



TransLink Commission
ANNUAL REPORT 2009

For the year ending December 31 2009

*Prepared and submitted in accordance with Section 233 of the
South Coast British Columbia Transportation Authority Act
[SBC 1998] Chapter 30*



Comox, B.C.
April 30, 2010

To the Mayors' Council on Regional Transportation

**Regional Transportation Commissioner's Annual Report
For the Fiscal Year Ending December 31 2009**

I am pleased to submit to you my second Annual Report.

As required by section 233 of the *South Coast British Columbia Transportation Authority Act*, the Report summarizes all decisions made and all orders issued in 2009, presents the financial statements of my office along with full disclosure of the expenses of, and associated with, the office of the commissioner, and provides my opinion as to whether or not the operations of the authority and its subsidiaries for that year were in accord with the authority's strategic plan and applicable service, capital and operational plans.

Yours truly,

Martin Crilly
Regional Transportation Commissioner

CONTENTS

1	MESSAGE FROM THE COMMISSIONER	2
2	LEGAL REQUIREMENT	6
2.1	SECTION 233 OF THE SCBCTA ACT	6
2.2	COMMISSION APPROACH AND TEAM	6
2.3	LIMITATION	6
3	DECISIONS AND ORDERS IN 2009	7
3.1	SUMMARY OF APPLICATIONS AND REQUESTS FOR DECISIONS	7
3.2	SUMMARY OF DECISIONS MADE AND ORDERS ISSUED	7
3.2.1	<i>Opinion on TransLink's 10 Year Plan</i>	7
3.2.2	<i>Airport Special Zone Fare</i>	7
3.2.3	<i>Canada Line YVR Add Fare</i>	8
3.2.4	<i>Disposal of Albion Ferry Assets</i>	8
3.2.5	<i>Fare Saver Tickets</i>	8
3.2.6	<i>Disposal of Real Estate</i>	8
4	OPINION ON TRANSLINK'S OPERATIONS IN 2009	9
4.1	DISCUSSION	9
4.2	KEY FINDING	11
4.3	OTHER INFORMATION	11
5	FINANCIAL STATEMENTS OF THE COMMISSION FOR 2009	12

1 Message from the Commissioner

Regional transport system highlights for 2009

I am pleased to present my second annual report as Regional Transportation Commissioner, for calendar 2009.

For the regional transportation system of metropolitan Vancouver, this was an extraordinarily eventful year.

The public gained the use of three high-profile facilities opened in the year—the Canada Line (costing \$1.9 billion), the Golden Ears Bridge (\$808 million) and the Pitt River Bridge (\$198 million). Much construction-in-progress was also apparent, notably on the Port Mann/Highway 1 upgrade (\$3.3 billion, for completion in 2012/13).

For goods transport throughout metropolitan Vancouver, indications are that the economic slowdown, with a dip in international trade, resulted in less-than-record truck, marine and rail freight traffic over regional networks.

However, for passenger travel, the public enjoyed an unprecedented amount of bus, ferry, and passenger rail service, supplied mainly by the newly expanded fleets of TransLink's subsidiaries and contractors. The amount of transit service offered by TransLink over the past five years grew at an average 5.0% per year, with growth in the last of those years (i.e. 2009) spiking at 6.5%. Coinciding with this exceptional capacity growth were record numbers of fare-paying passengers using transit, climbing 4.2% per year for the last five years, with the last year at 5.1%. In customer satisfaction surveys, TransLink scored well overall.

As to the bodies governing TransLink, the year 2009 saw crucial decisions made under the South Coast BC Transportation Authority Act, discussed below. It was the first year in which all three decision-makers—the Mayors' Council, the TransLink Board and my office (the Commission)—were in full stride.

Contents of this report

Against this backdrop, my annual report:

- puts on record the Commission's own activities and its finances for calendar 2009;
- gives a formal opinion, as required by the Act, which confirms that TransLink operated according to its strategic plan in 2009; and

- reflects on the challenges ahead for TransLink's operations and finances.

Major task of 2009

The Commission's major task of 2009 was a detailed examination of TransLink's transportation and financial plans. These were in the form of its four plan options for the coming decade. Approved by the TransLink Board on July 31 for the consideration of the Commission and the Mayors' Council, they ranged from drastic cuts to dramatic expansion, featuring various levels of services, capital projects, and other initiatives, with forecast revenues (with proposed tax and fare increases) and expenditures.

The Commission's job was to give independent, objective advice to the Mayors' Council, as well as feedback to the TransLink Board, on the options.

