

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672  
6733 SENATE TRANSPORTATION

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## BUDGET AND APPROPRIATIONS

The authority would submit its annual budget to the Legislature through the Governor. The authority shall expend money appropriated by the legislature as authorized by the legislature..

The authority, with the cooperation of the Department of Transportation and Public Facilities, shall prepare a comprehensive long range plan for the development and improvement of the marine highway system and shall revise and update the plan at least every five years. The comprehensive long-range plan and revisions and updates of the plan are subject to legislative approval by law.

### WOULD THE AUTHORITY STILL BE ELIGIBLE FOR FEDERAL FUNDS?

Yes. The authority is an instrumentality of the state within the Department of Transportation and Public Facilities. Therefore, the authority would still be eligible for federal funds. The authority would work with DOT/PF to prioritise projects for federal funding.

### WOULD REVENUES GENERATED BY THE AUTHORITY BE AVAILABLE FOR USE BY THE AUTHORITY?

Presently, the Constitution does not allow for dedicated funds. An amendment could be considered to allow the authority to expend the revenues it generates. A general fund appropriate would still be required to provide adequate funding for the system to operate. Currently, revenues generated by the system cover over 50% of the systems operating costs. By allowing the AMHS to spend the revenue it generates, a more direct relationship with performance and work would probably result. The incentive to implement cost savings would be there.

If the dedicated fund problem were resolved, some consideration could be given to adding a formula whereby a percentage of new revenues goes to help reduce the general fund contribution. By doing this the state and the system would benefit.

Additional detail in response to question No 4

AMHS HISTORICAL "FINAL AUTHORIZATION" AND "ACTUAL EXPENDITURES"  
OPERATING BUDGET ONLY, 1984 THROUGH 1989

	1989		1988		1987		1986		1985		1984	
	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP	FINAL AUTH	FINAL EXP
MARINE ADMIN	2,353.7	2,352.0	2,261.5	2,216.6	2,236.7	2,236.6	2,407.6	2,405.4	2,436.8	2,372.1	2,991.4	2,819.3
MFE MANAGEMENT	435.0	434.7	515.7	410.9	387.8	387.6	411.4	393.5	423.2	373.2	---	---
MFE CI:	1,556.8	1,131.9	1,424.6	1,200.7	1,343.8	1,235.7	1,350.7	970.8	1,028.1	942.6	---	---
CUST SERV MNGMNT	2,423.1	2,422.3	2,359.2	2,357.9	2,070.1	2,069.7	1,420.8	1,410.2	943.5	935.4	---	---
SE SHORE	2,532.2	2,506.0	2,243.9	2,240.6	2,414.8	2,414.5	2,425.1	2,389.8	2,416.3	2,416.0	2,625.1	2,575.7
SW SHORE	681.2	680.2	475.5	474.9	628.2	627.8	650.5	650.6	726.8	718.2	812.3	784.3
HAR OPS MNGMNT	772.5	771.3	1,807.8	806.3	937.3	937.1	828.7	820.2	618.7	616.0	---	---
SE VESSL OPS/OVRHL	46,875.3	46,498.5	45,629.3	45,456.2	46,288.2	45,193.5	49,209.9	47,337.4	47,585.1	47,580.7	---	---
SW VESSL OPS/OVRHL	9,531.7	9,406.8	9,178.7	9,177.8	9,223.0	9,208.4	9,419.9	9,416.0	9,256.4	9,256.1	---	---
HAR MKTNG D&WP	---	---	---	---	---	---	---	---	224.0	223.9	---	---
RIP	---	---	1,143.3	1,143.3	---	---	---	---	---	---	---	---
SE VESSL OPS	---	---	---	---	---	---	---	---	---	---	41,086.8	41,248.1
SW VESSL OPS	---	---	---	---	---	---	---	---	---	---	8,581.9	5,615.5
SE VESSL OVRHL	---	---	---	---	---	---	---	---	---	---	6,059.5	8,056.9
SW VESSL OVRHL	---	---	---	---	---	---	---	---	---	---	990.2	1,029.0
TOTALS.....	67,161.5	66,203.7	67,039.5	65,595.2	65,529.9	64,310.9	68,124.6	65,793.9	65,658.9	65,434.2	63,147.2	62,128.8

## COSTS TO ESTABLISH AN ALASKA MARINE HIGHWAY AUTHORITY

The Department of Transportation and Public Facilities estimates an initial cost of \$450,000 to establish the AMHS authority.

Ongoing costs of approximately \$300,000 are also projected. It is anticipated these ongoing costs could be absorbed by the authority once established. The initial monies required to establish the authority would probably need to be appropriated by the legislature.

# HOW OTHER SYSTEMS OPERATE

## WASHINGTON STATE FERRIES

The Washington State Ferry (WSF) system began operation in 1951. The state purchased 16 ferries, 20 terminals and miscellaneous supplies for \$4.95 million. Today, the Marine Division of the Washington State Department of Transportation controls assets valued at over \$308 million and operates 22 vessels which carry seven million vehicles and 17 million passengers each year.

All ferries are capable of carrying cars as well as passengers. The largest vessels in the system are two 440 foot "jumbo" ferries, each with a capacity of 206 autos and 2,000 passengers. The smallest ferry (150 feet) is capable of carrying 40 autos and 200 passengers. The ferries are not equipped with sleeping facilities, although food service is available on the majority of the vessels.

The system operates nine routes serving 20 terminal locations throughout Puget Sound. Routes are devoted to both commuting and recreational travel. The shortest route is 1.5 nautical miles (15 minutes) in the Tacoma urban area. The longest route is 38 nautical miles (3 1/2 hours) in the San Juan Islands. Recreational travel accounts for 32 percent of all ferry trips. Seventy percent of all passengers are recreational travelers.

## TRAFFIC

The system makes an average of 323 daily trips, carrying 47,000 passengers and 19,000 vehicles. The summer months are the busiest time, traffic drops by 57 percent during the winter.

## FARES

Fares range from \$0.90 (passenger) and \$3.40 (car and driver) for a 15 minute route to \$5.50 (passenger) and \$23.65 (car and driver) for a 3-1/2 hour route.

During the past six years, WSF has acquired six new vessels. Traffic on some routes is expected to decline, while other routes are expected to expand substantially. To accommodate the growth, the system plans to purchase four passenger-only vessels. These

ferries will be utilized on runs that currently experience traffic overloads during certain service periods.

## FINANCIAL STRUCTURE

Fares and revenues cover approximately 70% of operating expenditures and 40% of operating and capital expenditures during the last three fiscal years.

In addition to fares, the WSF system acquires revenue from taxes and a toll bridge. Tax revenues include vehicle registration fees, state gas taxes and a motor vehicle excise tax surcharge. It is interesting to note that these taxes generate 48% of the systems total revenues. The remaining revenue is generated as follows: Fares 40%, Toll bridge 9.8% and bond revenue 8%.

Table 1 shows a breakdown of revenues versus expenditures.

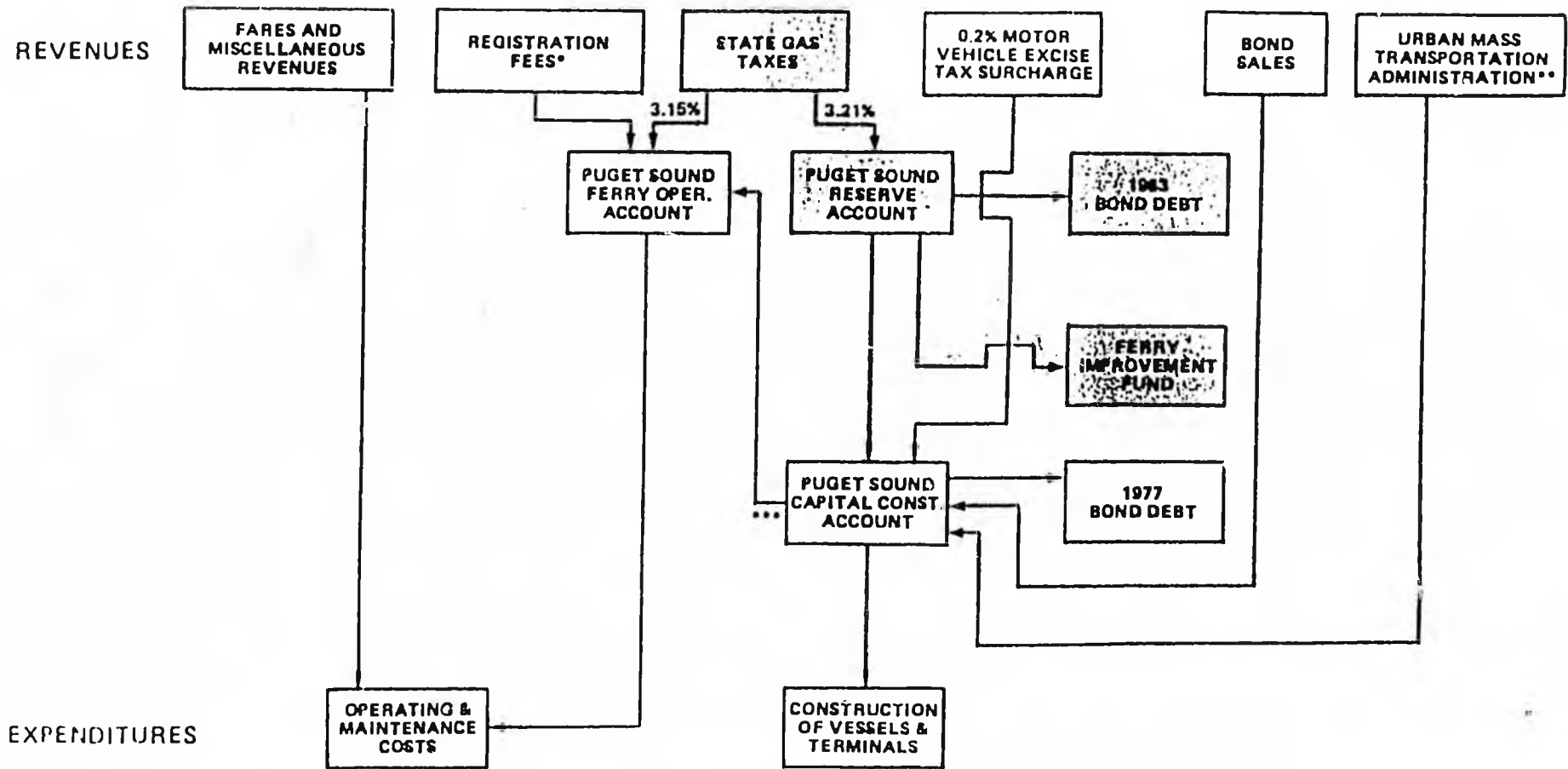
Table 2 shows the financing for the WSF system.

TABLE 1



Washington State Department of Transportation  
Marine Division

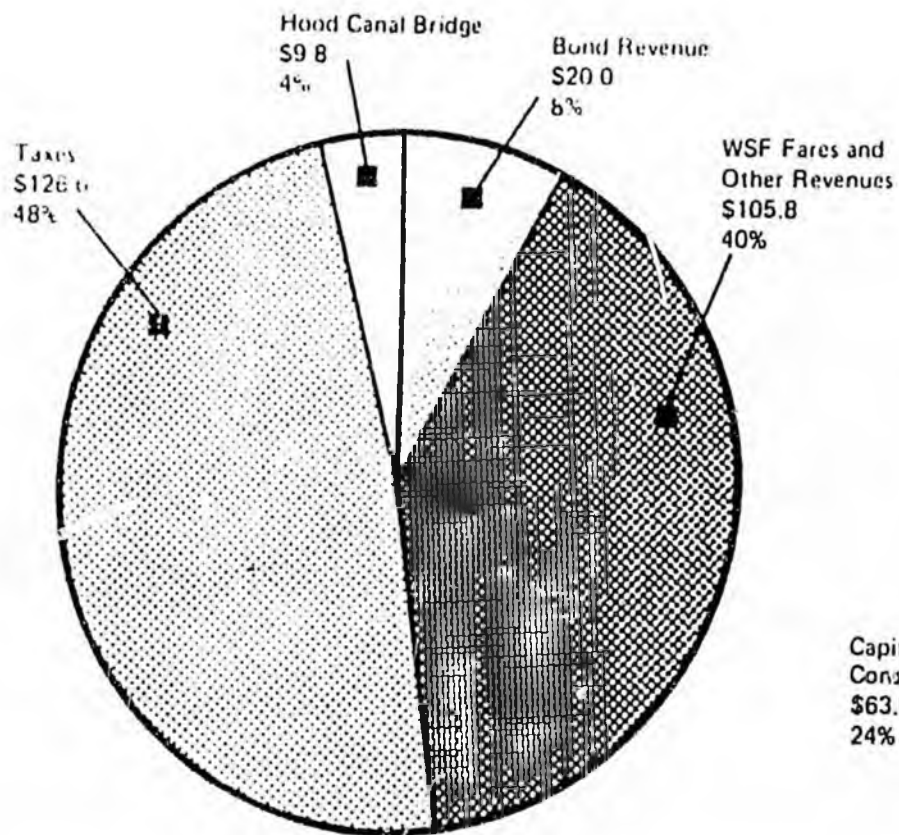
WASHINGTON STATE MARINE TRANSPORTATION FINANCING



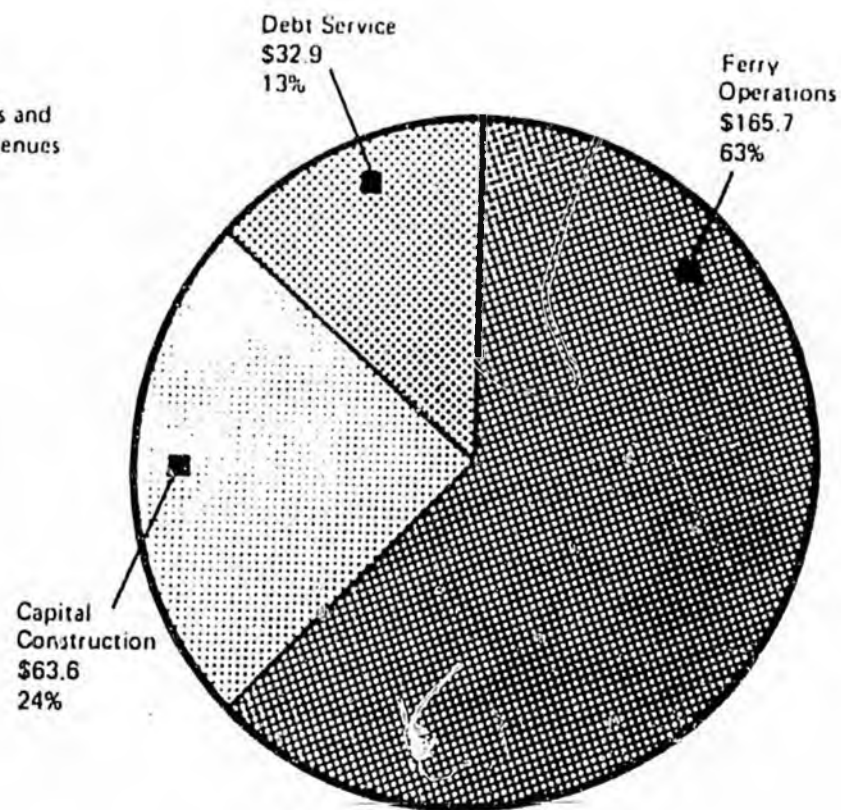
\* 27.37% of \$7.40 of new car and \$.40 of old car registration fees  
 \*\* UMTA is part of the U.S. Department of Transportation.  
 \*\*\* Receipts from Bond Sales and UMTA cannot be transferred as tax support for operations.



1985 - 1987 ANTICIPATED REVENUES AND EXPENDITURES



REVENUES



EXPENDITURES

## BRITISH COLUMBIA FERRY CORPORATION

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

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

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

### SUBSIDIES, REVENUES AND EXPENSES

The Ferry Corporation Act anticipated the continuing need for subsidies and provided that the corporation receive an annual highway equivalent subsidy. This section of the act was amended in 1982 -- the legislature concluded that the formula based subsidies were too high. The corporation now submits a proposed budget request through the Ministry of Transportation and Highways and participates in the normal budget process.

Although ferry tolls are set by the corporation -- with consideration given to the costs of operating and maintaining ferries, terminals and other properties and assets -- tolls are subject to executive branch approval. When considering the corporation budget, the government can recommend that additional funds be generated through fare increases, rather than higher government subsidies.

