



3rd Session, 37th Parliament

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REPORT OF PROCEEDINGS  
(HANSARD)

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SELECT STANDING COMMITTEE ON  
**CROWN CORPORATIONS**

**Victoria**  
**Wednesday, October 2, 2002**  
**Issue No. 9**

KEN STEWART, MLA, CHAIR

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**SELECT STANDING COMMITTEE ON  
CROWN CORPORATIONS**

Victoria  
Wednesday, October 2, 2002

*Chair:*

\* Ken Stewart (Maple Ridge-Pitt Meadows L)

*Deputy Chair:*

\* Bill Bennett (East Kootenay L)

*Members:*

\* Pat Bell (Prince George North L)  
Ida Chong (Oak Bay-Gordon Head L)  
Dave Hayer (Surrey-Tynehead L)  
\* Daniel Jarvis (North Vancouver-Seymour L)  
\* Ken Johnston (Vancouver-Fraserview L)  
\* John Nuraney (Burnaby-Willingdon L)  
\* John Wilson (Cariboo North L)  
Tony Bhullar (Surrey-Newton Ind L)  
\* Joy MacPhail (Vancouver-Hastings NDP)

*\* denotes member present*

*Clerk:*

Craig James

*Committee Staff:*

Audrey Chan (Assistant Researcher)

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*Witnesses:*

Len Dawes (Tourism B.C.)  
Ron Drolet (B.C. Transit)  
Rod Harris (President and CEO, Tourism B.C.)  
Rick Lemon (Tourism B.C.)  
Grant Mackay (Tourism B.C.)  
Steve New (B.C. Transit)  
Tony Sharp (B.C. Transit)



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## MINUTES

# SELECT STANDING COMMITTEE ON CROWN CORPORATIONS



**Wednesday, October 2, 2002  
9 a.m.  
Douglas Fir Committee Room  
Parliament Buildings, Victoria**

**Present:** Ken Stewart, MLA (Chair); Bill Bennett, MLA (Deputy Chair); Pat Bell, MLA; Daniel Jarvis, MLA; John Nuraney, MLA; Ken Johnston, MLA; Joy MacPhail, MLA; Dr. John Wilson, MLA

**Unavoidably Absent:** Tony Bhullar, MLA; Ida Chong, MLA; Dave Hayer, MLA

1. The Chair called the Committee to order at 9:05 a.m.
2. Pursuant to its terms of reference, the Committee examined Tourism B.C.

#### Witnesses

- Rod J. Harris, President and CEO
- Rick Lemon, Vice President of Tourism Operations
- Grant Mackay, Vice President of Marketing and Sales
- Len Dawes, Chief Financial Officer

3. The Committee recessed from 11:16 a.m. to 1:03 p.m.
4. Pursuant to its terms of reference, the Committee examined B.C. Transit.

#### Witnesses

- Ron Drolet, Vice President, Customer Service and Corporate Secretary
- Tony Sharp, Vice President, Finance, and CFO
- Steve New, Vice President, Municipal Systems Program

5. The Committee adjourned at 2:34 p.m. to the Call of the Chair.

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**Ken Stewart, MLA**  
Chair

**Craig James**  
Clerk Assistant and  
Clerk of Committees





WEDNESDAY, OCTOBER 2, 2002

The committee met at 9:05 a.m.

[K. Stewart in the chair.]

**K. Stewart (Chair):** Good morning, everyone. I think we might as well get going now. I understand there are one or two people held up. Hopefully, they can join us in progress. Today we have Tourism B.C., and later today we'll be dealing with B.C. Transit. I understand there was supposed to be a northern caucus meeting this afternoon. I'm planning on getting people out of here by 3 o'clock, so you can plan on that.

This morning we might as well get right into it with Tourism B.C., if you'd like to first introduce yourself. The general agenda that we use is approximately an hour for a presentation from yourself. Then we allow an hour to an hour and a half for questions. If there are further questions or clarifications that we ask, we will accept it written at a later date. If there's something that you'd like to follow up on or you don't have the information with you today, that's fine. We accept that. We'll send it right through the Clerk of Committees. They're the ones that circulate and manage our paper load.

Without waiting too much further, if you would like to introduce yourselves, we can just get started.

#### **Review of Crown Corporations: Tourism B.C.**

**R. Harris:** Good morning. Thank you very much. My name is Rod Harris. I'm the president and CEO of Tourism British Columbia. We've asked four individuals from our organization to join us this morning. Starting on my immediate left is Len Dawes. He's our chief financial officer. Seated next to Len, that handsome-looking guy with the same hair tone as me, is Rick Lemon, our vice-president of operations. Beside Rick is Grant Mackay, who is our vice-president of marketing and sales. The fellow sitting in the back is not a member of the public but is actually here to help me. He's our manager responsible for information technology. In case I make a big mistake with the system, Greg Poirier is here to help with that.

I'd like to begin by offering comments from our chair, Mike Duggan. Unfortunately, our chair wanted to be here today but was unavoidably taken away for business in Asia. He is manager of one of the Pan Pacific hotel properties in Whistler and had a responsibility back to his management group. I guess business calls, so Mike was unable to attend and asked that I personally send our regrets that he is unable to be here.

What I thought we would do today is take you through an overview presentation of the corporation. I have a number of pieces of material that I can provide you with to give you an example of some of the activities of the organization. Following my presentation, I also have a hard copy of what you'll see in the presentation. I'd like to be able to pass it around, if you're comfortable with that, Ken.

**K. Stewart (Chair):** Maybe we could first pass that around, and then the members have an opportunity to sort of follow through and make notes on it. That would be helpful.

**R. Harris:** Okay, sure.

**K. Stewart (Chair):** While we do that, maybe we can just introduce ourselves. I'll start at our immediate left with Audrey, who works with the Clerk. She's distributing that now. Then I'll ask the rest of the members to introduce themselves, starting with John.

**J. Wilson:** John Wilson. I'm the MLA for Cariboo North.

**D. Jarvis:** Daniel Jarvis from North Vancouver-Seymour. We're on the right side.

**P. Bell:** Pat Bell, Prince George North.

**J. Nuraney:** John Nuraney, Burnaby-Willingdon.

**K. Johnston:** Ken Johnston, Vancouver-Fraserview.

**K. Stewart (Chair):** My name is Ken Stewart. I'm the Chair. To my left...

**C. James:** ...is Craig James, Clerk of Committees.

**R. Harris:** Great. Thank you very much.

You can see before you a summary of the presentation that I'd like to run through. The challenge that we have as an organization is to try to capture, in a fairly finite time frame, the essence of what Tourism British Columbia is all about. This is really intended as introductory material to give you a perspective on some of the activities of the corporation.

[0910]

What I wanted to do in a fairly quick fashion is take you through some background comments on the formation of Tourism British Columbia as a Crown corporation; identify our purpose and mandate as specified within the Tourism British Columbia Act; talk a little bit about the corporate structure and why it's organized in the fashion that it is; give you a sense of some of the program areas that we're involved in as an organization, results that we've experienced in the course of the past five years in addition to a financial review; and then bring it to a close by showing you two television spots that are currently in use in our North American and United Kingdom marketplaces.

Just a quick comment in terms of the background. In May of 1996 Tourism British Columbia was established as a special operating agency. This was a mechanism intended to help provide the corporation with a bit more flexibility in the way it functions, as well as some guidance from the private sector.

We had an advisory board of directors consisting of 15 individuals who were appointed to the organization. However, by the fall of that same year, 1996, the

government of the day was interested in migrating Tourism British Columbia further out of government for a variety of reasons, one of which was to look for a fairly significant budget reduction. You'll see that in my financial numbers at the end of presentation. I'll give you a perspective on that aspect.

The Crown corporation was then established in 1997. It was towards the end of June, first part of July. The legislation was made retroactive to April 1. It had a number of interesting features, among the most prominent of which are what we would reference as sort of the three distinguishing characteristics of the organization. The first is that it would be an industry-led organization. The second is that the source, or the principal source of funds, for the organization would come from a portion of the already existing 8 percent hotel tax. The third is that full management responsibilities would be entrusted to the organization.

Now, in terms of the industry-led component, what we have is a board of directors consisting of 15 individuals. At the time, and the way the legislation is written, it states — and I'll paraphrase — that at least ten individuals are to be nominated as recommended by the board of directors. That leaves the additional five for appointment from the government.

For the first five years of the organization we had an organization that was guided by ten individuals that were identified and elected through the industry and through our board of directors. All are OIC appointments. Five were then identified as coming from the government.

Of those five individuals, fully four individuals were actively engaged in the tourism industry. However, it was recognized as a weak link in the governance structure of the organization largely by Premier Campbell when he was Leader of the Opposition. He had made a promise that there would be no government involvement in terms of the board of directors. This year we were pleased to see that all 15 individuals are coming from the private sector.

Just a quick descriptor around the process through which we solicit for nominations. The board uses our corporate legal counsel to guide them in the process and has developed a process that would, to some degree, mimic the merit principle that has been established by various provincial agencies to identify those candidates who have the right skills, abilities and knowledge to be able to effectively contribute to the organization.

There is some definition around the types of backgrounds that they should reflect. It's very important that we reflect rural and urban interests. It's important that our numbers of sectors are reflected in the makeup of the board — such as the food service or the restaurant industry, the hotel industry, together with what we would call product sector groups such as skiing, golfing, fishing and outdoor adventure.

What we have is a board that has a description of the various sectors that should be reflected in terms of the generic makeup. Each year in October the board calls for nomination of suitable candidates. The nomi-

nation committee of the board goes through a process of identifying the most suitable candidates for upcoming vacancies based on skills and abilities. Then they put that forward to the full board for an election by way of a secret ballot of the board.

I'm a process guy so I'm describing the engagement we have in an oversight sense, but the whole process is actually in the hands of the board of directors and corporate legal counsel. When that election takes place, staff in the organization are not present. It's a private presentation that occurs.

[0915]

The second item in terms of formula funded was my quick reference to a portion of the already existing hotel tax. What that portion turns out to be is 1.65 of the eight points in the hotel tax. That percentage is 20.625 percent. It's our principal source of revenue as an organization. It actually generates about 75 percent of the corporate revenues, and you'll see when I do my ending charts what the numbers add up to in terms of orders of magnitude.

The final point is full management authority entrusted to the corporation. However, that obviously is within the guidance of the Financial Administration Act and the Budget Transparency and Accountability Act. We work very closely with the Crown agencies secretariat as well as with the office of the auditor general. As a matter of fact, our audit firm is the office of the auditor general. They've been our auditors since inception and continue to be our auditors.

Just a quick reference to the Tourism British Columbia Act. There are two very important components of the act that distinguish the responsibilities of the corporation. First is a description of the purpose, and again I'll paraphrase. If the committee would like to have the full act, we're happy to provide that to you subsequent to our meeting. Essentially the purpose entrusts Tourism British Columbia with the responsibility of promoting the development and growth of the tourism industry, thereby stimulating economic development as well job creation. That's specified under one of the sections in the early stages of the act.

The second is the mandate of the corporation. The mandate of the corporation actually has about seven categories of engagement. Again, for brevity I've abbreviated it. We essentially have a responsibility for marketing, which is marketing British Columbia as an attractive tourism destination around the world. The second is providing information services to tourists through a variety of sources, whether they be visitor information centres or other program activities.

The third area of engagement deals with enhancing the quality of the products that are made available to our visitors, both through accommodation inspections and training programs. The third is the whole process of enhancing professionalism in the industry. This touches on one of the two what I would call capital sides of the business, the human capital side, in terms of ensuring that we have a well-trained and ready workforce available.

The next item is helping facilitate job creation through the preceding activities that I've already described, and then the third is providing information management. This is the whole aspect of tracking research in terms of the performance of the industry as well as performance of the corporation and the corporation's activities.

The last item was recognizing that the budget was reduced when we were set up as a Crown corporation. This was a stimulus to encourage Tourism British Columbia to identify alternate sources of revenue to help provide available funds to be able to implement some of our program activities.

Now, in terms of the organization structure of the corporation, essentially our job is moving more consumers through the stages of the consumer purchase cycle. I know a number of you have a range of past business experience and are quite knowledgeable about the various stages of the purchase cycle. We adhere to this process quite closely, and we've actually organized the corporation around the various stages of the purchase cycle.

The first, of course, is the whole task of building awareness and awareness-generating activities such that prospective visitors, whether they be the B.C. resident, other Canadians or overseas visitors, will be aware of our destination as an alternative to other destinations that they could choose. Underneath that, there's a whole basket of activities sitting, really, in the first two categories of consumer promotion and trade and sales promotion. I'll talk a little bit about that more fully as we get into it and we actually have some examples of some of those activities.

However, as they're about to make a purchase and once they arrive, we have a number of activities that can help accelerate that purchase decision and accelerate, hopefully, the flow of visitors to British Columbia. A few of those activities consist of the operation of a call centre, whereby we provide information to prospective visitors as well as enable them to actually book a reservation right there on the spot for an accommodation property — or it might be access to, say, trails. The West Coast Trail is a good example of some of the program activities we're involved in.

As they're arriving, they also want some sense of confidence around the quality of the accommodation experience they're purchasing, so we have a program. You'll see I'll talk about it briefly. There's the accommodation inspection program — and I've got some samples I'll pass around — that has been in force, actually, for 75 years. Just last year we completed our seventy-fifth year of accommodation inspection programs and the publication of an accommodation guide.

[0920]

Then the last area of engagement is the area of industry development. This is an area that we're recognizing is based on good, solid research to enable individual entrepreneurs, organizations, associations and sector groups to use solid information as well as skill set development to help move their entrepreneurial activities forward. So we've got a division in the corpo-

ration that's actually involved in those areas. I'll call it somewhat of a diminutive function; it's not the principal application of the funds. You'll see when I do the financial charts that it'll give you that reference.

Of course, the overarching challenge we have is the whole application of technology. With the advent of the Internet and World Wide Web, it's accelerated the whole process. We've got some fairly significant activities underway to help capitalize on those areas.

The various categories of activity I've talked about briefly — first, marketing, sales; followed by visitor servicing and sales activities; establishment of standards and accommodation inspection programs; a whole basket of education and training programs; then research and economic development; and last, business development.

I wanted to pause very briefly and talk a little bit about measuring performance. In the material we provided you with, which is our annual report — hopefully, the members have had a chance to quickly glance through it — there's a section at the beginning of the annual report that is on page 5. It actually delineates the areas of engagement that our industry has an impact on versus the corporation, versus individual specific applied program activities. For example, often it's said that the industry isn't doing well, so what's happening with Tourism B.C.? Aren't our programs being effective?

With all due respect, there's such a host of intervening forces that mitigate the performance of the industry — everything from weather to availability of spring salmon or chinooks to September 11 — that are outside of the scope of our reasonable application of activities and funds. However, we do track and measure industry performance, and I've got a couple of charts to give you a sense of that area of activity. Ultimately, it is the final arbiter of the corporation's success.

The second area of engagement is corporate performance. We actually have a number of tools available — and I'll talk more specifically about that — one of which involves measuring our stakeholders' support for the programs and activities of the corporation. It's done by a third-party independent research firm. They go out and do a random sample of about 500 respondents annually to collect information. I'll give you a sense of the highlights; plus I have a copy of the report here with me that I can pass around.

The last area deals with specific applied business unit performance in each of those other areas that I've talked about. In the annual report, if you were to open it up, you'll see a description of what our objectives were as established through the business plan a year in advance, what the principal strategies consisted of, what the results were last year and what our comments are in terms of the response to those results and what we'll do as a corporation to help create a much more effective applied application of scarce resources. I've only got a couple of examples that I'll show you on the chart. Then, at the will of the members, we'll be able to get into some of the details.

First, as it relates to industry performance, this chart will give you some sense of the orders of magnitude of visitation. Often what we find is that individuals tend to overlook the fact that the B.C. resident is a very important customer of ours. In terms of volume numbers the B.C. resident actually represents about half, or 48 percent, of total visitation. However, there's a little catch. The next chart I'll show you is the actual expenditure. We know the B.C. resident doesn't spend as much as some of our long-haul visitors, particularly from Asia-Pacific or some of the other markets.

Then, in descending order: other visitors from Canada are very, very important to us, particularly Alberta, whose visitors are very close by, followed by Ontario and then some of the other Canadian provinces. Then we continue to rely heavily on the U.S. market — it's been very important to us, particularly in this past year, given the problems associated with September 11 — followed by Asia-Pacific and then Europe. I'll be able to provide a bit more information in that regard.

[0925]

However, visitation is only one part of the puzzle. Tourism employment is another part of the puzzle. This reflects the type of activities that our operators are engaged in throughout British Columbia. Clearly, activities in the area of accommodation stand out. As a matter of fact, our research suggests that 94 percent of expenditures on accommodation products are tourism expenditures. There's a world tourism definition that we follow, which requires travel of greater than 50 miles and an overnight stay for it to be considered a tourist expenditure. So the bulk of the accommodation expenditures are really purely tourist in nature. We use that as almost a bellwether indicator for the health and performance of the tourism industry.

Now, in even greater numbers are the restaurant expenditures, because as we know, our visitors are not only here to sustain accommodation property. They also enjoy dining experiences followed by retail expenditures and then a whole basket of other activities — recreation activities such as visiting attractions and so on.

Now, we'll be able to get into it a little bit later, but if I were to draw the members' attention to the first pages, page 6 through to page 9 in our annual report, there is a lot more specific detail. If you like, I have extra copies available should members wish to have copies of our annual report. It will give you a bit of information in terms of the overall industry performance. We've come prepared today for update information should members be interested.

The second aspect of measuring performance deals with the corporation. As I said earlier, we have put in place a tool to help gauge how well we are performing as an organization. We actually produce a very exhaustive review. As I said earlier, it's done by a company called Malatest and Associates. They're an independent firm, and they do a random survey. It's called a random stratified sample. They do a survey of various groupings of stakeholder groups we work with to try to gauge how well Tourism B.C. is performing specific

to the purpose and the mandate I described earlier, in the legislation. If you like, Mr. Chair, I'll just pass this around and allow the members to look at it. For anyone who's interested, we've got lots of copies in the office. I could only carry so many over here with me today.

These are just a few highlights of aggregate responses to give the members an idea of the types of responses we're receiving. One deals with levels of satisfaction. This next chart I'll show you is levels of dissatisfaction. We asked the question: "What aspects of Tourism B.C. services and programs are you most satisfied with?" Clearly, the highest degree of satisfaction is with our marketing programs, promotional initiatives and general awareness-building activities, followed by the information we're providing to our stakeholders.

Now, I've also come equipped with a document called *The Value of Tourism: Building Tourism with Insight*. This is one of a whole host of documents that provide an indication of the relative size of the industry, its growth rates and some other indicators to give a sense of where we're at.

We produce, in addition to this, a fairly exhaustive body of information in the research arena that was produced in hard copy until recently. We have a website — and that would be [www.tourism.bc.ca](http://www.tourism.bc.ca) — that has all of the electronic information available to our stakeholders and interested third-party groups, if they wish to collect information on the health and performance of the industry.