The Commission aimed to help the Mayors' Council make a reasoned political choice among TransLink's plan options, weighing, as is the proper role of elected officials, their own assessment of the plans' affordability and acceptability for local tax-, fare- and toll-payers.

Accordingly, in a report published August 31, the Commission issued a formal opinion on TransLink's plan options. It stated whether each plan option met the basic legal requirement of being fully funded (TransLink's expansion scenario did not do so), and whether its underlying assumptions were reasonable (and the Commission found them broadly so). I also took the opportunity of reflecting on TransLink's 30-year vision, making the point that the most effective ways of attaining it involve more land use densification and more transportation demand management, especially through pricing reforms.

Reflections on TransLink's challenges for the future

The Mayors' Council approved TransLink's "Funding Stabilization" plan supplement on October 23. In my view this was a well-founded decision. Its prime achievements were to (a) escape deep cuts in transit service that would otherwise have been necessary and (b) plug the rapid drain of TransLink's surplus.

The Mayors' Council "Funding Stabilization" decision also halts, perhaps for several years, the steep climb in TransLink's transit capacity. Appropriately in my view, TransLink has recognized this new, and still high, plateau of capacity as a chance to focus on productivity and efficiency of delivery, in respect of where and how it delivers the planned services in the region. During the pause, one can expect transit ridership to grow, absorbing some of the new capacity.

This also an opportunity to tackle, in a less pressured manner than in 2009, the conundrum for TransLink's long range future: how to pay for the massive capacity expansion implicit in its approved 30-year vision.

TransLink's vision is that "most trips are by transit, walking and cycling" by 2040. This means doubling, roughly, the share of travel taken by non-automobile modes, at the same time as metropolitan Vancouver's population grows by a forecast 45%. The vision implies that people will spend relatively less on private motorized transport, and buy a lot more

transport in shared vehicles such as buses and trains, paying for this through both fares and taxes.

Realizing the expansion of the 30-year vision presents a vastly greater challenge for funding than gentle transit growth which tracks only regional population growth.

Historically, senior governments have stepped forward with expansion capital for specific high-profile projects of their choice, as fits with their fiscal circumstances at the time. This means that expansion has occurred in fits and starts. But TransLink still must meet the need for extra operating subsidies that comes along with capital expansion.

In my view, the 2040 vision is not attainable without either (a) an accelerated advance towards user-pay in all modes of transport or (b) public acceptance of much higher per capita taxation for transit, or both.

Did TransLink operate according to Plan in 2009?

The year 2009 is the first in which the Act requires TransLink to operate in accord with its own strategic plans. The law also directs the Commissioner, as part of each annual report, to determine whether TransLink's operations were in accord with its plans for that year.

The Mayors' Council must be able to believe both TransLink's plans and its ability to follow through with them. If TransLink presented plans and then did not implement them without adequate explanation, any plans issued in the future would lose credibility, undermining the foundation for funding decisions.

Opinion

After examining TransLink's operations in 2009 as stated in its Statutory Annual Report for 2009, it is my opinion that they were in reasonable accord with TransLink's 2009 10-year plan.

Details on this finding are in the body of this report.

Further opinion from the Commission due in August 2010

In the coming months, my office will issue another formal opinion as part of its oversight responsibilities for TransLink's planning, addressing a different but related question.

This opinion will look forward in time, rather than backward, to address the question: *is the 2011 version of TransLink's 10-year plan, which TransLink is formulating at time of this writing, reasonable, as to its assumptions and parameters?*

Due in August 2010, this opinion, like the one in my report today, will assist decision makers in determining how much confidence to place on TransLink's plans.

Cost of running the Commission

In undertaking its duties in 2009, including various rulings and determinations detailed in the body of this report, the Commission spent \$362,170. This is just over half of the maximum budget allowed by the Act.

Working relationship with TransLink

The Commission and TransLink continue to share a working relationship which has, from my perspective, the right balance between the arm's length that is vital for the independence of my office on the one hand,

and appropriate cooperation and professional consideration, which is required for efficient and effective regulation, on the other.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Crilly". The signature is written in a cursive, somewhat stylized font.

Martin Crilly
Regional Transportation Commissioner
April 30, 2010

2 Legal Requirement

2.1 Section 233 of the SCBCTA Act

The South Coast British Columbia Transportation Authority (SCBCTA) Act, passed in the legislature in November 2007, created a new governance structure for the Authority (TransLink). It established a new Board of Governors, a Mayors' Council on Regional Transportation, and a Regional Transportation Commissioner.