Table 1 presents the subsidies, gross operating revenues and operating expenses from 1980 through 1989.

Attached are the British Columbia Ferry Corporation's financial statements for year ending March 1985 and March 1988. Both financial statements clearly show tremendous growth for the system.

In 1985, the B.C. Government instructed the corporation to pare costs in all possible areas. By year end, the system had reduced operating expenses by almost \$12 million over the previous year. These savings were attained by cutting costs on specific routes, streamlining of labor costs in line with the provisions of the collective agreements and by placing a concentrated effort to continually operate the service in the most efficient manner. Total operating loss for the year (after depreciation) was \$2 million compared with \$12 million the previous year. This was an outstanding effort when it realized that traffic was down 3.9% in passengers and 0.5% in vehicles.

In 1988, operating expenses were again pared down in certain vital areas. Salaries and wages were reduced as well as fuel costs. The only operating increases in 1988 were the the areas of maintenance and replacement costs and in marketing.

The information provided to House Transportation Committee staff seems to indicate tremendous progress for the B.C. ferry corporation. The system appears to have a very well defined plan for the future. The goals set by the board each year appear to be carried out.

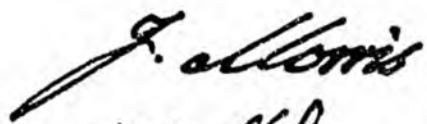

In 1989, the amount of government subsidy the corporation received was reduced by \$6 million over the 2 previous years. This is very impressive.

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

As at March 31, 1988

Assets (expressed in thousands)	March 31, 1988	March 31, 1987
Current assets		
Cash (Note 1)	\$22,129	\$10,974
Accounts receivable	2,820	1,668
Inventories (Note 2)	11,022	10,565
Prepayments and deposits	2,668	1,461
Current portion of reserved funds (Note 3)	5,700	5,700
Current portion of debenture (Note 4)	835	770
	45,180	31,138
Reserved funds (Note 3)	12,297	11,090
Debenture (Note 4)	40,130	40,966
Fixed assets (Note 5)		
Ships, berths, buildings, equipment and land	557,641	548,349
Less accumulated depreciation	293,377	263,713
	264,264	284,636
Deferred charges (Note 6)	3,359	4,693
	\$365,230	\$372,523

Approved by the Board

 Director  
 Director

Liabilities (expressed in thousands)	March 31, 1988	March 31, 1987
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$23,956	\$26,902
Deferred revenue	2,032	2,580
Current portion of long-term debt (Note 7)	5,700	5,700
Current portion of obligations under capital leases (Note 8)	1,280	1,128
	32,978	36,310
Long term debt (Note 7)	31,858	37,558
Obligations under capital leases (Note 8)	87,791	88,591
Accrued sick leave liability (Note 9)	5,705	4,728
	158,332	167,187
 <b>Shareholder's equity</b>		
<b>Share capital</b>		
Authorized		
1,000,000 shares without par value with a maximum consideration of \$100,000,000		
Issued		
68,512 shares	6,851	6,851
Contributed surplus (Note 10)	250,401	250,401
Deficit	(50,354)	(51,916)
	206,898	205,336
	<b>\$365,230</b>	<b>\$372,523</b>

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

(expressed in thousands)

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

### Statement of Deficit

(expressed in thousands)

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

### Statement of Changes in Financial Position

(expressed in thousands)

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

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

# FINANCIAL STATEMENTS

Year Ended March 31, 1988

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

## Inventories

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

## Long-Term Disability Plan

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

## Fixed Assets:

Acquired from the Province of British Columbia:  
Effective January 1, 1977

### (a) Ships

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

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

### (b) Berths, buildings and equipment

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

## Effective October 1, 1983

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

## Additions and disposals subsequent to January 1, 1977.

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

## Depreciation

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

Ships	25 years
Berths	3-25 years
Buildings and equipment	4-25 years

## Leases

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

## Amortization of Long-Term Debt Discount and Issue Costs

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

## Provision for Annual Refit Costs

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

## Comparative Figures

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

**Notes to Financial Statements**

Year Ended March 31, 1988

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

	1988	1987
(expressed in thousands)		
Inventory		
- components, parts and supplies	\$ 9,278	\$ 8,803
- fuel and lubricants	1,083	1,080
- goods for resale and catering supplies	681	583
	\$ 11,022	\$ 10,565

**3. Reserved Funds** 1988      1987

(expressed in thousands)

The Corporation has segregated investments that are required for specific purposes or as required by long-term debt and capital lease obligations.

Sinking funds for long term debt (Note 7)		
Administered by the Corporation	\$ 9,497	\$ 10,930
Less amount included in current assets to satisfy currently due debt repayment	5,700	5,700
	3,797	5,230
Administered by the Province	1,582	1,132
	5,379	6,362
Sinking fund for capital lease (Note 8)		
Administered by the Province	1,213	—
Fund for accrued sick leave liability (Note 9)		
Administered by the Corporation	5,705	4,728
	\$ 12,297	\$ 11,090

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

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

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

	1988		1987	
	(expressed in thousands)			
	Cost or Appraised Value	Accumulated Depreciation	Net Book Value	Net Book Value
Ships owned	\$262,213	\$142,914	\$119,299	\$133,420
Ships under capital lease	127,828	45,787	82,041	87,315
Berths, buildings and equipment	135,632	104,676	30,956	35,322
Land	5,685	—	5,685	5,491
Construction in progress	6,273	—	6,273	3,086
	\$537,641	\$293,377	\$264,264	\$264,636

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

	1988	1987
(expressed in thousands)		
8.05% Promissory notes (effective rate of 15.75%) are repayable in five equal annual instalments of \$5.7 million	\$22,800	\$28,500
Less current portion	5,700	5,700
	17,100	22,800
12.08% Promissory note (effective rate of 12.44%) due September 9, 2003 is repayable by annual sinking fund payments of \$322,492	14,758	14,758
	\$31,858	\$37,558

Principal and sinking fund payments due in each of the next five years:					
1989	1990	1991	1992	1993	
\$6,022,492	\$6,022,492	\$6,022,492	\$6,022,492	\$322,492	

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

	1988	1987
(expressed in thousands)		
The Corporation has obligations under capital leases for the M.V. "Queen of Oak Bay", M.V. "Queen of Surrey", M.V. "Quinsam" and other equipment.		
Total minimum lease payments are:		
M.V. "Queen of Oak Bay"		
Implicit interest rate 8.14%	\$ 95,524	\$ 98,564
M.V. "Queen of Surrey"		
Implicit interest rate 8.685%	89,406	90,378
M.V. "Quinsam"		
Implicit interest rate 10.64%	8,089	10,034
Other equipment — Tractor		
Implicit interest rate 10.0%	49	109
Other equipment — Forklift		
Implicit interest rate 10.44%	138	—
	\$190,206	\$199,285

Payable in fiscal year ending in:		
1988	1989	1990
\$ —	\$ 8,434	\$ 8,522
	8,379	8,473
	8,379	8,473
	9,216	9,310
	9,216	9,199
	146,582	146,776
	190,206	189,285
	101,135	109,506
Less interest		
Present value of net minimum capital lease payments	89,071	89,719
Less current portion	1,280	1,128
	\$ 87,791	\$ 88,591

# FINANCIAL STATEMENTS

(continued)

Year Ended March 31, 1988

## 9. Accrued Sick Leave Liability

On September 1, 1978 the Corporation introduced short term illness and injury and long term disability plans and as of that date all employees ceased accruing sick leave credits. Under the collective agreement with the employees, in the event of illness, the accumulated sick time may be withdrawn prior to retirement. On retirement, any balance remaining is payable in cash at 50% of a credited time.

An actuarial evaluation by The Alexander Consulting Group Limited (formerly Reed Sternhouse Associates Limited) as at March 31, 1988 determined that the recorded liability for the portion payable on retirement was \$395,000 in excess of that required. This excess is being reflected in operations over three years ending March 31, 1990. In addition, the actuarial evaluation of withdrawals prior to retirement in event of illness for \$1,000,909 has been recorded in the accounts for the current year.

Funds reserved for liquidation of this liability are invested in short term securities (Note 3).

## 10. Contributed Surplus

	1988	1987
	(expressed in thousands)	
Excess of estimated depreciated replacement value over assigned value of \$1 of assets acquired from the Province of British Columbia		
— Ships, berths, buildings and equipment acquired January 1, 1977	\$249,674	\$249,674
— Buildings and equipment acquired October 1, 1983	727	727
	\$250,401	\$250,401
<b>11. Other Income</b>	1988	1987
	(expressed in thousands)	
Parking income	\$ 942	\$ 964
Other income	754	467
	\$1,696	\$1,431

Interest earned on funds in bank and investments of \$2,619,000 included in Other Income at March 31, 1987 has been reclassified to Investment Income to conform with the presentation adopted for the current year.

## 12. Provincial Subsidy

The Corporation received a cash subsidy of \$57,000,000 (1987 — \$57,000,000) from the Province of British Columbia. This cash subsidy is determined annually.

Additionally, included in fixed assets as "ships under capital lease" are three ships leased from the Province at an annual cost of \$1 each. The annual cost of these charters to the Province is \$4,819,800 which is included in the provincial "Estimates" as part of the subsidy to the Corporation.

Also, the Corporation utilizes Crown land for terminals and highway access without the payment of rental or property taxes. The value of these benefits has not been determined. The Corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except insofar as the Crown is liable.

## 13. Interest Expense

	1988	1987
	(expressed in thousands)	
Interest expense — amortization of promissory note discount and amortization of debt issue cost on		
— long term debt and capital leases	\$ 12,222	\$ 10,296
— short term borrowings	1	91
	\$ 12,223	\$ 10,387

## 14. Extraordinary Item

Recovery of receivables in 1987 from British Columbia Steamship Company (1975) Limited written off in Fiscal Year 1982-83

## 15. Cash from Operations

	1988	1987
	(expressed in thousands)	
Income (loss) for the period before extraordinary item	\$ 1,562	\$11,601
Items not involving cash		
Depreciation	29,663	29,532
Amortization of promissory note discount and debt issue costs	1,334	1,170
Increase (decrease) in accrued sick leave liability (Note 9)	977	(339)
Cash generated from (used for) operating working capital		
Accounts receivable	(1,158)	(147)
Inventories	(457)	25
Prepayments and deposits	(1,207)	(479)
Accounts payable and accrued liabilities	(2,935)	1,262
Deferred revenue	(548)	866
Cash generated from operations	\$27,231	\$20,309

## 16. Dividend

The dividend was paid from the proceeds of the sale of the S.V. "Princess of Vancouver" and the extraordinary item (Note 14) in 1987.

## 17. Pension Plan

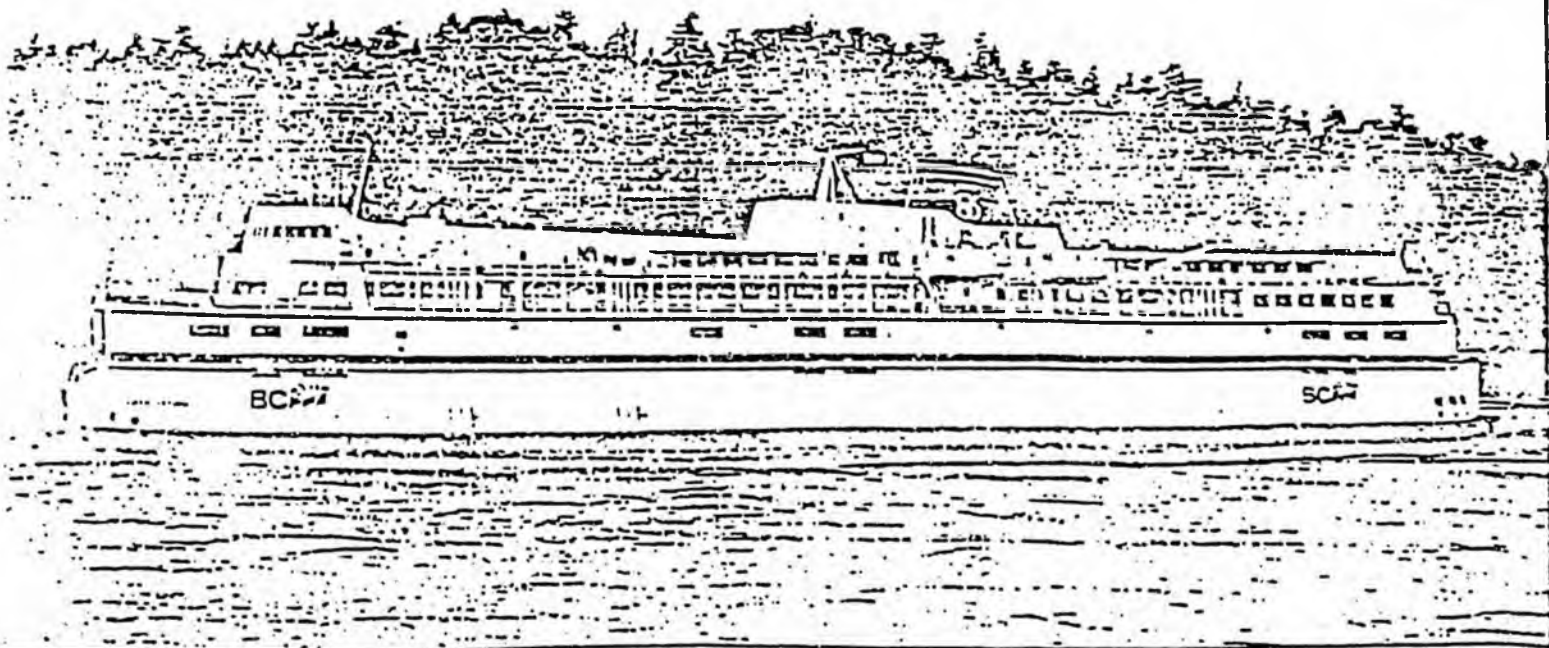
The Pension (Public Service) Act applies to the Corporation and its officers and employees. Accordingly, the Corporation is required to pay into the Public Service Superannuation Fund amounts equal to employees' contributions required under the Act.



BRITISH COLUMBIA  
FERRY CORPORATION

# ANNUAL REPORT

## 1984/85



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REPORT OF THE COMMISSIONER

## The Honourable Alex V. Fraser Minister of Transportation & Highways:

1984-85 yielded appreciable reductions in the B.C. Ferry Corporation's operating deficit. This was achieved while still meeting the Corporation's mandate of offering the best possible service in the most efficient manner. While 1983-84 was effectively a year of stabilization and overall operational streamlining, this past fiscal year has been one of significant adjustment to the service to high loss areas. At the same time, the modest traffic growth experienced in 1983-84 over that of 1982-83 was once again reversed in 1984-85. The traffic results were well below expectations, with vehicles at 4,460,069 and passengers at 11,912,943. This represents a decline of .5% in vehicles and 3.9% in passengers over 1983-84.

In keeping with the British Columbia Government's instructions to pare costs in all possible areas, a major assessment review of high loss areas was completed. The review, which touched on all aspects of service to the North Coast, Sunshine Coast and Gulf Islands, took a three-pronged approach: 1) to reduce operating costs, particularly during the low revenue off season period by more closely matching schedules to traffic demand and patterns; 2) to provide residents of communities dependent upon the ferries as a transportation link with a service that would meet their day to day requirements; and, 3) to maximize the Corporation's role in the province's vital tourist industry.

I am pleased to report that the success of the Ferry Corporation's ongoing cost reducing program is due in part to the spirit of cooperation that prevailed between the communities concerned and the Corporation in implementing cost reducing measures that have already yielded impressive results. For example, service to the North Coast was reduced between Prince Rupert and Port Hardy during traditionally low traffic months. However, the projected savings allowed the Corporation to carry out ship renovations necessary to implement a day boat operation during the summer tourist season. The summer of 1985 will see the launching of this new day cruise service between Prince Rupert and Port Hardy - a service that will substantially increase the tourist activity to northern communities.

Efficiency measures undertaken on the Sunshine Coast also involved a reduction in the number of sailings. However, a ramp at Langdale terminal was doubledeckerd with the result that the route can now be fully operated with a doubledeckerd ship. This has effectively increased the lift-off capacity while at the same time allowing the Corporation to operate the service in a more cost efficient manner.