The last area that we received a lot of support for was the nature of the relationship of our partnerships with our key partner organizations. I would have to go out of my way to emphasize how critically important it is that we work effectively with partner organizations, whether that be the Northern British Columbia Tourism Association; Tourism Rockies; Vancouver, Coast and Mountains; the Tourism Association of Vancouver Island; and sector groups such as Canada West Ski Areas Association, GolfBC and so on. I could talk at great length.

Specifically as it relates to the partner organizations that are involved in the regions, we have six regional tourism organizations, and I've got samples of the publications they each produce. This would be the Cariboo Chilcotin Coast Tourism Association, with whom we work very closely together. Our single largest marketing program is called the tourism partners program, which combines our resources with that of the member organizations in the Cariboo Chilcotin Coast Tourism Association. They then produce publications, promotional initiatives, participate in trade shows, and so on, with our organization.

The Northern British Columbia Tourism Association is another. Tourism Rockies would be another, and Thompson Okanagan and so on. In total the membership of those organizations is, I'll say, approximately 2,000 individual members. Those members then combine their resources with our resources. We jointly de-

sign our marketing programs and then implement them in lockstep or in concert with one another.

[0930]

In addition to those organizations we also produce, in partnership with the sector groups, a range of promotional initiatives and publications. I've just brought a little sampling. We have freshwater fishing, saltwater fishing, outdoor adventure, guest ranching — I see I've got two guest-ranching publications — just to give you an example of the types of program activities we produce.

Now all of it is under the banner of Super, Natural British Columbia. It enables us to achieve in the advertising business what's referred to as reach and frequency — extended reach through the combined resources of individual operators and the associations, as well as our resources — so that we're able to have a much more aggressive presence in the marketplace. Obviously, Tourism Vancouver, Tourism Victoria and Tourism Whistler are also key partners in many of our program activities.

What one thing would you like to see improved about Tourism British Columbia or its services? Here are a few highlights of what our partners were talking about.

One obviously deals with the challenges of resourcing in the worldwide marketplace, because we know that competitive destinations are spending aggressively, and this is a very competitive threshold that we're dealing with. This was one of the points that came forward.

Increasing promotion of regions and regional tourism organizations is an area that also has faced significant challenge. When we were established as a Crown corporation, we had that unenviable task of trying to figure out how we would do business with significantly less resources. We then ended up coming up with a more efficient reallocation of organizations and saw a downsizing of what was nine regional tourism associations to six organizations, mainly to be able to control the overhead expenses that were in place.

We've gone through, I think, a very successful transition into those six organizations. Our budget dropped immediately, and gradually, with increased hotel tax receipts, scrolled back to where it was in 1996 in terms of the tourism partners program. That being said, I know that the regions would benefit from increased applied resources in their areas. Then, of course, more specific target marketing to promote British Columbia in overseas markets in particular. We've got a number of overseas markets that are not fully addressed, and we have a few emerging markets, such as China, that will produce substantial opportunities for British Columbia.

Just a few verbatims that I thought I would pull out, more to demonstrate the types of groups that we're working with. The first are some comments that have come from an executive director of one of the primary sector associations, who indicates satisfaction with access to our staff not just at the operating level but also throughout the corporation at the senior level.

Second is the president of a DMO. Just to help you with the language, in our service plan we actually have a description of the language we use that describes what a DMO is. That's a destination marketing organization. As I know you're well aware, every organization has its abbreviations, and we've got tons of abbreviations. If you have any questions, feel free to ask me those questions.

The DMO organizations — these would be Tourism Vancouver, Tourism Victoria, Tourism Rockies or Northern B.C. Tourism Organization. So one of them has indicated we're good at marketing — everything from media to communications is excellent — and building publicity. I'll talk a little bit about the innate efficiencies of public relations as opposed to purchased or paid media as vehicles for stimulating awareness.

The last item has come from an individual operator. Now you need to recognize that in our sampling technique, we actually poll randomly about 200 individual operators, and it's totally random. The source of the information comes from the accommodations guide. We inspect, through the course of the cycle, about 2,800 individual accommodation properties. Then we provide this book to the research firm, and then they just do a random sample and pull out and check with individual operators. So one of the operators has made reference to availability of statistical information and access to data, and so on, as something they're satisfied with.

Some of the other comments. This is an operator in Thompson-Okanagan, who talks about her advertising programs and assistance coming from staff.

Now a president of one of the primary sector associations is talking about some changes they'd like to see. That would be increased resources in terms of marketing and program activities.

[0935]

The last would be travel trade. By travel trade, what I'm talking about are tour operators who are either receptive to our operators that are putting together packages in British Columbia to track, say, overseas visitors, or it could be an outbound operator based in perhaps the United Kingdom or in Germany or in the United States, who is putting those packages together to bring them to us.

The beauty of this kind of perspective is that they deal with other jurisdictions. Ontario and Quebec may be dealing with Germany or Italy or Thailand, so they've got a pretty good sense of what's going on in that global landscape in terms of competitive promotional activities. They're making reference to the challenges that we have with some of the other jurisdictions, particularly the increased resourcing that's gone into program activities, particularly in Ontario and Quebec.

Another mechanism for gauging how well we're doing in terms of the health of the organization would be what we would call independent or third-party forms of professional recognition. We've captured a number of the areas the organization has succeeded in of a professional-recognition nature. Beginning with

the establishment of the organization in 1998, we received a gold medal for our marketing program that was the precursor to our very successful B.C. Escapes program. We'll talk about that a little bit further, and I actually have a sample television commercial for you.

In 1998 we were given a gold medal by the Canadian Direct Marketing Association for the best international marketing program. I think that was preceded by IBM in the previous year, so we thought we were in pretty good company in terms of that recognition. The following year, 1999, the organization was conferred as the marketer of the year by the American Marketing Association, the B.C. chapter for our marketing programs. That was not simply the promotional initiatives, but it was the whole basket of activities that our marketing and sales people are involved in. Then the subsequent year was Pacific Asia Travel Association, which is a very large organization that catches the whole Pacific-Asia area, who conferred a gold award on us for our international marketing programs.

*Beautiful British Columbia* magazine received an award — and I'll talk very briefly about it — for the best cover, I think, of either the century or the decade. What does it say up there? Best in show, all-time great Canadian magazine covers. Now, I'm taking a bit of credit for this, because the cover was actually produced before we took ownership of the publication. Just a quick comment on history. In 1959 Premier W.A.C. Bennett had the idea of producing a magazine that would help showcase what's the best of British Columbia. It was sold in about 1982 or 1983 to the private sector. It was subsequently acquired by Mr. Pattison and the Jim Pattison Group. Just last year in June, Tourism British Columbia was fortunate to reacquire *Beautiful British Columbia* magazine, because it's a very important strategic piece of our marketing puzzles and has some pretty exciting program activities we're working on there. We're pleased to see it come back into the fold.

Very quickly, we've got more recognition in terms of our marketing programs, and last year our director of human resources, Rose Moss, was actually nominated in the human resource development category for successful program activities. We just heard — it was announced to our management group yesterday — that we're about to win yet one more award for our direct mail marketing programs for B.C. Escapes, and these are just two sample publications that I'll pass around. We don't know what the colour of the award will be. They're telling us we have to hang on and discover if it's gold, silver or bronze, but we're pleased with that subsequent recognition.

In addition to professional recognition, in our annual report we've touched on what we feel are some milestones, one of which would be SuperHost, developed by the godfather of SuperHost himself. This is Rick Lemon, sitting at the end. In preparation for Expo, Mr. Lemon developed a program which was developed as a customer-service training program. It's been widely emulated around the world. As a matter of fact, it's become a revenue generator for our organization.

We signed a contained licence agreement with American Express out of New York City to permit its introduction to a number of countries in Southeast Asia over a limited time period. We were then able to use the revenues generated through that activity to upgrade and revitalize the program here in British Columbia. I say this cautiously: we're selling kind of second best, and we were able to then revitalize the program for launch here. We also have recently signed an agreement with Puerto Rico, who are using a program together with a number of other countries. There is a KiwiHost and an Aussie Host and a New Zealand Host. It just goes on and on.

In addition to SuperHost, our accommodation guide, as I said earlier, has gone through a significant 75 years of evolution. As a matter of fact, there are some operators who were in the guide in 1926, and they are still in the guide, I'm proud to say, at this point in time.

[0940]

In addition to the accommodation guide, which is one of the tools we have in the quality assurance program activities, we have another program that's called Canada Select. It's a national program. It involves inspection and rating on a five-star scale of properties as long as they meet certain standards. The standards are determined by a national governance body, and then our organization actually oversees the inspection program and accreditation in terms of standards of performance.

The last area, and I apologize for the difficulty of seeing the small numbers, is probably the most powerful asset the corporation has to work with. That's our brand, "Super, Natural." The brand "Super, Natural" was developed in 1978, actually, as a headline in a newspaper advertisement, which then morphed into a very powerful brand identity for Tourism B.C. The brand has such high levels of awareness that it is actually envied around the world for its consistent representation. We go out of our way to register the trademark, to protect the trademark, to oversee activities that would ensure that others aren't what's called taking advantage of passing-off actions on the brand. We check what the levels of awareness are on a fairly regular basis.

This was a survey we did where we looked at various markets — B.C., Calgary, Seattle and Toronto — to get a sense of what the unaided- or top-of-mind awareness levels were in comparison with well-known categories. For example, if you looked at the bottom category, we've got the Volkswagen campaign, which is "Drivers Wanted," Kodak's "Share the Moments," Travelocity and so on. You can see that within British Columbia, Kodak has an 87 percent unaided awareness level with respondents. We were generating 66 percent awareness in ours, and we've got 95 percent awareness in Calgary. In comparison with some of our DMOs — 41 percent in Vancouver with their campaign, which is "Spectacular by Nature," and Alberta, which is a 22 percent awareness level.

This is one of the more powerful brands we have, and you can see in the material that I passed out previously the ways in which we were able to achieve extended reach and frequency by ensuring that our partner organizations are also making use of the brand but in a fairly contained fashion.

I've moved from industry performance and corporate performance down into specific business unit performance. Rather than going into some of these charts that you can see in our annual report are sort of in categories, I've just pulled out a few highlights more or less as an introduction for members of the committee. One of the things we're quite pleased with as an organization is that we've demonstrated good financial management. We have no corporate debt. As a matter of fact, we have contributed surplus. I'll explain in the financial charts how that came about. In addition to that, we've had unqualified audits from the office of the auditor general each year that we've gone through the full audit process.

B.C. Escapes is an activity in which we combine our resources and then attract participation of other stakeholder groups. It's a program that's worth about \$6.2 million in terms of applied marketing activity, and it has a whole host of elements to it. Our contribution to the program is in the neighbourhood of about \$2 million. Actually, I think it's \$1.2 million. I've got to check with our vice-president of marketing.

We gauge the impact of that program because we run a call centre, as I referenced earlier. The call to action is either our website or our call centre. We are able to determine exactly the number of packages of B.C. Escapes that are purchased as a consequence of the program. We then do what's called conversion research after the fact to determine how many people actually came, what type of activities they were involved in and their length of stay. Then we are able to go through and do a calculation to determine what that total expenditure consisted of. For example, here last year, with our \$6.2 million program, we saw \$62 million worth of incremental tourism revenues directly as a result of this program activity.

In terms of the provincial tax portion, we generate approximately 10 percent provincial taxes out of that, so if we play on the return on investment, our investment was \$2 million. We generated roughly \$6 million in incremental tax revenues back to the province.

[0945]

We're very proud of this program. It not only helped us gain some professional recognition, but we're one of the few jurisdictions that's able to show a tight return on investment for specific program activities. As I said earlier, we reacquired *Beautiful British Columbia* magazine, and now it's an important strategic element in the corporation.

In addition to the stakeholders' survey that we do with our key partner organizations, we are also involved in the corporate health of the organization. A number of years ago as we were going through the early evolution, the sort of theme of the day was burn-out, burnout and more burnout. We went from a staff-

ing complement of about 70 people down to 49 individuals in the organization.

We provided an opportunity for all of the individuals who were previously employed in our organization when we were part of the ministry to continue to work with us. A few people elected to stay with government. We were working with roughly 48 people; yet we were doing a much bigger job. Previously we had support in terms of overheads, financial administration, information technology, and so on, that was coming from the ministry, and it was also paid for by the ministry.

When we went through the evolution of the organization, it was a really heavy and hectic period of time, and we were quite troubled about the effect it was having on the corporation. We began a series of climate surveys, and we do this roughly every two years. The results of the most recent climate survey would indicate that 96 percent of our staff are proud to say they work for Tourism British Columbia, 93 percent have confidence in the leadership of the organization, and 91 percent believe it's a good place to work.

Probably in more concrete terms, we look at things like absentee rate and turnover rate. In the annual report there's actually a reference to the absentee and turnover rates and so on. I'll give you an example. We saw an absence rate of 1.2 percent, which the chart shows, but beside it, the public service has an absentee rate of 11.9 percent. In terms of turnover, ours is 4 percent, and in the public service it's 8 percent. So we think we're tracking fairly effectively in terms of retaining capable individuals.

Along with that, we saw the development of a visitor information centre at Vancouver International Airport that's a very important showcase first-impression area. It handles about 400,000 inquiries a year from visitors and last year was probably the biggest test of all associated with the tragedy around September 11. The passengers had no idea of what was happening, and our staff, in partnership with Tourism Vancouver and other organizations, were able to assist a substantial number of individuals in finding places to stay and helping them reorient themselves after those activities.

One of the working tools we have in our basket of marketing tools is public relations — media relations, specifically. We have a team of individuals who work to build stories about Super, Natural British Columbia. They work with travel writers from around the world. We work in partnership with airlines and other organizations to attract media writers.

A good example is that on Saturday, I'll be speaking at a function at the Royal B.C. Museum, because about 40 travel writers from the United Kingdom are here accompanying the Queen on her visit. We have been fortunate in capturing these writers, and we're putting them out on whale-watching activities and sending them out to Butchart Gardens and so on. They can go home and say, "Wow, what an incredible place British Columbia is," and write about it.

What we do is an equivalency measurement. The equivalency is if we had to pay for the articles that we've seen generated specifically as a result of these

program activities, how much that would have cost us. Last year it was about \$85 million. Clearly, that's not the amount of money we would be spending in terms of paid media activities, but it extends our reach and our awareness, and it provides added authenticity. It's a much more influencing tool to come from third-party travel writers.

We've been very active on the airline issue, starting with the amalgamation of Canadian Airlines with Air Canada and, most recently, assisting Minister Thorpe, who has provided significant leadership with provincial tourism ministers. Actually, he's been leading a number of forums and working with federal ministers — Minister Collenette and Minister Rock — to ensure that the devolution of support to regional airlines is being properly addressed and to help us with international air access, gateway concerns, interline connection and so on. Our staff have been very active in that regard.

[0950]

Then just as a little example, I threw up DerTour. DerTour is, I think, the second- or third-largest travel agency in Germany. They annually have a travel academy, which goes all over the world. I think they've done it for 23 or 24 years in a row. They collect information that shows how much their agents actually book of that destination in the year following hosting the travel academy. We worked on it for about four years to get them to come. It was a partnership with Tourism Victoria, Tourism Vancouver Island, Tourism Vancouver and ourselves. It was a very exhaustive program, and 700 agents came. By the way, the agents have to actually write exams to be permitted to come. They take the 700 top agents from their travel agencies and bring them in, and we put them through our training program.

Now, the big issue was that it happened right after September 11, so there was some doubt as to whether this program would end up being fully implemented. We went ahead with it. We were delighted to see it happened. We think success has been terrific. We've been told by DerTour that their bookings were up by 30 percent and that they're tracking very positively. However, that being said, if you take a look at year-to-date outbound or inbound from Germany, we're down by approximately 20 percent. If you take a look at diminishment of airlift capacity from Germany to Vancouver, it's down by about 28 percent. That's an example of some of these intervening forces that are interrupting our ability to drive the type of business that we would hope. Nevertheless, the DerTour Academy was very successful.

Now the numbers. Probably the best bet is if you were to take a look at the last two pages in your document, it might be a bit more legible for you. What I have put up are two slides. One deals with a historic review of the corporation going from the days in which we were a special operating agency through to completion of our audited financial statements this past year 2001-02. The second is the look ahead or our five-year plan. Just as a quick reference point, this chart has

SOAs, the special operating agency, in the column on the far left. It gives you a sense of what our voted appropriation was in 1996 at \$23.4 million and, in addition to that, the amount of overhead that was being paid for on our behalf by the ministry for those activities I referred to earlier such as finance, accounting, rent and so on of about \$1.2 million. The total available dollars was about \$24 million. Then we had a spend level of roughly \$21 million.

Now, the one thing I want to highlight is that spend level was net expenditures, so for example, the accommodation guide that I passed out earlier appears under the tourism operations category, which is the \$9.074 million figure. That guide spends about \$900,000, and it generates about \$900,000 in revenues, so the figure here.... It wouldn't appear. It actually appears because that's a net figure. It was a STOB 99 — I think it was called — in the government accounting system. When we were set up as a Crown corporation, we recognized it as true revenues, and we expensed it as true expenses. If you go over one further column, you'll see program revenues, where we've got a basket of program revenues. We've got here tourism operations, when we're a Crown, of \$2.3 million, \$431,000 and so on. We've then translated into actual program revenues.

Now I'd like to draw your attention to the voted appropriation figure in 1997-98 of \$3.8 million. The legislation was enacted in July of 1997. It was retroactive to April 1, as I said earlier. We had received some payment for activities on our behalf up to that point in time. When we closed off the fiscal year, we owed money back to the government. The government was good enough to forgive us on the owed moneys, and that amount was \$3.8 million, so it then dropped to contributed surplus. It enabled the organization to put in place a five-year long-range financial plan, so we have followed that religiously. Our board passed a policy that rather than spending the full amount immediately, what we would do is evenly apportion it and allow for growth in hotel tax receipts to bring us back up to the levels we were at before, so we didn't have one of those situations where you're in the market one day and then out of the market, say, in the subsequent year.

[0955]

We're enjoying some significant progress in terms of hotel tax receipts. In '98-99 we saw some growth of 7.2 percent followed by almost 6 percent and then 7 percent. We thought we were attracting close to being back to where we were in the 1996 time frame. However, September 11 had an impact on the organization. I'm thankful to say it wasn't anywhere near as big as we thought it might be. We were actually anticipating it could be in the neighbourhood of 10 to 15 percent erosion in hotel tax receipts.

You'll see at the completion of the fiscal year that we were down by 1.3 percent. Now, that's not that significant. The benefit we had is that we had completed the bulk of sort of the volume of our business, which ran through the end of August, before the September



11 tragedy hit. The impact in September, October, November and December was a decline in hotel tax receipts and visitation that was significant.

Then the corporation embarked upon a range of program activities that essentially involves deficit spending. It's actually part of the plan that we would deficit spend. Again, it's because of the policy the board enacted to slowly spend out of contributed surplus, allowing enough time for us to see a recapturing of those hotel tax receipts.

If you don't mind, I'll flip to the next chart because I can illustrate how that works and also give you a sense of one of the measures we have in place to help more effectively manage the corporation. This is a snapshot of the five-year plan and our approved budget. If you see, the number in the very top left-hand corner by the hotel room tax percent increase — it's in red ink to stand out — is zero percent.

