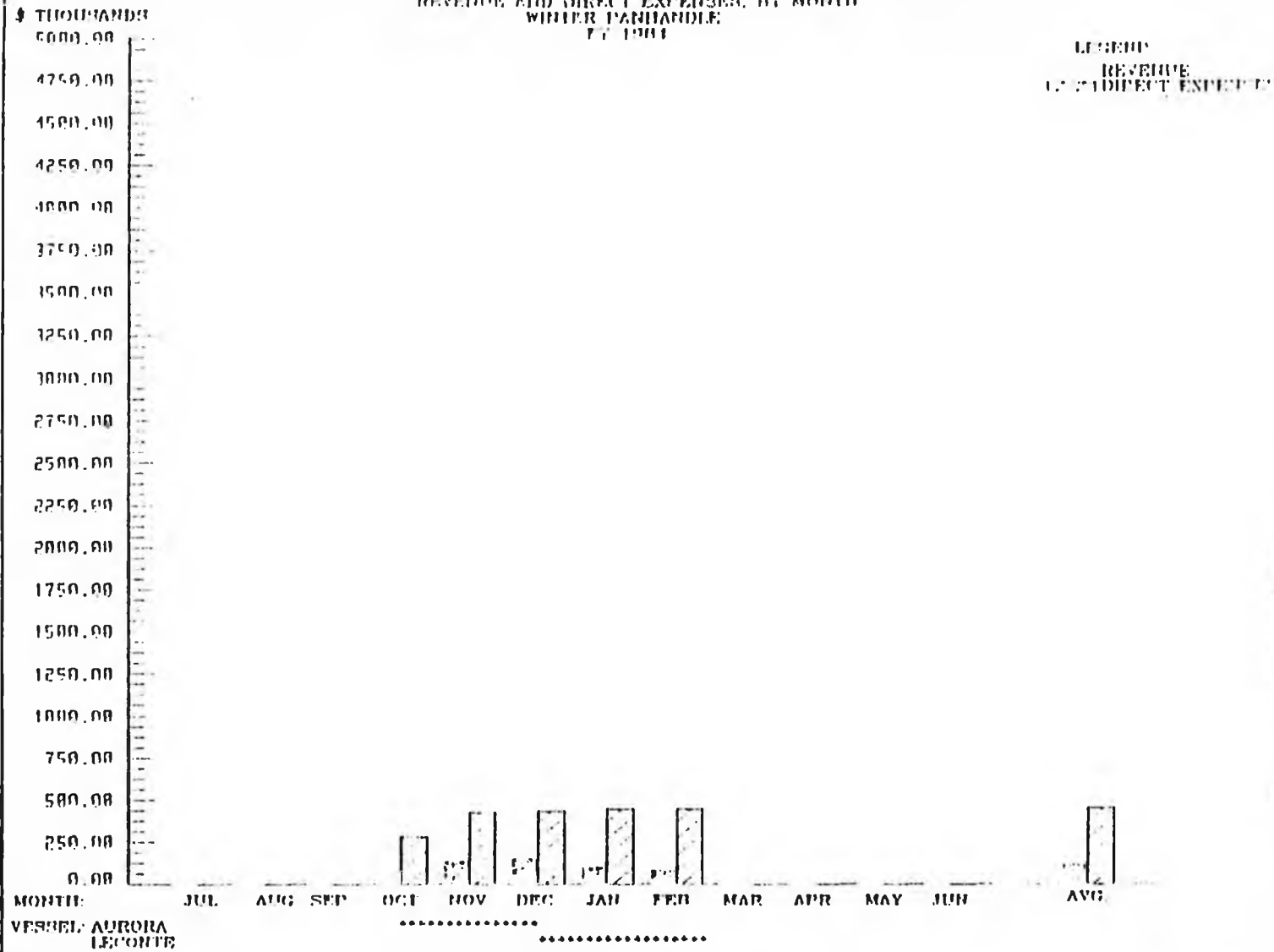
VESSEL: AURORA

FEBRUARY 20, 1965 BS



ALASKA MARINE HIGHWAY SYSTEM

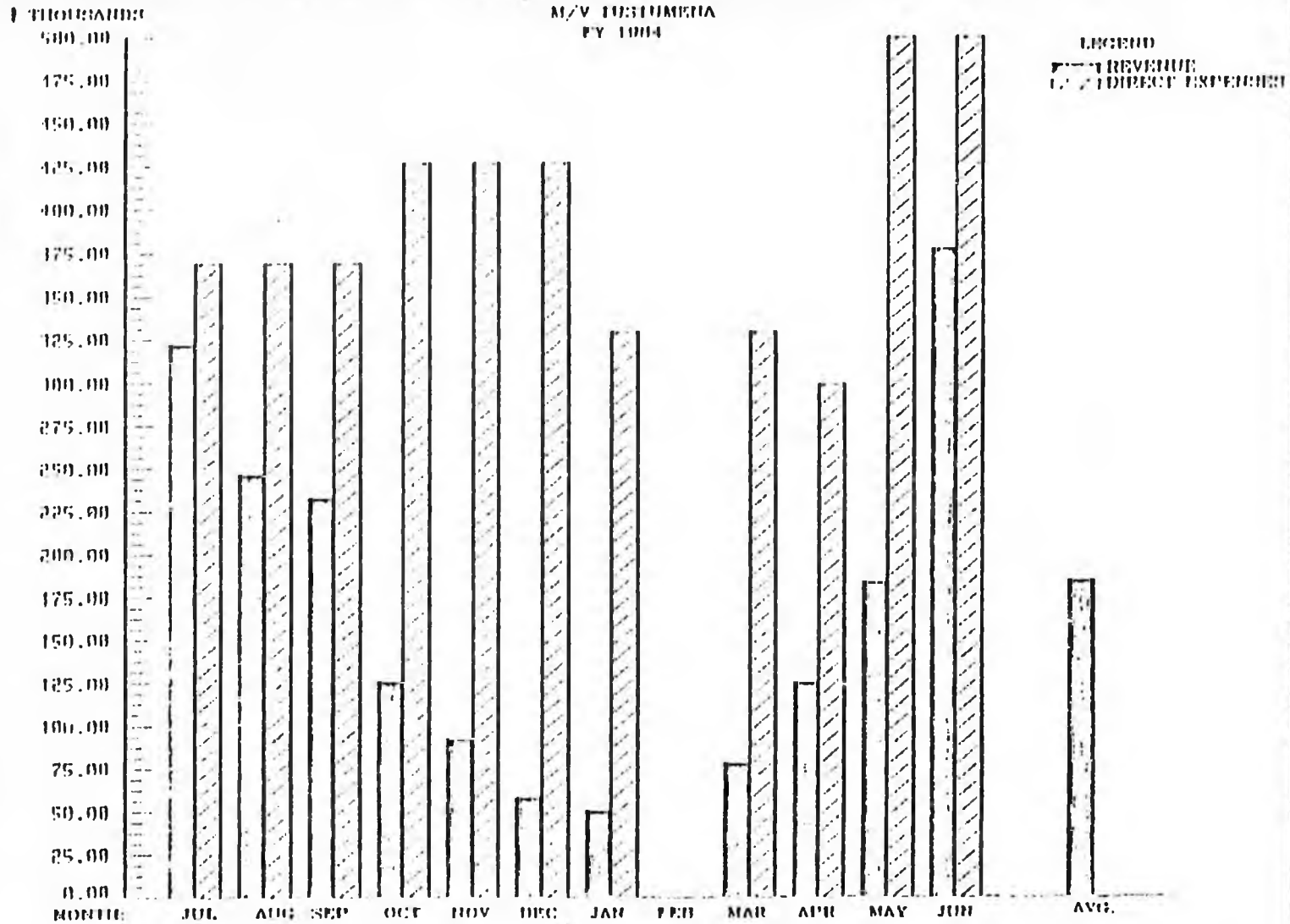
REVENUE AND DIRECT EXPENSES, BY MONTH
WINTER PANHANDLE
FY 1991



SEPTEMBER 10, 1991 RS

ALASKA MARINE HIGHWAY SYSTEM

REVENUE AND DIRECT EXPENSES
 BY MONTH
 FY 1994

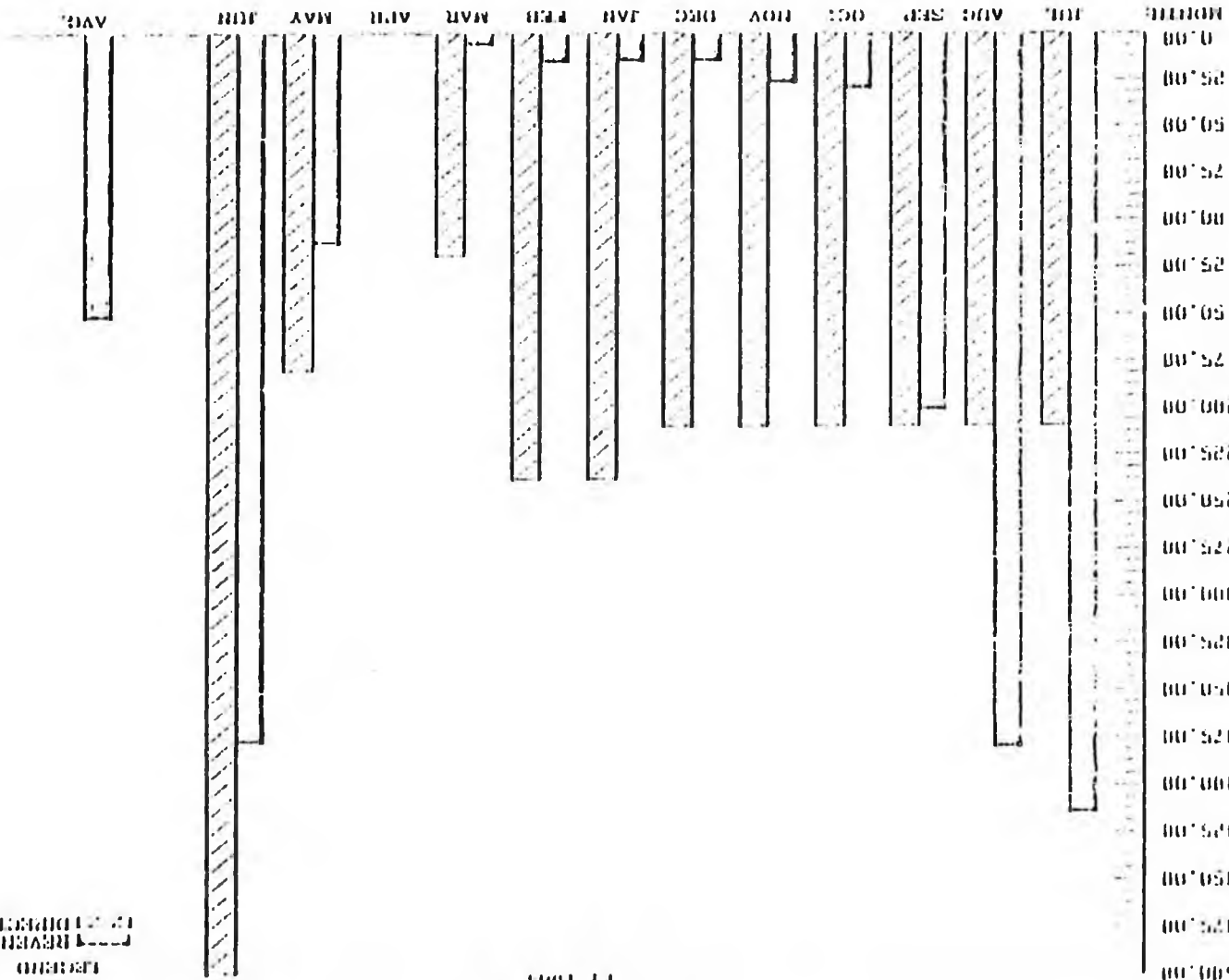


FEBRUARY 20, 1995 107

ALASKA MARINE HIGHWAY SYSTEM

REVENUE AND DIRECT EXPENSES
BY MONTH
BY 1964

REVENUE
DIRECT EXPENSES



FEBRUARY 27, 1965 RB

AUTO WEEKLY

LINE UTILIZATION

Total Lines : 9 Total Time : 198:00
 Period Covered : Jul/29/85 Mon 4:00 AM to Aug/05/85 Mon 4:00 AM

- - Not connected

LINE	NUMBER OF CALLS					TIME IN USE			Total Use
	In	Out	Aban- conec	Night Service	Total	In	Out	Total	
<i>ALERT Sec</i>									
GROUP 1 :									
3	598	0	23	49	940	52:33	0:20	52:53	37.1%
8	448	0	120	1	549	43:18	0:20	43:38	25.7%
TOTALS	1146	0	143	50	1389	1:05:41	0:40	1:06:21	62.8%
GROUP 2 :									
<i>Process</i>									
<i>Local</i>									
7	755	33	15	121	924	55:54	1:07	57:01	40.0%
8	442	33	3	1	479	24:36	0:31	25:07	25.7%
9	305	11	5	1	322	33:31	0:25	33:56	19.3%
TOTALS	1502	77	23	123	1721	1:13:01	2:04	1:15:05	69.8%
GROUP 3 :									
<i>Outside</i>									
1	304	0	72	24	400	73:47	0:00	73:47	48.1%
2	552	0	52	12	616	54:37	0:00	54:37	36.0%
3	382	0	27	1	410	28:13	0:00	28:13	18.9%
4	266	0	45	0	311	31:37	0:00	31:37	20.0%
TOTALS	1504	0	196	37	1737	1:28:04	0:00	1:28:04	80.6%

	In	Out	Aban- conec	Night Service	Total
SYSTEM TOTALS	4524	57	479	320	5310

AVERAGE CALL DURATION
Min:Sec

-----LINES ALL BUSY-----

	Inbound	Outbound	Total Min:Sec	Average Min:Sec	Longest Min:Sec	Percent of Total Time
GROUP 1 :	5:00	0:20	16:57	1:57	3:50	18.0%
GROUP 2 :	5:30	1:40	14:48	1:31	15:33	9.7%
GROUP 3 :	7:00	0:00	12:45	1:00	7:53	8.3%



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P. O. Box 1, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 585-1991

September 29, 1986

MEMORANDUM

TO: Representative Bette Cato

FROM: Mary Jennings *MJ*
Legislative Analyst

RE: Ferry Systems in Washington State and British Columbia
Research Request 87-025

You requested general information regarding the ferry systems in Washington State and British Columbia. Information on fares, traffic, employee unions and financial structure is provided below.

Washington State Ferry System

The Washington State Ferry (WSF) system began operation in 1951. The system was purchased from individuals who had been operating ferries on the Puget Sound since the turn of the century. The state purchased 10 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 of the 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 total car-carrying capacity of all the ferries is 2,412. 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, and the longest route is 38 nautical miles (3-1/2 hours) to the San Juan Islands. Recreational travel accounts for 82 percent of all ferry trips. Seventy percent of all passengers are recreational travelers.

The British Columbia Ferry Corporation

The British Columbia Ferry (BCF) Corporation was created in 1960 by the provincial government. The system began after two private ferry companies operating in B.C. went on strike. During 1961, with purchase of the assets of one of the striking companies, the corporation operated two ships over one route and employed approximately 225 people. In 1985, the BCF was consolidated with the coastal fleet of the Provincial Division of the Ministry of Transportation and gained 14 vessels and ten routes. Today BCF operates 39 vessels over 25 routes and employs approximately 2,700 people. The system is a Crown Corporation, which means it is publically owned and pays no provincial or federal income taxes.

Of the 39 ships operated by the system, 38 have car carrying capabilities. The largest vessels are five 457-foot "jumbo" ferries that can each carry 360 vehicles and 1,500 passengers. The smallest vessel is a 33-foot passenger-only ferry with a capacity of 40 people. Two vessels have sleeping facilities and approximately half offer food service.

The shortest route in the system is two nautical miles (13 minutes) and the longest is 274 nautical miles (15 hours). The busiest route is between Vancouver and Victoria--the provincial capital. All of the routes are day routes except for one, which becomes an overnight trip during the winter season. The corporation serves urban commuters, recreational travelers, and a great number of business travelers between the mainland and the capital. Summer is the busiest season; during the winter, traffic drops by approximately 50 percent.

Fares. Fares for the most heavily used route between Vancouver and Victoria are \$19 for a car and driver and \$4 for a passenger. Today's fares represent about a 200 percent increase for vehicles and a 100 percent increase for passengers over fares charged when the corporation began operation in 1960. Reservations are utilized for vehicles and passengers on one route and for vehicles on only two routes. Credit cards are accepted only on the routes which utilize reservations.

Traffic. Until 1982, the BCF had experienced a steady growth in traffic. Since that time, volume has decreased slightly each year. The system expects 1986 to set all time traffic records due the increase in tourism at the World's Exposition in Vancouver. According to the corporation, traffic is handled efficiently by the current vessels and there are no plans for fleet expansion.

Employees. Of the 2,700 employees, all are unionized except for the ship's captains. The British Columbia Ferry and Marine Workers Union represents the workers.



