

Government of Canada / Gouvernement du Canada

MEMORANDUM

NOTE DE SERVICE

TO / À

CEA
Jean Charron
ADMC

FROM / DE

DGCR/X

SECURITY - CLASSIFICATION - DE SÉCURITÉ
OUR FILE / NOTRE RÉFÉRENCE <i>558-6</i>
YOUR FILE / VOTRE RÉFÉRENCE
DATE May 28, 1981

SUBJECT / OBJET

DIGBY ISLAND FERRY - PRINCE RUPERT, B.C.

Mr. Gordon Howie, Administrator of the City of Prince Rupert telephoned Judith to-day to see what progress has been made with respect to the City's concerns about the ferry costs.

Judith informed Mr. Howie that, following your preliminary discussions with those interested, you now have some indication of our Minister's views with respect to this matter. She undertook to report to you that Mr. Howie had telephoned and would like you to call him as soon as you can. (Mr. Howie's telephone number is 604-627-1781.)

J. Jacques Seguin
J. Jacques Seguin

ADMC
MAY 28 1981

~~CGSH/M~~

~~CGSM/M~~

~~ATTU: D. Flamant~~

~~DESP/A~~

~~AMTA~~

~~HRM~~

~~CGSS/M~~
Ottawa

BCMT F Study

Consultant papers see subsidy agreement 16/11
Agree with Region letter

THE DEVELOPMENT OF B.C. COASTAL MARINE
TRANSPORTATION POLICIES: A Discussion Paper

Prepared For:

Transportation Policy Analysis Branch
Ministry of Transportation and Highways

by:

Cary Swoveland
Quantalytics Inc.

November, 1980

1. The Need For Coastal Marine Transportation Policies

The provincial government has few policies describing its responsibilities for the provision of passenger and freight transportation services to the coastal communities of British Columbia. As a consequence, decisions concerning services to be provided or improved, fares to be charged, subsidies to be paid, and the respective responsibilities of the B.C. Ferries Corporation, the Ministry of Transportation and Highways, and private operators, tend to be made in a piecemeal, ad hoc manner, without benefit of the routine, systematic identification and evaluation of policy alternatives that a policy framework affords.

Because of this lack of policy, coastal communities naturally believe that their chances of getting new or improved provincial government ferry services are largely dependent on how much public support they can generate; that is, on how much pressure they can bring to bear on the government. With no effective arguments based in policy, for why such demands should not be met, it is not surprising that the degree of public support for a proposed service is a principal decision criterion. Yet, the effectiveness of a particular group of citizens

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to lobby the government may have no direct relationship to the value of the service to the community or to the cost to the government of providing the service.

Similarly, the opposition to fare increases may be greater when the reasons for the increases have no basis in policy. This is particularly so in the case of fares that are presently very low, where even modest increases are quite large in percentage terms. The expected public reaction to fare increases may therefore be given undue weight in deciding how fare levels should be changed. As a consequence, there is considerable inconsistency in the fare levels of the ferry services provided or subsidized by the government.

The lack of policy may therefore result in an ineffective use of provincial budgetary resources and in an inequitable distribution of benefits and costs. There are, however, three other undesirable effects that also deserve mention.

First, freighter and tug and barge operators, who cannot compete with subsidized government ferry services, find it difficult to plan ahead, not knowing

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where government ferry services will be provided in the future. Such operators may therefore be unwilling or unable to make the capital investment necessary to maintain or improve their services. Second, there may be a higher degree of dissatisfaction and disappointment with government decisions in respect of marine transportation services when the reasons for the decisions cannot be explained in terms of government policy. Without such policies, individual decisions may appear arbitrary and inconsistent over time. Finally, the lack of policies results in more time being required of the Minister of Transportation and Highways and of public officials to attend to representations and to resolve issues in this area, and thus, in less time being available for dealing with other important transportation matters. With no policy to guide decisions, there is a natural inclination to postpone decisions, which further increases the workload.

2. The Reasons Why Policy Development Should Begin Now

Although the need for coastal marine transportation policies has existed for some time, the development of policies in this area could of course be delayed further, if the resolution of other transportation issues were regarded as more urgent. There are two considerations, however, which give some urgency to this task.

The first concerns the need to renegotiate the 1977 federal-provincial agreement under which the federal government pays an annual subsidy (presently approximately \$9. million) in support of coastal marine transportation services. As this agreement is to be reviewed early in 1982 (i.e. every five years), the Province will have to begin to prepare its negotiating position sometime next year. By having first developed coastal marine transportation policies, the Province would have a better idea of what changes it would like to see in the Agreement, and by being able to relate its arguments to provincial government policy, it would be able to present and defend its case more effectively.

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The other reason why policy development work should begin now is that coastal marine transportation service policies will be needed before decisions concerning improvements to federal and provincial coastal shore facilities can be made. Proposals have recently been invited for a major federal-provincial study of coastal marine shore facilities. The main purposes of this study are to determine the condition of existing shore facilities and to identify what improvements are necessary. The improvements required depend, however, on the types of services that will be provided in the future (eg., ferry vs. freighter vs. tug and barge). Provincial service policies should therefore be developed in parallel with the formulation of plans for improvements to shore facilities. If the development of such policies is delayed, the momentum for making improvements to shore facilities may be lost after the facilities study is completed next summer.

3. The First Step of Policy Development

The first task in the development of coastal marine transportation policies is identifying which policy issues require resolution. This determines the nature and scope of the policies that are needed, the principal policy options that deserve consideration and how the subsequent policy development work should be organized.

This initial task should be performed by senior officials of the Ministry of Transportation and Highways and of the B.C. Ferries Corporation; it should not be delegated to a policy analyst, for doing so would likely result in the policy analysis being unsatisfactory and in the analyst's time being misspent. Without this initial guidance from senior management, the analyst may make unwarranted assumptions concerning the range of issues and options that should be considered. He may be overly timid, and choose not to examine options that would imply major changes from present practices, that may be of interest to management,

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or may be overly zealous, and waste time investigating issues whose resolution is either not wanted or not needed at the present time. He may also simply overlook issues and options that should be considered.

The statement of the policy issues that require resolution should be as complete and as precise as possible. The more complete and precise the statement, the more useful and efficient will be the analysis required for the development of policies.

The policy issues concerning the Province's responsibilities for providing passenger and freight services to coastal cities and communities seem to fall into three categories:

- a) service provided;
- b) fares charged and subsidies paid; and
- c) the respective roles of the B.C. Ferry Corporation, the Ministry of Transportation and Highways.

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A listing of some of the possible policy issues associated with each of these categories is provided in the appendix. This list is admittedly incomplete, in part because of the author's present limited knowledge of the subject area. The purpose in listing these possible policy issues is merely to suggest the types of issues that might be identified for resolution by the policies that have yet to be developed.

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APPENDIX

POSSIBLE POLICY ISSUES

A. Service Issues

*A1. Does the provincial government have a responsibility for ensuring that passenger and/or freight transportation services are provided to:

- a) some permanent coastal communities that have no all-weather road (or road/ferry) access to the Lower Mainland;
- b) some coastal communities that do have all-weather road (or road/ferry) access to the Lower Mainland (e.g., Prince Rupert, Kitimat, Bella Coola, Port Hardy);
- c) some temporary coastal settlements (such as logging camps)?

*Note that:

- 1) This issue does not refer to any particular mode of transportation;
- 2) The provincial government could discharge its responsibilities for ensuring that transportation services are provided by operating ferry services itself, through the B.C. Ferries Corporation or the Ministry of Transportation and Highways, or by subsidizing one or more private vessel operators or air carriers, if unsubsidized private services were inadequate. The basis for these choices is the subject of issues A2(j), C1 and C2; and
- 3) It would be left to the private sector to determine what marine and air transportation services would be provided to those communities for which the provincial government declined to accept responsibility for the provision of transportation services. Some of these communities might therefore receive relatively infrequent and expensive transportation services, or no service at all.

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A2. For each of the above categories of communities for which the provincial government has a responsibility for ensuring that passenger and/or freight transportation services are provided, should decisions on whether to provide, subsidize or terminate particular coastal marine transportation services (to a single community or to a group of communities) depend upon:

- a) the size of each community affected;
- b) the degree of isolation of each community affected;
- c) the views of residents of each community affected concerning the types of transportation services needed or unwanted;
- d) the social services (e.g. health) provided within each community affected;
- e) the nature of the transportation services (if any) that the community (or communities) would receive if the proposed service were not provided or if the existing service were terminated;
- f) comparisons with other communities receiving marine transportation services;
- g) the relationship between the costs and the benefits of providing a proposed service or terminating an existing service;

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- h) whether the proposed service would promote tourism or other kinds of economic development;
- i) whether the community relies principally upon a single employer; and
- j) whether the subsidization of air transportation services would be more cost-effective?

A3. Should cost-effectiveness or some other criterion be used for determining when the provincial government should subsidize freighter or tug and barge service rather than operate a ferry service itself?