While the emphasis this past year was directed to cutting costs on specific routes, overall savings were achieved in all facets


of the operation. Labour costs, which account for the major part of the operating budget, were substantially reduced by a general streamlining of the establishment in line with the provisions of the collective agreement.

As mentioned, the anticipated turnaround in traffic levels did not materialize during 1984-85. Indeed, while in 1983-84 a slight increase in vehicles and passengers was experienced, this past year has seen a decline of 22,638 vehicles and 484,952 passengers. Nevertheless, despite the general decline in traffic, the month of August set an all-time record for passengers and vehicles. Also, a hopeful indication that recovery has begun is the performance of commercial vehicle traffic. For all routes, commercial traffic was up 3% over 1983-84 and 8% over 1982-83. For the last quarter of 1984-85, commercial traffic on the two Vancouver Island routes was up 5.5%. In the past, commercial traffic has often been a precursor or leading indicator of overall traffic trends.

With this in mind plans are underway to meet the increased demand during Expo '86. The fleet's expansion since 1980 by way of lifting five major vessels, plus the ships presently laid up, has put the Corporation in an excellent position to meet projected vehicle lift-off demands. In addition, bus passenger pick up and drop off zones are being revamped at the major terminals to make it a more attractive and convenient means of travel.

British Columbia's ferry fleet plays an important role in preserving the coastal residents' way of life by offering a vital transportation link. At the same time the fleet itself is seen by millions of tourists as a major attraction. The B.C. Ferry Corporation's employees, management and board of directors take pride in meeting the many and varied needs of their travelling public.

On behalf of the Board,



Stuart M. Hodgson  
Chairman

These features with a forecasting model, it is possible to quickly predict capacity utilizations, licence requirements and probable overloads. By using the spreadsheet application, senior managers can analyze various scenarios with regard to tariff and revenue items. The system, therefore, is a powerful tool that can aid senior management in both short term and long term planning.

### Engineering

The Corporation's major construction project this year was the fitting of the "Queen of Alberta." The contract was placed February 27, 1984 and 105 days later, on June 11, 1984, the ship was back in service with a new upper car deck doubling its original vehicle capacity.

Coinciding with this project was a major upgrading of facilities at Langdale Terminal. The vehicle loading ramps were double-decked in order to permit simultaneous loading of both vehicle decks. New offices and waiting rooms were constructed and the holding compound layout was redesigned.

Modifications were commenced on the "Queen of the North" to suit the new "Day Cruise" service. Because of the cancellation of contracted tug and barge service to the Queen Charlotte Islands, both the "Queen of the North" and "Queen of Prince Rupert" were outfitted to carry refrigerated trucks by installation of new car deck exhaust systems to enable truck cooling units to operate during the crossing of Hecate Strait. The holding compound at Skidegate Terminal was increased in size to accommodate drop trailer traffic.

Improvements in facilities at major terminals have continued.

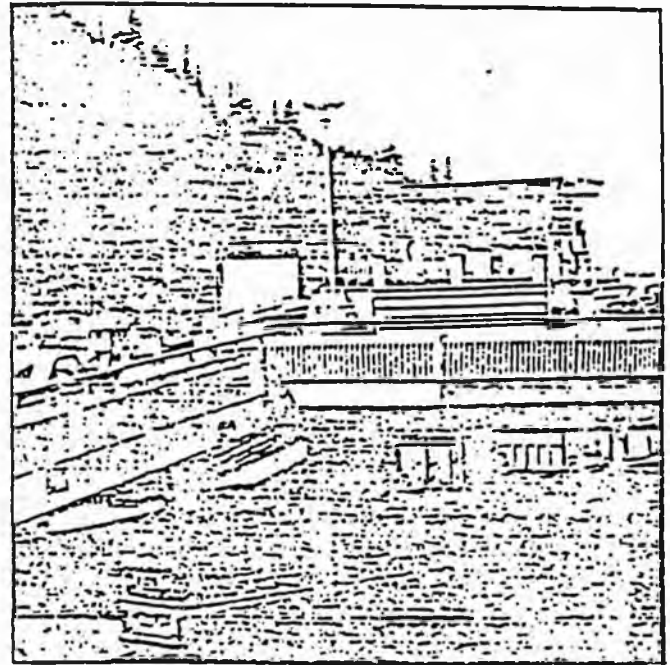
At Swartz Bay a new passenger pick-up facility was completed adjacent to the docks, thus shortening the walking distance for discharging foot passengers and alleviating congestion at the departure ticketing area. New toll booths were built in order to improve the flow of traffic and expand the holding compound. Planning is underway at Swartz Bay for double-laning the upper vehicle ramp at Number 1 Berth; for expansion of the

refrigerated and dry stores area; and for construction of a new bus passenger loading facility which will include six bus bays and a new passenger waiting room.

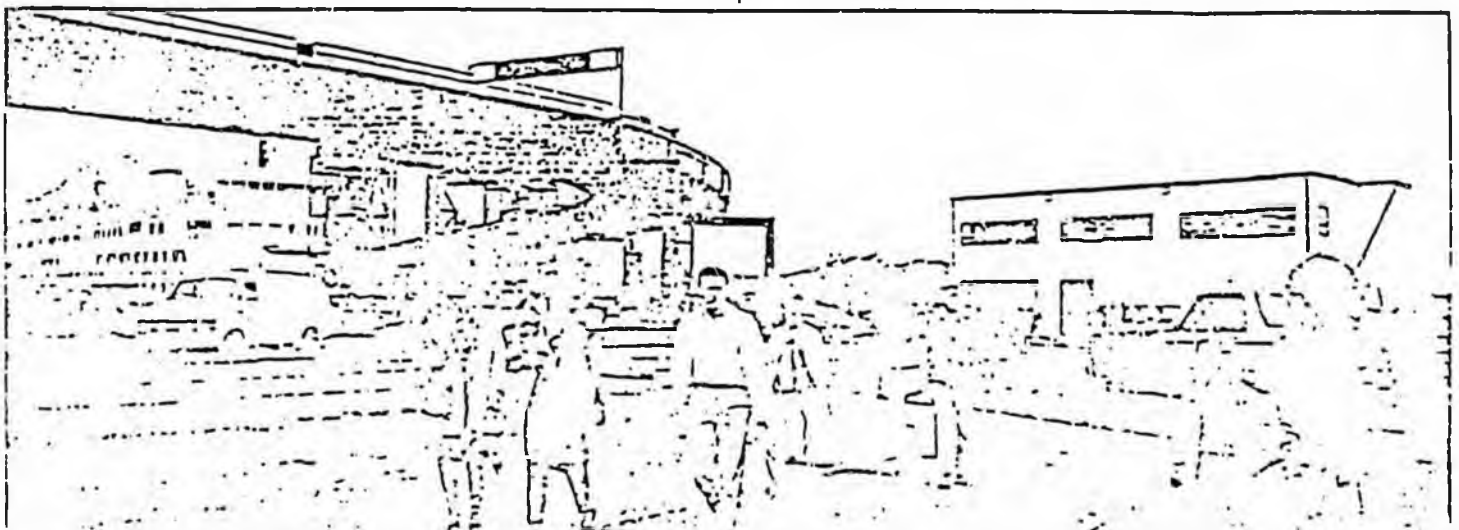
At Tsawwassen the upper vehicle ramp at Number 2 Berth has been widened to two lanes, thus speeding the loading and unloading process, and the cafeteria was expanded to provide additional seating.

At Horseshoe Bay the upper vehicle holding area was extended and a new passenger waiting room and control tower were built.

After a period of extensive testing during 1983-84, fuel metres have been fitted to all major vessels. The fuel metres, together with better ship scheduling, has resulted in total fuel consumption in 1984/85 of 76,258,000 litres, a 3% reduction from the previous year.



Control tower, Horseshoe Bay



Overhead ramp, passenger waiting room, and office, Langdale

Computerized reservations for the Gull Islands and North Coast which were completed in 1993 have been streamlined, and now offer an even more efficient service to travel agents and the general public. This process will continue as we prepare well ahead for the anticipated volume of enquiries that will be generated by E po 86.

## Labour Relations

The main Labour Relations activity during 1994 was the administration of the collective agreement that was concluded in 1993. This included developing a layoff and recall procedure with the Union which allowed the Corporation to downsize its work force.

A number of grievances arose as a result of the new contract language; however, the parties were able to resolve these differences of opinion in accordance with procedures established under the collective agreement. This last fiscal year saw no time loss due to picket action of any kind, including third-party picketing.

## Personnel

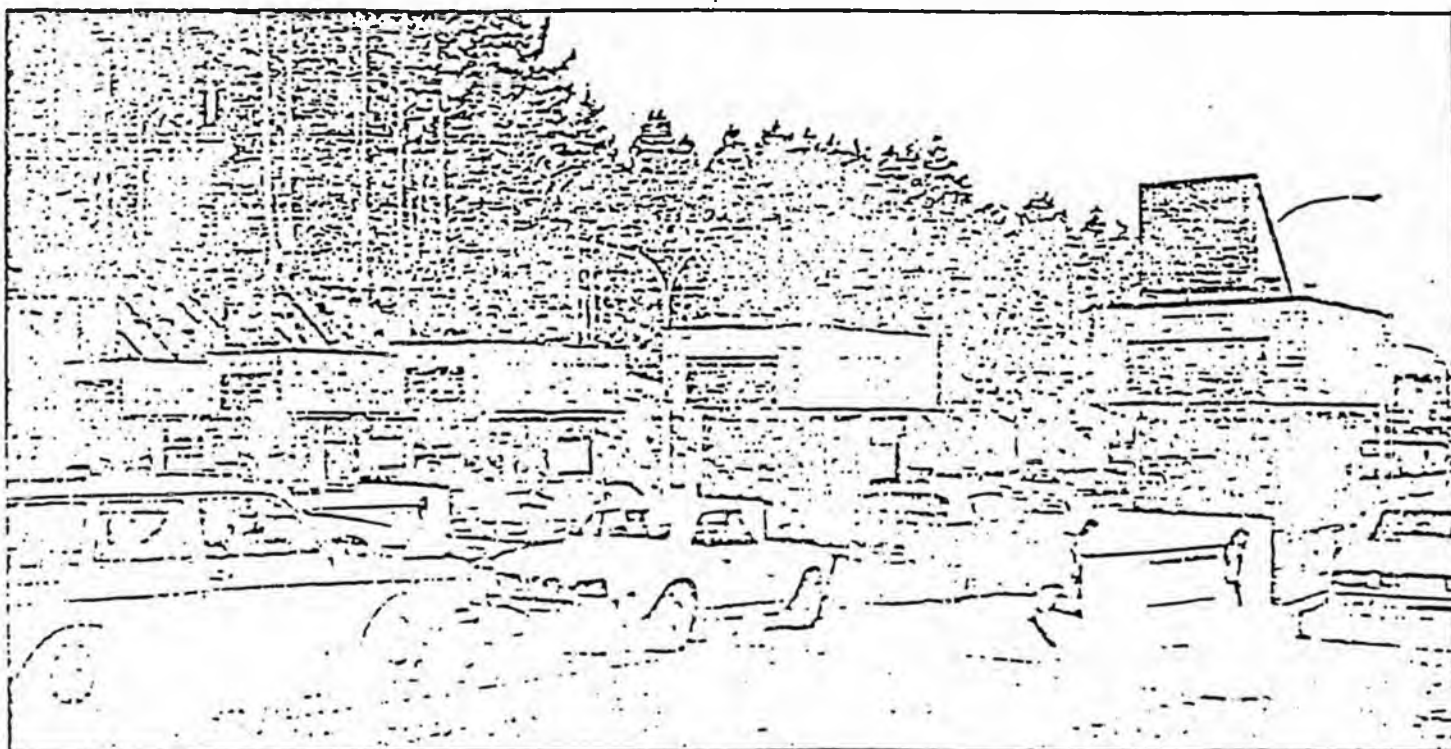
The greater flexibility in manning and improvements in scheduling afforded by the Agreement concluded on October 30, 1993, impacted most significantly on the personnel function in 1994. A new bargaining unit establishment, reflecting the Corporation's ongoing commitment to reduce overall wage costs by means of the rationalization of the Corporation's human resource requirement to a level commensurate with its real operational requirements, was accepted and approved. At the same time the Corporation's commitment to reduce its

outstanding banked overtime liability continued with positive results; careful manpower planning reduced the total banked overtime by 31%.

The new bargaining unit establishment of 1951 positions resulted in a reduction of 221 positions effective October 10, 1994. Where the reduction impacted on an employee it was effected in consultation with that employee, his Union representative and his Union executive. As a result of the extensive preparatory work completed, and despite the inevitable rippling effect of "bumping," the overall reduction in the number of employees was brought about with a minimum of disruption of personal inconvenience. Of those employees who were laid off and who elected to return to work with the Corporation when work is available, and after allowing for attrition of present regular employees through retirement, death, disabilities, etc. it is considered that the vast majority will return to work as full time regular employees within the next 18 months. In the interim, they will be offered every opportunity to work for the Corporation throughout the busy summer months or any other time that their services can be used.



A.L. Collier  
President and  
Chief Executive Officer

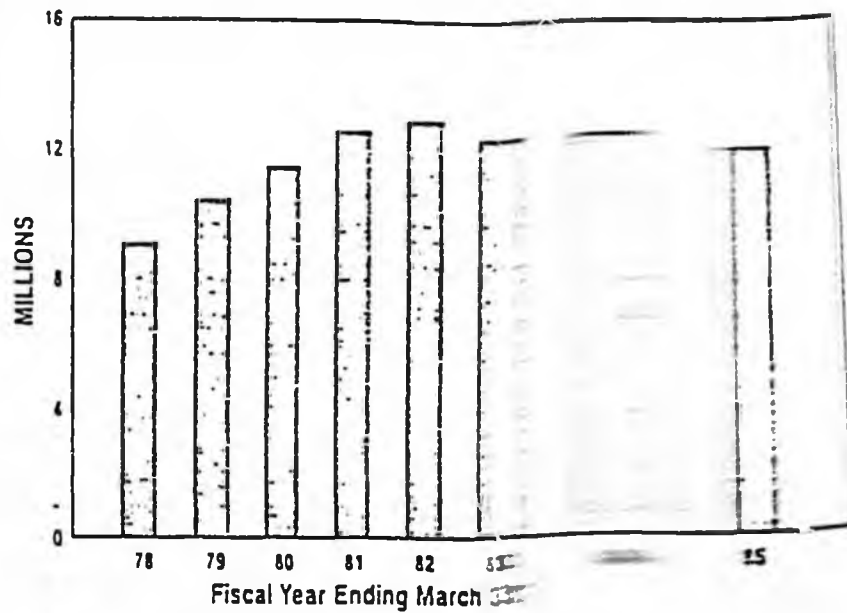


Row of toll booths, Swartz Bay

## TOTAL PASSENGERS - 4%

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

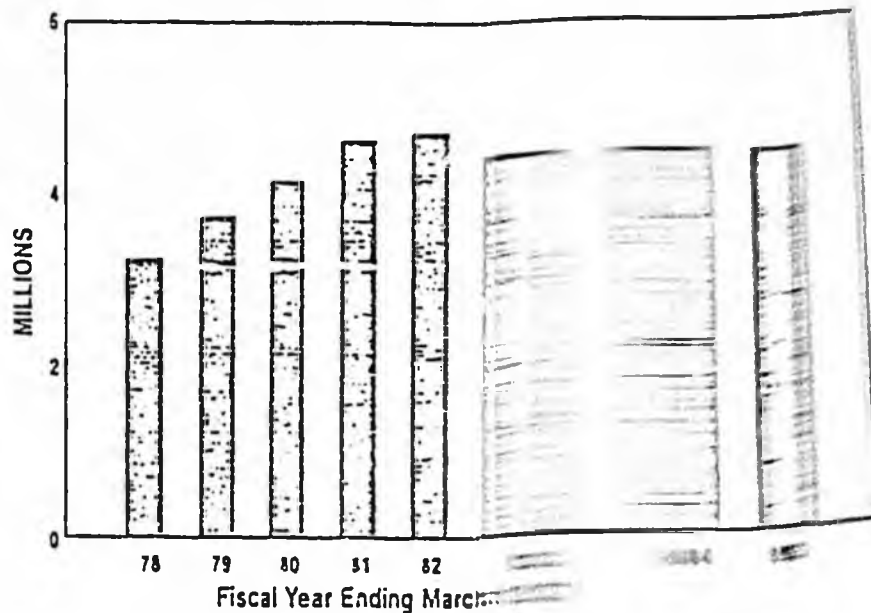
Over the past 24 years, 185 million passengers have been carried. The 200 millionth passenger is expected during the summer of 1986.