TABLE 1

CROSS SOUND FARES: 1969 --- 1985

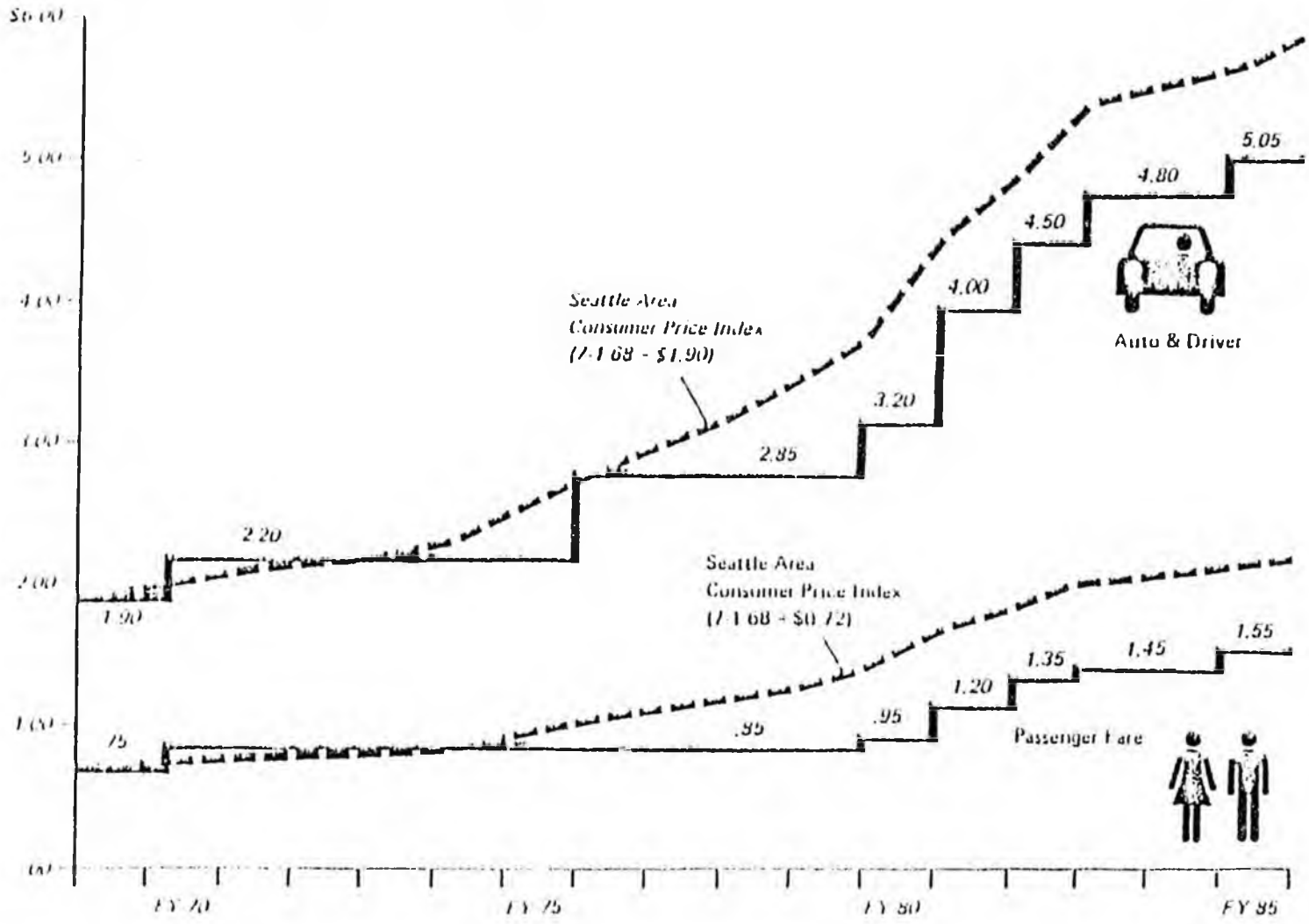
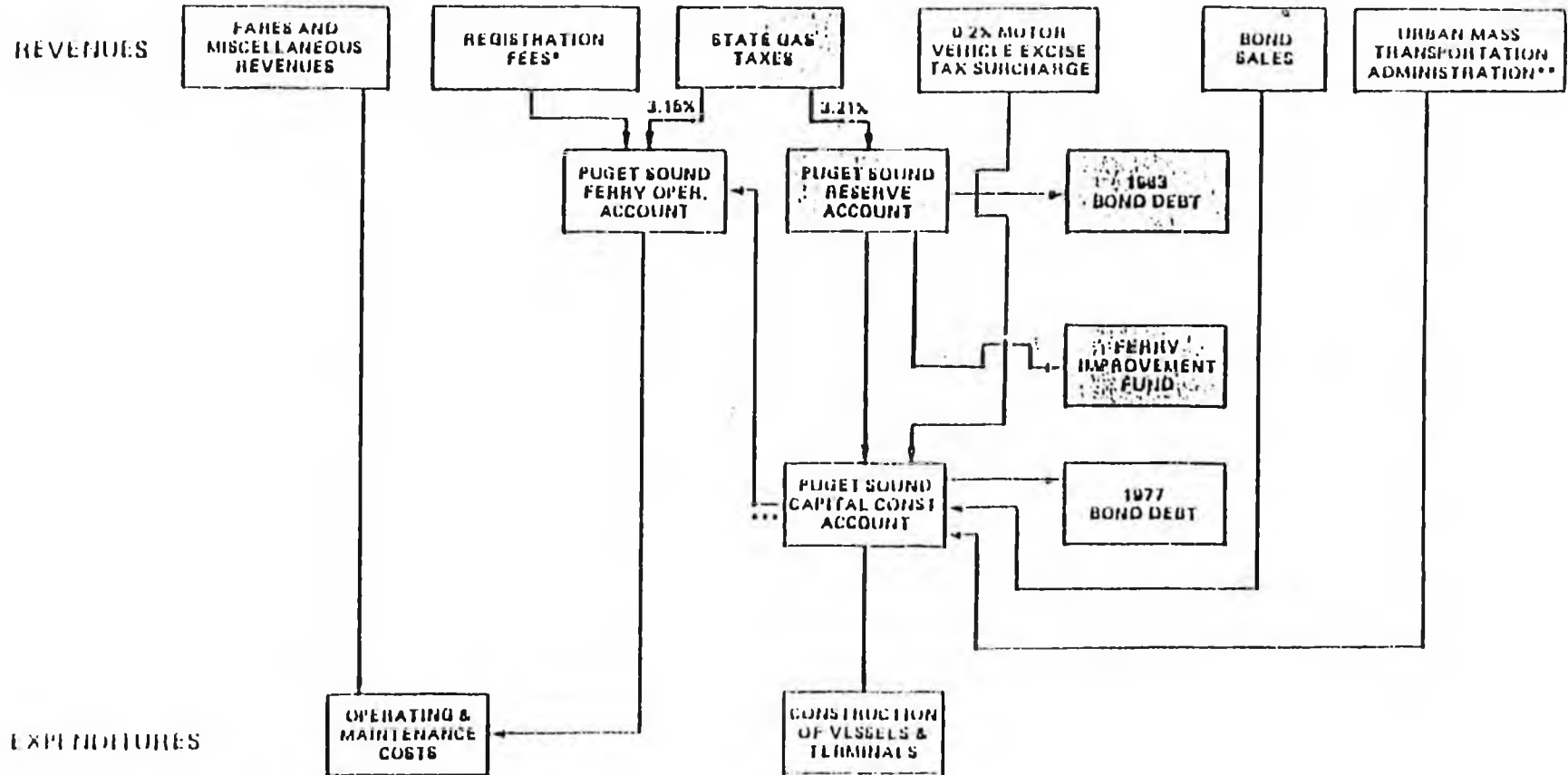


TABLE 3



Washington State Department of Transportation
Marine Division

WASHINGTON STATE MARINE TRANSPORTATION FINANCING



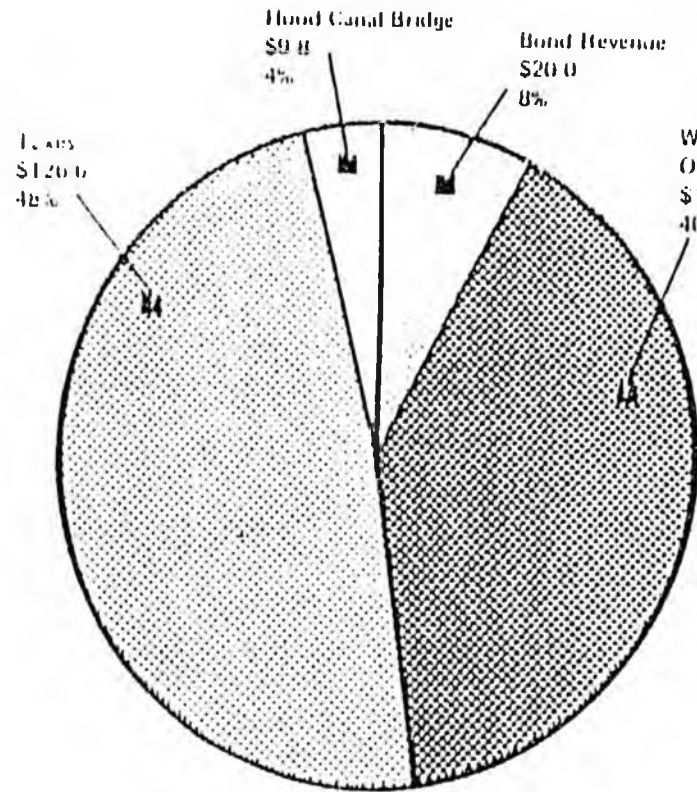
* 27.1% of \$7.40 of new car and \$1.40 of old car registration fees

** UMTA is part of the U.S. Department of Transportation.

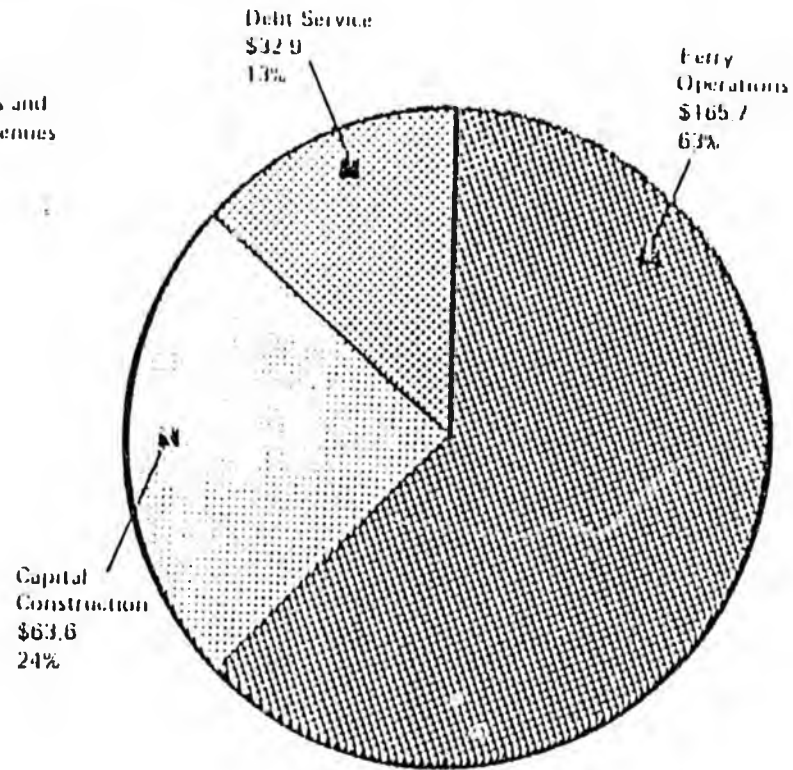
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1985 1987 ANTICIPATED REVENUES AND EXPENDITURES



REVENUES



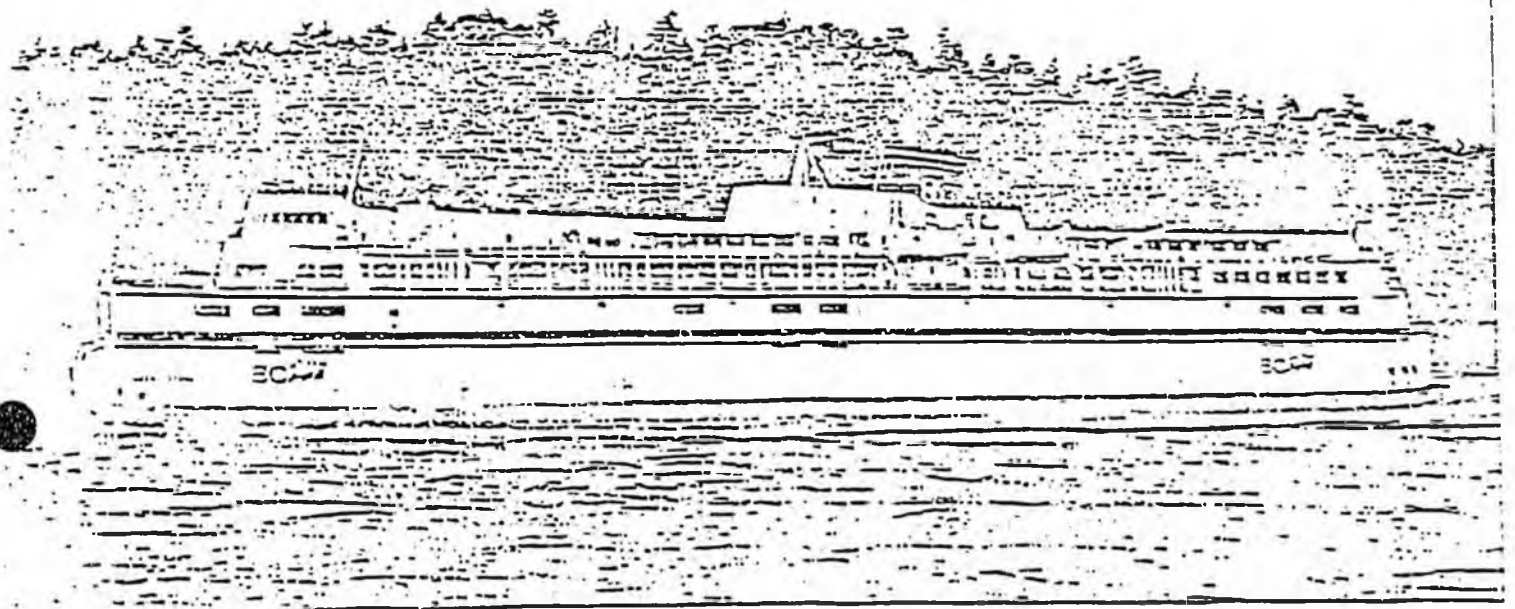
EXPENDITURES



BRITISH COLUMBIA
FERRY CORPORATION

ANNUAL REPORT

1984/85



CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P. O. Box 7, State Capitol
Juneau, Alaska 99811-0100
Mail Stop 3100
(907) 465-3991

September 29, 1986

MEMORANDUM

TO: Representative Betta Cato

FROM: Mary Jennings *MJ*
Legislative Analyst

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Fares. Fares range from \$0.95 (passenger) and \$3.40 (car and driver) for a 15-minute route to \$5.50 (passenger) and \$23.55 (car and driver) for a 3-1/2-hour route. Table 1 presents a history of cross sound auto and driver fares and passenger fares and the consumer price index during the last sixteen years. The table indicates that fares have increased at a pace comparable to the Seattle area consumer price index. The WSF does not utilize reservations, except for cars on the Anacortes, Washington-Sidney, B.C. route during the summer months only. The WSF does not accept credit cards for payment of fare.

Traffic. Table 2 shows that systemwide traffic grew steadily during the 1970s but declined in the early 1980s, when Washington experienced a severe economic downturn. Since 1982, total traffic volume has been gradually returning to the 1979 peak. Traffic has already exceeded previous highs on many routes. The system makes an average of 323 daily trips, carrying 47,300 passengers and 19,000 vehicles. The smallest route has 534 average daily passengers and 200 vehicles; the largest has 2,554 average daily passengers and 4,325 vehicles. The summer months are the busiest time; traffic drops by 57 percent during the winter.

During the past six years, WSF has acquired six new vessels. Due to reduced traffic and these new vessels, the system has been able to avoid increasing service hours. Total system vehicle traffic is projected to grow at an average annual rate of 0.4 percent during the next six years. 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.

Employees. The WSF employs approximately 950 year-round employees, with 250 employees added during the summer months. All employees are unionized. The three unions representing WSF employees are: Captains, Matas, and Pilots Union; Inland Boatmen's Union; and Marine Engineers Beneficiaries Association.

Financial Structure. Fare revenues have covered approximately 70 percent of operating expenditures and 40 percent 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. Table 3 is a flow chart depicting how the revenues from fares, car registration fees, gas and vehicle taxes, bond sales, and federal funds are channeled into different accounts to cover operating and maintenance, ferry improvement, construction, and debt service expenses. Table 4 is a history of operating expenses and revenue sources of the WSF since 1967. Table 5 presents anticipated revenues and expenditures in the 1985-1987 biennium.

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Representative Cato
September 29, 1986
Page 4

Financial Structure. The BCF operates each year on a \$40 million (Canadian) subsidy from the provincial government. Due to the large increase in traffic from Expo, the corporation hopes to show a profit this year.

* * * *

I hope you find this information useful. I am expecting detailed traffic and financial reports from the British Columbia Ferry Corporation and will contact you when I receive them. Please contact our office if you have any questions.