We had approved from our board of directors what we thought would be a 5 percent reduction in hotel tax receipts in this fiscal year. Annually and at the end of January, the board reviews and approves our business plan. It's then provided to Minister Thorpe for his review and input.

We have revised it, and we do quarterly financial reviews with our board of directors. This was the outcome of our last review with the board, which was at the end of July. We've revisited it, and we think we're going to come in at a level that's pretty consistent with what last year was.

That's good news in many respects, because we're fortunate in having roughly the same amount of dollars available. However, with the challenges we went through, anticipating anywhere from a 10 to 15 percent erosion, we immediately reduced available dollars for our partners — the regional tourism associations, the visitor info centres that are throughout British Columbia — by 10 percent each. We reduced our own program activities and put a freeze on hiring. We've actually reduced our staffing complement by about 12 percent in the corporation. The board of directors took a reduction in overall expenditures in board activities of somewhere in the neighbourhood of about 30 percent.

We put in place all these measures not knowing what the future would look like. We've been fortunate, at this point in time, to be able to gauge a better sense of what hotel tax receipts will look like as well as our own program revenues and have fully reinstated the visitor info network program activities as well as our tourism partners program activities. We're fully funded in all the applied activities such as B.C. Escapes and our international marketing programs.

The other really significant number that stands out is if you were to go to 2004-05, which is the middle column, and work your way all the way down to the bottom where we've got \$2 million, we've got expenses over and under budget of \$930,000.

The board has put in place a policy that says we will always have aside at least \$1 million for contingencies. It could be, say, September 11 as an example. Our challenge is that it's usually a year or two down

the road that we're looking at to ensure that we're managing the affairs of the corporation.

When we have our quarterly board meetings and our reviews with the finance committee of the board, we actually go through our updates. Then, if it looks like we have, say, more robust hotel tax receipts, we'll actually increase spend levels and immediately institute higher program activities, which we did last year in terms of our U.S. campaign to try to overcome some of the deleterious impacts of September 11.

[1000]

This is, in kind of a snapshot, what the landscape of the organization looks like. I just wanted to end with — I guess about 60 seconds — two television spots. One is a spot that reflects our campaign in the United States. It's just one element of many program elements. The second is a campaign that we're doing in partnership with the Canadian Tourism Commission in the United Kingdom. I'll push the go button.

I apologize. They didn't bring speakers, so you're picking a little bit up off the tape.

The second one is our international campaign.

That, Mr. Chair, is our presentation. I hope I've stayed within the time frame available. I'm pleased to entertain any questions of the members.

**K. Stewart (Chair):** Thank you. That was quite a nice presentation. What we'll do now is open it for questions. What we have been doing in the past is just starting and going around. As the members have questions, they will ask them of you, and you can direct the question to the most appropriate person to answer it.

We've had two members that just had to leave to do a quick interview. They've had someone come from The Hague at their own expense, so they're quite pleased to be able to do that interview on that time frame.

Anyway, if we want to start — with you, John? No question.

Dan.

**D. Jarvis:** I was wondering. The number of marketing locations you have in the world, I guess. Where are they — if there are not too many, that is?

**R. Harris:** We currently have offices in the United Kingdom and a general sales agent in Frankfurt, Germany. We have an office in Tokyo, an office in Taipei and a general sales agent in Sydney, Australia. That's it.

**D. Jarvis:** Before, Tourism B.C. used to have locations up and down the coast, because at that time, anyway, I believe the majority of our tourists were coming in up from the United States. That's our biggest market to draw from. I understand we closed our Seattle, Los Angeles and San Diego offices and all the rest of it. Is there any indication that you might be opening those again? How much do you think we've lost because of that?

**R. Harris:** That's a very good question. The challenge we have is that with limited resources, we've had

to reorient our strategic approach to the U.S. market. I don't believe we've lost any level of visitation. As a matter of fact, if you take a look at the year to date, from the United States we've seen an increase of customs entries to the end of July of plus 4.2 percent. We're continuing to generate increased levels of visitation from the United States, but we've refocused from what was previously a travel agent-based approach to our business to a travel trade-based approach. This is largely as a consequence of the incursion of the Internet in the way individuals book their travel and limited resources available for us to reach the market.

Perhaps Mr. Mackay could give a supplementary to that.

**G. Mackay:** The office in Los Angeles was actually closed this February. We had one individual in that office. He was operating out of his home, actually. His focus of attention had been primarily on retail travel agents. As Rod alluded to, our strategic shift has been to really focus on the consumer, because the consumer now is actually able to book direct. The real challenge is now with the travel agent trade, especially in North America, because of access. They can call; they can use the Internet, etc.

It's not to say that the trade is not important, but we're able to satisfy our key trade program. We've identified approximately ten key tour operators in the U.S. that provide significant volumes to British Columbia. We develop those key accounts and trade programs, and we're able to satisfy that activity through our sales managers, who are located in Vancouver. The fellow that was located in Los Angeles was in fact strictly dealing with the retail trade in the Los Angeles area.

[1005]

**D. Jarvis:** Okay.

I don't know how many questions you're going to allow me.

**K. Stewart (Chair):** We'll go on, and we'll come around. We'll just keep continuing.

Pat, do you have a question?

**P. Bell:** On about slide 8 or so in your marketing cycle you referred to technology as being a key component of your marketing programs, but you didn't really expand much on it. I wonder if you could address where you see technology going in terms of your service plan and your strategy over the next three years and what your priorities will be to develop technological aspects of the business to improve our marketing skills.

**R. Harris:** Absolutely. That's an excellent point. As I indicated in a previous response, technology is superseding how the prospective visitor plans and actually is now beginning to book their travel. As a consequence of that, we've embarked upon a program we call the destination management system.

Now, the challenge we have as an organization is that we have a whole series of, I'll call them, discrete and almost separate databases. The reason I used the word "almost" is that they're connected — I'm not a technical person — but I'm going to say with bubble-gum and string. I'll give you a good example. We have one database for the accommodation guide. We have about 3,000 members who are involved in the accommodation guide. We have a separate database for our call centres, so there's in excess of 700 individual properties merchandising products through our call centre.

We have another database for our website, so we've got information in the website and a subsequent database for our product guide, which in a printed version is about 1,000 pages long. Each of these undertakings has emerged at different points in time and, as a consequence, is using different forms of technology. We've managed to reasonably successfully connect them together. However, it isn't a robust and consumer-friendly site that enables visitors, when they're attracted to the site, to quickly and easily make use of it.

We're very concerned about that and have dedicated a significant amount of resources to a whole program activity to deal with it. The individual responsible is Mr. Mackay, so if you'd like, I'd like to ask Grant to give a quick thumbnail sketch of some of the activities we're involved in, in that regard.

**G. Mackay:** Thanks, Rod. The organization has gone through a fairly significant review, as Rod mentioned, in terms of all the programs and services that we make available either to our industry to participate with us or to the consumer. Through that, we've been looking at all our business processes and how technology is actually helping us in those processes.

We've reviewed what we can do to automate some of those processes. It's obviously very important, as a result of the advent of the Internet. What we're looking at right now is finding mechanisms whereby industry can participate with us. They can sign up simply for programs. They can provide us their information, so we actually can bring it into a digital database. Once we have that information, and it could be on an accommodation property, it could be on a whale-watching property, or it could be on all the many different products and services that are available in the industry.... Once we gather that in a central database and it is digitized, we then have the ability to repurpose that information for a variety of purposes.

Ideally, we want to satisfy the consumer through their preferred channel of communication, and we have a range of those communication channels that would be able to access this information. Our website, which Rod alluded to, is obviously a critical one because of the huge usage of websites around the world for travel. That's critical — also our publications.

Right now our publications are produced using different databases to gather information to then be put into printed form. That information then would be used and repurposed for publishing purposes. Another significant use is when visitors are here on the ground.

How do our travel agents or our counsellors in our VICs or within the call centre actually access that information so the information, again, would be accessible to that channel of communication?

Technology is actually enabling our business and our products and services and in so doing, hopefully, making British Columbia a much more competitive destination. We'll be able to reach a much broader audience. We'll be able to provide that digital information to a range of different partners now than we currently can.

[1010]

When tour operators, for example, are looking to produce their tour operator brochures, where can they access information? Hopefully, it will be through our central source of information.

We have partners. Travelocity and Expedia are all looking for destination information. Hopefully, through our services they, too, will be able to access this information and just broaden the reach of the available information on not only the travel experience but also the products that can be purchased within the province.

We've gone through a very significant review of all our programs, all the business processes that actually allow those programs to take place, and then have taken a look at how we can enable those programs with technology.

**P. Bell:** As a follow-up question.... Technology is changing so quickly that if we don't stay ahead of it, we're behind it. I don't think you can stay with it. My question was more around the two- to three-year window in terms of your business cycle and planning cycle and what you see occurring. Do you have folks working on that, or are we not focused on that out period of the business cycle?

**G. Mackay:** That's exactly what we're doing. What we have done is first determine what our business needs are. We now have developed those. We're now looking at the business processes, and we've actually developed a technology plan to help provide the technology solutions that we will start to embark on in terms of understanding what those solutions are, where the providers of that solution are and an implementation plan.

We're at the end of the very first phase in having defined all of our technology requirements. We're now out into the exploratory phase of determining what the appropriate technology solution is that will be phased in over the next.... It'll be a constant thing. It'll be a way in which we have to do business in the future, but it will be phased in over the next two to three years. But it'll be continuous in terms of looking at how technology changes and how we can keep up with that change.

**K. Stewart (Chair):** Joy, do you have question?

**J. MacPhail:** Do I ask all my questions now, or just one?

**K. Stewart (Chair):** If you've got a topic that's related with the supplementary, go ahead. We just try and keep going around.

**J. MacPhail:** No, I have five questions, and they're not related. They're all unrelated.

**K. Stewart (Chair):** Okay. So go with your first one.

**J. MacPhail:** Thank you for your presentation.

On your financial statement there are two points I don't understand. I'm looking at the second-to-last slide of the presentation. I noted a huge leap in revenue from program revenue and other, and I think it's around this \$4,002,261. What's that from?

Second, below the write-down of the intangible asset.

**R. Harris:** Maybe I'll ask our chief financial officer to respond to that. Len Dawes?

**L. Dawes:** The \$4 million in other revenue last year related to the transaction with *Beautiful British Columbia* magazine. I think it's note 11 in the annual report that outlines the transaction. We acquired the assets and liabilities. Of those assets and liabilities, there was \$5.5 million in tangible assets, which represented the value of the subscription list. The \$4 million write-down represents.... At the end of the year it was sort of re-evaluated against that subscription list, and it was determined with the auditors that there was a write-down necessary — that the value of that was not that high. That corresponds against the \$4 million revenue. As part of the transaction, the Pattison Group donated \$4 million to Tourism B.C.

I guess the bottom line on the transaction is that it cost us \$1 to purchase the magazine, and that included a \$4 million donation revenue from the Pattison Group.

Does that answer your question?

**J. MacPhail:** So how much did Jimmy Pattison get for it — one buck?

**L. Dawes:** One dollar, yes.

**J. MacPhail:** Thank you.

**B. Bennett (Deputy Chair):** Thanks for your presentation. I wanted to say, first of all, that that's the best service plan I've seen so far in my activities here with this committee. You did an excellent job with it.

I also wanted to say that I'm familiar with the SuperHost program and the visitor info program. Both of those programs are absolutely excellent world-class programs. I think they work really well.

[1015]

My question goes to the role that British Columbia residents play within the tourism industry. There are a number of references to that in the service plan. One of them says that B.C. residents generate the greatest revenues, contributing 27 percent of the province's total

tourism proceeds. There are a couple of other references. Key investments, under "Focus of Effort." Key investment markets include British Columbia. We list that first. Unfortunately, I can't give you page numbers because I got my copy off the Net here.

Discover Camping was another reference that I wanted to talk to you about a little bit with respect to B.C. resident tourism. I'm curious to know whether you know how much impact the Forest Service recreation program has or what link there might be between that program and also B.C. Parks and the role that B.C. residents play in the tourism revenue here in the province.

**R. Harris:** First of all, thank you very much for your positive comments about our program activities. A lot of them rested in Rick's bailiwick, so he should get the credit for that.

The issue around some of the impacts on visitation of access to, say, forest rec sites as well as forest roads and parks and, I guess secondarily, visitation to the heritage sites is very, very important. It's hard for us to come up with a quantitative gauge of the total impacts associated with it, but as you may be aware, when we did our presentation to the core task force last October, we were tasked with the assignment of building a framework to help the tourism industry double its size in terms of contribution to the provincial treasury.

When we undertook that exercise last December and through the spring, we had an opportunity to visit about 50 communities throughout British Columbia and meet with a range of organizations and stakeholder groups. That would involve organizations that are definitely connected with generating business through or associated with parks. It would be through access to forest rec sites and so on. It ended up building a fairly exhaustive list of some of the impacts that are very important to the tourism industry.

We reviewed that with our board of directors and have provided Minister Thorpe with a synopsis of those key activities. As a matter of fact, tomorrow our vice-chair, our senior staff and myself have a meeting with the minister to go over some of these aspects in these areas. In addition to that, we're in communication with Mr. Strachan — I think it is — who is overseeing the parks consultative exercise. I've encouraged him to join us in Prince George at the end of this month for our board of directors meeting, so that our full board will have an opportunity to have a dialogue with him. Our board has been quiet. We're obviously not an advocacy group. We're very quietly helping Minister Thorpe and other ministers become more familiar with some of the effects on the tourism industry.

I wish I could give you a simple quantitative answer to your question, but unfortunately, I just don't have that number at our disposal.

**B. Bennett (Deputy Chair):** Just as a follow-up, one of the recommendations that the recreation stewardship panel made has been that government should find a way to integrate all of the recreation services that

government is involved in across the different ministries. I think right now there are at least three ministries and a Crown corporation, Land and Water B.C., that are involved in tourism.

Do you have an opinion on that or a position or any advice?

**R. Harris:** Yes. We actually stuck our necks out and provided some suggestions for a more orderly and logical approach to the baskets of responsibility that could be possibly addressed. When we did our initial presentation to the core task force, we reflected on the fact that government has a number of impacts on the tourism industry in a whole range of areas, whether it be transportation issues, highway signage issues, forest rec site issues, parks, and on and on and on. In many respects it's a largely uncoordinated activity.

We took the consumer purchase cycle chart, which you saw earlier in our presentation. We recognized that there are sort of two sides to this equation. There's a demand side and a supply side. On the demand side there are two big baskets of activity. One deals with stimulating awareness and interest, which is our principal area of responsibility, together with some development activities.

[1020]

Also on the demand side are a whole basket of activities that deal with transactions with direct customers: visitation to attractions, heritage sites — Barkerville, Fort Steele, Point Ellice House, Royal B.C. Museum. It could be the Provincial Capital Commission, visitation sites here. So there's a whole bunch of attraction-related activities that involve a transaction whereby a customer actually comes to it.

What we would call recreation parks or campsites are also within that basket, as distinct from ecological reserves whereby wildlife considerations are paramount. There are a number of sites.

Now the accumulation of all of those activities are what showcase our brand, Super, Natural British Columbia, so the sensitive custodial relationship is very important to us.

On the supply side then, there's a lot of activities by many different organizations. We simplified them into sort of three categories of engagements. One was land- and water-related activities. A second was what we would call human capital, or HRD, and training-type activities through skills training and development and advanced education.

The last basket would be infrastructure-related activities, of which we saw two categories of engagement. One would be physical infrastructure — everything from, say, pursuing the Olympics and the infrastructure required there, convention centre expansions throughout the province — together with all of the changes that I know the government has made progress on, which are business climate-related issues such as taxation, legislation and regulations and so on.

From a conceptual standpoint we created some neat — I'll call them neat, but I don't mean enthusiastic but clean — baskets of engagement. To affect that out-

come is a human endeavour and is beyond the scope of Tourism British Columbia, but that was our suggestion as it related to those areas.

**B. Bennett (Deputy Chair):** Thank you.

**K. Stewart (Chair):** Thank you. Just before I move on, just to give you an idea of part of our purpose. It is — and this is relating back to Bill's question a bit — to baseline the Crown corporations for future review. Some of the topics and issues that have been brought up will have an impact down the road. It would be nice for us to be able to come back in a year or so and say: "Here are some of the issues that were touched on. What effect and impact did they have on your performance?" That's just a point. We will be looking to follow up on those in the future.

The other question I have is with regards to baselining to other provinces as to how we're doing compared to them — didn't see too much of that in there. Do you have much database on that?

**R. Harris:** I'll begin with what I'll call a testimonial, in a sense, or positive reference. The office of the auditor general of Canada, who is responsible for the Canadian Tourism Commission, has indicated that it benchmarks performance of the Canadian Tourism Commission. The benchmark that they're using is Tourism British Columbia. They're using our program activities and our quantitative measurement tools, as well as qualitative tools, as that reference point.

In terms of specific program activities, we work very closely on the supply side with our colleague organizations through Human Resources Development Canada. I'd like to ask Mr. Lemon to sort of supplement this briefly with a comment there.

On the demand side in terms of marketing and promotion, aside from our gauging the level of expenditures — for example, going from memory here, Quebec has a budget of about \$90 million; Ontario, I think, is \$57 million; Alberta recently increased their spend levels to \$18 million — we don't get into really detailed program-area benchmarking. None of the other organizations have a system in place that we have, say with B.C. Escapes, where we're able actually to do an attributable return on investment type of calculation.

I don't know if you, Rick, wanted to provide some supplementary information on your role with HRDC Canada.

**R. Lemon:** Just very quickly. Rod earlier talked about the three pillars, if you like, that really focus around a successful tourism destination: solid marketing, clearly, and getting to the consumer; great product and product experiences. We started to talk about some of this stuff, particularly as it related to the camping side of the business.

[1025]

The third piece is HR. One of the challenges we're having not only in British Columbia but in Canada is a critical skill shortage in certain occupations in tourism.

We are wrestling with this. We are putting together with industry right now a five-year plan to try and address that particular issue, funded through HRDC. We're also working with our national colleagues.

We are seeing the need for 40,000 workers in British Columbia over the next ten-year period in the multi-related tourism part of the workforce. We cannot grow the business if we do not have enough people sufficiently trained in the business, so we're putting this very complex HRD plan together to try to address that equation.

It's really important to understand that it's not just a question of marketing, good marketing resources or great product. We have to have this third pillar, which Rod calls the human capital, to make that work as well. So it's quite related at the federal level with all of this.

**K. Stewart (Chair):** Okay, thank you. I guess just simply the answer to my question, then: how do we compare? You said we were the benchmark.

**R. Harris:** We lead the world. It sounds arrogant for me to say that, but we're recognized almost globally as one of the leading organizations in the world. The jurisdictions that we also keep a close watch on would be Queensland, which I think has a very disciplined professional organization, and the Australian Tourism Commission. Most of the other organizations don't have the same type of disciplines invested in how they do business.

**K. Stewart (Chair):** I noticed that one of your measurements was the recognition that you got from organizations. Do we have a number to that, though — that, based in British Columbia, we put out this much and get this much in return? In Alberta they put out this much and get this much in return. Do we have that type of comparative data?