## TOTAL VEHICLES - 0.5%

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

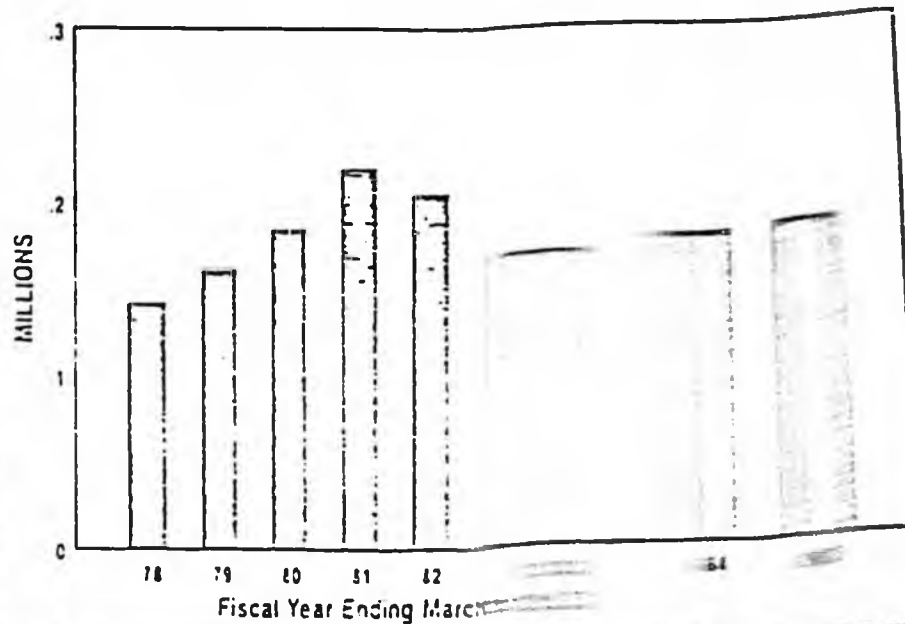
Over 67 million vehicles have been carried since 1960.



## COMMERCIAL VEHICLES + 3%

Commercial vehicles have shown a steady increase over the past two years after suffering a sharp decline in the early 1980's.

In the past, commercial traffic has usually been a precursor or leading indicator of changes in other traffic categories.



# Balance Sheet

## as at March 31, 1985

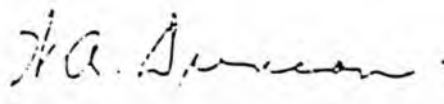
### ASSETS

	1985	1984
	(expressed in thousands)	
<b>CURRENT ASSETS</b>		
Cash (Note 1)	\$ 11,943	\$ 3,861
Accounts receivable (Note 2)	800	505
Inventories (Note 3)	8,558	9,252
Prepayments and deposits	<u>849</u>	<u>583</u>
	<u>22.150</u>	<u>14.201</u>
RESERVED FUNDS (Note 4)	<u>7.817</u>	<u>—</u>
<b>FIXED ASSETS (Note 5)</b>		
Ships, berths, buildings, equipment and land	477,874	465,418
Less accumulated depreciation	<u>204.709</u>	<u>173.645</u>
	<u>273.165</u>	<u>291.773</u>
	<u>\$303.132</u>	<u>\$305.974</u>

APPROVED BY THE BOARD



Director



Director

# Statement of Income

YEAR ENDED MARCH 31, 1985  
(expressed in thousands)

	1985	1984
<b>Operating Revenues</b>		
Tolls	\$100,628	\$ 94,828
Catering	22,396	23,737
Other income (note 9)	<u>2,506</u>	<u>1,949</u>
	125,530	120,514
Less cost of food and goods sold	<u>8,993</u>	<u>9,174</u>
	<u>116,537</u>	<u>111,340</u>
<b>Operating Expenses</b>		
Salaries, wages and benefits	79,518	83,449
Fuel and lubricants	23,886	25,352
Materials, operating supplies and services	10,186	10,338
Contracted replacements, repairs and maintenance	5,263	6,950
Marketing, general and administrative	3,630	3,518
Charter fees	<u>2,825</u>	<u>2,946</u>
	<u>125,308</u>	<u>132,553</u>
Operating Loss Before Subsidy	8,771	21,213
Province of British Columbia Subsidy (note 10)	<u>43,000</u>	<u>43,000</u>
Income from operations	34,229	21,787
Interest Expense (note 11)	<u>5,177</u>	<u>6,198</u>
INCOME BEFORE DEPRECIATION	29,052	15,589
Depreciation	<u>31,004</u>	<u>30,586</u>
LOSS FOR THE YEAR AFTER DEPRECIATION	<u>\$ 2,012</u>	<u>\$ 14,997</u>

# Summary of Accounting Policies

YEAR ENDED MARCH 31, 1985

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

## **Inventories –**

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

## **Long-Term Disability –**

Amounts paid to the Superannuation Branch of the Public Service Commission under the Long-Term Disability Plan are accounted for by the Corporation on the basis of accruing in the financial statements that portion estimated to be payable to employees until retirement for individual disability with the balance of the amounts paid being included in prepaid expenses.

## **Fixed Assets –**

Acquired from the Province of British Columbia effective January 1, 1977:

### **(a) Ships**

Ships, which comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-In-Council dated December 16, 1976 and transferred at an assigned value of \$1, have been revalued by the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977 on the basis of construction records for labour and materials valued at 1977 cost exclusive of any federal ship building subsidies which may have been available during the extended period of years during which the individual ships were built and during which such subsidies fluctuated substantially. The estimated depreciated replacement value of the ships at January 1, 1977 is not intended to reflect fair market value of the fleet nor can it be considered to approximate fair market value because of the specialized nature and limited saleability of the ships themselves.

In addition, three ships presently under charter by the Province until 1994 are subchartered to the Corporation for the same period at an annual cost of \$1 each, with the Corporation being responsible for all operating, repair, and maintenance costs. Under the terms of the subcharter agreement with the Province, the Corporation may in 1994 request that the Province exercise its option to purchase these ships at its own expense in accordance with the terms of its charter agreement. In the event that such option is exercised, clear title to the ships will be transferred to the Corporation. As a result of these transactions and agreements, these ships are reflected as capital assets of the Corporation in the accompanying financial statements and are similarly stated at their estimated depreciated replacement value as at January 1, 1977.

# Notes to Financial Statements

YEAR ENDED MARCH 31, 1985

## 1. CASH AND SHORT-TERM INVESTMENTS

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

## 2. ACCOUNTS RECEIVABLE

Provision has been made for the uncollectibility of a 1980 accounts receivable of \$1,950,619 due from the British Columbia Steamship Company (1975) Ltd. for the lease and modifications to the Lessee's specifications of the M.V. "Queen of Prince Rupert".

## 3. INVENTORIES

	1985	1984
	(expressed in thousands)	
Spare components, parts and supplies	\$ 6,987	\$ 6,832
Fuel and lubricants	1,153	1,980
Goods for resale and catering supplies	418	440
	<u>\$ 8,558</u>	<u>\$ 9,252</u>

## 4. RESERVED FUNDS

The Corporation has segregated assets that are required for specific purposes or as required by long-term debt obligations.

	1985	1984
	(expressed in thousands)	
Sinking funds for long-term debt (note 6)		
Administered by the Province	\$ 345	\$ —
Administered by the Corporation	<u>3,300</u>	<u>—</u>
	3,645	—
Fund for accrued sick leave liability (note 7)	<u>4,172</u>	<u>—</u>
	<u>\$ 7,817</u>	<u>\$ —</u>

## 5. FIXED ASSETS

	1985		1984	
	(expressed in thousands)			
	Cost or Appraised Value	Accumulated Depreciation	Net Book Value	Net Book Value
Ships owned	\$ 282,725	\$ 105,472	\$ 177,253	\$ 192,581
Ships under capital lease	72,697	22,256	50,441	43,771
Berths, buildings and equipment	120,524	76,981	43,543	50,966
Land	723	—	723	723
Construction in progress	<u>1,205</u>	<u>—</u>	<u>1,205</u>	<u>3,732</u>
	<u>\$ 477,874</u>	<u>\$ 204,709</u>	<u>\$ 273,155</u>	<u>\$ 291,773</u>

## 8. CONTRIBUTED SURPLUS

	1985	1984
	(expressed in thousands)	
Excess of estimated depreciated replacement value over assigned value of \$1 of assets acquired from the Province of British Columbia		
- Ships, berths, buildings and equipment effective January 1, 1977	\$ 249,674	\$ 249,674
- Buildings and equipment effective October 1, 1983	<u>727</u>	<u>727</u>
	<u>\$ 250,401</u>	<u>\$ 250,401</u>

## 9. OTHER INCOME

	1985	1984
	(expressed in thousands)	
Parking and ancillary traffic revenue	\$ 947	\$ 837
Interest earned on funds in bank and short-term investments	<u>1,559</u>	<u>1,112</u>
	<u>\$ 2,506</u>	<u>\$ 1,949</u>

## 10. PROVINCIAL SUBSIDY AND BENEFITS

The Corporation receives a subsidy from the Province of British Columbia which is determined annually.

Included in fixed assets as "ships under capital lease" are three ships leased from the Province at an annual cost of \$1 each. The annual cost of these charters to the Province is \$4,819,800. In addition the Corporation utilizes Crown land for terminals and highway access without rental or property taxes. The value of these benefits is indeterminable. The Corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except insofar as the Crown is liable.

The Corporation utilizes Ministries and Agencies of the Provincial Government for negotiation and purchase of fuel, materials, and communications. The aggregate of these transactions is \$39.3 million (1984 - \$45.3 million).

## 11. INTEREST EXPENSE

	1985	1984
	(expressed in thousands)	
Interest expense, amortization of promissory note discount and amortization of debt issue cost on:		
- long term debt	\$ 5,171	\$ 4,292
- short term borrowings	<u>6</u>	<u>1,906</u>
	<u>\$ 5,177</u>	<u>\$ 6,198</u>

# Statistical Review

YEAR ENDED MARCH 31

	1985	1984	1983	1982	1981	1980
	(expressed in thousands)					
Financial						
Operating Revenue						
- Gross	\$125,530	\$120,514	\$110,689	\$112,199	\$ 99,552	\$ 82,867
Operating Expense	125,308	132,553	139,013	133,856	104,956	88,695
Operating Loss before Subsidy	8,771	21,213	37,213	31,221	14,261	13,667
Subsidy	43,000	43,000	43,000	58,891	53,106	49,447
Cash Flow from Operations	28,355	17,198	(3,005)	35,831	44,811	38,583
Depreciation and Amortization	31,064	30,586	34,724	26,087	22,148	20,271
Interest on Debt	5,177	6,198	5,073	893	779	880
Working Capital (Deficiency)	2,214	(6,799)	(37,506)	(11,495)	15,612	21,878
Additions to Property	12,456	7,142	26,804	74,376	44,919	39,369
Total Assets	303,132	305,974	339,370	357,817	334,696	312,048
Long-term Debt	36,446	35,586	20,428	31,716	13,764	15,513
Operating Traffic						
- Passengers	11,913	12,398	12,275	12,764	12,513	11,423
- Vehicles	4,460	4,483	4,463	4,713	4,626	4,161
Miles						
- Passengers	269,703	283,745	278,975	339,395	334,078	314,844
- Vehicles	96,531	97,569	97,020	118,633	116,318	106,735
Utilization						
- Passengers	28%	25%	27%	26%	28%	26%
- Vehicles	59%	56%	50%	48%	60%	57%

# Statistical Review

YEAR ENDED MARCH 31

	1985	1984	1983	1982	1981	1980
	(expressed in thousands)					
Financial Operating Revenue						
- Gross	\$125,530	\$120,514	\$110,689	\$112,199	\$ 99,552	\$ 82,867
Operating Expense	125,308	132,553	139,013	133,856	104,956	88,695
Operating Loss before Subsidy	8,771	21,213	37,213	31,221	14,261	13,667
Subsidy	43,000	43,000	43,000	58,891	53,106	49,447
Cash Flow from Operations	28,355	17,198	(3,005)	35,831	44,811	38,583
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Operating Traffic						
- Passengers	11,913	12,398	12,275	12,764	12,513	11,423
- Vehicles	4,460	4,483	4,463	4,713	4,626	4,161
Miles						
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Utilization						
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- Vehicles	59%	56%	50%	48%	60%	57%

# VANCOUVER ISLAND

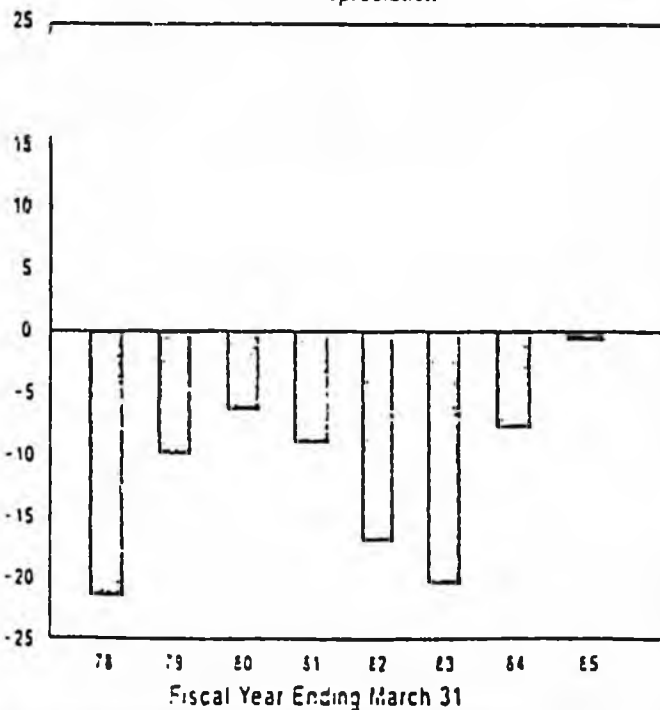
The two Mainland-Vancouver Island routes are among the busiest ferry routes in the world, carrying 7.8 million passengers and 2.8 million vehicles in 1984/85.

A concentrated effort at improving cost efficiency over the past 3 years has resulted in a tremendous reduction in the loss.

For the first time this year the Vancouver Island routes are very close to a break-even operation.



VANCOUVER ISLAND  
Loss after Depreciation

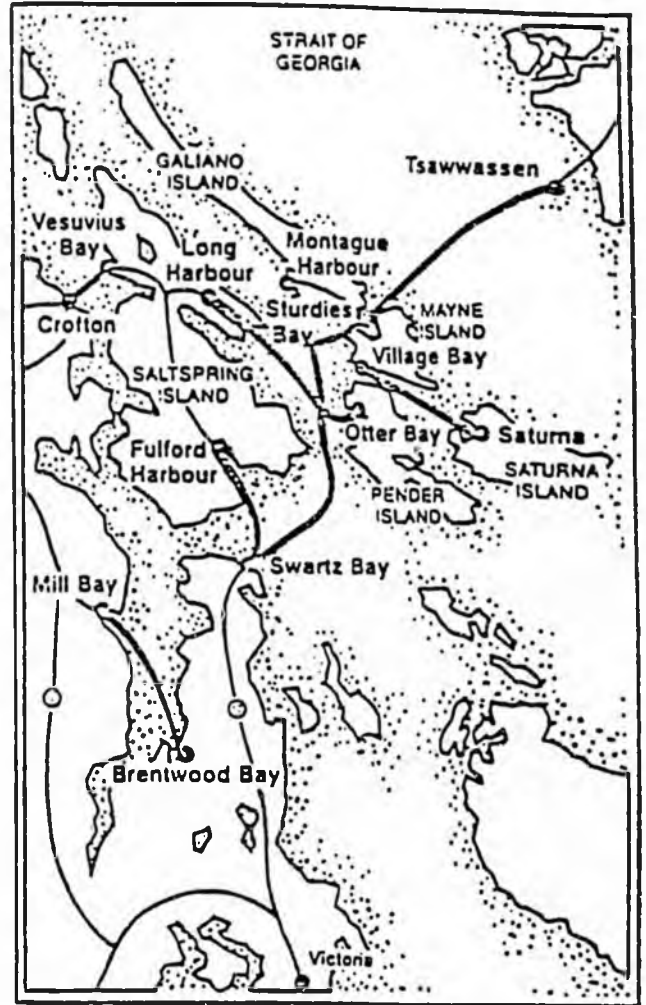


# GULF ISLANDS

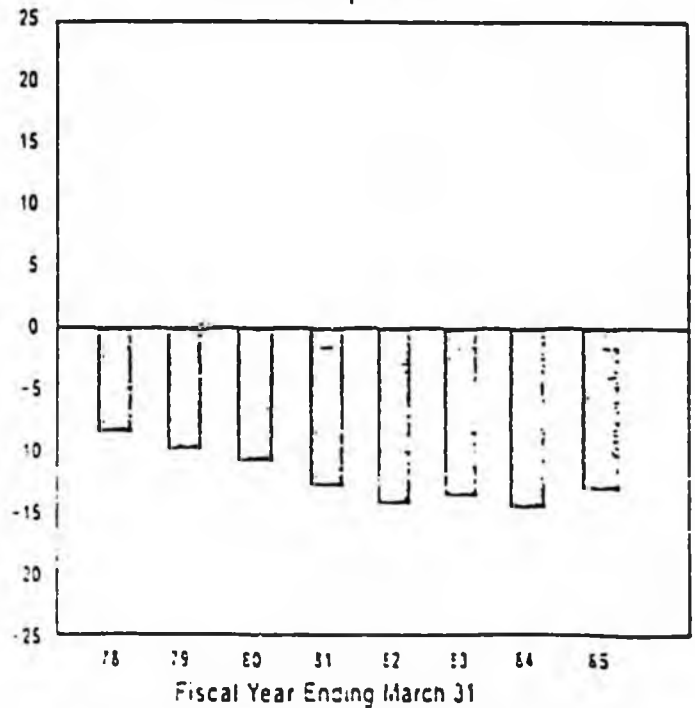
The Gulf Islands vessels service the islands of Salt Spring, Pender, Galiano, Mayne and Saturna. The region also includes the Brentwood-Mill Bay route.

