



OFFICE OF THE
BRITISH COLUMBIA
FERRIES COMMISSIONER

ORDER NUMBER: 16-02

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IN THE MATTER OF

Approval of a Major Capital Expenditure for
The Fare Flexibility and Digital Experience Initiative
Proposed by British Columbia Ferry Services Inc.
Pursuant to Section 55 (2) of the *Coastal Ferry Act*

BEFORE: Gordon Macatee, BC Ferries Commissioner
Sheldon Stoilen, BC Ferries Deputy Commissioner
(the “commissioners”)

ORDER

WHEREAS:

- A. On December 2, 2014, British Columbia Ferry Services Inc. (“BC Ferries”) submitted an application (the “Application”) under section 55 (2) of the *Coastal Ferry Act* (the “Act”) seeking the commissioners’ approval of the proposed major capital expenditures for the Fare Flexibility and Digital Experience Initiative (the “Initiative”);
- B. By Order 15-01 dated February 2, 2015, the commissioners approved the proposed major capital expenditure for the Initiative as outlined in the Application, subject to certain conditions, without disclosing the maximum amount of the proposed major capital expenditure for confidentiality reasons;

- C. On August 24, 2016, BC Ferries submitted a supplemental application (the “Supplemental Application”) seeking the commissioners’ approval of a revised maximum capital expenditure for the Initiative;
- D. The commissioners engaged the consulting firm of MNP LLP (“MNP”) to assist in their review of the Supplemental Application and their report is attached to this Order;
- E. The commissioners have noted MNP’s comments regarding executive sponsorship for the Initiative and agree that BC Ferries should develop a senior executive sponsor succession plan to ensure continuation of appropriate corporate oversight of the Initiative through to its completion; and
- F. Based upon their review of the Supplemental Application and the analysis conducted by MNP, the commissioners have determined that the major capital expenditure for the Initiative is still reasonable and prudent and consistent with the Coastal Ferry Services Contract and BC Ferries’ long term capital plan.

NOW THEREFORE the commissioners order as follows:

- 1. The proposed major capital expenditure for the Initiative, as generally described in the Supplemental Application, is approved subject to the following conditions:
 - a) The maximum amount of the major capital expenditure for the Initiative is set at the total amount as stated in the Supplemental Application which will be confirmed by a separate confidential order to BC Ferries. The maximum amount will remain confidential until substantial achievement of all milestones identified in the project plan for the Initiative;
 - b) All future life cycle capital costs for the Initiative which enable continued functionality of the Initiative or sustainment of the benefits from the Initiative will be subject to the commissioners’ further approval;
 - c) BC Ferries is authorized to proceed with implementation of the Initiative on routes 1, 2, 3, 30, 9, 10, 11 and 17 (the “Reservable Routes”). If BC

Ferries decides at some future date that it wishes to proceed with implementation of the Initiative beyond the Reservable Routes, it must satisfy the commissioners that a comprehensive public information and consultation process has been undertaken and that the concerns of ferry users on the relevant routes have been considered; and

2. BC Ferries must confirm to the commissioners within 12 months of this Order that a senior executive sponsorship succession plan is in place.

DATED in Victoria, in the Province of British Columbia, this 21st day of September 2016.

BY ORDER



Gordon Macatee
BC Ferries Commissioner



Sheldon Stoilen
BC Ferries Deputy Commissioner

Independent Review of BC Ferry Services Inc.'s Supplemental Application under Section 55 of the Coastal Ferry Act

Fare Flexibility and Digital Experience Initiative

Final Report

September 20, 2016



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Executive Summary

The British Columbia Ferry Commission (the Commission) engaged MNP LLP (MNP) to conduct an independent review of British Columbia Ferry Services Inc.'s (BCFS) Supplemental Application (the Application), submitted on August 24 of 2016, for the Fare Flexibility and Digital Experience Initiative (the Initiative). This Application for the Initiative seeks an adjustment to the price cap that was established by the Commission on February 2, 2015 (Confidential Order 15-01A), with the following changes relative to the original submission being noted:

- **Scope.** Based on the solution selected, BCFS has made minor scope adjustments to the mobile applications, the integration of Travelink, and in Payment Card Management functionality.
- **Schedule.** The timing of system launch dates has been adjusted to reflect current project plans.
- **Budget.** The total budget required for the Initiative has been increased by approximately 54% of the previous amount, due largely to higher than planned costs for software and system integration services. Other financial related changes to the business case included:
 - The inflation factor which has been amended to 1.9%.
 - The investment life which has been modified to reflect lower future capital costs.
 - The inclusion of higher base traffic volumes to reflect a return to pre-2008 levels in 2016 as opposed to lower levels from 2013 as used in the initial application.

The review of this Application by MNP is in accordance with Section 55 of the *Coastal Ferry Act* (2003) and focuses on assessing if the changes proposed by BCFS to the original business case scope, schedule and budget:

- Adequately respond to the Section 55 Guideline questions; and
- Continue to be reasonable, prudent, and consistent with the Coastal Ferry Services Contract and BCFS' long term capital plan.

Upon completion of the review, it was found that:

- The proposed changes to the original Application are reasonable, prudent, and consistent with the Coastal Ferry Services Contract.
- The anticipated increase in costs is reasonable, particularly in light of what appears to have been an open and objective procurement coupled with the observation that planned expenditures on software and system integration are comparable to similarly sized, mission critical ecommerce solutions.
- Increased capital costs are consistent with BCFS' Long-Term Capital Plan and the revised budget has been incorporated into the latest Capital Plan forecasts.
- BCFS has implemented improvements to project and portfolio management as well as governance since the original Application, all of which appear to be following their new processes.
- BCFS appears to be actively identifying and mitigating risk.

1 Background to the Section 55 Application

The Office of the BC Ferries Commissioner (Commission) is a regulatory agency that has been established under the *Coastal Ferry Act* of 2003. The Commission's regulatory mandate is specific to core ferry services and tariffs including those of British Columbia Ferry Services Inc. (BCFS), operating as BC Ferries. As it pertains to the tariffs charged for core ferry services, the Commission has the authority to establish a "price cap" that balances the interests of ferry users and tax payers while allowing for the financial sustainability of BCFS. The Commission also fulfills other key tasks within its directive, including the monitoring of BC Ferries' adherence to the terms of the Coastal Ferry Services Contract, addressing any circumstances of unfair competitive advantage, examining BC Ferries customer complaints process, and the approval of major capital projects.