**R. Harris:** In a simplistic and comprehensive sense, the answer is no. But in terms of isolated and individual program activities, we are able to actually gauge the impacts. The most finite measurement of a cause-and-effect relationship in terms of what we spend and what we produce is B.C. Escapes as a program, because of the call to action.

The second tool we would use is the simple return on investment for program activities, back to the program. For example, the accommodation guide is self-sufficient and basically pays for itself through advertising space. Training programs largely pay for themselves through sale of program activities with Super-Host. We use business unit tools as measurements, and as best as we can, contained in the annual report and our service plan, we've actually delineated what those isolated measurements are. By the time you add them all up, we're comparing a whole series of apples and oranges and so on. It's difficult to come up with what we'll call a single gauge, so then we look at the broader gauges such as stakeholder satisfaction through the stakeholder review. In that sense, we do have a single

number on the Likert scale. We actually have a corporate goal to maintain at least 3.8 on the Likert scale. We track that on an annual basis, and then we can go into that in a much more detailed fashion. I've passed a copy of that survey around. As I said earlier, I'd be happy to share that with any of the members.

**J. Wilson:** I'd like to go back to your question again, Dan. You must have the revenues that are generated through tourism in each province somewhere. You must have the allowance that each province puts into promoting tourism. Can we get those numbers?

**R. Harris:** Yes, the absolute numbers as they relate to how much is generated from the tourism industry are contained in the front of the annual report. Last year it was \$9.2 billion as a gross revenue figure. We'd be happy to provide the committee members with an indication of what other provinces also produce, coupled with their expenditure.

About two years ago we provided in our service plan that exact chart which showed expenditures by province, revenues by province and a comparative — what that ratio consisted of — so that it was made available. We'd be very happy to bring that. I didn't bring it with me to the meeting.

**K. Stewart (Chair):** If we could — again, for the future — include that, that gives us a good comparative with the other provinces.

**D. Jarvis:** I want to ask a question on tracking, but I'd like to do a follow-up to my original question about where we have our resources, our marketing location.

I was listening to the radio the other day to a man loved by all, Rafe Mair. He said that we should be ashamed of ourselves in the shows we put on. I think he was basically talking about trade, but I thought our tourism is somewhat.... You're in the trading market as well, aren't you?

**R. Harris:** Absolutely.

[1030]

**D. Jarvis:** He was saying — and I was wondering whether he was referring to Canada or B.C. itself; I'm not too sure — that when they have their big trade shows, our presentation is very, very minimal, that we should be ashamed of it and that there are little countries in the South Pacific that put on a bigger and better display and all the rest of it. Have you got any comments on that?

**R. Harris:** I do, and it's a familiar topic. Mr. Mair had raised this position probably half a dozen years ago. The show he's referring to is held in London, and it's principally a consumer show. It's massive in scale, and it involves a zillion consumers going by individual booths.

The difficulty we have is that it's very costly to participate, and the actual impact on the consumer is limited, especially given the resources available from other

jurisdictions. What we have tended to do, given a surfeit of available trade show activities — whether they be consumer or travel trade related — is concentrate our resources on the travel trade, because the travel trade is a much more efficient mechanism for reaching the ultimate consumer. We then use very specific applied program activities — such as B.C. Escapes or our programs through our tourism partners, combined with use of the World Wide Web, technology and so on — to reach the ultimate consumer. The challenge with that show is it is extremely expensive, and given scarce resources, we've had to go through a process of efficiently allocating those resources amongst different approaches which will provide a much bigger bang for the buck.

**D. Jarvis:** My original question, as I said, was on tracking, and I wanted to know how you tracked. I've been told this I don't know how many times over the latter years: our figures are somewhat skewed in the sense that if I go to Prince George on a business trip and stay in a hotel, it's counted as a tourist trip. How do we break down between business...? We may have a gentleman fly in from Germany to sell us some machinery or something like that. He really isn't a tourist, as far as I'm concerned. Have we got those kinds of breakdowns, or can we, or how do we do it?

**R. Lemon:** Yes, we can. There are a couple of ways. You measure tourism traffic either through the demand side, where you look at tourism revenue and visitation, or you look at the supply side, as we call it, where you look at export earnings, employment and GDP. We track tourism performance on both sides of that cycle.

Back to your question. There are some very simple definitions. They are United Nations definitions. You're right. When you travel out of Victoria, go to Prince George, stay overnight, even if it's on business — because we combine both business and leisure travel as tourism revenue — the one qualification is that it has to be an overnight stay and more than 50 miles or 80 kilometres away from home. That's a United Nations definition which is quite accepted in most tourism destinations. There's nothing unique about that.

It's difficult, particularly domestically, to separate business versus leisure. We can do that much easier in terms of international visitation. We do count business travel. That qualifier is what you talked about — the overnight stay and more than 50 miles from home.

**D. Jarvis:** In a sense, that's 21 percent. I can't remember the figure we had for travel in B.C. It really isn't that much, though. I imagine there is a terrific amount of....

**R. Lemon:** In terms of revenue, you're right. In terms of volume, it's much higher, but our B.C. residents don't tend to spend as much.

**D. Jarvis:** We're cheaper.

**R. Lemon:** Yeah. It varies from market to market, and certainly the marketing and sales fellow can tell you about that.

For example, when you look at the average per diem expenditure from China or Japan, they're here for nine or ten days, and it's a much longer extended stay. We break down each consumer expenditure and length of stay by market, and we track it.

**D. Jarvis:** All right.

**P. Bell:** There were some interesting statistics released two or three weeks ago, which identified that 71 percent of the export GDP of the province was generated from the resource-based sector. As my colleague from the East Kootenays would tell you, even in his riding where tourism is developing rapidly, the vast majority of the economy in that area is related to the resource-based industries.

[1035]

Yet, in my view, many of the pressures on our resource-based sectors come from folks in the tourism industry who are wanting a unique wilderness experience where large tracts of land are protected and removed from the ability of resource extraction.

There have been, I think, some interesting examples throughout B.C. of properties that have been dealt with in a very efficient way. You know, the resource industry, whether it's been through mining or logging or whatever, created a new landscape, I suppose, or a new view, and then it has been restored over a period of time. In looking through some of your products, I see you identify some of those as tourism-related opportunities. One of them that comes to mind is a tour of the W.A.C. Bennett Dam as being kind of a unique experience, an experience that's not related to wilderness experience but related to a resource-based sector experience.

My question, really, is: has there been any thought...? I don't see in your plan any direction toward promoting or advocating for B.C.'s resource sector as part of the tourism component you're selling, part of the package you're selling. Yet the pressures that are applied to the resource sector tend to come from your business. As part of a long-term plan that is not identified, are you talking with folks in the resource sector? Is there any move in that direction, or is that not something that you've looked up?

**R. Harris:** That's a very good question. We believe that the health of the tourism industry is a function of the health of all the additional industries that were really the reason for the establishment of British Columbia. That would be what would be considered resource extraction-type industries, whether it's mining, forestry, fishing or so on. We work very closely with our counterparts in those organizations, whether it be Ron MacDonald on the forest council or the Sport Fishing Institute, to ensure that both organizations and both sectors have the ability to go forward in a harmonious fashion.

Where there will be some overlap is in areas that would be deemed to be, say, scenic corridors or viewscapes that would project an image that may not be supportive of the "Super, Natural" imagery that is being developed in terms of our industry. We recognize that we need a very healthy and robust forest industry in particular, as well as access, particularly, to freshwater and saltwater species for fishing, as well as access to outdoor recreation sites, to enable not just the tourism industry to continue to grow. It needs to be in a symbiotic or harmonious relationship with those other sectors.

One of the reasons you don't see clearly identified an applied type of industrial tourism activity in our business plans is that they're very specific to the regions within British Columbia. In that regard, most of what we do is highly dependent upon the development of the business plans by the regional tourism associations. For example, the Northern British Columbia Tourism Association will build their plans, for which they'll have subsets, and W.A.C. Bennett Dam tours are a very important component in that.

They will then build it into their individual plans. We'll say: "Great. We like what you're doing." Then we help act as that initial gateway to flow visitors into northeastern British Columbia, in this case, so that then the regional tourism associations and on into visitor information centres — specifically, say, into Hudson's Hope — where they can actually make the transaction happen...

When we were doing our community consultations last December and early last spring, we also earmarked a number of areas that were areas of consideration that need to be examined as the overall strategic direction is being considered for the future and the future growth of the tourism industry.

**K. Stewart (Chair):** Thank you. Joy, do you have another question?

**J. MacPhail:** Yes. Two parts to the question. What is the relationship with organizations such as Tourism Vancouver in terms of financial relationship? I gather that's what you mean by your regional associations — is it? Tourism Vancouver is a regional association?

**R. Harris:** No. Actually, there are six regional tourism associations that are broader catchment areas. The Tourism Association of Vancouver Island and the islands. There's another association called Vancouver Coast and Mountains, which goes from Manning Park up to Powell River. Separate from that are what we call city destination marketing organizations, or DMOs. That would be Victoria, Vancouver and Whistler.

[1040]

Financially, the only relationship we have with them is in terms of joint marketing campaigns, whereby they may wish to use our overseas offices for some of their promotional activities. For example, they are participants in B.C. Escapes as a marketing program. Beyond that, we don't have the same financial

relationship we do with the regional tourism associations, in which we actually sit down and build program activities together.

Take, for example, the Cariboo Chilcotin Coast Tourism Association. In that case we set aside \$350,000 for applied program activities as well as a supplement of \$50,000 for building cultural programs. We then take that money and work directly with Cariboo Chilcotin Coast in designing programs they believe are relevant to their area and their membership. The relationship with the city DMOs is only in terms of applied activities.

**J. MacPhail:** Who's our biggest competitor? What's the nature of our competitors? What's the description?

**G. Mackay:** Around the world it will vary. In terms of the resident market, it's going to be those destinations that are close at hand. Alberta and the U.S. are our competitors. When we get into the Japanese market, significant competitors to us are Australia, New Zealand and Europe, and quite frankly, South Africa is an emerging competitor. When we get into Europe, South Africa actually is becoming a very significant competitor to Canada.

When we take a look at competition, we've got to look at it in terms of those that have comparable experiences. South Africa has a different type of experience, and it's viewed to be sort of an emerging destination. Competition does vary depending on which source market we're looking at around the world, and it is intense.

**K. Stewart (Chair):** Before we move on, gentlemen, if you need coffee or juice or something, feel free just to wander up and get it as we move along here.

One other point too. If there are any questions that we don't get to today, we will submit them to you in writing, and then we would expect a response back through the Clerk's office. If there are any questions that we don't get to or that we think of after you've left — or a question that you can't fully respond to at this time — feel free to give a fuller answer back through the Clerk's office.

**R. Harris:** Absolutely.

**B. Bennett (Deputy Chair):** I want to ask you about your view of how British Columbia tourism could benefit from a successful Olympic bid. I see in the service plan that you actually refer to the successful Vancouver-Whistler 2010 Olympic bid. I understand that when the Salt Lake City games were held, there were about two billion people around the world that tuned in to the opening of those games.

I guess I'm assuming that if we were successful, we would be able to put together a marketing plan that would include exposure of all the different regions of B.C. I'm sure you've thought of this. I'm just going to ask you to maybe blue-sky a little bit as to the extent to

which you think B.C. could benefit just in terms of tourism.

**R. Harris:** Certainly. Our organization recognized the innate potential of hosting the Olympics when we were securing the Canadian rights to host it in Vancouver-Whistler and provided funding support as well as staffing support, access to images and so on. We've always believed that it's a huge, huge opportunity. There's no way we could produce the visibility that would come from the games through all of our combined activities.

About two years ago our board of directors approved the expenditure of a million dollars to assist with the bid program. It was applied specifically to a program that we call WorldHost. We've trademarked the program. WorldHost is intended as a vehicle to help communities throughout British Columbia showcase international sporting events, particularly those events that have IOC members in attendance through sport federations, because it gave us an opportunity not only to help host that event and bring visitation through it but also to demonstrate to the IOC members that British Columbia is great at doing these types of things.

We are in the process now, through a tourism industry stakeholder group, of building two components to the Olympics. One deals with what we can do to assist with accelerating our chances when the decision is made on July 2 to host the games, and I'll talk about that in just a second.

[1045]

The second deals with what framework structure is going to be needed to maximize the utility of the games should we be successful in securing them for 2010.

We've actually had several meetings about both topics. In terms of the latter topic, we've recognized that where the real ramp-up for the opportunity takes place isn't immediately after the announcement. It's actually about two years before the games start.

We need to be prepared to capitalize on a number of areas of opportunity. One area of opportunity deals with the whole aspect of awareness-building. We need to ensure that we have sufficient incremental resources to capitalize on those opportunities. If we don't have incremental resources at hand, then we have to end up robbing Peter to pay Paul, so to speak, which means we would have to look at our current activities and say: "What can we do to realign or apply dollars to accessing the programs?"

The second deals with everything around the human resource side of it, because it is our firm belief that, at the end of the day, the visitor wants a warm, human experience. What we found through Expo was that two things happened. One was awareness-building. The legacy of Expo actually continued long after Expo. The second was that by ensuring that a quality customer service experience was enjoyed by all, then people would go, "Wow, what an incredible place. Canadians are great. They're friendly. They're wonder-



ful to be with. Let's come back again," and they would spread the word.

In that regard with Expo, as I said earlier, we developed SuperHost. We're in the process now of evolving WorldHost to a customer service training program. We've actually had meetings with the officials in Beijing to start to lay the groundwork to suggest to them that they need a WorldHost-like program. We're in discussions with American Express out of New York City and the officials in the 2008 Summer Games to design a program that would be suitable for hosting international world Olympic events. The gain in it for us is that we build the prototype; they pay for it. We make a lot more money. Then we've got one step ahead should we be successful two years later in hosting the games here.

In terms of hosting the games here, we've recognized there are three critical pieces of the puzzle. One deals with an international campaign, second is domestic, and third is the application of other tools like British Columbia's magazine to help showcase all of the regions in all of British Columbia as venues for winter events and not just alpine events — obviously, Nordic events and indoor events and so on. We've actually framed a skeleton program that we think will work very effectively.

In terms of the domestic campaign, we believe that through our access through the 120 visitor information centres and regional tourism associations that we work with and our relationship with the economic development groups, individual communities, mayors and so on, we need to be able to build a program that can help clearly demonstrate, almost mechanically, the how — how the community can actually take advantage of the Olympic Games; how they can prepare for it; how they can showcase festivals, events, program activities; how they can use individual businesses. Take Cranbrook. There's a Cranbrook — and Bill, you're probably familiar with this — knitting company that actually prepared a number of the articles of clothing for the Salt Lake games.

We believe there's a whole basket of applied type of business opportunities, but we need to be working closely with our communities to begin a dialogue with them early on so that they have a better understanding of how they can capitalize on that.

On the international side we received word about two weeks ago from the IOC that effective January 10, international marketing is now permissible. We know that Austria has a combined winter budget of \$22.3 million. That would be Austria — Tyrol as well as Salzburg — which would include Kitzbühel where the Hahnenkamm men's downhill is held. They've not only got the money, but they're poised and ready to spend it.

When the announcement was made two weeks ago in Switzerland that effective January 10, the wraps are off and you can get involved in international marketing, we were obviously really concerned. We have developed a framework marketing program that could combine our activities, resources and skills with that of

Tourism Vancouver and Tourism Whistler together with the Canadian Tourism Commission.

As we speak, we're in the process of a dialogue with our prospective organizations. As a matter of fact, at 2 o'clock this afternoon I've got a meeting with John Furlong and the 2010 Olympic Bid Corp., Rick Antonson and Suzanne Denbak from Tourism Vancouver and Tourism Whistler, respectively, to flesh out what the international campaign elements might possibly look like.

**K. Stewart (Chair):** You think it's a good idea?

**R. Harris:** Yes.

[1050]

**K. Stewart (Chair):** Okay, thank you. We now know your whole strategy for dealing with it too.

I have two quick questions with regards to the five-year plan, if I may. The first question is just for clarification. At the top you have a hotel room tax increase. Now, I trust that's not an increase in the room tax but an increase in the income.

**R. Harris:** That's correct.

**K. Stewart (Chair):** You have it going at zero percent, and I trust that's sort of a rebound from the situation last year. Then you've got a 5-5, 3-3. Can you just quickly give me some rationale why you suspect it's going to be 5-5, 3-3?

**R. Harris:** Certainly. The historic rate of growth has been 4 percent over the last five years — put aside September 11 of last year. The 5 percent is a more robust rate of growth, but you have to recognize it's on a lower base. The lower base is a consequence of the slippage of about 1.2 percent that took place last year. What we're anticipating is a similar, more robust rate of growth in the subsequent year and then moving more towards what the historic experience has been.

**K. Stewart (Chair):** Because the volume has already moved up there.

**R. Harris:** That's correct.

**K. Stewart (Chair):** The second question I have is again referring to the hotel tax. The adjustment at the bottom — where does that come from? What is the hotel tax adjustment? What money is that?

**L. Dawes:** Actually, that's a misprint at the bottom there. That should be "opening surplus."

**K. Stewart (Chair):** Okay.

**L. Dawes:** That's a misprint. There was an adjustment made, I think, three years ago, and it related to the timing difference between our year-end at March and April.

**K. Stewart (Chair):** It just didn't really make much sense.

**L. Dawes:** It's a typo.

**D. Jarvis:** Perhaps Mr. Dawes can help me with this. Going back to your financial analysis sheet and your presentation, the revenue for *Beautiful British Columbia* is approximately \$2.1 million and the expenses about \$2.4 million, showing a shortfall of about three and a quarter.... Can he possibly tell me what that's based on? Previously, before it was purchased by Tourism B.C., was it making money? Did it make money before that? What is most of that revenue coming from — either subscriptions or over-the-counter sales? Is it necessary to perhaps increase the subscription price?

**R. Harris:** Perhaps I'll answer them in reverse order. It's principally subscriptions. When the business was sold in 1983, we had a subscription base of approximately 300,000. Currently, it's at about 130,000. Subscriptions have been declining, and it is an aged user group that is purchasing it. We're obviously concerned about that, and as a consequence we put in place a whole program of revitalization, not just in terms of the look of the publication, but we are also accepting a very limited number of high-quality advertisements as one source of revenue to deal with it. We are just now embarking upon a very aggressive marketing campaign that will help encourage British Columbians to subscribe — providers' gifting and so on. We've got a lot of tools in mind.

In answer to your question about the loss that you've correctly recognized we incurred last year, the company we acquired from Jim Pattison Group involved a range of activities. There was a home shopping network. There was a relationship with two retail outlets on Grouse Mountain, and there was an Over Beautiful British Columbia campaign. Most of the money that was being made previously was being made by the latter two — the Over Beautiful British Columbia initiative as well as the retail outlets on Grouse Mountain. Of course, Over Beautiful British Columbia was a one-time event. There's a little bit of revenue from selling videos and DVDs. In terms of Grouse Mountain, that contract expired. That was the principal revenue stream. The magazine was losing money and had been losing money for awhile.

[1055]

The reason for the more apparent loss last year is when we went through the restructuring, we incurred one-time restructuring costs. There were some costs of downsizing in terms of staffing, some costs in terms of moving offices and so on. We have now downsized and focused the organization into its core business, which is *Beautiful British Columbia* magazine. When previously we had a staffing complement of roughly 15 individuals, we have four people involved now. We have a whole different system of operating in terms of the external call centre management and so on.