B. Pricing and Subsidy Issues

B1. Should there be greater consistency among fares for government ferry services? If so, should the B.C. Ferries Corporation and the Ministry of Transportation and Highways use the same method for calculating fares?

B2. Should fares for individual government ferry services be related to either the length or duration of the voyage (value of service) or the cost of providing the service? If so, how? If not, what criteria should be used in determining fares? Should cross-subsidies be permitted?

- 12 -

- B3. What should be the basis for deciding the relationship between passenger fares and fares for different types or sizes of vehicles?
- B4. Should fares vary by season, day of week or time of day? If so, why?
- B5. How often or for what reason should fares be increased?
- B6. Should all categories of users of government ferry services pay the same fare for the same service? If not, what should be the basis for fare differentials?
- B7. Should the basis for the calculations of the annual subsidy to the B.C. Ferry Corporation be altered or should the subsidy be eliminated or phased out altogether?
- B8. If a subsidy is paid to a private marine vessel operator, or air carrier, how should the amount of the subsidy be determined?

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C. Institutional Issues

C1. Should there be a clearer distinction between the respective responsibilities of the B.C. Ferries Corporation and the Ministry of Transportation and Highways? If so, should the assignment of responsibility for each ferry service be based on certain characteristics of the service, on a determination of which organization could operate the service most efficiently or on some other basis?

C2. Should any powers and responsibilities conferred on the Lieutenant-Governor in Council by the B.C. Ferries Corporation Act be transferred to the Ferries Corporation or to some regulatory body?

000466

REPORT ON THE INITIAL MEETING OF THE POLICY DEVELOPMENT
COMMITTEE, B.C. COASTAL MARINE TRANSPORTATION POLICY

Time and Place of Meeting: December 15, 1980, 9:30 a.m.
Boardroom #7, 940 Blanshard

In Attendance Were:

G. Cross
C. Gallagher
R.G. Harvey
T.R. Johnson
D.A. Kasianchuk
E. Khan
E.A. Lund
A. Rhodes
J.R. Olmstead
C. Swoveland (Consultant)

Agenda* Item A: Need for Policy

1. Several reasons were given for why a policy is needed:
 - the government is committed to developing transportation policies;
 - the Minister has suggested two possible components of the policy; concerning cross-straits services and services to permanent Native People's communities (as opposed to services to promote economic development);
 - The Province is in a very weak position to renegotiate the 1977 federal-provincial agreement without having a policy, in part because under the present agreement it is the responsibility of the Province to determine which routes are to be served and also because of recent changes in Federal policy, which now appear geared to subsidizing users rather than transportation modes;
 - it is difficult to say "no" to proposals for new services; consequently decisions are made in an "ad hoc" manner, resulting in some services being redundant and unnecessary;and,

* Agenda forms attachment

- a services policy is needed in order to make use of the information that will be obtained from the federal-provincial shore facilities study scheduled for completion next summer.

2. It was noted that the federal policy respecting its responsibilities for the provision and operations of marine facilities is not clear.

Agenda Item B: Identification of Policy Issues*

A. Service Issues

3. It was suggested and generally agreed, that Issue A-1 should be confined to the responsibilities of the Ministry of Transportation and Highways and the B.C. Ferry Corporation; that provincial responsibilities for transit, in particular, should not be addressed.
4. The view was expressed that there is no rationale for B.C. Ferries' Port Hardy-Prince Rupert service; that where provided, services should be to the nearest road only. It was noted, however, that the Port Hardy-Prince Rupert service is tied up with the federal subsidy agreement.
5. It was noted that the policy is related to the more general questions of whether the Provincial government should encourage inhabitation of remote communities or ensure that adequate transportation services are provided to land-locked isolated communities.
6. There was agreement that federal policy should be more clear; specifically that federal government should assume complete responsibility for the provision and operation of shore and "way" facilities and services.

* Proposed and revised policy issues form Attachments B and C, respectively.

- 3 -

7. It was noted that Sweden's policy is to subsidize ferry services only where it would be possible for the government to build a bridge, and this was not done; elsewhere, users pay the full costs.
8. It was suggested that consideration of Issue A-3 is complicated; by the fact that logging companies pay various fees and taxes, build roads, etc.
9. It was pointed out that in determining provincial responsibilities, municipal and federal responsibilities must be taken into account. The ferry to Prince Rupert's airport was given as example as possible municipal responsibility; marine services benefitting Native Peoples were cited as example of possible federal responsibility.
10. Air services subsidies should be examined as a possible alternative to the provision and operation of marine services, but doubts were expressed as to whether air services could adequately replace marine services on most routes. It was noted that if some coastal air services were subsidized, many land-locked communities would lobby for air services.

B. Pricing and Subsidy Issues

11. Skepticism was expressed about the likelihood of a policy towards fares being accepted by Cabinet; it was noted that a recent proposal by the Ministry to increase and bring greater consistency to fares was largely rejected by Cabinet.
12. It was argued that politically, it is more difficult to raise fares, than it would if there was a recognized policy respecting the setting of fares.

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13. It was agreed that the basis for B.C. Ferries' Highway Equivalent Subsidy need not be examined at this time (i.e. drop A-7). It was pointed out that, while there is little rationale for the way in which the subsidy is calculated, the method is easy to explain, and easily understood by the public. (A proposal for a slightly more complicated scheme, applying to the Highways' ferry operations, had been rejected, in part because of its complexity).

C. Institutional Issues

14. It was noted that the Treasury Board has before it a proposal for the B.C. Ferry Corporation to acquire a replacement for the vessel used on the Comox-Powell River route presently operated by the Ministry.
15. It was suggested that the transfer of any ferry service from the Ministry to the Corporation would cause serious personnel and labour relations problems, due to career advancement patterns being disrupted, and conflicting union jurisdictions.
16. It was decided that Issue C-2 need not be examined at the present time.

Agenda Item 3: Program for Policy Development

17. It was agreed that the Transport Policy Analysis Branch would prepare and distribute to those present:
- a summary of the meeting;
 - a workplan for policy development; and
 - a policy paper
18. The Committee agreed that it would next meet in April to discuss a draft of the policy paper. In the meantime, contacts for information on Ministry and Corporation ferry services would be E. Lund and C. Gallagher, respectively.

December 19, 1980

B.C. COASTAL MARINE TRANSPORTATION SERVICES:

Proposed Workplan for Policy Development

I. Tasks

A. Data Collection and Analysis

1. For each service provided or subsidized by the B.C. Ferries Corp. or the Ministry of Transportation and Highways, obtain:
 - a) sailing schedules by season, length and sailing time of each point-to-point service and description of vessel(s) used;
 - b) for each of the last three years:
 - i) numbers of passengers and vehicles (by category), by season
 - ii) breakdown of each category of vehicles by place of registration (B.C., Canada outside B.C., U.S.)
 - iii) passenger and vehicle fares
 - iv) total revenues collected, broken down by category (passengers, vehicles, food and concessions)
 - v) a breakdown of annual operating costs that allows labour costs and shore facilities cost to be broken out
 - vi) book values of and depreciation on vessels and shore facilities
 - vii) allocation of overhead costs
 - viii) (for B.C. Ferries Corp.) Annual Highway Equivalent Subsidy
 - ix) (for subsidized services) annual subsidy received
 - x) (if applicable) amount of freight carried;
 - c) projections of future passenger and cargo volumes (if available); and
 - d) demographic, social and economic information on each community served.

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2. Obtain estimates of annual labour costs for both shore and vessel operations for the last fiscal year for each of the following services (assuming that they had been provided by the operator indicated):

<u>Service</u>	<u>Operator</u>	<u>For Vessel and Sched. actually used by:</u>
a) Powell River- Comox	B.C. Ferries	Min. of T. & H.
b) Crofton- Vesuvius Bay (Rt.6)	Min of T.& H.	B.C. Freeies
c) Saltery Bay- Earls Cove (Rt.7)	"	"
d) Mill Bay- Brentwood Bay (Rt.12)	"	"
e) Sidney- Fulford Harbour (Rt.4)	"	(out of Swartz Bay)
f) Sidney -Fulford Harbour via Otter Bay (Rt. 4a)	"	"
g) Sidney- Outer Gulf Islands (Rt.5)	"	"

3. Identify air services (or air and barge/freighter) services that could be provided on the following routes, and estimate the associated total cost of transporting the passengers and cargo that were actually carried last year by ferry services:
 - a) Prince Rupert - Port Simpson - Kincolith - Alice Arm
 - b) Bella Bella - Ocean Falls - Bella Coola - Klemtu (and possibly Namu)
4. Summarize and present information collected in Task 1 in appropriate manner.
5. Analyze and compare respective costs of B.C. Ferries Corp. and Ministry of Transportation and Highways to each provide services listed in Task 2; identify reasons for costs differences and draw conclusions; investigate labour relations considerations.
6. Analyze and compare respective costs of air (or air/marine) services listed in Task 3; draw conclusions.
7. Prepare draft report on tasks 1-6, have draft report reviewed within the Ministry and the Ferries Corp., and revise as necessary.