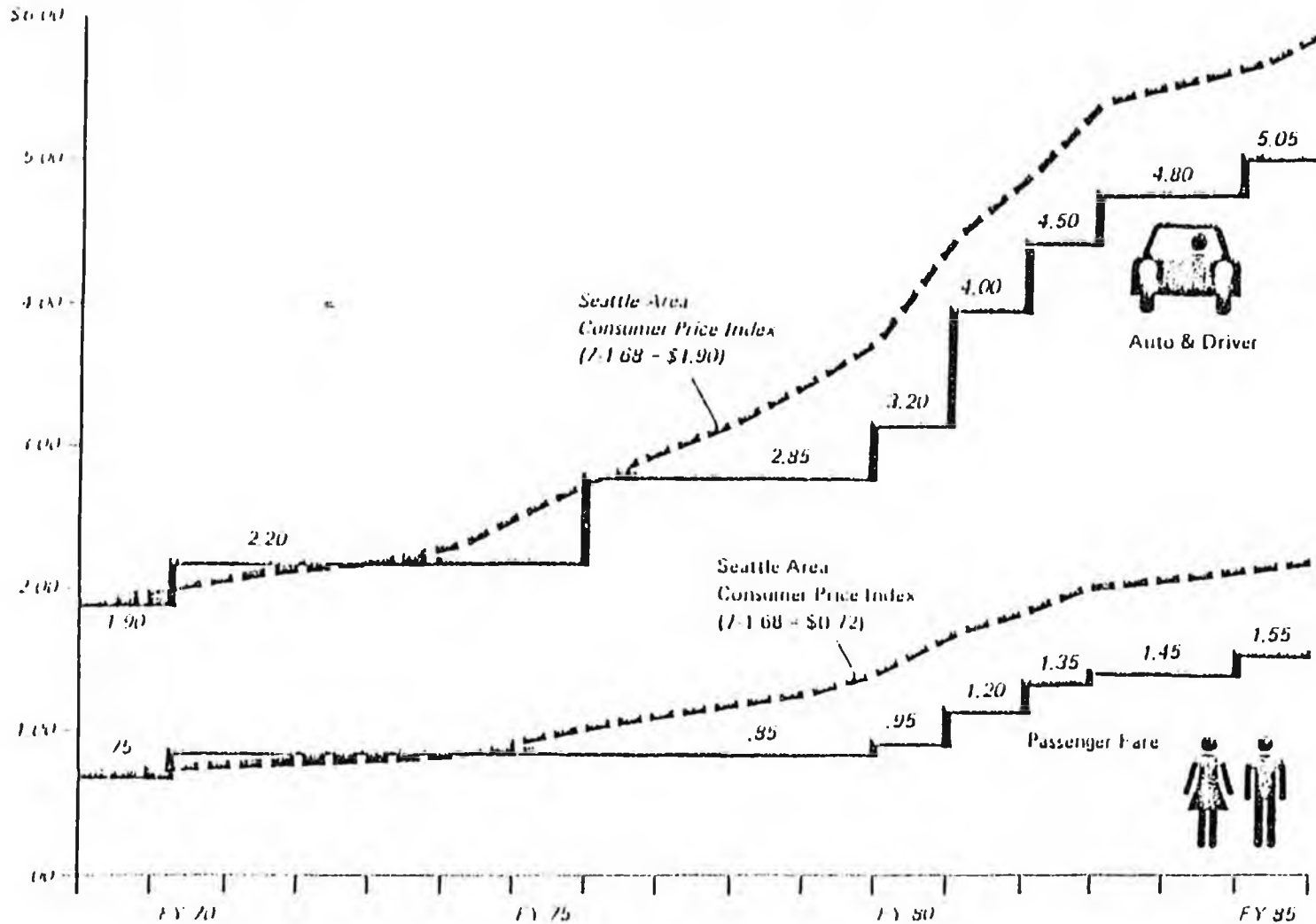
MJ

Attachments



TABLE 1

CROSS SOUND FARES: 1969 - 1985





Washington State Department of Transportation
Marine Division
Washington State Ferries

TABLE 2

TOTAL TRAFFIC (Passengers and Vehicles)
(Annualized by 12 Month Moving Totals)

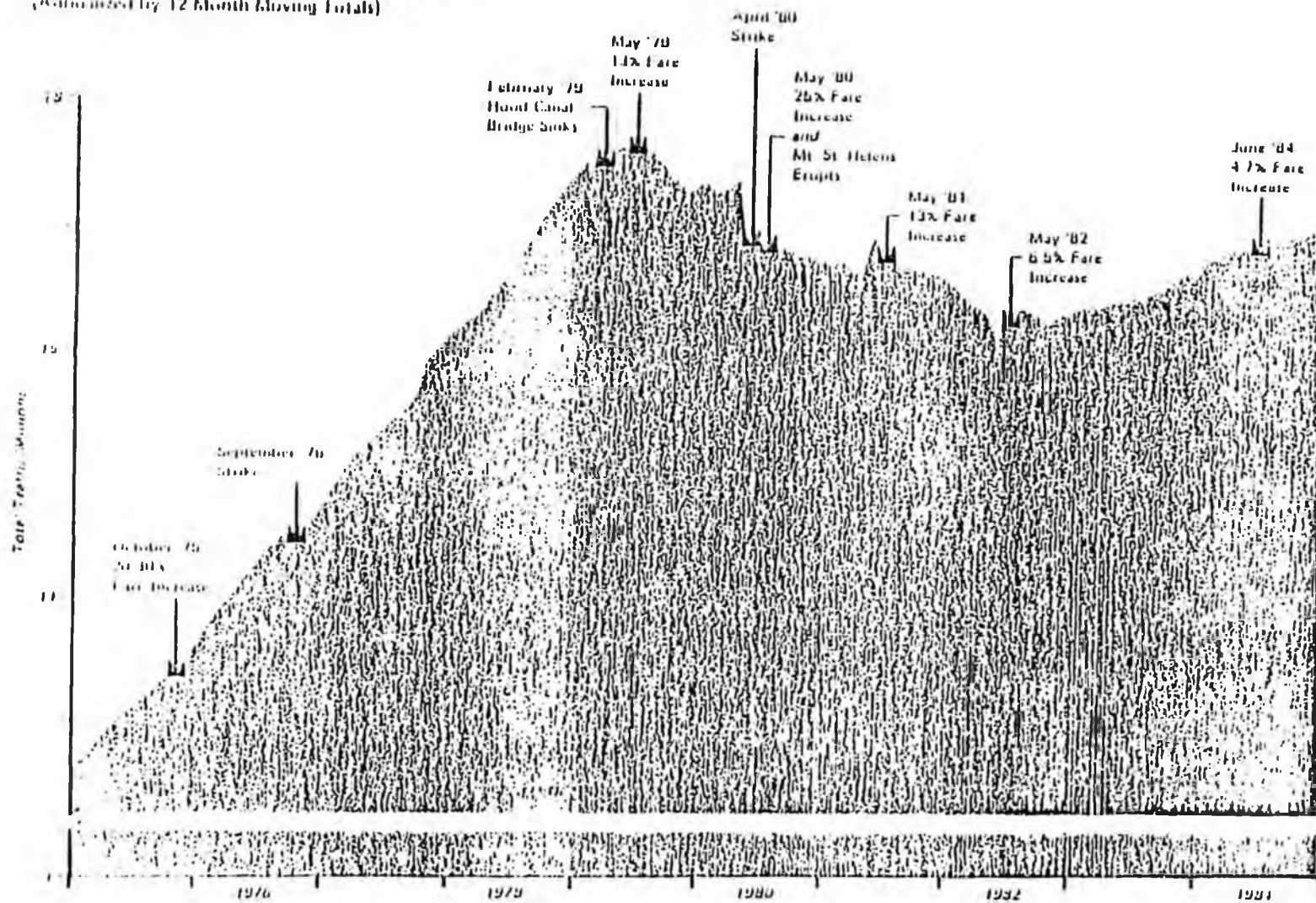
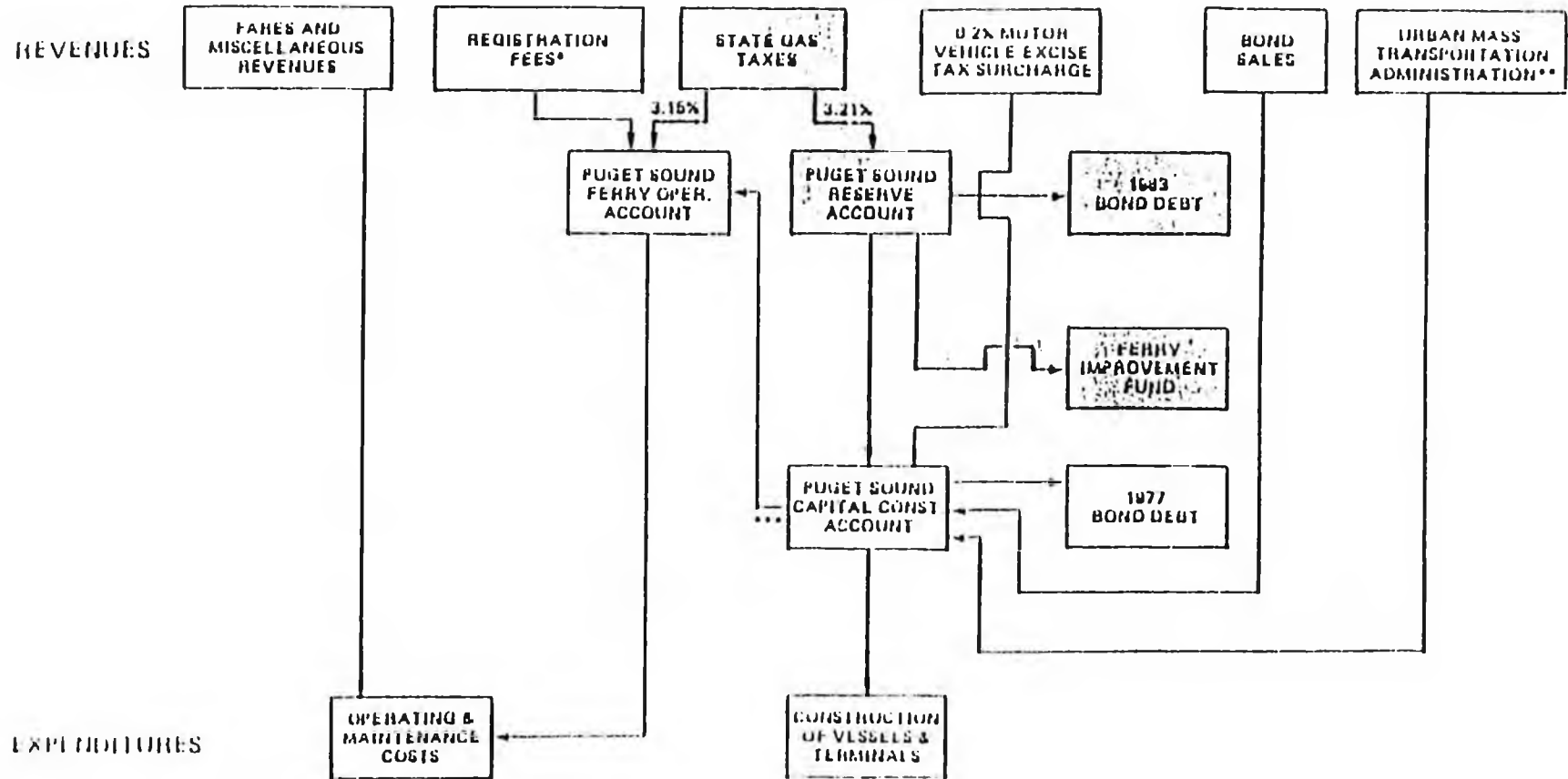


TABLE 3



Washington State Department of Transportation
Marine Division

WASHINGTON STATE MARINE TRANSPORTATION FINANCING



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** UMTA is part of the U.S. Department of Transportation

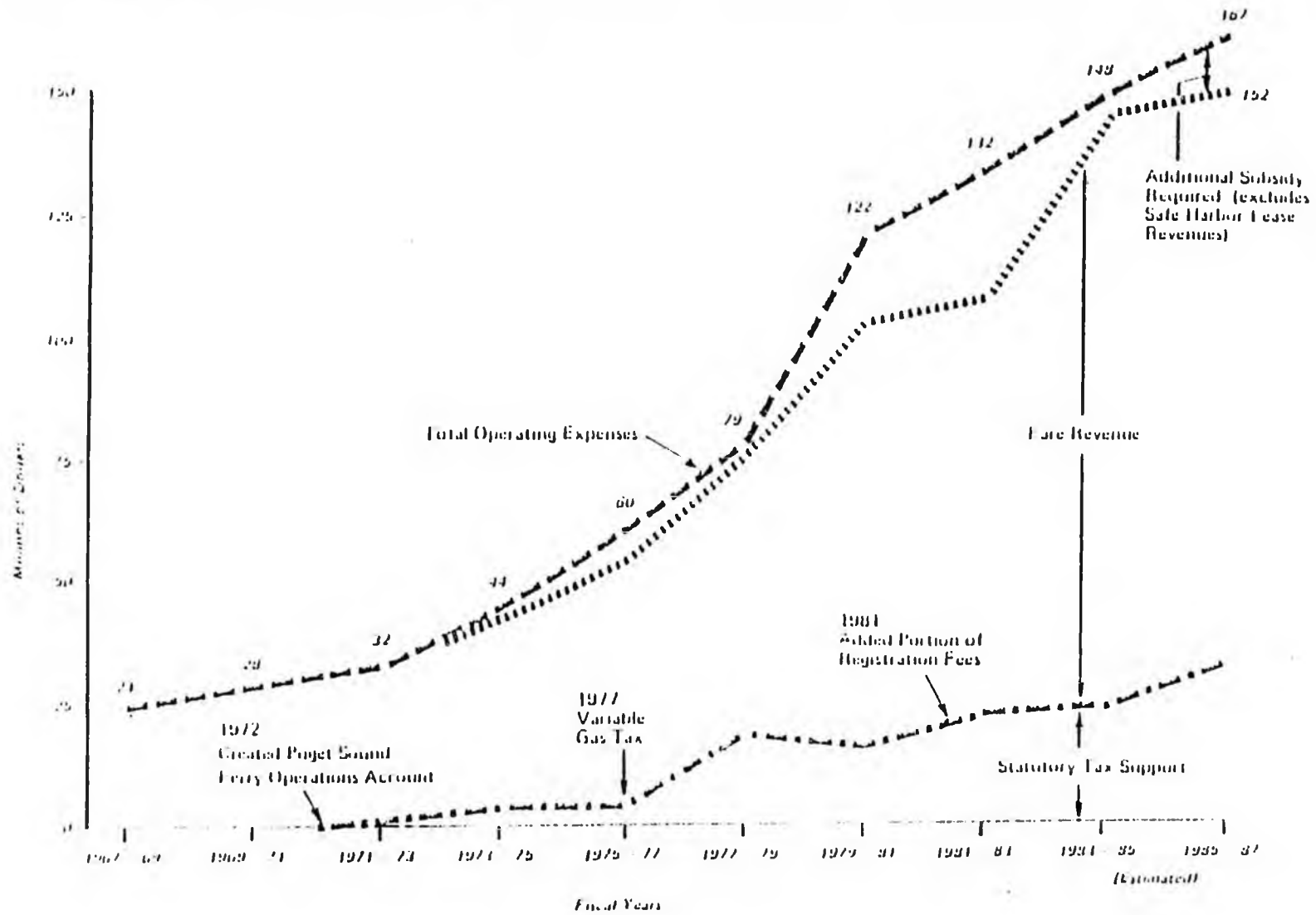
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Washington State Department of Transportation
Marine Division
Washington State Ferries

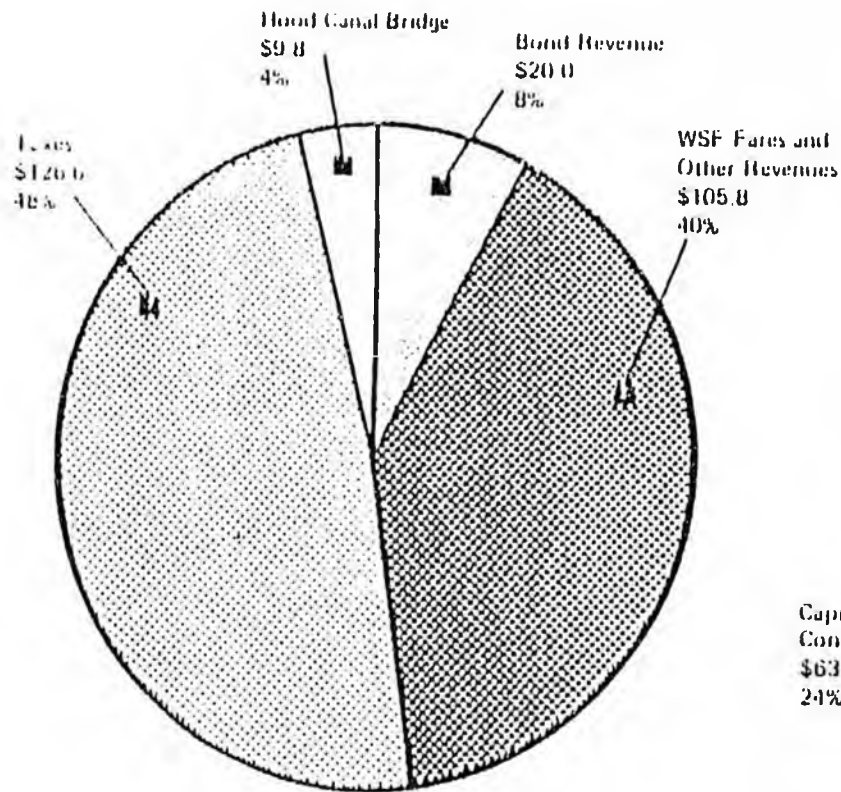
TABLE 4

OPERATING EXPENSES AND REVENUE SOURCES

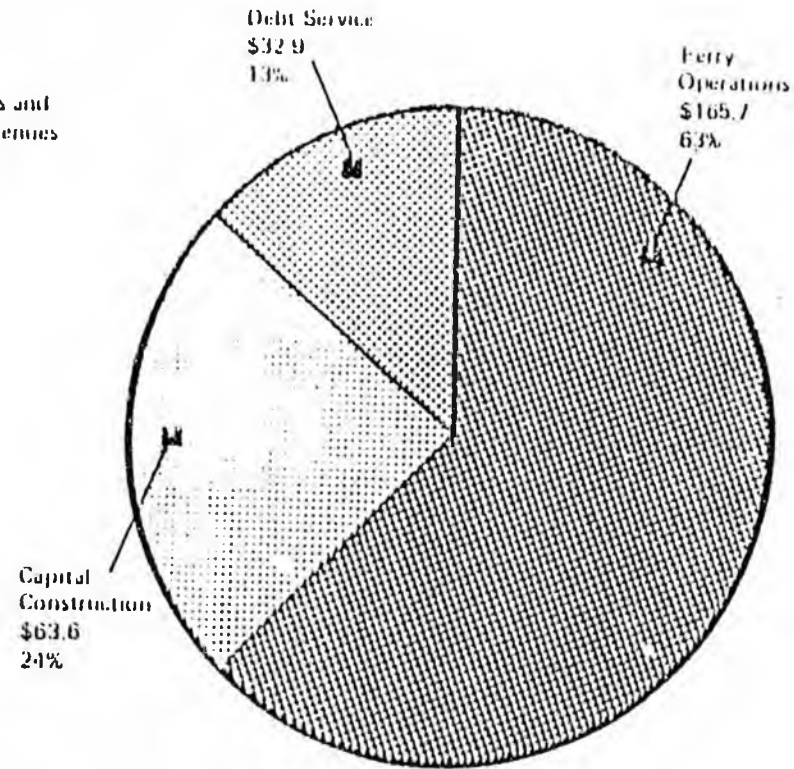




1985 1987 ANTICIPATED REVENUES AND EXPENDITURES



REVENUES



EXPENDITURES



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box 7, State Capitol
Juneau, Alaska 99811-0100
Mail Stop 3100
(907) 465-3991

November 3, 1986

MEMORANDUM

TO: Representative Bette Cato

ATTN: Rhonda Thompson

FROM: Mary Jennings *mg*
Legislative Analyst

RE: Washington and British Columbia Ferry System
Research Request 87.025 (Additional Information)

I recently received some additional material from the British Columbia Ferry Corporation. Attached is the FY 1984/85 annual report of the corporation and a report containing general information about the system. I hope you find this information useful. Please contact me if you have any questions.