BCFS is a former crown corporation now operating as a as an independent commercial organization under the *Business Corporations Act*. It is the largest passenger ferry line in North America and the one of the most sizeable in the world offering passenger and vehicle service with a fleet of 34 vessels along with 47 terminals covering 24 routes around coastal British Columbia. The transformation from Crown Corporation to an independent commercial entity occurred in April of 2003. The Coastal Ferry Services Contract between the Government of British Columbia and BCFS defines the service levels required, which as stated above are then monitored by the BC Ferries Commissioner.

Under the *Coastal Ferry Act* (2003), the Commission, as noted above, has specific duties to consider capital deployment and expenditures under Section 55. In 2012, Bill 47-2012, the *Coastal Ferry Amendment Act*, was enacted and in which the original Section 55 was repealed with the following being substituted:

Commissioner to consider capital deployment and expenditures

55 (1) Subject to subsections (2) to (5), before deploying capital assets on, or incurring capital expenditures in connection with, a designated ferry route or terminal, the ferry operator may apply to the commissioner and the commissioner must, within one month after the application, declare whether the capital assets proposed to be deployed on, or the capital expenditures proposed to be incurred in connection with, the designated ferry route or terminal are reasonably required.

(2) A ferry operator must not incur a major capital expenditure without first obtaining the commissioner's approval of the expenditure.

(3) A ferry operator may apply to the commissioner for approval of a proposed major capital expenditure and the commissioner must respond to the application within 2 months after its receipt by the commissioner.

(4) The commissioner may approve a proposed major capital expenditure if the proposed major capital expenditure is

(a) reasonable,

(b) prudent, and

(c) consistent with

(i) the current Coastal Ferry Services Contract, and

(ii) any long term capital plan established by the ferry operator.

(5) For the purposes of this section, a capital expenditure of a ferry operator is a major capital expenditure if it meets the criteria

(a) established from time to time by the commissioner, and

(b) most recently provided by the commissioner to the ferry operator.

In Order Number 12-04, in the matter of Section 55 of the *Coastal Ferry Act* (2003), the Commission established the criteria to determine what constitutes a major capital expenditure. The order states:

1. For purposes of section 55(5), a major capital expenditure is defined as any capital expenditure which exceeds \$30 million, inclusive of component programs and interest during construction, and irrespective of the level of expenditure, any new vessel or terminal, and any vessel life extension which extends the life of the vessel by more than five years.

2. In addition, upgrades to information technology (IT) systems in excess of \$5 million which support ticketing and reservations, are considered a major capital expenditure.

7. The commissioner's review and approval or disapproval of a major capital expenditure will be based solely on a determination that the project is or is not: reasonable, affordable, prudent, consistent with the approved and current five-year capital plan as submitted to the commissioner; consistent with the current Coastal Ferry Services Contract; and consistent with any government approved long-term vision for the future evolution of marine ferry services.

2 Role of the Independent Review

BCFS submitted a supplemental Section 55 Application to the Commission on August 24, 2016 for the Fare Flexibility and Digital Experience Initiative (the Initiative). MNP LLP (MNP) was engaged by the Commission to review this Application in accordance with Section 55 of the *Coastal Ferry Act* (2003) with particular focus on assessing if:

- BCFS has adequately responded to the Section 55 Guideline questions; and
- The changes to the proposed major capital expenditure continue to be reasonable, prudent, and consistent with the Coastal Ferry Services Contract and BCFS' long term capital plan.

As the Application is a supplemental to the original Section 55 application made on December 2, 2014, and approved by the Commissioner on February 2, 2015, the focus of this review was on the changes to the original business case scope and budget. The review did not revisit the original decision to pursue a full software upgrade option (Option 2 from the original Initiative business case) other than to validate that the revised project budget meets minimum Net Present Value (NPV) and Return on Investment (ROI) expectations.

In keeping with these intentions, MNP:

- a) Reviewed the original Initiative Section 55 Application (December 2, 2014) along with the Independent Review Report as prepared by Deloitte (February 20, 2015), and the Commission Orders 15-01 and 15-01A (February 2, 2015).
- b) Reviewed the revised business case for the Initiative and evaluated the reasonableness of changes to key assumptions, budget and schedule estimates as well as projected benefits.
- c) Reviewed the negotiated request for proposal (NRFP) procurement process followed by BCFS to select software and system integration vendors, with this including procurement documentation, vendor proposals, and proposed contracts.
- d) Reviewed and assessed the project plan and schedule for completeness and reasonableness.
- e) Reviewed the current risk register for completeness and reasonableness of mitigation strategies.
- f) Summarized observations and conclusions on the above information.

2.1 Scope

The scope of the Supplemental Section 55 Independent Review included the following:

- Review of documentation related to the original Section 55 Application from December 2, 2014;
- Review of the Supplemental Section 55 Application received by the Commission on August 24, 2016, including the revised business case and supporting financial analysis;
- Meetings with the BCFS project team to clarify details of the Section 55 Application and revisions to the business case;
- Review of additional supporting materials as requested by MNP (i.e., refer to Appendices A and C for list of the documentation reviewed);

- Regular status updates with the Commission;
- Preparation and review of a findings report with the Commission; and
- Preparation of a final report suitable for publication.

2.2 Limitations

This report has been prepared by MNP for the exclusive use of the Commission to support the assessment of the Supplemental Section 55 Application by BCFS for the Initiative, submitted on August 24, 2016.

MNP's work was planned and conducted in such a manner as to assess the reasonableness of project planning and estimates, and identify key risks. However, MNP did not examine, compile or apply agreed upon procedures over the financial information used in this report under the requirements of the Chartered Professional Accountants of Canada and we therefore are unable to express assurances on such information except where expressly stated in the report to form part of the scope of our work. Further, this report does not constitute a legal opinion on any matters including the interpretation of the *Coastal Ferry Act* (2003).

The results of our work do not in any way constitute advice or recommendations (and we accept no liability in relation to any such interpretation) regarding any commercial decisions. In addition, our work was not designed to identify and cannot necessarily be expected to disclose defalcations, fraud and other irregularities. As a result, this report does not necessarily include all those matters, which a more extensive or special examination might develop.

The work to provide this report was carried out based on the assumption that information provided to MNP by management and employees of BCFS was reliable, accurate and complete. We did not subject the information contained in the report to checking or verification procedures except to the extent expressly stated. In no circumstances shall MNP be responsible for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by management and employees of BCFS or any other person of whom we may make enquiries.

3 Approach to the Review

MNP reviewed the supplemental Section 55 Application of BCFS and other supporting documentation to assess if the increase in the planned major capital expenditure and other proposed changes continue to support the business case in a manner that can be considered reasonable, prudent and consistent with the Coast Ferry Services Contract along with BCFS' long-term capital plan.

