
British Columbia Ferry Services Inc.

Performance Term Three
Submission to the
British Columbia Ferries Commissioner

September 30, 2010



This page intentionally left blank.

TABLE OF CONTENTS

INTRODUCTION	1
PART I – CORE INFORMATION	3
SECTION 1: CORE FERRY SERVICES.....	3
SECTION 2: TARIFFS FOR CORE FERRY SERVICES.....	3
SECTION 3: SERVICE FEES.....	3
SECTION 4: REVENUES FROM ALL OTHER SOURCES.....	4
SECTION 5: EXPENSES.....	4
SECTION 6: ALTERNATIVE SERVICE PROVIDERS.....	4
PART II – OTHER INFORMATION	5
SECTION 7: CAPITAL EXPENDITURES.....	5
SECTION 8: TRAFFIC.....	5
SECTION 9: PRODUCTIVITY IMPROVEMENTS.....	5
SECTION 10: RETURN ON EQUITY.....	6
SECTION 11: INTERNATIONAL FINANCIAL REPORTING STANDARDS.....	6
SECTION 1: CORE FERRY SERVICES	9
COASTAL FERRY SERVICES CONTRACT.....	9
<i>Description of Core Service Levels</i>	9
<i>Minimum Daily Sailings</i>	10
<i>Social Programs</i>	11
<i>Temporary Service Disruptions</i>	11
REVIEW OF CORE SERVICE DELIVERY.....	11
2008/09.....	11
2009/10.....	12
2010/11 (<i>First Quarter</i>).....	13
<i>Remainder of Performance Term Two</i>	13
SECTION 2: TARIFFS FOR CORE FERRY SERVICES	14
TARIFF STRUCTURE.....	14
PRICE CAP SETTING.....	14
<i>Fare Regulation</i>	15
TARIFFS CHARGED IN PERFORMANCE TERM TWO.....	15
EXTRAORDINARY PRICE CAP INCREASES.....	17
FUEL SURCHARGES AND REBATES.....	17
SECTION 3: SERVICE FEES	20
SERVICE FEES FOR DESIGNATED FERRY ROUTES.....	20
<i>Ferry Transportation Fee</i>	20
<i>Social Program Reimbursement</i>	21
SERVICE FEES FOR UNREGULATED FERRY ROUTES.....	22
CONTRIBUTION TO CHARTER AGREEMENT.....	22
SECTION 4: REVENUES FROM ALL SOURCES	23
TARIFF REVENUES.....	24
<i>Traffic Levels</i>	24
<i>Revenues from Fares</i>	25
RESERVATION REVENUE.....	26

OTHER ANCILLARY REVENUES	27
FEDERAL/PROVINCIAL SUBSIDY AGREEMENT.....	28
ALLOCATION OF REVENUES	28
<i>Allocation Methodology</i>	28
<i>Revenue Allocated to Route Groups</i>	29
SECTION 5: EXPENSES	31
OVERVIEW OF EXPENSES	31
<i>Operating, Maintenance and Administrative (OM&A) Expenses</i>	31
<i>Amortization of Capital Costs</i>	33
<i>Financing Expense</i>	34
<i>Gain/Loss on Disposal of Assets</i>	36
ALLOCATION OF EXPENSES	36
<i>Allocation Methodology</i>	36
<i>Expenses Allocated to Route Groups</i>	39
SECTION 6: ALTERNATIVE SERVICE PROVIDERS.....	40
IMPLEMENTATION OF THE ASP PLAN.....	40
INITIATIVES SUPPLEMENTAL TO THE ASP PLAN	42
SECTION 7: CAPITAL EXPENDITURES.....	45
OVERVIEW OF CAPITAL PROJECTS	45
<i>Capital Planning Process</i>	46
<i>Capital Spending in Performance Term Two</i>	47
<i>Performance Term Three Capital Expenditures</i>	60
SECTION 8: DEMAND FORECAST	63
ECONOMETRIC FORECASTING	63
CONCLUSION.....	65
SECTION 9: PRODUCTIVITY IMPROVEMENTS	67
OPERATING COST MANAGEMENT	67
<i>Labour</i>	67
<i>Fuel Consumption</i>	68
<i>Vessel Maintenance</i>	68
<i>Supply Chain Management</i>	68
<i>Business Process Improvement</i>	69
<i>Price Stability Initiatives</i>	69
<i>Insurance</i>	69
INTRODUCTION OF NEW VESSELS	69
<i>Coastal Class</i>	69
<i>Northern Expedition</i>	70
<i>Northern Adventure</i>	70
<i>Kuper</i>	70
<i>Cable Ferry</i>	70
UPGRADING OF EXISTING ASSETS	71
<i>Vessel Amenity Upgrades</i>	71
<i>Facility Upgrades</i>	71
TERMINAL DEVELOPMENT	71
<i>Master Plans</i>	71
<i>Berth Standardization</i>	71
TECHNOLOGY ENHANCEMENTS	72
<i>MyBCFerries website</i>	72
<i>Experience Card™</i>	72
<i>New Data Centre</i>	72
<i>Operations and Security Centre</i>	72

<i>Auto-ticketing Kiosks</i>	72
<i>Customer Service Technology</i>	73
<i>Highway Signage</i>	73
ALTERNATIVE SERVICE PROVIDERS.....	73
MARKET OPPORTUNITIES.....	73
<i>Partnership Agreements</i>	73
<i>Drop Trailer Service</i>	74
<i>Vacations Packages</i>	74
CONCLUSION.....	74
SECTION 10: RETURN ON EQUITY	75
SECTION 11: INTERNATIONAL FINANCIAL REPORTING STANDARDS	78
APPENDICES	79
APPENDIX A – PERFORMANCE AGAINST CFSC.....	81
APPENDIX B – ROUTE STATEMENTS.....	93
<i>Corporate Total Route Statement</i>	95
<i>Route Group Statements</i>	99
<i>Route Statements</i>	107
APPENDIX C – FUEL PRICE FORECAST.....	135
APPENDIX D – TRAFFIC FORECAST BY ROUTE GROUP.....	139
APPENDIX E – REGRESSION ANALYSIS OUTPUT.....	143

“Forward Looking Statements”

This report contains certain “forward looking statements”. These statements relate to future events or future performance and reflect management’s expectations regarding our growth, results of operations, performance, business prospects and opportunities and industry performance and trends. They reflect management’s current internal projections, expectations or beliefs and are based on information currently available to management. Some of the market conditions and factors that have been considered in formulating the assumptions upon which forward looking statements are based include traffic, the Canadian Dollar relative to the US Dollar, fuel costs, construction costs, the state of the local economy, turbulent financial markets, demographics, import duties remission, tax changes, and the requirements of the Coastal Ferry Services Contract.

Forward looking statements included in this report include statements with respect to our:

- short and long-range business plans,
- estimates of future customer demand, revenues, expenses, price caps and capital expenditures,
- asset renewal programs for vessels and terminals,
- expectations of funding under the Infrastructure Stimulus Fund and Structured Financing Facility programs, and
- expectations regarding the impacts of the *Miscellaneous Statutes Amendment Act (No. 3) - 2010*, the Harmonized Sales Tax and International Financial Reporting Standards.

In some cases, forward looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other comparable terminology. Wherever forecast financial information is included in tables, the values have been presented in *italics* for clarity.

A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, prospective investors should specifically consider various factors including, but not limited to, the risks and uncertainties associated with traffic volume and tariff revenue risk, safety and security, asset risk, accident risk, tax risk, environmental risk, regulatory risk, labour disruption risk, limitations of vessel repair facilities, risk of default under material contracts and aboriginal land claims.

Actual results may differ materially from any forward looking statement. Although management believes that the forward looking statements contained in this report are based upon reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this report, and British Columbia Ferry Services Inc. assumes no obligation to update or revise them to reflect new events or circumstances except as may be required by applicable law.

This page intentionally left blank.

1 Introduction

2
3 British Columbia Ferry Services Inc. ("BC Ferries" or the "Company") is pleased to
4 submit this report in accordance with the requirements of Section 40 of the *Coastal*
5 *Ferry Act* (the "Act"). Its purpose is to provide information to assist the British
6 Columbia Ferries Commissioner (the "Commissioner") in establishing price caps for
7 each of the route groups, as identified in the Coastal Ferry Services Contract (the
8 "CFSC") between BC Ferries and the Province of British Columbia (the "Province") as
9 represented by the Ministry of Transportation and Infrastructure, for performance
10 term three (April 1, 2012 – March 31, 2016).

11
12 This report responds to the specific information requirements identified in the Act. It
13 contains information on the ferry services BC Ferries has provided and expects to
14 provide in performance term two (April 1, 2008 – March 31, 2012) in relation to each
15 designated ferry route within a route group for which a price cap is to be set by the
16 Commissioner for performance term three.

17
18 Included in this report is information on the tariffs charged, service fees paid by the
19 Province as well as revenues earned and expenses incurred by BC Ferries in
20 performance term two. Details are provided on major capital expenditures incurred
21 to date and forecast for the remainder of performance term two. In addition,
22 information is provided on the activities BC Ferries has undertaken and expects to
23 undertake in the current performance term with respect to meeting the requirements
24 under Section 69 of the Act to investigate opportunities for the provision of services
25 on the designated routes by additional or alternative service providers.

26
27 This report also provides information with respect to BC Ferries' third performance
28 term pertaining to the period April 1, 2012 through March 31, 2016. Although
29 BC Ferries is not providing recommendations as to an appropriate price cap for each
30 route group in this report, it is providing information which it believes will assist the
31 Commissioner in making such a determination.

32
33 This report also contains forecast information with respect to BC Ferries' operating
34 expenses, capital costs, traffic, return on equity and the innovative services and
35 gains in productivity the Company has achieved during performance term two and
36 reasonably expects to achieve through performance term three.

37
38 It is noted that the forecast information for performance term three assumes core
39 service levels and Ferry Transportation Fees per the CFSC as currently known. This
40 is consistent with Section 41(3), which states:

41
42 *"At least 9 months before the beginning of the performance term for*
43 *which the price cap is to be set, a ferry operator referred to in subsection*
44 *(1) must submit to the commissioner the most current version of the*
45 *Coastal Ferry Services Contract that is to apply in respect of that*
46 *upcoming performance term to indicate the changes, if any, to be made*
47 *to*

48
49 *(a) the core ferry services, and*

50
51 *(b) the service fees to be provided to the ferry operator by the*
52 *government."*

53

54 Section 41(2) of the Act requires that the Commissioner ensure that the price caps
55 for each performance term are sufficient to allow the Company to earn an allowed
56 pre-tax return on equity as defined under this section. As a result, BC Ferries
57 submits that forecast information for performance term three is necessary
58 information for the Commissioner to take into consideration in the setting the price
59 caps for the third performance term.

60 **Part I – Core Information**

61
62
63
64
65

Part I of this report responds to the specific information requirements as set out in Sections 40(1)(a) to (f) of the Act.

66 ***Section 1: Core Ferry Services***

67
68
69
70
71
72
73
74

BC Ferries delivers coastal ferry services under terms and conditions specified in the CFSC. The CFSC establishes the core (minimum) level of service that BC Ferries is required to provide on the regulated (designated) routes. Section 1 of this report contains a description of how core service levels for the designated routes are defined in the CFSC and reports on BC Ferries' performance to date in meeting its core service level commitments for performance term two.

75 ***Section 2: Tariffs for Core Ferry Services***

76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97

The Act defines the process by which the Commissioner establishes the price caps for each of the route groups and the process to authorize a price cap increase in response to an extraordinary situation.

It is a requirement under the Act that the weighted average of the tariffs charged by BC Ferries in relation to the core ferry services applicable to each route group be within the price cap established for that route group. Compliance to this requirement is assessed by the Commissioner quarterly on the basis of a rolling four-quarter average. Should a route group's average fare exceed its price cap BC Ferries has three quarters to adjust its tariffs so that the average fare is at or below the price cap. This is established by the Commissioner in Memorandum 31.

Section 2 of this report provides information on BC Ferries' tariff structure as well as the Company's performance, by route group, in terms of ensuring that the weighted average of the tariffs are within the established price caps. Included in this section is information on the price caps and average tariffs BC Ferries expects to charge for each of the route groups for the remainder of performance term two.

This section also describes the fuel surcharges and rebates which have been implemented in accordance with Commissioner Memoranda 24, 24A and 24B.

98 ***Section 3: Service Fees***

99
100
101
102
103
104
105

Under the CFSC, BC Ferries provides ferry services on 25 regulated (designated) routes and 8 unregulated routes in return for service fees paid by the Province.

Section 3 of this report provides a summary of the service fees BC Ferries has and expects to receive from the Province in performance term two, including the reimbursements for social program discounts.

106 **Section 4: Revenues From all Other Sources**

107 BC Ferries earns tariff revenue from ticket sales, and receives reimbursements from
108 the Province for any foregone tariff revenue in respect of its social program discounts.
109 Under the CFSC, the Company also receives the full proceeds of the
110 Federal/Provincial Subsidy Agreement (the "Federal Contract") from the Province. In
111 addition, BC Ferries receives revenue from its various ancillary services.

112
113 Section 4 of this report concludes with a summary of all revenues BC Ferries has
114 earned and expects to earn in performance term two, followed by a description as to
115 how those revenues are, and have been, allocated on a route basis.

116
117
118 **Section 5: Expenses**

119 Section 5 of this report provides information on the expenses that BC Ferries has
120 incurred and expects to incur in respect of the provision of service on the designated
121 ferry routes in performance term two.

122
123 The section begins with an overview of the expenses at a company level, including
124 amortization and financing expense, followed by a description as to how those
125 expenses are, and have been, allocated on a route basis.

126
127
128 **Section 6: Alternative Service Providers**

129 Until June 24, 2010, Section 69 of the Act required BC Ferries to file a plan for each
130 performance term detailing the activities it would undertake with regard to seeking
131 additional or alternative service providers to provide ferry services on the designated
132 ferry routes. In accordance with the Act, as it was constituted at the time,
133 BC Ferries filed an Additional or Alternative Service Providers Plan (the "ASP Plan")
134 with the Commissioner which set out the manner in which the Company would meet
135 this requirement.

136
137 The *Miscellaneous Statutes Amendment Act (No. 3) - 2010* amended Section 69. As
138 amended, Section 69 now requires BC Ferries to seek Alternative Service Providers
139 (ASPs) to provide one or more ferry transportation services on one or more
140 designated ferry routes where so ordered by the Commissioner, and to prepare,
141 implement and report to the Commissioner on the results of the Company's plan for
142 such action.

143
144 Section 6 of this report provides information on the actions taken by BC Ferries in
145 the first two years of performance term two in accordance with the requirements of
146 the ASP plan. This section also discusses actions that the Company has taken, or
147 expects to take, that are supplemental to the ASP Plan.

148 **Part II – Other Information**

149
150
151
152
153
154

Part II of this report responds to Section 40(1)(g) of the Act and provides additional information that BC Ferries considers relevant for purposes of the Commissioner's determination of the price caps for performance term three.

155 ***Section 7: Capital Expenditures***

156
157
158
159
160
161
162
163
164
165
166
167

BC Ferries, as a provider of ferry service, is a capital-intensive business with requirements for large and small vessels, terminals and other infrastructure.

Capital expenditures influence performance term three price caps through their impact on amortization expense and cost of capital. Therefore, the price caps that will be established in performance term three must take those costs into account.

Section 7 of this report provides a summary of the capital costs BC Ferries has incurred and expects to incur in performance term two, as well as the capital costs forecasted to be incurred in performance term three.

168 ***Section 8: Traffic***

169
170
171
172
173
174
175
176
177
178
179
180
181
182
183
184
185
186
187
188
189

Tariff revenue, including reimbursements for provincial social program discounts, is the largest component of BC Ferries' revenue base. Over the past five to seven years, BC Ferries' travel demand composition has changed significantly, driven by changes in the economy, exchange rates, and general travel preferences.

This evolution of traffic composition has led to changes in travel patterns that have impacted the overall demand for ferry services in recent years. While the prospects of a deep global recession may have abated somewhat, several major economies are still facing considerable uncertainty as government stimulus is withdrawn.

BC Ferries contends that the changes observed over the recent years represent a structural shift in the demand for ferry travel. The continued high cost of fuel at the pump, the value of the Canadian dollar, changes in disposable personal income, travel patterns and heightened global security may have a negative effect on discretionary travel and tourism. At this time, however, the individual or cumulative impact these items may have on BC Ferries' future travel demand, is uncertain.

Section 8 of this report provides a review of BC Ferries' historical traffic, and comments on travel demand to the end of performance term three.

190 ***Section 9: Productivity Improvements***

191
192
193
194

Section 41(5) of the Act requires the Commissioner to determine the productivity gain that BC Ferries should achieve in performance term three. Pursuant to Section 41(6) of the Act, the Commissioner may provide for the price caps established for each route group to change annually during performance term three at a specified

195 rate equal to or taking into account the British Columbia Consumer Price Index (BC
196 CPI) minus a productivity factor.

197

198 Section 9 summarizes the initiatives and achievements BC Ferries has pursued,
199 throughout the first two performance terms, to improve efficiency and productivity.
200 The Company will continue to seek creative and innovative solutions to improve the
201 efficiency and quality of its services.