MJ

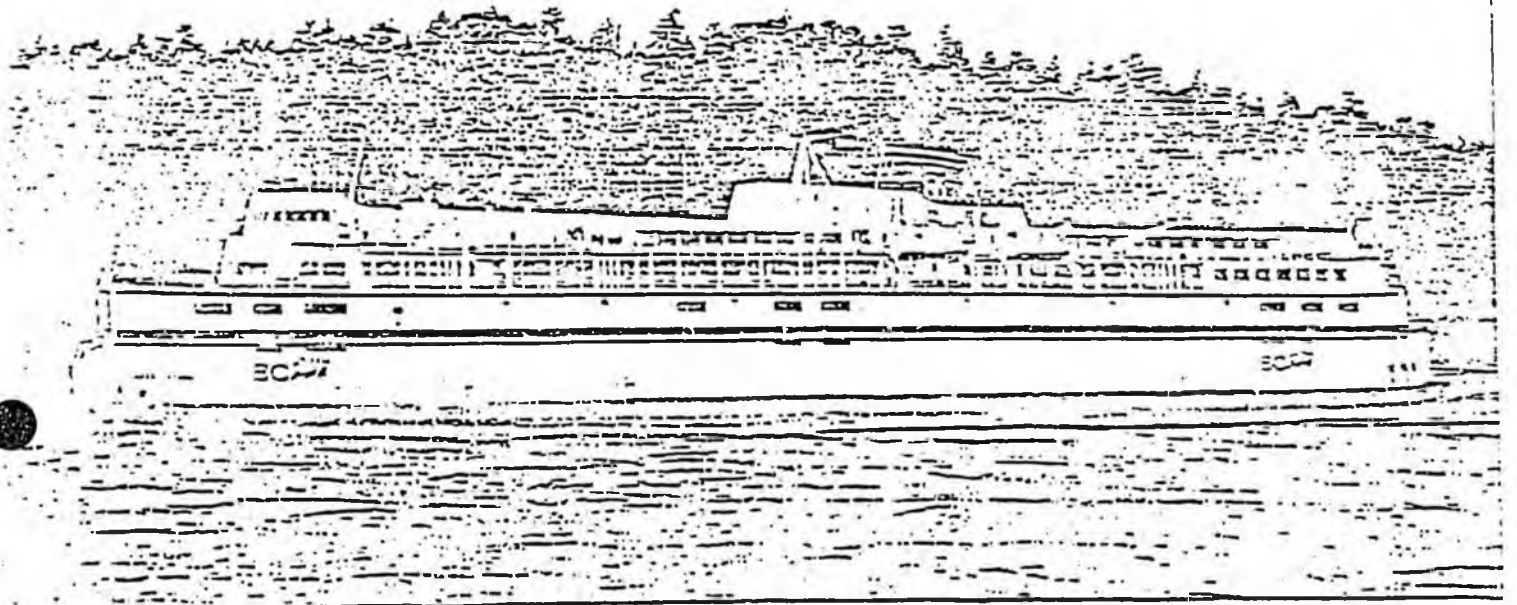
Attachments



BRITISH COLUMBIA
FERRY CORPORATION

ANNUAL REPORT

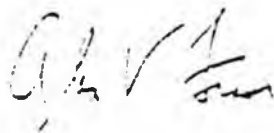
1984/85



The Honourable
ROBERT G. ROGERS
Lieutenant Governor
of the Province of British Columbia

MAY IT PLEASE YOUR HONOUR:

I respectfully submit herewith the Annual Report of the British Columbia
Ferry Corporation for the fiscal year ended March 31, 1985 in compliance
with the provisions of the Ferry Corporation Act.



ALEX V. FRASER
Minister of Transportation and Highways

June 3, 1985

Board of Directors	3
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Statistics	28
Ships	30



ALEX V. FRASER
 Minister, Transportation & Highways
 Province of British Columbia
 Minister Responsible



S.M. HODGSON (1)
 Chairman of the Board



R.H. WRIGHT (1)(3)
 Vice-Chairman/ President
 Oak Bay Marina Ltd.



M.D.W. YOUNG (3)
 Barrister & Solicitor



A.L. MICHAUD (1)(4)
 President
 Michaud Investments



J. MORRIS (3)
 Retired



W.E.M. HICK (1)(2)
 Physician & Surgeon



W.A. DUNCAN (2)(4)
 Retired



J.E. PRICE (4)
 Managing Director
 Beach Gardens Resort



P. COLLIER (1)
 President & Chief
 Executive Officer



B. BALDWIN (1)
 General Manager



J.S. ESTOCK (1)
 Assistant General Manager
 Finance & Administration



K. BAGSHAW
 Corporate Counsel



A.S. LUKINUK (1)
 Corporate Secretary

(1) Member - Executive Committee
 (2) Member - Finance Committee

(3) Member - Planning Committee
 (4) Member - Audit Committee

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 3.2% 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 done so 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 doubledecked with the result that the route can now be fully operated with a doubledecked 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 22,538 vehicles and 484,362 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 3.5%. 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

REPORT OF THE PRESIDENT

The Corporation has now experienced three straight recessionary years with little or no growth in most categories of traffic. The notable exception to this pattern is the 3% increase in commercial vehicles - a hopeful sign toward economic recovery in British Columbia.

In spite of soft traffic patterns, the future looks promising. In the face of adversity over the past three years, costs have actually been reduced through careful planning of ship and crew schedules. It is encouraging to note that these and other continuing management efficiencies have resulted in a further 5% reduction of operating expenses while net revenue increased 5% in spite of declines in traffic. The increase in revenue was in part, a reflection of the very modest increase in fares. Vehicle fares increased by approximately 5% in February of 1985.

The Corporation is now leaner, more efficient and well positioned to take advantage of the anticipated return to healthy traffic growth expected over the next two years.

Good progress was made this year in a continuing effort to improve overall efficiency of the fleet through the application of a more precise match between capacity and traffic. Input from local residents has become a regular feature of the planning process. Community meetings were held on the Sunshine Coast, the North Coast and the Gulf Islands to discuss proposed schedule changes.

Although service was cut back on some routes, the number of sailings for the entire system increased by 3% in 1984/85. There was a total of 70,313 one-way sailings.

Sunshine Coast service and efficiency were improved with the introduction of the converted "Queen of Alberni" into operation on the Langdale-Horseshoe Bay route in conjunction with upgraded terminal facilities at Langdale.

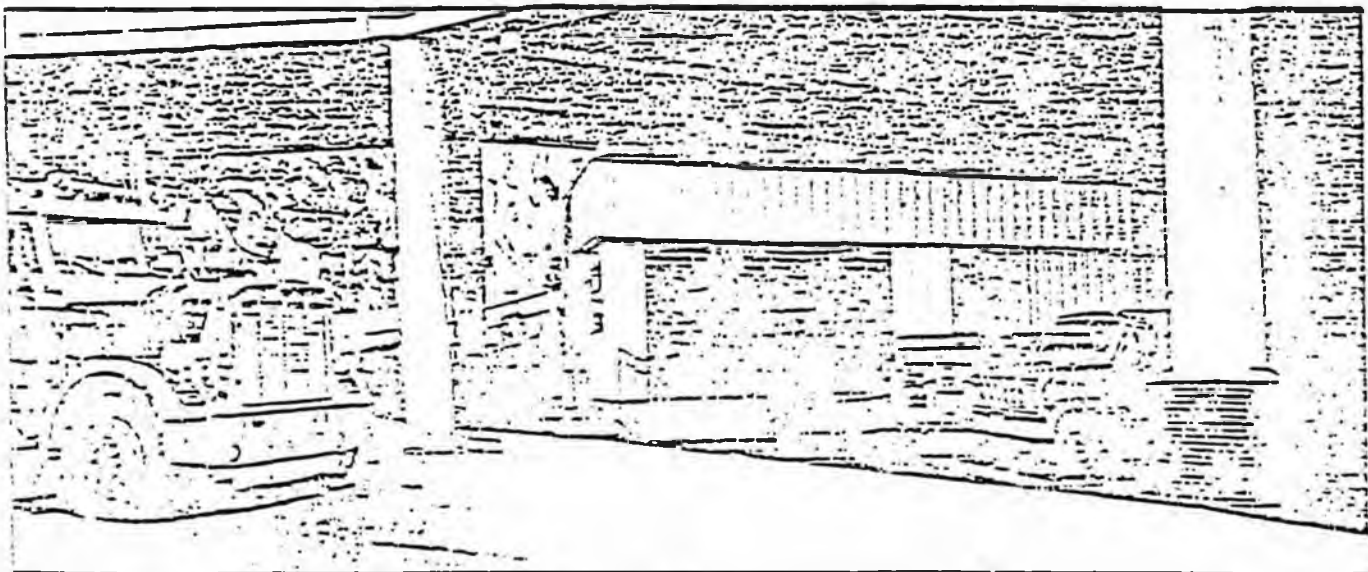
On the North Coast substantial cuts were made in winter service, with the elimination of the Tsawwassen leg of the Prince Rupert-Port Hardy route from the winter operation. A single ship made one trip per week to Port Hardy and two round trips to Skidegate.

In addition, the chartered Prince Rupert-Masset tug and barge service for drop trailers was terminated March 31, 1985. Commercial drop trailers will be carried on the regular ferry route from Prince Rupert to Skidegate. During 1984/85 it was decided that the summer service between Prince Rupert and Port Hardy would be a daynight operation commencing the summer of 1985.

The most significant improvements in efficiency have resulted from better scheduling of crews. Overtime costs have been substantially reduced. A policy of flexible vessel licences has enabled the Corporation to vary the size of crews throughout the day according to the requirements of traffic.

One of the new management tools introduced in 1984/85 was an Executive Network of microcomputers.

The Executive Network provides senior management with traffic statistics, revenue information, spreadsheet applications and forecasting models. Senior managers are using the system to monitor current traffic and demands on schedules. Historical data can be viewed in order to identify trends. By combining



Passenger waiting room, Horseshoe Bay

...the features with a forecasting model, it is possible to accurately 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 Alberni." 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 order to accommodate drop trailer traffic.

Improvements in facilities at major terminals have continued.

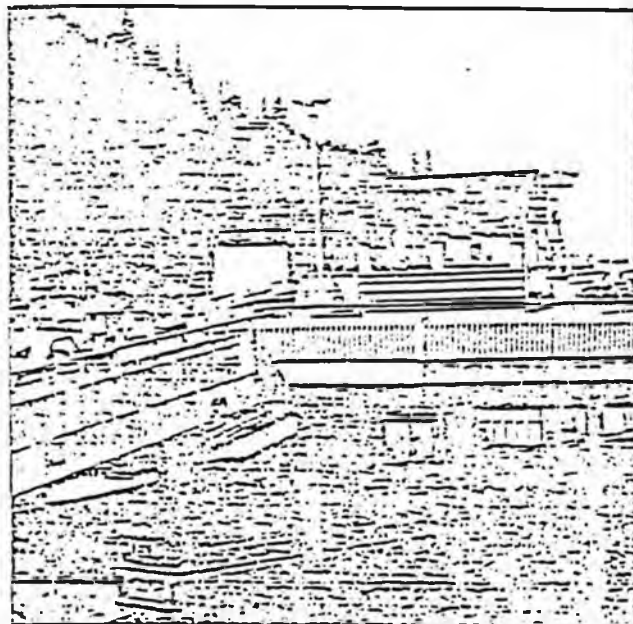
At Swartz Bay a new passenger pick-up facility was completed adjacent to the docks, thus shortening the walking distance for discharging foot passengers and alleviating congestion at the departure ticketing area. New toll booths were built in order to improve the flow of traffic and expand the holding 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.

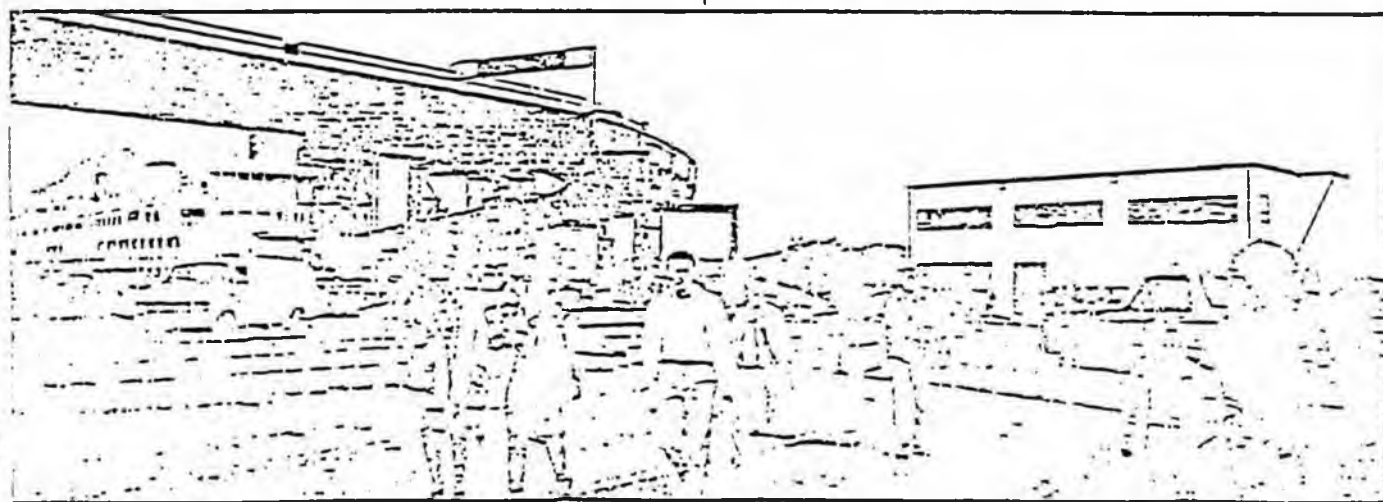
At Tsawwassen the upper vehicle ramp at Number 2 Berth has been widened to two lanes, thus speeding the loading and unloading process, and the cafeteria was expanded to provide additional seating.

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 76,256,000 litres, a 3% reduction from the previous year.



Control tower, Horseshoe Bay



Overhead ramp, passenger waiting room, and office, Langdale

New fleet colours are appearing on the vessels as they go into refit for regular maintenance. Approximately half the vessels have now been repainted. The EKPC 35 logo is being painted on funnels in conjunction with the repainting program.

Catering

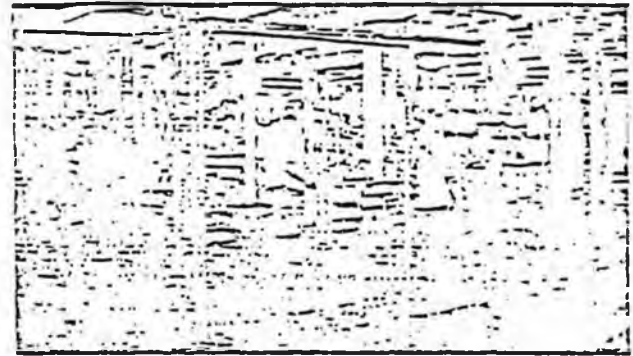
The past fiscal year was a period of consolidation for the Catering and Passenger Services area. Total revenue declined as a result of lower passenger traffic, smaller average expenditure per passenger and the closing of marginal outlets. Although within budget, the Gross Profit percentage was slightly lower than the previous year. Menu price increases were kept at a minimum in response to the public's resistance to high priced menu items.

General operating expenses were reduced substantially with the result that the net operating loss was reduced from previous years in spite of declining revenue.

Reductions in Route #10 (Port Hardy-Prince Rupert) operations have produced substantial drops in both liquor and state-room revenues; however, the lost revenue was more than offset by reduced expenses. Anticipated sales increases on the new day run concept should more than replace these lost marginal sales with very productive revenue dollars.

Ongoing emphasis on newsstand development has produced an increase in both sales and newsstand gross profit in spite of limited passenger traffic. In support of this trend, the Vancouver Class vessels will be featuring new expanded gift shops with three vessels completed prior to the summer of 1985.

