

Update Evaluation of the Grant to the Province of British Columbia in respect of the provision of ferry and coastal freight and passenger services

From: Transport Canada

Evaluation report outlining results of the Update Evaluation of the Grant to the Province of British Columbia in respect of the provision of ferry and coastal freight and passenger services at Transport Canada.

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Program information

Program background

The Grant to the Province of British Columbia (BC) for the provision of ferry and coastal freight and passenger services (the Grant) is based on an agreement signed in 1977 between the Government of Canada and the Province of BC. Under the terms of the grant, the federal government would

provide an annual indexed subsidy to BC in support of ferry and coastal freight and passenger services. In return, the Province would support specific water links between the BC mainland and Vancouver Island, totaling at least 337 statute miles.

The Province of BC would also commit to the provision of “reasonable and adequate” ferry service as well as public identification of federal financial participation. Lastly, the Province would be responsible for determining the services that needed to be funded while the Government of Canada would be relieved of any obligations related to the ferry services.

The agreement was signed without an end date. It cannot be changed or terminated without the agreement of both the Government of Canada and Province of BC.

Expected results

The Grant is expected to result in transportation links to the national surface transportation system from various regions and isolated areas of BC.¹

Program delivery and resources

- The Grant is managed by the Air, Marine and Environmental Programs Directorate of Transport Canada’s (TC) Programs Group.
- The original value of the grant was calculated at \$8M annually; it was based on the cost to support the route mileage (337 statute miles) associated with two specific water links between the mainland of BC and the island of Vancouver. Future payments were and are to be adjusted to reflect changes in the Consumer Price Index for Vancouver. Planned spending for 2021-2022 was approximately \$32M. Table 1, below, provides a summary of the annual disbursements from 2017-2018 to 2021-2022.

Table 1: Disbursements by Fiscal Year

| Fiscal Year | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---------------------|----------------|----------------|----------------|----------------|----------------|
| Grant Amount | \$29,782,285 | \$30,503,800 | \$31,340,281 | \$32,028,098 | \$32,182,708 |

Source: Transport Canada Details of Transfer Payment Programs Over \$5 Million (2018-19 to 2022-2023)

Evaluation objectives, scope and methodology

Rationale

Under the Policy on Results, it is mandatory to conduct evaluations of ongoing programs of grants and contributions with five-year average actual expenditures of \$5 million or greater per year, in order to fulfill the requirements of section 42.1 of the *Financial Administration Act*.

Evaluation approach and questions

Given that the Grant is very low risk and that the context for this program has not changed since it was last evaluated five years ago, a streamlined evaluation approach was adopted, consisting of an update of the key findings of the 2017 evaluation. In line with the Policy on Results, the evaluation assessed the relevance and performance of the program.

The evaluation questions are as follows:

Relevance

1. Does the provision of the grant continue to align with federal government priorities?
2. Does the provision of the grant continue to align with TC strategic objectives?

Performance

3. Has the Province of BC met its grand obligations?
4. Has the Province of BC met its commitments found in the 1977 agreements?

Methodology

In line with the streamlined approach, the evaluation methodology consisted primarily of a review of program documents, as well as publicly available documents about BC Ferries, such as Annual Reports, Annual Reports to the BC Ferries Commissioner, as well as Business Plans and Performance and Sustainability Reports. We also conducted an informal interview with the program manager to validate our analysis and findings.

- Document review
- Media scan
- Interview

Relevance

Does the provision of the grant continue to align with federal government priorities?

The Grant is required to fulfil the federal government's obligation as set out in a legally binding agreement and is therefore relevant.

The Grant is required to fulfil the federal government's obligation as set out in a legally binding agreement. In and of itself, this obligation makes the Grant relevant. That said, the Grant is a legacy commitment and its alignment with federal priorities will vary over time. For example, Budget 2023 highlights the government's continued focus on strengthening Canada's trade corridors. Given BC Ferries provides various BC regions with transportation links to the national surface transportation system and transports approximately 7 to 8 billion dollars worth of cargo each year², it may be viewed as contributing to this priority at a high level. On the other hand, the Grant's alignment with the priorities articulated in the November 2021 Speech from the Throne is less strong. These priorities include pandemic recovery, continued climate action, increased diversity and inclusion, and continued efforts towards reconciliation. Also highlighted in the Speech is the priority of a stronger more affordable economy. At a high level it could be argued that the Grant supports this priority. BC Ferries serves commuters, transports goods to BC coastal communities and provides a means for coastal communities to get their products to market. However, a closer look at the Speech shows that the government is focusing on affordable childcare, housing, and support for industries that continue to struggle. On this more granular level, the Grant does not link to this economic priority.