The forecast profit for this current fiscal year we're in is \$52,000, and for next year it's \$150,000. The \$150,000 would see subscriptions grow from 130,000 to 135,000, I think. I'm going from memory. I might be mistaken there. If we were to grow the business, to double it to 250,000, we would produce a revenue stream of \$900,000 net income on the business. That kind of gives you a feel for where it rests.

**D. Jarvis:** I send several subscriptions every year to friends and acquaintances in the States and New Zealand and all that. They're really well received. Any thought of flooding Europe with this — especially the winter edition, maybe?

**R. Harris:** Absolutely.

I don't know how to answer this. It's part of our strategy, shall I say, and we're just building that.

**D. Jarvis:** Okay. I won't go into any detail.

**P. Bell:** I want to continue on *Beautiful British Columbia*, if I may. I'm curious that we would actually see that as a core business that we would want to be involved in, particularly with your earlier comment around *Beautiful British Columbia* having lost money under previous ownership of someone who has somewhat of a record of making money as opposed to losing money — although I understand he has some employees now that maybe losing money for him. I'd be curious. Do you see this simply as a marketing initiative? You're saying you're going to move it from a private operation where it was losing money to a Crown-controlled operation where it's making money. It seems like a bit of a reversal of what usually occurs. The tendency is — you know, just from experience — generally the opposite. I mean, I like to be an optimist, but I'm not sure that we aren't being overly optimistic here.

**R. Harris:** I don't believe we're being optimistic at all. Given the comments I made at the onset with regards to an industry-led corporation with full management authority, I believe we have the necessary skills and abilities. We are in the magazine publishing business already. We produce and oversee the publication of a number of different magazines, and we've demonstrated historically that we can make money at it.

If you take a look at the makeup of our corporation, most, if not all, of the individuals in terms of staff have significant private sector marketing experience as well as educational background. I have a BCom and MBA, plus professional accreditation and about 20 years of senior private sector experience as well as owning and operating my own businesses. Mr. Mackay has 17 years of packaged-goods marketing experience with Scott Paper. I could go through the whole list of our staff.

I believe that the staff, together with the guidance of the industry-led board, give us not only the tools but also the proper direction to generate a return on the investment. It is a very important strategic element in

terms of the tools we have available, because it provides credibility that is beyond just an advertising solicitation that would go out from Tourism British Columbia.

I don't care to offer a comment about Mr. Pattison's ability to make profits.

**J. MacPhail:** What's the status of the security tax at airports in terms of its effect on tourism regionally? What's Tourism B.C. doing about that?

**R. Harris:** You've touched on an incredibly sensitive and charged topic that has us very, very, very concerned. To our knowledge, Minister Collette has indicated that there would be a review in September. I think today is October 2 or 3. We have yet to see that review. We firmly believe there has been very poor thinking that went into the whole business of a security tax. We also believe it will have a very significant and negative impact on travel throughout British Columbia.

British Columbia, more than any of the provinces in Canada, is highly dependent upon access to all of our regions. If you take a look at Toronto — or, sorry, I should say Ontario.... It's mainly Toronto's Lester B. Pearson. If you take a look at Montreal, it's a couple of major airports, and that's it. The areas which are most significantly impacted are the east coast and the west coast.

[1100]

We've taken a very aggressive approach together with the various industry organizations, whether it be the Council of Tourism Associations or an organization called AIM, which is the Air Industry Merger alliance, which was initially developed because of the concerns around Canadian Airlines being part of Air Canada. Minister Thorpe is taking a very aggressive position, and I know he's had a number of meetings both with the federal Liberal caucus here in British Columbia as well as with Minister Rock. I know he's made special trips to Ottawa to talk to Minister Rock and Minister Collette to communicate his concerns around it.

It's a very uneven application. We all know the stories of going through the south terminal. There's no security, but they're collecting the money. We totally share the position of our industry, and we think it needs to be addressed in an expeditious fashion.

**B. Bennett (Deputy Chair):** I want to pick up on a couple of pages in the service plan, and I'm going to quote here. You say under "Key Challenges" that other competitive destinations have received incremental funding while Tourism British Columbia...faces reduced revenue from hotel tax receipts." You also indicate that post-September 11, U.S. and Canadian travel editors have shown increased interest in B.C. However, increased financial investment and media relations initiatives by Alberta, Ontario and Quebec, as well as the U.S., are providing stiffer competition.

I happen to believe.... I'm not patronizing you; I'm quite sincere about this. I've watched Tourism B.C. for a long, long time. I used to be in the business, and I used to hate it whenever I showed up at a sports show and they had a booth there. I know Tourism B.C. has done a good job for a long time, and I take it that government should be finding some more money, or at least we should be looking for ways that Tourism B.C. should be able to secure additional funding.

I want to go back to something the Chair asked about, and it was followed up by John Wilson — that is, the question as to whether or not this committee could be given on paper the relationship between government investment and return on investment. You got into it a little bit there in your presentation, but I'd like to get that specifically as related to some of the other jurisdictions — even, perhaps, some of the U.S. jurisdictions — so that we could know what bang we are getting for our buck, essentially.

**R. Harris:** Absolutely. That's a very good question. Our organization, we believe, has been fortunate in that we haven't seen our budget reduced nor have we seen our share of the hotel tax reduced. However, we did find some small erosion in hotel tax receipts this past year going to September 11.

As I indicated earlier, we'd be delighted to provide comparative information. The information we had developed showed relative expenditures, jurisdiction by jurisdiction — principally the other provinces in Canada — compared with the gross tourism revenues generated by those provinces.

I'll give you an example. Alberta has a budget of about.... I think the number in my head is \$18.7 million. They have an industry that is easily less than half the size of our industry. Ours is a \$9.2 billion industry. They saw an increase in dedicated funds going into that. The challenge is, given the extraneous variables that will influence revenue generation — whether it be good weather or, in our case, access, say, to chinook salmon or springs or a good winter season in the Kootenays for skiing and so on — that they can have a significant impact on gross tourism revenues that are outside of the cause-and-effect relationship of our applied program activities.

We would be very happy to provide the committee with those comparatives and appreciate the help of the committee in examining that. We'll also be able to provide the committee with the information, for example, contained in our annual report, which drills down into more specific applied activities. The challenge we have is getting at that data from competitive jurisdictions. Notwithstanding the fact that we work in partnership with Alberta — they're really an important partner largely because of, say, the Japanese market going to Banff and so on — they still are our competitor. Ontario is an even bigger competitor. Quebec is a huge competitor — especially given that they're getting airlift capacity that is overflying Vancouver, and it may be going Calgary-Toronto-Montreal, we've got significant competitive concerns. We're in this kind of a peculiar love-

hate relationship with those other colleague organizations, but we would be more than happy to share with the committee members whatever information we have available to help better understand the nature of the environment in which we're competing for visitation.

The bigger pieces are what is going on, as Grant had said, in South Africa, Australia, some of the European countries, particularly southeast Asia. China's going to become a great source of visitation but also a major competitive destination on the world stage. We have some of that data that we'd also be able to provide to the committee members.

[1105]

**K. Stewart (Chair):** Thank you. We'll go over to John.

**J. Wilson:** Earlier you commented on the importance of our resource industries in relation to the health of them. The way I heard this was that the health of our resource industries and the health of tourism are directly proportional. I couldn't help but wonder, considering that most of our resource industries at the present time are under a lot of duress. They're in bad shape. You still make that statement that the health of the tourist industry is directly affected by the health of the resource industry?

**R. Harris:** The only qualifier I would use is in putting the concepts together, and it would be on the word "directly." I don't believe "proportionate" is an exact term in terms of the cause-and-effect relationship.

In other words, what I'm saying is that so many of our visitors are B.C. residents. Notwithstanding whether they spend a lesser amount — say, in terms of per-day or per-trip expenditures — than foreign visitors, in an aggregate sense they are very important, because they're such a large part of our visitation.

For those individuals, B.C. residents, to have the resources to be able to enjoy travel experiences in British Columbia, they need to be gainfully employed. When we see the forest industry as seriously impacted as it is by the U.S. punitive softwood duties and so on, or we see impacts on our commercial fishery, it all adds up to limited available discretionary income by the B.C. resident to be able to spend in a travel experience. So we believe that those other sectors of British Columbia's economy are very, very important, but I'd be hard pressed to come up with a quantitative relationship between the level of employment of individuals in the other resource-based industries relative to that of tourism.

**D. Jarvis:** Just one last question, Mr. Chair. I always thought that B.C. House, which was put in London back in the mid-seventies under another regime, was a pretty good idea. Subsequently it was closed. Is there any thought of opening it up again, and is it worthwhile opening it up again?

**R. Harris:** This is obviously one of my pet topics. I'm quite keen on it.

**K. Stewart (Chair):** Try and keep it to a short answer, then.

**R. Harris:** Very short. Sorry, I know I'm very detailed in my answers.

B.C. House is still in operation. In 2011 it reverts back to the British Crown. There's a requirement by the British Crown that we address dilapidations, which means we have to pay the Crown some negotiated amount. It might be £60,000. We're not sure. We can either negotiate and continue our presence at B.C. House, or we can negotiate, give them the money and exit.

Currently, we have a very small office on the top floor. The bottom floor is leased out to the British Tourism Authority. British Columbia House is owned and operated by BCBC, B.C. Buildings Corporation, and they generate net income of about a million dollars a year that's provided to the consolidated revenue fund for its operation.

**P. Bell:** On page 7 of your annual report you've identified your overnight tourist visit revenue to be seen.... On page 8 you have the relationship with the actual number of overnight visits. Obviously, there's a relationship in terms of spending per overnight visit. It appears as if a European visitor spends about twice as much as some of the other visitors, and the Asian visitor spends almost three times as much. Have we developed a relationship in terms of our target markets? I don't see that anywhere in your service plan — of identifying the big spenders, I suppose, then marketing specifically to that, and then the return on investment model of that expenditure. Have we done any of that work? I don't see that anywhere.

[1110]

**G. Mackay:** We certainly are targeting against high-potential consumers — the Japanese market. The markets we've identified as investment markets are based on what we believe are high-potential markets in terms of yield. You can come from the length-of-stay Germans' yield, as a result of the length of stay, not necessarily the per-diem expense. So our targeting from a geographic perspective is driven by those specific characteristics within the market. We then target within the market to those consumers who exhibit those characteristics.

For example, in the U.S. market we're targeting high-potential consumers. We would like to target repeat purchasers, and they tend to have a demographic profile of 35-plus, much higher than average income and post-secondary education. They are at the right age to travel; they have the means to travel; and because of the educational interests, they have the interest to travel as well.

Each market has been defined specifically related to those targets. The challenge, then, is to say, "Within the investment that we have, here's that direct correlation to the yield that has been generated" — Rod's point. We are a significant contributor over time, but every

program has not necessarily specifically been able to measure against that shifting yield as it relates to length of stay or per-diem expense. But the strategy is designed in a way that that should take place.

**P. Bell:** To simplify, the answer to the first half of the question — do we target our dollars specific to the markets — is yes.

**G. Mackay:** Very much so.

**P. Bell:** The second part of the question — do we evaluate what our return on investment is in that expenditure — the answer to that is no?

**G. Mackay:** Well, no. In programs where we have the control over the measurable, we do. Rod alluded to the B.C. Escapes program, where we have very specific controls over the calls to action, and we can track the consumers through their purchase cycle. We understand how many might inquire or how many might book through the booking processes we have available. We then can report back on that and generate a return on that investment.

There are other programs throughout where we're able to do that as well. Tour operator programs. We have an agreement with a tour operator that we're coming together in a partnership, and we're going to target their key customers. We then have an agreement that they will report back on their inquiries and their bookings. We can do that against our very specific program activities. In general, with all the activities that are available in that market, there are other things that could affect that return on investment — economic, exchange rates....

**K. Stewart (Chair):** Is that your last question for the day? What I think I may do is allow Joy to ask the rest of her questions, then just go over to Bill to whatever questions he has left.

**B. Bennett (Deputy Chair):** At the provincial congress meeting at the Wosk Centre in Vancouver a few weeks ago, YVR — I think Mr. Berg — made a presentation to us and in that presentation indicated something I certainly wasn't aware of — that there are a number of international flights which fly over Vancouver that for whatever reason the federal government has decided can't land in Vancouver and pick up or drop off passengers. He indicated that has a pretty significant impact on the airport and the business the airport does.

You must have gone over this yourselves. What sort of impact would it have on tourism in B.C. if we could get the right for those flights to land at Vancouver?

**R. Harris:** While I'd like to be able to provide you with a finite number to demonstrate how important it is, I don't have that available at this point. We've been working very closely with Mr. Berg and the senior staff

at Vancouver Airport Authority. We share that view. What he was referencing was the fact that a very limited number of the air bilaterals actually are directed to Vancouver International Airport, whereas Lester B. Pearson and the airport in Quebec have about 90 percent of them. I think we're at about 40 percent. It has a huge impact. That's one of the very important issues that the air industry merger consortium, together with Minister Thorpe, are addressing with Minister Collette.

**B. Bennett (Deputy Chair):** Thank you. One quick question, Mr. Chair.

**K. Stewart (Chair):** Sure. Whoever has questions, we'll finish them up here.

**B. Bennett (Deputy Chair):** I'm not sure what title it's under. It looks like industry development. Key challenges, opportunities and then performance objectives — deliver six community essentials workshops, planning sessions to assist in the local development or enhancement of community tourism strategic plans.

I guess just a parochial question: would that cover all of the regions? You'd have a workshop in each of the regions?

**R. Harris:** Yes, and they're spread all over the province.

**B. Bennett (Deputy Chair):** So the Rocky Mountain region would have a workshop. Is that fair to assume?

**R. Harris:** Yes, that was the intent.

[1115]

**K. Stewart (Chair):** I'd first like to thank you very much for coming. Prior to closing off your presentation, if there are any short issues that have come up and that you'd like to add anything to, with regard to your presentation.... You've been very full in your answers, and we appreciate that. I'm just giving you an opportunity, if there's anything you'd like to finish up on.

**R. Harris:** My only comment is to apologize for my fullness in the answers. I'm very enthusiastic about what we do. I'm happy to share whatever information you like with the committee members.

**K. Stewart (Chair):** If there are no further questions.... Again, there's the opportunity for further written questions prior to our reporting out, and vice versa. If we could get some of the information that we asked for with regard to comparables to the other provinces through the Clerk's office, that would be great.

Thank you very much for your presentation today. Just so that you're aware, all the proceedings today are in *Hansard*. Within a few days you should be able to look on the Net and find out exactly what we all said

here today and what we didn't say. Also, we hope to be reporting out on this before the end of this session.

We'll just adjourn for a few minutes, and we can just let the gentlemen leave. We have a few bits of business. We do have a lunch planned for today, because we have an afternoon session too.

The committee recessed from 11:16 a.m. to 11:22 a.m.

[K. Stewart in the chair.]

**K. Stewart (Chair):** If I can bring us back into the meeting again, we have B.C. Transit this afternoon. We should be out of here by three or shortly thereafter. I understand that originally there was a northern caucus meeting, but that's been cancelled. We'll do the similar process. We'll do the presentation, questions, and move on from that.

On October 23 we have three hours scheduled in the morning. At that time I hope to have the reports from all four compiled, and I'm requesting that everyone get their reports in to Audrey by the 16th, so it gives her an opportunity to put them together for us for the 23rd. Even some of the earlier ones, if you were in attendance and haven't completed them, just go back over the *Hansards*, refresh yourself and get them in. It's important that we have the input from as many people who were here as possible.

The other issue. We're looking at October 30 to do B.C. Securities. Hopefully, by the 23rd we'll have an update as to who is finished their core reviews, so we can do our scheduling. I was hoping to have ICBC before Christmas. I understand their core review has been pushed back. I hope to still see them, but we may not. After B.C. Securities, I'm not too sure who it's going to be, but I'll be working with the Clerk's office and with the core review committee to see who has completed and who will be available for us at that time.

Any questions on the process so far? Joy, have you got any?

**J. MacPhail:** What are the four? We've done BCBC, these two.... And what's the other one?

**K. Stewart (Chair):** BCBC, B.C. Lotteries.... It'll be Tourism B.C. today and B.C. Transit.

**J. MacPhail:** So Lotteries. Okay, I've done BCBC, but I haven't done Lotteries.

**K. Stewart (Chair):** They're all on *Hansard*...

**J. MacPhail:** Yes — yeah, yeah, yeah.

**K. Stewart (Chair):** ...if you want to go over them. If you want to send in some feedback from what you see there, even if you weren't there, we'd appreciate that too.

**J. MacPhail:** Right.

**K. Stewart (Chair):** Any other questions before we adjourn for lunch? I understand there is lunch in the Hemlock Room.

**A. Chan:** Yes.

**K. Stewart (Chair):** We can chat casually over lunch if there are any questions and be back here for 1 o'clock. You can either join us for lunch or, if you want, be back at one — either way. So we'll adjourn till one.

The committee recessed from 11:25 a.m. to 1:03 p.m.

[K. Stewart in the chair.]

**K. Stewart (Chair):** Let's call the meeting to order. We'll start by doing introductions, if we may. Today we have B.C. Transit before us. I will start with myself. I am Ken Stewart, from Maple Ridge-Pitt Meadows. I'm the Chair of the committee. To my left, and then we'll just continue around....

**C. James:** I'm Craig James, Clerk of Committees.

**A. Chan:** Audrey Chan, researcher to the committee.

**J. Wilson:** John Wilson, Cariboo North.

**D. Jarvis:** Daniel Jarvis, North Vancouver-Seymour.

**P. Bell:** Pat Bell, Prince George North.

**T. Sharp:** Tony Sharp, vice-president, finance, and CFO of B.C. Transit.

**R. Drolet:** Ron Drolet, vice-president, customer service, and corporate secretary of B.C. Transit.

**K. Johnston:** Ken Johnston, Vancouver-Fraserview.

**B. Bennett (Deputy Chair):** Bill Bennett, East Kootenay, Deputy Chair.

**S. New:** Steve New, vice-president, municipal systems program, B.C. Transit.

**K. Stewart (Chair):** The process we're going to use today is this. Hopefully, you can keep your presentation to an hour. Then we'll ask questions, and that will be it. Then we'll deliberate on it.

Just to clarify, if there are any questions that you have difficulty answering today or if we have some questions that we think of later, we would like them to have a response — either e-mailed, faxed or by letter through the Clerk's office. That's where all our communication goes through. Also, the proceedings today are in *Hansard*, and you'll be able to read what you said and what we asked. Within a day or two it'll be on the Web.

With that, if you'd like to continue, we'll just take it from there.

### **Review of Crown Corporations: B.C. Transit**

**R. Drolet:** Thank you very much. We have the presentation on PowerPoint on the screen, but the identical slides and material have just been handed out to you to follow on, as well, or to scribble down your questions as we proceed. If all goes according to plan, this shouldn't take an hour. I should talk for about 35 minutes or so, and we'll go from that point to any questions you may have.