B. Policy Analysis and Preparation of Policy Paper

1. Obtain brief history of each coastal marine service provided or subsidized by the B.C. Freeies Corp. or the Ministry of Transportation and Highways, including:

2002-06-11

- a) when and why service was begun;
 - b) how services have changed since begun (e.g. vessel, frequency, operator, etc.)
 - c) problems encountered or complaints received.
2. Determine what new marine services have been proposed and when decisions in respect of them will likely have to be made.
 3. Obtain copies of contractual agreements respecting marine services subsidized by B.C. Ferries Corp. and Ministry of Transportation and Highways.
 4. Determine which ferry users pay reduced fares on which ferry services.
 5. Determine government ferry policies elsewhere in Canada, in U.S. and to the extent that information is readily available, outside North America.
 6. From each private freighter and tug and barge operator currently active in B.C. obtain:
 - a) a brief history of the company and its operations
 - b) tariff schedules
 - c) an understanding of its planning and principal operational problems; and
 - d) views of operators concerning selected policy issues.
 7. Review studies done by or for the Ministry of Industry and Small Business (e.g. TIDSA) or the Ministry of Tourism that show the relationship between tourism development and the provision of ferry services or the levels of ferry fares.
 8. Obtain and review relevant study reports and papers prepared by B.C. Ferries Corp. and Ministry of Transportation and Highways.
 9. Obtain and review relevant study reports concerning ferry services outside of B.C.
 10. Review relevant articles from professional journals and conference proceedings, particularly those concerned with the economic effects of ferry subsidies and with the effects of the provision of transportation facilities and services on economic development.

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11. Perform policy analysis, prepare draft policy paper, have paper reviewed by Transportation Policy Analysis Branch, revise paper as necessary. Policy paper should:
 - a) describe the need for policies, identify, and discuss policy issues;
 - b) identify and discuss policy objectives and options;
 - c) evaluate policy options;
 - d) draw conclusions and make recommendations;
 - e) describe implications of policy recommendations for existing and proposed services, for existing fares and subsidies and for the division of responsibilities between the B.C. Ferries Corp. and the Ministry of Transportation and Highways; and
 - f) contain a broad outline of an implementation plan.
12. Have draft policy paper reviewed by Policy Development Committee; subsequently revise paper as necessary.
13. Have policy paper reviewed by Minister, then by staff of other Ministries.

(Task 13 might be followed by:

- the preparation of a Cabinet paper;
- consideration and decision by Cabinet;
- public announcement of policy;
- development of implementation plan; and
- action on implementation plan.)

II. TIMETABLE

* Jan * Feb * Mar * Apr * May * Jun * Jul *

A. Data Collection and Analysis

(1-----1)
(2-----2)
(3-----3)
 (4-----4)
 (5-----5)
 (6-----6)
 (7-----7)

B. Policy Analysis and Preparation of Policy Paper

(1-10-----1-10)
 (11-----11)
 (12-----12)
 (13-----13)

QUANTALYTICS, INC.
December 19, 1980

Estimated Study Cost

Study: B.C. COASTAL MARINE TRANSPORTATION POLICY STUDIES:
Data Collection and Analysis

Estimated Consulting Time Requirements

Task	Number of Consulting Hours	
	Cary Swoveland	Robert David
1	12	16
2	8	24
3	8	24
4	4	16
5	8	16
6	8	24
7	32	40
Total	80	160

Estimated Study Cost

Consulting Time

C. Swoveland - 80 hours @ \$55/hr.	= \$4,400
R. David - 160 hours @ \$32/hr.	= <u>\$5,120</u>
Subtotal	= \$9,520
Travel: 7 trips Van-Vic, return @ \$100/trip	= 700
Typing of report--37.5 hrs @ \$11.50/hr	= 430
Graphics and copying	= 250
L.D. Telephone, misc.	= <u>50</u>
Total Estimated Cost	= \$10,950

Please note that

 correspondence

Ref. No. 2554

has been removed.

This was non-
Confidential material
and only pertinent
to myself.

Jan Marr-CCGS

6-209 2000477



Transport
Canada

Transports
Canada

ROUTE
SLIP

BORDEREAU
D'ACHEMINEMENT

TO - À (NOM - NOM)	DESIGNATOR SYMBOLE	<input checked="" type="checkbox"/> For approval Pour approbation <input type="checkbox"/> For Signature Pour <input type="checkbox"/> Comment Observations <input type="checkbox"/> For your Information Pour votre <input type="checkbox"/> Per our Conversation Selon notre <input type="checkbox"/> Discuss with me Discuter avec moi <input type="checkbox"/> Take appropriate action Prendre les mesures appropriées
R. J. Marsham	DGSW	
R. J. Giroux	ASTA	
S. D. Cameron (absent)	SADM	
S. Cloutier	DM	

REMARKS - REMARQUES

Attached please find a memorandum to the Minister for signature, please.

RECEIVED

NOV 15 1978

Senior Assistant Deputy Minister
Ministry of Transport

FROM - DE	Signature	Date	Telephone - Téléphone
A.D. McKenzie		Nov. 9/78	6-0804

000478

358-6



MEMORANDUM TO MINISTER
NOTE DE SERVICE AU MINISTRE

SUBJECT - OBJET

Request from British Columbia for Additional
Federal Support of Provincial Ferry Services

MINISTER'S FILE NO.
N° DE DOSSIER DU MINISTRE

SECURITY CLASSIFICATION -
CLASSIFICATION DE SÉCURITÉ

FILE NUMBER -
N° DE DOSSIER

DATE
NOV 15 1978

I am attaching for your approval the proposed text of a paragraph for inclusion in a Prime Ministerial reply to the telex sent to Mr. Trudeau by Premier Bennett of British Columbia on October 20, 1978.

Under the agreement signed on April 18, 1977, Canada undertook to pay to the Province of British Columbia an annual subsidy of \$8,000,000, adjusted annually in accordance with changes in the Consumer Price Index in Vancouver. In return for this subsidy, the Province undertook to assume sole responsibility for the subsidization of ferry and coastal freight and passenger services in provincial waters. The agreement contained a clause requiring the agreement to be reviewed at five year intervals.

The extent to which British Columbia has been meeting the obligations implicit in the agreement is uncertain. There have been suggestions that only a small portion of the subsidy has so far been allocated to marine activities, and of that portion most of the expenditures have related to the main ferry crossings to Vancouver Island. Since the subsidy is a grant, we have no right of audit, and therefore cannot verify this information.

Original Signed by
Original signé par
R. J. GIROUX

.../2

SUBMITTED BY - PRÉSENTÉ PAR

A. D. McKenzie

SWO

6-0804

ORIGINAL SIGNED BY
ORIGINAL SIGNÉ PAR
S. L. M. CLOUTIER

to min 15/11/78

DEPUTY MINISTER - SOUS-MINISTRE

- 2 -

The Honourable Iona Campagnolo has claimed that British Columbia is not living up to its obligations to provide adequate service and has urged that subsidy payments be blocked until improvements are made. You gave Mrs. Campagnolo an undertaking that a departmental officer would make a survey of the situation before any action was taken and I am now able to inform you that firm arrangements have been made for such an investigation commencing the week of November 13.

The rationale for entering into the 1977 agreement, despite such action appearing to be contrary to the Water Transportation Assistance Policy, was that we were already funding some coastal services in British Columbia. The agreement was designed to relieve us of further direct responsibility and to tie increases in Federal financial support only to changes in the cost of living rather than to increases in the cost of the services themselves. Mr. Bennett's recent request is, however, for direct support of the main ferry services, particularly those between the mainland and Vancouver Island, and these do not qualify for support under our current policy framework. In these circumstances, it is proposed that we take the stand that the Federal Government will not reopen discussions on cost sharing and the paragraph for inclusion in the Prime Minister's reply has been phrased accordingly.

Proposed text for inclusion in reply
from Prime Minister to Premier Bennett
of British Columbia

As regards request contained in penultimate paragraph of urtel for bilateral discussion on joint cost sharing of marine capital program and operating deficit, I am somewhat surprised at your proposal since subsidy agreement entered into by our Governments on April 18, 1977 was only subject to review at five year intervals and I know of no circumstances which would justify prematurely re-opening the agreement.

A handwritten signature in dark ink, appearing to be 'J. M. H.', located in the lower center of the page.