In 1984/85 these routes carried 1.5 million passengers and 623,000 vehicles.

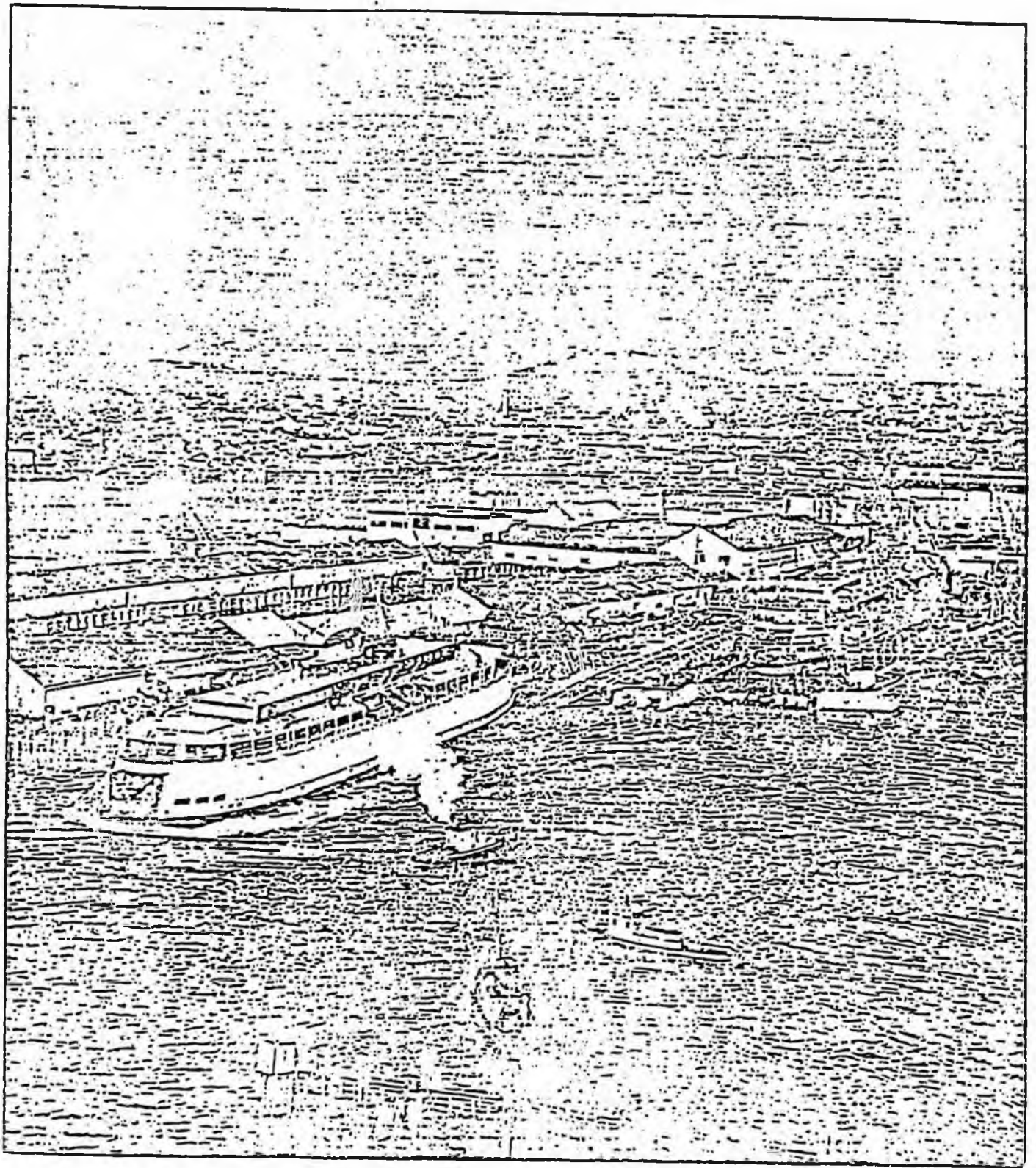
The operating loss in 1984/85 was \$13 million, which is a 9% reduction from the previous year.



GULF ISLANDS  
Loss after Depreciation







Port Hardy - Bella Bella - Prince Rupert (Summer)  
Port Hardy - Bella Bella - Prince Rupert - Skidegate (Winter)

M.V. "Queen of the North" (Year-round)

Prince Rupert - Skidegate (Summer)

M.V. "Queen of Prince Rupert"

Brentwood - Mill Bay

M.V. "Mill Bay"

Langdale - Gambier Island - Keats Island

M.V. "Dogwood Princess II"

Prince Rupert - Port Simpson - Kincolith

Passenger Service only (under contract)

Other Vessels

M.V. "Queen of Burnaby"  
M.V. "Queen of the Islands"  
M.V. "Queen of Nanaimo"  
M.V. "Queen of New Westminster"  
M.V. "Queen of Sidney"

Pay Parking Lots Available

Departure Bay	350	vehicles
Horseshoe Bay	180	"
Langdale	85	"
Swartz Bay	450	"
Tsawwassen	1250	"

Catering

Passengers have the convenience of an enlarged cafeteria system on the converted ferries. These cafeterias have seating for up to 224 people at one time. There is also a snack bar on the four vessels operating between Tsawwassen and Swartz Bay. These ships also provide buffet service during the peak summer schedule. Catering facilities are also on most other vessels servicing the major routes and at major terminals except Horseshoe Bay.

(4)

In April 1967, British Columbia Ferries purchased the "Pere Nouvel", which was renamed the M.V. "Sunshine Coast Queen", to replace the "Langdale Queen" and the "Sechelt Queen" on the Howe Sound service. This double-ended ferry was the largest in the fleet at that time, having a capacity of over 180 cars. This is no longer the case, as the stretch-lifted ferries now have lift-off capabilities of up to 400 vehicles. The "Sunshine Coast Queen" has since been sold.

In June 1967, the M.V. "Mill Bay" was purchased from Coast Ferries and serves the Saanich Peninsula between Brentwood Bay, on the Peninsula, to Mill Bay, approximately 15 miles from Duncan.

The "Howe Sound Queen", which has a carrying capacity of 70 automobiles, was taken over to replace the "Bowen Queen" to alleviate the increasing traffic on the Horseshoe Bay/Bowen Island route.

The jumbo vessels, Queens of "Cowichan" and "Coquitlam", were added to the fleet in 1976. Both capable of carrying 362 automobiles each, they were joined by the "Queen of Alberni", built specifically to carry overheight, commercial, and recreational vehicles. All have elevators and on board cafeterias.

On January 1, 1977, British Columbia Ferries became British Columbia Ferry Corporation, a Crown Corporation. The Chairman of the Board is Stuart Hodgson, President is Andrew Collier. George Baldwin is the General Manager.

Three minor vessels, the M.V.s "Mayne Queen", "Powell River Queen", and "Bowen Queen", were stretched and repowered in 1979. Each ship is now capable of carrying 70 vehicles.

In May-1979, the "Dogwood Princess II" replaced the "Dogwood Princess" on the Gambier and Keats Islands route. The new passenger-only vessel carries 38 people.

On May 29, 1980, the M.V. "Queen of the North", formerly the "Queen of Surrey", commenced service on the Inside Passage run. Port Hardy became the new terminus on northern Vancouver Island on May 31, 1979, replacing Kelsey Bay. During the summer, this vessel departs from Port Hardy every other day with an en route stop at Bella Bella once a week. In the off-season service between the two ports is on a once-weekly basis.

The "Queen of Prince Rupert" was chartered by B.C. Steamship Company to operate between Seattle, Washington and Victoria during the summer of 1980. She was returned to B.C. Ferries in October of that year and commissioned to the service between Prince Rupert and Skidegate, Queen Charlotte Islands. The "Queen of Prince Rupert" operates on the Skidegate - Prince Rupert route in the summer.

Two more jumbo (360-car) ferries, the Queens of "Surrey" and "Oak Bay", were built at Burrard Yarrow's Corporation in Vancouver and Victoria. They entered service in May and June of 1981.

(6)

In the spring of 1981, an enormous and exciting conversion program was commenced. Two of the original seven major vessels, those built between 1961 and 1964 and which had already been "stretched", were now to be "lifted". The ship was cut in half again, this time horizontally, the top half raised on hydraulic jacks, and a new deck inserted. The upper sun deck solariums also underwent change, they were covered in and made into more useful and attractive seating areas. The midships lounge on the promenade deck was also renovated with a snack bar added. Since then, two more of this class vessel have been converted, this time adding ramps, bringing the car carrying capability to, believe it or not, 400 cars!

The "Queen of Alberni", B.C. Ferries' "overheight vehicle" ship, was lifted in the spring of 1984 increasing her car-carrying capacity from 150 to 300 vehicles and returned to service on the Horseshoe Bay/Langdale route 3 months later.

At her 1986 refit, the "Queen of Alberni's" passenger lounges and cafeteria were enlarged making this vessel more suitable for service on the Horseshoe Bay/Departure Bay route.

During the Expo season (May - October, 1986), five ferries that had been in lay-up were repainted in the new B.C. Ferry colours (red, marine blue, and white) and came into service to assist with the heavy demand expected during the World's Fair.

Yes, since 1960, there have been many changes, both on and off the ships of B.C. Ferries. Carpeted decks, where there was once linoleum; cafeterias with an extensive menu; elevators (the new ships have two each); restrooms for the disabled; and pay phones. And ashore, special ramps had to be constructed to comply with the converted vessels' modifications; overhead walkways extended, improved, and carpeted for foot passengers' comfort; greater parking areas; new and more ticket booths; and extra berths and docking facilities. The list just goes on!

# MEMORANDUM

## State of Alaska

Department of Transportation & Public Facilities

TO: The Honorable Steve Cowper  
Governor

DATE: August 9, 1989

FILE NO:

TELEPHONE NO: 465-3900

FROM: Mark S. Hickey *MSH*  
Commissioner

SUBJECT: Alaska Marine Highway  
System Authority -  
Issue Analysis

The purpose of this memorandum is to discuss the advisability of creating a public authority or corporation to run the Alaska Marine Highway System (AMHS), and to explore the key issues involved with undertaking such an endeavor. In recent times, a number of key state policy-makers have suggested that this type of structure should be established or seriously studied as a way to address problems or shortcomings apparently due to the current structure.

What is missing so far from the debate regarding establishment of an AMHS authority is enunciation of a clear, widely held explanation or statement of the long-term mission of the System. As part of that effort, there needs to be some clarification of what exactly have been the problems and what exactly is desired in fundamental changes in how the System functions. Once there is some consensus on these points, it is then possible to examine the current organization and alternatives to design appropriate adjustments to achieve that mission.

The failure of a clear, widely held view being enunciated by authority supporters about what role the AMHS needs to fulfill and why it should pursue that role is easily my largest reservation about the advisability of pursuing creation of an authority at this time. As they say in transportation, I'm afraid the cart may be in front of the horse.

### Background

The AMHS was created in 1963 as a fleet of four ferries to serve Alaskans in Southeast in lieu of "hard links" or roads connecting isolated Alaskan communities with other communities and the connected road systems through Canada. Since then the System has evolved into a fleet of nine ferries, now also serving most of Southcentral Alaska and the Aleutian Chain, and providing a direct "Lower 48" connection through the Puget Sound. There has been a tremendous increase in the number of communities, passengers and vehicles served since its beginning. In addition to its primary role of providing Alaskans with basic transportation services, an ever increasing part of the System's business is to support tourism.

Since FY 85, the AMHS total annual operating budget has remained essentially unchanged in current dollars, with a slight decrease in FY 90 due to the health benefit reduction by the legislature. During this same period of time, passenger ridership has grown 8.1% and vehicle usage is up 12.5%. Revenues have also grown, along with considerable improvement in the ratio or percentage of total expenditures funded by generated revenues. For example, FY 89 revenues covered over 56% of total costs, which is a new high. Costs have also risen during this time, partly due to increased usage and the effects of inflation on certain items. Inability under the labor contracts to control effectively leave usage levels during this period probably added to service level impacts.

Vessel age has increased during this period, while the level of annual capital appropriations for general system repairs has dropped. Starting in FY 88, most vessel overhauls have been performed at the Ketchikan Shipyard Repair Facility, creating an increased level of expense. The net result of these considerations is that a greater portion of the annual operating budget has had to be used for major vessel maintenance and overhaul costs, thereby further reducing the amount of funds to support direct service.

The implication of these factors is that during a time of ever increasing demand for service by Alaskans and non-Alaskans alike, the AMHS has experienced ever increasing real reductions in its purchasing power or funds to provide direct service. In most cases, this has usually meant a loss in frequency and/or convenience, versus a complete elimination of service to a particular community. It should also be noted that there appears to be widely held views that service levels have dropped more than the facts would support. Unfortunately, years like FY 89, during which funding could not support maintenance service levels and overhaul problems curtailed certain winter services, have further exacerbated these views.

### Management Emphasis

In April 1984, former Governor Sheffield's AMHS Task Force concluded that among other issues the System "is handicapped by the lack of current, specific and accurate information." They called the record keeping systems "archaic" and in need of immediate replacement. They also found a need to redefine the goals of the system, and that there was a definite "lack of continuity of purpose" and a need for a comprehensive plan to provide for future operations.

Interestingly, the Task Force also addressed the basic question of organization and suggested consideration of a public authority or corporation, or continuation of the present arrangement under DOT&PF with a policy-making commission at its head. The main issue they seemed concerned about was ensuring continuity in top department and AMHS management. Without endorsing this concept, I must concur that the entire DOT&PF organization has suffered greatly due to its overall lack of continuity in top management since its inception.

Within three months of assuming responsibility over the AMHS in December 1986, it became quite evident that there existed an absolute void of useable information about almost all aspects of its operations. Further, I found little evidence of any real consideration for accountability or sound management practices guiding day-to-day actions. Nor did I discover any real effort by the past administration to address these matters as identified by their Task Force, with the possible exception of the reservations system.

As a result, we set out on a process to first put in place a streamlined management team of competent professionals in all key posts, followed by the next step of establishing the necessary management practices to generate useable information and control day-to-day actions. The final step in the plan was to generate a comprehensive system plan using the information created through the prior steps. In practice, it has taken longer to implement the first two steps than originally thought, thereby delaying our attention on the comprehensive plan.

On the other hand, real successes have been achieved in the last two and a half years, including the development of a reasonably accurate vessel-by-vessel cost data base for FY 88 and 89. We now possess considerable more ability to predict accurately the relevant fiscal implication of various proposals (e.g., labor provisions) or actions necessary to implement budget reductions.