202

203

204 **Section 10: Return on Equity**

205 The Act sets out in Section 38(1)(a) that as the Commissioner undertakes his
206 regulatory responsibilities “... *priority is to be placed on the financial sustainability of*
207 *the ferry operators*”. Return on equity (ROE) drives the setting of the price caps
208 because the Commissioner is to set the price caps for performance term three at
209 levels that allow BC Ferries to earn its approved ROE during the performance term
210 and thereby achieve sustainability.

211

212 Section 10 of this report provides information on the financial forecasts required to
213 achieve the estimated ROE for performance term three.

214

215

216 **Section 11: International Financial Reporting** 217 **Standards**

218 Until recently, it had been anticipated that BC Ferries would submit its performance
219 term three price cap submission reflecting an April 1, 2011 transition to International
220 Financial Reporting Standards (IFRS).

221

222 At the date of filing this submission, the Canadian Accounting Standards Board is
223 expected to publish, not later than October 1, 2010, amendments to existing
224 standards which will provide Canadian entities with rate-regulated activities the
225 option to defer transition to IFRS by one year (to April 1, 2012 in BC Ferries' case).
226 It is BC Ferries' intent to defer transition to IFRS if the option to do so becomes
227 available as expected.

228

229 As a result of uncertainties regarding the accounting treatment of rate-regulated
230 activities under IFRS, BC Ferries is currently unable to estimate the IFRS transition
231 impacts with a reasonable degree of certainty. The financial forecasts included in
232 this submission therefore reflect the costs of providing service determined in
233 accordance with existing Canadian generally accepted accounting principles (GAAP).

234

235 When the IFRS transition impacts are able to be determined with certainty,
236 BC Ferries will assess the significance of these impacts and may, if necessary, bring
237 forward an application for an extraordinary price cap increase under Section 42 of
238 the Act.

PART I

Core Information

This page intentionally left blank.

Section 1: Core Ferry Services

In accordance with the requirement under Section 40(1)(a) of the Act, Section 1 of this submission provides information on the core ferry services that BC Ferries has provided and reasonably expects to provide on the designated ferry routes in performance term two.

Coastal Ferry Services Contract

BC Ferries' routes and service levels are defined in the CFSC. The CFSC, originally signed in 2003, is a binding 60-year agreement that is reviewed and updated at regular intervals (performance terms).

The CFSC establishes the minimum core level of service that BC Ferries is expected to provide on designated ferry routes. In return for providing these service levels, a service fee for every round trip on non-major routes is paid to BC Ferries by the Province. Service fees are not paid to BC Ferries for service on Routes 1, 2, and 30 (the "Major Routes").

Minimum core service levels on the designated ferry routes are set out in Schedule A to the CFSC. In this schedule, each designated route is described detailing the core service levels, route and service description, the vessel and terminal description, traffic levels and a service analysis. Core service level descriptions include hours of operation, number of round trips per day and total number of trips to be provided annually. Information on core service levels is provided for peak and off-peak operation.

Description of Core Service Levels

As indicated above, the CFSC sets out the core service levels BC Ferries is expected to provide on the 25 designated (regulated) ferry routes. The CFSC requires BC Ferries to operate the system in a manner that complies with, or exceeds, the core service levels in relation to the designated ferry routes.

The CFSC groups the designated routes into four route groups as set out in Table 1-1.

Table 1-1
Listing of Routes and Route Groups

ROUTE GROUPS	DESIGNATED ROUTES	
Route Group 1	MAJOR ROUTES 1 2 30	Tsawwassen - Swartz Bay Horseshoe Bay - Nanaimo Tsawwassen - Nanaimo
Route Group 2	ROUTE 3	Horseshoe Bay - Langdale
Route Group 3	NORTHERN ROUTES 10 11 40	Port Hardy - Prince Rupert Prince Rupert - Skidegate Port Hardy - Discovery Coast

ROUTE GROUPS	DESIGNATED ROUTES	
Route Group 4	MINOR ROUTES	
	4	Swartz Bay - Saltspring Island
	5	Swartz Bay - Outer Gulf Islands
	6	Crofton - Saltspring Island
	7	Saltery Bay - Earls Cove
	8	Horseshoe Bay - Bowen Island
	9	Tsawwassen - Gulf Island
	12	Brentwood Bay - Mill Bay
	13	Langdale - Gambier - Keats Islands
	17	Comox - Powell River
	18	Powell River - Texada Island
	19	Nanaimo Harbour - Gabriola Island
	20	Chemainus - Thetis - Penelakut Islands
	21	Buckley Bay - Denman Island
	22	Denman - Hornby Islands
	23	Campbell River - Quadra Island
	24	Quadra Island - Cortes Island
	25	Port McNeill - Alert Bay - Sointula Islands
	26	Skidegate - Alliford Bay

39

40

41

Core service levels for each designated ferry route are defined as the:

42

43

- total number of round trips that are required to be delivered for the designated ferry route;

44

45

- number of hours during which home-port departures occur for the designated ferry route (identified as "Hours of Operation");

46

47

- number of home port departures per day that are required to be delivered for the designated ferry route (identified as "Number of Round Trips per Day"); and

48

49

- capacity provided on the designated ferry route that will be sufficient to carry the previous year's traffic.

50

51

52

53

54

55

56

Minimum Daily Sailings

57

Since April 1, 2008, as per Amending Agreement No. 3 to the CFSC, within a given year, BC Ferries has had the flexibility to "move" some sailings from days with lower traffic volume to days with higher traffic volume, as follows:

58

59

60

Major Routes

61

62

63

64

65

66

67

68

69

For performance term two (2008-2012) the minimum number of round trips required to be delivered each day is one trip less than in Performance Term One (2003-2008), on each of the three Major Routes (with associated reduced hours of operation). BC Ferries is required to deliver the same annual number of round trips as in performance term one, but only as an aggregate total of all three routes.

70 *Non-Major Routes*

71
72 With the exception of those routes noted below, for performance term
73 two (2008-2012) the minimum number of round trips required to be
74 delivered each day is one less than in performance term one (with
75 associated reduced hours of operation). There is, however, a
76 requirement that, on each route, the annual number of round trips
77 delivered remains the same as the annual number required in
78 performance term one.

79
80 The exceptions are Routes 5, 9, 17 and the Northern Routes (Routes 10,
81 11 & 40) where the round trips to be delivered each day remains the
82 same as the number required in performance term one due to the limited
83 number of round trips provided on these routes.
84

85 **Social Programs**

86 The CFSC includes a requirement that BC Ferries provide a discount to passengers
87 travelling on the designated ferry routes under the provincial social programs
88 including seniors, students, the disabled and persons travelling under the Province's
89 Medical Travel Assistance Program. It also specifies that the Province must
90 reimburse BC Ferries for any foregone tariff revenue associated with travel under
91 these programs. (See also discussion on social program discounts in Section 3 of
92 this report.)
93

94 **Temporary Service Disruptions**

95 Core service levels in relation to each designated ferry route include an allowance for
96 short-term temporary service disruptions for specific circumstances as described in
97 the CFSC, such as vessel or dock breakdowns, situations that compromise safety,
98 tasking of vessels for emergency response, bad weather, etc. Without the prior
99 approval of the Province, such temporary service disruptions cannot exceed 20
100 consecutive days and the aggregate of such disruptions in a calendar year cannot
101 exceed 30 days for each route. The Province has agreed to a number of
102 amendments to core service levels of a short-term nature to facilitate vessel refits,
103 terminal upgrades, etc.
104

105 Except as permitted by the CFSC, BC Ferries cannot reduce service on a designated
106 ferry route below the core service level for that route, unless authorized by the
107 Commissioner pursuant to Section 43 of the Act. The Commissioner may authorize
108 such a reduction in service if he is of the opinion the reduction is for a temporary
109 period and is for an extraordinary situation. The Commissioner has issued one such
110 amendment during performance term two as of the date of this filing.
111

112 ***Review of Core Service Delivery***

113 **2008/09**

114 In 2008/09, BC Ferries added three new vessels to its fleet. Two additional Coastal
115 (Super C) Class vessels, *Coastal Inspiration* and *Coastal Celebration*, were introduced
116 into service on the Major Routes in June and November, 2008, respectively. This
117 marked the successful completion of the Coastal class project ahead of schedule and

118 \$108.3 million under budget. In February 2009, the *Island Sky* commenced service
119 on Route 7 on the Sunshine Coast.

120

121 Also in 2008/09, the *Queen of New Westminster* was returned to service after a
122 significant upgrade. The ship, previously operating between Tsawwassen and
123 Nanaimo, now operates between Tsawwassen and Swartz Bay. BC Ferries' significant
124 investments in its fleet have allowed for the retirement of some of the Company's
125 older ships. The *Queen of Esquimalt*, *Queen of Tsawwassen* and *Queen of Saanich*
126 were retired during the fiscal year, and the *Queen of Vancouver* was retired in April,
127 2009.

128

129 In 2008/09, BC Ferries exceeded its annual core service level commitments under
130 the CFSC by 1,333.5 net round trips on an aggregate basis. Most of these additional
131 round trips were delivered in the summer on Route 21 (Buckley Bay - Denman
132 Island) and Route 22 (Denman Island - Hornby Island) to accommodate peak period
133 traffic demand. For all route groups combined, BC Ferries delivered 101.6% of the
134 round trips it was required to deliver under the CFSC in 2008/09.

135

136 During 2008/09, BC Ferries requested and received authorization from the
137 Commissioner (Order 08-01) to temporarily reduce service on Route 11 (Prince
138 Rupert - Skidegate) pursuant to Section 43 of the Act and to make certain other
139 temporary adjustments to service on Routes 11 and 10 (Prince Rupert - Port Hardy).
140 In order to replace aging assets and upgrade the marine structures to accommodate
141 the new northern vessel, *Northern Expedition*, berth modifications were required at
142 Port Hardy, Prince Rupert, Skidegate and McLoughlin Bay. A short-term closure was
143 required at each of the four berths in order to complete the work. The work was
144 conducted during the period October 27, 2008 through January 22, 2009. The
145 project was designed to allow a significant amount of the on-site work to be
146 conducted while the berths remained operational. However, because no other dock
147 on Haida Gwaii could accommodate the *Queen of Prince Rupert*, ferry service was
148 temporarily suspended during the Skidegate dock closure. A tug and barge service,
149 as well as air service, was made available by BC Ferries to ensure the continued
150 transportation of people, goods and supplies to and from the Haida Gwaii during the
151 period of the dock closure (January 3 – 22, 2009).

152

153 Appendices A-1 to A-3 contain detailed information on the core ferry services
154 delivered by BC Ferries in 2008/09, including information by designated route on the
155 round trips delivered and the temporary service disruptions.

156

157 **2009/10**

158 In May 2009, the *Northern Expedition* made its inaugural voyage on Route 10
159 through the Inside Passage from Port Hardy to Prince Rupert. This 150-metre vessel
160 replaced the 43-year-old *Queen of Prince Rupert* (which was retired in April 2009)
161 and offers a cruise-like experience for passengers on the Northern Routes. With the
162 arrival of this ship, the Company completed the first phase of its major vessel
163 replacement program that added seven new vessels to the fleet over a period of
164 approximately 30 months.

165

166 In 2009/10, BC Ferries exceeded its annual core service level commitments under
167 the CFSC by 404 net round trips on an aggregate basis. Most of these additional
168 round trips were delivered in the summer on Route 21 (Buckley Bay - Denman

169 Island) and Route 22 (Denman Island - Hornby Island) to accommodate peak period
170 traffic demand.

171

172 Appendices A-4 to A-6 contain detailed information on the core ferry services
173 delivered by BC Ferries in 2009/10, including information by designated route on the
174 round trips delivered and the temporary service disruptions.

175

176 **2010/11 (First Quarter)**

177 Appendices A-7 to A-9 contain detailed information on the core ferry services
178 delivered by BC Ferries in the first quarter of 2010/11 (April 1 – June 30, 2010),
179 including information by designated route on the round trips delivered and the
180 temporary service disruptions.

181

182 **Remainder of Performance Term Two**

183 For the remainder of the performance term, BC Ferries expects to meet core service
184 level requirements.

1 **Section 2: Tariffs for Core Ferry Services**

2
3 In accordance with the requirement under Section 40(1)(b) of the Act, Section 2 of
4 this submission provides information on the tariffs that BC Ferries has charged and
5 reasonably expects to charge on the designated ferry routes in performance term
6 two.
7

8 ***Tariff Structure***

9 BC Ferries implements an annual tariff for the delivery of ferry transportation
10 services to each of the routes it offers. Generally, adjustments to tariff occur on
11 April 1 to align with the annual price cap setting.
12

13 At the beginning of performance term two, BC Ferries introduced the Experience
14 Card™, which replaced prepaid commuter tickets. The Experience Card™ provides a
15 number of benefits, including greater flexibility in the management of tariffs.
16

17 At the start of performance term two, more than 4,000 individual tariffs were in
18 existence. In consultation with the various Ferry Advisory Committees throughout
19 the first two years of the performance term, BC Ferries reduced the number of tariff
20 type offerings by approximately 70%. These reductions included rationalization of
21 passenger vehicle and motorcycle fare types, the elimination of group fares on most
22 routes (as the Experience Card™ provides a better alternative), as well as moving to
23 single season pricing for almost all routes.
24

25 Table 2-4, located at the end of this section, provides the current adult passenger
26 and passenger vehicle (underheight) tariffs for each route. BC Ferries' current tariff
27 schedule by route by fare category is available on BC Ferries' website at:

28 http://www.bcferrries.com/files/fares/pdf_format/BCF_Fares.pdf.
29

30 ***Price Cap Setting***

31 BC Ferries' fares for core ferry services on designated ferry routes are subject to
32 regulation under the Act. In accordance with the Act, the Commissioner does not
33 regulate ancillary services which are defined as any services that are not directly
34 related to the transportation of vehicles and passengers. This includes services such
35 as parking, catering and retail.
36

37 For the purposes of setting price caps in each performance term, the Commissioner
38 computes a maximum permitted ceiling of average ferry fares by route group called
39 the price cap.
40

41 For performance term one, Section 39 of the Act set the initial price caps at the level
42 of the average tariffs payable as at April 1, 2003 and provided for the price caps to
43 rise annually each November 1 during the performance term by 2.8% for the Major
44 Routes and 4.4% for all other route groups.
45

46 For performance term two, starting from a level which included the fuel surcharges
47 in place at March 31, 2008, an increase in price caps for the Major Routes of 7.3%
48 and 4.0% for all other route groups was implemented on April 1, 2008. In addition,
49 on each of April 1, 2009, 2010 and 2011 price cap lifts were approved as follows:

50

51 For the Major Routes: 2.7% plus 0.49 times the latest reported annual
52 increase in the BC CPI; and

53 For all other route groups: 5.7% plus 0.73 times the latest reported annual
54 increase in the BC CPI.

55

56 The Commissioner is required to establish new price caps for each of the route
57 groups for performance term three.

58

59 **Fare Regulation**

60 The Commissioner regulates fares by ensuring the weighted average of the tariffs
61 charged for each route group is within the price cap established for that route group.
62 The weighted average of tariffs charged for each route group is comprised of the
63 following:

64

- 65 • the fares charged on each route in a route group;
- 66 • the different traffic types (passengers, autos, trucks, buses etc.);
- 67 • the fares applicable to different times of the week (weekend vs. midweek);
- 68 • the different peak/shoulder/off peak fares charged in that quarter; and
- 69 • other variables.

70

71 On a quarterly basis, BC Ferries reports to the Commissioner on the actual weighted
72 average fares paid by customers, by route group, and whether the average fares are
73 under/over the price cap.

74

75 ***Tariffs Charged in Performance Term Two***

76 The average level of ferry fares and the price caps are expressed as indices.
77 BC Ferries must not allow the average fare index for a route group to remain above
78 the price cap index for more than three consecutive quarters (see Commissioner
79 Memorandum 31). If the four-quarter average of fares does exceed the price cap in
80 any particular quarter, BC Ferries has up to three subsequent quarters to reduce its
81 average fare index to be within the allowable price cap index. If BC Ferries fails to do
82 so within the allowable grace period, the Commissioner may apply a penalty.

83

84 Table 2-1 illustrates the indices for both the actual weighted average tariffs and the
85 allowable price cap indices as set by the Commissioner for each route group. To date,
86 during performance term two, the weighted average fares charged by BC Ferries'
87 have been consistently below the established price caps. Furthermore, for Route
88 Groups 2 and 3 the average fares charged by BC Ferries have remained significantly
89 below price caps.