Examination of Minister of Transport Mandate Letters offers similar results. The December 2021 Mandate Letter has no areas of obvious alignment with the Grant. The subsequent Supplementary Mandate Letter of January 2021, on the other hand, encourages a focus on "growing Canada's ocean economy to create good middle-class jobs and opportunities for ocean sectors and coastal communities, while advancing reconciliation and conservation objectives." The Grant's linkage to this priority is stronger, as it

contributes to ensuring that coastal and island communities in BC continue to have access to essential services and goods and to helping to support the marine and tourism sectors.

Does the provision of the grant continue to align with TC strategic objectives?

The Grant supports the departmental core responsibility of an efficient transportation system.

In TC's Program Inventory, the Grant is found under Core Responsibility 3: Efficient Transportation System, defined in part as one that "supports efficient market access to products through investment in Canada's trade corridors". The Grant is expected to help provide transportation links to the national surface transportation system from various regions and isolated areas of BC.³ As mentioned on the previous page, according to a review of coastal ferry services conducted in 2018, BC Ferries transports approximately 7 to 8 billion dollars worth of cargo each year. Furthermore, island communities are highly dependent upon coastal ferry services for goods, and without these services would face great difficulty accessing things such as food, fuel, and consumer goods. BC Ferries, in its financial reporting, reports the grant funding as route earnings, i.e., it applies the funding towards the cost of providing services on these routes. The service can therefore be said to support TC's core responsibility of an efficient transportation system.

Performance

Has the Province of BC met its grant obligations?

The Province of BC has met its primary grant obligation of supporting ferry services in specific water links between the BC mainland and Vancouver Island by covering a minimum of 337 statute miles.

In return for the funding provided by the federal government, the Province of BC must support two specific water links: 1) “connecting the lower mainland of British Columbia with the southern portion of Vancouver Island”; and 2) “connecting the Northern portion of Vancouver Island with the upper mainland of British Columbia”, with the basis of the payment being “a total mileage for these purposes of 337 statute miles”. These links consist of the four routes of ferry services shown in Table 2, which together cover 365 nautical miles (420 statute miles). This demonstrates that the Province of BC is meeting the minimum route mileage stipulated in the 1977 agreement.

Table 2: Route Mileage – BC Mainland to Vancouver Island

| Routes | Distance (Nautical Miles) |
|---|------------------------------------|
| Vancouver – Victoria (Tsawwassen-Swartz Bay) | 24 |
| Vancouver – Nanaimo (Tsawwassen-Duke Point) | 38 |
| West Vancouver – Nanaimo (Horseshoe Bay-Departure Bay) | 30 |
| Prince Rupert – Mid Coast - Port Hardy | 273 |
| Total | 365 (420 statute miles) |

Has the Province of BC met its commitments found in the 1977 agreement?

For the evaluation period, the Province of BC met its commitments to provide:

- reasonable and adequate service
- public identification of federal financial participation

In addition to eligibility requirements for the Grant, the Province of BC made commitments in the 1977 agreement to ensure the provision of:

- Reasonable and adequate service; and
- Public identification of federal financial participation in the ferry service in a form satisfactory to Canada.

The Province is responsible for ensuring these commitments are met because it best understands the needs of users and local communities supported by the ferry services.

Reasonable and adequate service requirement

The evaluation team looked at 1) customer satisfaction, 2) passenger safety, and 3) reliability to determine if the service is both reasonable and adequate.

Information on quality of service is collected by BC Ferries, as stipulated by the Coastal Ferry Contract. Surveys, designed to measure service satisfaction at various points in the customer experience, are conducted three times a year on representative samples of routes. In addition, BC Ferries collects data on various operational targets, such as passenger safety, reliability and on-time performance.

In the next paragraphs, we examine customer satisfaction, passenger safety, and reliability.

1. Customer Satisfaction

Since 2017, customer satisfaction levels have generally been above BC Ferries' own targets, as indicated in the Annual Report to the BC Ferries Commissioner for fiscal year 2022.

Overall customer satisfaction in 2021-2022 was rated at 4.07 compared to a high of 4.22 in 2018-19. According to the above-noted report, the decreasing satisfaction levels in the following two years were likely due to the COVID-19 pandemic and the measures put in place that restricted available services and amenities. Except for 2020-2021, overall customer satisfaction levels have surpassed BC Ferries' target of 4.05 out of 5 every year since 2017-18.