[1305]

B.C. Transit is a provincial Crown corporation. Its mandate and programs flow directly from the B.C. Transit Act. In there is the key statement from the legislation that talks about the mandate in terms of planning, acquiring and constructing public passenger transportation systems that support regional growth strategies, official community plans and the economic development of transit service areas and that provide for maintenance and operation of those systems. That general statement has been in the legislation since the late seventies and represents both the predecessor B.C. Transit, including Vancouver, but today Translink is established and delivers those responsibilities there.

The map of B.C. shows the broad scattering outside the lower mainland of systems and services that we organize and arrange for the delivery of, so there's a broad mandate in terms of services and people served. The program scope includes some 52 transit service areas; 1.6 million residents of the province live in those areas and are provided with transit services; 36 million passengers will get on a B.C. Transit-funded service somewhere in the province in a typical year. Today that would be about 125,000 customers boarding a bus or a van somewhere in one of those locations.

In 47 locations service is delivered by a contract-operating company in partnership with the local municipalities and B.C. Transit. In four locations, such as the regional district of Nanaimo, the municipality is the service deliverer and operates and maintains the equipment. In the Victoria region, B.C. Transit delivers the conventional fixed-route transit service. Total annual budget: \$116 million, including provincial contribution, local contribution and operating income.

The next slide shows the partnership which is the cornerstone of how the program has been delivered in the past and continues. The local government takes responsibility for local-share funding, fares and service levels that meet local market targets and objectives, setting those system ridership and market objectives each year, and promoting the system and the ridership development that arises from the delivery of those services.

B.C. Transit is the funnel through which provincial funding is provided. We oversee and administer the contracts for delivery of service, set performance standards based on industry levels and our own history and expectations in each system, audit performance

and service delivery, run an RFP process to select operating companies, and provide professional support services to contract operators and municipalities, including planning, marketing, fleet service and fleet inspection, some purchasing and other professional responsibilities. The local companies in each case deliver the service, provide the staff and are the employer.

The vision is one of seeing the services developed and delivered in partnership with the community, where we're providing essential mobility for those without choice and travel choice for those that do have options, where costs of traffic congestion are reduced, air quality and health benefits enhanced, more compact and efficient urban development and local community plans supported, and costly new roadway construction either deferred or reduced.

The mission statement that's been established by the B.C. Transit board: to excel in the provision of safe, reliable, cost-efficient, market-focused public transportation systems that support those local goals and objectives and the objectives of the province, the customers and each community that we are operating in.

Values. This relates to those key aspects in the environment, or in the decision and public sector areas, that surround the delivery of services. What we've done recently is have a renewable process on the B.C. Transit board of directors to include a balance of provincial and local government representation. There are four elected members on the seven-member board and three others appointed from various stakeholder perspectives.

Strong and transparent local decision making. All service plans, tariffs, fleet decisions and most other things that affect the customer and the community go through a local council or regional district board. Partnership and cooperation extends not only to our municipal partners but also to the operating companies delivering the service, local business and community organizations, service groups and many others with an interest in transit and the effects of transit in those communities.

[1310]

A focus on safety is paramount in a transportation sector operation, and our record for personal security and safety and accident levels are exemplary both in absolute terms and against the best in the transit industry in North America.

Market-based service design. Looking at market priorities, target groups, sensitivity to pricing — those are all factors built into service design and delivery. Sound financial and contract management, particularly around those 47 contracted services. Of course environmental stewardship is a natural linkage for transit operations in cities and regional areas.

The planning context and the key strategic issues before us in the coming year and in the next two years must recognize the issues of financial restraint and funding capability, and look at ways to have sustainable funding available for transit services in each region throughout B.C. That includes both the provincial

share — and I'll get into that in a little more detail in terms of the protection at current levels of provincial funding — and local funding capacity in times of difficulty, especially in some resource-based communities in B.C.

Student transportation. With the significant investment in post-secondary education and training, and major institutional expansion in that area, and the secondary and middle school levels, transit and student transportation is an emerging and growing issue.

Municipal transportation planning and in particular the CRD. Here B.C. Transit works in support of planning, both regional growth planning in the major regions and local official community plans and traffic management plans in each area. Our role in most of those areas is to support those initiatives and to empower and assist local communities in achieving their objectives. Naturally, in support of the Vancouver-Whistler 2010 Olympic bid and especially the Whistler local area component of that....

Travel demand management. There's a natural linkage between all travel options — cycling, van-pooling, car-pooling — and other ways to manage traffic congestion and reduce demand. Those things link directly to B.C. Transit's own objectives and our partners' objectives. We support and pursue those where we can. Of course, federal government support for urban transportation — funding is being sought from that source. There's been an enormous amount of work by B.C. Transit boards past and present, by the Union of B.C. Municipalities and through them to FCM, the Canadian transit industry generally, by TransLink and many others to try to promote the concept of federal government having a direct role in this area, and noting that Canada is the only G-8 country without such a program.

Now more than ever, with set levels in funding for the current year and at least the next two, the issues of risks in funding, in resource allocation and in local markets, it becomes even more necessary to identify and include those factors in our budget and service planning. I'll get into the specific risks and the identification of those that are in the next year or two's budget parameters.

The next chart shows the '02-03 budget and how that \$116 million program total breaks down. Firstly, the local share in total for those 52 partners is \$71.6 million. The provincial share is \$44.6 million. That's broken up further by fixed funding formulas set in regulation to the British Columbia Transit Act to a contribution of just under \$17 million in Victoria, \$27.7 million in the municipal systems program, and further broken down by program area to fixed-route conventional service, with one formula, and the handyDART or custom service for the transportation-disabled with a separate allocation.

The local cost-sharing table shows the breakout in the regulations for the local share of the operating budget in each of those locations. For instance, in the conventional fixed-route transit system in the Victoria region, 68.3 percent of the operating budget comes

from local sources, and 100 percent of the debt service charge is shown in our budget. The asterisk footnote refers to the fact that the provincial share of debt servicing to pay for vehicles and facilities is shown in the Ministry of Transportation accounts separately from the budget figures you see.

Custom transit. Lower funding from local sources. Higher funding from the province, in part in recognition of the very important social, health and related elements in provincial priorities that are associated with handyDART service.

[1315]

Going now to the Victoria region and looking at the budget and where the money comes from: \$55 million this year, 39 percent of that through passenger fares and direct income from customers; 31 percent from the provincial side of our direct allocation on the B.C. Transit vote; advertising, 2 percent; fuel tax and property tax, both at 14 percent.

The fuel tax is levied pursuant to the Motor Fuel Tax Act. It is a 2.5-cent-a-litre surcharge on top of existing excise, sales and road taxes. In the TransLink service area they're in receipt of fuel taxes, as well, that are a combination of regional surcharge there and provincial tax room that has been reduced.

The property tax is the local general property tax levy for the 13 area municipalities and a portion of the unincorporated neighbourhoods in and around Sooke.

Municipal systems program: \$61 million total program budget this year. The provincial share: 44 percent. That higher share reflects, in part, the lack of a fuel tax that doesn't exist in these areas, but also the fact that the services themselves in many cases serve lower-density markets with lower revenue-generating potential from customers. That also reflects in fares at 29 percent, advertising at 1 percent and the local property tax levy at 26 percent of that budget.

Where does the money go? In the Victoria region — again, \$55 million; transit, as with many services delivered in the community, is labour-intensive — two-thirds of the budget goes to staff costs for drivers, mechanics, administrative staff and related benefits and expenses. The next major item is that debt service allocation for payment of financing costs on fleet and facilities.

The contract service in the Victoria region is the operating budget for the handyDART contract delivered and handled under a competitive bid. Fuel is at 5 percent. Materials, parts and supplies are at 6 percent. Other items such as insurance, communication, equipment, computer systems and professional services are at 1 percent.

The municipal system program: \$61 million. Here we show it as contract services that include all operator-contracted expenses. That includes their operators, mechanics and administrative and local staff covered under those contracts with municipal administration costs associated with, say, bus stop maintenance, and local expenses in support of transit operations at 2 percent. Again, the other at 8 percent is the same sort of items around insurance, taxes, marketing expenses.



Debt servicing for fleet and facilities is at 9 percent. B.C. Transit administration for professional services, board operations and related expenses is at 5 percent.

Our specific assumptions for this year in development of the budget and in tracking our costs and performance are wage increases as per collective agreements. We have a series of collective agreements in place for all staff groups in Victoria, expiring March 31, 2004. Those same collective agreements' schedules hold for many of the municipal systems and contractors out there that have agreements expiring beyond this year. It's a relatively quiet year in the bargaining cycle for many of the contract operators, but some of those are coming up in the current year. The major ones are a year or more away.

Materials and services inflation rate: 1.6 percent. No salary increases for B.C. Transit non-union employees and a 1 percent annual increase guideline in compensation for those private sector employees that are either not covered by a collective agreement or where their collective agreements are coming up in a few instances.

No fuel price increase this year. We were able to achieve a very good bulk purchase rate for Victoria and the municipal systems program through a futures contract on the New York Mercantile Exchange — currently \$21.50 per barrel. It looks quite decent at the current time with world prices running over \$30.

The capital project plan for this year and the coming few years is being reviewed now for resubmission as part of this fall's budget program. The one established earlier this year, \$46 million, is dominated by replacement vehicles — replacing equipment that's generally over 20 years old, high-floor or inaccessible with poor fuel economy and emission standards and obsolete parts and difficulty in resupply.

[1320]

We also have some facilities upgrades, either on-street facilities in exchanges where operational requirements and benefits are there or, in a couple of cases, the garages are in need of replacement or significant upgrade because of operational code and related problems.

Advanced technology implementation. In the short run, the focus is on the customer, better Web-based information, cash management and magnetic cards and other customer processing tracking equipment but over the course of the three years also including some upgrade in our internal administrative human resource and payroll and financial management systems — but that being much smaller than the fleet and facilities elements.

Alignment with the government's strategic plan and priorities. In the document published earlier this year there are a couple of specific linkages in there and then a couple of general ones. There is the community charter focusing around the issue of increased autonomy for local government. I'll be talking about an initiative around funding flexibility that relates directly to that. We're in constant touch and in support of the community charter work.

Regional transportation planning committees established by the Ministry of Transportation. We're working in support of them, since transit may be an aspect of priority development in some regional areas outside the lower mainland.

The issue of jobs, retraining, health services and access to those services and education and access to educational opportunities is stated in numerous locations throughout the government's strategic plan. Access to those services and opportunities is something that B.C. Transit's program is key in support of.

The work we're doing in 2010 and the Olympic bid is there as a key priority and a linkage in our work plan in support of the government's efforts in that area. Then in the management of contract services and in service delivery efficiency and effectiveness, there are continuing and increasing efforts in the areas of service delivery, efficiency and effectiveness underway now.

The next slide refers generally, and I'll go through the key points around the strategic shift.... It's not a change from a priority mentioned in our service plan and annual report, but the effort and the immediacy of the work has certainly become greater in the last few months.

Funding and service strategy review. As I mentioned, the \$44.6 million was set as our provincial budget share for the transit programs in B.C. outside the lower mainland in '01-02. That same level of funding is available this year, and the budget plan includes that same level for the next two years. That in combination with inflationary and price pressures in some components such as fuel, insurance and the like — combined with rapid growth in demand in some markets and a fixed funding formula — creates an imperative to deal with and investigate new funding arrangements, flexible funding arrangements or alternative funding sources.

The process has been undertaken by the board of B.C. Transit and has recently been concluded in a phase 1 action plan that's being drafted and that will be considered by our board of directors later this month and its immediate actions around service efficiency, some select service reductions and funding arrangements that create flexibility in the '03-04 time frame around the cost-sharing formulas in the B.C. Transit regulations.

Then with that as a short-term objective, really, we'll see our way to continue to develop and manage transit services and work with our local partners where transit expansion or reallocation is a priority and look at the long run as a second phase or second round around sustainable funding options and governance and the local role in transit service oversight in the future.

Immediate actions include service efficiencies and administrative cost reductions, most of which have been implemented in '02-03 but will continue into '03-04. Low-priority services have been reduced in Victoria and several other markets in B.C., involving in most instances between 1 percent and 3 percent of existing service with some of those services reallocated to elements of the local markets that are growing and then

the establishment of flexibility in regulations being considered by the board as a recommendation later this year.

[1325]

B.C. Transit will also be developing through our board and then distributing to all municipal partners involved in the program and other stakeholders a discussion paper on those sustainable funding options and governance options for transit for longer-term consideration. The timing for that is early in the new year.

Corporate goals for the coming period. These are continuing goals that have been a bracket around work plans and programs — certainly leadership in the transit industry both in the province in our partnership with municipalities but in the transit industry in North America; learning from others; and leading the industry in areas as significant as low-floor accessible bus service as a first, high-capacity double-deck buses and paratransit service designs in local and rural areas.

Efficient and effective use of resources, both through our own delivery of transit services in Victoria and in working with local operating companies in other locations.

Community partnership participation — reaching out further to universities, student organizations, cycling organizations and many others to broaden our linkages, strategic benefits and value in those partnerships.

Safety is a continuing imperative.

Social and environmental responsibility.

Positive labour relations, both in terms of our own employees at B.C. Transit and in professional advice and support to contract operators.

The program objectives for the coming year. Service plans have been developed in both Victoria and the municipal systems program side. In Victoria we've included a significant element of change in short turning and concentrating services on route segments that particularly target post-secondary educational institutions in the Victoria region and the secondary students, while maintaining the network focus on downtown.

Municipal systems — a series of changes around fleet, including introduction of new service profiles, double-deck vehicles in the Kelowna region, DART mid-size buses more suitable for local service areas and feeder routes.

Fleet and facility elements that support those service plans.

Workforce development. Transit in Canada and certainly in B.C. — in fact, North America-wide — is facing a potential shortage in the future as our rather mature workforce heads towards retirement age. It's an interesting one to watch that bubble moving forward. Not immediately, but gradually over the next five to ten years workforce development, retention, retaining and growth will be an interesting challenge for the transit industry, and we're part of a major initiative in the North American transit scene on that.

Labour negotiations will become an important program objective as we get into the end of the next fiscal

year and have difficult issues to address in service delivery.

Exploration of new funding arrangements, as I've described.

Supporting transportation demand management and supply management with our municipal regional partners.

Information system upgrades for customers and our own operations.

The transit industry is, we like to believe, second maybe only to baseball in the use of statistics. When you look at the transit industry meetings, everybody loves to get together and discuss how many passengers they carried, how many miles they operated, how many miles they went between accidents. I have statistics on every transit system in North America and on every bus and every passenger, I think, in our library back at B.C. Transit's head office. It's quite an immense information base that is available.

When we get down to key performance measures, the things that you use to target both what you want to achieve and how you communicate results.... There are really just a few key ones that work very well at the system level, and they translate well in discussing things with our colleagues from the rest of Canada, in the U.S. through the North American transit community and indeed throughout the world.

Revenue hours. One bus on the street for one hour is a revenue hour. Ten buses on the street for ten hours — 100 revenue hours. That's a measure of service delivered.

Revenue passengers is when a passenger pays a fare to board but isn't counted again when they transfer. The transfer is really an element of service design, not a measure of demand for service from the customer. Revenue passengers are closely tracked and reported.

[1330]

Revenue passengers per service hour is the key measure of effectiveness of your transit service, and it's something that we watch and track and report and compare consistently.

Cost recovery. That's the percentage of operating expenses covered through farebox and advertising. It's a factor that's compared and contrasted closely.

Operating costs per service hour — naturally, as a measure of cost per unit output.

Cost per revenue passenger is something that's tracked and reported carefully in the business. Typical costs for a passenger on board a transit system somewhere in Canada today run in the range anywhere from \$1.50 to \$4 per trip.

The next table shows a bit of a blast of numbers, but it's out of our annual report service plans that this report or close variations on it are used. It gives actuals and targets for prior years, current years or in this case the year just ended, '01-02, and the targets, and it gives you the key measures. I've referred to some of those in terms of trends.

For instance, Victoria. In the conventional transit service there, looking at the first line, financial total

operating costs were \$42 million in 1999-2000 rising to \$43.4 million. Interestingly, in '01-02, down slightly from the preceding year, but noting in that asterisk the effects of a 14-day strike in April 2001.

That effect also showed in a decline in revenue passengers, about three lines down, going from \$18.3 million, rising smartly to \$19.3 million; in 2000-01 falling, but then that trend of growth, in fact, re-establishing itself very quickly. I'm pleased to advise that in the first two quarters of this fiscal year, we're 6 percent above the pre-strike levels.

Operating costs per service hour — as I mentioned, a key one. Operating costs per revenue passenger.

The Victoria custom program separately reported with similar factors and measures.

On the next slide is the municipal systems program. We report the municipal systems program both for review in our annual reports and to our board of directors and others at the program-total level, so the conventional systems as a collection of 24 conventional transit services and the custom paratransit services as a collection reported in the same manner as the Victoria side. The individual system reports — and I'll show an example of one of those later — provide that level of detail and more to the local municipal partners in each case.

Risk factors. Certainly, in the current environment of resource limits and changes in the economy and in demographic profiles, there are risks and opportunities facing both our operations and our abilities to establish and achieve viable target levels of improvement.

Employment and employment levels and changes in employment sectors and the location of economic activities are key. As we go from systems that were traditionally focused on downtown areas to areas where educational institutions, suburban office parks and the like become the new reality, the network design and the efficiency of transit network delivery are challenged.

Post-secondary facility growth. As I've mentioned, that's been an enormous benefit and gain in terms of transit market opportunity and ridership, but often those facilities are located in new developing areas.

Student transportation. We work very closely with school districts and municipalities, parent organizations and individual schools. Students are a significant portion of our ridership in a number of markets, but recently, with changes in service locations, schools have become a challenge for us and the school districts in supporting existing school-busing services. We're working with those districts in trying to align student transportation service from the school-bus side and the transit side.

Risk factors in the market area also relate to population, demographics, youth as an active mobile group starting younger and travelling more often, and competition with that first automobile.

Active seniors. We have that bubble in terms of age profile moving forward. That would suggest rapid increases in transit dependency, but the fact is the health of the mature and aging market seems to be

improving. Seniors, in many cases, where the car is the primary mode, are trying to postpone the day and move to transit at a later date. There's a balancing of trend there, and it's important to watch, monitor and have effect on that balance — and of course, the importance of providing access to services, jobs and other opportunities for persons with disability.

[1335]

Expenditure risks, fuel and the volatility in global factors affecting fuel. Maintenance. Buses, like automobiles, are global things these days, and we source our vehicles in whole and many of our components from offshore, certainly the U.S. and Europe. These vehicles that we're buying and have been buying for several years now are more complex in terms of information technology and destination signs, electronic control on transmissions and the like.

Insurance costs are rising. Despite B.C. Transit's exemplary and improving accident record, insurance costs have gone up this year between 7 and 17 percent, and we expect increases next year.

The benefits associated with an aging workforce, MSP, extended health and the like. Both experience and the cost of health services are growing. The benefit side is a risk.

Our RFP process. In competitive locations we can see cost reductions as competitors sharpen their pencils and bid on these contract services, but they too have cost pressures of their own, and some markets, especially smaller ones, may be less competitive.

Victoria collective agreements expire on March 31, 2004, subject to negotiations and the results of those.