90
91
92

Table 2-1
Comparison of Actual Average Fare Indices to Price Cap Indices

Quarter	Route Group 1 (Majors)		Route Group 2 (Route 3)		Route Group 3 (North)		Route Group 4 (Minors)	
	Price Cap	Actual Average Fare	Price Cap	Actual Average Fare	Price Cap	Actual Average Fare	Price Cap	Actual Average Fare
Q1 2008/09	124.83	123.64	136.30	133.46	139.98	136.12	142.26	139.08
Q2 2008/09	128.85	127.66	139.72	135.85	145.00	141.52	145.74	141.66
Q3 2008/09	131.46	131.17	142.12	138.18	146.99	143.71	148.07	144.40
Q4 2008/09	133.25	134.41	143.22	138.77	147.42	145.37	149.15	145.22
Q1 2009/10	134.44	138.32	145.77	143.51	149.96	145.68	151.77	151.67
Q2 2009/10	136.15	135.84	149.15	146.03	156.25	150.02	155.42	155.64
Q3 2009/10	137.26	136.70	151.54	146.81	157.26	150.90	157.77	157.52
Q4 2009/10	138.24	137.75	153.60	149.05	158.10	151.97	159.96	159.11
Q1 2010/11	139.55	138.68	156.35	151.37	160.21	155.84	162.78	161.49

93
94
95
96
97
98
99
100
101
102

In 2008/09, under a fare reduction agreement between the Province and BC Ferries, the Province provided \$19.6 million in funding to allow a 33% reduction on fares for all routes during the months of December 2008 and January 2009 and for the Prince Rupert-Skidegate route during February 2009. Fares were reduced and the \$19.6 million was recorded as tariff revenue. Although this fare reduction was expected to stimulate traffic, many of the service areas experienced three weeks of severe weather conditions which resulted in a 10% decrease in traffic in the month of December 2008.

103
104
105
106

As outlined in bold bordering in table 2-1 above, BC Ferries has exceeded the price cap on three separate occasions during performance term two to date, twice on the Major Routes and once on the Minor Routes.

107
108
109
110
111
112
113
114
115
116

After two sequential quarters of exceeding the price cap on the Major Routes, Q4 2008/09 and Q1 2009/10, BC Ferries implemented a discount program named "CoastSaver" designed to stimulate incremental travel and encourage customers to shift existing travel demand to less utilized sailings during the mid-week. The program included a 33% discount for passenger and vehicle fares between June 2 and June 25, 2009 and between July 7 and September 10, 2009 for travel on Tuesday, Wednesday or Thursday. This fare promotion was successful in achieving both of those objectives as well as bringing the weighted average fare index below the price cap by the subsequent quarter.

117
118
119
120

In the instance where the price cap was exceeded on the Minor Routes (Q2 2009/10), no action was required by BC Ferries to cause the weighted average index to reduce below the price cap by the subsequent quarter.

121
122

Table 2-2 indicates what the prices caps will be on March 31, 2011 and provides a forecast of the price caps as at March 31, 2012.

123
124
125
126

Table 2-2
Forecast Price Cap by Route Group Effective April 1, 2011
(Index: April 1, 2003=100)

Price Cap	Route Group 1 (Majors)	Route Group 2 (Route 3)	Route Group 3 (North)	Route Group 4 (Minors)
At March 31, 2011	141.93	162.32	167.09	169.05
<i>Forecast at March 31, 2012</i>	<i>146.91</i>	<i>173.52</i>	<i>178.62</i>	<i>180.71</i>

127
128
129
130
131
132
133
134

In arriving at the forecasted March 31, 2012 price caps, a rate for BC CPI for calendar year 2010 of 1.65% was used. This inflation rate is the average of forecasts of the Central One Credit Union, TD Bank, Royal Bank of Canada and Bank of Montreal as at September 2010. It should be noted that, prior to the Commissioner establishing the preliminary performance term three price caps, the actual price caps as at March 31, 2012 will be known.

135 ***Extraordinary Price Cap Increases***

136 The Act (Section 42(1) and (2)) provides for the Commissioner to increase price caps
137 in response to extraordinary circumstances. To the date of this filing, no
138 extraordinary price cap increases have been authorized by the Commissioner during
139 performance term two.
140
141

142 ***Fuel Surcharges and Rebates***

143 As part of the establishment of price caps for performance term two, the
144 Commissioner's Memorandum 24 outlined an automatic adjustment mechanism for
145 implementing fuel rebates and surcharges. As part of this memorandum, fuel
146 surcharges were established on August 1, 2008 at 10.3% for the Major Routes;
147 17.6% for the Minor Routes; and 9.2% for Route 3.
148

149 However, due to the volatility in fuel prices experienced in the summer of 2008,
150 Memorandum 24A was issued on November 4, 2008 to provide increased flexibility
151 and timeliness in responding to rapid and dramatic changes in fuel prices.
152 Immediately prior to the issuance of this memorandum, existing fuel surcharges on
153 the Majors, Minors and Route 3 were decreased by 50%. The following adjustments
154 to fuel surcharges and rebates have been implemented using the framework outlined
155 in Memoranda 24, 24A and 24B:
156

- 157 December 5, 2008 fuel surcharges on the Minor Routes and Route 3 were
158 eliminated;
- 159 December 19, 2008..... fuel surcharges on the Major Routes were eliminated;
- 160 February 12, 2009 fuel rebates of 5% and 2% were implemented for the
161 Minor Routes and Route 3 respectively;
- 162 July 15, 2009 fuel rebates on the Minor Routes were increased to 8%;
- 163 September 1, 2009 fuel rebates on the Minor Routes were increased to
164 10%;

165 January 25, 2010..... fuel rebates on the Minor Routes were decreased to 5%;
 166 April 1, 2010 fuel rebates of 2% were implemented on the Major
 167 Routes; and
 168 August 17, 2010 fuel rebates on the Minor Routes were decreased to 2%.

169
 170 There have been no fuel surcharges or rebates to date during performance term two
 171 for the Northern Routes.
 172

173 Table 2-3 provides a summary by route group for each of Route Groups 1, 2 and 4 of
 174 the fuel surcharges and rebates implemented to date in performance term two.
 175

176 Table 2-3
 177 Fuel Surcharges/(Rebates) in Performance Term Two
 178

Fuel Surcharge/(Rebate) by Route Group			
Date	Route Group 1 (Majors)	Route Group 2 (Route 3)	Route Group 4 (Minors)
Aug/08	10.3%	9.2%	17.6%
Nov/08	5.2%	4.6%	8.8%
Dec/08	0.0%	0.0%	0.0%
Feb/09	0.0%	(2.0%)	(5.0%)
Jul/09	0.0%	(2.0%)	(8.0%)
Sep/09	0.0%	(2.0%)	(10.0%)
Jan/10	0.0%	(2.0%)	(5.0%)
Apr/10	(2.0%)	(2.0%)	(5.0%)
Aug/10	(2.0%)	(2.0%)	(2.0%)

179
180
181
182

Table 2-4
Passenger and Passenger Vehicle Tariffs for All Routes as at August 2010

Tariffs as at August 31, 2010							
Route Group 1	Regular						
	Vehicle	Adult					
	Swartz Bay – Tsawwassen	\$46.75	\$14.00				
Departure Bay - Horseshoe Bay	\$46.75	\$14.00					
Tsawwassen – Duke Point	\$46.75	\$14.00					
Route Group 2	Regular		Experience Card				
	Vehicle	Adult	Vehicle	Adult			
	Langdale – Horseshoe Bay (return)	\$43.20	\$12.85	\$33.20	\$9.95		
Route Group 3	Regular		Shoulder		Off-Peak		
	Vehicle	Adult	Vehicle	Adult	Vehicle	Adult	
	Port Hardy – Prince Rupert	\$390.00	\$170.00	\$285.00	\$125.00	\$220.00	\$100.00
	Prince Rupert – Skidegate	\$140.00	\$39.00	N/A	N/A	\$115.00	\$33.00
	Port Hardy – Bella Coola	\$340.00	\$170.00	N/A	N/A	N/A	N/A
	Port Hardy or Prince Rupert – Mid Coast	\$200.00	\$100.00	\$175.00	\$75.00	\$130.00	\$55.00
	Bella Coola – Mid Coast	\$128.00	\$65.00	N/A	N/A	\$94.00	\$46.00
	Mid Coast – Mid Coast	\$71.00	\$36.00	N/A	N/A	N/A	N/A
McLaughlin Bay – Shearwater	\$44.00	\$12.00	N/A	N/A	N/A	N/A	
Route Group 4	Regular		Experience Card		Prepaid		
	Vehicle	Adult	Vehicle	Adult	Vehicle	Adult	
	Swartz Bay – Fulford Harbour (return)	\$29.60	\$10.00	\$20.10	\$6.85		
	Swartz Bay – Gulf Islands (return)	\$32.95	\$10.40	\$22.05	\$6.90		
	Gulf Islands – Gulf Islands	\$11.35	\$5.20	N/A	N/A		
	Crofton – Vesuvius Bay (return)	\$29.60	\$10.00	\$20.10	\$6.85		
	Earls Cove – Saltery Bay (return)	\$42.15	\$12.55	\$32.35	\$9.70		
	Horseshoe Bay – Snug Cove (return)	\$27.90	\$9.75	\$17.85	\$5.95		
	Tsawwassen to Gulf Islands	\$50.30	\$15.70	N/A	N/A		
	Gulf Islands to Tsawwassen	\$21.40	\$8.05	N/A	N/A		
	Mill Bay – Brentwood Bay	\$14.80	\$6.35	N/A	N/A	\$9.60	\$3.90
	Langdale – Gambier – Keats Islands	N/A	\$6.50	N/A	N/A	N/A	\$4.60
	Powell River – Comox	\$39.65	\$12.50	\$34.25	\$10.15		
	Powell River – Texada Island (return)	\$21.65	\$9.10	\$14.50	\$5.70		
	Nanaimo Harbour – Gabriola Island (return)	\$21.65	\$9.10	\$13.85	\$5.25		
	Chemainus – Thetis Island – Penelakut Island (return)	\$21.65	\$9.10	\$13.85	\$5.25		
	Buckley Bay – Denman Island (return)	\$19.55	\$8.35	\$11.75	\$4.85		
	Denman Island – Hornby Island (return)	\$19.55	\$8.35	\$11.75	\$4.85		
	Campbell River – Quadra Island (return)	\$19.55	\$8.35	\$12.35	\$4.85		
	Quadra Island – Cortes Island (return)	\$22.75	\$9.75	\$16.10	\$6.45		
	Port McNeil – Sointula – Alert Bay (return)	\$22.75	\$9.75	\$16.10	\$6.45		
	Skidegate – Aliford Bay (return)	\$19.55	\$8.35	\$12.35	\$4.85		

183

1 **Section 3: Service Fees**

2 In accordance with the requirement under Section 40(1)(c) of the Act, Section 3 of
3 this submission provides information on the service fees that BC Ferries has received
4 and reasonably expects to receive in performance term two.

5
6 Under the CFSC, BC Ferries provides ferry services on designated (regulated) and
7 unregulated ferry routes. In return, BC Ferries receives service fees from the
8 Province. These service fees support 22 of the 25 designated routes and all of the
9 unregulated routes. The Major Routes do not receive any service fee support.

10 11 ***Service Fees for Designated Ferry Routes***

12 The service fees payable to BC Ferries in performance term two under the CFSC for
13 services provided in respect of the designated ferry routes are comprised of the
14 following two components:

- 15
16 • Ferry Transportation Fee - fees for providing ferry transportation services on
17 22 of the designated ferry routes; and,
- 18
19 • Social Program Reimbursement – an amount representing reimbursement of
20 BC Ferries for any foregone revenue in respect of the provincial social
21 program discounts.

22 As these reimbursements constitute tariff revenue for the purposes of setting
23 of price caps and calculating the average fare indices, social program
24 reimbursements are included in tariff revenue in Section 4.

25 26 **Ferry Transportation Fee**

27 The CFSC prescribes the core ferry services BC Ferries is to provide on each of the
28 designated routes. In return for providing these services, BC Ferries receives a Ferry
29 Transportation Fee on 22 of the 25 designated routes calculated on the basis of the
30 number of core round trips the Company delivers.

31
32 The Ferry Transportation Fee to be paid by the Province on the designated ferry
33 routes in performance term two is set out in Appendix 1 of Schedule B of the CFSC.
34 A Ferry Transportation Fee is paid by the Province for service on all designated
35 routes with the exception of the Major Routes. Without the provincial Ferry
36 Transportation Fee, tariffs on the non-major routes would need to be correspondingly
37 higher in order for BC Ferries to remain financially viable and maintain current
38 service levels. Ferry Transportation Fees are service based. Individual fees per
39 round trip are fixed for the entire performance term two for Route Groups 2 and 4.
40 Ferry Transportation Fees for Route Group 3 – Northern Routes, are adjusted
41 upwards to reflect new capital investment in ferries and terminal infrastructure.
42 These fees then decline as these new capital investments are amortized.

43
44 As noted above, the Ferry Transportation Fee varies depending on the route and the
45 actual service BC Ferries provides. For example, BC Ferries may not always be able
46 to deliver a specific sailing due to weather, emergency response, maintenance issues,
47 etc. Without the prior approval of the Province, such temporary service disruptions
48 cannot exceed 20 consecutive days and the aggregate of such disruptions in a
49 calendar year cannot exceed 30 days on any route.

50
 51 BC Ferries provides monthly invoices to the Province. If actual service meets or
 52 exceeds core service, then the Company receives full payment of the Ferry
 53 Transportation Fee. If service is disrupted, then the Ferry Transportation Fee may be
 54 reduced to reflect the lower service level. Reconciliation occurs between service
 55 provided and fees received on a quarterly and annual basis.

56
 57 Table 3-1 summarizes the Ferry Transportation Fee by route group paid to BC Ferries
 58 for core ferry service. Actual payments received are reflected for the fiscal years
 59 2008/09 to 2009/10, and forecasts through to 2011/12 are presented. Appendix B
 60 provides further detail at a route level.

61
 62 Table 3-1
 63 Summary of Ferry Transportation Fees
 64 (\$ 000's)
 65

Route Groups	2008/09	2009/10	Forecast 2010/11	Forecast 2011/12
Group 2 (Route 3)	3,665	3,665	3,665	3,665
Group 3 (Northern)	25,283	47,590	47,139	48,577
Group 4 (Minors)	74,346	74,344	74,346	74,346
TOTAL	103,294	125,599	125,149	126,588

66
 67 The forecast information assumes that BC Ferries will provide sufficient service to
 68 qualify for full payment of Ferry Transportation Fees as per the CFSC as amended
 69 from time to time.
 70

71 Social Program Reimbursement

72 BC Ferries provides social program discounts on behalf of the Province for seniors,
 73 students, the disabled and for passengers travelling under the provincial Medical
 74 Travel Assistance Program. In turn, the Province reimburses BC Ferries for the
 75 foregone tariff revenue associated with the discounts provided by these programs.
 76 The following discounts apply:

- 77
- 78 • Seniors traveling Monday through Thursday, excluding statutory holidays,
 79 receive free passenger travel (on Routes 10, 11 and 40 seniors receive a 33%
 80 discount any day of the week);
 - 81 • Students traveling for school and/or junior association related events receive
 82 free passage on the Minor Routes, a 50% discount on the Major Routes and
 83 Route 3 (Langdale - Horseshoe Bay);
 - 84 • Disabled individuals travel at half the passenger fare on all routes; and
 - 85 • Passengers requiring travel for approved medical treatment receive free travel
 86 for a vehicle and passenger.

87
 88 BC Ferries records the number of passengers traveling under these social programs
 89 and invoices the Province for the difference between the fare collected and the full
 90 tariff fare. On this basis, BC Ferries is reimbursed for the cost of the social program

91 discounts offered by the Province. As this is tariff revenue, it is included in the
92 calculation of the price cap indices and the average fare indices.

93
94 Table 3-2 summarizes the social program reimbursements paid to BC Ferries by the
95 Province for 2008/09 to 2009/10. Social program usage is not forecast separately
96 for future years; it is included in tariff revenue. Appendix B provides further detail at
97 a route level.

98
99 Table 3-2
100 Summary of Social Program Reimbursements
101 (\$ 000's)
102

Route Groups	2008/09	2009/10
Group 1 (Majors)	9,907	10,774
Group 2 (Route 3)	2,055	2,598
Group 3 (Northern)	565	874
Group 4 (Minors)	6,725	7,814
TOTAL	19,252	22,060

103 104 105 ***Service Fees for Unregulated Ferry Routes***

106 Under the CFSC, BC Ferries receives a service fee from the Province for the provision
107 of service on 7 unregulated routes. BC Ferries has contracts with third-party service
108 providers to deliver service on these routes. The Commissioner does not regulate the
109 tariffs or service levels on these routes. Table 3-3 summarizes the service fee paid
110 to BC Ferries for the unregulated routes. Actual payments received are reflected for
111 the years 2008/09 to 2009/10, and forecasts through to 2011/12 are presented.

112
113 Table 3-3
114 Unregulated Ferry Routes Service Fee
115 (\$ 000's)
116

	2008/09	2009/10	Forecast 2010/11	Forecast 2011/12
Service Fee	1,939	1,849	1,938	1,938

117 118 119 ***Contribution to Charter Agreement***

120 In addition to the above, the Province has supported a charter agreement between
121 BC Ferries and the Lax Kw'alaams First Nation, whereby BC Ferries has leased the
122 use of its vessel, the *Nicola*, for service between Prince Rupert and Tuck Inlet. In
123 2008/09, this support totalled \$1.1 million for the quadrennial refit of the vessel.
124 This contribution was recorded as a reduction of maintenance expense equal to the
125 refit cost incurred during that period.

Section 4: Revenues From all Sources

In accordance with the requirement under Section 40(1)(d) of the Act, Section 4 of this submission provides information on the revenues that BC Ferries has earned and reasonably expects to earn in performance term two.