The new Sawwassen test kitchen and Quality Control Supervisor continue to produce basic improvements in food quality. Although gradual, these improvements have proven to



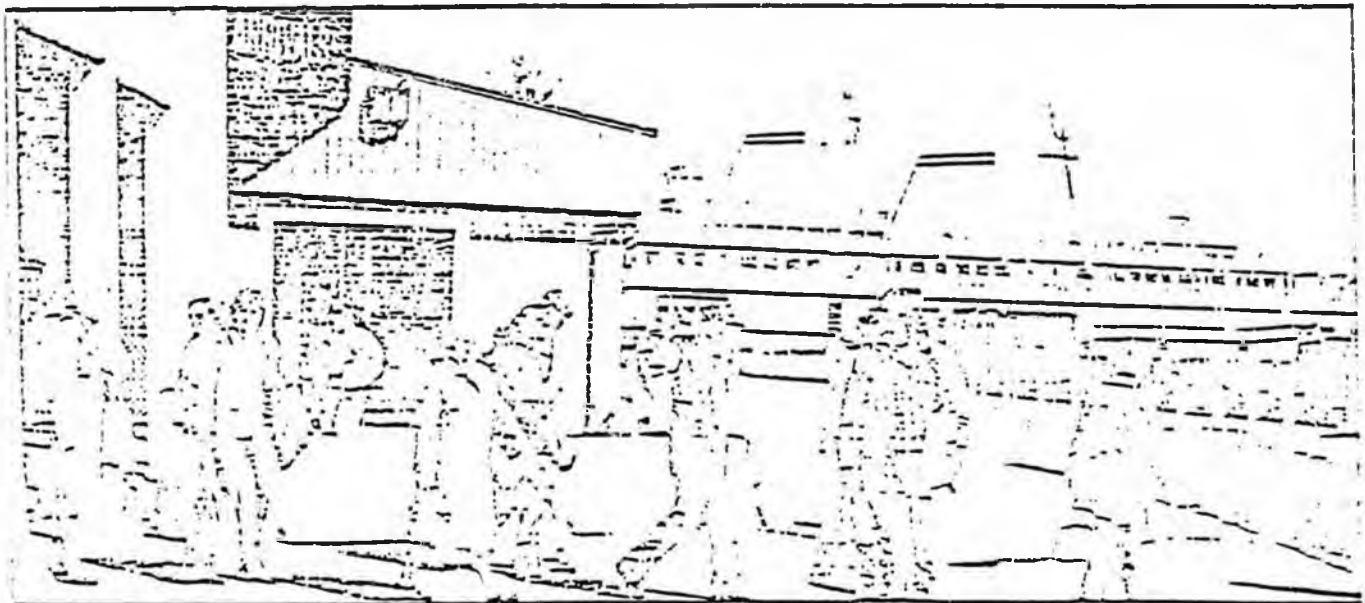
Expanded newsstand/giftshop

be lasting and consistent throughout the fleet. Revised food purchasing procedures have also been effective in improving quality consistency and value.

Communications

B.C. Ferries has continued to expand its role in the promotion of tourism, in recognition of the significance of this growing industry to British Columbia and the Corporation as a major source of revenue. A major activity this winter has been the promotion of the Day Cruise, which is to be introduced on the Northern route to Prince Rupert in the summer of 1985.

The Corporation has also expanded its activities in major travel shows in key market areas of the U.S. and Canada, working in close cooperation with Tourism B.C. and the tourism regions of the province. The past year also featured more involvement with local tourism communities in areas served by the Corporation.



Foot passenger arrivals, Swartz Bay

computerized reservations for the Guil Islands and North West which were completed in 1983 have been streamlined, 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 Expo 86.

Labour Relations

The main Labour Relations activity during 1984 was the administration of the collective agreement that was concluded in 1983. 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, 1983, impacted most significantly on the personnel function in 1984. 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 man resource requirement to a level commensurate with its 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, 1984. 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 ripple 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

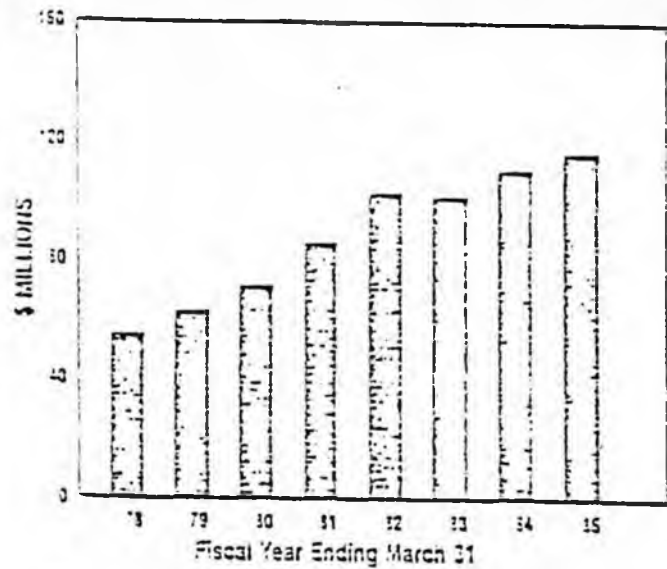


Vehicle toll booths, Swartz Bay

NET OPERATING REVENUE + 5%

Despite the lack of significant traffic growth in recent years, revenues have been growing as a result of regular, modest, annual fare increases.

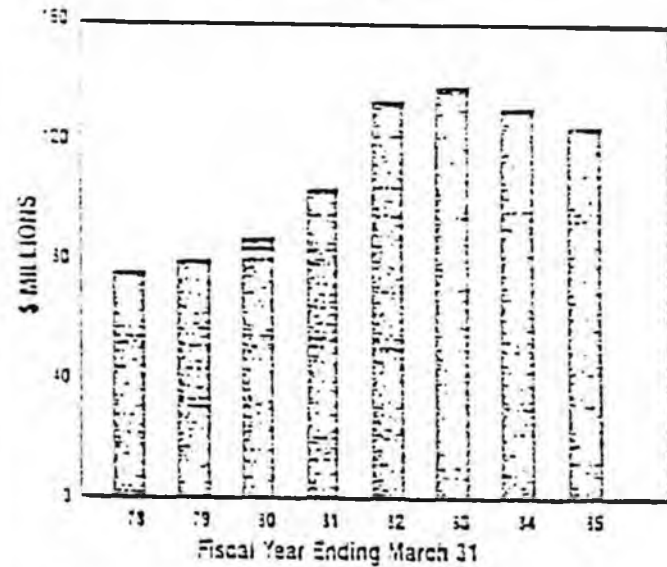
Net operating revenue has grown at an average rate of 7.7% per year over the past five years.



OPERATING EXPENSES - 5%

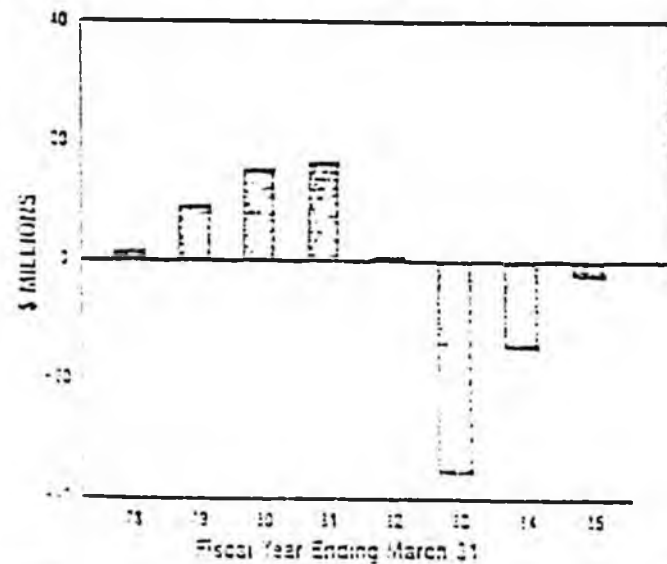
After a period of sharply rising costs in the late 70's and early 80's, operating expenses have been brought under control over the past three years.

This restraint was essential due to lack of traffic growth and a major reduction in the provincial government subsidy.



INCOME/LOSS AFTER SUBSIDY & DEPRECIATION

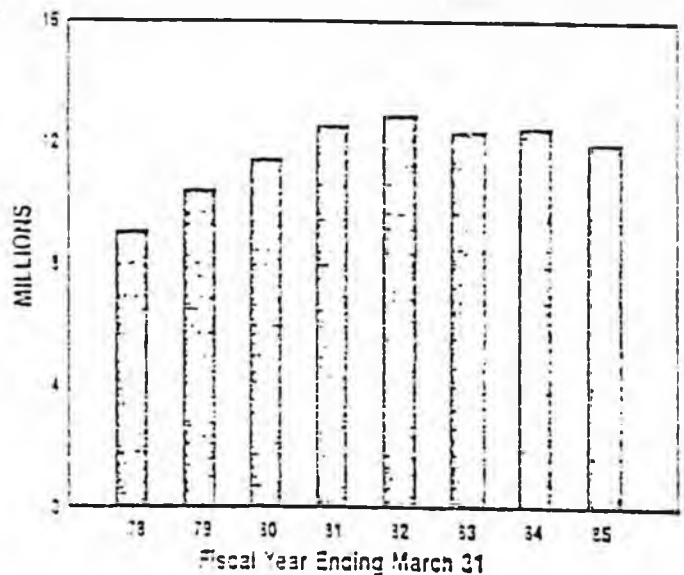
Despite the lack of traffic growth there has been a strong financial recovery over the past three years as a result of operating cost restraint and modest fare increases.



TOTAL PASSENGERS - 4%

After a small increase in 1983/84, passenger traffic has fallen again in 1984/85.

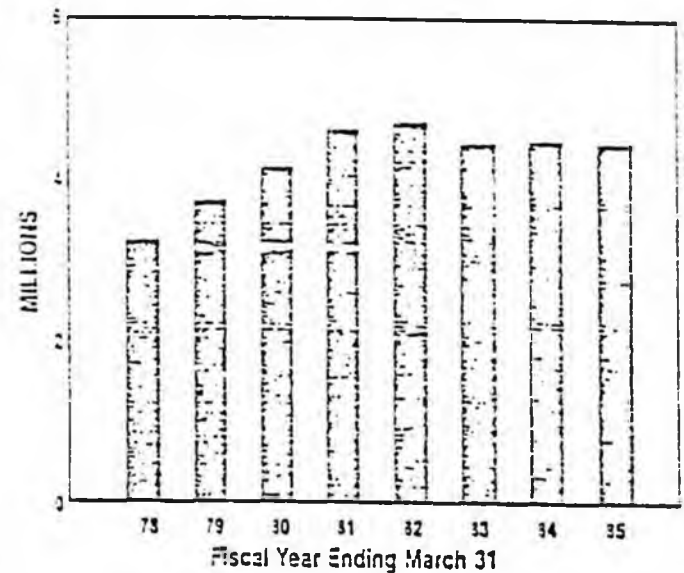
Over the past 24 years, 165 million passengers have been carried. The 100 millionth passenger is expected during the summer of 1986.



TOTAL VEHICLES - 0.5%

Total vehicle traffic has remained virtually unchanged over the past three years.

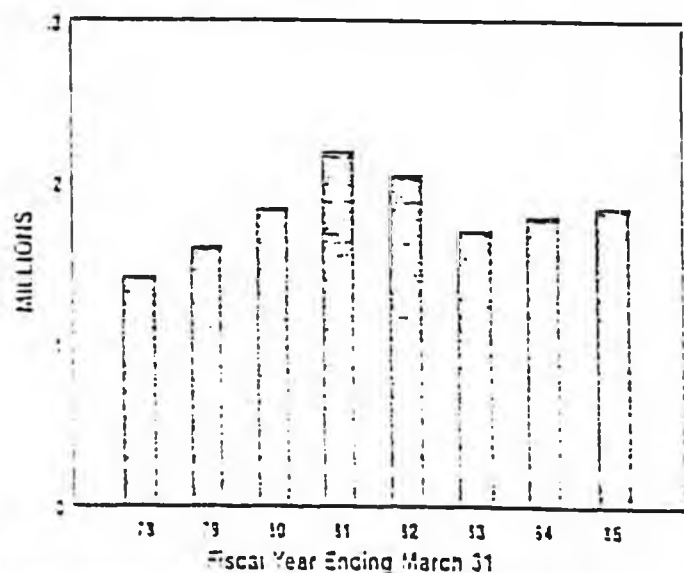
Over 67 million vehicles have been carried since 1960.



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.



AUDITORS' REPORT

**THORNE
RIDDELL**

Chartered Accountants



AUDITORS' REPORT

To the Lieutenant-Governor in Council
Province of British Columbia

We have examined the balance sheet of British Columbia Ferry Corporation as at March 31, 1935 and the statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1935 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell

Chartered Accountants

Victoria, Canada
May 21, 1935

Balance Sheet as at March 31, 1985

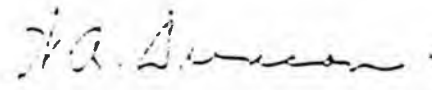
ASSETS

	1985	1984
	(expressed in thousands)	
CURRENT ASSETS		
Cash (Note 1)	\$ 11,943	\$ 3,361
Accounts receivable (Note 2)	800	505
Inventories (Note 3)	9,558	9,252
Prepayments and deposits	<u>949</u>	<u>583</u>
	<u>22,150</u>	<u>14,201</u>
RESERVED FUNDS (Note 4)	<u>7,317</u>	<u>—</u>
FIXED ASSETS (Note 5)		
Ships, berths, buildings, equipment and land	477,374	465,418
Less accumulated depreciation	<u>204,709</u>	<u>173,645</u>
	<u>272,665</u>	<u>291,773</u>
	<u>\$603,132</u>	<u>\$605,974</u>

APPROVED BY THE BOARD



Director



Director

LIABILITIES1985
(expressed in thousands)**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 18,281	\$ 19,455
Deferred revenue	1,575	1,544
	<u>19,856</u>	<u>21,000</u>
LONG-TERM DEBT (Note 5)	36,446	35,585
ACCRUED SICK LEAVE LIABILITY (Note 7)	5,219	5,344
	<u>51,665</u>	<u>52,430</u>

SHAREHOLDERS' EQUITY**SHARE CAPITAL**

Authorized		
1,000,000 shares without par value with a maximum consideration of \$100,000,000		
Issued		
63,512 shares	6,351	6,351
CONTRIBUTED SURPLUS (Note 3)	250,401	250,401
DEFICIT	(15,720)	(13,703)
	<u>241,532</u>	<u>243,549</u>

COMMITMENTS (note 13)\$303,192 \$305,974

Statement of Income

YEAR ENDED MARCH 31, 1985
(expressed in thousands)

	1985	1984
Operating Revenues		
Tolls	\$100,828	\$ 94,828
Catering	22,396	23,737
Other income (note 9)	2,506	1,949
	<u>125,530</u>	<u>120,514</u>
Less cost of food and goods sold	8,993	9,174
	<u>116,537</u>	<u>111,340</u>
Operating Expenses		
Salaries, wages and benefits	79,513	33,449
Fuel and lubricants	23,355	25,352
Materials, operating supplies and services	10,156	10,338
Contracted replacements, repairs and maintenance	5,253	5,950
Marketing, general and administrative	3,530	3,513
Charter fees	2,325	2,946
	<u>125,303</u>	<u>132,553</u>
Operating Loss Before Subsidy	3,771	21,213
Province of British Columbia Subsidy (note 10)	43,000	43,000
Income from operations	34,229	21,787
Interest Expense (note 11)	5,177	5,198
INCOME BEFORE DEPRECIATION	29,052	15,589
Depreciation	31,064	30,526
LOSS FOR THE YEAR AFTER DEPRECIATION	<u>\$ 2,012</u>	<u>\$ 14,997</u>

Statement of Deficit

YEAR ENDED MARCH 31, 1985
(expressed in thousands)

	1985	1984
Deficit (accumulated income reinvested in corporation assets) at beginning of year	\$ 13,708	\$ (1,289)
Loss for the year after depreciation	<u>2,012</u>	<u>14,997</u>
DEFICIT AT END OF YEAR	<u>\$ 15,720</u>	<u>\$ 13,708</u>

Statement of Changes in Financial Position

YEAR ENDED MARCH 31, 1985
(expressed in thousands)

	1985	1984
SOURCES (USES) OF CASH		
CASH FROM OPERATIONS (Note 12)	<u>\$ 23,355</u>	<u>\$ 17,198</u>
FINANCIAL ACTIVITIES		
Proceeds from promissory note issue	—	14,739
Repayment of note payable	—	(30,000)
Cash reserved for funding accrued sick leave liability	(4,172)	—
Sinking fund payments	<u>(3,545)</u>	<u>(322)</u>
Cash used in financial activities	<u>(7,817)</u>	<u>(15,583)</u>
INVESTMENT ACTIVITIES		
Fixed asset additions	(12,456)	(7,142)
Proceeds on sale of fixed assets	<u>—</u>	<u>9</u>
Cash used in investment activities	<u>(12,456)</u>	<u>(7,133)</u>
INCREASE (DECREASE) IN CASH	3,082	(5,513)
CASH AT BEGINNING OF YEAR	<u>3,351</u>	<u>8,879</u>
CASH AT END OF YEAR	<u>\$ 11,943</u>	<u>\$ 3,366</u>

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

Summary of Accounting Policies

YEAR ENDED MARCH 31, 1985

In accordance with Section 3(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, 1975 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.

(b) Berths, buildings and equipment

Berths, buildings and equipment also comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-In-Council dated December 15, 1975 and transferred at an assigned value of \$1. These assets are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977 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.

On October 1, 1983 the remaining buildings and equipment at Seas 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, 1982 based upon an appraisal made by Universal Appraisal Company Limited as at that date.

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

Amortization of Promissory Note Discount and Issue Costs -

Promissory note discount is amortized on a compound interest method over the term of the debt. Issue costs 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.

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	\$ 6,967	\$ 6,332
Fuel and lubricants	1,153	1,330
Goods for resale and catering supplies	413	440
	<u>\$ 8,533</u>	<u>\$ 8,102</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 5)		
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	\$ 292,725	\$ 105,472	\$ 177,253	\$ 192,581
Ships under capital lease	72,697	22,255	50,441	43,771
Berths, buildings and equipment	120,524	75,361	45,163	50,966
Land	723	—	723	723
Construction in progress	1,205	—	1,205	3,732
	<u>\$ 477,874</u>	<u>\$ 203,088</u>	<u>\$ 273,781</u>	<u>\$ 291,773</u>

6. LONG-TERM DEBT

	1985	1984
	(expressed in thousands)	
Long-term debt issued by the Corporation		
3.95% Promissory notes (effective rate of 15.73%), are repayable in five equal annual instalments of \$5.7 million commencing March 5, 1988	\$ 29,500	\$ 29,500
Less unamortized discount and issue costs	<u>5,473</u>	<u>7,332</u>
	<u>22,027</u>	<u>21,168</u>
12.36% Promissory note (effective rate of 12.44%) due September 9, 2003 is repayable by annual sinking fund payments of \$322,492 commencing September 9, 1984	14,758	14,758
Less unamortized issue costs	<u>17</u>	<u>13</u>
	<u>14,741</u>	<u>14,740</u>
	<u>36,768</u>	<u>35,908</u>
Sinking fund payment required within one year	<u>322</u>	<u>322</u>
	<u>\$ 36,446</u>	<u>\$ 35,586</u>

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

1986	1987	1988	1989	1990
\$322,492	\$322,492	\$6,322,492	\$6,022,492	\$6,022,492

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

7. ACCRUED SICK LEAVE LIABILITY

On September 1, 1973 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 and on retirement any balance remaining is payable in cash at 50% of accredited time. The liability as at March 31, 1985 based upon a recent actuarial evaluation by Reed Stennouse Associates Limited established the present lump sum value of cash payouts on retirement to all employees at \$4,172,000 which, with interest will accumulate an amount required to meet those obligations. The recorded liability as actuarially evaluated in 1982 with accrued interest net of withdrawals to 1985 exceeded the current evaluation by \$1,569,391. One third of the excess is reflected in current operations and the balance will be reflected in operations of the next two fiscal periods. Funds reserved for liquidation of this liability are invested in short-term commercial security (Note 1).