As part of our approach, the following activities were conducted:

- Documentation reviews
- Consultation with BCFS personnel
- Review of traffic projections
- Analysis of the effect on the NPV if contingency is increased
- Review the BCFS budget and NPV for consistency of methodology
- Background research on the proposed software solution to evaluate product useful life

Further information on our review and approach are outlined in the following appendices:

- Appendix A- Summary of Information Requests
- Appendix B- Supplemental Information
- Appendix C- Documents Review (both public and commercially sensitive)
- Appendix D- Compliance with Section 55 Application Guidelines
- Appendix E- Follow-up Questions and Clarifications

4 Summary of the Supplemental Application

The initial application as submitted on December 2nd 2014 under section 55(2) of the *Coastal Ferry Act* (2003) sought approval from the Commission for the proposed major capital expenditure on the Initiative. On February 2nd 2015, the Commission issued order 15-01 approving the application with conditions pertaining to a maximum capital expenditure level (Order 15-01A). A further clause (Clause 1(c)) of Order 15-01 provided that BCFS could start the procurement process subject to addressing the findings of a review of the related Automated Customer Experience (ACE) project. The Commission confirmed that Clause 1(c) had been met on Sept 17th of 2015.

A negotiated request for proposal (NRFP) was then initiated by BCFS for the website content management and e-commerce software platform licences along with the integration services component of the Initiative in September of 2015. The NRFP process delivered pricing significantly higher though, than anticipated in the initial submission. BCFS took the opportunity to review and revise other elements of the capital budget to reflect the added information. The end result was an adjustment to the maximum capital expenditure level necessary for BCFS to proceed with the Initiative.

BCFS has indicated that the Initiative remains relevant and as currently defined meets the requirements of reasonableness, affordability, and prudence in keeping with section 55. There is also the continued expectation on the part of BCFS that the Initiative will enhance customer experience while generating financial benefits that will help to mitigate pressures to increase fares.

A revised and increased budget is being sought by BCFS for the Initiative together with scope changes that were made apparent during the NRFP process. However the objectives of the Initiative remain the same:

- Reduce pressure on future fares and improve fare affordability
- Improve the customer experience:
 - An exceptional e-commerce experience
 - A choice of easy-to understand fare products
 - Greater certainty of ability to travel on sailing of choice
- Replace the existing platform

The scope changes highlighted in the supplemental application do however reflect opportunities both for improved integration and better focus of effort. Scope changes highlighted in the supplemental application reflect opportunities both for improved integrations and better focus of effort. This included:

- **Mobile Applications.** The original plan was included the development of full, native mobile applications. Since the initial Section 55 Application, there has been a shift in the industry to responsive web design or hybrid applications that can be used on any mobile platform. This presents the opportunity to choose the most appropriate vehicle for implementation of mobile applications.
- **Travelink.** The existing Travelink (vacation/ accommodation/ activities booking) system was to be integrated with the ecommerce solution. The selected solution provides similar functionality

to the Travelink system and therefore the scope and complexity related to Travelink has been optimized by shifting functionality to the selected platform and using the existing Travelink system solely as a database.

- **Payment Card Management.** Payment card management has been removed from scope and will now be incorporated into ACE.

From a schedule perspective the Initiative is still expected to be rolled out across four releases. The major change in the new application is that the Decision Support System will now be released first, rather than last.

A number of budget considerations have also been updated in this application:

- The inflation factor represented by the annual allowable price cap increases for PT4 for tariff revenue has been amended to 1.9%.
- The investment life had been modified to reflect lower future capital costs.
- Higher base traffic levels were utilized in the analysis to reflect a return to pre-2008 traffic levels in 2016 as opposed to lower levels from 2013 as used in the initial submission.
- Higher capital costs are reported for software and integration.

A more detailed analysis of these changes is detailed in the following section.

5 Review Findings

This section provides MNP's analysis of the proposed changes, the impact of these changes on the original business case, and whether the Initiative continues to be reasonable, prudent and consistent with the Coastal Ferry Services Contract and BCFS' long term capital plan.

Detailed analysis and commentary has been provided on each of the proposed changes from the original Application in the first part of this section. A summary of our conclusions is subsequently provided addressing the following four areas:

- Business case, including key assumptions, cost estimates and potential benefits;
- Software and vendor selection process;
- Project plan timelines; and
- Project risks and mitigation strategies.

5.1 Revisions to Scope

5.1.1 Mobile Applications

Change from Original Application	Launch of the mobile applications has been postponed to evaluate appropriateness of developing native mobile applications. BCFS will investigate alternative options, such as responsive web design, to evaluate ability to meet business needs.
MNP Comments	This decision is reasonable and prudent as many organizations, including in the public sector, are moving away from mobile application development to responsive design. At the time the Application for the Initiative was submitted, the prevailing trend involved developing and delivering mobile applications. Since then, and in keeping with advice received by BCFS from system integrators and industry experts, alternative options such as responsive web design have emerged.
Impact on Business Case	<ul style="list-style-type: none"> • No immediate impact. • The budget for mobile applications has been retained until a final solution decision has been made.

5.1.2 Travelink

Change from Original Application	Within the scope of Release 3 was the integration of BC Ferries' vacations, accommodation and activities booking application. The selected product will reportedly provide Travelink functionality.
MNP Comments	Assuming the needed functionality is available within the product, this change is reasonable and prudent. The anticipated integration will be simpler as there is the opportunity to use the Travelink database solely as a data source.
Impact on Business Case	<ul style="list-style-type: none"> • Reduced integration risk. • Reduced integration costs.

5.1.3 Card Management Services

Change from Original Application	The requirements for payment card management services was originally to be included in Release 2. This functionality has since been removed from Release 2 for the Initiative and will be incorporated into the second phase of the ACE program.
MNP Comments	The decision to shift these requirements to the ACE program is appropriate as the payment cards will be managed through the point of sale and financial management system with the e-commerce solution providing a gateway to these systems.
Impact on Business Case	<ul style="list-style-type: none"> • This change is reasonable and prudent as it lowers risk for the Initiative.