BC Ferries receives revenues from various sources that contribute to the overall recovery of its cost of service, including a return on equity. Resulting earnings are used by BC Ferries to add, replace or upgrade capital assets such as ferries, terminals and other infrastructure.

Sources of revenues include fares from ticket sales, ancillary services and revenues provided to the Company pursuant to the CFSC. The CFSC revenues include funding from the Federal Contract, provincial Ferry Transportation Fees, reimbursement from the Province of foregone tariff revenue associated with the provision of social program discounts, and service fees from the Province for the provision of service on the unregulated routes.

Revenues from ticket sales, (including social program reimbursements), ancillary services and the Federal Contract are discussed below. The other revenue categories are described in the preceding section of this report.

Table 4-1 provides a comparison of revenues, year over year, in performance term two. Specific revenue summaries for each of the designated routes are included in the route statements attached as Appendix B.

Table 4-1
Annual Revenues From all Sources
(\$ 000's)

Revenues	2008/09	2009/10	<i>Forecast 2010/11</i>	<i>Forecast 2011/12</i>
Tariff Revenue (including social program reimbursements)	448,315	472,568	<i>495,067</i>	<i>515,100</i>
Ancillary Revenue				
Reservations	15,346	16,001	<i>17,205</i>	<i>17,549</i>
Other (Net)	56,981	58,948	<i>58,546</i>	<i>61,649</i>
Proceeds from the Federal Contract	26,294	26,924	<i>26,962</i>	<i>27,407</i>
Ferry Transportation Fee	103,294	125,599	<i>125,149</i>	<i>126,588</i>
Unregulated Route Service Fees	1,939	1,849	<i>1,938</i>	<i>1,938</i>
TOTAL	652,169	701,889	<i>724,867</i>	<i>750,231</i>

31

32 **Tariff Revenues**

33 BC Ferries' core business is the provision of ferry transportation service. BC Ferries
34 transports passengers, vehicles and freight on 25 designated (regulated) ferry routes
35 between 47 terminals. Each passenger and/or vehicle is required to pay a fare for
36 core ferry service as set out in the Company's tariff schedule that is updated from
37 time to time.

38
39 Section 2 of this report provides more details on how BC Ferries' manages its tariffs.
40

41 **Traffic Levels**

42 The number of passengers and vehicles carried in each route group multiplied by the
43 route groups' price caps determine the maximum tariff revenue that BC Ferries can
44 achieve in any given year. Traffic not only determines revenues to the Company for
45 providing core service levels, but also influences revenues received from ancillary
46 services.

47
48 Traffic statistics are recorded based on passenger and vehicle types. Traffic
49 categories include passengers (adults, child, and students) and vehicles (underheight
50 vehicles, overheight vehicles, as well as trucks, buses, semi-trailers and drop
51 trailers).

52
53 Table 4-2 illustrates actual BC Ferries passenger and vehicle traffic statistics by fiscal
54 year from 2003/04 through 2009/10, with a forecast of passenger and vehicle traffic
55 for fiscal years 2010/11 and 2011/12.

56
57 Traffic statistics by route group are included as Appendix D.

58
59 Table 4-2
60 Traffic Statistics for All Route Groups
61 (\$ 000's)
62

	Passengers	Vehicles
2003/04	21,367	8,292
2004/05	22,027	8,557
2005/06	21,730	8,543
2006/07	21,665	8,522
2007/08	21,788	8,579
2008/09	20,727	8,130
2009/10	21,036	8,255
<i>Forecast 2010/11</i>	<i>20,967</i>	<i>8,369</i>
<i>Forecast 2011/12</i>	<i>20,967</i>	<i>8,369</i>

63

64 **2008/09**

65 Traffic levels have historically been relatively stable. However, during 2008/09,
66 vehicle and passenger traffic were lower than the prior year by 5.2% and 4.9%,
67 respectively.

68

69 BC Ferries believes that the decreasing level of economic activity, reduced levels of
 70 tourism, rising unemployment, reduced consumer confidence and higher vehicle fuel
 71 prices all negatively affected the commercial and discretionary travel markets.
 72

73 **2009/10**

74 In fiscal 2010, vehicle and passenger traffic levels increased by 1.5% over the prior
 75 year as world and local economies began to recover and fuel prices declined
 76 compared to the previous year.
 77

78 **2010/11 and 2011/12**

79 BC Ferries is forecasting passenger travel demand to decline by 0.3% while vehicle
 80 traffic grows by 1.4% for the year ending March 31, 2011. These levels reflect
 81 changes in the composition of travel demand, including the decline of bus traffic
 82 experienced among the Major Routes. For the following year, April 1, 2011 to
 83 March 31, 2012, the Company expects traffic levels to stabilize at these new levels.
 84

85 **Revenues from Fares**

86 Individual route group tariff revenues by fiscal year are presented in Table 4-3.
 87 Actual tariff revenues are presented for the first two years of performance term two
 88 and forecasted tariff revenues are presented for the remaining two years of the
 89 current performance term. Tariff revenues by route are included in the route
 90 statements attached as Appendix B.
 91

92 Table 4-3
 93 Tariff Revenue by Route Group
 94 (\$ 000's)
 95

Route Groups	2008/09	2009/10	Forecast 2010/11	Forecast 2011/12
Group 1 (Majors)	330,716	343,001	357,096	369,630
Group 2 (Route 3)	33,438	36,907	40,638	42,904
Group 3 (Northern)	16,051	15,986	17,355	18,212
Group 4 (Minors)	68,110	76,674	79,977	84,353
TOTAL	448,315	472,568	495,067	515,100

96
 97 As can be seen in Table 4-3, the Major Routes serving Victoria, Nanaimo and
 98 Vancouver (Route Group 1) account for approximately 72% of tariff revenues. The
 99 Minor Routes (Route Group 4), is the second largest generator of tariff revenue
 100 accounting for approximately 16% of total tariff revenues, with the Horseshoe Bay-
 101 Langdale route (Route Group 2) making up approximately 8% of total tariff revenues.
 102 The Northern Routes (Route Group 3) account for the remaining 4% of tariff revenue.
 103

104 Due to the relative magnitude of the Major Routes in relation to total revenues,
 105 changes in traffic and tariffs on the Major Routes will have the largest impact on the

106 Company's revenues. Revenues are impacted to a much lesser extent by changing
107 conditions on all other route groups.
108
109 Overall, BC Ferries' tariff revenue increased by 5.4% from \$448.3 million in 2008/09
110 to \$472.6 million in 2009/10 primarily due to higher tariffs and an increase in traffic
111 as described above.
112
113 The price cap increase authorized by the Commissioner, effective April 1, 2008, was
114 7.3% on the Major Routes and 4.0% on all other routes. On each April 1 for the
115 subsequent three years, the price cap was authorized to increase by 2.7% plus 0.49
116 times the latest reported annual change in the BC CPI for the Major Routes and 5.7%
117 plus 0.73 times the change in the BC CPI for the other route groups.
118
119 In line with the Commissioner's ruling, on April 1, 2009, the price cap increased by
120 3.74% for the Major Routes and 7.25% for the other route groups. These price cap
121 increases reflect changes in the BC CPI of 2.13% applied April 1, 2009.
122
123 On April 1, 2010, the price cap increased by 2.68% for the Major Routes and 5.68%
124 for the other route groups. These price cap increases reflect changes in the BC CPI of
125 -0.03% applied April 1, 2010.
126
127 For 2010/11, BC Ferries is forecasting tariff revenues to increase by \$22.5 million to
128 \$495.1 million. This reflects the combined impact of projected traffic as well as the
129 increase in the tariff associated with the allowed price cap increase.
130
131 For 2011/12, BC Ferries is forecasting tariff revenues to increase by a further
132 \$20.0 million to \$515.1 million. This reflects the change in tariff resulting from the
133 projected price cap increase of 3.5% on the Major Routes and 6.9% on all other
134 route groups, using a rate of 1.65% for BC CPI.
135

136 ***Reservation Revenue***

137 For performance term one and two, reservations revenue is included as part of
138 ancillary revenue. However, with the recent changes to the Act, reservation revenue
139 will be included as a separate regulated fare item for performance term three. Table
140 4-4 reports the reservation revenue received and expected for performance term two.
141 Reservation revenues by route are included in the route statements attached as
142 Appendix B.

143
144
145
146

Table 4-4
Reservation Revenues
(\$ 000's)

Route Groups	2008/09	2009/10	Forecast 2010/11	Forecast 2011/12
Group 1 (Majors)	14,078	14,611	15,427	15,735
Group 2 (Route 3)	1,040	1,184	1,097	1,119
Group 3 (Northern)	69	56	62	64
Group 4 (Minors)	159	150	619	632
TOTAL	15,346	16,001	17,205	17,549

147
148
149
150
151
152
153
154

For 2010/11, BC Ferries is forecasting growth in reservation revenue of \$1.2 million, or 7.5%. This growth is driven by two sources. On the Major Routes, the growth is primarily the result of a re-assessment of deferred revenue related to assured loading tickets that had expired in the period November 2007 to December 2009. Growth on the Minor Routes reflects the expansion of reservation capabilities to Route 17 (Comox – Powell River).

155 ***Other Ancillary Revenues***

156 In addition to fares and reservation revenues for ferry transportation services,
157 BC Ferries earns revenues from non-regulated ancillary goods and services. Other
158 ancillary revenues are those revenues that are derived from non-core activities and
159 include revenues received from such things as parking fees, retail and restaurant
160 operations both on and off the ferries, but exclude reservation revenues.

161
162 Table 4-5 provides other ancillary revenues (net of cost of goods sold) by route
163 group and by fiscal year. Other ancillary revenues by route are included in the route
164 statements attached as Appendix B.

165
166
167
168
169
170

Table 4-5
Other Ancillary Revenues
(Net of Cost of Goods Sold)
(\$ 000's)

Route Groups	2008/09	2009/10	Forecast 2010/11	Forecast 2011/12
Group 1 (Majors)	44,949	46,715	48,168	50,513
Group 2 (Route 3)	5,030	5,155	5,256	5,523
Group 3 (Northern)	2,707	2,899	2,040	2,149
Group 4 (Minors)	4,295	4,180	3,083	3,463
TOTAL	56,981	58,949	58,547	61,648

171
172
173

Approximately 81% of other ancillary revenues are generated on the Major Routes - almost nine times the next largest source of other ancillary revenue from Route

174 Group 2 (Langdale - Horseshoe Bay). Due to this relative volume, growth in other
 175 ancillary revenues from the Major Routes was the principal driver of other ancillary
 176 revenue growth of approximately 3.5% system-wide in 2009/10 compared to
 177 2008/09.

178
 179 Also driving growth from 2008/09 to 2009/10, the *Northern Expedition* commenced
 180 operating on Route Group 3 on May 18, 2009. Stateroom rental increased with the
 181 additional capacity provided (50 additional staterooms) and catering and onboard
 182 revenue increased with the provision of additional services. These two factors
 183 contributed to the 7.1% growth in other ancillary revenue on that route group.

184
 185 For 2010/11, BC Ferries is forecasting that other ancillary revenue will decline by
 186 0.7% to \$58.5 million. The following year, 2011/12, these revenues are expected to
 187 increase to \$61.7 million, mainly due to inflationary increases.

189 ***Federal/Provincial Subsidy Agreement***

190 The Federal Contract, signed on April 18, 1977, provides funding from the federal
 191 government to the Province in return for the Province providing ferry, coastal freight
 192 and passenger services in the waters of British Columbia. The CFSC provides that the
 193 Province will continue to make available to BC Ferries the full proceeds from the
 194 Federal Contract. The Federal Contract can only be terminated by the joint
 195 agreement of the Province and the federal government.

196
 197 The annual payments under the Federal Contract are subject to inflation at a rate
 198 equal to the Vancouver Consumer Price Index. Actual payments received by
 199 BC Ferries through 2009/10 and forecast payments through 2011/12 are presented
 200 in Table 4-6.

201
 202 Table 4-6
 203 Summary of Federal Contract Payments
 204 Allocated to Route Groups
 205 (\$ 000's)
 206

Route Groups	2008/09	2009/10	Forecast 2010/11	Forecast 2011/12
Group 1 (Majors)	0	0	0	0
Group 2 (Route 3)	943	966	967	983
Group 3 (Northern)	6,505	6,660	6,670	6,780
Group 4 (Minors)	18,846	19,298	19,325	19,644
TOTAL	26,294	26,924	26,962	27,407

207 *Note: the above table assumes Vancouver Consumer Price Index of 1.65% for 2010*

208 ***Allocation of Revenues***

209 **Allocation Methodology**

210 In order to account for all revenues at the route group level, BC Ferries must assign
 211 direct and indirect revenues to each route group. Revenues incurred directly at the
 212 route level are easily assignable to that route or route group. For example, direct

213 revenues, such as tariffs are easily applied to the route in which the revenue was
 214 received from vessel operations.

215
 216 However, indirect revenues generated at multi-port terminals are not necessarily
 217 readily assignable to any one specific route or route group. Examples of such indirect
 218 revenues include parking and terminal catering revenue in multi-route terminals.
 219 These services enhance the customer experience when traveling on a route, but the
 220 revenues are not specific to one route. Therefore, revenues that are not specific to a
 221 particular route or route group must be allocated to a route in a systematic and
 222 rational way.

223
 224 Table 4-7 provides a guide to the types of revenue that are allocated to routes, the
 225 allocation factor used and the methodology followed.

226
 227
 228 **Table 4-7**
Allocation of Actual Revenues

Type of Revenue	Allocation Factor	Allocation Methodology*
Federal / Provincial Subsidy Agreement		Federal Contract proceeds are allocated as prescribed in the CFSC
Coastal Ferry Service Fees		
Ferry Transportation Fees	Direct	Fees are assigned directly to each route based on the Coastal Ferry Services Contract. Routes 1, 2, 30 are excluded from this.
Social Program Reimbursements	Direct	Assigned to routes based on forgone revenue not charged to travellers.
Unregulated Routes Fees	Direct	Assigned to contracted routes based on the contracted cost.
Tariff Revenue	Direct	Tariff revenues are assigned directly to each route.
Catering Revenue		
Vessel	Direct	Vessel catering revenues are assigned directly to each route.
Terminal	Passenger throughput	Terminal catering revenues are allocated based on the percentage of total passengers embarking from the terminal on a route.
Parking Revenue	Foot passenger throughput	Parking revenues are allocated based on the percentage of foot passengers embarking on a route from the terminal where the parking revenues are earned.
Reservation Fees / Rent	Direct	Other revenues directly related to a route are directly assigned to the routes.
Other Revenues (foreign exchange, marketing rights)	Total direct revenue	Revenues that are not directly attributable to a route are allocated based on each route's percentage of total direct revenue.

229
 230 ** Note: This allocation methodology remains unchanged from that used in the calculation of*
 231 *required price caps for performance term two*
 232

233 Revenue Allocated to Route Groups

234 Table 4-8 shows the actual route group revenue allocations for the first two years of
 235 performance term two and the forecasted revenue allocations for the remaining two
 236 years of the performance term. Revenue allocations by designated ferry route are
 237 provided in the route statements attached as Appendix B.

238
 239

240
241
242
243

Table 4-8
Total Revenue Allocated to Route Groups
(\$ 000's)

Route Groups	2008/09	2009/10	<i>Forecast 2010/11</i>	<i>Forecast 2011/12</i>
Group 1 (Majors)	389,743	404,326	<i>420,691</i>	<i>435,879</i>
Group 2 (Route 3)	44,116	47,876	<i>51,622</i>	<i>54,194</i>
Group 3 (Northern)	50,616	73,191	<i>73,266</i>	<i>75,782</i>
Group 4 (Minors)	165,755	174,647	<i>177,350</i>	<i>182,438</i>
TOTAL	650,230	700,040	<i>722,929</i>	<i>748,293</i>

Section 5: Expenses

In accordance with the requirement under Section 40(1)(e) of the Act, Section 5 of this submission provides information on the expenses that BC Ferries has incurred and reasonably expects to incur in respect of the provision of service on the designated ferry routes in performance term two. The section begins with an overview of the expenses at a company level, followed by a description as to how those expenses are, and have been, allocated on a route basis.

Overview of Expenses

Table 5-1 provides a summary of total expenses incurred by the Company in the first two years of performance term two, as well as forecasted expenses to the end of the performance term.

Table 5-1
Summary of Total Expenses
(\$ 000's)

	2008/09	2009/10	<i>Forecast 2010/11</i>	<i>Forecast 2011/12</i>
Operating, Maintenance & Administrative Expenses	501,180	514,268	537,435	547,681
Amortization	93,088	115,175	115,134	123,919
Financing Expense	50,111	67,638	73,245	74,200
(Gain)/Loss on Disposal/Impairment of Capital Assets	(1,239)	1,386	(9,300)	0
TOTAL	643,140	698,467	716,514	745,800

Operating, Maintenance and Administrative (OM&A) Expenses

In response to the decline in traffic levels and resulting revenues in 2008/09, BC Ferries restructured its business to align expenses with reduced revenues while continuing to ensure that safety remains the top priority. In 2009/10, these proactive measures, along with other initiatives, reduced operating expenditures by approximately \$14.0 million from previously planned levels.