DEPUTY MINISTER OF TRANSPORT

SOUS-MINISTRE DES TRANSPORTS

ACTION REQUEST

FICHE DE SERVICE

TO - A

STA

DATE

30/10/78

FROM - DE

DM

FILE NO. - N° DE DOSSIER

REPLY DIRECT

RÉPONDRE DIRECTEMENT

REQUIRED ACTION

DONNER SUITE

NOTE & RETURN

NOTER ET RETOURNER

INFORMATION

INFORMATION

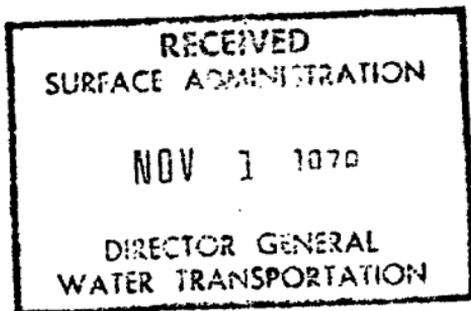
COMMENTS

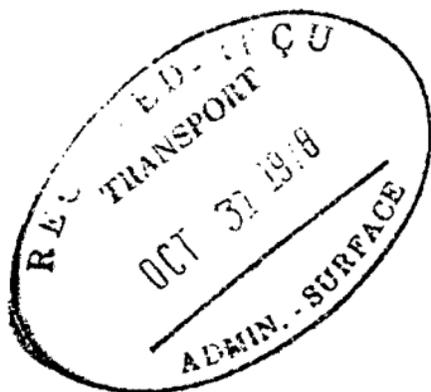
COMMENTAIRES

PREPARE MEMO TO - PRÉPARER UNE NOTE DE SERVICE À

REPLY FOR SIGNATURE OF - RÉPONSE POUR LA SIGNATURE DE

REMARKS - REMARQUES





000483

October 26, 1978

OFFICE OF THE MINISTER OF TRANSPORT
CABINET DU MINISTRE DES TRANSPORTS

Memorandum

Note de service

To — Destinataire: DMO	From — Expéditeur: Jim Weir, EAMIN
<p>I believe a memorandum to the Minister would be appropriate in addition to a proposed response.</p> <p style="text-align: right;">000484</p>	



Office of the Minister
Transport Canada

Cabinet du Ministre
Transports Canada

Sous-Ministre des
Transports
OCT 30 1978 *mg*
Deputy Minister of
Transport

338
PA
MINISTER'S OFFICE
DESPATCHED
OCT 30 1978
MONTREAL

Miss Lynda Scott-Moorhouse,
Office of the Minister of State
for Federal-Provincial Relations,
Room 425-S,
House of Commons,
Ottawa, Ontario.

Dear Miss Scott-Moorhouse:

This will acknowledge receipt of your letter dated October 24, 1978 regarding a telex the Prime Minister received from Mr. Bennett concerning the British Columbia Ferry Corporation.

Your letter will be brought to the attention of the appropriate departmental officials and I will be in touch with you again.

Yours sincerely,

Jim Weir,
Special Assistant.

Federal-Provincial Relations Office / Bureau des relations fédérales-provinciales

G. MINIST
do you have any comment or instruction?
② Peter Wallis - F.Y.I.

Sous-Ministre des Transports <i>mg</i>
OCT 30 1978
Deputy Minister of Transport
<i>558-6</i>

CONFIDENTIAL

October 24, 1978

BY HAND

Mr. Jim Weir
Special Assistant to
the Minister of Transport
25th Floor, Tower "C"
Place de Ville
Ottawa, Ontario
K1A 0N5

OFFICIAL FILE
DOSSIER OFFICIEL

Dear Mr. Weir:

-- Further to our conversation this morning,
attached is the telex from Mr. Bennett about the B.C.
Ferry Corporation.

It would be appreciated if your office could
assist in the preparation of a reply to this telex
within the next two weeks so that the usual deadline
could be met.

If there is any difficulty with this, perhaps
you could let me know.

Yours sincerely,

Lynda

Lynda Scott-Moorhouse

~~2-9108~~

LS-M/lm

5-6626

5-6626

7-1391

ENTERED
ON CARDS

50306 (13)

TELTEX A OTT

BC GOVT VIC
VI.001248
TELTEX

VICTORIA BC 201605 PDT OCT 78

TOR/TOD
CONCENTRE
11/1/80

TO: THE RIGHT HONOURABLE P. E. TRUDEAU,
PRIME MINISTER OF CANADA
HOUSE OF COMMONS
OTTAWA

21 02 08 '78

P R I O R I T Y

BT
TO: THE RIGHT HONOURABLE PIERRE TRUDEAU,
P.C., M.P.,
PRIME MINISTER OF CANADA,
OTTAWA, ONTARIO
K1A 0A2

LAST WEEK I ANNOUNCED PLANS FOR THE BRITISH COLUMBIA FERRY CORPORATION WHICH CALL FOR THE CONSTRUCTION OF TWO COWICHAN CLASS PASSENGER-VEHICLE FERRIES, MAJOR MODIFICATION OF THREE EXISTING VESSELS AND THE POSSIBLE CONVERSION OF ANOTHER VESSEL TO A TRUCK FERRY.

THE PROGRAMME I ANNOUNCED RESULTS FROM A CAREFUL EXAMINATION OF PROJECTED TRAFFIC POTENTIAL PARTICULARLY FOR THE VANCOUVER ISLAND MAINLAND SERVICES. IF THE BRITISH COLUMBIA FERRY CORPORATION HAD BEEN CONSIDERING THE LEAST COSTLY WAY OF FULFILLING THE VESSEL PROGRAMME IT WOULD HAVE CHOSEN TO HAVE AT LEAST THE NEW VESSEL CONSTRUCTION CARRIED OUT OFFSHORE. A CONSCIOUS DECISION WAS MADE THAT THE VESSELS WOULD BE BUILT AND MODIFIED IN WEST COAST SHIPYARDS. I CONSIDER THIS DECISION TO BE IN THE REGIONAL AND NATIONAL ECONOMIC INTEREST AND I AM SURE YOU WILL AGREE.

THE PROVINCIAL DECISION IN THIS RESPECT CONTRASTS WITH THE PRACTICES OF THE HEAVILY FEDERALLY SUBSIDIZED EAST COAST FERRY SERVICES WHERE FOREIGN VESSELS ARE BEING CHARTERED.

THE PROVINCIAL DECISION MUST BE MATCHED BY A DECISION BY YOUR GOVERNMENT TO AT LEAST CONTINUE THE CURRENT 20-0/0 SHIP-BUILDING SUBSIDY FOR THE DURATION OF THE PROVINCIAL PROGRAMME AND I ASK FOR YOUR ASSURANCES THAT THIS WILL BE SO.

I BELIEVE ALSO THAT WITH THIS DEFINITION OF OUR FERRY SERVICE PLANS IT IS NOW APPROPRIATE TO FOLLOW UP DISCUSSIONS I HAD IN MAY OF THIS YEAR WITH MR. LANG. AT THAT TIME I INDICATED THAT AS WE DEFINED OUR FERRY AND MARINE REQUIREMENTS, I INTENDED TO REQUEST FURTHER BILATERAL DISCUSSION RELATED TO JOINT COST SHARING OF OUR MARINE CAPITAL PROGRAMME AND OPERATING DEFICITS AND I SHALL BE SEEKING EARLY INITIATION OF SUCH DISCUSSIONS.

THE PROVINCE WOULD ALSO BE PREPARED TO DISCUSS INTEGRATION OF THE PROVINCIAL FERRY CONSTRUCTION PROGRAMME WITH FEDERAL SHIPBUILDING PROGRAMMES FOR THE WEST COAST YARDS, AS I BELIEVE THAT THIS WOULD BE IN THE REGIONAL AND NATIONAL INTEREST.

W.R. BENNETT,
PREMIER, AND MINISTER OF ENERGY,
TRANSPORT AND COMMUNICATIONS.
1388')-58=3 278)8,9

53)53/ - 955
LEGISLATIVE BUILDINGS
VICTORIA BC

ORIGINAL TO M. Massé (22)
ORIGINAL ENVOYÉ À
C.C. P.M.O. FILE cc. M. Massé, M. Lalonde
C.C. DOSSIERS C.P.M. M. Macdonald
B. de laet
T. Auerth

TELTEX A OTT

BC GOVT VIC

CONFIDENTIAL



Deputy Minister Sous-ministre
Transport Canada Transports Canada

PA - 5-5-8-6

BY HAND

Ottawa, Ontario,
K1A 0N5
5 August, 1976.

Hon E. J. Benson,
President,
Canadian Transport Commission,
Congill Building,
275 Slater Street,
Ottawa, Ontario.
K1A 0N9

RECEIVED
CANADIAN TRANSPORT COMMISSION

AUG 6 1976

CHAIRMAN
WATER TRANSPORT COMMITTEE

Dear Mr. Benson,

As you are doubtless aware, the matter of federal financial assistance to Northland and Coast Ferries, both of whom serve points and places on the mainland Coast of British Columbia, has been the matter of recent review jointly by officials of the Commission and the Ministry. The submission prepared by the Commission in respect of Coast Ferries has not been forwarded to the Treasury Board pending the outcome of this review and, I understand, the Commission has only submitted to continue the Northland subsidy on a month-to-month basis, for similar reasons.