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 ancillary traffic revenue	\$ 347	\$ 337
Interest earned on funds in bank and short-term investments	<u>1,559</u>	<u>1,112</u>
	<u>\$ 2,506</u>	<u>\$ 1,849</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 \$4,319,300. 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 \$29.3 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>1,306</u>
	<u>\$ 5,177</u>	<u>\$ 5,598</u>

12. CASH FROM OPERATIONS

	1985	1984
	(expressed in thousands)	
Loss for the year after depreciation	\$(2,012)	\$(14,997)
Items not involving cash		
Depreciation	31,364	30,566
Amortization of promissory note discount and issue costs	360	741
Loss on retirement of fixed assets	—	248
Increase (decrease) in accrued sick leave liability	<u>(526)</u>	<u>(154)</u>
Cash generated from continuing operations	29,286	16,742
Cash generated from (used for) operating working capital		
Accounts receivable	(295)	104
Inventories	395	259
Prepayments and deposits	266)	1,542
Accounts payable and accrued liabilities	1,195)	(1,349)
Deferred revenue	<u>100</u>	<u>100</u>
Cash generated from operations	<u>\$ 28,355</u>	<u>\$ 17,198</u>

13. COMMITMENTS

The Corporation is contractually committed to modify the passenger areas on the M.V. "Queen of the North" and to complete terminal compound improvements at Skidegate and Departure Bay. The total estimated cost of these capital projects is \$0.9 million and as at March 31, 1985 the estimated remaining cost to complete these commitments is \$0.4 million.

Not included in the accounts is a lease commitment of \$5.4 million for the M.V. "Quinsam" which is fully recoverable through a non-cancellable sub-lease with the Ministry of Transportation and Highways for British Columbia.

14. COMPARATIVE FIGURES

Certain comparative figures for the previous year have been reclassified to conform with the March 31, 1985 financial statement presentation.

Statistical Review

YEAR ENDED MARCH 31

	1985	1984	1983	1982	1981	1980
	(expressed in thousands)					
Financial Operating Revenue - Gross	\$125,530	\$120,514	\$110,539	\$112,199	\$ 99,552	\$ 32,367
Operating Expense	125,308	132,553	139,013	133,356	104,956	39,695
Operating Loss before Subsidy	3,771	21,213	37,213	31,221	14,251	13,567
Subsidy	43,000	43,000	43,000	53,391	53,106	49,447
Cash Flow from Operations	23,355	17,198	(3,305)	35,331	44,311	36,563
Depreciation and Amortization	31,054	30,566	34,724	26,037	22,148	20,271
Interest on Debt	5,177	5,198	5,073	393	779	390
Working Capital (Deficiency)	2,214	(5,799)	(37,506)	(11,495)	15,512	21,373
Additions to Property	12,456	7,142	23,304	74,375	44,919	39,359
Total Assets	303,132	305,974	335,370	357,317	334,596	312,048
Long-term Debt	36,446	35,536	20,429	31,716	13,754	15,513
Operating Traffic						
- Passengers	11,913	12,398	12,275	12,754	12,513	11,423
- Vehicles	4,460	4,483	4,463	4,713	4,525	4,151
Miles						
- Passengers	259,703	293,745	273,975	339,395	334,073	314,344
- Vehicles	96,531	97,569	97,020	113,333	116,313	106,735
Utilization						
- Passengers	23%	25%	27%	26%	23%	26%
- Vehicles	43%	36%	40%	48%	50%	47%

CORPORATE INFORMATION

HEAD OFFICE

318 Broughton Street
Victoria, B.C.
V8W 1E4

INFORMATION/ RESERVATION CENTRE

1045 Howe Street
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V6Z 2A9

AUDITORS

Thorne Riddell
707 Fort Street
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V8W 3G3

CORPORATE COUNSEL

Lachner Downs
2100 Pacific Centre South
700 W. Georgia Street
Vancouver, B.C.
V7Y 1A8

BANKERS

Bank of Nova Scotia
Victoria, B.C.

Canadian Imperial Bank of Commerce
Victoria, B.C.

Statistical Review

YEAR ENDED MARCH 31

	1985	1984	1983	1982	1981	1980
	(expressed in thousands)					
Financial						
Operating Revenue						
- Gross	\$125,530	\$120,514	\$110,569	\$112,199	\$ 99,552	\$ 82,867
Operating Expense	125,308	122,553	139,013	133,355	104,956	88,595
Operating Loss before Subsidy	3,771	21,213	37,213	31,221	14,251	13,667
Subsidy	43,300	43,000	43,300	53,391	53,105	49,447
Cash Flow from Operations	29,355	17,198	(3,005)	35,331	44,311	38,583
Depreciation and Amortization	31,054	30,565	34,724	25,037	22,143	20,271
Interest on Debt	5,177	5,193	5,073	393	779	330
Working Capital (Deficiency)	2,214	(6,799)	(37,306)	(11,495)	15,512	21,373
Additions to Property	12,456	7,142	25,304	74,376	44,319	39,359
Total Assets	303,132	305,974	335,370	357,317	334,396	312,048
Long-term Debt	36,446	35,536	20,423	31,716	13,754	15,513
Operating Traffic						
- Passengers	11,313	12,398	12,275	12,754	12,513	11,423
- Vehicles	4,450	4,483	4,463	4,713	4,326	4,151
Miles						
- Passengers	259,703	233,745	273,375	339,395	334,073	314,344
- Vehicles	36,531	37,569	37,020	113,533	115,313	105,735
Utilization						
- Passengers	33%	25%	27%	25%	29%	25%
- Vehicles	33%	33%	33%	10%	32%	27%

CORPORATE INFORMATION

HEAD OFFICE

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VTY 1A8

BANKERS

Bank of Nova Scotia
Victoria, B.C.
Canadian Imperial Bank of Commerce
Victoria, B.C.

VANCOUVER ISLAND

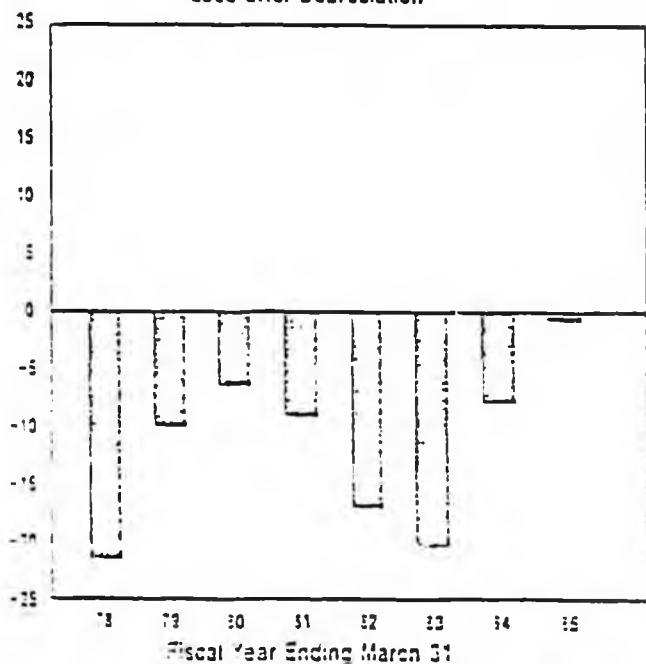
The two Mainland-Vancouver Island routes are among the busiest ferry routes in the world, carrying 7.3 million passengers and 2.8 million vehicles in 1984/85.

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



ROUTES

SUNSHINE COAST

The Sunshine Coast includes four routes:

Horseshoe Bay - Langdale

Horseshoe Bay - Bowen

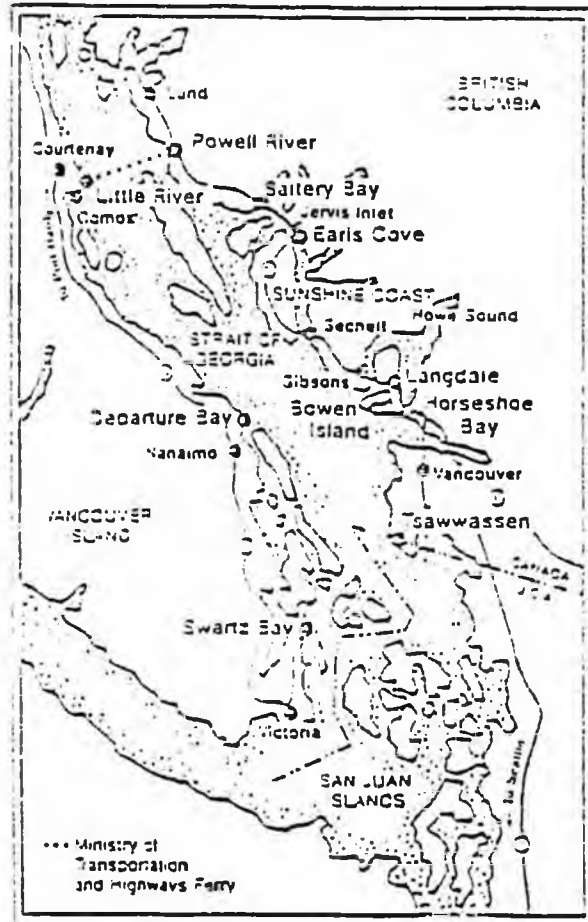
Island

Ears Cove - Saltery Bay

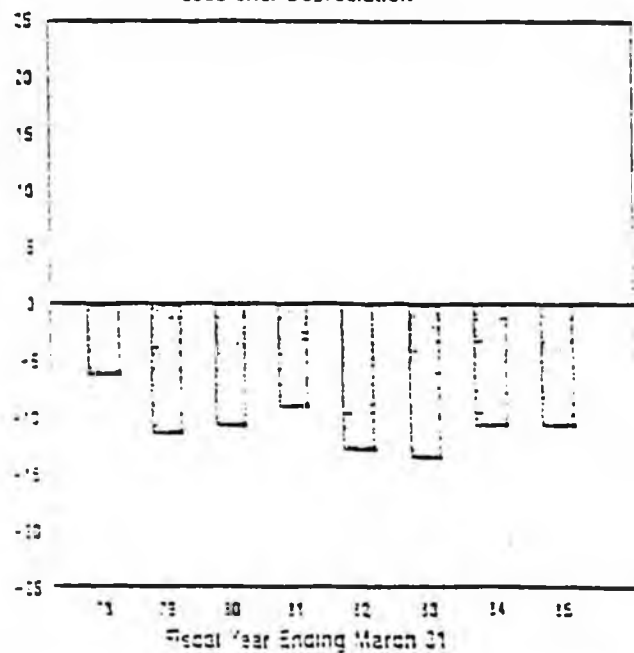
and the passenger-only service from Langdale-Gambier Island-Keates Island.

These routes carried 2.5 million passengers and 1 million vehicles in 1984/85. Although traffic has declined in each of the past three years, there has been an improvement in the financial performance.

The loss in 1984/85 was \$11 million, virtually unchanged from the previous fiscal year.



SUNSHINE COAST
Loss after Depreciation

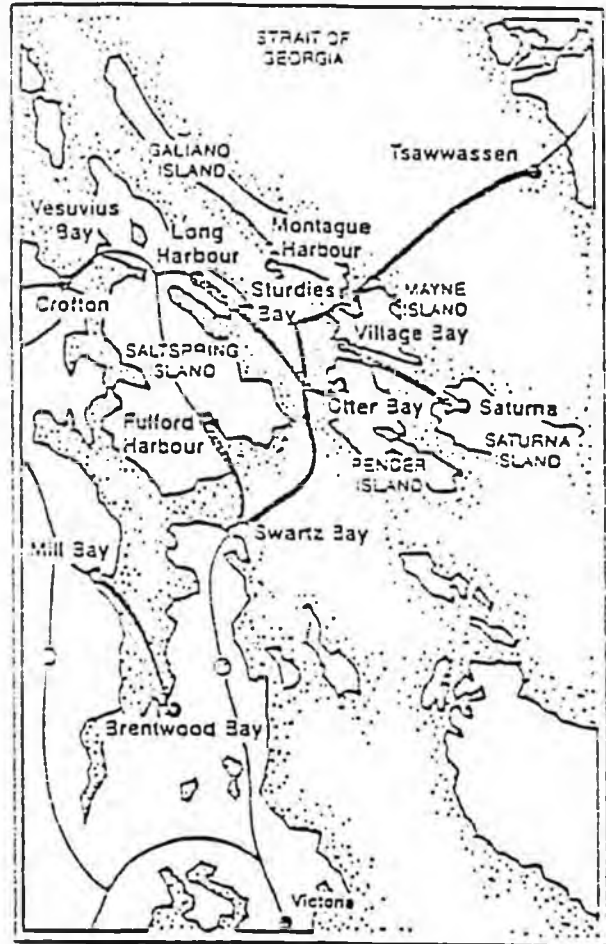


GULF ISLANDS

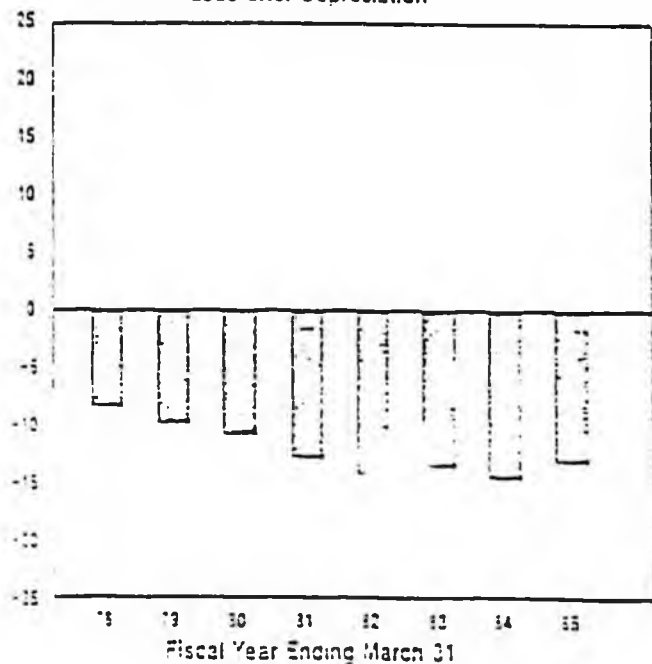
The Gulf Islands vessels service the islands of Salt Spring, Pender, Galiano, Mayne and Saturna. The region also includes the Brentwood-Mill Bay route.

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



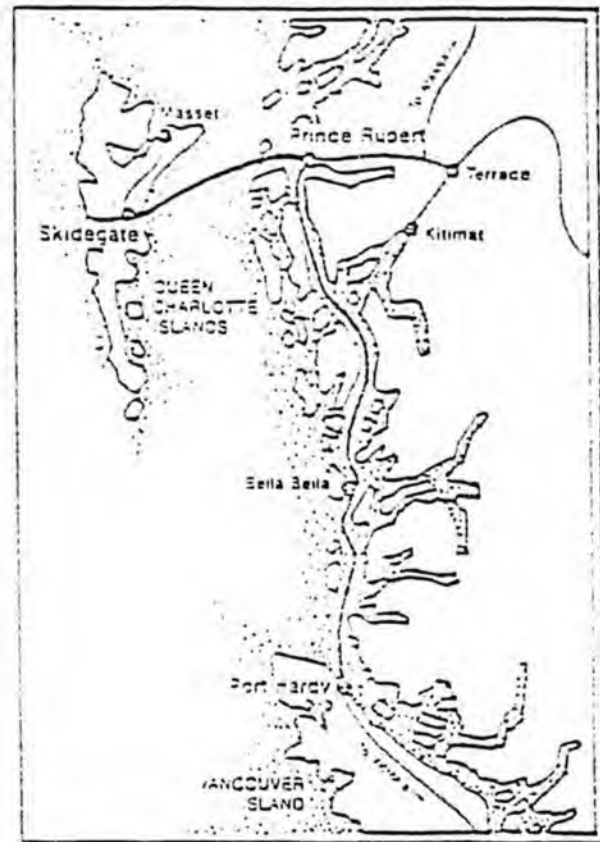
NORTH COAST

The North Coast services include:
 Prince Rupert - Port Hardy
 Prince Rupert - Skidegate.

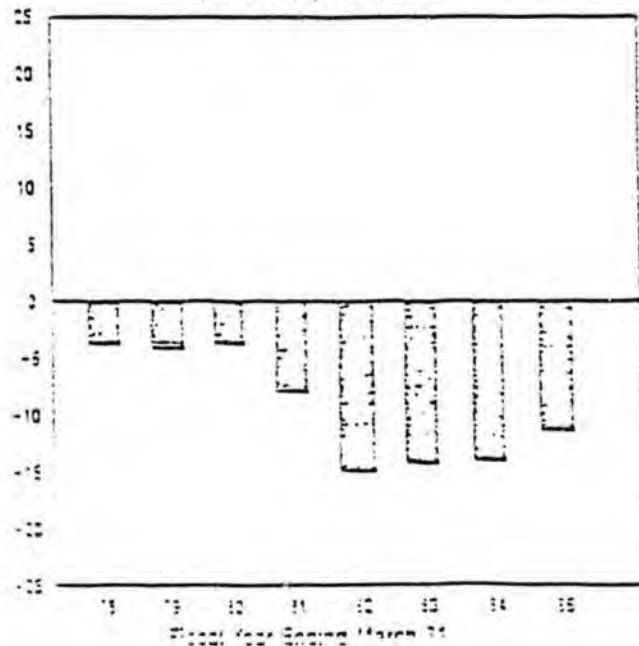
In addition the Corporation has contract services for passenger routes from Prince Rupert to Port Simpson and Kincolith.