2009/10 vs 2008/09

As indicated in Table 5-1, OM&A expenses increased in 2009/10 by \$13.1 million, or 2.6%, to \$514.3 million from \$501.2 million in 2008/09. The increase is mainly attributable to the following:

Operating expenses - increased \$11.0 million due mainly to:

33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66

- \$10.0 million increase in wages and benefits, including:
 - Approximately \$6.3 million in wage rate increases averaging about 3% in accordance with the existing Collective Agreement; \$1.8 million increase in incentive compensation; and \$1.2 million increase in long-term disability premiums; and
- \$3.1 million increase consisting of \$0.8 million in credit card service fees; \$0.6 million in property taxes; and a further \$1.7 million in a number of miscellaneous items.

These increases were partially offset by:

- \$2.1 million or 2.2% decrease in fuel expense as a result of the operation of the fuel pricing mechanism approved by the Commissioner, partly offset by a 1.7% increase in fuel consumption, reflecting new vessels in service being larger than the vessels they replaced.

Maintenance costs increased \$8.4 million, reflecting variations in vessel refit scheduling and \$2.0 million of unanticipated maintenance on the Queen of Burnaby to replace a damaged propeller.

Administration costs decreased \$6.9 million, mainly as a result of:

- \$4.4 million decrease in wages and benefits, including:
 - \$2.0 million additional restructuring costs incurred in fiscal 2009;
 - \$1.9 million reduction in fiscal 2010 reflecting the lower number of exempt positions from the restructuring;
 - \$0.5 million in reduced incentive compensation; and
- \$2.5 million mainly due to transition costs incurred in fiscal 2009 to move IT systems support to an in-house model and reductions in discretionary expenditures.

67 **2010/11 vs 2009/10**

68 OM&A expenses are projected to increase approximately 4.5% in 2010/11. The
69 projected increases reflect the following:

70
71 Operating expenses will increase by \$14.4 million due mainly to:

- \$10.3 million increase in wages and benefits, including:
 - Approximately \$5.7 million in wage rate increases averaging about 3% in accordance with the existing Collective Agreement; \$2.1 million in additional benefit costs; and \$2.5 million due to filling of non-discretionary vacancies.
- \$6.0 million increase consisting of \$3.3 million in increased fuel cost; \$1.2 million in additional insurance and hydro costs; \$0.9 million in HST expense; \$0.6 million in credit card service fees; and \$1.0 million associated with the start up and sale of BC Ferries Vacations packages.

82
83
84 These increases will be partially offset by:

85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100
101
102
103
104
105
106
107
108
109
110
111
112
113
114

- \$1.6 million decrease in discretionary staffing costs and \$0.5 million in savings relating to alternative service delivery on Route 26.

Maintenance costs will increase by \$6.0 million, reflecting \$2.1 million related to the introduction of HST; \$0.6 million related to wage rate increases averaging about 3% in accordance with the existing Collective Agreement; \$0.6 million associated with higher benefit costs; \$0.5 million related to increased labour requirements; and \$2.2 million related to an increase in insurance claims primarily related to the major engine damage sustained on the *Queen of Surrey* and the hard landing experienced by the *Queen of Nanaimo*.

Administration costs will increase by \$3.4 million, mainly as a result of:

- \$2.6 million increase in wages and benefits, including:
 - \$1.3 million in additional positions to meet the requirements of the *Miscellaneous Statutes Amendment Act (No. 3) - 2010*;
 - \$0.7 million additional restructuring costs incurred in fiscal 2011;
 - \$0.5 million related to wage rate increases in accordance with the existing Collective Agreement;
 - \$0.1 million associated with higher benefit costs; and
- \$2.1 million mainly due to \$1.1 million in legal and information technology transition costs; and \$0.4 million related to the introduction of the HST.

These increases will be partially offset by:

- \$1.3 million decrease in discretionary staffing costs.

2011/12 vs 2010/11

OM&A expenses are projected to increase approximately an additional 1.9% in 2011/12. The projected increases reflect the following:

- the annualization of HST expense;
- fuel price increases consistent with the approach outlined in the Commissioner's Memoranda 24, 24A and 24B;
- expenses related to new requirements as a result of the *Miscellaneous Statutes Amendment Act (No. 3) - 2010*;
- an increase in BC Hydro rates;
- an increase in non-labour expenses of 2% reflecting the forecast increase in the CPI; and
- a provision for the exclusion of some bargaining unit positions.

Amortization of Capital Costs

BC Ferries amortizes assets on a straight line basis in accordance with Canadian GAAP and the Act (Section 41(2)(a)(iii)(B)). Amortization is based on the cost of the asset, the expected life of the asset and the expected salvage value at the end of the

133 life of the asset. BC Ferries' amortization policy sets the average life expectancy of
134 each asset class as well as the components in each asset. For example, a ship is
135 made up of several different components each with a different life expectancy: the
136 hull is amortized over 40 years, hotel and life saving appliances are amortized over
137 13 years, and propulsion components are amortized over 20 years.

138

139 As BC Ferries makes investments in capital assets such as vessels, terminals and
140 head office facilities and equipment, the cost of the asset base grows, resulting in
141 higher annual amortization. During performance terms one and two to date, the
142 Company has been reinvesting in infrastructure and will continue to do so for the
143 remainder of performance term two and throughout performance term three.

144

145 Amortization expense incurred and expected to be incurred by BC Ferries in
146 performance term two is set out in Table 5-1. From 2008/09 to 2009/10,
147 amortization costs increased a total of \$22.1 million, mainly as a result of additional
148 assets coming into service, including:

149

- 150 • \$7.2 million due to the *Northern Expedition* commencing service in May 2009;
- 151 • \$7.0 million due to the *Coastal Inspiration* and the *Coastal Celebration*
152 entering service in June 2008 and November 2008, respectively;
- 153 • \$3.7 million due to the \$51.6 million *Queen of New Westminster* upgrade
154 completed in April 2009; and
- 155 • \$2.3 million due to the *Island Sky* commencing service in February 2009.

156

157 Over performance term two, amortization expense is forecasted to increase by
158 85.5% to \$123.9 million for the year ended 2011/12 compared to amortization of
159 \$66.8 million for the 12 months ended 2007/08. This reflects the continued
160 investment BC Ferries is making in its infrastructure. Also included in performance
161 term two is \$4.6 million per annum associated with the amortization of fuel deferral
162 balances from performance term one.

163

164 **Financing Expense**

165 BC Ferries funds its operational requirements and capital expenditure program
166 through cash flow generated from operations as well as bank financing, leasing and
167 debt issues.

168

169 As at the date of this submission, BC Ferries has completed five senior secured bond
170 offerings. These bonds bear interest payable semi-annually.

171

172 Additionally, BC Ferries has executed three loan agreements with KfW bank group
173 (KfW), with the proceeds applied towards the purchase of new vessels.

174

175 BC Ferries currently has \$1.4 billion in long term debt. Table 5-2 provides a
176 summary of the bonds and loans outstanding as at June 30, 2010. Subsequently,
177 BC Ferries signed a capital lease but no long-term debt has been issued; however,
178 there was a reduction in the outstanding amount of one of the KfW amortizing loans
179 as a result of the principal re-payment of \$4.5 million in accordance with the terms
180 of the loan.

181

182 During the remainder of performance term two, BC Ferries does not expect to issue
 183 any other new debt. More detail regarding BC Ferries' long-term debt is available
 184 online at http://www.bcferrries.com/about/investors/debt_info.html.

185
 186
 187
 188
 189

Table 5-2
 Summary of Bonds and Loans Outstanding
 As at June 30, 2010

Type	Amount (\$ millions)	Effective Interest Rate
Senior Secured Bonds		
6.21%, Due December 2013	140	6.33 %
5.74% Due May 2014	250	5.92 %
6.25%, Due October 2034	250	6.41 %
5.02%, Due March 2037	250	5.06 %
5.58%, Due January 2038	200	5.62 %
12 Year KfW Loans		
Tranche A, Due March 2020	73	5.17 %
Tranche B, Due March 2020	17	Floating*
Tranche A, Due June 2020	75	5.18 %
Tranche B, Due June 2020	15	Floating*
2.95% KfW Loan, Due January 2021	99	3.08 %

* CAD LIBOR plus 30 basis points

190
 191
 192
 193
 194
 195
 196
 197
 198
 199
 200
 201
 202
 203
 204
 205
 206
 207
 208

In addition to the long-term debt, the Company has a \$155.0 million, 5-year revolving credit facility with a syndicate of Canadian Banks. The facility matures in May 2013 and, as at the date of this submission, it was un-drawn (with the exception of approximately \$0.3 million in letters of credit).

As shown in Table 5-1, financing expense increased by \$17.5 million from 2008/09 to 2009/10 primarily due to:

- \$6.4 million additional interest relating to the \$140.0 million bond series issued in December 2008;
- \$2.2 million additional interest relating to the \$108.0 million KfW loan received in January 2009, to partially finance the purchase of the *Northern Expedition*;
- \$11.5 million less interest capitalized reflecting the completion of the vessel replacement program for the Major and Northern Routes;

209 partially offset by;
210
211 • \$2.3 million in additional interest rate support through the Structured
212 Financing Facility (SFF) program offered by the Government of Canada,
213 reflecting the fiscal allocation relating to the purchase of the *Island Sky* and
214 the life extension of the *Queen of New Westminster*. In October 2009,
215 approval was received for up to \$1.0 million of interest rate support payments
216 through the SFF program relating to the life extension of the *Quinsam*.

217
218 In fiscal 2010/11, BC Ferries is forecasting financing expenses of \$73.3 million, an
219 increase of \$5.6 million over fiscal 2009/10. This increase is anticipated primarily
220 due to lower funding under the SFF program, lower credits for interest during
221 construction, and an increase in capital lease payments. This increase will be
222 somewhat offset by interest savings on lower loan balances. In April 2010,
223 BC Ferries received approval for up to \$1.8 million in SFF funding in support of the
224 capital upgrade for the *Quadra Queen II*.

225
226 In fiscal 2011/12, BC Ferries is forecasting financing expenses of \$74.2 million, an
227 increase of \$1.0 million, which can be attributed to increases in credit facility
228 drawings, the annualization of capital lease payments and higher forecast short-term
229 interest rates.

231 **Gain/Loss on Disposal of Assets**

232 When BC Ferries disposes of its assets, it must recognize a gain or loss on the sale.
233 In the third quarter of 2009/10, the book values of the three vessels held for sale,
234 the *Queen of Saanich*, the *Queen of Vancouver* and the *Queen of Prince Rupert*, were
235 written down. The write-downs totalled \$2.9 million, reflecting market conditions and
236 management expectations. In the fourth quarter, the *Queen of Saanich* and the
237 *Queen of Vancouver* were sold for nominal proceeds. The loss on write-down of these
238 vessels was partially offset by a \$1.8 million gain on sale of surplus land adjacent to
239 the BC Ferry ship repair facility in Richmond, BC. Results in the prior year (2008/09)
240 included a \$1.2 million gain from the sale of the *Queen of Esquimalt* and a
241 \$0.7 million loss from the sale of the *Queen of Tsawwassen*.

242
243 In fiscal 2010/11, a \$9.3 million gain is being recognized due to the sale of the head
244 office building. In August 2008, BC Ferries entered into an agreement to sell its
245 existing head office building, allowing for the relocation and consolidation of its
246 corporate centre to a new building in downtown Victoria which will be completed in
247 October 2010.

248

249 ***Allocation of Expenses***

250 **Allocation Methodology**

251 In order to account for all costs at the route and route group level, BC Ferries must
252 assign direct, overhead and indirect costs incurred in the operation of its business to
253 each route. Costs incurred directly at the route level are easily assignable to a route
254 or route group. For example, direct expenses, such as vessel labour and fuel costs
255 are easily applied to the route in which the vessel operates.

256

257 However, costs incurred at the terminal and at the administrative level (indirect costs
258 and overheads) are not necessarily readily assignable to any one specific route or

259 route group. Examples of such costs include expenses incurred in multi-route
260 terminals, payroll and accounting services, terminal asset management, etc. These
261 indirect costs all serve to ensure that the ferry on a route continues to operate, but
262 are not specific to one route. Therefore, costs that are not specific to any particular
263 route or route group must be allocated to a route in a systematic and rational way.
264

265 BC Ferries carries out an allocation procedure with respect to all of its costs that are
266 not directly assignable to a specific route or route group. In most respects, the
267 allocation of expenses is based on the same principles as the allocation of revenues,
268 with the exception of some expenses requiring a two-step process. For example,
269 maintenance costs are directly attributable to a vessel. However, to allocate costs,
270 including maintenance to each route, total vessel costs are allocated to the route
271 based on the number of vessel sailing hours the vessel operates on the route.
272

273 Table 5-3 provides a guide to the types of indirect costs that are allocated to routes,
274 the allocation factor used and the methodology followed.

275
276
277
278

Table 5-3
Allocation of Actual Operating Expenses

Type of Expense	Allocation Factor	Allocation Methodology*
Operational Administration and Human Resources	Productive route labour hours	Allocated to routes based on productive labour hours.
Catering - Direct Overhead	Net catering revenue	Allocated across catering routes based on each route's percentage of net catering revenue.
Reservations - Direct Overhead		
Inquiry	Total tariff revenue	Historically 60% of all Reservations expenses are Inquiry related. Allocated across all routes based on each routes percentage of tariff revenue.
Booking	Quantity of reservations	Historically 40% of all Reservations expenses are Booking related. 50% of this is allocated to routes based on quantity of reservations booked to a route. The remaining 50% is allocated to routes based on total value of reservations redeemed on a route.
Operations & Security Centre #	Total passengers	Allocated to routes based on total passengers per route.
Travel Services #	Total Revenue	Allocated across all routes based on total revenue per route.
Amortization - Capital Assets		
Vessels	Vessel sailing hours	Amortization for each vessel is allocated to individual routes based on vessel sailing hours.
Terminals	Vehicle throughput	Amortization for multi-route terminals is allocated to individual routes based on vehicle throughput.
Other	Total Revenue	Amortization for overhead assets is allocated to individual routes based on total revenue.
Fuel Deferral Accounts # PT 2 Submission Costs	Total Tariff Revenue	Amortization of fuel deferrals for each route group is allocated to individual routes based on tariff revenues within that route group.
Corporate Human Resources Workforce Development	Productive route labour hours	Allocated across all routes based on productive route labour hours.
Business Development Purchasing & Materials Administration Corporate Support Services	Total Revenue	Allocated across all routes based on total revenue per route.
Financing Expense	Net Book Value of Capitalized Assets	Allocated based on the NBV of Capital assets employed on each route. The NBV of Vessels is allocated to routes based on vessel sailing hours. The NBV of Terminals is allocated to routes based on vehicle thru put.
DPMI (Gain)/Loss	Refit and Maintenance Cost	The DPMI (Gain) Loss is allocated to routes based on the refit & maintenance costs.
Pacific Marine Ventures Inc # BCF Global Services Inc	Total Direct Revenue	Allocated across all routes based on total direct revenue per route.
BCF Captive (Gain)/Loss	Vessel Policies	Allocated across all routes based on allocated marine insurance.
	Terminal Policies	Allocated across all routes based on total revenue per route.
	Administrative & Investment Income	Allocated across all routes based on total revenue per route.
(Gain)/Loss on Disposal of Fixed Assets		
Vessels Assets	Vessel Sailing Hours	Losses (Gains) directly attributable to vessels are first assigned to the route group the vessel served and are then allocated to routes based on vessel sailing hours.
Terminals Assets	Vehicle Throughput	Losses (Gains) directly attributable to terminals are allocated to routes based on vehicle thru put.
Overhead Assets	Total Revenue	Losses (Gains) on overhead assets are allocated based on total revenue.

**Note: This allocation methodology remains unchanged from that used in the calculation of required price caps for performance term two, with the exception of the addition of new expense categories denoted by a "#".*

279
280
281
282

283
284
285
286
287
288
289
290
291
292
293

Expenses Allocated to Route Groups

Table 5-4 provides an allocation, by route group, of expenses for performance term two. Expenses allocated by designated ferry route are provided in the route statements attached as Appendix B.