Section 233 of the Act requires the Commissioner, within 120 days after the end of each fiscal year, to provide the Mayors' Council a report for the previous fiscal year. The Act states that the Commissioner "must include in the report:

- a) a summary of all applications and requests for decisions to the Commissioner in that year,
- b) a summary of all decisions made and all orders issued by the Commissioner in that year,
- c) the financial statements applicable to the office of the Commissioner for that year along with full disclosure of the expenses of, and associated with, the Office of the Commissioner,
- d) the Commissioner's opinion as to whether or not the operations of the authority and its subsidiaries were in accord with the authority's strategic transportation plan or strategic plan, as the case may be, and applicable service, capital and operational plans, and
- e) other information the Commissioner considers appropriate."

2.2 Commission Approach and Team

In forming an opinion on TransLink's operation for 2009 Commissioner Martin Crilly, was assisted by Mr. Robert Irwin, MEng., President, Irwin Transportation Services, Inc.

The Commission had access to TransLink staff to discuss the content of TransLink's 2009 Statutory Annual Report, which provides a detailed comparison of its operations compared to its 2009 10-Year Transportation and Financial Plan.

2.3 Limitation

This report does not comment on whether TransLink's plans for 2009 aligned with its long term goals, or were reasonable in other respects. Neither is it the Commission's intent here to comment on TransLink's allocation of resources to implement the plans for 2009. Rather, the Commission is rendering an opinion on whether or not TransLink's operations were in accord with its Plan.

3 Decisions and Orders in 2009

3.1 Summary of Applications and Requests for Decisions

For fiscal year 2009, there were five applications or requests for decisions sought from the Commissioner.

3.2 Summary of Decisions Made and Orders Issued

The Commission made the following decisions and issued the following orders during 2009.

3.2.1 Opinion on TransLink's 10 Year Plan

On July 31st, 2009, the Board of Directors approved TransLink's 2010 10-Year Plan, which identified services to be provided, transportation demand measures to be undertaken, major capital projects planned and estimated funding requirements to the end of 2019. The Regional Transportation Commissioner, as directed by the Act, was required to give an opinion as to whether "the parameters and assumptions, including, without limitation, the expenditure and revenue estimates, in the plan ... are reasonable."

The 10-Year Plan consisted of a Base Plan, as required by the Act, and supplemental options for consideration by the Mayors' Council. Within this context, the Commissioner concluded that the significant parameters and assumptions, including expenditure and revenue estimates, are reasonable.

The Commission noted that unless the Mayors' Council approved one of the supplement options, involving higher taxes and fares, there would be drastic cuts in transit service. The Commission considered that such cuts in service are unsatisfactory, and that TransLink needs to secure additional revenues to fund current service commitments alone.

A complete version of the Commission's Report on TransLink's 2010 10-Year Plan, dated August 31, 2009 is available on the Commission's website at http://translinkcommission.org/html/useful_links.html.

3.2.2 Airport Special Zone Fare

On December 1st, 2004, TransLink's Board of Directors approved a funding formula for the capital and operating costs of the Canada Line which included an Airport Special Zone Fare. On April 21, 2009, TransLink asked the Commissioner to determine whether the Airport Special Zone Fare should be considered as a new short-term fare that required approval of a Supplement by the Mayors' Council and by the Commissioner under the Act. The Commissioner issued Order 09-01 ruling: this stated that, provided the add-fare for the Airport Special Zone Fare lies in the range of \$2 to \$4 (in 2003 dollars) he would consider the

add-fare to be part of the existing tariff and therefore would not require approval in a Supplement.

3.2.3 Canada Line YVR Add Fare

As noted in 3.2.2 above, Commission Order 09-01, dated April 30, 2009, the Commissioner stated he considered that the Add Fare did not require his further approval. Notwithstanding the determination in Order 09-01, on October 20, 2009, TransLink applied under section 223 of the Act for approval of a Canada Line YVR Add Fare of \$2.50, as a first time short term fare. Proposed to become effective January 1st, 2010, the Add Fare would require a passenger travelling between the Bridgeport and Templeton Canada Line stations, in either direction, to pay \$2.50 in addition to the applicable zone fare for travel to Richmond, with exemption for passengers resident and/or employed on Sea Island. On November 1st, 2010, the Commissioner published the application on the Commission's website and subsequently advertised it in print media across TransLink's service region, and deferred deciding on the application for more than 30 days after publication to allow an opportunity for the public to comment on it.