#### Authority Impetus/Popular Myths

The combination of our inability to articulate the comprehensive system plan, and the real and perceived impacts resulting from the growing budget dilemma (including the resulting impact on legislative perceptions about the System's efficiency), has served as the primary impetus for many to support the establishment of a public authority as a way to address existing problems.

Whether an authority structure will allow better resolution of these issues is debatable, depending in part on exactly how the authority is structured, and whether the right type of board members and top managers are selected. Anyone who argues that one organization approach is a guarantee for success, while another means certain failure is providing too simplistic an analysis.

Many proponents have argued that an authority will automatically result in certain benefits that will probably not materialize. For example, one argument is that an authority will help remove the AMHS from "politics." Although an authority may change the politics, it will not remove the System from politics when it needs in excess of \$30 million a year in general funds to operate, and the legislature must act annually to appropriate all funds. Even if a constitutional amendment is passed to establish a dedicated fund to keep and manage its revenues, annual appropriations will still be needed. There are also future capital decisions needed eventually regarding vessel age and replacement that will significantly involve the legislature.

Another argument is that an authority will allow the AMHS to keep its own revenues and ultimately become a self-sustaining entity. Putting aside the dedicated fund problem, I disagree that it is possible to make the AMHS a self-sustaining entity unless its mission is significantly changed, and a completely different type of vessel is used allowing for a significant reduction in operating costs. Although I believe it's a worthwhile goal to have the AMHS act in a more businesslike manner and achieve greater self-sufficiency within reason, I don't think it's realistic or appropriate to seek a total self-sufficient operation. The AMHS is fundamentally a basic transportation system similar to our land highway system. Highways do not fully pay for their own existence, nor can or should the AMHS particularly given the high operating costs inherent in its operation.

Real benefits will accrue if the AMHS is allowed to spend the revenue it generates. This would create more of a direct relationship with performance, and work as an incentive. Some consideration could be added through a formula whereby a percentage of new revenues goes to help reduce the general fund contribution. The real question is whether it's necessary to establish an authority to create this relationship. This proposal can be pursued under the current organization, and is a concept that we tried to develop with some success last session. We intend to present for your consideration a proposal for the FY 91 budget that would give the AMHS the benefit of any increase in revenue performance over prior years.

One other argument often mentioned in support of an authority is that as part of DOT&PF, the AMHS doesn't have an advocate working solely on its behalf. While I'd agree that the DOT&PF Commissioner institutionally has other considerations and duties that on occasion may moderate AMHS advocacy, the department does act as a System advocate. In fact, last session we did better on behalf of the AMHS than any other part of the department. On the other hand, there is some validity to the argument that under an authority there would be an advocate in the legislature with more of a single purpose. Whether an administration will want to allow that much freedom in the budget process might work to moderate the "advantages" gained by the organization structure.

Taking the AMHS out of the department will also have the effect of allowing the DOT&PF Commissioner freedom to argue more strongly for the other modes with less regard for AMHS needs. It's worth observing that we continue to spend almost as much money to run the AMHS as we do to maintain every state highway and airport except for AIAS. There are AMHS non-advocates in the legislature that might desire more independence in order to argue more easily that less funds are needed for the System, but that instead more support should be given to other modes. One outcome from establishing an authority is that the "subsidy" issue may be viewed as more of a regional issue in the legislative budget debate.

A final, related argument that I question is that setting up the AMHS as an authority will better allow increases in funding, particularly to meet growing service demands. To the extent an authority ensures greater accountability and tighter management, there may be some truth to this argument. However, the organizational structure will be much less a determinant on this issue than OPEC and oil industry developments. Whether more money goes to support ferries is fundamentally a direct function of the decision-making process to allocate the scarce and ever dwindling general fund resource.

### Railroad Comparison

Many authority proponents argue that what is needed for the AMHS is the same approach as was used in setting up the Alaska Railroad Corporation (ARRC). They argue that it worked for the ARRC, therefore it should work for the AMHS. This argument fails to recognize there are fundamental differences between these two organizations and their respective missions. The ARRC is basically a freight transportation and real estate development company that provides limited essential or basic surface transportation services to rural areas (e.g., Whittier; Hurricane-Talkeetna), while the AMHS is fundamentally a basic transportation system serving as the primary means of surface transportation for most users. The ARRC has a clear capacity to operate in a self-sustaining manner even in spite of its limited passenger service responsibilities; the AMHS has no realistic prospect to operate on a self-sustaining basis, at least under its current mission.

There are also more subtle differences between the two organizations that could greatly affect the chances for successful implementation of an AMHS authority. The ARRC was never part of state government or our political system; the AMHS is firmly ingrained in all aspects, whether its labor relations, risk management, legal services, or annual budget approval. As a practical matter, I question just how autonomous an organization can be created for the AMHS. At some point there is a real risk of effectively establishing just another line agency masquerading as an authority, which should be weighed against the chaos and negative aspects of making the change.

As an aside, I think there are legitimate policy concerns with pursuing too much autonomy for an organization that spends in excess of \$30 million annually in general funds.

Another difference to consider is that the ARRC had to confront restructuring of its basic organization due to the federal government's decision to pursue divestiture; there is no similar impetus to force the change for the AMHS. While it's hard to predict the implication of this point, I believe at a minimum it may force more accommodations during the legislative process to achieve the desired result, once again potentially diluting the end result. This could be particularly the case with many of the employee issues.

The actual experience of considering and then pursuing establishment of the ARRC is useful as a possible model. Four separate legislative sessions were spent crafting the legislation establishing the ARRC. A thorough and thoughtful analysis and debate occurred exploring the issue of the Railroad's basic mission, followed by a full assessment of all organizational options. Attached is one document generated during that effort. While it should be acknowledged that passage of federal legislation was needed in the case of the Railroad, I believe the analogy is relevant and, as a primary player on that issue, must observe that it will be next to impossible to achieve a good piece of authorizing legislation in only one legislative session.

### Possible Benefits

Having played devil's advocate, let me turn to an analysis of some possible benefits that could be achieved through establishment of an AMHS authority. The major, potential benefit that I see is an authority could greatly aid in providing continuity in top management at the System. This has clearly been a problem, as identified in the 1984 Task Force Report. While there are other ways to achieve this goal, an authority clearly allows for greater management continuity. In this aspect, it can be argued that it minimizes the potential for playing politics; although that depends on the board and sitting governor too. Additionally, if you have a problem management team, it might prove more difficult to pursue a prompt change.

Another benefit would be more control over the labor relations functions, particularly with the vessel employees. This benefit will only materialize if there's a willingness to give the authority real control over this function. One reason for using the authority structure is to set an organization apart from the rest of state government, thereby reflecting a somewhat unique mission requiring special considerations. If one goal is more accountability and businesslike performance, then I believe it's critical to give the organization the tools necessary to achieve that goal.

Given the large percentage of the System's costs attributable to labor, I would argue it's imperative to give direct responsibility over labor relations to the authority if it's going to have a reasonable chance to succeed.

I think you can also craft an argument that the AMHS may improve its basic management performance quicker because under an authority structure there should be more public and legislative scrutiny and visibility. This is very difficult to predict, and may not materialize if there's a long "honeymoon" period. Frankly, given the current demands for AMHS service increases and general revenue trends, I doubt there will be much patience in waiting to see performance improvement.

A final argument that holds value is that making the AMHS an authority will make the job of running DOT&PF that much easier. As a general matter, this would be true. The AMHS has clearly taken probably 20% of my time, which means I don't spend that time on other parts of the department. On the other hand, removing the AMHS from the department defeats one of the primary purposes for creating an integrated, multi-modal DOT&PF. Having management for all modes under one structure should mean more efficient service delivery, particularly in Southeast where the modes are intricately interlinked. It is debatable whether this has yet happened after twelve years, and certainly coordination of the planning effort can occur regardless.

This latter point is a consideration that deserves careful review and discussion. I think it's premature to declare DOT&PF a failed experiment. Given the role of transportation in a state like Alaska, I firmly believe it's imperative to have a well-structured and managed DOT&PF managing the state's transportation systems. Whether that means direct and full responsibility for all modes and systems is debatable. Clearly part of the department's problem has been the lack of top management continuity. On the other hand, I would submit that great strides have been made in the last four or five years irrespective of the continuity issue.

### Key Authority Issues

If a decision is made to pursue establishment of an authority to run the AMHS, there are a number of key policy issues that must be addressed correctly if the new organization is to be successful. The following is a partial listing of the major items:

- (1) Findings and Purpose: There is a need to articulate clearly the basic purpose and mission expectations.

- (2) Employees/Labor Relations: Will the employees be employees of the state or the authority? Will the authority have direct control over the labor relation functions, particularly collective bargaining?
- (3) Board Composition: What criteria should govern board composition? Should an employee sit on the board? Should there be other government officials other than the DOT&PF Commissioner
- (4) Budgeting/Revenues: What mechanism will be used to allow expenditure of generated revenues? Should a dedicated fund be pursued? How should subsidy levels be set? What about authority to incur debt, or to carry forward funds for reserve purposes?
- (5) Land Ownership: How should this be handled insofar as terminal holdings are concerned? What restrictions, if any, should apply to appropriate land uses? Should any powers of eminent domain be granted?
- (6) Legal Services: Should the AG serve as legal counsel, or should that be left up to the authority similar to the ARRC?
- (7) Regulatory Oversight: What regulatory oversight, if any, should govern rate-setting and major service changes? What limitations should govern competition with private sector services?
- (8) Capital Fund Allocation: Most capital needs are provided for through federal-aid highway funds. How should this funding support be ensured? Should it continue to pass through the DOT&PF?
- (9) Transportation Planning/Coordination: What steps should be taken, if any, to ensure adequate transportation planning and coordination occurs with DOT&PF?
- (10) Procurement: What exceptions, if any, will apply to the authority's procurement requirements?
- (11) One-Time Costs: Initial estimates are that establishing an AMHS authority will result in one-time costs of approximately \$450,000, and that added, ongoing costs will run about \$300,000. How should these expenses be funded?

- (12) DOT&PF Services: DOT&PF currently performs a number of support service, many of which are funded as part of overall department operations (e.g., accounting support; computer services; right-of-way support). Who should perform these services? How should they be funded? The AMHS also provides some transportation support for other department functions. How should this be handled?

### Findings/Recommendations

As is probably evident by the analysis, I have serious reservations about the advisability of pursuing legislation at this time to establish a public authority to run the AMHS. Nor am I convinced that an authority is necessary to accomplish the goal of efficiently operating the AMHS. Without more work leading to the development of a widely held consensus identifying the basic, long-term mission and explaining clearly what changes are desired and why, I think at a minimum it is premature to conclude that an authority is the way to go.

I also think it's unrealistic to expect passage of such a comprehensive restructuring in a single legislative session, at least if the desire is to obtain good legislation. It should also be understood that putting the AMHS through such a change will mean additional chaos in performance of basic management duties for at least one to two years. Just when we're beginning to demonstrate some headway in this area, I'd hate to lose ground to implement what may be an out-of-focus reaction to problems largely beyond the System's control.

At the same time, I realize there is a need<sup>1</sup> to provide leadership for the legislature and the public to address both the real and perceived shortcomings with the status quo. Accordingly, I recommend adoption of the following course of action as a more realistic, yet responsive approach:

- (1) Announce an awareness by the administration of the problems due to current budgetary pressures, long standing AMHS deficiencies, and lack of a current, publicly-held, focused mission.
- (2) Acknowledge efforts and successes of current management team to tackle basic problems. Concurrently, acknowledge that you believe basic structural changes may be needed, but first more work is needed to address #1 above. Perhaps offer you sense of what that mission should be and how some of the current budget issues should be confronted.

- (3) Announce a special effort to analyze these issues, with particular emphasis on historical trends involving service changes and AMHS efficiency. Some amount of independent scrutiny should be built into this work. This effort should include polling of users (particularly Alaskans) to ascertain concerns, level of satisfaction and views about the long-term mission.
  
- (4) Depending on whether warranted based on the results under #3 above, commission the AMHS Advisory Board to perform the following tasks: (a) help articulate answers to #1 above; and (b) propose organizational adjustments if warranted, with special attention to the authority and any specific legislation that should be pursued. This results of this work could be given to the new administration for action during 1990.

I realize this won't be well received by some quarters advocating immediate action. Nevertheless, I believe it's the more responsible way to handle a fairly significant issue. One way to accommodate those who want more now would be to pursue revenue-based budgeting for FY 91 and commit to increments to restore the System's purchasing power to ensure a level of service closer to levels prior to FY 89. Both are responsible positions, and I intend to advocate something like this during the upcoming budget process.

If after reviewing this material, you decide we should pursue an authority structure now, then it's imperative we marshal the necessary resources promptly in order to competently and thoroughly address this matter. This includes ensuring drafting and passage of competent legislation, and funding the costs to carry out establishment of the authority.

Attachment

cc. Garrey Peska, Chief of Staff, Office of the Governor  
Bob Evans, Legislative Liaison, Office of the Governor  
Ron Clarke, Special Staff Assistant, Office of the Governor  
W. Keith Gerken, Deputy Commissioner, Operations  
George Davidson, System Director, Alaska Marine Highway System

# MEMORANDUM

## State of Alaska

Department of Transportation & Public Facilities

TO: John McGrath  
Senior Construction Manager  
Marine Facilities Engineering  
Alaska Marine Highway System

DATE: March 25, 1986

FILE NO:

TELEPHONE NO: 465-2734

FROM: George Diry  
Naval Architect  
Marine Facilities Engineering  
Alaska Marine Highway System

SUBJECT: FAST FERRIES  
Selection Program

Late 1986 will bring AMHS the first funds to implement a FAST FERRY SYSTEM.

To embark on a shopping spree is tempting, but a product selected on claims and brochures may prove deceptive. The first purchase will have lasting consequences, and for all its long range savings expectations to be realized the new fleet will have to be objectively selected.

### A. Operational Factors, Anticipated Variations

The new vessel breed will increase operating risks due to size and speed relating to:

- the relative importance of the sea conditions
- Potential personal liabilities from passengers and neighboring small crafts.
- Higher collision probability w/submerged or semi-submerged objects.

The upkeep costs will also be proportionally greater because, among other reasons, of the maintenance operation frequency of the main machinery.

The vessels may require the integration of new docking facilities for it may be unfair thinking to expect a craft with performance requirements so much more stringent than the existing vessels, combined with weight and size restrictions, to also have a geometry permitting ready adaptation to the existing not too flexible and inconsistent docking system. The McNamara aircraft syndrome is an easy trap to the laymen.

Because the sea conditions in the Southeast are known to sometimes become extremely severe for small craft, in a short time period, the integration of a wave report/warning system should become a mandatory part of the new infrastructure. It will supply in advance the degree of discomfort to be expected and warn of desired run cancellation. Such information will of course be made public and likely improve safety for the pleasure and fishing craft fleet in the Southeast.

*I have done something  
on this subject w/ research  
and C. of W. (1)*

**B. Need for Comparative and Qualifying Data:**

The merits and performance of a vessel can only be appreciated in relation and comparatively to others. To test a given type and size vessel is only valid if the data can be correlated with much more extensive data from a sister vessel or a model, which verifies the cases tested in specific environmental conditions and by extrapolation can validate predictions of overall performance under all other conditions. Such data can be compared from vessel to vessel, using good judgement not to compare apples and bananas as so often is done from a marketing position.

Selecting a candidate without such solid data comparison can lead to substantial shortcomings. Differences as high as 50% will exist between valid candidates in areas which will directly affect economy, comfort, survivability and the environment. The line of vessels we are contemplating does not have a learned history and its data bank is all but non-existent. ✓

To provide a sound and reliable comparative data base for the selection process, we propose the following approach delineated over seven (7) phases. Results from the resulting data collection will also reveal needed quantified values for design and operational constraints.

**1. Establishing some dynamic designs parameters:**

The seaway can produce degrees of discomfort, vessel stresses and contributes to endangering the vessel(s). In lieu of wave riding buoys records, which are not available, we will collect and analyze available data for the Southeast and more specifically for the first fast ferry route contemplated. In addition to sources like NOAA and AEIDC we shall conduct interviews with selected small vessels operators and officers of the AMHS fleet. } see note (1)

The goal is to arrive to a range of significant wave lengths and heights, with an estimated histogram, which will:

- 1) Produce absolutes for testing the responses of the various candidate vessels in significant exciting zones.
- 2) Provide guidelines for the rating factor to be later integrated in the evaluation process.

