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## **'Drop trailer' problem dropped on Ferry Commission -**

**Patrick Brown**

BC Ferries' move last year to get into the commercial 'drop trailer' business between the Mainland and Vancouver Island brought loud complaints of 'unfair competition' from Seaspan Intermodal, who had previously enjoyed a monopoly on this kind of service. Now the government has passed the problem to the Ferry Commissioner, who will have to regulate the service.

The buck has been passed via a series of amendments to the *Coastal Ferry Act*, included in *Bill 20, the Miscellaneous Statutes Amendment Act (No. 3)*, which was given First Reading on April 29.

The new legislation, which is specifically targeted at the 'drop trailer' service on major routes, orders the ferry commissioner to determine whether 'a ferry operator' (presumably BCFS) has an 'unfair competitive advantage' in providing the service, because it can use ships and terminals that are or were owned by the government (or a 'government body'), or because it has a tax exemption or subsidy (presumably not available to its competition).

If the Ferry Commissioner determines that such an unfair advantage exists, he must either order that the service be contracted out, or that BCFS must charge at least as much as it would have to without the 'unfair competitive advantage'.



Photo Patrick Brown

**BCFS 'yard goat' with customer's trailer at Tsawwassen terminal.**

### **Drop Trailers – a History**

First of all, what are 'drop trailers'? Most people are familiar with the tractor/semi-trailer combinations that are the workhorses of road-freight hauling worldwide. When one is loaded on a ferry to Vancouver Island, it is essentially parked for a couple of hours, and its driver is idled.

But the tractor (the power unit) still has to be paid for, and so does the driver.

Some fifty years ago, Seaspan's predecessors started the Vancouver Island 'drop trailer' business, using roll-on/roll-off ferries and barges which carried only the trailers, not the tractors, which were then released for

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further work on their side of the Strait of Georgia. At docks located at Tilbury (Delta) and Swartz Bay and Nanaimo, the trailers are loaded and unloaded from the ships by 'yard goats,' tractors which do nothing else, driven by specialized drivers known as 'hostlers'. (Seaspan also handles railway cars for the Southern Railway, previously the E&N, on Vancouver Island.)

Until quite recently, BC Ferries assumed that the government would look askance at any attempt to compete with Seaspan in the drop trailer business. But in early 2009, it dipped its toe in the water, and by midsummer had made a clear commitment to services between Tsawwassen, Swartz Bay, and Duke Point. BCFS contracted with TICO of Ridgeland, South Carolina for the supply of yard goats, and advertised on Craigslist for hostlers. BCFS' hostlers were to be paid \$27 per hour, \$6 more than the competition.

The BCFS operation is slightly different from the Seaspan approach, inasmuch as the 'yard goats' are left on the ferry for the trip across the Strait, so that trailers can be loaded and unloaded without delaying ferries. Hostlers, however, do not make the trip, remaining on their side of the Strait.

### War of Words

Last summer, Seaspan made representations to the government, Delta Municipality, and others, complaining that BCFS' use of the existing ferries and terminal facilities, together with the subsidy of some \$120 million provided by the government, made the competition unfair. (Seaspan is part of the Washington Marine Group, which, through its tug and drydock interests, bought, parked, and recently sold, the 'fast ferries' built by BC Ferries in the nineties.)

BCFS CEO David Hahn was quoted at the time: 'We are just competing with them. I don't know what the problem is. I'm confused.'

It is rumoured that BC Ferries charge significantly less for the service than Seaspan. Last year, Seaspan were moving some 700 trailers a day on scheduled services to and from Vancouver Island; Hahn has suggested that at the moment, BCFS is moving some 100 trailers a week.

### An Accountant's Worst Nightmare

It seems unlikely that BCFS would contract out its service to anyone else (the first option in the legislation), so it's probable that the Ferry Commissioner will be stuck with the job of working out what BCFS should charge, should they have to pay for ship space and terminal facilities, were they not available from their passenger ferry operations (the second option). BCFS say that they are using 'dead space' that would be otherwise unused on less busy ferry trips.

BCFS have already pointed out that the provincial subsidy is targeted to the minor inter-island routes, not the major routes N<sup>o</sup>1, N<sup>o</sup>2, and N<sup>o</sup>30 where the drop trailer service is offered, so the subsidy is, in a sense, irrelevant.

If there is found to be a cost advantage to BCFS through the use of their existing ships and facilities, the Commissioner's accountants have to determine what it is, and calculate what BCFS' drop trailer pricing would be were there no cost advantage.

And should it turn out, even after rate-setting by the Commissioner, that BCFS makes a profit on the drop trailer service, there is no shortage of suggestions as to what might be done with the money, including reducing the subsidy.

An early resolution of this dispute should not be expected. ✍