Until March 31, 1965 there was also a contract tug-and-barge service between Prince Rupert and Masset.

For the three years previous to 1964/65 the loss on these routes averaged about \$1.5 million per year. With the elimination of Tsawwassen-Port Hardy service and other cost efficiencies the operating loss has been reduced by 19% to \$1.1 million.



NORTH COAST
 Loss after Depreciation



Year End	Passengers	Vehicles
March 31, 1961	692,000	321,000
March 31, 1962	2,340,000	697,000
March 31, 1963	2,665,000	895,000
March 31, 1964	3,130,000	1,034,000
March 31, 1965	3,300,000	1,195,000
March 31, 1966	4,000,000	1,369,000
March 31, 1967	4,477,000	1,516,000
March 31, 1968	4,361,000	1,530,000
March 31, 1969	4,774,000	1,793,000
March 31, 1970	5,571,000	2,102,000
March 31, 1971	5,963,511	2,229,412
March 31, 1972	6,771,337	2,552,505
March 31, 1973	7,529,385	2,924,964
March 31, 1974	8,538,297	3,169,522
March 31, 1975	9,512,501	3,558,234
March 31, 1976	9,912,739	3,760,099
March 31, 1977	8,383,502	3,044,167
March 31, 1978	9,013,976	3,253,017
March 31, 1979	10,399,203	3,759,529
March 31, 1980	11,423,405	4,161,302
March 31, 1981	12,512,399	4,625,317
March 31, 1982	12,753,664	4,712,951
March 31, 1983	12,275,466	4,462,731
March 31, 1984	12,397,905	4,432,707
March 31, 1985	11,312,943	4,460,069
Total	134,576,231	57,306,235

	Year Built	Year Converted	Overall Length	Gross Tons	Capacity	
					Auto	Pass.
Jumbo Class						
Queen of Alberni	1975	84	545	5853	310	1415
Queen of Cowichan	1975		457	5551	362	1486
Queen of Cowichan	1975		457	5551	362	1486
Queen of Oak Bay	1981		457	5969	362	1466
Queen of Surrey	1981		457	5969	362	1466

V Class

Queen of Vancouver	1962	70, 81	425	5430	358	1360
Queen of Victoria	1962	70, 81	425	5430	358	1360
Queen of Esquimalt	1963	69, 82	425	5430	375	1360
Queen of Saanich	1963	72, 82	425	5430	375	1360

Stretched Class

Queen of Nanaimo	1964	73	425	4939	192	387
Queen of New Westminster	1964	74	425	4904	192	387
Queen of Burnaby	1965	73	425	4903	192	387

Northern Ships

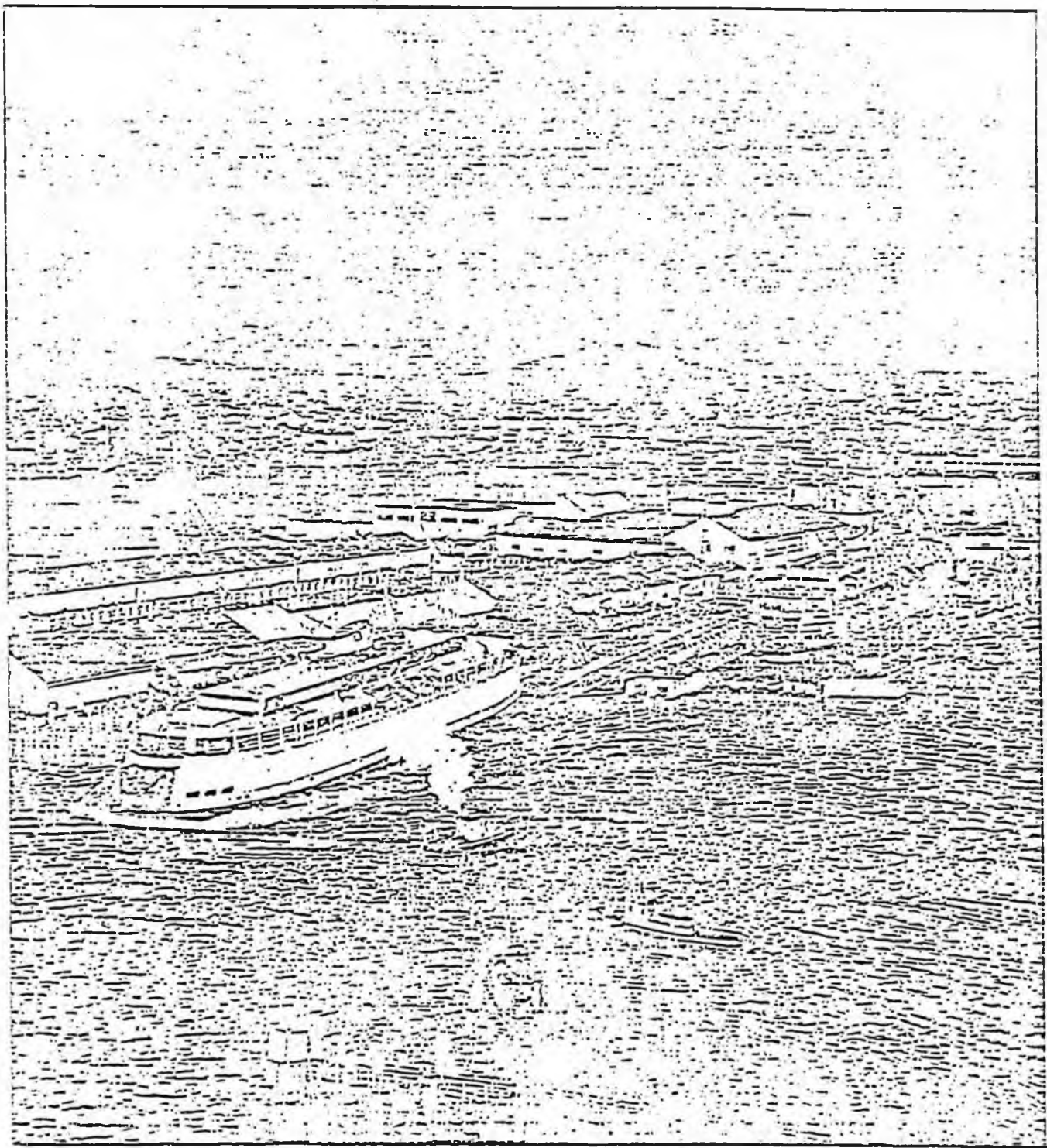
Queen of Prince Rupert	1965		332	5864	80	458
Queen of the North	1969	30	410	3307	135	750

Major Ships

Queen of Sidney	1960		335	3123	133	399
Queen of Tsawwassen	1960		335	3127	133	389

Minor Ships

Bowen Queen	1965	79	279	1475	70	390
Mayne Queen	1965	79	279	1475	70	340
Powell River Queen	1965	79	279	1486	70	400
Howe Sound Queen	1964		241	795	70	330
Queen of the Islands	1963		236	1717	40	483
Mill Bay	1956		120	175	15	168
Salt Spring Queen	1949		145	273	30	187
Vesuvius Queen	1950		150	277	32	177
Dogwood Princess II	1979		42	21	—	33



BRITISH COLUMBIA FERRY CORPORATION

1986 FACT SHEET

Chairman of the Board - Stuart M. Hodgson
President & Chief Executive Officer - Andrew L. Collier
General Manager & Chief Operations Officer - George Baldwin

Ships and Areas Covered

Vancouver - Victoria (Tsawwassen - Swartz Bay)

M.V. "Queen of Esquimalt"
M.V. "Queen of Saanich"
M.V. "Queen of Vancouver"
M.V. "Queen of Victoria"

Vancouver - Nanaimo (Horseshoe Bay - Departure Bay)

M.V. "Queen of Alberni"
M.V. "Queen of Cowichan"
M.V. "Queen of Oak Bay"
M.V. "Queen of Surrey"

Sunshine Coast (Horseshoe Bay - Langdale)

M.V. "Queen of Coquitlam"

Vancouver Island - Salt Spring Island

M.V. "Bowen Queen" (Swartz Bay - Fulford Harbour)
M.V. "Salt Spring Queen" (Vesuvius - Crofton)

Vancouver Island - Gulf Islands (Swartz Bay, Mayne, Galiano, Pender, Saturna Is.)

M.V. "Mayne Queen"
M.V. "Vesuvius Queen" (Swartz Bay - Gulf Is. Supplementary)

Sechart - Powell River (Earls Cove - Saltery Bay)

M.V. "Powell River Queen"

Horseshoe Bay - Bowen Island (Snug Cove)

M.V. "Howe Sound Queen"

Vancouver - Gulf Islands (Tsawwassen - Galiano - Mayne - Pender - Salt Spring Is.)

M.V. "Queen of Tsawwassen"

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	130	"
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.

Employees

There are approximately 2000 employees in the system, compared with 200 when the ferry service began in 1960.

Ships Services

Passenger elevators have been installed in all the major and 'C' Class ships, specifically for those who are unable to manage the stairs. The M.V.s "Queen of Sidney" and "Queen of Tsawwassen" do not have elevators. All major ferries have nursing mothers facilities, non-smoking sections, and restrooms for the disabled.

Machine Repair Shop

A service unique to the ferry business is the combined machine repair shop established at Deas Dock on the Fraser River, which allows for a planned program of continuing preventative maintenance. Another unique service is the most modern and completely equipped life raft servicing centre in Canada, also located at Deas Dock. Refitting and lay-up berths are now in operation on the man-made basin at this location.

Capsula History

The idea of a ferry system germinated when Vancouver Island was isolated during the Seamen's Strike in July 1958. Private ferry companies were approached to provide the solution with the Provincial Government undertaking to build highway and wharf facilities on Vancouver Island and the mainland to provide the quickest possible service. When private industry turned down the plan, the Government decided to go ahead on its own.

In March 1959, the Provincial Government announced plans to enter the ferry business. The first contracts were let to Victoria Machinery depot and Burrard Dry Dock for the M.V. "Sidney" and the M.V. "Tsawwassen".

Landings were built at Swartz Bay to service Victoria and at Tsawwassen to service Vancouver. At the latter site, a two-mile causeway was built which used 2,500,000 cubic yards of boulder, rock, and gravel fill.

Inauguration of the two-hour service started on June 15, 1960.

On September 1, 1961, the Gulf Island Service was purchased by the British Columbia Ferry Authority. In October 1961, Black Ball Ferries Ltd., which operated ferries from Horseshoe Bay to Nanaimo and to the Sunshine Coast, was purchased.

The inaugural run of the M.V. "Queen of Prince Rupert", sailing the Inside Passage to Prince Rupert from Kelsey Bay, was in May 1966.

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 Yards Corporation in Vancouver and Victoria. They entered service in May and June of 1981.

An innovative new conversion program was begun in 1981 with the "lifting" of two of the "stretched" vessels, the Queens of "Vancouver" and "Victoria". Each ship was cut in half horizontally, just below the passenger (promenade) deck, raised vertically 10 feet on hydraulic jacks, and an upper car deck was added. This same operation has since been effected on the Queens of "Saanich" and "Esquimalt" and these four converted ships are now carrying record loads of vehicles.

On June 15, 1985, the B. C. Ferry Corporation celebrated its 25th Anniversary of operation, a significant milestone in the history of British Columbia.

On October 5, 1985, the 14 saltwater ferries (formerly operated by the Provincial Ministry of Transportation and Highways) were transferred to the B.C. Ferry Corporation making the Crown Corporation one of the largest ferry operations in the world in terms of number of ships (39) and number of routes (24). Over 400 employees joined B.C. Ferries at the same time, increasing the number of workers in the ferry fleet to approximately 1500, rising to over 3000 in summer.

Alterations and Innovations

Over the years since the inception of the ferry service, innovations have continuously been undertaken to improve and increase capacities. When the first two ships were built, they were modelled on the style of Black Ball ferries. The Queens of "Sidney" and "Tsawwassen" are both very similar to Black Ball's "Coho". Then, when the next seven ships were built, the plans differed and, because of this change, each of these ships have been able to undergo alterations that have greatly improved their lift-off potential.

In 1968, ramps were installed on the car decks leading to mezzanine decks affixed to the midships bulkhead. This innovation increased the car carrying space from 110 vehicles to 150. Then, starting in 1969, an amazing (at that time) alteration took place. Each ship was taken to the shipyard, cut in half, and an 34 foot section was built, floated into place, and the ship was welded together again! This further increased the capacity for vehicles to 200. At the same time, the dining rooms were extended and solarium seating was added in the new section aft of the bridge on the sun deck.

As time went on, more and more people were using the popular ferries, and line-ups in the peak travel periods became a problem. More ferries were needed, so three new vessels were commissioned. Two of them were built on the lines of Washington State ferries; the third, with basically the same lines, was constructed to carry primarily overnights, recreational, and commercial traffic. This was in 1975 but in 1979, it became evident that another two 'D' Class (or Super ferries) were required and they were built with yet more improvements, enabling them to carry 350 cars.

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!



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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

January 15, 1987

MEMORANDUM

TO: Representative Bette Cato

FROM: Mary Jennings *mg*
Legislative Analyst

RE: Options for the Alaska Marine Highway System to Operate
Similarly to Cruise Ships
Research Request 87.058

You requested a discussion of options for the Alaska Marine Highway System (AMHS) to operate more similarly to cruise ships on the mainline route. The mainline is the route from Seattle to Skagway via Prince Rupert; four ships operate on the mainline at different times of the year.

Background

The number of cruise ships that operate in the waters of Southeast Alaska has grown dramatically during the past few years. According to the State Division of Tourism, over 90 percent of all tourists in Southeast arrive by way of cruise ships. Although specific data are not available from cruise ship companies, one can assume that the expansion that has occurred is an indicator of profitability. The AMHS vessels that operate on the mainline generate revenue equal to approximately 80 percent of costs. Since ferries and cruise ships operate basically over the same route, the question arises as to why the cruise ships are able to operate at a profit and the ferries are not. The following sections of this memorandum present a discussion of options that would allow the AMHS to operate more similarly to cruise ships.

Reducing Labor Costs

Labor costs of onboard personnel of AMHS ferries account for approximately 50 percent of a vessel's operating costs. According to persons contacted in various cruise ship companies, the labor costs of cruise ships are much lower than ferries. None of the cruise ship companies were willing to give specific data concerning operating costs, but one company official estimated that the labor cost of the AMHS were more than twice as high as the labor costs of a cruise ship. The official added that this was not due to less on-board personnel but because cruise ships utilized nonunion labor at relatively low wages.

Due to union labor on AMHS vessels, labor costs can be reduced only by contract negotiations. Contracts are scheduled for negotiation during 1988. Potential cost savings may be realized if contracts can be negotiated for lower wages, although it is doubtful that the unions would accept wages at the same level as cruise ship workers.

Leasing to Private Industry

According to the Executive Director of the Inland Boatman's Union, the current contract does not allow nonunion workers on vessels leased by the State. The union does not feel that this is a negotiable issue. Therefore, even if mainline operation were leased to the private sector it would still be difficult to lower labor costs to cruise ship levels. The option of selling the vessels to private industry also exists, but because this would remove the vessels from control of the State, this option was not researched.

Year Round Full Capacity

A cruise ship company representative stated that cruise ship lines are able to operate profitably because their vessels operate at full capacity year-round. This is achieved by operating in different locations, such as Europe and the South Pacific, during the winter in North America. According to Joe Camp, Deputy Commissioner of the Alaska Marine Highway System, the level of ferry useage drops by approximately half during the period from October to May. Mr. Camp did not feel it was feasible for AMHS ferries to operate outside Alaska during the winter because this would leave many Alaska communities without ferry transportation. He also doubted that ferry unions would be amenable to operating outside Alaska for half of the year.

Package Tours

Travel agents suggested that AMHS could compete more effectively if trips were offered as a package of complete services. Agents stated that the majority of cruise ship passengers buy package tours that include all aspects of their trip, from meals to airfare. According to travel agents with whom I spoke, the AMHS would have to change several areas of service in order to accommodate the package tour traveler. One travel agent suggested that the AMHS should redesign staterooms into a uniform two-bed size because this is the standard package tour booking size. (Ferries are designed in two, three and four-bed size.) One agent suggested that ferries should dock in communities for longer periods of time and only during the day. The agent stated that because the ferries tend to dock in the middle of the night, it is difficult to coordinate ferry useage with other tourism-related activities. The agent also suggested that the ferries should dock closer to downtown areas because this is more convenient for tourists.

Other travel agents suggested that the ferry should offer higher quality food and onboard entertainment, such as discos and gaming.

The AMHS representatives felt that many of the changes to allow package tours would be costly and would conflict with the system's goal of providing basic transportation services for Alaskans. One official stated that to redesign all staterooms into a two-bed size would require a great deal of lay up time and would be expensive. Additionally, AMHS stated it would be difficult to schedule mainline vessels for strictly daytime docking because this would conflict with the schedules of feeder vessels that also use mainline docks. Another AMHS official stated that many downtown docking facilities that the cruise ships use would not accommodate ferries because of the need for vehicle-loading facilities.

Additional Marketing

One cruise ship company stated that a high level of marketing is an important factor in determining the level of business of a cruise ship company. According to Joe Camp, marketing of the AMHS has suffered in the past two fiscal years due to budget cuts. He stated that the system plans to spend more money on marketing this year and will emphasize mainline operations. For example, Mr. Camp stated that a "weekend getaway" promotional program is being developed to encourage Seattle area residents to ride the ferry during the months of May and September when ferry traffic is moderate. The system plans to offer a package tour that will include a ferry ride to a port in Alaska and a flight back to Seattle. The AMHS is working with the Port of Seattle, Alaska Airlines and Seattle area travel agents.

Raising Ticket Prices.