5.2 Revisions to Schedule

<p>Change from Original Application</p>	<p>The delivery of Release 1 for mobile applications has been placed on hold, pending an evaluation of the mobile application approach.</p> <p>Release 2 has moved from October of 2016 to November of 2017.</p> <p>Release 3 has been moved from November of 2017 to February of 2018.</p> <p>There is no change to the Release 4 delivery date.</p>
<p>MNP Comments</p>	<p>The Release 1 hold is reasonable and appropriate while BC Ferries evaluates alternative options that could better meet its business needs.</p> <p>Similarly, the delay of Release 2 is appropriate given the current time and the fact that BCFS has not executed a contract with the vendor. One year of implementation for this Release is reasonable, noting that appropriate vendor management should be a focus.</p> <p>The delay of Release 3 is also reasonable and prudent given the extended time required in order to complete the procurement process.</p> <p>The decision to maintain the implementation schedule for Release 4 is reasonable as it will provide BCFS revenue management staff with a 6-8 month period to build pricing models and learn how to effectively use the tool prior to implementation of the ecommerce solution. As different BCFS staff will be involved in the implementation of the Decision Support Software this should not impact the implementation of the ecommerce solution.</p>
<p>Impact on Business Case</p>	<ul style="list-style-type: none"> • The retained delivery date for Release 4 affords time for BCFS staff to fully consider pricing and model scenarios. • When the e-commerce software is implemented, BCFS staff will be able to optimize the software.

5.3 Revisions to Budget

5.3.1 Inflation Factor for Tariff Revenue

Change from Original Application	BCFS has revised the inflation factor for tariff revenue to 1.9%, reflecting the current price cap (i.e., the original inflation factor was 2%).
MNP Comments	This change is reasonable as it reflects the maximum fare increase possible for BCFS.
Impact on Business Case	<ul style="list-style-type: none"> This change has minimal impact on the overall business case. Reducing the inflation factor lowers the NPV by between 1.4% (for a 5% growth scenario) and 2.5% (for a 3% growth scenario).

5.3.2 Investment Life

Change from Original Application	BCFS has extended the investment life and lowered the future capital costs based on the expected useful life span of the selected software product.
MNP Comments	This is a reasonable change. The software platform selected is a market leader and provided by a large software vendor that appears committed to maintaining and enhancing the product for the long-term. Assuming that BCFS keeps the platform current (i.e., all vendor-supplied updates are implemented), this product could remain feasible for use over the next 10 to 15 years.
Impact on Business Case	<ul style="list-style-type: none"> Reduces need for future capital investment.

5.3.3 Traffic Levels

<p>Change from Original Application</p>	<p>BCFS has used fiscal year (FY¹) 2016 traffic figures for their projections and analysis, replacing the FY2013 figures used in the initial submission. BCFS has retained the models used in the initial submission which suggest incremental traffic growth levels of 3% and 5 %.</p>
<p>MNP Comments</p>	<p>The shift from using FY2013 base figures is reasonable and prudent, reflecting that FY2016 is a return to what is considered normal ridership after a number of years of abnormally low levels and slow recovery, in part due to the global financial crisis of fiscal 2008/2009.</p> <p>The parameters applied in the modeling of incremental traffic growth are in line with the comparator case studies used for terminal to terminal services (both ferry and rail). The increases are not applied immediately to routes and assume a five year ramp up to 5% and a three year ramp up to 3% growth in traffic.</p> <p>When compared to benchmark studies used by BC Ferries, the projected traffic growth parameters are reasonable and can be considered conservative.</p>
<p>Impact on Business Case</p>	<ul style="list-style-type: none"> • Reflects what is considered a return to a relatively normal level of traffic. • Enhances business case as NPV is improved over original Application.

5.3.4 Combined Capital Costs

<p>Change from Original Application</p>	<p>BCFS has significantly increased the capital and maintenance budget for the Initiative by approximately 54%. This increase is largely driven by higher than anticipated software, system integration, and ongoing maintenance and support costs. BCFS has also re-evaluated other costs for the Initiative based on the now known implementation requirements of the selected software platform.</p>
<p>MNP Comments</p>	<p>BCFS' original budget estimates for software and system integration were largely based on the information gathered through a RFI issued in August of 2013. While the RFI can be a very useful procurement tool to gather information on solutions and vendor capabilities, they rarely provide highly accurate cost information for a variety of reasons including:</p> <ul style="list-style-type: none"> • Scope and complexity is rarely well understood by the vendors. • Vendors have no commitment to deliver based on RFI pricing and may provide very optimistic numbers in order to qualify for the next stage of procurement.

¹ BCFS fiscal year runs from April 1 to March 31. The fiscal year refers to the year in which the fiscal year ends. i.e. FY2016 is the fiscal year ending March 31, 2016.

	<p>Generally, when using vendor estimates provided through a RFI process, it is advisable to apply a contingency of between 50% and 100%. BCFS has acknowledged that this could have been incorporated into their original budget analysis and have indicated that future allowances of this type will be considered.</p> <p>MNP reviewed procurement materials including the NRFP document, vendor responses and evaluation information. The use of the NRFP format was appropriate for this Initiative as it provided BCFS with the flexibility to negotiate a final solution. The procurement appears to have been conducted in an open and objective manner.</p> <p>The cost of both the selected technical solution and the system integration services are consistent with the prices quoted by other vendors who participated in the NRFP. Overall the final cost for the software and system integration services is reasonable given the size, complexity and mission critical nature of the BCFS ecommerce website.</p> <p>BCFS has negotiated a fixed price contract with the systems integrator which it is expected will lower the risk of significant cost overruns. MNP has reviewed the proposed contract and observes that the expected scope definition, vendor accountability and change management mechanisms have been incorporated into this document. It will be incumbent on BCFS to actively manage this contract to ensure that the contract provisions that shift risk to the vendor are appropriately exercised.</p> <p>The selection of the software platform and implementation approach provided BCFS with the ability to refine internal staff and other implementation cost estimates. These revisions to other project costs are reasonable and well documented.</p> <p>MNP noted that the contingency allocated to some budget items is lower than BCFS' standard budget allocation for this Initiative. Analysis of the impact of increasing contingency showed that applying the standard contingency to these budget items would have minimal impact on the NPV and would enable the project to better manage risk.</p>
<p>Impact on Business Case</p>	<ul style="list-style-type: none">• Overall, while the capital cost increase represents a significant increase to the overall project budget, the financial analysis provided by BCFS demonstrates that the Initiative continues to provide reasonable benefits to the organization. The changes to the traffic projections included in the Supplemental more than offset the increased capital costs, resulting in an improved NPV over the original Application.

5.4 Summary of Review Findings

5.4.1 Business Case Review

Based on the analysis, the rationale for the Initiative along with other aspects of the business case appear to be reasonable and prudent. The business case provides sufficient levels of detail and BCFS seems to have completed the appropriate amount of research, consultation and validation on assumptions and methodology. The increased costs for software and integration were found to be reasonable and prudent given the changes.

MNP noted that to further mitigate risk, an increase in contingency could be allocated to the system integrator budget with this being an addition to the amount already provided by the BCFS Board given the size and scope of this project.