Having had discussions with Mr. Jack Davis and taking into account the views of officials who have examined this situation, the Minister has expressed the view that there appears to be no valid reason to continue federal financial assistance to these operators and has accordingly not signed the submission in respect of Coast Ferries which, to comply with the new Water Transport Assistance Policy, would require the concurrence of full Cabinet.

As there are similar elements to both submissions, it would be difficult to justify denying Coast Ferries if the subsidy to Northland is to continue beyond a reasonable period of notice. Thus it appears necessary to take simultaneous action to advise both operators of the federal position.

As these two matters lie within the administrative responsibilities of the Commission, the foregoing views are forwarded for whatever action is deemed appropriate.

Yours sincerely,

Sylvain Cloutier.

Place de Ville
Ottawa
K1A 0N5

FILE NO.
DOSSIER
NO

25867A

JES/dy

MESSAGE



Transport
Canada

Transports
Canada

DATE

5 APRIL

1978

COMPLETE THIS SECTION-REPLIR GETTE PARTIE

FOR COMMERCIAL MESSAGES CHARGE ONLY | POUR MESSAGES COM-
MERCIAUX UNIQUEMENT

CHARGE
TARIF

COAST FERRIES
W.A. NEW
PRESIDENT
1400 KENT AVENUE
VANCOUVER, B.C.

GSR

\$100,000 NOTE PAYABLE TO HER MAJESTY NOW DUE. PLEASE ADVISE

RE YOUR PLANS FOR REPAYMENT.

J.K. Morrison

J.K. MORRISON
CHIEF
FINANCIAL PLANNING AND CONTROL
WATER TRANSPORTATION ASSISTANCE DIRECTORATE.

Transport Canada

Transports Canada

ROUTE SLIP

BORDEREAU D'ACHEMINEMENT

TO - À (NOM)	DESIGNATOR SYMBOLE	<input type="checkbox"/> For approval / Pour approbation <input type="checkbox"/> For Signature / Pour Signature <input type="checkbox"/> Comment / Observations <input type="checkbox"/> For your information / Pour votre information <input type="checkbox"/> Per our conversation / Selon notre conversation <input type="checkbox"/> Discuss with me / Discuter avec moi <input checked="" type="checkbox"/> Take appropriate action / Prendre les mesures appropriées
ASTA	<i>AM</i>	
SADMO		
DM		
EAMIN		

REMARKS - REMARQUES

DEC 16 1977

Senior Assistant Deputy Minister
Ministry of Transport

Letter to The Honourable Iona Campagnolo, P.C., M.P., in reply to her letter (copy) to Honourable Sam Bawlf, December 1, for signature of the Minister, please.

MINISTER OF TRANSPORT

DEC 19 10 06 AM '77



R. J. Marsham
Signature
FROM - DE R.J. Marsham (DGSW)

Date
14/12/77

Telephone - Téléphone

000490

R.J. Marsham/pf 2-5581

MIN (2)

DM

SADMO

ASTA (2)

DGSW (2)

550-11-8

The Honourable Iona Campagnolo, P.C., M.P.,
Minister of State (Fitness and Amateur Sport),
House of Commons,
Ottawa, Ontario.
K1A OA6



My dear Colleague:

Thank you for sending me a copy of your correspondence of December 1, to the Honourable Sam Bawlf, on the subject of outstanding matters related to the terms of the federal-provincial agreement on B.C. coastal marine transportation.

Referring to Section 7(2) on the subject of appropriate recognition of the federal financial participation, which you cite, I am attaching hereto a copy of a sign which we are planning to reproduce in appropriate sizes for this and other applications.

It is preferable, in our view, to standardize our advertising and while these notices have been developed for ferry application across Canada, we believe they may also be appropriately applied to other modes of transport in which the Federal Government is financially involved.

Yours sincerely,

ORIGINAL SIGNED BY
HON. OTTO E. LANG

Otto Lang

Attachment

**TRANSPORT
CANADA**



**TRANSPORTS
CANADA**

**THIS TRANSPORT SERVICE
IS SUBSIDIZED BY THE
GOVERNMENT OF CANADA**

**CE SERVICE DE TRANSPORT
EST SUBVENTIONNÉ PAR
LE GOUVERNEMENT DU
CANADA**

DEPUTY MINISTER OF TRANSPORT

SOUS-MINISTRE DES TRANSPORTS

ACTION REQUEST

FICHE DE SERVICE

TO -- A

ASTAD

DATE

5.12.77

FROM -- DE

DM

FILE NO. -- N° DE DOSSIER

REPLY DIRECT

RÉPONDRE DIRECTEMENT

REQUIRED ACTION

DONNER SUITE

NOTE & RETURN

NOTER ET RETOURNER

INFORMATION

INFORMATION

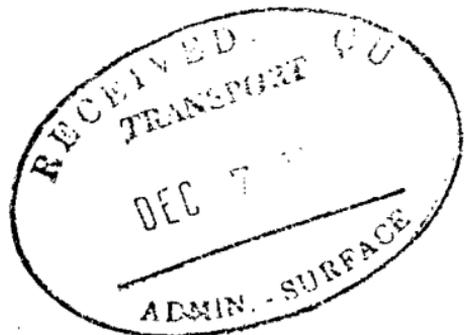
COMMENTS

COMMENTAIRES

PREPARE MEMO TO -- PRÉPARER UNE NOTE DE SERVICE À

REPLY FOR SIGNATURE OF -- RÉPONSE POUR LA SIGNATURE DE

REMARKS -- REMARQUES





Transport
Canada

Transports
Canada

Office of the Minister
Cabinet du ministre

Date Dec. 2/77

- TO: DEPUTY MINISTER
AU: SOUS MINISTRE
- TO: DEPUTY MINISTER'S OFFICE
AU: CABINET DU SOUS MINISTRE

PLEASE - S'IL VOUS PLAÎT

- PREPARE REPLY FOR SIGNATURE OF:
PRÉPARER RÉPONSE POUR LA SIGNATURE DE:
- PREPARE A MEMO OF EXPLANATION FOR:
RÉDIGER UNE NOTE D'EXPLICATION À L'INTENTION DU:
- PREPARE DRAFT REPLY
PROJET DE RÉPONSE
 - MINISTER
MINISTRE
 - EXECUTIVE ASSISTANT
CHEF DE CABINET
 - UNDERSIGNED
SOUSSIGNÉ
- FOR DIRECT REPLY
POUR RÉPONSE DIRECTE
- FOR PERUSAL AND APPROPRIATE ACTION
POUR LECTURE ET SUITE NÉCESSAIRE
- FOR INFORMATION
POUR INFORMATION

REMARKS - OBSERVATION

- THIS LETTER HAS NOT BEEN ACKNOWLEDGED.
NOUS N'AVONS PAS ACCUSÉ RÉCEPTION DE CETTE LETTRE.

SIGNATURE 000495



Minister
Public Works
Canada
Ministre
Travaux publics
Canada

File No.: 1134-840 (TY 3980)

Ottawa, Ontario
K1A 0M2

NOV 3 1977

IONA CAMPAGNOLO
MINISTER OF STATE
MINISTRE D'ÉTAT
NOV 18 1977
156-4-3
FITNESS & AMATEUR SPORT
SANTÉ ET SPORT AMATEUR

The Honourable Iona Campagnolo, P.C., M.P.,
Minister of State, Fitness and Amateur Sport,
House of Commons,
Ottawa, Ontario.
K1A 0A6

My dear Colleague:

Re: Masset, B.C. - Construction of a
combined ferry and loading facility

Thank you for your letter dated October 11, 1977,
on the above noted subject.

Departmental officials have now looked into this matter
and their report has been received. The report indicates that
a meeting was held in Vancouver during August, 1977 to discuss
the general B.C. coastal service as it relates to passenger
and cargo service. This meeting was attended by officials of
this Department, the Department of Transport, the B.C. Ferries
Corporation, the Provincial Government as well as representatives
of private coastal freight carriers. During the meeting, it
was indicated that the Provincial Government has commissioned
a study by the University of British Columbia Transportation
Department to determine the needs of the northern coastal com-
munities. It is planned to hold further discussions as soon
as the Consultant's report is available.

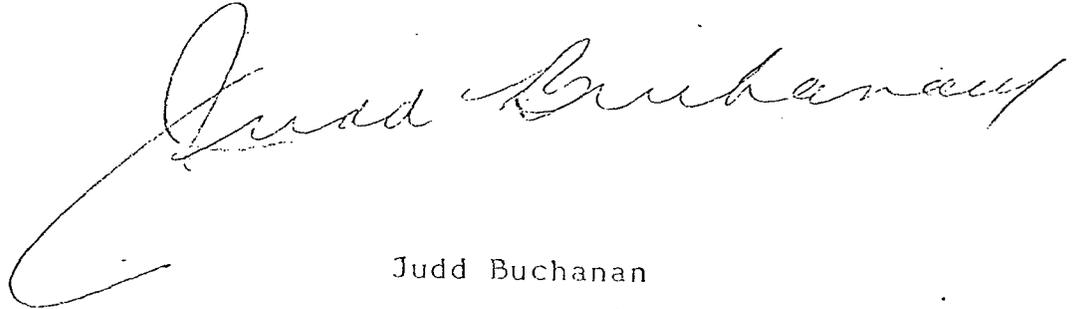
With respect to the proposed terminal facilities at
Masset to serve the Queen Charlotte Islands, it should be noted
that it would be necessary to provide a channel to accommodate
the ferry vessel to be used on this run. It is estimated that
the costs of dredging alone would be in the order of twenty
million dollars. In addition, it has been pointed out that
the construction of facilities to accommodate the Provincial
ferries would be a great deal more expensive than the construction
of barging facilities. Berthing facilities for barges would
also only be a fraction of the cost of those required for Provincial
ferries.