The Commission, in Order 09-02, ruled that the application is **approved** in relation only to transit services on the Canada Line, for travel between a YVR station and Bridgeport station as a short term fare premium over the applicable zone fare or concession fare in the amount of \$2.50 each way, for cash fares only, which may only be collected as a return fare premium of \$5.00 payable at a YVR station, effective January 1st, 2010 and that the application is **rejected** in relation to all transit services on the Canada Line, except for the above.

3.2.4 Disposal of Albion Ferry Assets

Under section 226 of the Act, TransLink must provide notice to the Commissioner of the intended sale of a major facility or asset. On June 25, 2009, TransLink provided formal notice that it intended to dispose of Albion Ferry assets and that their sale would not affect its ability to provide transportation services. The Commission issued Memorandum 2 dated June 26, 2009 as notice that it had no objection to the sale.

3.2.5 Fare Saver Tickets

On October 30, 2009, TransLink applied for Commission approval to charge higher prices for Fare Saver booklets of 10 tickets (increases faster than the 2% per year require approval under the Act). The Commission publicized TransLink's application throughout the region in print media and on its own website. As required by the Act, it opened a 30-day period for public input, held in the month of November. The Commission rendered a decision approving the fare increase after the end of the fiscal year, in Order 10-01.

3.2.6 Disposal of Real Estate

On November 3rd, 2009, TransLink advised the Commission that several parcels of land had become surplus to its needs. It asked if the Commission would deem any of the parcels to be a major facility or asset under section 226 of the Act. Following an exchange of correspondence with TransLink, after the end of the year, the Commission stated, in Commission Memorandum 4, that it had no objection to the sales,.

4 Opinion on TransLink's Operations in 2009

4.1 Discussion

The Commissioner is required to render an opinion on whether or not TransLink's operations for the past year were in accord with its strategic plan. . The Act subjects TransLink to a discipline since, as TransLink prepares its plans each year, it knows that the Commissioner will, after each completed year, compare plans with actual operations, and publish findings.

In order to arrive at an opinion, the Commission Team referenced three documents, namely:

Source materials

- a) TransLink's 2009 10-Year Transportation and Financial Plan, which was adopted by the Board of Directors at its July 31st, 2008 meeting.
- b) The 2009 Budget and Business Plan Summary which was approved by the Board at its December 5th, 2008 meeting. The Budget provided revisions to the forecasted revenues and expenditures contained in the 2009 Plan.
- c) The South Coast British Columbia Transportation Authority 2009 Statutory Report which was adopted by the Board of Directors at its March 2, 2010 meeting. This 96-page report summarizes the status of operations during 2009 with a comparison to the planned accomplishments in the 10-year plan for the year 2009. The status report covered approximately 100 separately described plan elements in 15 categories (e.g. rapid transit, roads and bridges, cycling, bus and seabus, financial plan, demand management, etc). It also includes audited financial statements for the year.

These three documents can be found on the Commission's website at www.translinkcommission.org

Approach

The Commission examined TransLink's reports for any significant deviations from plan. It inspected plan elements item-by-item and compared to actual operations (services provided, projects, other initiatives, revenue and expenditures). The Commission accepted TransLink's statements describing actual operations without further audit.

If there were significant deviations between plan and actual elements, the Commission considered whether the reasons for the deviation were adequately explained.

Plan vs, actual accomplishments

The 2009 10-Year Transportation Plan was TransLink's inaugural 10 year plan. It was developed as Base Plan to meet the legislative requirements of the Act. As such it relied on existing revenue sources only and did not contemplate any service expansion beyond 2011. To meet the legislated requirements of a fully-funded Base Plan, significant service reductions were assumed for 2012 and beyond. Key initiatives included in the plan were:

- Completion and opening of the Golden Ears Bridge and Canada Line
- Complete Major Road Network projects and provide funding for future projects
- Expo Line station improvements
- Addition of 48 new SkyTrain vehicles and a third SeaBus
- Improve Access Transit service
- Increase bus service
- Obtain approval of a 2010 Supplement, and
- Provide funding for the Evergreen Line.

TransLink achieved many of its plan elements. The Golden Ears Bridge and the Canada Line opened in mid-year, ahead of schedule. All new SkyTrain vehicles were delivered by year-end and the new SeaBus was placed into service. Broadway Station was upgraded and other station upgrades are in the design stage. Improvements were made to Access Transit trip booking and dispatch and transit service hours increased by 6% over 2008.

TransLink was also successful in conducting an extensive outreach program in developing its 2010 10-Year Plan. The subsequent adoption of a \$130 million revenue supplement by the Mayors' Council provided financial stability and avoided service reductions.