5.4.2 Software and Vendor Selection Process

BCFS appears to have administered an open and fair procurement process. The solution pricing received by the RFI (issued in August 2013) was subject to the challenges typically encountered with this particular procurement vehicle. BCFS issued a negotiated request for proposal (NRFP) in September 2015 and MNP reviewed the procurement documentation including vendor responses and evaluation documentation. The use of a NRFP was appropriate given the size and complexity of the solution and the procurement appears to have been conducted in an objective manner. The final pricing of the solution is comparable to prices from other vendors and consistent with the cost of similar complex, mission critical ecommerce solutions.

At this time, BCFS is in the final stages of putting in place a contractual agreement with the software and integration services providers for the Initiative. MNP reviewed the draft contracts and found them to include the expected scope, change management and vendor accountability language.

The following procurement activities have been completed to date:

Procurement Activity	Time Frame
Request for Expression of Interest ("RFEI") for the Website Renewal	June 2013 (Completed)
RFI for the Revenue Management System	August 2013 (Completed)
Non-Binding Request for Qualification ("RFQ")	November/December 2014 (Completed)
Stage 1. NRFP issued: <ul style="list-style-type: none"> Multi-channel website content management and e-commerce software platform licenses and integration services 	September 2015 (Completed)
Stage 2. Presentations and live demonstrations for vendors that responded to the NRFP	October, 2015 (Completed)
Stage 3. Verification of vendors	December 2015 – July 2016 (Completed)
Stage 4. Contract negotiations and awarding under the NRFP:	August/September 2016 (Ongoing)

Procurement Activity	Time Frame
<ul style="list-style-type: none"> Principal contracts negotiated (i.e., one for systems integration and the other for licenses, maintenance and support) 	
Request for Proposal and contract award for: <ul style="list-style-type: none"> Website, mobility and social user experience, user interface design, and usability testing services (“Website UX/UI”) Revenue Management Decision Support System service and support 	Issued August 2016 RFP closes September 23, 2016.

The pricing from the selected software vendor is within the range of the other solutions received. The functionality delivered and stability of the platform both indicate that the selected product is a reasonable choice. The pricing for the proponent responsible for integration also appears to be comparable to prices provided by other vendors.

5.4.3 Project Plan Review

Although the Initiative is in the early stages, the project plan seems reasonable in terms of the timelines and milestones provided. The schedule changes for the four Releases are also reasonable and prudent given the change in scope and procurement process.

5.4.4 Project Risk Review

As with any undertaking of this size, there are inherent risks. BCFS have identified and are actively tracking the status of a number of high impact risks, namely:

- Public acceptance of the new business model
- Organizational readiness
- Selected vendor proposal budget and schedule impacts
- ACE program synergy
- Internal resource availability
- Technical complexity issues

Each of these top-level risks have planned mitigation strategies that in many cases are already in action.

Overall, project risks appear to be managed in an appropriate manner with regular tracking and related documentation that is detailed. We observed that project risks were well understood amongst those managers and staff consulted. During these consultations, assurances were given that project risk is to be actively managed on a day to day basis during the project lifecycle and that BCFS has considerable expertise available to aid in this endeavour.

With regard to the specific risks and the mitigations detailed in the submission, BCFS has implemented a system of portfolio oversight that covers both ACE and the Initiative. Risk is also mitigated in a number of areas by engaging with a top tier vendor through a fixed price arrangement, which taken together

with the added certainty from the NRFP process helps address the technical complexity along with the vendor budget and schedule.

It is important that BC Ferries continue to actively plan around risks, which would include project and development methodology. The proposed hybrid model between agile and waterfall is unfamiliar to the organization and BC Ferries may need to consider mitigation if the vendor has difficulty in finalizing work packages on time. BC Ferries may also want to consider additional mitigation around executive sponsor succession, on the understanding that the incumbent may not be available for the full term of the Initiative.

5.4.5 Consistency with Long-term Capital Plan

The Initiative has been appropriately referenced in the BCFS 12 Year Capital Plan. Funds for the revised Initiative budget have been committed within the capital expenditure forecast.

5.4.6 Consistency with the Coastal Ferry Services Contract

There has been no change in the supplemental Section 55 Application to the number of sailings that BCFS will deliver per year. The Coastal Ferry Services Contract regulates the minimum number of round trips that BCFS must deliver per contract per year for each numbered route. This Initiative is consistent with the Coastal Ferry Services Contract.

5.4.7 Adequacy in response to Section 55 Guidelines

The supplemental Application has appropriately responded to the relevant questions in the guidelines. Details of MNP's review are available in Appendix D- Compliance with Section 55 Application Guidelines.

6 Conclusions

MNP's mandate on behalf of the BC Ferries Commission, taking into account both the original and supplemental applications, was to examine whether:

- BCFS has adequately responded to the Section 55 Guideline questions; and
- The changes to the proposed major capital expenditure remain reasonable, prudent, and consistent with the Coastal Ferry Services Contract and BCFS' long term capital plan.

In addition to this MNP also scrutinized whether:

- The business case including key assumptions and cost estimates remained reasonable
- The vendor and software selection processes were reasonable
- The project plan, schedule, budget and scope are reasonable
- Key project risks are appropriately acknowledged and mitigations put in place

In contrasting the supplemental application with the original submission, BCFS has adequately responded to Section 55 application guidelines. Also, the changes to the proposed major capital expenditure continue to be reasonable, prudent and consistent with the Coastal Ferry Services Contract and are accommodated satisfactorily by BCFS' long term capital plan.

It was also determined that the business case for the Initiative continues to be sound and that associated estimates along with expected benefits are well researched and reasonable.

The procurement process was demonstrated to be diligent with the selected vendor and software adding confidence that the solution is appropriate and can be considered best of breed based on Gartner research.

BCFS has established guidelines for project management and if abided by, the plan for the Initiative as it further develops will be consistent with what can be considered leading practice. The proposed changes in schedule and scope seem reasonable. Changes to the budget are well supported with analyses and the NRFP process adds additional cost certainty. There remains an opportunity though, to provide for greater assurance through the contingency provisions.

Finally, BCFS has significantly reduced key areas of risk by implementing portfolio oversight for their major IT projects together with the selection of highly capable system integrators and best of breed software.