.../2

As indicated above, it is planned to hold further discussions on the general matter of the provision of B.C. coastal transport facilities as soon as the results of the study now being carried out by the Provincial Government are known. In addition, it is considered that further studies in terms of economic feasibility will be required in relation to the specific request for cost sharing of a combined ferry-barge facility at Masset, B.C. Accordingly, no action is being taken at this time to include an item for this project for consideration in the Department's program for 1978/79.

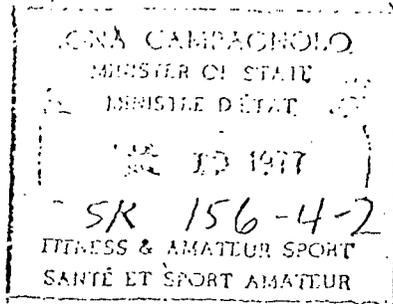
Your interest in this matter is appreciated and I wish to thank you for bringing it to my attention.

Yours sincerely,

A handwritten signature in cursive script that reads "Judd Buchanan". The signature is written in dark ink and is positioned above the printed name.

Judd Buchanan

Minister of Transport Canada /
Ministre des Transports Canada



JUL 13 1977

The Honourable Iona Campagnolo, P.C., M.P.,
Minister of State, Fitness and
Amateur Sport,
Room 581-CB,
House of Commons,
Ottawa, Ontario.

My dear Colleague:

This refers to your letter of February 28, 1977 and the request of Mayor Grosse of Masset for a barge ramp facility. I regret the delay of this reply.

As you know a joint Cost-sharing Agreement between Canada and the Province of British Columbia was announced in April. This Agreement provides for a federal payment to the province and the assumption by the province of the provision of coastal services under its supervision.

The responsible officials of Transport and Public Works now are awaiting a decision by the province to identify the carrier which will service Northern B.C. and the Queen Charlotte area. This is necessary before the type of shore facilities are designed and constructed.

The Regional Director, Canadian Coast Guard, Vancouver, is keeping in close touch with the Province in this regard and when its position is known, a

.../2

- 2 -

program will be devised to meet the needs of the service. I might add that I have the assurance of the Honourable Judd Buchanan, Minister of Public Works, that he will co-operate with us in dealing with requests received from the B.C. Government for improved or new marine facilities.

I will endeavour to keep you informed.

Yours sincerely,



Otto Lang.

558-11-8



Government of Canada / Gouvernement du Canada

MEMORANDUM

NOTE DE SERVICE

BY HAND

TO
A

C.K. Kennedy (DGCT)

FROM
DE

R.J. Marsham (DGSW)

SUBJECT
OBJET

British Columbia Ferry Corporation
- Subsidy Agreement

SECURITY-CLASSIFICATION - DE SÉCURITÉ
CONFIDENTIAL
OUR FILE - N/RÉFÉRENCE
YOUR FILE - V/RÉFÉRENCE
DATE March 25, 1977

Attached hereto please find two copies of the text of the above-noted proposed Agreement. This text is that formerly vetted by your W.G. Nelson as modified in accordance with our discussion of this morning.

One copy is for your files and I should be obliged if you would initial each page of the other and return for our records.

R.J. Marsham
Director-General
Water Transportation
Assistance Directorate

Attach:

000501

TRANSPORT



DEPUTY MINISTER OF TRANSPORT

SOUS-MINISTRE DES TRANSPORTS

PA
/

MIN (2)
DM (1)
SADMO (1)
ASTA (2)
DGSW (2)
FILE

FILE NO:
DOSSIER N°:

DATE

MAR 22 1977

MEMORANDUM TO MINISTER RE:
NOTE DE SERVICE AU MINISTRE-OBJET:

**British Columbia Ferry
Corporation -
Subsidy Agreement**

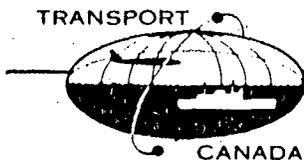
Further to your consideration, yesterday, of the draft Agreement between Canada and British Columbia in respect of our planned \$8 million annual subsidy to the Ferry Corporation, I attach hereto a revised draft which has been somewhat modified and which incorporates the clauses you drafted.

The text of this version has been relayed to British Columbia, without prejudice, and I should be grateful for your observations for proposed discussions between officials later this week, at which time it is hoped to finalize an agreed text.

The only reaction from The Honourable Jack Davis is an indication that he would prefer the proposed review period in paragraph 1(2) to be at intervals of five years instead of the three years as presently drafted.

ORIGINAL SIGNED BY
ORIGINALE SIGNÉE PAR
S. D. Cameron

SUBMITTED BY: _____
PRÉSENTÉ PAR: _____



DEPUTY MINISTER OF TRANSPORT

SOUS-MINISTRE DES TRANSPORTS

MIN (2)

DM (1)

SADMO (1)

ASTA (2)

DGSW (2)

FILE

FILE NO:
DOSSIER N°:

DATE

MEMORANDUM TO MINISTER RE:
NOTE DE SERVICE AU MINISTRE-OBJET:

**British Columbia Ferry
Corporation -
Subsidy Agreement**

Further to your consideration, yesterday, of the draft Agreement between Canada and British Columbia in respect of our planned \$8 million annual subsidy to the Ferry Corporation, I attach hereto a revised draft which has been somewhat modified and which incorporates the clauses you drafted.

The text of this version has been relayed to British Columbia, without prejudice, and I should be grateful for your observations for proposed discussions between officials later this week, at which time it is hoped to finalize an agreed text.

SUBMITTED BY:
PRÉSENTÉ PAR:

THIS SUBSIDY AGREEMENT made in duplicate this
day of One Thousand Nine Hundred and Seventy-
Seven;

B E T W E E N:

THE GOVERNMENT OF CANADA represented
herein by the Honourable Otto E. Lang
Minister of Transport (hereinafter
called "Canada"),

OF THE FIRST PART,

- and -

THE GOVERNMENT OF THE PROVINCE OF
BRITISH COLUMBIA represented herein
by the Honourable William R. Bennett
Premier of British Columbia (herein-
after called the "Province"),

OF THE SECOND PART.

WHEREAS

A. Pursuant to the British Columbia Ferry Corporation Act,
the Lieutenant Governor of the Province of British Columbia, by
and with the advice and consent of the Executive Council, has
ordered that a ferry subsidy be authorized in accordance with
Order in Council No. 3614, dated 16 December, 1976; and

B. Canada is desirous of providing financial assistance to
the Province in respect of the provision of ferry and coastal steam-
ship services in the waters of British Columbia; and

C. The Province agrees to assume sole responsibility for
deciding which services should receive financial assistance and
to provide all such future assistance.

NOW THEREFORE CANADA AND THE PROVINCE covenant and
agree as follows:-

1. (1) Canada shall pay to the Province a subsidy not to exceed
in any event the sum of EIGHT MILLION DOLLARS (\$8,000,000) in the
fiscal year commencing on the first day of April, 1977 and ending
on the 31st day of March, 1978 and shall thereafter pay an annual
subsidy in an amount equal to the sum of the previous year's
subsidy adjusted by the Cost of Living Index for the City of
Vancouver as published by Statistics Canada.

(2) This Agreement shall be reviewed on the third anniversary
of its execution and every third year thereafter, and at such time
the appropriateness of the index used as a basis for calculating
adjustments to the annual subsidy shall be reviewed by the Parties
hereto.

- 2 -

2. The amount of the subsidy shall be based on the route mileage for two water links connecting the lower mainland of British Columbia with the southern portion of Vancouver Island and connecting the northern portion of Vancouver Island with the upper mainland of British Columbia respectively and shall, for the purpose of calculating the initial payment, consist of the Horseshoe Bay to Departure Bay and Port Hardy to Prince Rupert links having a total route mileage of 347 statute miles. It is further understood and agreed that the statute miles herein stated shall constitute the maximum mileage for the purpose of this Agreement and that there may be downward adjustment in the statute mileage should the aforesaid terminals be changed.

3. For the purpose of this Agreement any downward adjustment in the statute mileage shall result in a downward adjustment in the subsidy at the rate of FORTY-SEVEN THOUSAND FOUR HUNDRED DOLLARS (\$47,400.) per mile as adjusted in accordance with the terms of this Agreement.