Table 5-4
Summary of Operating Expenses, Amortization, Financing Expenses and Loss/Gain on Disposal/Impairment of Capital Assets by Route Group
(\$ Millions)

Route Groups	2008/09	2009/10	<i>Forecast 2010/11</i>	<i>Forecast 2011/12</i>
Group 1 (Majors)	375.4	400.4	<i>407.0</i>	<i>422.2</i>
Group 2 (Route 3)	46.2	46.2	<i>46.8</i>	<i>48.8</i>
Group 3 (Northern)	53.9	74.5	<i>78.5</i>	<i>82.0</i>
Group 4 (Minors)	165.7	175.6	<i>182.3</i>	<i>190.9</i>
Unregulated Routes	1.9	1.8	<i>1.9</i>	<i>1.9</i>
TOTAL	643.1	698.5	<i>716.5</i>	<i>745.8</i>

1 **Section 6: Alternative Service Providers**

2
3 In accordance with the requirement under Section 40(1)(f) of the Act, Section 6 of
4 this submission provides information on the requests for proposal issued, or other
5 actions taken, in the current performance term in accordance with Section 69, and
6 the responses received to those requests, actions and proposals by BC Ferries.
7

8 In March 2008, in accordance with the requirements of Section 69 of the Act, prior to
9 the amendment by the *Miscellaneous Statutes Amendment Act (No. 3) - 2010*,
10 BC Ferries submitted its ASP Plan for the second performance term of the CFSC to
11 the Commissioner. The amendments to Section 69 of the Act were brought into
12 force on June 24, 2010. No actions have been required of or taken by BC Ferries
13 pursuant to the amended provisions of Section 69.
14

15 The performance term two ASP Plan set out the designated ferry routes for which
16 BC Ferries would seek Alternative Service Delivery (ASD) options in the second
17 performance term, the general approach used to identify routes as candidates for
18 ASD, the process that BC Ferries uses to explore and implement ASD initiatives, and
19 the lessons learned during the first performance term.
20

21 The ultimate objective of seeking additional or alternative service providers is to
22 ensure that safe, reliable and quality service is provided at the most attractive
23 financial terms. The determination of who should provide the service is based on
24 value rather than price alone, with a strong emphasis on safety, reliability and
25 quality of service. Nonetheless, savings from contracting with third-party service
26 providers is a key consideration. BC Ferries uses a business case methodology as the
27 central decision-making tool throughout the assessment process.
28
29

30 ***Implementation of the ASP Plan***

31 The status of the initiatives included in the performance term two ASP Plan, including
32 the actions undertaken by BC Ferries in respect of those initiatives are described
33 below. Section 69 of the Act, as amended, does not require further action by
34 BC Ferries with respect to the ASP Plan that was filed.
35

36 **Route 12 : Mill Bay - Brentwood Bay**

37 BC Ferries' process to seek ASPs to deliver ferry service on Route 12 was
38 completed in 2008/09. The final stage of the process involved the issuance of a
39 Request for Proposal (RFP), to which BC Ferries received a single proposal.
40 BC Ferries performed an extensive assessment of the proposal received from the
41 potential ASP and engaged an external independent party to review the
42 Company's evaluation. In June 2008, BC Ferries concluded that it can operate
43 Route 12 in a more cost-effective manner than that proposed by the potential
44 ASP and BC Ferries will continue to be the provider of ferry service on Route 12.
45 The process for seeking ASPs on Route 12 is complete.
46
47
48
49

50 **Northern Gulf Islands**

- 51 **Routes 23 : Campbell River - Quadra Island**
- 52 **Route 24 : Quadra Island - Cortes Island**
- 53 **Route 25 : Port McNeil - Sointula - Alert Bay**

54 In August 2008, BC Ferries issued a Request for Expressions of Interest (RFEOI)
55 as the first step in the process for seeking an ASP for three Northern Gulf Island
56 routes - Routes 23, 24 and 25. No respondent to the RFEOI elected to proceed,
57 and consequently, the process is complete. BC Ferries continues to be the
58 provider of ferry service on these routes.

59
60

Northern Routes

- 61 **Route 10 : Port Hardy - Prince Rupert**
- 62 **Route 11 : Queen Charlotte Islands - Prince Rupert**
- 63 **Route 40 : Discovery Coast Passage (Port Hardy - Mid Coast)**
- 64 **Route 26 : Skidegate - Alliford Bay**

65 The Northern Routes were chosen in performance term one (2003 – 2008) as
66 candidates for ASD in part because the three existing vessels, *Queen of Prince*
67 *Rupert*, *Queen of the North* and the *Queen of Chilliwack*, were nearing the end of
68 their useful lives and faced potential compliance issues in respect of future
69 Transport Canada regulations. In addition, the CFSC required BC Ferries to
70 provide a number of deliverables for the Northern Routes in performance term
71 one, including the development of a long-term strategy to improve customer
72 service and enhance operational efficiencies. BC Ferries believed that an ASD
73 initiative would help to respond to these imperatives.

74

75 A RFEOI was issued by the Company on August 2, 2005 to identify ASPs
76 interested in delivering ferry services on the Northern Routes. Plans to implement
77 the next phase of the procurement process, a combined Request for
78 Qualifications and RFP, was deferred as a result of the loss of the *Queen of the*
79 *North* on March 22, 2006. Instead, BC Ferries elected to devote its limited
80 resources to restoring service to the Northern Routes and ensuring timely
81 acquisition of replacement vessels for the northern service.

82

83 The imperatives underlying BC Ferries' original decision to seek ASPs for the
84 Northern Routes have lessened in the period since the loss of the *Queen of the*
85 *North*. The original concept for the Northern Routes ASD initiative contemplated
86 the ASP providing replacement vessels for BC Ferries' northern vessels. However,
87 BC Ferries has since brought two primary replacement vessels, *Northern*
88 *Adventure* and *Northern Expedition*, into service on the northern routes. In
89 addition, the *Queen of Chilliwack* will be refit to enable it to continue operating
90 safely until 2016/17. In view of the foregoing, the Company has suspended
91 action on the Northern Routes ASD initiative.

92
93

Sunshine Coast

- 94 **Route 17 : Comox - Powell River**
- 95 **Route 18 : Powell River - Texada Island**

96 As required by the CFSC, BC Ferries developed a vessel and service strategy with
97 respect to Routes 17 and 18. This strategy was developed after extensive
98 consultation with the community and included a series of options. The strategy
99 document was submitted to the Ministry in September 2005. In February 2010,
100 the Ministry responded advising BC Ferries that the strategy and its options is
101 under consideration by the Province. As it is five years since BC Ferries submitted
102 the strategy, the Ministry requested that BC Ferries update the report with
103 current information. This work has been completed. The viability of pursuing ASD

104 arrangements for these routes will be considered once a response is received
105 from the Province.
106

107 ***Initiatives Supplemental to the ASP Plan***

108

109 **Mid-Coast Ports**

110 **Shearwater and Ocean Falls**

111 Supplemental to the performance term two ASP Plan, the Company undertook an
112 ASD process for service between Bella Bella, Shearwater and Ocean Falls.
113 Service to these ports is presently provided in the peak season as part of Route
114 40 (Discovery Coast) using the *Queen of Chilliwack* and in the off-peak season as
115 part of Route 10, using the *Nimpkish*. BC Ferries issued an RFP in June 2009 for
116 an ASP to provide service to these ports, and based on the proposals received,
117 concluded that sub-contracting with an ASP to provide the service would generate
118 significant savings. However, the Province was not in a position to confirm that
119 BC Ferries could proceed as per the CFSC and, consequently, the Company
120 cancelled the initiative in December 2009. As part of an on-going effort to identify
121 cost effective and efficient ways to deliver safe, reliable ferry services, BC Ferries
122 is further considering pursuing an ASP for Route 10 off-peak service to these
123 ports. While BC Ferries has recently received an unsolicited proposal for this
124 service, the intent is to issue an RFP to those proponents who participated in the
125 RFP for the service that was issued last year. Subject to confirmation from the
126 Province on the service levels required for this potential ASD initiative, BC Ferries
127 expects to issue the RFP for this service later this year.
128

129 **Cable Ferry Service for Route 21**

130 **Buckley Bay - Denman Island**

131 BC Ferries is continuing to review the feasibility of a cable ferry alternative for
132 Route 21. Should a cable ferry prove to be feasible, BC Ferries expects to seek an
133 ASP to deliver the service.
134

PART II

Other Information

This page intentionally left blank.

1 **Section 7: Capital Expenditures**

2
3 In accordance with Section 40(1)(g) of the Act, Section 7 of this submission is
4 intended to provide the Commissioner with a review of capital expenditures
5 BC Ferries has, and expects to, incur in performance term two and performance term
6 three. BC Ferries considers this information relevant for purposes of the
7 Commissioner's determination of the price caps for performance term three.

8
9 BC Ferries operates one of the largest ferry transportation systems in the world
10 providing vehicle and passenger transportation and related services in the coastal
11 waters of British Columbia. As a provider of ferry service, BC Ferries is required to
12 incur large capital expenditures for vessels, terminals and other infrastructure, to
13 maintain a safe, reliable and efficient service.

14
15 Capital expenditures include the purchase or upgrade of vessels, improvements to
16 terminals and marine structures, and investments in appropriate management
17 systems and ancillary business facilities that ultimately enhance safety, service
18 reliability and quality, and the customer's experience while traveling.

19
20 Pursuant to Section 41(3)(c) of the Act, the Commissioner must, in setting price
21 caps:

22
23 *"(c) determine whether it was reasonable, in the Commissioner's*
24 *opinion, acting reasonably, for the ferry operator to have incurred*
25 *capital expenses in relation to a designated ferry route included*
26 *in the route group, and take into account only those capital*
27 *expenses that: (i) are determined under this paragraph to be*
28 *reasonable, or (ii) had been approved under Section 55."*
29

30 Based on the above, the Commissioner must determine whether or not the level of
31 capital expenditures BC Ferries has incurred over performance term two, some of
32 which will be a forecast due to the timing of this report, was reasonable and should
33 therefore form part of the cost structure of BC Ferries for the purposes of calculating
34 price caps for performance term three.

35
36 Capital expenditures impact performance term three price caps through their
37 influence on amortization expense and cost of capital. Therefore, the price caps
38 established for performance term three must take those costs into account.
39

40 ***Overview of Capital Projects***

41 To ensure that its capital projects are reasonable and appropriate, BC Ferries
42 undertakes a comprehensive planning and approval process for all capital
43 expenditures. As well, BC Ferries can submit capital projects for review by the
44 Commissioner under Section 55 of the Act, prior to committing to the project.
45 Section 55 filings enable the Company to seek an early determination by the
46 Commissioner of whether a particular capital expenditure is reasonably required and
47 will, therefore, be included in the setting of future price caps.
48

49 **Capital Planning Process**

50 BC Ferries has developed a framework to guide the planning process to ensure
51 alignment with, and achievement of, the Company's strategic objectives. The
52 framework not only addresses the long-term capital asset management strategy but
53 also provides a flexible mechanism to respond to the needs of operational
54 requirements and emerging business opportunities in the short-term.

55
56 The Company continues to refine its capital management process to validate the
57 needs, requirements and timing of projects and to ensure that they are completed in
58 the most cost effective manner. The capital management process includes:

- 59
60
- 61 • Master Planning
 - 62 • Condition Surveys
 - 63 • Project Management Framework and Guidelines
 - 64 • Project Risk Classification.

65 **Master Planning Process**

66 One of BC Ferries' biggest challenges has been its aged infrastructure. Consequently,
67 capital expenditures have and will continue to focus on replacing or renewing the
68 fleet as well as upgrading terminals.

69
70 To assist BC Ferries in prioritizing and scheduling infrastructure upgrades, master
71 plans are developed for terminals and vessels. Master planning involves the
72 development of long-term vessel deployment and retirement plans, comprehensive
73 vessel and terminal condition surveys and associated long range maintenance plans.

74
75 The ultimate goal of the master planning process is to develop long-term strategies
76 that will allow BC Ferries to provide cost-effective ferry services and replace capital
77 assets in a planned and financially responsible manner.

78

79 **Condition Surveys**

80 BC Ferries conducts condition surveys for all terminals and vessels at specified times
81 during their economic lives. The Company uses these surveys to help identify capital
82 project needs and to ensure that assets reach their expected useful lives while
83 adhering to the regulated standards. The surveys, completed by independent
84 assessors, are intended to examine both the asset and its major components to
85 determine the remaining useful life, deficiencies and cost to address these
86 deficiencies.

87

88 A condition assessment survey combines with the regular maintenance reports and
89 class surveys to audit the effectiveness of the maintenance strategy undertaken over
90 the economic life of the asset, and assists in defining the maintenance strategy
91 required to ensure the asset reaches its expected economic life.

92

93 **Project Management Framework and Guidelines**

94 The Project Management Framework and Guidelines (the "Framework") applies to all
95 capital and major operating projects at BC Ferries. The Framework is intended to
96 promote a disciplined approach to the identification, management and delivery of

97 projects and provides key principles, techniques and tools for managing projects
 98 over the life cycle of the expenditure.

99
 100 Key elements of the policy document include:

- 101
- 102 • Prior to release of funding, all capital projects are supported by a business
 103 case. A business case establishes the approved scope, budget and schedule
 104 as well as identifying project risks and risk mitigation strategies.
- 105 • Each active capital project has an identified Sponsor, Owner, Manager and
 106 Analyst.
- 107

108 Project Risk Classification

109 To ensure an appropriate reporting and monitoring process for projects, the
 110 Company utilizes a project classification system to determine which active projects
 111 are reviewed, to what degree and how often. The system is based on a combination
 112 of both cost and risk.

115 Capital Spending in Performance Term Two

116 Over performance term two, BC Ferries expects to incur a total of \$714.6 million in
 117 capital expenditures. Table 7-1 identifies the capital expenditures made or expected
 118 to be made in relation to vessels, terminals, or other (all projects not captured in
 119 vessels and terminals).

120
 121 Table 7-1
 122 Capital Expenditures: Performance Term Two
 123 (Inclusive of Section 55 Supported Capital)
 124 (\$ Millions)
 125

Fiscal Year	08/09 Actual	09/10 Actual	10/11 Forecast	11/12 Forecast	Total	% of Total
Vessels	422.7	29.1	(71.1)*	39.0	419.7	58.7%
Terminal	49.5	29.8	62.9	56.0	198.1	23.8%
Other	21.7	22.5	34.0	18.7	96.9	11.6%
Total	493.9	81.4	25.8	113.6	714.6	100.0%

126 * Vessel expenditures in 2010/11 include \$48.3 million of planned expenditures offset by
 127 \$119.4 million in duty remission associated with the Coastal Class vessels and the Northern
 128 Expedition

129 Note: Forecast capital expenditures do not include capital leases.

130
 131 Included in the \$714.6 million of capital expenditures represented in Table 7-1, are
 132 projects ranging in value from the acquisition of the *Northern Expedition* to much
 133 smaller capital purchases such as vehicles, catering equipment and vessel electronics.

134
 135 Due to competitive considerations, BC Ferries has not provided in this report the
 136 forecast costs of ongoing projects not yet in-service or those forecast to begin in
 137 fiscal years 2010/11 and beyond.

139 All projects undertaken or expected to be undertaken in performance term two have
140 gone or will go through the capital planning and approval process as described above,
141 and are considered by BC Ferries to be reasonable and required for the continued
142 safe, reliable and efficient operation of the BC Ferry system. BC Ferries submits,
143 therefore, that these projects should be included by the Commissioner in the setting
144 of performance term three price caps.

145

146 Of the forecast \$714.6 million in capital expenditures for performance term two,
147 approximately \$262.7 million is associated with projects that have been determined
148 as "reasonably required" by the Commissioner, through Section 55 Orders. These
149 Section 55 Orders were associated with the following three projects:

150

- 151 • Coastal Class Vessels;
- 152 • *Island Sky*; and
- 153 • *Northern Expedition* and associated terminal upgrades.

154

155 The remaining capital expenditures for performance term two are approximately
156 \$451.9 million. To assist the Commissioner in making his determination of whether
157 or not these were, or are, reasonably required, BC Ferries has provided in this report,
158 justifications and summaries of those projects that have actual or forecast
159 expenditures within performance term two of \$5.0 million or greater.

160

161 Table 7-2 provides an overview of performance term two capital expenditures further
162 detailed in this report.

163
164
165

Table 7-2
Capital Expenditures and Project Costs – Performance Term Two

Listing of Capital Projects		Total Project Capital Costs (\$ Millions)	Capital Expenditure In Performance Term Two (\$ Millions)
Section 55 Supported Capital			
	A. Coastal Class Vessels	\$431.8	\$70.5 *
	B. Northern Expedition and Associated Terminal Upgrades	\$188.1	\$165.8 **
	C. Island Sky	\$53.5	\$26.4
	Sub-Total	\$673.5	\$262.7
Projects with Total Costs of \$5 Million or Greater in PT2			
In-Service April 2008 through March 2010	1 Queen of New Westminster - Asset Betterment	\$51.6	\$35.5
	2 Quinitsa - Asset Betterment	\$14.7	\$6.0
	3 Enterprise Resource Planning (Maximo & Oracle) Upgrade	\$11.4	\$10.0
	4 Operations and Security Centre	\$9.3	\$8.6
	5 Departure Bay - Holding Compound/Parking Reconfiguration	\$8.8	\$5.4
	6 Powell River Queen - Refurbishment of Car Deck	\$7.9	\$5.2
	7 Various Terminals: Security Upgrades	\$6.4	\$5.3
	8 Departure Bay - Waiting Room (Modifications to Bistro)	\$6.3	\$5.9
	Sub-Total	\$116.4	\$81.8
Ongoing April 2010 through March 2012	9 Various Vessels - Sewage Treatment Program	\$230.8	\$178.9
	10 New Minor Vessel - Cable Ferry		
	11 Tsawwassen - Berth 4 Rebuild and Berth 3 & 4 Foot Passenger Gangways		
	12 Customer Service System (Reservations and Point of Sale)		
	13 Quinsam - Asset Betterment		
	14 Swartz Bay - Berth 4 and 5 Marine Works		
	15 Quadra Queen II - Life Extension		
	16 Queen of Chilliwack - Life Extension		
	17 Hornby Island - Berth Rebuild		
	18 Various Terminals - Sewage Pump Ashore Program		
	19 Little River - Ramp, Abutment, Tower, Wingwall & Dolphin Replacement		
	20 Tsawwassen - Berth 5 Dolphins, Catwalk, and Sheet Pile Wall		
	21 Denman East - Wingwalls, Ramp, Apron, Towers and Turning Dolphin Replacement		
	Sub-Total	\$230.8	\$178.9
Total Projects \$5 Million or Greater		\$347.2	\$260.7
Total Projects \$5 Million or Greater and/or Supported by Section 55 Orders		\$1,020.7	\$523.4
Projects with Capital Costs in PT2 Less Than \$5 Million			\$191.2
TOTAL CAPITAL EXPENDITURES - PERFORMANCE TERM TWO			\$714.6

* \$152.8 million of capital expenditure offset by \$82.3 million of duty remission

** \$202.9 million of capital expenditure offset by \$37.2 million of duty remission

166

167 Section 55 Supported Capital

168 As noted above, filings pursuant to Section 55 of the Act enable the Company to
169 seek an early determination by the Commissioner of whether a particular capital
170 expenditure is reasonably required and will, therefore, be included in the setting of
171 future price caps.