The next one. I've just provided a list of what a unit change in some of those key factors would mean on our bottom-line budget. For instance, the issue of \$1 a barrel in the West Texas Intermediate benchmark fuel price on the New York Mercantile Exchange has a \$152,000 budgetary impact for B.C. Transit services. Right now we're at \$21.50; it wouldn't take more than a \$6 or \$7 lift next year to see a million-dollar impact arising.

Maintenance and parts pricing: 1 percent of \$61,000. The benefits costs, in which we expect increases greater than 1 percent, but 1 percent would be a \$66,000 impact, so as a way to benchmark the risks and issues that we're facing in cost control...

The next area, as I mentioned, the reference to statistics. Benchmarking is something we are doing but are now reporting only in the last year or two in a more consistent fashion. If you had a look at our annual and service plan reports, you'd see some evidence of that. This is a chart drawn from a report prepared by an external consultant to the Crown agencies secretariat, derived from Canadian transit industry statistics, showing, for instance, our cost per passenger for Victoria against our peer systems in Canada. These are the systems that in scale of operation, in structure, in market and cost profile most closely resemble our own in Victoria. It shows the cost there. The footnote to that table, prepared by that external consultant, noted that the Victoria result was deemed to be very good given

that the cost of labour in B.C. was above any of the other peer systems and when normalized for that in fact moved to the bottom end of the range.

The next one, as I mentioned, we report to our municipal partners, so in addition to reports prepared for the transit industry, for the B.C. Transit board, for our annual reports and to the public, we do system-level reporting with each of our municipal partners. Here, somewhat selectively chosen, is a collection of systems that provide a typical list where you would have for each of those the local partners provided with a multi-year reporting of those factors and the analysis to support it. That would include both year-end reports and mid-year and quarterly reports. Likewise, the last chart includes the same reporting profile for a typical meeting of the Victoria regional transit commission public meeting where the cost, trends and comparisons to actual ridership, service hours and the local transit fund to pay for services are reported.

That's basically my presentation, and I'd be pleased, with my colleagues, to answer any questions.

**K. Stewart (Chair):** Joy has to leave, so she's going to ask the first question.

**J. MacPhail:** Thank you, Chair, for your indulgence. And thank you — keeping those statistics pays off. That was a very thorough, concise presentation. Thanks very much.

My apologies, but if you give a long answer, I'm going to leave. But I'll read *Hansard*. I promise. Okay? I notice that you were doing a governance.... One of your key strategies was either a governance review or governance changes. Are there plans to devolve any, either the Victoria system or any of the municipal systems, *à la* the model of TransLink?

[1340]

**R. Drolet:** What was in there was that board initiative, when we went out with the consultation paper to all of the municipal partners and operating companies and others. It included questions on exactly that point. As you'll recall, in the TransLink discussions, there was a very willing partnership in the negotiations. The GVRD had both a mandate and a perspective and brought that to the table.

In terms of the collective of municipal systems, the perspectives, views and opportunities are all over the map, as you might expect. In Victoria the CRD is not at the same stage of thinking or development, so the notion that you could enter into that quickly isn't there. But the board is determined to prompt that debate and discussion and has a mandate to do it openly.

**J. MacPhail:** What about the municipal systems?

**R. Drolet:** Same thing there. It means a series of meetings — both during UBCM, Steve and our board chair meeting with mayors and city administrators from around the province to get that discussion going.

But there right now you have very much of a consistent model: one size fits all. If there's change to that, can it be changed consistently, or do you have to break it into different concepts and variations on TransLink or some other model?

**J. MacPhail:** Great, thanks. I'll read *Hansard* on the rest of the questions.

**K. Stewart (Chair):** Okay. Great. We'll continue around, then.

**K. Johnston:** I think you touched on this a little bit. Just inform me: how does it coordinate with TransLink? I know you do the valley, so I know that's where the growth is going in GVRD. I'm just kind of interested in how you coordinate with them in terms of routes and planning.

**R. Drolet:** Very good. I'll let Steve do that. Generally speaking, TransLink has total and independent authority in all of the areas that B.C. Transit does for the rest of B.C. Of course, there are overlap and market issues.

**S. New:** At this stage the coordination applies to the West Coast Express and servicing the Mission station. There is an agreement with the district of Mission and the city of Abbotsford to direct services towards the five trains in and five trains out. It's a combination of fixtured, conventional transit service and also a very different, innovative shared-ride taxi operation to the early morning trips. There is also some exploration of intercity travel — in particular with two companies that currently hold licences for intercity travel through the valley, Greyhound and CityLink — looking at ways to draw them in through some coordinated tariffs and information for passengers.

**K. Johnston:** Just on another tack: where is Transit, your operation, in terms of alternative fuel — Westport-type buses — as a long-term vision? Is this something that you're supporting and looking at in your long-term plan?

**R. Drolet:** Yes. There is a number of applications of CNG, LNG, methanol in the transit industry. Because of that broad network of involvement, technically in terms of our fleet engineering side, we're aware of both the successes and failures in alternative fuels. There's been a number of issues arise.

What we're looking at, both in terms of environmental benefit but also cost and reliability, is the worst thing that could happen is to have an unreliable technology on the street and have the customer not get their service. We're tracking those. We had a great deal of exposure and experience under the old B.C. Transit structure with the CNG test in Vancouver and lessons learned there.

In addition, the fuel cell testing — the production model engine testing.... What's going into fuel cell tests

in the U.S. and Europe now is called a level 4 engine, P4. The P5, the production model, is in fact being bench tested right now in British Columbia. B.C. Transit bought three engines — two for bench testing to do duty cycle assessment and one to go into a demo bus that will be out and about shortly. People can see the fuel cell level working at the production model. If the life-cycle testing results are good on that one, then I expect we'll be into the active use and testing before the Olympics.

**K. Johnston:** That's good. Great. I noticed in your numbers that the recovery rate on fare rates — I'll pick Victoria, for example — is 39 percent of your revenue. How does that compare with...? I know you've got a graph here on some comparable cities or towns.

[1345]

**R. Drolet:** Exactly. The 39 percent is the composite of the handyDART and conventional services. It's a total budget. For conventional service right now it's about a 44 percent or 45 percent recovery on total costs, including debt. It's about 51 percent on direct operating costs. In the Canadian transit, against those peer systems, that would be slightly above average but not dramatically so. Our rides per hour are higher than all of our peers, and our fares are average, so it translates into a slightly better than average performance.

There are two things that we feel rationalize against saying that's pretty good. One is cost. Labour is higher here than any of those peers. The other one is that in fact the Victoria regional transit service area is quite extended and quite awkward in the Sooke-to-Sidney profile against, say, the city of London or some of the others that have very well-behaved, smaller transit services areas that are more efficiently served.

**K. Johnston:** Finally, I'd just like to ask about the experience, because I've worked with TransLink a little bit — the problems with minibuses in terms of getting them implemented into the system. You've got 47, I think it is, contract arrangements. Are you utilizing the smaller buses on the less productive routes across the province?

**R. Drolet:** Yes. The interesting one is.... There are two issues at play there. Maybe Steve could even add to that list. One is that minibuses and smaller vehicles coming out in the seventies and eighties, when para-transit and other initiatives really got going, were in fact small truck, van or motor home conversions. They were unreliable and difficult, so some of the early experience I'm quite sympathetic to. That's changed. Now there are purpose-built vehicles coming out, and these are excellent vehicles, designed and able to do the job they are tasked with.

The second one is the difficulty of retrofitting small bus attitudes and maintenance and operational standards into a big bus operation in a large metropolitan area. That's a shift in workplace culture. In the municipal systems environment, where they've grown up

with that and know it and love it, there are no difficulties in accepting and making those things work to the best of their ability, but it is a difficult one when you retrofit that concept into a big system. When some of these things happen, if you understand that, you can help mitigate it, but it's inevitable as a starter issue. It should fade away.

**K. Johnston:** Yeah, but the alternative is cutting routes for people, and that's not too good either.

**R. Drolet:** You need to look at the vehicle as part of that match with local markets, yes.

**K. Johnston:** Thanks for your help. Thank you.

**B. Bennett (Deputy Chair):** I think you've done a pretty good job of outlining performance measures and quite a thorough job of outlining what the risks are to B.C. Transit over the next three years. I'm just trying to get a grip on what your actual specific goals are and how you intend to achieve them. I can see you've got recommendations for action from phase 1: "find efficiencies, eliminate low-priority service, provide flexibility in the funding formula." Is there somewhere in the service plan that lays out how you intend to do that?

**R. Drolet:** The service plan has a series of highlights for Victoria and also has municipal systems program points. In the service development segment of the service plan there's a description, a few paragraphs, on each of those program areas. Then there's also a table later on that lays out some specific targets in the year ahead in working on service delivery efficiency and also in cost reduction generally.

**B. Bennett (Deputy Chair):** In terms of specifically eliminating low-priority service.... It causes a rural MLA some concern when you see that, because it takes time to develop public transit in places that haven't had it in the past. That's one aspect of it.

The other aspect of it is that the whole economics, the business case — everything — is different in rural areas where you've got a number of small communities that are separated by anywhere from half an hour to an hour to two hours, even. There is no public transit. Our government has closed some government offices in some of those communities, and if low-income people especially don't have public transit, they have no way, really, to connect with the government. They don't all own computers, either, and can't all access that through the Internet. Those are concerns. I just wondered if you had any comments on that.

[1350]

**S. New:** Yes, I could help with some comments. We've described a strategy sequence in discussions with each of our 50 municipal partners in the municipal systems program, and it is that sequence of effi-

ciencies, low-priority service and then shift in responsibility towards local funding of some of those services.

Within each of those areas, there's a range. Think of it as a menu of issues that could be dealt with. For instance, in the efficiency area, we've looked at our own internal operation in terms of the way in which we produce and deliver public information products. We've identified savings in riders guides; for example, being able to group printing of riders guides across many systems — in other words, take advantage of the economies of scale. With that comes some cost-offsets opportunities, revenue advertising. Across the board there's approximately \$100,000 in savings that, through own efforts, we can apply to that area of find efficiencies, and that would be spread across systems. That's on the cost-efficiency side.

On the service-efficiency side, it's looking more carefully at the market. The largest component of that was the issue of what we called community bus, which is looking areas where we can deliver the same level of service as communities receive now in a different way. Primarily that's in areas where there's conventional fixed-route service and HandyDART service and looking at ways in which those two services can be replaced with a community bus, a small minibus service that could offer both services. There's an excellent example of that operating right now in the Peachland area. It's primarily relating to some of the larger cities, in the outlying areas of those cities.

Low-priority service moves into an option for local governments to consider, because some have stated very clearly to us that they feel the level of service they have right now cannot be reduced for some of the reasons that you've described. It's still an option that can't be avoided in looking at a business case for these issues.

The third one. In looking at local opportunities to fund, we are assisting our local government partners in looking at revenue opportunities through marketing and also through the tariff in ways to increase revenues. With more revenue on their side of the ledger, they're able to look at the issue of the flexible funding formula and able to pick up some of the share that we through the province are not able to fund.

That still leaves that difficult question of some of the rural services and some of the new services — for instance, like at Cranbrook, which is not even two years old — in being able to meet this budget challenge at this time. At this upcoming meeting of our board of directors in October, we will be having some discussion about that across-the-board approach or whether — based upon consultations at the UBCM and what we've heard in our consultations with local government through June, July and August — we might target the provincial share of funding to assist those areas based on need, rather than an across-the-board cut. That's a consideration. There's been no final decision on that yet.

**B. Bennett (Deputy Chair):** Mr. Chair, do you want to keep going?

**K. Stewart (Chair):** Might as well just ask all your questions. Then we'll just continue around. There's only a few us.

**B. Bennett (Deputy Chair):** I don't want to express this as a concern, because honestly, I don't pretend to understand the numbers. I'll ask the question anyway, and maybe it'll become a concern.

The question is, essentially: is the budget that B.C. Transit uses annually spread out relatively evenly across the whole province? Looking at the 2002-03 budget, it looks like Victoria seems to receive a fairly large chunk of the B.C. Transit budget: \$16 million, almost \$17 million, versus municipal systems, \$27 million. Basically, it's Victoria and then the rest of the province, not including greater Vancouver.

It's the same thing with the money being spent on handyDART. The money being spent doesn't really seem to reflect the population or the geography of the province. I just wondered if you had a comment on that.

[1355]

**R. Drolet:** Just in part, the budget allocation, for instance, in Victoria. This \$16.9 million represents about 31 percent or 32 percent of the total program delivered. In the municipal systems it actually represents a higher percentage. It's in part a question of partnership and working with the locals. These are contributions that have evolved over time based on locally set service objectives.

One reason why the number in Victoria is as large as it is, even though the percentage is smaller, is that what you have here is the beginnings of what I call a full-service metropolitan public transport system. It's not just there as a base level of service for social, youth or seniors. It's there as a transportation tool serving significant portions of commute. For instance, more than, say, 29 percent of downtown workers in the Victoria area use transit.

We've gone from 11 percent four years ago to 26 percent of students at UVic and Camosun College. You get to the point where you become a major component of the transportation network and not an adjunct to it or targeted on specific markets. The share in part reflects the role and the scale of the operation in the market that it's in. The same thing would hold if you came down to a Nanaimo or a Kelowna and do that analysis, and then go down to a Cranbrook or a Penticton or a Fort St. John and do the assessment. You'll see as you go that the amounts shrink, but the percentages of the service delivered in terms of cost contribution remain as good as or in fact, in most cases, higher. They reflect the level of service that the locals have established in their plans and the markets they've targeted for those services.

**B. Bennett (Deputy Chair):** Let me see if I understand that. Provincially, we're putting more money into Victoria public transit than we are to pretty much any other community or at least generally to the rest of the

province, but the municipalities here in the greater Victoria region are putting more in as well.

**R. Drolet:** A higher percentage. That's correct.

**B. Bennett (Deputy Chair):** A higher percentage. But wouldn't you agree that in terms of economic development and creating opportunities, other communities in the province would also benefit from the same approach by B.C. Transit? I'm sure there must be communities out there who would be willing to put more money into public transportation if B.C. Transit could follow suit with additional funding.

**R. Drolet:** I think in part, as I said, you go back to.... That may be true. At any given time there are always some systems that want to do more. Steve, if I'm wrong here.... In any given year, if you asked that question of the 50 partners, you'd find that more than 40 of them would say: "We have exactly what we need, and it's achieving exactly what we want."

If you go back and look at the good years, if I can call them that, where the funding targets.... We would come in and say that we only need 10 percent more to do good work this year, and we'd get it. In those years, the 10 percent more represented what the partners were after. When they had an opportunity to put more in, they did, but it wasn't a dramatic ramp-up in any particular system each year. It's a very methodical targeting of markets and objectives, and the local share of taxes moves up with it, so they only go as far as they can to match the province.

**S. New:** Can I add something to that? At the moment the provincial share, the B.C. Transit share that's allocated to Victoria or to the municipal systems program, is set by the regulations pursuant to the British Columbia Transit Act. The current service level is supported through that legislation.

At this time there are communities, some small regional services in the province, that have requests for new service to the board of directors of B.C. Transit. It totals some \$400,000. There are other existing communities who have growing markets. Kelowna, Nanaimo and Kamloops are three in particular that have expansion needs that are also on the books. Unfortunately, under our current fixed funding formula and the current model that we're working on, we're not in an easy position to be able to meet those needs.

[1400]

**B. Bennett (Deputy Chair):** I understand that. I won't take that line of questioning any further.

I had one more specific question. When I look at the pie graphs for the Victoria regional transit system under expenditure breakdown and municipal, there's nothing on the Victoria page for administration. I just wondered why.

**T. Sharp:** I'll address that. The bulk of the administration cost is included in labour. When we put la-

bour, we mean salaries, wages and benefits. We're talking about operation staff — our operators, mechanics, mechanic support, parts people, transit supervisors — and our internal administrative staff. There are some administrative costs included under the other category as well as in the materials area.

In the other category, which is a 1 percent number, that's actually the result of a cost offset because all of our costs originally go through the Victoria regional transit system accounts. Then we do a chargeback for administration to municipal systems, so that other account is actually net of that recovery as well.

**B. Bennett (Deputy Chair):** Thanks.

**T. Sharp:** You're welcome.

**K. Stewart (Chair):** Are you finished for now, Bill?

Okay, I just have a couple of questions. If we can maybe flip over to slides 28 and 29 from the print-offs. There are a couple of issues. I'm going to look at the conventional on the municipal systems on page 29 first. You've got a target on '01-02 that I trust is \$42.912 million for your target.

**R. Drolet:** Yes.

**K. Stewart (Chair):** The actual expenditure was \$43 million. I also noticed that your revenue in passengers was up. Obviously, you spent more but, probably justifiably, because you serviced more people.

Does that work for you? There's nowhere it shows whether that created a profit or a loss.

**R. Drolet:** The balance of interest there was in, as Steve mentioned, some dramatic ridership growth in certain markets and trying to respond. On the previous page 28, you'll notice on the Victoria side...

**K. Stewart (Chair):** They went down.

**R. Drolet:**...there was an underexpenditure. The board, from time to time as it tracks through the year, will make allocations where that flexibility occurs to try and put the money to good use.

**K. Stewart (Chair):** I guess my question is that by adding the extra service, did you make money or lose money?

**S. New:** Specifically in terms of the municipal systems program, performance measures improved. Cost recovery improved. On the cost side, we on the executive and the board managed the overall program budget for Victoria plus the municipal systems program. We managed issues in this case, which were driven by vehicle maintenance issues, against the total budget. I don't have an answer for the specific cost recovery in total.

**K. Stewart (Chair):** You could get that for us?

**S. New:** Yes.

**K. Stewart (Chair):** Okay. Secondly, as I move along with that line of questioning, if I may, we go down to targets — and we'll use the same one as the example — on the municipal conventional system. The service hours are being cut. The budget from 2002-03 to 2003-04 is going down. It's going down slightly again in 2004-05. You're spending less money; your budget is being cut. You're reducing your budget in total. I just want to be correct in this as I continue on.

**T. Sharp:** Yeah. Actually, if I could elaborate on that. There are fewer service hours out there, but offsetting that, we have the cost increases associated with our contractors, increased labour costs, their own collective agreement settlements and their benefit costs. Throughout transit, whether it's Victoria or municipal systems, the increased costs of fuel and insurance have been an issue.

**K. Stewart (Chair):** Where I'm going with this is that you have a baseline cost obviously, an operational cost and some fixed costs that are static. It appears that by increasing your ridership, it doesn't necessarily increase your profitability. I know that we subsidize — if that's a term we want to use — a ticket, but there are also fixed costs associated with that.

[1405]

What we're trying to do here as a committee is establish baselines for further review. What we're here to do is monitor your performance and allow some visibility for the public on the activities that go on within corporations so that the public can see what goes on. We're trying to apply some insight into that. These are the types of things we're trying to do to baseline today.

As we see you in the future, as this committee sees you in the future, we'll be coming back to that baseline and saying: "Okay, how are you performing? Are you performing better or not?" Of course, we would like to be able to gauge that somehow. That just might give you some insight as to what it is we're trying to do and maybe some rationale for my questioning.