4.(1) The Province shall assume future financial responsibility for all ferry and coastal freight and passenger services in the waters of British Columbia including those services formerly and currently subsidized by Canada, and without limiting the generality of the foregoing shall assume sole financial responsibility for all residual subsidies resulting from

- (a) the cancellation of the subsidy to Northland Navigation Ltd.;
- (b) Interim subsidy to Coast Ferries Ltd.;
- (c) Subsidy to Nootka Sound Service Ltd.;
- (d) Subsidy to Kyuquot Freight Services Ltd.;
- (e) Subsidy to Ahousat Freight Service Ltd.

it being further agreed that future provision of subsidies shall be entirely within the discretion of the Province.

(2) The province agrees, in undertaking responsibility for ferry and coastal steamship services throughout western coastal waters, to assure reasonable and adequate service and appropriate supervision and regulation thereof.

(3) The province will, as soon as reasonably possible, place in service, passenger vessels to give effective links where required on the coast between communities and principal water and air services.

5. Canada shall be relieved of any and all obligations for the provision of subsidy or other financial assistance over and above the subsidy provided for in this Agreement.

6. Nothing in this Agreement shall be construed to obligate Canada to make payments until monies have been appropriated therefor by the Parliament of Canada.

... - 3

7. (1) Canada and the Province agree to cooperate in the joint release of any announcements concerning the undertaking of this Agreement that provides due credit and recognition to Canada and the Province.

(2) The Province shall, at its own cost and expense provide public identification of federal financial participation in the ferry service in a form satisfactory to Canada.

8. This Agreement may not be amended except by an instrument in writing under the hands of duly authorized representatives of Canada and the Province respectively.

9. This Agreement shall terminate at such time as shall be agreed jointly by Canada and the Province.

10. No member of the House of Commons of Canada or the Legislative Assembly of British Columbia shall be admitted to any share or part of this Agreement or to any benefit arising therefrom.

IN WITNESS WHEREOF the Parties hereto have executed these presents the day and year first above written.

SIGNED, SEALED AND DELIVERED)

in the presence of -)

SIGNED, SEALED AND DELIVERED)

in the presence of -)

350-11-8

MEMORANDUM

NOTE DE SERVICE

TO / A **WW G. Nelson (DGCT)**

FROM / DE **R. J. Marsham (DGSW)**

SECURITY-CLASSIFICATION - DE SÉCURITÉ
CONFIDENTIAL
OUR FILE - N/RÉFÉRENCE
YOUR FILE - V/RÉFÉRENCE
JUS 2550-33
DATE
March 16, 1977

SUBJECT / OBJET

**Federal/Provincial Agreement on
Financial Support of B.C. Ferry Corporation**

Further to my memorandum of March 10th, 1977 addressed to Mr. W. J. A. Hobson, and our discussion of this morning, I am now able to advise that we have discussed further with the Government of British Columbia the outstanding points of the above-noted Agreement.

I am attaching hereto copy of a telex from the Honourable Jack Davis which sets out the main points of the Agreement which is envisaged between us. I have no particular difficulty with the contents of the telex, save that it may be useful to not spell out the manner in which the per mile subsidy has been calculated, but rather to state that the Federal Government acknowledges and accepts the provincial calculations as contained in Order in Council No. 3614, copy also attached.

Original Signed By
R. J. MARSHAM

R. J. Marsham

Att.

OM*
MOT MIN OTT

BC GOVT VIC
TO: MR ROGER MARSHAM, DIRECTOR GENERAL
WATER TRANSPORTATION ASSISTANCE
TRANSPORT CANADA
OTTAWA
FROM: THE HONOURABLE JACK DAVIS
MINISTER OF ENERGY, TRANSPORT AND COMMUNICATIONS
PARLIAMENT BUILDINGS
VICTORIA
TLX 044-8135
151626 PST MAR 77
BT

MASTER AGREEMENT GOVERNING FEDERAL
FINANCIAL ASSISTANCE TO THE
PROVINCIAL GOVERNMENT OF B. C.
IN RESPECT OF THE PROVISION
OF FERRY AND COASTAL SHIPPING SERVICES

WHEREAS THE GOVERNMENT OF CANADA IS DESIROUS OF PROVIDING
FINANCIAL ASSISTANCE TO THE GOVERNMENT OF BRITISH COLUMBIA
IN RESPECT OF THE PROVISION OF FERRY AND COASTAL STEAMSHIP
SERVICES IN THE WATERS OF BRITISH COLUMBIA, AND

WHEREAS THE GOVERNMENT OF BRITISH COLUMBIA AGREES TO
ASSUME RESPONSIBILITY FOR DECIDING WHICH SERVICES SHOULD
RECEIVE FINANCIAL ASSISTANCE AND TO PROVIDE ALL SUCH FUTURE
ASSISTANCE.

NOW THEREFORE THE GOVERNMENT OF CANADA AND THE GOVERNMENT
OF BRITISH COLUMBIA AGREE AND COVENANT AS FOLLOWS:-

THAT IN CONSIDERATION OF AN ANNUAL CONTRIBUTION TO BE
PAID BY THE FEDERAL GOVERNMENT TO THE PROVINCE OF BRITISH
COLUMBIA, THE AMOUNT OF EACH YEAR'S PAYMENT CONSISTING OF
THE PREVIOUS YEAR'S CONTRIBUTION ADJUSTED BY THE CONSUMER
PRICE INDEX FOR VANCOUVER AS PUBLISHED BY STATISTICS
CANADA, THE PROVINCIAL GOVERNMENT DOES AGREE TO ASSUME FULL
RESPONSIBILITY FOR THE PROVISION OF ANY SUBSIDIZED COASTAL
SHIPPING SERVICES INCLUDING FERRY SERVICES WITHOUT FURTHER
RECOURSE TO THE FEDERAL GOVERNMENT.

THE AMOUNT OF THE FOREGOING IS TO BE CALCULATED AS A
ROUTE MILE SUBSIDY FOR TWO WATER LINKS CONNECTING THE LOWER
MAINLAND OF BRITISH COLUMBIA WITH THE SOUTHERN PORTION OF
VANCOUVER ISLAND, AND THE NORTHERN PORTION OF VANCOUVER
ISLAND TO THE UPPER MAINLAND COAST.

FOR PURPOSES OF DETERMINING THE INITIAL PAYMENT, THE TWO
ROUTES ARE CONSIDERED TO BE HORSESHOE BAY - DEPARTURE BAY AND
PORT HARDY - PRINCE RUPERT HAVING A TOTAL ROUTE MILEAGE OF
347 STATUTE MILES. IT IS UNDERSTOOD THAT THIS IS A MAXIMUM
MILEAGE FOR THE PURPOSES OF THIS AGREEMENT, AND THAT THERE
MAY BE DOWNWARD ADJUSTMENT IN FUTURE YEARS IF THE AFORESAID
TERMINI ARE CHANGED. IT IS FURTHER UNDERSTOOD THAT THE AMOUNT
OF THE INITIAL PAYMENT SHALL NOT EXCEED DOLLARS 8 MILLION.

CALCULATIONS FOR FEDERAL ASSISTANCE ARE BASED ON 50 PERCENT
OF THE AGGREGATE OF THE ANNUAL COST OF MAINTAINING, AND THE
ANNUAL AMORTIZATION OF THE CAPITAL COST, OF A TWO-LANE HIGHWAY
BUILT TO TRANS CANADA HIGHWAY STANDARDS. THE FOLLOWING COSTS
ARE USED FOR THE CALCULATIONS:

- (A) CONSTRUCTION AND INITIAL REPAVEMENT DOLLARS 975,000/MILE
 - (B) REPAVING COSTS 52,500/MILE
 - (C) ANNUAL MAINTENANCE 6,300/MILE
- CAPITAL COSTS AMORTIZED ON A STRAIGHT-
LINE BASIS OVER 25 YEARS DOLLARS 41,100 PER MILE PER ANNUM
ANNUAL MAINTENANCE COSTS 6,300 PER MILE PER ANNUM
TOTAL DOLLARS 47,400 PER MILE PER ANNUM
50 PERCENT OF 347 MILES AT DOLLARS 47,400 EQUALS DOLLARS 8,223,900.

IN ACCORDANCE WITH THE AGREED MAXIMUM THE FEDERAL CONTRIBUTION
FOR 1977/78 IS DOLLARS 8,000,000.

PAYMENTS FOR SUBSEQUENT YEARS ARE TO BE ADJUSTED BY THE
CONSUMER PRICE INDEX FOR VANCOUVER AS PUBLISHED BY STATISTICS

CANADA. THE APPROPRIATENESS OF THIS INDEX AS AN ANNUAL ADJUSTMENT
FACTOR SHALL BE REVIEWED AFTER 3 YEARS. AND SUBSEQUENTLY ANY
METHOD USED IN ANNUAL ADJUSTMENT OF THE SUBSIDY WILL BE REVIEWED
EVERY 3 YEARS.