Appendix A: Summary of Information Requests

#	Document(s) Requested	Document Information	Received From	Date Received
1.	Project Management Framework and Guidelines		BC Ferries	08/31/2016
2.	Governance Terms of Reference	Project Management Framework and Guidelines has reference to Governance Terms and Reference.	BC Ferries	09/01/2016
3.	FF&DE Business Case		BC Ferries	09/01/2016
4.	Benefits Realization	Covered in the FF&DE Business Case.	BC Ferries	09/01/2016
5.	Statement of Work and Master Technical Services Agreement		BC Ferries	09/01/2016
6.	NFRP		BC Ferries	09/07/2016
7.	Vendor Responses		BC Ferries	09/07/2016
8.	Vendor Evaluations		BC Ferries	09/07/2016
9.	Contracts		BC Ferries	09/07/2016
10.	Risk Register		BC Ferries	09/07/2016
11.	Project Plan and Schedule	There is no published Project Plan. BCFS walked MNP through the draft plan.	BC Ferries	09/07/2016
12.	Status of ACE Project		BC Ferries	09/07/2016
13.	BC Ferries Annual Report and Business Plan	Available on the BC Ferries website.	BC Ferries Website	N/A
14.	Capital Plan		BC Ferries	09/07/2016

Appendix B: Documents Review

Public Documents Referenced

#	Document Name	From	Date
1.	BC Ferries Annual Report 2015 - 2016	BC Ferries Website	
2.	BC Ferries Business Plan 2016-2017	BC Ferries Website	

Appendix C: Compliance with Section 55 Application Guidelines

The following table lists BCFS response to the Section 55 Application Guideline for both the original and supplemental applications. The assessment and observations for the original application are from the Independent Review report prepared by Deloitte.

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte Assessment	Deloitte Observations or Follow-up	BCFS Comments	MNP Assessment	MNP Observations or Follow-up
3. Project Description						
a) Describe the proposal for the capital expenditure, and provide a comparison to the capital currently in use, in terms, for example, of size, capacity and staff and/or crew requirements.	Cost estimates were derived with the assistance of external experts and subsequently confirmed through RFI/RFEOI processes.	Adequately Responded		Cost certainty improved due to NRFP process together with updated parameters for analysis (Section 5.1)	Adequately responded	
b) In the case of a new vessel, has an independent marine surveyor provided a condition assessment of the current vessel and is that assessment factored into the business case supporting the requested capital expenditure?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
c) Is there a regulatory driver for the proposed capital expenditure?	No.	Adequately Responded		As per original application	Adequately responded	
d) Provide information on the operating costs of the vessel, terminal,	See Section 1.4.2	Adequately Responded		No change	Adequately responded	

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte Assessment	Deloitte Observations or Follow-up	BCFS Comments	MNP Assessment	MNP Observations or Follow-up
information technology of other capital asset to be replaced and/or to be upgraded, covering the most recent three year period, including the current year.						
e) Compare the annual maintenance costs of the existing capital asset with those expected for the replacement and explain any significant variances.	See Supplemental Information.	Adequately Responded	Follow-up Question: B13	See supplemental information	Adequately responded	
f) Have there been service disruptions due to inadequacy of the existing capital asset?	Yes, see Section 1.4.2	Adequately Responded		No change	Adequately responded	
g) If age of the existing capital asset is a factor, what is the estimate of future costs of continuing its use?	Not applicable. Status quo is not considered a viable option.	Adequately Responded		No change	Adequately responded	
h) Have there been complaints from the public, or other stakeholders about the existing capital asset?	Yes, see Section 1.2.2 and Appendix C.	Adequately Responded		No Change	Adequately responded	
i) Provide an estimate of the total capital costs associated with the proposed investment.	See Section 2.3 and Supplemental Information.	Minor Observation Noted	Follow-up Question: B12, P1	See Section 5 of the supplemental application	Adequately responded	See report section 5.3.4 for MNP comments

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte		BCFS Comments	MNP	
Assessment		Observations or Follow-up	Assessment		Observations or Follow-up	
			Observation B11			
j) How was the cost estimate derived? Entirely with BC Ferries' staff or was there an external review?	Cost estimates were derived with the assistance of external experts and subsequently confirmed through RFI/RFEOI processes.	Adequately Responded		As part of the NRFP process – cost estimated have a high degree of confidence	Adequately responded	
k) In the case of a new vessel was the international ship broking industry contacted to determine if there are existing vessels available for purchase that may, with adaptation, be appropriate?	Not applicable.	Not Applicable		Not applicable	Not applicable	
l) Provide an estimate of the incremental capital costs to provide "ancillary services", including catering and retail concessions, and provide estimates of the incremental operating costs to provide the ancillary services and the incremental revenue expected to be generated from those services.	Not applicable.	Adequately Responded based on information provided in response to Deloitte questions.		Detail provided in supplemental analysis documentation demonstrating both increased revenue from and costs to provide ancillary services for increased traffic.	Adequately responded	

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte		BCFS Comments	MNP	
Assessment		Observations or Follow-up	Assessment		Observations or Follow-up	
m) In the case of a new vessel, demonstrate on a lifecycle cost or present value basis that the decision to build a new vessel versus the cost of acquiring a second hand vessel, if applicable, is a net benefit. Include sensitivity analysis in case of cost overruns	Not applicable.	Not Applicable		Not applicable	Not applicable	
n) Does the proposal include significant features that are innovative or untried?	The business strategies are innovative and new to BC Ferries. However, they, along with the technology, is proven and widely used.	Adequately Responded		No change – change for BCFS but technology and strategies are widely used	Adequately responded	
o) Is there an allowance in the estimate for inflation from the date of acceptance of a proposal to the completion date (escalation clause)?	No. This will be considered at the RFP/contract negotiation stage.	Adequately Responded		Adequately responded	Contingency provided to cover increases to costs over life of project. Inflation factor adjusted to reflect fare cap.	