During the summer of 1987, a roundtrip ticket on the AMHS between Seattle and Skagway will cost \$396. A comparable length trip on a cruise ship will cost anywhere from \$2,000 to \$5,000 dollars. As mentioned earlier, the cruise ship package includes many other services besides travel. If the AMHS were to include additional services with the ticket price, then rates may be increased to be more comparable with cruise ship rates. It is questionable whether it would be feasible for the system to offer different levels of service on the mainline route--one level for package tours and another level to provide basic transportation needs. According to AMHS, the additional administration to provide two levels of service would be costly. Additionally, operations of the ship would have to altered drastically to provide the same services offered on cruise ships.

Independent Travelers

Bob Dindinger, who is a member of the Southeast Tourism Marketing Council, felt that the AMHS could best increase tourist usage by targeting the independent traveler. He stated that the independent traveler is not as convenience-oriented as a tour ship traveler and therefore is more amenable to ferry usage.

Representative Cato
January 15, 1987
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A study by the State Division of Tourism indicates that during the 1970s, 68 percent of independent travelers came through Southeast and today only seven percent visit this area. The study indicates that the majority of independent travelers now visit the Southcentral area. Mr Dindinger felt that this is due to promotional campaigns by Anchorage and Fairbanks directed toward the independent traveler. He stated that the council is currently working with the State Division of Tourism and tourism-related businesses in Southeast, including the AMHS, to develop a promotional campaign to attract independent travelers to Southeast.

Mr. Dindinger had other ideas that would allow the ferry system to compete more aggressively in the overall tourism market. He suggested that a travel agent's commission for booking ferry space should be raised from the current seven percent to ten percent. He stated that a ten percent commission is the standard commission awarded to travel agents. Mr. Dindinger felt that the seven percent commission awarded by the AMHS is a disincentive to travel agents who might otherwise promote ferry travel. Mr. Dindinger added that a study has shown that over half of all independent travelers utilize travel agents.

Mr. Dindinger also suggested that the system should pre-sell only 30 percent of its space 90 days before departure instead of the current 90 percent. He felt the remaining 20 percent should be sold full price. He felt that this would increase revenues because less space would be discounted by a travel agent's commissions. He also noted that it might leave more space open to Alaskans, who tend to make reservations closer to departure dates.

I hope you find this information useful. If you have any questions please feel free to contact me.

MJ

STATE OF ALASKA
THE LEGISLATURE

JAN 6 1967

POUCH STATE CAPITOL
LINEAU ALASKA 99511
707 465 2800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

December 12, 1966

SUBJECT: Alaska Marine Highway System
(Work Order No. 15-0270)

TO: Representative Bette Cato

FROM: George Utermohle *GU*
Legislative Counsel

You have asked whether certain recommendations for improvements to the Alaska Marine Highway System (AMHS) can be implemented through legislation. This memorandum addresses those recommendations.

ONE: ALLOW AHMS TO OPERATE AS A SEPARATE ENTITY FROM THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES.

Government agencies may be conferred with a wide range of independence. Most government agencies are established as subordinate entities within a department and are subject to the centralized administration and control of the commissioner of the department. The divisions within the departments fall into this category. Certain other agencies are attached to a department only for administrative purposes and have a legislative mandate distinct from that of the department. These agencies, such as the Alaska State Building Authority, the Alaska Housing Finance Corporation, and the Alaska Railroad Corporation, are usually state corporations and operate independently of any policy control by the commissioner of the department. Even among these independent agencies there is considerable variation in the amount of autonomy conferred on them. The agency with the greatest degree of independence is the Alaska Railroad Corporation (ARRC). ARRC maintains its own administrative and budgeting functions, as well as policy development functions independent of any other state agency, including the legislature. This high degree of independence is granted by the legislature and thus can be reduced or eliminated by the legislature.

Generally, the highest degree of independence occurs at the department level. Any state agency could be raised to the level of department. The former Division of Corrections was moved from the Department of Health and Social Services and was made into a separate department of its own. The major draw backs to this approach are the costs involved and the Alaska Constitution. When a department is created a commissioner and staff must be hired, and independent accounting, budgeting, purchasing, personnel, and other services must be established. The Alaska Constitution limits the executive branch of government to twenty principal departments. (art. III, sec. 22, Ak Const.) There are currently fifteen principal departments in the executive branch.

The Alaska Marine Highway System is currently a line division within DOTPF and is subject to administrative, budgetary, and policy oversight by the commissioner. AMHS would achieve greater independence from DOTPF by making it a an independent corporation within the department. HB 23 (Fourteenth Legislature) did exactly that. HB 23 created the Alaska Marine Highway Authority as a corporation within DOTPF. The department would exercise no control over the Authority, but could handle the administrative functions such as purchasing, payroll, etc.

TWO. ALLOW AMHS TO OPERATE WITHOUT REQUIRING IT TO MAKE A PROFIT LIKE THE ALASKA RAILROAD CORPORATION.

AMHS is not required to make a profit. Neither is ARRC. The only mandate to ARRC is that it should generally operate the railroad on a self-sustaining basis.

AMHS is not required to return a profit or even break even under its current mandate. HB 23 did not change this, even though management of the marine highway system was transferred to an independent state corporation.

THREE: SEPARATE MANAGEMENT, ACCOUNTING, AND OPERATION OF THE MARINE HIGHWAY SYSTEM FROM DOTPF.

AMHS can operate independently of the administrative structure of DOTPF by creating an independent administrative structure within the current division. Administrative independence can also be achieved by conferring the necessary authority on an independent state corporation to manage the marine highway system. Administrative independence comes as a matter of course when an agency is made a department.

The Alaska Marine Highway Authority proposed in HB 23 had considerable control over its own operations. HB 23 did not specifically mention whether the authority was to perform its own administrative work. Whether an independent authority does its own administrative work is mostly a matter of whether the legislature appropriates funds for administrative services. So, it is not necessary for HB 23 to confer administrative independence on the Alaska Marine Highway Authority, but mention of such an intent in the bill would assure that money will be allocated to that function.

FOUR: ENSURE THAT AMHS CONTINUES TO PROVIDE IN-STATE TRANSPORTATION SERVICES.

Establishing priorities for the service by AMHS is a very straight forward process. All that is required is that the legislature establish those priorities. Such priorities can be established through appropriations or through legislation establishing priorities or levels of service for the marine highway system. For example, if you wish to ensure that ferry service is provided to certain towns or no service is provided outside the state, these requirements can be specified in statute.

FIVE: PROVIDE A MECHANISM FOR OVERSIGHT AND INPUT TO THE MARINE HIGHWAY SYSTEM, PARTICULARLY FROM PRIVATE INDUSTRY.

State agencies receive oversight and input on a daily basis from the public which they serve. Oversight and input are also received from commissioners, the governor, and the legislature (especially through the budget process). In a number of instances the legislature has created specific mechanisms for input and oversight of state agencies. These mechanisms vary in formality from the loosely-knit but extensive system of fish and game advisory boards to the boards of independent state corporations which have explicit requirements for public and private industry members.

In HB 23 an independent state corporation was created with responsibility for operating the marine highway system. The board of the corporation included a number of seats restricted to members of various private industry groups and to members of the public from various parts of the state. Such a mechanism as this assures that some oversight and input to the marine highway system takes place.

Representative Cato
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December 12, 1986

If you should decide to introduce legislation on the marine highway system, please contact me with your specific proposals. If I can provide further assistance, please contact me.

GU:mkr
m7/066

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

DEPUTY COMMISSIONER—ALASKA MARINE HIGHWAY SYSTEM

PCUCH R
JUNEAU, ALASKA 99811
(TELEX 45-312)
PHONE (907) 465-3950

August 14, 1986

Mr. Stephan Mason
Acting Chairman
Coalition for the Improvement of
Alaska Marine Highway System
P. O. Box 9625
Ketchikan, AK 99901

Dear Mr. Mason:

I appreciate the opportunity to reply to your letter of August 2. Many of the questions have been asked of me personally on my various ship visits and obviously my answers have not reached all the right ears. The following should provide factual data and I hope it will clear up some popular misconceptions currently in circulation. The deadline you imposed has made it difficult to research all of the technical and detailed data you have requested. That information will be forwarded at a later date. I will restate or paraphrase your question, then provide the answer.

1. Q. Give us background information regarding lost jobs.
 - A. For FY 87 Alaska Marine Highway System (AMHS) like other branches of State government, was cut below FY 86 levels. These cuts came in several increments of various amounts during the budget process and included cost avoidances achieved through reduction in fuel prices. It was and continues to be our goal to provide the maximum amount of service to the public with the resources available. During the process it was determined that cutting of approximately \$700,000 in vessel personal services would result in less severe cuts in scheduled vessel service than would otherwise be required. This decision was made for two reasons; 1) to continue maximum service to the public and 2) maximum service means maximum employment. The guidelines used to determine which positions would be cut were; 1) not adversely affect safety, 2) not adversely affect passenger services and 3) keep additional overtime to a minimum. The Director of Operations outlined the requirements to the shoreside department heads who then met and agreed on specific positions for cuts. I reviewed and approved the cuts.

2. Q. How much money was estimated would be saved by each department cut and all collectively?

A. Engineer Department	\$179,000
Deck Department	303,700
Purser	33,300
Steward	<u>208,900</u>
Total	\$723,300

3. Q. How much increased overtime has been submitted from each department since the job cuts. How much increased overtime has been submitted collectively?

A. There has been substantial overtime submitted. It is being compiled and analyzed as limited staff time permits. I will forward the results of this effort when it is completed.

4. Q. When exactly can we expect all these lost jobs to be reinstated?

A. AMHS is conducting an internal review of shipboard manning comparing required functions and work loads with manning. This study is expected to be completed this fall. Upon completion of this review, the preliminary finding will be reviewed with union and operating personnel prior to making any final determination. Both licensed and unlicensed input will be solicited and discussed. The result of this process should provide us with a valid manning document, based on required functions, workloads and services aboard each vessel.

5. Q. How many jobs have been eliminated from Department of Transportation and Public Facilities beach operations in accordance with recent funding cuts. What job positions and titles were eliminated and were these people terminated or moved to other positions within your operation? What exactly is the revenue savings currently reflecting these job cuts on the beach?

A. The following matrix should answer the above questions for AMHS.

FY 87 Budget Reductions prior July 1

<u>Position/Title</u>	<u>Who</u>	<u>Action</u>	<u>Where did the incumbent go</u>	<u>Estimated Savings (in Thousands)</u>
Administrative Assistant	vacant	Delete	vacant	34.1
Director of Marketing & Services	Emery	Delete	accepted classified service job	39.9
Secretary I	McCorcle	Delete	transferred to another department	31.3
Reservation Specialist	vacant	Delete	vacant	45.6
Accounting Clerk II	Roberson	PFT to seasonal	reduced pay	15.3
Accounting Clerk II	Harrigan	PFT to seasonal	reduced pay	10.6
Accounting Clerk II	Ketcham	PFT to seasonal	reduced pay	10.6
Clerk III	Salazar	PFT to seasonal	reduced pay	5.2
Clerk III	Seagrave	PFT to seasonal	reduced pay	5.2
Clerk III	Annand	PFT to seasonal	reduced pay	5.2
Clerk III	vacant	PFT to seasonal	reduced pay	5.2
Clerk III	vacant	PFT to seasonal	reduced pay	5.2
Clerk IV	Rcmzek	PFT to seasonal	reduced pay	5.3
Budgeted overtime for various positions		Delete		43.5
				<u>309.3</u>

Additional Cuts ordered since July 1

<u>Position/Title</u>	<u>Who</u>	<u>Action</u>	<u>Where did the incumbent go</u>	<u>Estimated Savings (in Thousands)</u>
Director of Operations	Black	Terminated	Terminated August 15	32.9
Secretary I	Vaden	Layoff	Lay off 8/29	27.6
Planner	Lindbeck	Layoff	Bumped down Jr. person lay off 8/29	45.2
Payroll Supervisor	O'Connor	retirement	leave vacant	45.7
Ferry Services Manager III	Clark	retirement	leave vacant	43.3
Accounting Technician I	Reddekopp	PFT reduced to 30 hr wk	reduce pay	12.6
Clerk III	Del Fierro	PFT reduced to 30 hr wk upon retirement	reduced pay beginning September 26	10.0
Stockhandler	Currie	Seasonal reduced from 9.6 months to 5 months	reduced pay	11.9
			Total	279.7

The net result is that approximately 15 percent of the total shoreside AMHS staff have had their jobs eliminated, held vacant or experienced some lesser degree of negative effect on their pay.

6. Q. How does that revenue savings correspond to the estimated revenue cuts the shore-side DOT&PF operations are expected to take in response to current funding cuts?

- A. The Department of Transportation and Public Facilities was required to take an overall 13% cut in the operating budget. If each element within the Department had been required to absorb that degree of cut the AMHS service and employment would have been severely crippled. By allocating total DOT&PF resources AMHS initially took approximately a 10% cut while the rest of the Department absorbed the rest. Impacts of this funding level would have included laying up the Columbia indefinitely and dropping one main line ship from winter service to southeast. When presented to the Governor this was considered unacceptable and he restored \$2 million to take the COLUMBIA out of layup and put on schedule to take advantage of the busy season. This meant that AMHS took approximately a 7% cut while the rest of the Department took an 13% cut.
7. Q. May we have an official statement concerning Mr. Black's dismissal?
- A. Mr. Black was relieved of duties as Director of Operations on July 15. He has been assigned some technical projects to work on prior to his final day at work on August 15.
8. Q. What transfer of job functions will this represent?
- A. There are no plans to refill the position at this time nor has a decision been made as to whether or not it will be refilled. In the interim, I am taking on the responsibility of the Division and am relying heavily on the Port Captain, Port Engineer and Passenger Services Manager for day-to-day operations.
9. Q. Who has access to our reservations system and to our standby reservations and wait lists? What kind of confidentiality can we expect in regard to protecting our reservations from being raided by private enterprise?
- A. All AMHS terminals have access to Reservation Management System (RMS II). Vista Travel in Fairbanks is the only travel agency with access to RMS and they finally became operational in late June 1986. Because of the special equipment requirements and technical difficulties experienced when we were actively attempting to bring

August 14, 1986

Vista Travel "on-line" I believe it would be almost impossible for an unauthorized party to gain usable access to RMS II. I have heard many rumors that "STARDANCER" has access to RMS II. I don't believe it. I have heard stories that "someone made a reservation on AMHS and was immediately called by STARDANCER and offered a better deal". I would like to talk to someone this actually happened to in order to attempt to reconstruct what happened. The only possible connection of STARDANCER to State of Alaska "lists" I am aware of is the fact that the Division of Tourism compiles a computer list of all people who respond to their Vacation Planner questionnaire and indicate they would consider visiting Alaska by "ferryliner" and this list is available for sale to any firm wishing to purchase it.

10. Q. What were the exact figures on passenger and vehicle reservations made for the special Expo sailing of the M/V MATANUSKA?

A.	Southbound	Northbound
Passengers	159	147
Vehicles	13	24

At no time was either sailing booked full and there is no reason potential passengers should have been told it was full.

11. Q. Exactly how many reservations were made for Alaska State Government officials and dignitaries?

A. One. A reservation was made for DOT&PF Commissioner Knapp with the hope that he would be available to make the trip and present a letter from Governor Sheffield to the "Counsel General of the Expo". Other State business prevented Commissioner Knapp from making the trip and Captain R. M. Johnson presented the letter from the Governor.

12. Q. Were Governor Sheffield and Lt. Governor McAlpine scheduled to sail on that special Expo trip.

A. No.

13. Q. Exactly how many passengers actually showed for the sailing? How many vehicles?

A.	Southbound	Northbound
Passengers	75	75
Vehicles	10	17

14. Q. Please give us the exact amount collected on the cancellation fees.

A. None. All passengers who paid in advance made the trip. Since there were numerous staterooms and car deck space available for additional passengers desiring to make reservations the manifests were not purged of those who had not paid.

15. Q. How much revenue was expended on the Expo sailing?

A. The M/V MATANUSKA was operating on the Seattle route, Tuesday sailings. On May 20, the M/V MATANUSKA called in Vancouver, B. C. instead of proceeding on south to Seattle, therefore the only additional costs of the "Expo trip" were those incurred directly as a result of calling in Vancouver. Those costs were as follows:

Agency fee	Canadian	\$1,350.00
Pilot	Canadian	2,017.55
Berthage	Canadian	2,700.13
Miscellaneous	Canadian and U.S.	596.62
Total	U. S.	\$4,936.56

16. Q. Please give us a complete description of the complete Expo advertising campaign and its cost.

A. No money was budgeted or expended on special advertising for the Expo sailing. Maximum advantage was taken of radio public service announcements, press releases and media interviews, all at no cost to AMHS.

17. Q. A number of questions were asked concerning repairs and upgrade to the Haines and Skagway docks with the implication that these were undertaken by AMHS in order to accommodate STARDANCER.

A. I will deal with Skagway first. The City of Skagway obtained a grant from the State of Alaska to improve the ore dock to accommodate SUNDANCER. AMHS had no part in that grant. The Haines transfer bridge and tower were old and in need of replacement just as the Petersburg and Wrangell facilities were. Replacement of the Haines facilities was budgeted in FY 81. Design specifications were completed and received FHWA approval in January 1981. The project was advertised in November 1983 and construction began March 6, 1984. This dock was designed for AMHS vessels only. The STARDANCER was modified to fit Haines rather than the other way around, and for the record STARDANCER pays approximately \$1,000.00 per hour to use the Haines dock on a not to interfere basis with AMHS vessels.

18. Q. Who authorized the solicitation of AMHS traffic in line for boarding AMHS vessels by McDonald Enterprise/Sundance Cruise lines? Who authorized their use of the Haines terminal building for the same?

A. No one. In fact the State Terminal Tariff prohibits their use of our building. When it was brought to my attention that this was happening, I immediately had it stopped.

19. Q. How much of the Haines dock was federally funded? How much was State taxpayer funded?

A. Haines terminal project

State general funds	\$ 159,591.91
FHWA funds	<u>2,246,636.09</u>
Total	\$2,406,228.00

20. Q. Was the M/V COLUMBIA instructed to priority-load Juneau vehicles out of Haines during the summer of 1985? If so, who authorized it and for what reasons?