The economic downturn that began in 2008 impacted TransLink through 2009. Declining revenue levels led to necessary decisions with respect to planned service expansion and capital investment. Bus service planned for late 2009 was deferred and there was insufficient revenue in the 2010 10-Year Plan to fund TransLink's share of the Evergreen Line.

With respect to operational services and the costs to provide them, these were, in most cases, close to budget. For conventional transit, service hours, revenue passengers, and revenue passengers per capita were all less than 1% below plan. Operating cost per service hour was 6.7% favourable, primarily due to lower than anticipated fuel prices. For Access Transit, however, service hours and revenue passengers were significantly lower than planned (25.1% and 28.4% respectively). This was largely due to a 3.5 month labour dispute that was beyond TransLink's control and the cancellation of a 50,000 hour service expansion.

4.2 Key Finding

Overall, the Commission is satisfied that TransLink's operations were in accord with its 2009 Plan. This opinion is rendered in recognition that, given the size and complexity of the organization, some variations are inevitable. Further, several activities are dependent on third-party involvement and therefore not necessarily entirely within TransLink's control.

Where TransLink chose to deviate from the 2009 10-Year Plan, especially towards the end of 2009, this was appropriate action. In particular it made sense to adjust trajectory in light of the economic downturn in late 2008 and through 2009, and to respond to the Mayors' Council's "Funding Stabilization" decision of October 2009. Neither of these two developments were known when the 2009 plan was written in 2008.

4.3 Other Information

The Commission notes that TransLink faced considerable financial challenges in 2009. The decisions it took to defer planned service expansions were prudent and the cost containment measures it implemented were wise. The adoption of a Funding Stabilization supplement by the Mayors' Council will now allow TransLink to rationalize the services it provides.

5 Financial Statements of the Commission for 2009

The Commission is required to include in its report the financial statements for the past fiscal year.

The South Coast British Columbia Transportation Authority Act, section 237(5), requires that, in preparing a budget for an entire fiscal year, the Commissioner must ensure that the budget for that fiscal year does not exceed 1/5 of 1% of the previous year's farebox revenue.

In 2008, farebox revenue was \$360 million, of which 1/5 of 1% is \$720,000. In comparison, the Commission budgetted expenditures of \$432,000 for 2009, i.e. the maximum allowed. Actual expenditures for 2009 were in turn below budget, totalling \$362,170.

For FY 2009 the Commission carried forward \$142,000 in surplus from 2008, and received \$290,000 in revenue. A surplus of \$70,000 was carried forward into fiscal 2010. Summary financial statements follow.



MEYERS NORRIS PENNY LLP

**South Coast BC Regional Transportation Commission
Financial Statements**

December 31, 2009

(Unaudited - see Notice to Reader)



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Notice To Reader

On the basis of information provided by management, we have compiled the summary financial statements of South Coast BC Regional Transportation Commission for the year ended December 31, 2009. We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these statements may not be appropriate for their purposes.

Courtenay, British Columbia

February 15, 2010

Meyers Norris Penny LLP
Chartered Accountants

South Coast BC Regional Transportation Commission
Summary Financial Statements
for the year ended December 31, 2009
(In \$ thousands)
(Unaudited – see Notice to Reader)

	FY 2009	
	Budget	Actual
Statement of Operation		
Revenues	432	290
Expenditures		
Operating Costs	432	362
Surplus (deficit)	0	(72)
<hr/>		
Change in Net Assets		
Opening balance		142
Surplus (Deficit)		(72)
Net Assets end of year		70
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Under Sections 237 and 239 of the South Coast BC Transportation Authority Act, the Commissioner must prepare an annual expenditure budget, payable to the Commissioner by TransLink, which must not exceed 1/5 of 1% of TransLink's previous year's fare box revenue.

The budgeted expenditure for fiscal 2009 was \$432,000. The actual expenditures were \$362,170. These were incurred for Commissioner's fees and expenses, the cost of consultants engaged to assist and advise the Commissioner, advertising and accounting fees.

In fiscal 2009, these expenditures were funded by TransLink payments of \$290,000 plus a drawdown of \$72,000 from the Commissioner surplus of \$142,000 which had been carried forward from fiscal 2008.

The Commissioner is paid a per-diem fee for his services. The Commissioner received \$111,150 in fees during the year. In addition he was reimbursed \$9,374 for expenses incurred during the year, including travel, dedicated office equipment, office supplies, telephone, web site and other communications expenses.

The difference between the amounts received from Translink and expenditures is carried forward for use in the next fiscal year. \$70,000 was carried forward into fiscal 2010.