Section	Original Section 55 Application			Supplemental Application		
	Deloitte			MNP		
	BCFS Comments	Assessment	Observations or Follow-up	BCFS Comments	Assessment	Observations or Follow-up
p) Are financing costs included in the cost estimate between first payment to the supplier and the in-service date?	Yes.	Adequately Responded		No change	Adequately responded	
q) Compare the operating costs of the existing capital asset with those expected for the replacement, to include, in the case of vessels, fuel costs, crew costs and depreciation.	See Supplemental Information	Adequately Responded	Follow-up Question: B13, B14	No change		
r) Does BC Ferries intend to capitalize any of its own internal costs with respect to the capital expenditure?	Yes, in accordance with BC Ferries' financial policies and International Financial Reporting Standards.	Adequately Responded		No change	Adequately responded	
s) Identify any parts of the capital expenditure that are to be provided by BC Ferries or its subsidiaries.	See Section 1.11.	Adequately Responded. Although information is not contained in section 1.11 as specified, question is subsequently answered in response to		No change		

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte		BCFS Comments	MNP	
Assessment		Observations or Follow-up	Assessment		Observations or Follow-up	
		Deloitte questions				
t) In the case of vessels, if tenders are to be sought from foreign shipbuilders, what is the applicability of custom tariffs on importation of the vessels?	Not applicable.	Not Applicable		Not applicable	Not applicable	
u) In the case of vessels, will BC Ferries require the contracting shipyard to bear the design and construction risk?	Not applicable.	Not Applicable		Not applicable	Not applicable	
4. Timing and In-service Data						
a) For new or replacement vessels what is the expected in-service or deployment date and how was it derived?	Not applicable.	Not Applicable		Not applicable	Not applicable	
b) Were potential builders, for example shipyards, contacted to determine if the proposed date is reasonable?	Not applicable.	Not Applicable		Not applicable	Not applicable	
c) What are the consequences of a delay in the in-service or deployment date?	See Section 4.3.	Adequately Responded		No change	Adequately responded	

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte Assessment	Deloitte Observations or Follow-up	BCFS Comments	MNP Assessment	MNP Observations or Follow-up
6. Specific Questions						
To assist the Commissioners in making their determination, an application for section 55 approval of a proposed capital expenditure should address the following specific questions, along with any additional information the applicant deems appropriate:						
a) Does the proposed capital expenditure demonstrate good judgment, based on wisdom, experience and good sense?						
i. Why is the proposed capital expenditure required now, and what are the consequences of any delay?	See Sections 1 and 4.3.	Adequately Responded		No change	Adequately responded	
ii. How has this capital expenditure project been prioritized relative to other capital expenditure projects within the	This project is of a high priority based on the strong business case, projected revenue increase and anticipated	Adequately Responded		No change	Adequately responded	

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte Assessment	Deloitte Observations or Follow-up	BCFS Comments	MNP Assessment	MNP Observations or Follow-up
	increase in customer satisfaction.					
iii.	What sources of expertise and experience have been relied upon in deciding to proceed with this capital expenditure?	See Supplemental Information.	Adequately Responded		No change	Adequately responded
iv.	Provide detail on completed and/or planned consultations, in particular with the provincial government or other stakeholders.	See Section 3.4.	Adequately Responded. Although information is not contained in Section 3.4 as specified, BCFS clarification indicates consultation sessions held in 2013 with communities and attempts to further consult BC Gov't		BCFS continues to engage with the public, including plan for user testing to include customers.	Adequately responded

Section		Original Section 55 Application			Supplemental Application		
		Deloitte		MNP	MNP		
		BCFS Comments	Assessment		Observations or Follow-up	BCFS Comments	Assessment
v.	In the case of new vessels, has BC Ferries considered any alternative to building and owning the new vessels?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
vi.	Will a new or replacement vessel require any modifications to any terminals? If so, at what additional cost?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
vii.	What are the procurement cost risks and how will they be mitigate?	Se Section 4.2.	Adequately Responded	Follow-up Question: V1	Section 6.3	Adequately responded	
viii.	What are the consequences or the alternatives if the application is rejected?	As addressed in Section 2.4, status quo is not considered a viable option. Scenarios for reducing the capital expenditure of the proposed Initiative and the associated implications are	Adequately Responded		No change	Adequately responded	

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte Assessment	Deloitte Observations or Follow-up	BCFS Comments	MNP Assessment	MNP Observations or Follow-up
	addressed in Section 3.2.					
b) Wise use of resources						
i. Can an existing vessel be reassigned instead?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
ii. For shorter routes were non-vessel options considered, such as a fixed link?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
iii. Were non-vehicle vessels (e.g. passenger only ferries, barges, other) or a mix of vessel types considered?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
iv. Has a used vessel option been considered?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
v. How does the vessel align with the concept of standardization of the fleet?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
vi. Would investments in technology, such	Not applicable.	Not Applicable		Not applicable.	Not applicable	

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte Assessment	Deloitte Observations or Follow-up	BCFS Comments	MNP Assessment	MNP Observations or Follow-up
as an expanded reservation system, better IT systems or a yield management program allow for a smaller sized vessel?						
c) Showing due consideration for the future						
i. How does the proposed new vessel contribute to overall fleet flexibility?	Not applicable.	Not applicable		Not applicable.	Not applicable	
ii. What new technologies or innovations will be incorporated, and why are they considered necessary?	See Section 1.6 and Supplemental Information.	Adequately Responded		Supplemental information	Adequately responded	
iii. Will there be provision for a conversion to an alternative to marine diesel engines, such as LNG?	Not applicable.	Not Applicable		Not applicable.	Not applicable	

Section	Original Section 55 Application			Supplemental Application			
	BCFS Comments	Deloitte		BCFS Comments	MNP		
Assessment		Observations or Follow-up	Assessment		Observations or Follow-up		
iv.	Is dual fuel capability planned and if so provide the rationale?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
v.	Will the new or replacement vessel be appropriate if the ratio of vehicle to foot passenger traffic changes in future?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
vi.	Is vessel capacity sufficient to meet current and projected future demand?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
vii.	What is the estimated impact of the proposed capital expenditure on future price caps assuming no change in non-passenger related revenues?	See Section 3.1.	Adequately Responded		See section 5.1	Adequately responded	
d) Not excessive							
i.	What passenger amenities will be provided, and why are they	Not applicable.	Not Applicable		Not applicable.	Not applicable	

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte Assessment	Deloitte Observations or Follow-up	BCFS Comments	MNP Assessment	MNP Observations or Follow-up
considered appropriate for the intended use of this vessel?						
ii. Do any of the proposed passenger amenities require crewing levels to be higher than what is required by Transport Canada regulations?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
iii. Is the vessel the right size and how has the capacity requirement been determined?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
iv. Described the objectives of BC Ferries' design standards for passenger accommodations for vessels of similar size and scope. Will the passenger accommodations for the	Not applicable.	Not Applicable		Not applicable.	Not applicable	

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte		BCFS Comments	MNP	
Assessment		Observations or Follow-up	Assessment		Observations or Follow-up	
	replacement vessel deviate from these standards? If so, what is the rationale for the deviation and what impact, if any, will it have on the capital and operating costs of the vessel?					
v.	Will the application of logos or other BC Ferries' brand images to the vessel be consistent with BC Ferries' current practice for similar vessels. If not, how will it differ and what will be the effect on capital costs?	Not applicable.	Not Applicable	Not applicable.	Not applicable	
vi.	What would have to be sacrificed to reduce total costs by 10%, and by 20%	See Section 3.2.	Adequately Responded	No change	Adequately responded	