Table 3: Customer Satisfaction Levels

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|-----------------------------|---------|---------|---------|---------|---------|
| Overall Satisfaction | 4.16 | 4.22 | 4.09 | 3.97 | 4.07 |

Source: BC Ferries Services Inc. Annual Report to the British Columbia Ferries Commissioner Year Ended March 31, 2022

2. Passenger Safety

The BC Ferries Passenger Safety Index measures the number of passenger injury incidents per 1,000,000 passengers. As Table 4 shows, there has been a dramatic improvement in passenger safety over the last five years: in 2017-18, BC Ferries had a passenger safety index score of 10.01. By 2021-2022 it was 1.79, an 82% improvement.

Table 4: Passenger Safety Index

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---------------|----------------|----------------|----------------|----------------|----------------|
| Target | 10.68 | 9.59 | 9.59 | 6.95 | 6.90 |
| Result | 10.01 | 9.80 | 4.30 | 3.07 | 1.79 |

Source: BC Ferries Services Inc. Fiscal Year 2021-22 Performance and Sustainability Report

3. Reliability

The reliability index for BC Ferries is calculated as the number of scheduled round trips minus trips that were cancelled due to circumstances within BC Ferries control, divided by the total number of round trips. Cancellations that are outside of BC Ferries control include those due to adverse weather, or to medical or rescue situations. The table below shows the ferry operator's reliability index for the last five years and includes both the operator's targets as well as results. According to this data the ferry service has a high level of reliability, ranging anywhere from 99.68% to 99.84%, and results are always within or above targets.

Table 5: Reliability Index (%)

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---------------|------------------|------------------|------------------|------------------|------------------|
| Target | 99.55 - 99.74 | 99.55 - 99.74 | 99.55 - 99.74 | 99.55 - 99.74 | 99.55 - 99.74 |
| Result | 99.83 | 99.73 | 99.84 | 99.69 | 99.68 |

Source: BC Ferries Services Inc. Fiscal Year 2021-22 Performance and Sustainability Report

Another measure of reliability is on-time performance, which is defined by BC Ferries as the number of departures for Non-Northern Routes, and the number of arrivals for Northern routes within 10 minutes of the stated time. Factors that can impact on-time performance include weather, vessel substitution, terminal dock maintenance or closures and periods of unusually high traffic demand.

In the last five fiscal years, on-time performance fell below BC Ferries operational targets, even though that target was lowered from 91% to 88%. It is to be noted that the target was reduced from 91% to 88% in 2020-21 following three successive years of actual results hovering at the 88% level, as shown in the table below.

However, there is no available data on how long delays were after the initial ten-minute window, and without further analysis, we cannot ascertain whether this constitutes a reliability issue.

Table 6: On-Time Performance (%)

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---------------|----------------|----------------|----------------|----------------|----------------|
| Target | 91.0 | 91.0 | 91.0 | 88.0 | 88.0 |
| Result | 88.4 | 87.8 | 88.8 | 89.1 | 85.6 |

Source: BC Ferries Services Inc. Fiscal Year 2021-22 Performance and Sustainability Report

Public identification of federal financial participation in the ferry service in a form satisfactory to Canada

BC Ferries reports on the Grant in its public financial statements. According to program managers, the fact that these statements are available to the public on BC Ferries' website sufficiently satisfies this requirement.

Conclusion

In summary, the evaluation found that:

- The Grant is relevant in a narrow sense, as it is required to fulfil the federal government's obligation as set out in a legally binding agreement. The Grant also does support the departmental core responsibility of an efficient transportation system, defined in part, as one that supports efficient market access to products through investment in Canada's trade corridors.
- The Province of BC has met its primary grant obligation of supporting ferry services on specific routes between the BC mainland and Vancouver Island via the coverage of a minimum of 337 statute miles.
- For the evaluation period, the Province of BC has met its commitments articulated in the 1977 agreement to ensure the provision of reasonable and adequate ferry service, as well as public identification of federal financial participation.

The evaluation makes no recommendations.

Footnotes

- 1 Source: <https://tc.canada.ca/en/grant-Province-british-columbia-respect-provision-ferry-coastal-freight-passenger-services>
- 2 Source: Connecting Coastal Communities: Review of Coastal Ferry Services, Blair Redlin, June 2018
<https://www2.gov.bc.ca/assets/gov/driving-and-transportation/reports-and-reference/reports-and-studies/ferries-marine/20180630-review-coastal-ferry-services.pdf>
- 3 Source: <https://tc.canada.ca/en/grant-Province-british-columbia-respect-provision-ferry-coastal-freight-passenger-services>

Date modified:

2023-11-17

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