This first phase can be initiated in-house. In which case the only extra expenses would be travel to the different locations required for observations and interviews. The time period can be between now and phase 3.

## 2. Candidate survey/R.F.P.

The candidates will rally on a R.F.P. which will specify the following design factors:

- A description of the payload, cargo and passengers, as determined by the master plan, or as can be assumed within acceptable tolerance.
- The speed, or speed range contemplated, and some elaboration on practical use of that speed.
- A range of waves into which the vessel(s) will be operating.
- The R.F.P. may contain a brief description of the existing docking facilities.

The R.F.P. will require a cost, FOB Ketchikan for consistency, of the vessel as proposed from a builder licensed by the designers if such agreements are applicable.

The R.F.P. text will describe the anticipated model(s) test program, provide proprietary rights warranty, and require the minimum technical information of the proposed craft which will enable model testing and consideration of other main evaluation factors. To prevent an avalanche of "freaky" candidates it has been suggested that a nominal contributory sum or fee be collected from every applicant, say \$1,000. In addition, general description of vessels that can be considered could eliminate candidates which would require testing beyond the scope of the program contemplated.

Once the main design parameters have been accepted the writing of the R.F.P. scope can probably be done in a month, and require another month for general review, including a legislature panel, prior to publication.

The work can be all in-house. The extra cost limited to advertising - say \$10,000.

The total span period would approximate 4 months including 2 weeks publication and allowing 45 days response time.

## 3. Candidates data collection

A cursory examination will be done of the respondents documents. If lack of, or inadequate technical data is supplied and does not allow investigation through model testing, the candidates are eliminated and their contribution refunded.

The lines and body plans furnished will all be prepared in the same format and reduced to the same model scale. The necessary physical data will be compiled, standardized and presented in concise table form.

*all prices quoted will need readjustment(s) (L)*

The reproducing and printing costs for that phase would approximate \$4,000 including a trip to the photographer to verify final prints. This phase will be all in house time and should not extend two weeks beyond the RFP response period.

#### 4. Model making and tank testing proposals

With the models characteristics "scopes of work" will be prepared for model makers and testing tank institutions. This will be in-house and can be accomplished over a month period. It will be advantageous to restrict the number of bidding candidates to the minimum, for the spreading of candidates could actually expand worldwide and the necessary verification and supervisory process would become too costly.

This process could be accomplished in a month, but because the contractual amount will reach substantial sums the scheduling may be tied to our flexibility in dealing with the program. We could accelerate the response time to 10 days for the models and 1 month for the tow basin which have to be scheduled after the models are completed.

#### 5. Model Making -

It is hard to anticipate how many model candidates will be proposed but between crew boat type and catamarans the total may reach 10.

Using this number as a base we can anticipate an average cost of \$3,000 per model, ± \$200 depending upon the number involved.

The delivery could have a required limit of 45/60 days.

To the model cost will be added a survey trip to verify acceptability. This acceptance survey shall occur prior to delivery.

#### 6. Model Testing -

The anticipated charge for an estimated 25 working days required in the basin, assuming 10 models treated following a pre-established elimination schedule, will approximate \$100,000. For this amount the necessary model weighing balancing, marking, etc. will be done, and reduction of the base data, without special report can be prepared.

Scaled movies advisable for a few finalist (2 or 3) in motion phases could cost an additional \$3/4,000. The constant supervision necessary to guarantee this functional and meaningful accelerated test program will cost a trip, plus per diem which amounts to an additional \$4,000.

## 7. Technical/Economical Evaluation -

It is suggested that the Alaska DOT/PF research group be in charge of this evaluation program. A panel of selected members, with exterior additions when appropriate from the University of Alaska and DOT/PF would prepare, between now and phase 7, the necessary comparison tables and matrices. They would have established the different rating multipliers to be applied, including economical and operational factors. After phase 6 the panel will be given a general technical presentation and the tests results from which it can proceed with the selection/rating process.

Concurrently to this work a project by our research group is likely to supply the evaluating committee with useful results directly tied with our fast ferry testing. The mathematical models developed under this program could give technicians new tools to evaluate various design factors and certain basic parameters which influence stability, structural stresses, etc..... However from the latest news this program funding may come too late for timely answers.

GD/mh

cc: Joe Camp - Deputy Commissioner, AMHS  
Stan McAlister - Transportation Planner, Marine Facilities  
Engineering, AMHS  
Harold Moeser - Director, Marine Facilities Engineering,  
AMHS

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

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

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

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

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

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

"transfer date" means January 1, 1977.

1976-8-1.

**Corporation established**

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

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

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

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

1976-8-2.

**Directors**

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

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

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

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

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

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

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

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

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

1976-8-3.

#### Capitalization

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

1976-8-4.

#### Officers and employees

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

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

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

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

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

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

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

1976-8-5

## Objects and powers

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

1976-8-6.

Acquisition of assets

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

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

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

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

1976-8-7.

Financial administration

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

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

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

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

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

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

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

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

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

1976-8-8.

One fund

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

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

1976-8-9.

#### Fiscal year

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

1976-8-10.

#### Operations

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

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

1976-8-11.

#### Acquisition of land by minister

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

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

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

#### Tenders for works

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

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

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

1976-8-13.

#### Borrowing powers

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

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

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

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

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

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

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

(b) the corporation again becomes entitled to the securities, may be treated by the corporation as unissued and, subject to the approval of the Lieutenant Governor in Council,

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

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

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

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

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

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

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

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

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

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

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

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

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

**Authorization to borrow from *Canada Pension Plan***

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

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

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

1978-21-3.

**Maximum borrowing power**

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

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

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

1976-8-15.

**United States dollar equivalent**

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

1976-8-16.

**Government guarantee**

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

(a) the payment of principal and interest; and

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

(2) The Lieutenant Governor in Council may authorize

(a) the Minister of Finance; or

(b) an officer of the Ministry of Finance,

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

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

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

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

(b) that the person who holds that office at the date the signature is affixed is not the person who holds that office at the date of the notes, bonds, debentures or other securities or at the date of their delivery.

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

1976-8-17.

**Subsidies from government**

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

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

(b) for a grant to the corporation

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

(2) The Lieutenant Governor in Council, on the recommendation of the Minister of Finance, may authorize the Minister of Finance to pay to the corporation ~~in its 1972 fiscal year and in each subsequent fiscal year a sum of money, to be known as the annual highway equivalent subsidy, that is, in the opinion of the Lieutenant Governor in Council, substantially equivalent to the aggregate of the annual cost of maintaining, and the annual amortization of the capital cost of lengths and classes of highways in the Province which, in the opinion of the Lieutenant Governor in Council, are substantially equivalent to the ferry routes operated by the corporation, the sum to be calculated in accordance with a formula to be approved by the Lieutenant Governor in Council.~~

B.C. Legislature  
 Appropriations Subsidy  
 annually  
 budget  
 deleted  
 process

1976-8-18.

**Additional funds from purchase of shares or loans**

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

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

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

1976-8-19.

**Exemption from taxation**

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

1976-8-20.

**Transfer of Ferry Authority**

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

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

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

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

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

1976-8-21.

#### Employees of ferry system

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

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

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

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

- (a) the interpretation or application of this section;
- (b) the interpretation or application of any provision of a collective agreement in force between the Public Service Commission and a trade union referred to in subsection (4); and
- (c) any question arising by reason of subsection (4);

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

- (d) in any of the ways; and
- (e) by applying any of the remedies

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

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

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

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

1976-8-22.

*Company Act*

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

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

1976-8-23.

*Ferry Act*

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

1976-8-24.

*Public Service Benefit Plan Act*

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

1976-8-25.

*Regulations*

27. The Lieutenant Governor in Council may make regulations.

1976-8-29.

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FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: State Bond Committee  
 Title: \$49,300,000 Revenue Bonds for Portage ERU: \_\_\_\_\_  
to Whittier and Bradfield River Roads  
 Sponsor: Senate Transportation Components: \_\_\_\_\_  
 Requestor: Senate Transportation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	4,798.7	4,798.7
<b>TOTAL OPERATING</b>	0	0	0	0	4,798.7	4,798.7
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	4,798.7	4,798.7
<b>TOTAL</b>	0	0	0	0	4,798.7	4,798.7

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page for analysis.

\$2,628,100 annual debt service for Portage to Whittier Road and \$2,170,600 annual debt service for Bradfield River Road on \$27 million and \$22.3 million revenue bonds respectively. 30 year maturities and 9 percent interest estimated on bonds. Fund source is Toll Facilities Construction Fund for FY 92-93 and Toll Facilities Revenue Fund thereafter. Construction assumed to begin FY 92.

Prepared By: Mike Barker MB Phone: 465-2350  
 Division: Treasury Date: \_\_\_\_\_

Approved by Commissioner: William B. Barker for Date: \_\_\_\_\_  
 Agency: Department of Revenue

Distribution (by preparer):

Legislative Finance  
Legislative Sponsor

Requestor  
Office of Management and Budget  
Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: State Bond Committee  
 Title: \$22,300,000 Revenue Bonds for  
Bradfield River resource road BRU: \_\_\_\_\_  
 Sponsor: Jones Components: \_\_\_\_\_  
 Requestor: Senate Transportation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	2,170.6	2,170.6
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,170.6</b>	<b>2,170.6</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	2,170.6	2,170.6
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,170.6</b>	<b>2,170.6</b>

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page for analysis.

Debt service on \$22.3 million revenue bonds with 30 year maturity at 9.0 percent. Fund source would be Toll Facilities Construction Fund for FY 92-93 and Toll Facilities Revenue Fund thereafter. Construction assumed to begin FY 92.

Prepared By: Milt Barker MB Phone: 465-2350  
 Division: Treasury Date: \_\_\_\_\_

Approved by Commissioner: Milton B. Barker for Date: \_\_\_\_\_  
 Agency: Department of Revenue

Distribution (by preparer):

Legislative Finance  
 Legislative Sponsor  
 Requestor

Office of Management and Budget  
 Impacted Agency(ies)

6-1390E  
Utermohle  
5/4/89

Original sponsor: Jones

1 IN THE SENATE BY THE TRANSPORTATION COMMITTEE

2 CS FOR SENATE BILL NO. 313 (Transportation)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act approving the issuance of revenue bonds for  
7 construction of the Bradfield River resource road and  
8 of a road from Portage to Whittier; and providing for  
9 an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 \* Section 1. In accordance with AS 37.15.610, the issuance of revenue  
12 bonds in an amount up to \$22,300,000 for the construction of the Bradfield  
13 River resource road by the Department of Transportation and Public Facil-  
14 ities under AS 37.15.610 - 37.15.760 is approved.

15 \* Sec. 2. In accordance with AS 37.15.610, the issuance of revenue  
16 bonds in an amount up to \$27,000,000 for the construction of a road from  
17 Portage to Whittier by the Department of Transportation and Public Facili-  
18 ties under AS 37.15.610 - 37.15.760 is approved.

19 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).  
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Senate Bill 313

SENATE RESOURCES COMMITTEE  
LETTER OF INTENT

It is the intent of the Senate that no later than when the Bradfield River Resources Road becomes contiguous to the Alaska and British Columbia highway systems, public access shall be permitted.

Introduced: 5/2/89  
Referred: Transportation, Resources  
and Finance

6-1390A

IN THE SENATE

BY JONES

SENATE BILL NO. 313

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act approving the issuance of revenue bonds for construction of the Bradfield River resource road; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE May 2, 1989  
IN ACCORDANCE WITH UNIFORM/RULE 23

\*\*FISCAL NOTE(S) MUST BE ATTACHED  
IN ACCORDANCE WITH AS 24.08.035

FURTHER

RES  
FIN

DATE TURNED INTO OFFICE May 4, 1989

5/2/89

Mr. President:

TRSP

Committee considered SB313

approving the issuance of revenue bonds for construction of the Bradfield River resource road; efd

and recommended:

- replace with CS for SB 313 (Trsp)  same title
- attached amendment(s) and  new title
- \_\_\_\_\_ letter of intent adopted

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_

FISCAL NOTE(S) attached  zero  
 appropriation no FN attached

fiscal impact  
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS  
[Signature]  
[Signature]  
Paul Chubb  
[Signature]

OTHER RECOMMENDATIONS  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[Signature]  
Chair signature and recommendation

Committee backup attached

*W. J. Jones*

Original sponsor: Jones

1 IN THE SENATE BY THE TRANSPORTATION COMMITTEE  
 2 CS FOR SENATE BILL NO. 313 (Transportation)  
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 4 SIXTEENTH LEGISLATURE - FIRST SESSION

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ADOPTED AUGUST 1972

# CITY of WRANGELL, ALASKA

INCORPORATED JUNE 15, 1903

BOX 531, 99929 (907) 874-2381

## TELECOPY TRANSMITTAL SHEET

DATE: FEBRUARY 20, 1990 TIME SENT: 11:45AM

TO: C.L. CHESHIRE

TELECOPY NUMBER: 225-3895

FROM: JIM GOVE

TOTAL NUMBER OF PAGES (Including this cover sheet) (9)

RE: BRADFIELD ROAD LEGISLATION

Information mailed: YES:        DATE:        NO: X

If you do not receive all pages, PLEASE call (907) 874-2381 and ask for JIM GOVE

FAX # (907) 874-3952

WRANGELL, ALASKA & B.C. MINING OPERATIONS

ESTIMATED VOLUMES, VALUES & FLIGHTS

NUMBER OF INTERNATIONAL FLIGHT OPERATIONS WRANGELL AIRPORT

Year	1986	1987	1988	1989
# Flights	279	3,600	6,361	7,372

AIRCRAFT CARGO VOLUME 1/1/89 - 1/1/90

FUEL	10,169,590	LBS.
LUBRICANTS	144,108	LBS.
FOOD & SUNDRIES	474,726	LBS.
BLDG. & HARDWARE SUPPLIES	235,410	LBS.
EQUIP. REPAIR & FABRICATION	95,760	LBS.
PROPANE, ACETYLENE, OXYGEN ETC.	315,077	LBS.
MISC. EQUIPMENT & SUPPLIES	29,260	LBS.
IN TRANSIT HEAVY EQUIPMENT & SUPPLIES	5,245,376	LBS.
ORE CONCENTRATES	<u>7,026,250</u>	<u>LBS.</u>
TOTAL AIRCRAFT CARGO VOLUME	23,735,557	LBS.

AIRCRAFT CARGO VALUE (local purchase) 1/1/89 - 1/1/90

PETROLEUM PRODUCTS	\$2,232,043
FOOD AND SUNDRIES	661,010
BUILDING, HARDWARE, AUTOMOTIVE	236,740
MISCELLANEOUS SERVICES	<u>179,550</u>
(trucking, equipment repair, longshore, video rentals, hotel, meals etc.)	
TOTAL LOCAL PURCHASES	\$3,309,343

NEW BUSINESSES & JOBS AS A DIRECT RESULT OF MINING ACTIVITY

North Arm Expediting (new business)	4 employees
White Pass Oil (new business)	5 employees
Bradfield Electric (new business)	1 employee
(will have construction crew for power line)	
U.S. Customs	1 new employee
City Market	5 new employees
Diamond Aviation	1 new employee
Chevron Oil	1 new employee
Longshoremen	5 new jobs
Trans-Provincial Airlines (new business)	1 new job
TOTALS:	4 NEW BUSINESSES & 24 NEW JOBS

In addition there are 3 Canadian air carriers working out of Wrangell. Two servicing mining operations daily with 3 -4 employees staying in Wrangell. One transporting mining personnel for R & R one trip per week.

Estimated Overall Economic Value to Wrangell is in excess of \$21,000,000.00.