Section	Original Section 55 Application			Supplemental Application			
	BCFS Comments	Deloitte		BCFS Comments	MNP		
Assessment		Observations or Follow-up	Assessment		Observations or Follow-up		
vii.	Does vessel design or expected operating speed have any impact on labour costs?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
viii.	Are engines sized for efficient operations, fuel consumption and ability to recover schedule?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
e)	Demonstrating good value at a fair, moderate price						
i.	For new vessels what alternatives were considered? Provide the rationale (cost or otherwise) for why the alternatives were not accepted.	Not applicable.	Not Applicable		Not applicable.	Not applicable	
ii.	Has the business case been built on a full life cycle costing basis?	Yes.	Adequately Responded		Yes	Adequately responded	
iii.	How fuel efficient will the new vessels(s) be?	Not applicable.	Not Applicable		Not applicable.	Not applicable	
iv.	Will the new or replacement vessel	Not applicable.	Not Applicable		Not applicable.	Not applicable	

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte Assessment	Deloitte Observations or Follow-up	BCFS Comments	MNP Assessment	MNP Observations or Follow-up
	have any impact on efficient use of labour?					
v.	Are the operating costs reasonable?	Yes. See Supplemental Information.	Adequately Responded. Although information is not included in supplemental information as specified, answers to question were provided as response to Deloitte questions	Follow-up Question: B6, B7	Yes	Adequately responded
vi.	How do the operating costs compare with the vessel being replaced?	Not applicable.	Not Applicable		Not applicable.	Not applicable
vii.	Is there any expected impact on revenue?	Yes. See Section 2.3.	Adequately Responded	Follow-up Question: B1, B2, B3, B4, B5	See Section 5.1	Adequately responded
viii.	Will crew training and certification activities be in excess of that	Not applicable.	Not Applicable		Not applicable.	Not applicable

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte		BCFS Comments	MNP	
Assessment		Observations or Follow-up	Assessment		Observations or Follow-up	
required to meet regulatory requirements? If so, explain the rationale for this approach and whether it will result in incremental operating costs.						
f) Terminal (new or upgrades)						
i. Is the proposed capital expenditure provided for in a board approved capital plan?	Not Answered by BCFS	Not Applicable		Not applicable.	Not applicable	
ii. Is the total cost different in any respect from what was approved in the capital plan?	Not Answered by BCFS	Not Applicable		Not applicable.	Not applicable	
iii. Is the total cost different in any respect from what was indicated in the BC Ferries' last submission to the Commissioner for	Not Answered by BCFS	Not Applicable		Not applicable.	Not applicable	

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte Assessment	Deloitte Observations or Follow-up	BCFS Comments	MNP Assessment	MNP Observations or Follow-up
	price cap setting purposes?					
iv.	Will the facility accommodate passenger-only ferries, water taxis and/or barge operations?	Not Answered by BCFS	Not Applicable		Not applicable.	Not applicable
v.	Will the project contribute to flexibility and interoperability within the fleet?	Not Answered by BCFS	Not Applicable		Not applicable.	Not applicable
vi.	Will there be any improvements to ferry marshalling?	Not Answered by BCFS	Not Applicable		Not applicable.	Not applicable
vii.	Will there be any improvements to loading, unloading and turnarounds?	Not Answered by BCFS	Not Applicable		Not applicable.	Not applicable
viii.	Will BC Ferries be sub-contracting or entering into partnerships with entities to provide services at the terminal (e.g. parking, catering, and retail)?	Not Answered by BCFS			Not applicable.	Not applicable

Section	Original Section 55 Application			Supplemental Application			
	BCFS Comments	Deloitte		BCFS Comments	MNP		
Assessment		Observations or Follow-up	Assessment		Observations or Follow-up		
ix.	Will there be any effect on local traffic patterns, and if so, how will they be mitigated?	Not Answered by BCFS			Not applicable.	Not applicable	
x.	How are the needs of commercial traffic being considered and accommodated?	Not Answered by BCFS			Not applicable.	Not applicable	
g)	Information Technology Projects						
i.	Describe the project and provide details of the business case for the project.	See Sections 1 and 2, and Supplemental Information.	Adequately Responded		No change	Adequately responded	
ii.	Provide support information for key assumptions in the business case.	See Section 2 and Supplemental Information.	Minor Observation Noted	Follow-up Question: B8, B10 Observation: B9	No change – business case is consistent	Adequately responded	
iii.	Is the project included in the most recent capital plan?	Yes.	Adequately Responded		Yes	Adequately responded	
iv.	Has the project been approved by the board of directors?	Yes.	Adequately Responded		Yes	Adequately responded	

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte Assessment	Deloitte Observations or Follow-up	BCFS Comments	MNP Assessment	MNP Observations or Follow-up
v. Is there a project plan in place?	Yes. A preliminary detailed project plan has been prepared and resides in the BC Ferries Project Portfolio Management System (Primavera). This plan will be revised once the RFP process has been completed and winning vendor proposals have been selected.	Adequately Responded	Follow-up Question: P2, P3	Preliminary plan. BC Ferries also have a well-developed project management set of guidelines	Adequately responded	
vi. Describe any major risk that could affect the project's success.	See Section 4.2.	Minor Observation Noted	Follow-up Question: R2, R3 Observation: R1	See Section 6	Adequately responded	
vii. Describe the mitigation strategies for major risks that have been identified.	See Section 4.2.	Adequately Responded		See Section 6	Adequately responded	
h) Coastal Ferry Services Contract						

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte		BCFS Comments	MNP	
Assessment		Observations or Follow-up	Assessment		Observations or Follow-up	
i. Is the proposed capital expenditure consistent with the current Coastal Ferry Services Contract?	The CPSC is silent on matters respecting management of tariffs and hence consistency of the proposed capital expenditure with the CFSC is not applicable.	Adequately Responded		No Change		
i) Long-term Vision for Coastal Ferry Services in British Columbia						
i. How does the proposed expenditure support the government approved long-term vision for the future of coastal ferry services?	The Initiative responds to the government's objectives of a long-term vision for the future of coastal ferry services, as articulated in its BC Coastal Ferries Consultation and Engagement, Fall 2012, Discussion Guide, by enhancing operational efficiency,	Adequately Responded		No Change		

Section	Original Section 55 Application			Supplemental Application		
	BCFS Comments	Deloitte Assessment	Deloitte Observations or Follow-up	BCFS Comments	MNP Assessment	MNP Observations or Follow-up
	improving capacity utilization, enhancing revenues, and reducing the pressure on future fares.					