172

173 To date in performance term two, BC Ferries has made no Section 55 filings.
174 However, three Section 55 filings submitted in performance term one involved capital
175 projects with expenditures that carried into performance term two. The following
176 describes briefly each of those applications and the determinations made by the
177 Commissioner with respect to them.

178

179 **A. Coastal Class Vessels**
180 This project involved the construction of three Coastal Class vessels which were
181 placed into service as follows:

182
183 *Coastal Renaissance:* March 2008
184 *Coastal Inspiration:* June 2008
185 *Coastal Celebration:* November 2008
186

187 The arrival of these three vessels allowed for the retirement of three V class
188 vessels (the *Queen of Vancouver*, *Queen of Saanich* and *Queen of Esquimalt*)
189 which had each reached more than 40 years old.

190
191 The Commissioner declared the acquisition of the three Coastal Class vessels to
192 be reasonably required in Order 04-01.

193
194 The final cost of the three vessels, including critical spare components and
195 related minor dock modifications, is forecast at \$431.8 million with approximately
196 \$70.5 million being spent within performance term two. This compares
197 favourably to the Section 55 Order which allows for total expenditures of up to
198 \$542.0 million.
199

200 **B. Northern Expedition and Associated Terminal Upgrades**

201 This project involved the construction of a new ship for the Northern Routes and
202 the associated terminal modifications, allowing for the retirement of the *Queen of*
203 *Prince Rupert*. The Commissioner declared the acquisition of this new vessel and
204 the associated terminal modifications to be reasonably required in Orders 06-06
205 and 06-07.
206

207 The new vessel, *Northern Expedition*, went into service in May of 2009 and the
208 project, including the terminal works, is essentially complete at an overall
209 forecast cost of \$188.1 million (approximately \$157.8 million for the vessel and
210 \$30.3M for the terminal upgrades). Approximately \$165.8 million of the cost falls
211 in performance term two. This compares favourably to the Section 55 Orders
212 which allowed for total expenditures of up to \$199.4 million for the vessel and
213 \$33.4 million for the terminal upgrades.
214

215 **C. Island Sky**

216 This project involved the construction of the *Island Sky*, allowing for the
217 retirement of the *Queen of Tsawwassen*. The acquisition was declared to be
218 reasonably required by the Commissioner in Order 05-03.
219

220 The *Island Sky* went into service in February of 2009; however, the project
221 remains ongoing while outstanding contractual issues with the shipyard are
222 resolved. The forecast cost of the vessel is \$53.5 million with approximately
223 \$26.4 million being spent in performance term two.
224

225 BC Ferries was successful in its application for SFF support. Industry Canada
226 approved SFF funding on this project (through interest relief) to a maximum of
227 \$6.8 million. The forecast \$53.5 million cost of the project reflects approximately
228 \$2.5 million in reduced interest during construction costs that were reimbursed
229 under the SFF. The remainder of funding is received as interest relief.
230

231 **Other Projects with Performance Term Two Expenditures**
232 **of \$5.0 Million or Greater**

233 Provided below are summaries of other projects undertaken or expected to be
234 undertaken in performance term two that involve capital expenditures in
235 performance term two of \$5.0 million or greater. The projects are diverse and
236 include acquisition and implementation of a cable ferry; vessel upgrades and life
237 extensions; terminal upgrades and marine structure replacements; and computer
238 system upgrades and replacements. As indicated above, BC Ferries believes that
239 each of the projects is reasonable and required for the continued safe, reliable and
240 efficient operation of the BC Ferry system. Accordingly, the Company submits that
241 these projects should be included by the Commissioner in the setting of performance
242 term three price caps.

243 ***Projects Undertaken from April 2008 through March 2010***

244

245 **1. *Queen of New Westminster – Asset Betterment* \$51.6 Million**

246

247 This 14-month project involved significant upgrades to the *Queen of New*
248 *Westminster*, with approximately \$35.5 million being spent in performance term two.
249 The vessel returned to service in April 2009.

250

251 The project was necessary to extend the vessel's life until approximately 2021 (at
252 which time the vessel will be 57 years from its original construction) and enable it to
253 be redeployed to Route 1 (Swartz Bay - Tsawwassen) where it could operate more
254 efficiently. While there was no specific Section 55 application for this project, the
255 retention and redeployment of the *Queen of New Westminster* was referenced in the
256 Section 55 application for the Coastal Class vessels.

257

258 The scope of work for the *Queen of New Westminster* Asset Betterment project was
259 similar to Mid-Life Upgrades that were previously performed on the C-Class vessels.
260 The asset betterment included safety upgrades, passenger accommodation
261 improvements, engineering upgrades, and extraordinary maintenance work. In
262 addition, the vessel was outfitted with four new state-of-the-art marine evacuation
263 systems.

264

265 The major project work included:

266

- 267 • Installing new lifesaving equipment, slides and rescue boats;
- 268 • Upgrading the electronic propulsion controls, fire and sprinkler pumps;
- 269 • Installing a new bow thruster, service generator, emergency generator and
270 boiler;
- 271 • Upgrading the passenger seating areas, food service facilities, gift shop and
272 washrooms;
- 273 • Rebuilding the drive train, shafts and gearboxes;
- 274 • Upgrading the heating, ventilation and air conditioning systems; and
- 275 • Installing a premium seating lounge.

276

277 BC Ferries was approved for SFF funding for this project amounting to \$5.0 million.
278 The \$51.6 million cost of the project reflects approximately \$1.7 million in reduced

279 interest during construction costs that were reimbursed under the SFF. The
280 remainder of funding is received as interest relief.

281

282 **2. *Quinitsa – Asset Betterment* **\$14.7 million****

283

284 The primary objective of this project was to enable the vessel to provide up to 20
285 more years of reliable service (representing a life extension of approximately 5 years
286 with a revised retirement date of approximately 2028).

287

288 The scope included upgrades to the vessel's lifesaving appliances, propulsion
289 equipment, electrical systems, and passenger spaces. It also included the installation
290 of new main engine keel coolers, renewing sections of the underwater shell and
291 structure, as well as car deck steel replacement.

292

293 The major project work included:

294

- 295 • Upgrading lifesaving appliances, including a new rescue boat and davit;
- 296 • Installing four new main engines;
- 297 • Installing new controls in the wheelhouse and machinery control room, two
298 new generator sets and a new switchboard;
- 299 • Completing structural fire protection upgrades;
- 300 • Upgrading fire detection and alarm systems;
- 301 • Upgrading the passenger and crew accommodation areas;
- 302 • Blasting and painting of structures and plating; and
- 303 • Renewing substantial piping and steelwork.

304

305 The project cost \$14.7 million with approximately \$6.0 million being spent in
306 performance term two. The vessel returned to service in June of 2008.

307

308 **3. *Enterprise Resource Planning (Maximo & Oracle) Upgrade* **\$11.4 million****

309

310 The Enterprise Resource Planning system contains enterprise-wide applications that
311 are critical to the operations of BC Ferries. These applications include financial
312 management and reporting, human resource management, supply chain
313 management, maintenance scheduling and reporting, accounts receivable and
314 payable, online training, capital and operating expense budgeting and forecasting,
315 and safety audit tracking. The existing systems were approximately 9 years old and
316 no longer vendor supported. This project involved an enterprise-wide application
317 upgrade, with approximately \$10.0 million forecast in performance term two.

318

319 The scope of this project also included implementation of changes to support known
320 future requirements of IFRS.

321

322 **4. *Operations and Security Centre* **\$9.3 million****

323

324 The Operations and Security Centre (the "OSC") is a central location for monitoring
325 day-to-day operations and providing incident management support. The primary
326 purpose of the OSC is to collect information from throughout the company, provide

327 enhanced situational awareness and assessments, increased security monitoring
328 and a coordinated response during any incident.

329

330 Operating 24 hours a day, seven days per week, it is a physical location that
331 includes staff with expertise on security, fleet and terminal operations and customer
332 service. The OSC helps BC Ferries respond to changes in Maritime Security levels
333 and comply with the requirements of the *Marine Transportation Security Act* (the
334 "MTSA").

335

336 This project is forecast to cost \$9.3 million, with approximately \$8.6 million forecast
337 in performance term two. The OSC began operations in May 2009.

338

339 **5. Departure Bay – Compound and Parking Reconfiguration \$8.8 million**

340

341 Pursuant to, and consistent with, the Master Plan for the Departure Bay terminal,
342 this project included the reconfiguration of the holding compound, short-term
343 parking and long-term parking areas.

344

345 The major project work included:

346

- 347 • Relocating the ticket booths and pre-ticket area to the south end of the
348 terminal site;
- 349 • Constructing a new washroom facility adjacent to the relocated ticket booths;
- 350 • Expanding the vehicle holding area and segregating it into two areas to gain
351 operational loading efficiencies;
- 352 • Providing an access lane on the east side of the holding compound for bus
353 access to the baggage area;
- 354 • Expanding the pick-up and drop-off parking areas; and
- 355 • Rehabilitating the employee parking lot and exit lane.

356

357 This project is forecast to cost \$8.8 million, with approximately \$5.4 million being
358 spent in performance term two.

359

360 **6. Powell River Queen – Refurbishment of Car Deck \$7.9 million**

361

362 This project was required to repair structural defects in the vessel's car deck and
363 related structures.

364

365 The major project work included:

366

- 367 • Replacing deck plating, framing and stiffeners;
- 368 • Installing new fire insulation;
- 369 • Blasting and painting of the entire car deck exposed to weather; and
- 370 • Upgrading of fire detection and control system to current Transport Canada
371 standards.

372

373 The project cost \$7.9 million with approximately \$5.2 million being spent in
374 performance term two. The vessel returned to service in July 2008.

375
376
377
378
379
380
381
382
383
384
385
386
387
388
389
390
391
392
393
394
395
396
397
398
399
400
401
402
403
404
405
406
407
408
409
410
411
412

7. Various Terminals: Security Upgrades **\$6.4 million**

The Domestic Ferries Security Regulations were passed under the MTSA. The Regulations require domestic ferry operators to complete security upgrades at higher risk facilities.

This project upgraded security at nine of BC Ferries' largest terminals, ensuring regulatory compliance. Minor upgrades were also required on several of the vessels that operate on those regulated routes. The scope of the upgrades was based on security vulnerability assessments and associated security plans filed by BC Ferries and approved by Transport Canada.

This project was approved for federal funding through the Marine Security Contribution Program, which reduced the final cost by approximately \$8.0 million. The project is largely complete. After accounting for the federal funding, this project is forecast to cost BC Ferries \$6.4 million with approximately \$5.3 million being spent in performance term two.

8. Departure Bay – Waiting Room and Facility Enhancements **\$6.3 million**

Pursuant to, and consistent with, the Master Plan for the Departure Bay terminal, this project included construction of a new waiting room and a number of passenger facility enhancements.

Some of the major project work included:

- Demolishing the existing cafeteria building;
- Constructing a foot passenger waiting room;
- Installing a new escalator between the waiting room and the upper level walkway to the ship;
- Refurbishing the overhead walkway between the waiting room and gangways;
- Enhancing the exterior patio areas to encourage year-round use; and
- Installation of internal furnishings.

This project is forecast to cost \$6.3 million, with approximately \$5.9 million being spent in performance term two.

Projects Ongoing from April 2010 through March 2012

9. Various Vessels – Sewage Treatment Program

The vessel-based sewage treatment program was established to bring 19 of BC Ferries' vessels into compliance with the new *Canada Shipping Act (CSA)* environmental regulations. By completing these, and associated terminal-based, upgrades (project summary #18) the Company expects to be compliant by the deadline of 2012.

423 The scope allows for installation of holding tanks and fully-automated pump ashore
424 systems on all vessels that can discharge to municipal systems and for holding tanks
425 where vessels are to discharge to sewage truck. Only two vessels will have sewage
426 treatment plants: *Spirit of British Columbia* (already fitted with one Hydroxyl plant)
427 and the *Queen of Capilano*.

428

429 **10. New Minor Vessel – Cable Ferry**

430 BC Ferries has determined that it is technically feasible to replace the conventional
431 ferry service on Route 21 (Buckley Bay – Denman Island) with a cable ferry.

432

433 A preliminary financial analysis has forecast the cable ferry service to yield a 40-year
434 net present value that is more favourable than conventional ferry service. This is
435 due to a combination of anticipated capital and operational cost savings (labour, fuel,
436 and maintenance). The detailed business case in support of this project is still under
437 development.

438

439 The operational environment in Baynes Sound has been determined to be conducive
440 to the safe and reliable operation of a cable ferry. An environmental impact
441 assessment has been conducted. In addition, consultations have been conducted
442 and are ongoing with regulatory agencies such as Transport Canada, the Department
443 of Fisheries and Oceans and the Integrated Land Management Branch; and
444 stakeholders such as Baynes Sound user groups, First Nations groups and customers
445 of Routes 21 and 22.

446

447 The proposed scope of this project would include procurement of a 50-car cable ferry
448 for service on Route 21, including required modifications to the terminals at Buckley
449 Bay and Denman West.

450

451 The introduction of the cable ferry is expected to result in the following vessel
452 redeployments:

- 453 • Cable ferry is deployed to Route 21, replacing the *Quinitsa*
- 454 • The *Quinitsa* is deployed to Route 22, replacing both the *Kahloke* and *Tachek*
- 455 • The *Tachek* is deployed to Route 24, replacing the *Tenaka* which is retired
456 without replacement
- 457 • The *Kahloke* becomes the full time relief vessel.

458

459 Regulatory approval for this project has not yet been obtained. Should this project
460 not proceed for regulatory or other reasons, significant elements of the capital plan
461 will need to be revisited.

462

463 **11. Tsawwassen – Berth 4 Rebuild and Berth 3 & 4 Foot Passenger** 464 **Gangways**

465

466 This project involves upgrading the marine structures in Berth 4 at the Tsawwassen
467 terminal. Extensive work is required to replace obsolete assets, improve operational
468 efficiency, and enable service by Spirit and Coastal Class vessels. Additionally, the
469 project will complete repairs to the sheet pile wall from Berth 3 to the Berth 5
470 waiting lounge to remedy damage caused over the years by vessel propeller wash.

471

472 Construction began in December of 2009 and is forecast to complete in 2010/11.

473

474
475
476
477
478
479
480
481
482
483
484
485
486
487
488
489
490
491
492
493
494
495
496
497
498
499
500
501
502
503
504
505
506
507
508
509
510
511
512
513
514
515
516
517
518
519
520
521
522
523

12. Customer Service System (Reservations and Point of Sale)

The existing reservations system was purchased in 1993 and the existing point of sale system was developed in 1998. Since then, both systems have undergone significant customization to meet BC Ferries' evolving needs. These aging systems now require replacement both from a technical and functional perspective.

This project is expected to involve the replacement of these systems. The project is currently in the pre-implementation stage where the project team is engaged in the business blue printing process, developing a high level architecture and reviewing alternative vendor products and in-house build options. Upon completion of the pre-implementation work, a detailed business case will be prepared defining the scope, schedule, and budget for this project.

This is a large, highly complex, multi-year project with expenditures forecast well into performance term three. The current budget and forecast must be considered preliminary until a detailed business case is prepared and approved.

13. Quinsam – Asset Betterment

This \$17.0 million asset betterment project improved safety and reliability of the vessel while extending its planned retirement date by five years to 2027.

This project was carried out in two phases. Phase I consisted of below-the-waterline coating and shell plating replacement in the vessel's underwater compartments. It started October 20, 2008 and completed February 18, 2009.

Phase II started October 15, 2009 and completed April 16, 2010. The scope of this phase included upgrades to the propulsion systems, lifesaving appliances, fire detection and protection systems, passenger and crew accommodation, as well as significant steel work.

BC Ferries was successful in its application to Industry Canada for SFF funding for Phase II of this project and was approved for funding of up to \$1.0 million.

14. Swartz Bay – Berth 4 and 5 Marine Works

Pursuant to, and consistent with, the Master Plan for the Swartz Bay terminal, this project involves the replacement of the marine structures at Berths 4 and 5 due to the deteriorated condition of these assets. Their replacement is required to maintain service standards for the routes between Swartz Bay and the Southern Gulf Islands and to improve vessel operations in these berths. The scope of the project includes replacement of the ramps, abutments, towers and aprons, along with associated floating structures.