THE PROVINCIAL GOVERNMENT HEREBY AGREES TO GIVE APPROPRIATE
RECOGNITION FOR FEDERAL PARTICIPATION AND TO ASSUME FUTURE
FINANCIAL RESPONSIBILITY FOR ALL FERRY AND COASTAL STEAMSHIP
SERVICES IN THE WATERS OF BRITISH COLUMBIA INCLUDING THOSE
SERVICES FORMERLY AND CURRENTLY SUBSIDIZED BY THE FEDERAL
GOVERNMENT, MORE SPECIFICALLY

- (i) ALL RESIDUAL SUBSIDIES RESULTING FROM THE CANCELLATION OF
THE SUBSIDY TO NORTHLAND NAVIGATION LTD.
- (ii) INTERIM SUBSIDY TO COAST FERRIES LTD.
- (iii) SUBSIDY TO NOOTKA SOUND SERVICE LTD.
- (iv) SUBSIDY TO KYUQUOT FREIGHT SERVICES LTD.
- (v) SUBSIDY TO AHOUSAT FREIGHT SERVICE LTD.

WITH THE CLEAR UNDERSTANDING THAT FUTURE PROVISION OF SUBSIDIES
SHALL BE ENTIRELY WITHIN THE DISCRETION OF THE GOVERNMENT OF
BRITISH COLUMBIA. (NOTE)

(NOTE) A SUITABLE CLAUSE WILL BE INCLUDED TO SPECIFY MINIMUM
LEVELS OF SERVICE ON THE TWO BASIC ROUTES.
NNNN



3614

APPROVED AND ORDERED 16. DEC. 1976

W. S. Quinn
Lieutenant-Governor

EXECUTIVE COUNCIL CHAMBERS, VICTORIA 16. DEC. 1976

W-11
Pursuant to the British Columbia Ferry Corporation Act, and upon the recommendation of the undersigned, the Lieutenant-Governor, by and with the advice and consent of the Executive Council, orders that

WHEREAS the Minister of Finance recommends that he be authorized to pay to the corporation in its 1977 fiscal year and in each subsequent fiscal year a sum of money, to be known as the Annual Highway Equivalent Subsidy (hereinafter referred to as the "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;

AND WHEREAS, in the opinion of the Lieutenant-Governor in Council, the Subsidy as calculated herein is 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 are substantially equivalent to the ferry routes operated by the corporation.

ORDERS THAT the Minister of Finance be and is hereby authorized to pay and shall pay the Subsidy to the corporation on a quarterly basis in its 1977 fiscal year and in each subsequent fiscal year which Subsidy is to be calculated in accordance with the following formula which is hereby approved:

For the purposes of the Subsidy, the ferry routes operated by the corporation shall be considered as substantially equivalent to a two-lane highway built through difficult terrain in the coastal region.

The following highway costs are used to calculate the Subsidy:

- (a) Construction and initial repavement \$975,000/mile
- (b) Repaving costs \$52,500/mile
- (c) Annual maintenance \$6,300/mile

Applying these costs to the 546.18 miles of ferry routes to be operated by the corporation and amortizing the construction and repaving costs on a straight-line basis over 25 years, results in a total of \$25,889,000. This sum shall constitute the Subsidy except that in each subsequent fiscal year the amount of the Subsidy shall be increased or decreased by a percentage equal to the annual percentage change in Consumer Price Index as reported by Statistics Canada for Vancouver, British Columbia.

The amount of the Subsidy shall be increased in addition to the Consumer Price Index adjustment in the event that any route is added to the operations of the corporation or shall be decreased in the event that any route is deleted from the operations of the corporation. The actual amount of the increase or decrease in the Subsidy shall be based on the equivalent highway costs at that time.

Quinn
Minister of Energy, Transport and Communications

W. R. Bennett
Presiding Member of the Executive Council.

The Minister of Finance hereby certifies that he recommends that he be authorized pursuant to subsection (2) of section 18 of the British Columbia Ferry Corporation Act to pay to the corporation in its 1977 fiscal year and in each subsequent fiscal year a sum of money, to be known as the Annual Highway Equivalent Subsidy, that is, in the opinion of the Lieutenant-Governor in Council, substantially equivalent to the aggregate of the annual cost of maintaining, and the annual amortization of the capital cost, of lengths and classes of highways in the Province which, in the opinion of the Lieutenant-Governor in Council, are substantially equivalent to the ferry routes operated by the corporation, the sum to be calculated in accordance with a formula to be approved by the Lieutenant-Governor in Council.

The

day of

December, 1976

Minister of Finance

MEMORANDUM

NOTE DE SERVICE

TO / À
W. J. A. Hobson (DGCT)

FROM / DE
R. J. Marsham (DGSW)

SECURITY-CLASSIFICATION - DE SÉCURITÉ
CONFIDENTIAL
OUR FILE - N/RÉFÉRENCE
YOUR FILE - V/RÉFÉRENCE
JUS 2550-33
DATE
March 10, 1977

SUBJECT / OBJET
Federal/Provincial Agreement on
Financial Support of B.C. Ferry Corporation

Thank you for your memorandum of March 2, 1977 reflecting our meeting on February 25 on the captioned subject.

As you correctly note, there are two matters currently being negotiated with British Columbia, however, they have only been conjoined for external purposes of negotiation. Within Transport Canada they remain separate matters and will ultimately result in separate and distinct agreements.

Cabinet Committee on Government Operations considered our proposal on March 8 and we now have authority to proceed along the lines generally indicated. As I believe you are aware, there are some time constraints related to the fiscal year end. These are now reinforced by the desire to have the Prime Minister make any appropriate announcement during his visit to the West Coast on April 5.

Further to the rough notes which we provided you on February 25, the agreed total mileage is 347 statute miles (Horseshoe Bay - Departure Bay being 34.5 miles and Port Hardy - Prince Rupert being 312.5 miles). As regards the amount/mile for 1977, this is still the matter of discussion between us and the finally agreed amount will be for insertion later. As to the presentation of the calculation in the document, I welcome your advice.

... - 2

- 2 -

On the instructions of Cabinet Committee, the Master Agreement should include -

- (1) a clause committing the province to ensure, as a minimum, a level of service to coastal communities not inferior to that now provided; and,
- (2) provision for the public identification of federal financial participation in the ferry service, the form which this might take to be determined by the Minister of Transport in consultation with regional Ministers.

In this latter regard, it has been suggested that this might be accomplished by an appropriate legend on the tickets.

I am available to whichever of your officers will be assisting us in this matter, and shall be grateful if a draft Agreement, embracing the aforementioned points, could be prepared at an early date for consideration of the parties.

Original Signed By
R. J. MARSHAM

R. J. Marsham



Canadian Transport
Commission

Commission canadienne
des transports

Mr. Brunette

Please free.

Mr. Raymond

WTC

7-1227

PRIVY COUNCIL OFFICE

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SECRET

REVISED

RECORD OF CABINET DECISION

Meeting of December 9, 1976

B.C. Coast Ferry Service

The Cabinet agreed that:

1. the Department of Transport be authorized to acquire, at an approximate cost of \$500,000, a self-propelled vessel to replace the vessel presently in use on the Queen Charlotte Islands - Prince Rupert route;
2. the Minister of Transport be authorized to arrange an interim subsidy of up to \$300,000 for the fiscal year ending March 31, 1977 to Coast Ferries Ltd., in order to permit continuation of adequate coastal freight service to the southern coastal communities of British Columbia;

SECRET

REVISE

RAPPORT DE DECISION DU CABINET

Réunion du 9 décembre 1976

Le service de traversier de la côte de la Colombie-Britannique

Le Cabinet convient que:

1. le ministère des Transports soit autorisé à acquérir, au coût approximatif de \$500 000, un navire auto-propulseur pour remplacer celui qui fait actuellement la navette entre les Iles Reine-Charlotte et Prince-Rupert;
2. le ministre des Transports soit autorisé à verser une subvention provisoire d'au plus \$300 000 à la Coast Ferries Ltd pour l'année financière se terminant le 31 mars 1977, afin d'assurer le maintien d'un service satisfaisant de traversiers pour les collectivités de la côte méridionale de la Colombie-Britannique;

PRESIDENT'S
OFFICE

JAN 24 1977

C.T.C.
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SECRET

3. the Minister of Transport issue a strong and deliberate statement affirming the federal government's commitment to the establishment of improved passenger and freight services on the West Coast.

SECRET

3. le ministre des Transports fasse une déclaration qui soit à la fois ferme et bien pesée pour faire connaître l'engagement pris par le gouvernement fédéral à l'égard de l'amélioration des services voyageurs et marchandises sur la côte ouest.

Hilda Fenley (Mrs.)
Le dépositaire des documents du Cabinet
R.F. Charron
Supervisor of Cabinet Documents

January 18, 1977

Le 18 janvier 1977

* No supporting document

* Aucun document de base