**SKYLINE EXPLORATIONS LTD.**

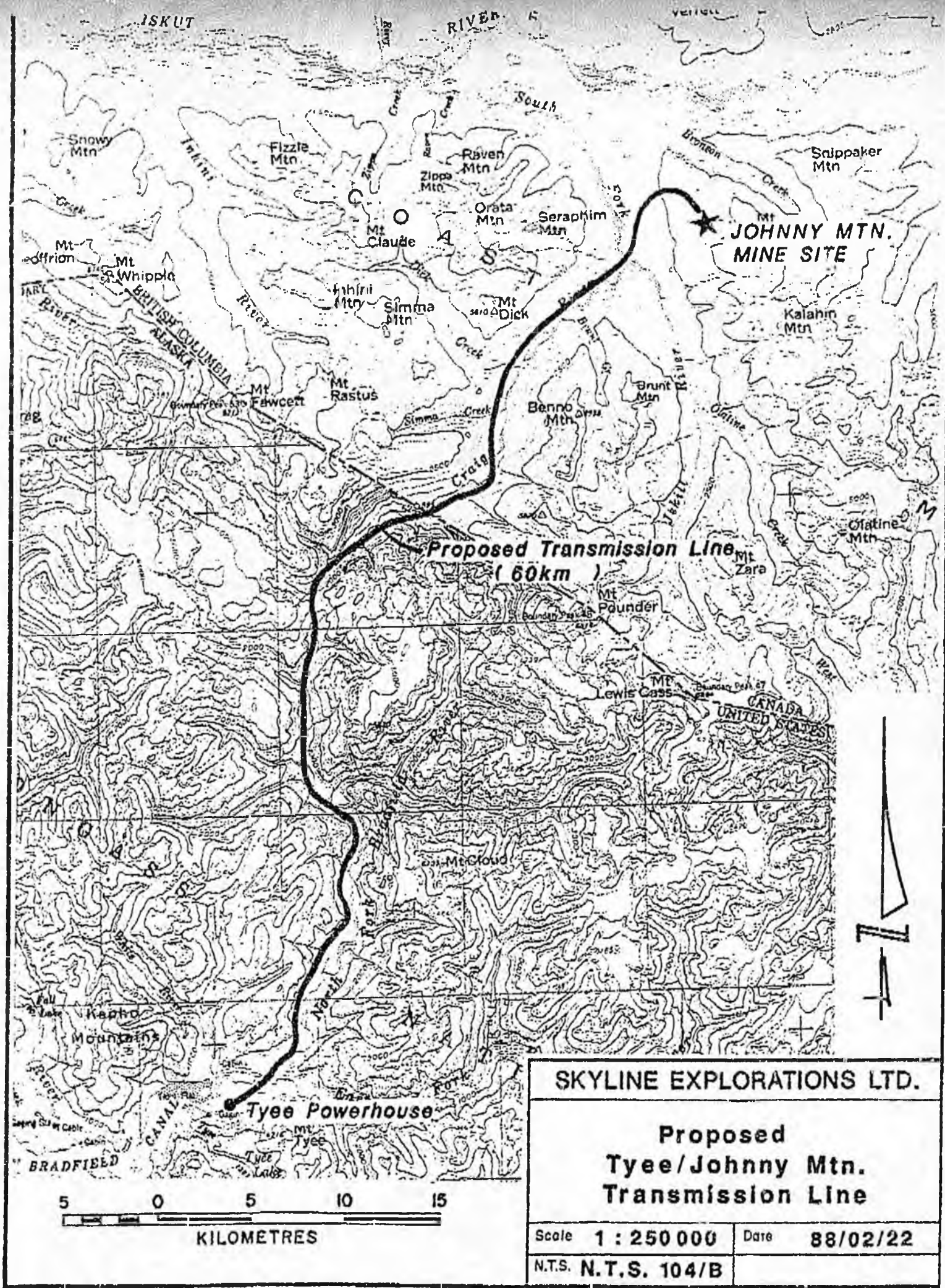
Johnny Mtn. Gold Mine

**LOCATION MAP**

Scale 1:2 000 000      Date March, 1988

Ref.

FEB 20 1988 17:45 9078249922 CITY OF WRANGELL





ADOPTED AUGUST 1972

# CITY of WRANGELL, ALASKA

INCORPORATED JUNE 15, 1903

BOX 531, 99929 (907) 874-2381

## TELECOPY TRANSMITTAL SHEET

DATE: FEBRUARY 20, 1990 TIME SENT: 4:30PM

TO: SENATOR LLOYD JONES

TELECOPY NUMBER: 465-3922

FROM: JIM GOVE

TOTAL NUMBER OF PAGES (Including this cover sheet) 11

RE: CITY OF WRANGELL RESOLUTIONS: #02-90-342 for CS HB 311 & encl.  
#02-90-341 for SB 397 & HB432

Information mailed: YES: X DATE: 2/20/89 NO:       

If you do not receive all pages, PLEASE call (907) 874-2381 and ask for JIM GOVE

FAX #(907) 874-3952



ADOPTED AUGUST 1972

February 16, 1990

# CITY of WRANGELL, ALASKA

INCORPORATED JUNE 15, 1903

BOX 531, 99929 (907) 874-2381  
FAX: (907) 874-3952

FILE  
COPY

Senator Lloyd Jones  
Alaska State Legislature  
Post Office Box V (MS 3100)  
Juneau, Alaska 99811

Dear Lloyd:

Enclosed is a copy of City of Wrangell Resolution No.02-90-342, supporting CS HB311, for the issuance of revenue bonds for construction of the Bradfield Resource Road, a 12 month review of B.C. mining's economic contribution to Wrangell, and two location maps of the area.

During the past two decades AK DOT/PF has conducted no less than six reconnaissance studies searching for the route that will best serve the transportation needs of commerce and industry in Southeast Alaska and North West British Columbia.

The Bradfield route has been determined to be the most feasible. It is the shortest route to the sea. It does not infringe upon any wilderness area, and there is an ideal deep water port location at the head of the Bradfield Canal. A power corridor has already been established from the Tyee Power Plant along the Bradfield route to facilitate the sale of surplus power to mining operations in British Columbia.

Today's resource development in British Columbia has created a demand for access to the sea. The Skyline mine on Johnny Mountain is operational. The adjacent Cominco-Delaware mine will be operational this year and there are some 75 other mining companies in various stages of exploration and development in the Iskut region. The enclosed figures for Wrangell are the result of air transport to the Iskut mining region at today's operational level. The amount is miniscule compared to the traffic and dollar volume that will be generated throughout Southeast Alaska when road access to the coast is available.

CITY OF WRANGELL, ALASKA

Bradfield Resource Road  
Page 2

Construction of the Bradfield Road and Port will provide the catalyst for development of an estimated 1 billion+ tons of known mineral deposits and 3 billion board feet of timber that is presently dormant for want of cost efficient transportation. Annual shipping volume is projected at 1.5 to 2 million tons, and the Bradfield road represents an average round trip savings of 226 miles to port when compared to any other possible route in the region.

The Canadians are actively pursuing construction of a road into the Iskut region from the east and have indicated a willingness to tie into the Bradfield Road at the border. They make no bones about the fact that they intend to open the region for resource development whether or not we build a road on our side of the border.

We have a golden opportunity to benefit from massive Canadian resource development now, and to nurture economic and social exchange with Canada forever.

Please support passage of CS HB311.

Sincerely,

Donald J. House  
Mayor

DJH\jg

cc: Governor Steve Cowper  
State of Alaska Sixteenth Legislature

encl.

Lloyd: A copy of this letter and enclosures was sent to the Governor and every member of the legislature.  
member of

CITY OF WRANGELL, ALASKA

RESOLUTION NO. 02-90-342

A RESOLUTION OF THE COUNCIL OF THE CITY OF WRANGELL, ALASKA IN SUPPORT OF COMMITTEE SUBSTITUTE HOUSE BILL #311, APPROVING THE ISSUANCE OF REVENUE BONDS FOR CONSTRUCTION OF THE BRADFIELD RESOURCE ROAD.

WHEREAS, there is a fundamental need for Southeast Alaska to diversify its economy to insure the future self-sufficiency and economic stability of the region; and

WHEREAS, economic development and diversification in Southeast Alaska is stifled by market inaccessibility, Jones Act restrictions, high tariffs and other obstacles directly attributable to insufficient transportation infrastructure; and

WHEREAS, a road linking Central Southeast Alaska and British Columbia will generate industrial, commercial and recreational opportunities for economic diversification in Southeast Alaska; and

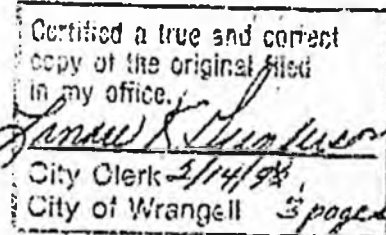
WHEREAS, the State of Alaska has conducted numerous reconnaissance studies in Central Southeast Alaska in an effort to evaluate the optimum routing for a hard surface road to the mainland to unite with the Canadian road system forming an international link with Canada and the contiguous United States; and

WHEREAS, the reconnaissance studies have determined that a route through the Bradfield-Craig watershed with a deep water port at the head of the Bradfield Canal is the most viable from an engineering standpoint and least sensitive environmentally; and

WHEREAS, this routing is compatible with AK DOT/PF long range plans for expansion of transportation infrastructure in Southeast Alaska; and

WHEREAS, the State of Alaska has nominated 5,020 acres at the east end of Bradfield Canal for land selection for the purpose of port development to service the proposed road; and

WHEREAS, the State of Alaska has appropriated funding for an Environmental Impact Statement for the Bradfield Road and Port Project; and



WHEREAS, the Bradfield route is the shortest distance to the sea for existing mining operations in the Iskut and Sulpherets regions of British Columbia who would immediately utilize the road for export of raw materials and import of equipment and supplies; and

WHEREAS, the Bradfield road will initiate activation of a large number of known mineral deposits and timber resources that are presently dormant for lack of cost efficient transportation; and

WHEREAS, the volume of commerce that will be generated by easy access to the sea will provide an economic return that justifies the comparatively small cost of road and port development; and

WHEREAS, in the long term this intercontinental road system will open the door for maximum utilization of the United States Canada Free Trade Agreement and foster social, cultural and economic relationships beneficial to both countries; and

WHEREAS, said intercontinental road system will provide a viable alternate land route for the traveler easing the pressure on our overtaxed ferry system, provide an evacuation route in the event of a coastal catastrophe, and improve national defense in the event of foreign hostilities; and

WHEREAS, the Southeast Conference, The City and Borough of Juneau, the Ketchikan Gateway Borough, and the City of Petersburg have joined with the City of Wrangell and endorsed the Bradfield Road and Port Project by passing formal resolutions expressing their support for the project.

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF WRANGELL, ALASKA:

1. In the name of prudent economic development and the furtherance of a strong self-supporting economic base in Southeast Alaska we ask Governor Cowper and the Sixteenth Legislature of the State of Alaska to support passage of Committee Substitute House Bill #311.
2. We further request Governor Cowper and the Sixteenth Legislature of the State of Alaska to support affirmative action to implement the Environmental Impact Statement process for the Bradfield Road and Port Project.

3. The City Clerk is hereby directed to transmit copies of this resolution to:

Governor Steve Cowper  
The Sixteenth Legislature of the State of Alaska

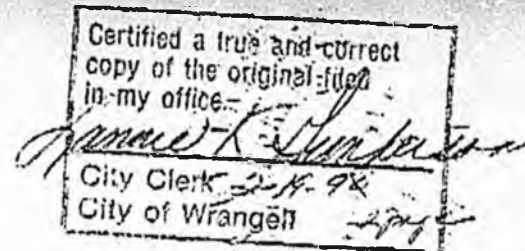
4. This resolution shall become effective on approval.

PASSED AND APPROVED: FEBRUARY 13, 1990

*Donald House*  
Mayor

ATTEST: *Lanette K. Anderson*  
City Clerk

CITY OF WRANGELL, ALASKA  
RESOLUTION NO. 02-90-341



A RESOLUTION OF THE COUNCIL OF THE CITY OF  
WRANGELL, ALASKA RELATING TO LEGISLATION  
PROPOSED IN SENATE BILL #397 AND HOUSE BILL  
#432, "AN ACT PROHIBITING FINFISH FARMING;  
AND PROVIDING FOR AN EFFECTIVE DATE."

WHEREAS, the state of Alaska and private enterprise have  
invested millions of dollars in successful salmon fisheries  
enhancement programs; and

WHEREAS, the enhancement programs and careful management of  
natural fisheries resources has resulted in Alaska having the  
healthiest stocks of wild salmon in the world; and

WHEREAS, the economy, the environment, and the people of  
Alaska are highly dependent upon the continued health and  
stability of the state's wild salmon resource; and

WHEREAS, commercial salmon farming (pen raising of salmon)  
poses serious risks to wild salmon stocks from disease, genetic  
mutation, and degradation of water quality at fish farm locations;  
and

WHEREAS, the state has a significant investment in marketing  
efforts to promote salmon and other Alaskan seafoods as wild and  
natural products; and

WHEREAS, preservation of the state's established and  
successful wild fisheries resources should take precedence over  
development of a speculative and potentially harmful industry  
such as salmon farming; and

WHEREAS, Senate Bill No. 397 and House Bill No. 432  
introduced to the Sixteenth Legislature of the State of Alaska  
propose the prohibition of finfish farming in the State of  
Alaska.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF  
WRANGELL, ALASKA:

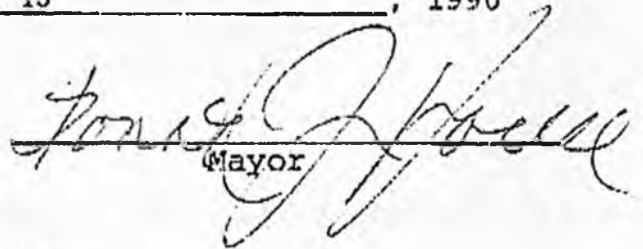
1. The Council of the City of Wrangell does hereby endorse  
Senate Bill No. 397 and House Bill No. 432, "An Act  
Prohibiting Finfish Farming."
2. The Council of the City of Wrangell does hereby  
respectfully request that the Governor and the Sixteenth  
Legislature of the State of Alaska support passage of  
Senate Bill No. 397 and House Bill No. 432.


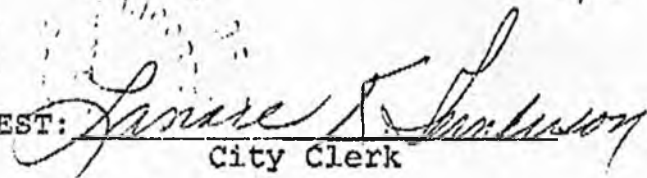
3. The City Clerk is hereby directed to transmit copies of this resolution to:

Governor Steve Cowper  
Senator Tim Kelly, President of the Senate  
Senator Dick Eliason  
Senator Lloyd Jones  
Senate Finance Committee  
Senate Resources Committee  
Representative Sam Cotten, Speaker of the House  
Representative Ben Grussendorf  
House Judiciary Committee  
House Resources Committee

4. This resolution shall become effective on approval.

PASSED AND APPROVED: FEBRUARY 13, 1990

  
Mayor

  
ATTEST:   
City Clerk

(9) "revenue fund" means the International Airports Revenue Fund created by AS 37.15.430. (§ 1 ch 149 SLA 1972)

Revisor's notes. — Reorganized in 1988 to alphabetize the defined terms.

**Article 4. Toll Facilities Revenue Bonds.**

Section	Section
610. Bond authorization	690. Bond negotiability
620. Construction fund	700. Refunding
630. Revenue fund	710. Bonds as legal investments
640. Bond redemption fund	720. State toll facilities
650. Bond terms	730. Review of toll facility projects
660. Bond resolution	740. Toll facility charges
670. Enforcement by holder	750. Statutory construction
680. Amounts required for payments	760. Definitions

**Sec. 37.15.610. Bond authorization.** For the purpose of providing part or all of the money to be used, with or without any grants or other money that may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$500,000,000 is authorized to acquire, construct, equip, and install the additions, improvements, extensions, and facilities authorized in AS 37.15.720 and 37.15.730. The principal of and interest on these bonds are paid out of and secured by the gross revenue derived by the state from the ownership, use, and operation of the toll facilities, and out of any other revenue or money that the state legislature may provide exclusive of any state tax or license. Bonds may not be issued to assist in the acquisition, financing, or operation of projects without prior approval from the legislature. (§ 1 ch 162 SLA 1984)

**Sec. 37.15.620. Construction fund.** (a) The toll facilities construction fund is established for deposit of proceeds of the sale of the bonds authorized by AS 37.15.610 and any grant or other money that is legally provided for the same purposes for which the bonds are authorized except for any accrued interest paid on the bonds by the purchaser. The money in the construction fund is used to pay the cost of acquiring, constructing, and equipping facilities authorized in AS 37.15.720 and 37.15.730 and costs incidental to those activities, including costs of the authorization, issuance, and sale of the bonds. To the extent allowed in the bond resolution, money in the construction fund may also be used for the payment of interest on the bonds during the time of actual construction, and for any additional time, not exceeding one year after construction is completed. Money in the construction fund may also be transferred to the bond redemption fund, as permitted by the bond resolution, to establish a reserve for the payment of the principal and interest on the bonds.