**R. Drolet:** No, the question's a good one because of the way the funding formula works. Those shares of the costs of delivering service that are paid for by the province reflect the fixed formula and the province's cost-shares expenditure. The municipalities, local partners, pick up the rest of the costs as noted in those percentages. If revenue declines, through ridership or for any other reason, the municipality must tax and make up the difference or be prepared to cut service. Alternatively, when revenues increase through passenger fares, fares being increased at the farebox or advertising, they get to reduce their local tax take to support the transit system. The risk is with the municipalities. The province is paying based on expenditures for defined service level for a budget that's set at the beginning of each year.

Sharing in the gains is something that isn't anticipated in that model. Against that is the province's benefit of certainty and predictability in cost-sharing expenditures against the locals having to take the risk of revenue gyrations that in rapidly moving markets might be significant.

What Steve referred to as flexible funding and the ability to give the locals more capability of expanding if the provincial share is set at the current level for some period of time means that we're actually back into that notion of giving the municipalities more options, more flexibility, more revenue.

**K. Stewart (Chair):** I would like to just simplify that, if I may, to my line of questioning. To increase your profitability, it doesn't help to add more service and increase ridership on an extended service. What you're really trying to do is fill up the buses you have. If you do that, if you get a higher ridership, that's how you make money. Is that what your strategic focus is — to do that?

**R. Drolet:** One of our strategic focuses is to do exactly that but realizing that operating income earned through the farebox goes to the local partner to offset their share. We're also having to give significant or even equal weight to cost efficiencies and cost reduction and limiting service growth if we have increases in things such as fuel.

**K. Stewart (Chair):** Thanks. I'll pass to Dan for the next question.

**D. Jarvis:** Gentlemen, I thank you for coming out again. I guess of all the Crown corporations, I get the least number of calls on transit, so you should be happy about that. Most of them could be considered illogical, where I come from anyway, in that they deal mainly with late-night service and far distances and commuting into the Vancouver areas and all the rest of it.

Nevertheless, I wanted to ask you a couple of quick questions. Is there any kind of a graph or chart that would show what the subsidies are for the bus system? Or is that broken down into different areas in relationship to, say, the SeaBus, the SkyTrain and the West Coast Express? Is there a chart or something like that available, which I could get hold of?

**R. Drolet:** As an example, if you look at page 36 and take the first system listed on there, Cranbrook, the total costs of the service are listed — the revenues, and that's the revenue earned for passenger fares and advertising. The B.C. Transit share is the provincial subsidy, and the net municipal share is the local subsidy. The answer to your question is yes. We have it broken out by each service area and each class of service there.

**D. Jarvis:** It's all on here, is it?

**R. Drolet:** Yes. That's just a sampling of them. On our website, for instance, at [bctransit.com](http://bctransit.com), you'll see



tables there for the current year and the prior year and maybe the years before that. You can look at the local system's specific data for every system in B.C.

**D. Jarvis:** Okay, I'll do that.

[1410]

**T. Sharp:** If I might add to that, particularly with our access to the information from the Canadian Urban Transit Association, we're able to calculate for any system a total cost per passenger as well as an average revenue per passenger. By deducting the one from the other, we could get back to the subsidy number that you were looking to. Most of our numbers are with respect to conventional 40-foot transit buses.

**D. Jarvis:** Thank you. I'll look that up.

Now, you mentioned the insurance costs rising. Is that ostensibly from the experience of other transit systems and/or yours, or is it the sort of 9/11 syndrome that we're looking at? Everyone seems to just be screaming. That could affect your cash flow here considerably.

**T. Sharp:** The insurance costs have been a very significant factor in the current year's and potentially next year's budget as well. It seems to be regional factors. In terms of looking at, for instance, Victoria, our base rate increase before any consideration of experience rating was 6.5 percent. Then throughout the municipal systems it varied from a low of zero to as high as 23, averaging out at about 17.

It seems to be locally driven factors based on accident experience within that area generally as opposed to, as near as I can gather, the transit industry specifically. Our record, as Ron was saying earlier, has been very good.

We only insure the mandatory level of coverage through ICBC. That's the minimum liability level. The rest of our insurance we insure through — you might have seen this in our financial statements — a captive insurance company, which is a shared-service arrangement between us and TransLink. So between us and TransLink, we insure our fleet damage, our excess liability and the rest of our insurance through either internal reserves or the global reinsurance market. That, too, has been a very significant factor, because by having those economies of scale and also those internal reserves, we have been able to avoid a lot of the liability hits that have occurred to other companies post-9/11.

**D. Jarvis:** When you say the minimum limits, are you saying that you've got a million dollars on each bus?

**T. Sharp:** I think a \$2 million liability level is the minimum.

**D. Jarvis:** Do you think that's enough if one of them goes over a cliff?

**T. Sharp:** That's why we have the excess. In fact, we're insured up to a \$25 million level through the captive, and that's reinsured in the international market. TransLink insures up to \$150 million for West Coast Express, SkyTrain, etc.

**D. Jarvis:** Okay, fine. Just another, and I'm finished.

How come B.C. Transit didn't use the Ballard cell thing and the experimental buses that are in Chicago? Chicago is using them all over. Why wouldn't we have used it, seeing as it was homegrown?

**R. Drolet:** We were in fact in before Chicago — the test in Vancouver under the old B.C. Transit. It wasn't centred in Victoria or another location. Being in Vancouver, you had access to Ballard's own staff and scientists and resources, so the earliest version of the Ballard fuel cell — which in fact consumed a significant percentage of the interior of a bus and needed an on-board engineer to assist the operator — was tested out. We brought that vehicle in during the Commonwealth Games.

The follow-up to that has been progressive engine testing by Ballard. To give them great credit, every time they've set a benchmark for downsizing, for performance, reliability and cost for the new prototype, they've met those targets.

They're now in California and Europe testing their P4 engine. If you read the literature closely, you'll see that it's a pre-production engine. It's very close, but it still needs significant support and has great cost associated with it. But there's federal funding and other sources of support there, and it's kind of their turn and their opportunity.

The P3 test was Vancouver and Chicago. That was a great comfort builder in terms of the direction of this technology. The next step — the production model — is the P5 engine, and that's the one that B.C. Transit has bought three of and is testing. That's the one that if it fits the transit industry performance requirements in the bench testing and one demo vehicle — if it meets that standard — then I think you'll see that technology take off and be in very common use within not all that many years. We're right there at the front line of that initiative.

[1415]

**T. Sharp:** If I might add one point. We'll have to get to a volume production level, because we're paying \$1.5 million for each of those engines — the province is.

**R. Drolet:** That's \$4.52 million for three....

**D. Jarvis:** Where are you getting the capital to...?

**T. Sharp:** From the province. That's a 100 percent provincial initiative.

**P. Bell:** Thank you for the presentation.

I have a couple of questions. On pages 28 and 29 where you're reviewing the operating costs of the sys-

tems, the operating cost per service hour in the Victoria area started in 2000-01 at \$71.97 and moves in 2004-05 to \$78.67. It's an increase of 9.3 percent. In the municipal systems, there are significantly lower costs to begin with, and they only increased by 4.4 percent in the same five years.

I have two questions. One is: why the difference in the percentage increase? And what is the difference between the Victoria system and the municipal systems that makes the Victoria system so much more expensive to operate?

**R. Drolet:** I'll hand it over to Tony to go through some of the detail. The cost per service hour, in general terms, is a reflection of the total operation and overhead and everything all in to deliver that hour, including facility costs. This is a fully loaded rate.

The difference between Victoria and the municipal systems, therefore, relates in part to service and network design and cost factors associated with facilities and overhead in a metropolitan setting in a large transit service area. Some of the municipal systems are, quite frankly, marvellously well tailored and suited to their market. There are traditional businesses that have shared overhead, so we have a local business interest that uses transit to fill out its slate of businesses and services it's operating. For some of them, you have volunteer and other support services available, particularly in the handyDART and some paratransit settings.

Some of the cost differences are explained by that, but some of them — and Tony can go into it more precisely — are reflective of higher labour costs associated with the Victoria contract, B.C. Transit, and that's specifically a function of the history of B.C. Transit. If you go back in time, it was all one with Vancouver, where the Vancouver unit costs, issues and labour standards would drive the collective agreement in both locations and the benefits package tied to provincial and the old B.C. Hydro standard, which was amongst the best in the public sector. There are some underlying cost drivers reflective of the history of B.C. Transit-Victoria, as part of the old B.C. Hydro-B.C. Transit entity.

The other one is that in fact in the municipal setting, the labour costs and standards generally — not just the Hydro effect I referred to — in transport and other community services reflect a lower pay scale than in greater Victoria or the lower mainland.

**S. New:** Just quickly on the municipal systems side, it's the RFP process. Our board of directors made a decision this spring to eliminate some continuity of employments and compensation guidelines within the RFP process. We've built some assumptions into this forecast where there will be more open competition on pricing of contracts than there was in the past. That's the short answer on the municipal systems side.

The first set of RFPs with these new rules in place are currently advertised and close on November 13. That will be the test for us to see if we're achieving the desired result in taking those limits off the RFP process that had previously been there.

**T. Sharp:** If I could just add a couple of points. As Steve said, it's a competitive process in municipal systems. It goes out to bid every five years. It puts pressure on the costs. In Victoria, as Ron said, the collective agreement we have right now is a holdover from the old B.C. Transit days. Effectively, what we have is — I have to say — a big-city collective agreement in Victoria. We are at a higher overall labour cost per hour than our other tier 2 competitors. However, notwithstanding that, we are running at a significantly lower operating cost per hour than TransLink, who is probably our closest comparative, because our biggest cost is labour. They do have essentially the same labour costs or the same collective agreements as us.

[1420]

**P. Bell:** To go further down that path, I'd like to know what B.C. Transit is doing now that you've identified that problem. Clearly, there appears to be a substantial cost saving to going through an open, transparent tendering-out process. Has that been considered for Victoria? If not, why not?

**R. Drolet:** Under that assessment of funding and governance, that's obviously one of the options or models that are being considered.

**P. Bell:** But not reflected in your budget.

**R. Drolet:** It's not reflected in this budget. This is based on internal work around our efficiencies and internal service delivery and using only elements of that community bus model that Steve described for some of the rural portions of greater Victoria, but not using it extensively as a changeover method within this time frame.

**P. Bell:** Moving on, I think this question may have been asked. If it was, my apologies. It strikes me that a good statistic to have would be the percentage of capacity that the buses operate on at any given point in time. Maybe I just missed it, but I didn't see it in here. Is that something you track by community or by...? I see average ridership levels, but I know you have different-sized buses depending on where you're operating. Is that a number you track?

**R. Drolet:** We track it in two ways. The way you track those things is right down at the system and in fact at the route level to be relevant in how you service-plan. You talk about the peak-load point in a route.

There was one question I was hoping you'd ask today, because I had this brilliant answer. Let me answer it anyway. Often people at the end of a route or on a large loop will see a lot of empty seats. You could certainly see that in greater Victoria today. If you get on a route like my route home, and you get on at Douglas Street and go up the Hillside corridor towards UVic and then transfer onto Shelbourne Street, you'll find that most days I can't get a seat. Then by the time I get home to my residence out in the wilds of Saanich,

I'm alone or with one or two neighbours for that last element.

We use the design at the route level around peak load, peak capacity, because you have to plan and manage to that part of the route and design your services and your frequencies accordingly. That's tracked very carefully and used. But no matter how well you manage that in targeting your loads and your seasonal profiles — as we do with school in and out in the summertime, for instance — you end up with excess capacity at times because you're running base headways, base policy service frequencies, that meet a social or community standard that is a minimum. Yes, those factors are tracked and tracked closely.

**P. Bell:** Do you have statistically a percentage that you target that's an objective, a minimum percentage, in order to maintain service?

**R. Drolet:** It's based around.... In part, the gross measure of rides per hour is used as a guideline to measure whether you are improving on that. For the other one, on peak-load capacities, we use a peak and off-peak standard. In the peak your standard of design would be.... A seated load is what you'd like to see on average across your network. In the off-peak you might use standards as low as ten or 15 rides per hour as a reasonable evening or weekend standard. Yes, those standards exist, and they're used as a guideline.

**P. Bell:** I did not see a service plan on your Internet website. I may have missed it. Is there one actually located on the website?

**R. Drolet:** Yes. The service plan is on the website. If it's not easily accessible to you, then perhaps we haven't labelled it brightly enough.

**P. Bell:** You do get a prize for the smallest font delivered so far, by the way. You need a magnifying glass to figure that one out.

I understand Quesnel has instituted a pilot program of some sort in the last year or year and a half, which was driven by a local councillor apparently with some very, very good results. I wasn't able to actually find out what it was that they did to get those results. Could you give us a brief outline? I understand it was impressive in terms of what they were able to accomplish.

[1425]

**S. New:** I can help you with that. We worked with the city of Quesnel, with staff and council, to convert what was a traditional handyDART style of operation, which is exclusively door-to-door, on-demand service, to one which was more available to the broader community. Those existing services, the resources that were there — the vehicles, the service hours and the dollars — were reallocated very carefully in terms of

routing and the trips that could actually be scheduled to serve demand for the college, for some of the schools, for shopping and some work as well as some hours that were also set aside for the demand-responsive service for the existing clients, who had enjoyed a service for 20-some-odd years. That was launched a year ago last April. It's been performing very well as a small, what we'd call community bus or paratransit service.

The city of Quesnel, Mayor Wallace and associates and in particular the councillor who is such a backer of the system — I forget his name now — were so enthused about this system that they'd actually.... It's a one-and-a-half-bus system. That means there are four hours of that second vehicle that aren't used. The city of Quesnel chose to fund 100 percent operation of the rest of that capacity on that vehicle to provide more service to the seniors and community with disabilities. It's just careful targeting of the type of service at the right times, right places, right market. Everyone's pleased, and the results are there.

**P. Bell:** I just wanted to refer, if I may, to slides 15 and 16 — I guess, mainly 15. Have you benchmarked this to other communities? It strikes me that fuel at 5 percent is an excellent achievement. Coming from the trucking industry, you're happy with 10 percent. Quite frequently it can run into the mid-twenties, but the labour at 66 percent seems extreme. Again, from the trucking industry, labour would typically be.... Thirty-three percent would be on the high side. Have you been able to benchmark this against other communities throughout Canada and the U.S.?

**T. Sharp:** We obtain the information, the statistics, every year from the Canadian Urban Transit Association. We not only get a cost per hour, but we get the breakdown in the cost per hour between operations, maintenance, administration and planned facilities, so we're able to get a sense on those broad functional areas of how we track. I think we're below average to the tier 2 average, which is our size of community for Victoria. We're below average, as well, I believe, Steve, for tier 3 and tier 4 communities, but there are differences within the classifications. We're low on plant and facilities; we're average on administration. We're low on maintenance, but the operations costs, largely driven by the wage costs, are higher.

**K. Stewart (Chair):** Are there any further questions out there?

**B. Bennett (Deputy Chair):** I have two more. My first one is in relation to the fact that B.C. Transit has been saying there is no funding for new transportation needs or perceived needs. Mr. New and I talked about that prior to this meeting starting. Is that an issue of having your budget; having all of the places for the money that are already set? There is no extra money, and you've been told, essentially, by the ministry that there's no new money? Is that it?

**T. Sharp:** The letter we got post-estimates last year.... Our provincial operating grant was essentially frozen or protected at the \$44.6 million level for three years. We have the one year that's set in stone that's in the estimates, but for planning purposes we've been advised that for '03-04 and '04-05 it's at the same level.

**B. Bennett (Deputy Chair):** The government hasn't said to B.C. Transit that B.C. Transit can't distribute the money differently? They've just said: "There's your budget for the next three years."

**T. Sharp:** That's correct.

[1430]

**B. Bennett (Deputy Chair):** Last question. You refer under "Alignment With Government's Strategic Priorities" to regional transportation committees. I just wondered if you could tell us anything about these regional transportation committees.

**R. Drolet:** It's an initiative of the Minister of Transportation and her deputy's office. I've attended sessions and been advised on the objectives and the setup of that, but it's really something that they're in charge of. If I give you anything, it might be based on just what I heard at one or two points in time in the development of that initiative. I'd refer that question to the Ministry of Transportation and the deputy minister's office there to get more on it.

Certainly we would expect and know that it's meant to be multimodal and strategic. These committees are to be set up at a regional level, I believe, with seven or eight of them in British Columbia. It's not regional in the traditional urban sense of, say, greater Victoria or greater Vancouver. It's Vancouver Island or the lower mainland. The Fraser Valley has one, for instance, and so forth.

**K. Stewart (Chair):** I have two quick questions, if I may. We've talked quite a bit about the difference in labour. It appears from most of the information we've received today that B.C. Transit is operationally running quite well, but labour is a little out of line with.... What percentage can you give me on labour, on average? Are we over your comparables out there?

**R. Drolet:** We have some benchmarking on that, and we can give it to you. Just as sort of a quick look at that, our current biggest driver's hourly rate is \$22.89. In the transit industry in Canada, exclusive of a few very large systems — certainly Vancouver, which is higher, and Toronto, and a few systems in that immediate Toronto area would be close to that — the average is more typically in the \$18-to-\$20 range for a driver of a transit vehicle. If you looked at systems such as Calgary, Regina, Hamilton or Halifax, you'd see things in that range. There's a premium there.

With the other one, as mentioned, we were looking at the cost of benefits here and the plan carrier costs that come through as loadings on those base rates. In

British Columbia, generally, they seem to be a little higher than the national averages for those benefits loadings as well.

**K. Stewart (Chair):** If you could send us that, that would be helpful.

One other final question. It's more out of interest. You mentioned buying from a mercantile bank — \$21 a barrel. How does that work? I'm just curious. How do you buy gas — diesel, I trust — like that? How is it delivered?

**T. Sharp:** We work with Petro-Canada on that. Essentially, what Petro-Canada is doing is buying a series of forward contracts on the New York Mercantile Exchange. We can pick any period. We can buy spot or current price if we want. We can go ahead six months, 12 months. Just about the furthest they'll go out is two years. The last one we did was two years, and that saved us about \$3 million.

We're in for one year now. The deal was that we give them an instruction. We say: "This is a strike price. This is what we want you to hit at." It's a composite of not only the price of oil but also the Canadian exchange, because you have to buy oil in U.S. dollars. That hasn't been helping us very much in the last few years as well.

We give them a price. We say: "If you can hit this at this time, secure it." We get the approval of our board of directors. They went in last time when we thought prices had hit a low and got in at \$21.50.

**K. Stewart (Chair):** That's a pretty smart move if it works. It's not like the gas industry or natural gas. They did get caught a little bit last year.

**T. Sharp:** It's a worry, because you go forward and you think: "Well, should I have done this at all? Should I go one year, two years?" We talk to a lot of other transit authorities. We talk to other people in Calgary in the oil patch. We try to get the best information we can before we make the decision, but it's still a forward contract, so there's an element of risk.

**K. Stewart (Chair):** With regard to the written materials or any materials, please do send them through to the Clerk's office. That way they'll distribute it to all of us.

Are there any more questions from the panel before we close off?

Thank you very much for your presentation today. We do appreciate you coming over and delivering that to us. We should be completing the report and putting it out to the House by the end of this fall session, so you can look for that. Also, the meeting today will be in *Hansard*. Thank you for coming.

Do I have any new business before everyone heads out?

The committee adjourned at 2:34 p.m.