This project is expected to begin in the fall of 2010 and complete before the summer of 2011.

524

525 **15. *Quadra Queen II* – Life Extension**

526

527 The *Quadra Queen II* currently provides service on Route 25 (Port McNeil - Alert Bay
528 - Sointula Islands) and was previously scheduled to be retired in 2014/15. The
529 vessel is currently undergoing a life extension project that will extend its service life
530 by 15 years and defer its planned retirement date to 2029/30.

531

532 The project involves addressing the condition of the vessel's hull by renewing wasted
533 shell plating and structural members in the vessel's compartments below the
534 waterline, with associated re-painting of the vessel's outer ship sides. The project
535 further involves removal of asbestos-containing materials, installation of new
536 lifesaving systems, new electrical switchboard and generators, new bridge, crew
537 mess, and control room lay-outs, improvements to passenger lounges and
538 washrooms, and painting of the vessel's exterior.

539

540 BC Ferries was successful in its application to Industry Canada for SFF funding for
541 this project and has received approval for post project interest rate relief to a
542 maximum of \$1.8 million.

543

544 **16. *Queen of Chilliwack* – Life Extension**

545

546 The *Queen of Chilliwack* was built in 1978 and was scheduled to be retired in 2012.

547

548 In October 2009, the Province indicated that, at this time, it was not willing to
549 support the cost of a replacement vessel through increased Ferry Transportation
550 Fees. The Province's preference was to extend the planned retirement date of the
551 vessel to 2017 by funding through service fee increases a number of required
552 regulatory upgrades. BC Ferries has signed an agreement with the Province to this
553 effect.

554

555 The scope of this project includes upgrades to the car deck watertight doors,
556 lifesaving appliances, sewage holding systems, coatings, electrical systems and
557 passenger and crew facilities.

558

559 As the *Queen of Chilliwack* provides refit relief on Routes 7 and 17, the project is
560 planned to be completed in two phases. Phase 1 is expected to commence in
561 February 2011 and Phase 2 will commence in January 2012.

562

563 **17. *Hornby Island* – Berth Rebuild**

564

565 This project involves replacing most of the shore-based and floating marine
566 structures at the Hornby Island terminal. These structures are at the end of their
567 serviceable lives and require replacement.

568

569 The new structures will be able to accommodate the *Quinitsa* which is anticipated to
570 be redeployed to Route 22 (Denman Island – Hornby Island) after the proposed
571 deployment of a new cable ferry to Route 21 (Buckley Bay – Denman Island).

572

573 It is anticipated that the construction of the new berth will be completed in October
574 2011. In order to reduce the route shutdown time and minimize the impact to
575 operations, the marine structure replacements at Hornby Island have been aligned

576 with the planned replacement of the shore-based marine structures at the Denman
577 East terminal (project summary #21).

578

579 **18. Various Terminals – Sewage Pump Ashore Program**

580

581 In order for BC Ferries to comply with new CSA regulations coming into effect in
582 2012, sewage pumping facilities are required at various terminals including
583 Departure Bay, Duke Point, Langdale, Port Hardy, Skidegate, Tsawwassen and
584 Westview.

585

586 BC Ferries was successful in its application to Industry Canada for Infrastructure
587 Stimulus Funding for each of the seven locations. This funding is expected to reduce
588 BC Ferries' net cost of the program by up to \$6.1 million.

589

590 All projects have commenced and BC Ferries is working with each of the
591 municipalities regarding connection to wastewater treatment plants. Construction
592 will begin in the fall of 2010 (or earlier) as the individual projects must be
593 substantially completed by March 31, 2011 to meet the federal funding requirements.

594

595 **19. Little River – Ramp, Abutment, Tower, Wingwall & Dolphin** 596 **Replacement**

597

598 Many of the marine structures at the Little River terminal have deteriorated and
599 require replacement in 2011/12. A condition assessment survey conducted in 2007
600 indicated that with some repairs, these marine structures would have approximately
601 five years of residual life. Recommendations from the condition assessment report
602 relating to repairs have been implemented in order to achieve the residual life
603 expectations.

604

605 The scope of the project includes replacement of the ramp, abutment and towers
606 with an active lift hydraulic system; and replacement of the wingwalls and portside
607 turning dolphin.

608

609 **20. Tsawwassen – Berth 5 Dolphins, Catwalk, and Sheet Pile Wall**

610

611 This project will complete required upgrades to several shore-based marine
612 structures and dolphins. The scope of this project includes refurbishment of the
613 hydraulic systems, placement of a large volume of rock to protect terminal structures
614 from scouring due to propeller wash, and replacement of outdated timber dolphins
615 with technologically-advanced fendering systems.

616

617 **21. Denman East – Wingwalls, Ramp, Apron, Towers and Turning Dolphin** 618 **Replacement**

619

620 This project involves replacing a number of marine structures at the Denman East
621 terminal located on Denman Island. Routine maintenance inspections identified that
622 the structures are at the end of their serviceable lives and require replacement.

623

624 As described in project summary 17, the new structures will be able to accommodate
625 the *Quinitsa* which is anticipated to be redeployed to this route after the proposed
626 introduction of the cable ferry on Route 21 (Buckley Bay – Denman Island).

627

628 It is anticipated that the construction of the new berth structures will be completed
629 in October 2011. In order to reduce the route shutdown time and minimize the
630 impact to Operations, the work at Denman East has been aligned with the planned
631 marine structure replacements at Hornby Island.

632 **Performance Term Two Capital Summary**

633 In the preceding sections, an overview of the projects that have been completed or
634 planned to be ongoing that have expenditures in performance term two of
635 \$5.0 million or more has been provided. Expenditures on these projects represent
636 approximately 73% of total actual or planned capital spending in performance term
637 two.

638
639 As stated above, each of these projects has undergone or will undergo extensive
640 review and approval processes. BC Ferries has provided this information on capital
641 expenditures for the purposes of it being appropriately included in the calculation of
642 performance term three price caps. It should be noted that the capital expenditure
643 forecasts prepared for the remaining two years of performance term two are
644 estimates, and are therefore subject to change.

Performance Term Three Capital Expenditures

BC Ferries' capital plan extends through the third performance term, with projects for new vessels, vessel upgrades, terminal improvements, and information systems and other general plant and equipment. Table 7-3 provides a summary of the planned capital expenditures and the timing of those expenditures over performance term three. BC Ferries' capital plan is updated on an annual basis and these forecast expenditures are subject to change in performance term three.

Table 7-3
Forecast Capital Expenditures: Performance Term Three
(Inclusive of Section 55 Supported Capital)
(\$ Millions)

Fiscal Year	12/13 Forecast	13/14 Forecast	14/15 Forecast	15/16 Forecast	Total	% of Total
Vessels	57.8	52.6	130.6	104.5	345.5	63.4%
Terminal	20.1	12.3	36.5	45.8	114.8	21.0%
Other	18.3	35.3	17.1	14.1	84.8	15.6%
Total	96.2	100.2	184.2	164.4	545.1	100.0%

*Note: Forecast capital expenditures do not include capital leases.

From Table 7-3, it can be seen that BC Ferries is planning capital expenditures of approximately \$545.1 million over performance term three. Expenditures on vessels account for 63.4% of total planned spending, and include new vessels, milestone upgrades and life extensions.

Terminal improvements account for approximately \$114.8 million over performance term three, or 21.0% of planned capital expenditures. Other capital expenditures on ship repair infrastructure, information systems and other projects total approximately \$84.8 million or 15.6% of planned expenditures.

All expenditure estimates included in the above forecasts have been developed as accurately as is practicable at this time. However, due to a combination of the conceptual status of several of the underlying projects, variability of market pricing and the challenge of forecasting costs years in advance, actual costs may materially differ from the estimates when the projects are completed.

Deployment of Capital Assets

In fiscal year 2009/10, BC Ferries continued a comprehensive review and update of the vessel replacement plan. A key focus continued to be the minor and intermediate sized vessels contemplated for replacement within the performance term three and four timeframe.

Based on the results of condition surveys, several vessels in the mid-term were deemed suitable for life extension rather than replacement. Consequently, planned retirement dates for many of the minor vessels have been deferred from previous plans. Additionally, the implications from the assumed introduction of the cable ferry and the corresponding redeployment of the *Quinitsa* have been incorporated. Finally,

687 vessel acquisition cost estimates and associated cash flows reflect the latest
 688 assumptions for vessel building strategies.

689
 690 While the update of the vessel replacement plan is ongoing, Table 7-4 identifies the
 691 vessels that are anticipated to be replaced during performance term three and four.

692
 693 Vessels expected to be brought into service prior to the start of performance term
 694 four are highlighted in blue while those with initial cash flows forecast to fall within
 695 performance term three are highlighted in yellow. As the identified replacement
 696 dates approach, the Company will undertake a full review of each vessel to
 697 determine if any is a candidate for life extension rather than replacement. Note that
 698 the *Tenaka* is scheduled to be retired in calendar 2013 but this date is dependent on
 699 the cable ferry implementation.

700
 701
 702
 703

Table 7-4
 Vessels Anticipated Being Replaced During Performance Terms Three and Four

Existing Vessel	Calendar Year to be Replaced	Age When Replaced	Replacement Vessel	Vessel's Primary Route Group
Mill Bay	2012	54	Klitsa	RG 4 (Minor)
<i>Tenaka</i> *	2013	48	Route 21 Cable Ferry	RG 4 (Minor)
<i>North Island Princess</i>	2015	57	TBD	RG 4 (Minor)
<i>Queen of Burnaby</i> **	2016	52	TBD	RG 4 (Minor)
<i>Queen of Nanaimo</i> **	2017	53	TBD	RG 4 (Minor)
<i>Queen of Chilliwack</i> ***	2017	39	<i>Northern Discovery</i>	RG 3 (North)
<i>Nimpkish</i>	2018	45	None	RG 4 (Minor)
<i>Powell River Queen</i>	2018	53	TBD	RG 4 (Minor)
<i>Bowen Queen</i>	2019	54	TBD	RG 4 (Minor)
<i>Mayne Queen</i>	2020	55	TBD	RG 4 (Minor)
<i>Howe Sound Queen</i>	2020	56	TBD	RG 4 (Minor)

704 * The assumed introduction of the Route 21 cable ferry allows for a redeployment of the *Quinitsa* to
 705 Route 22. This move ultimately allows for the *Tenaka* to be retired (avoiding the cost of a life
 706 extension and the replacement of the vessel).

707 ** The base case plan for vessel replacement on Routes 17 and 9 involves the *Queen of Burnaby* and
 708 *Queen of Nanaimo* being replaced with vessels with a common hull configuration and sufficient
 709 capacity to meet the requirements of the CFSC. The plan assumes that this two ship order would be
 710 placed at the same time to achieve cost savings.

711 *** Within performance term three, there are no forecast cash flows associated with the replacement
 712 vessel (*Northern Discovery*). The specifics of the proposed *Northern Discovery* (size, cost and timing)
 713 and associated service fee implications are dependent on negotiations with the Province.

714
 715
 716
 717
 718
 719
 720

Note that besides the replacement for the *Queen of Chilliwack* on Route Group 3 (North), all other vessel replacements contemplated for the next ten years fall exclusively within Route Group 4 (Minors).

It is assumed for purposes of operating expenses that the vessels being replaced have no residual value.

721 **Capital Planning Assumptions**

722 ***International Financial Reporting Standards***

723 With the continuing uncertainty regarding treatment of regulatory assets and
724 regulatory liabilities under IFRS and the anticipated one year deferral of transition (to
725 April 1, 2012), BC Ferries is currently unable to estimate the transition impacts with
726 a reasonable degree of certainty. The transition to IFRS is expected to result in
727 changes that have not yet been quantified and are not reflected in the capital
728 expenditure forecasts within this submission.
729

730 ***Harmonized Sales Tax***

731 On July 1, 2010, the 12% Harmonized Sales Tax (HST) replaced both the 5% Goods
732 and Services Tax (GST) and the 7% Provincial Sales Tax (PST). The capital
733 expenditure forecasts within this submission assume the 12% HST applies to all
734 projects (less any offsetting input tax credits).
735

736 This change in sales tax will continue to have a significant impact on the cost of
737 many of BC Ferries' capital projects (or portions of projects) that were formerly
738 exempt from 7% PST but will now be subject to the 12% HST. Three of the most
739 significant expenditure types impacted by this change are outlined below:

- 740 1. Expenditures associated with vessels greater than 500 gross tons were
741 previously exempt from PST and are now subject to HST. This previous
742 exemption applied to almost all of BC Ferries' vessel-related capital
743 expenditures.
- 744 2. Projects where a contractor would both supply and install infrastructure were
745 previously exempt from PST and are now subject to HST. This previous
746 exemption applied to some of BC Ferries' terminal infrastructure capital
747 projects.
- 748 3. Information technology projects, involving contracted labour for project
749 management and/or development, were previously exempt from PST and are
750 now subject to HST.

751 This tax added approximately \$28.0 million to the planned capital expenditures
752 through to the end of performance term three and \$5.0 to \$6.0 million annually to
753 the cost of operations. It will also increase the price to customers for BC Ferries' food
754 and certain retail offerings. It is unclear as to what extent, if any, that offsetting
755 benefits from the change to HST will be passed on to BC Ferries by the Company's
756 suppliers and contractors.

Section 8: Demand Forecast

Travel demand forecasting is central to the price cap setting process. Forecasts are generally developed by analyzing and modeling the relationships between travel demand and potential predictors of future travel demand.

Ferry traffic levels are potentially affected by a number of variables, including:

- the local and world economy;
- consumer confidence;
- weather;
- ferry fares;
- other transportation costs (e.g. price of gasoline at the pump);
- value of the Canadian dollar;
- tourism levels;
- disposable personal income;
- changing demographics;
- population growth rates; and
- global security.

In attempting to develop a forecast of travel demand expected during performance term three, several approaches were undertaken to construct an econometric model using these variables. No variable, or combination of variables, however, provided a forecast with which BC Ferries has any degree of confidence.

Econometric Forecasting

Econometric models can be used to produce forecasts based on the assumption that a known or perceived relationship exists between the factor to be forecast and other independent variables. Time-series regression is a commonly used methodology to develop an equation that can be used to estimate future values of the factor to be forecast, in this case the demand for ferry travel by route.

Causal models are most useful when (1) strong causal relationships are expected, including the direction of the relationship; (2) large changes are anticipated to occur in the causal variables over the forecast horizon; and (3) changes in the causal variables can be accurately forecast or controlled, especially with respect to their direction¹.

Although forecasting the future is inherently uncertain, population growth has traditionally demonstrated the highest correlation to ferry travel demand and provided a reasonable basis for predicting future travel volumes. This relationship started to weaken several years ago and, exacerbated by the recent economic

¹ J. Scott Armstrong and Kesten C. Green; "Demand Forecasting: Evidence-based Methods"; MONASH University, ISSN 1440-771X, September 2005

43 recession, is at the point where it no longer provides a reasonable basis upon which
44 to estimate ferry travel. This poses a fundamental challenge to predicting future
45 demand for BC Ferries' services.

46
47 To assess the potential of other variables that could be used for forecasting ferry
48 travel, BC Ferries performed regression analyses using a number of economic and
49 demographic variables, including: employment, manufacturing and production,
50 consumer spending, foreign trade, commodity prices, construction and housing,
51 transportation and tourism, financial market conditions, and Canadian/US Dollar
52 foreign exchange rates.

53
54 One of the outputs of regression analysis, the coefficient of determination (R^2),
55 identifies the proportion of variability in a data set that is explained by changes in
56 another variable. The R^2 value will vary from 0 to 1, where 0 indicates no linear
57 relationship and 1 indicates that the regression line perfectly fits the data. It is
58 important to note that correlation in this case does not imply causation. While highly
59 correlated variables may provide valuable clues regarding causal relationships, a
60 high correlation between two variables does not represent adequate evidence that
61 changes in one variable has resulted in, or may result in, changes in the other.

62
63 Table 8-1 summarizes the statistical output of the regression analysis conducted by
64 BC Ferries for those variables that displayed a high R^2 value (0.89 or greater).
65 Detailed results for all of the variables analyzed by route group and segment of
66 demand are included in Appendix E.

67
68 Table 8-1
69 Statistical Results of Multiple Regression Analysis
70

Route Group	Segment of Demand	Predictor Variable	R^2 Value
Major Routes	Passengers	International Entries to BC: US Overnight	0.90
Northern Routes	Passengers	International Entries to BC: US Overnight	0.92
		International Entries to BC: Total	0.91
	Passenger Vehicles	International Entries to BC: US Overnight	0.91
Minor Routes	Passengers	International Entries to BC: US Overnight	0.89

71
72 Of the approximately 110 variables analyzed, only two exhibited strong R^2 values
73 using this method. Not surprising, the volume of international entries to British
74 Columbia correlated very strongly with some segments of demand for ferry services.
75 Since reaching a peak in 2002, the volume of visitors from the United States
76 spending one or more nights in British Columbia has been trending downwards.

77
78 International overnight visits and the demand for ferry travel both display strong
79 seasonal patterns that peak during the summer and holiday periods and wane during
80 the off-peak season. These seasonal fluctuations in data sets are a common factor
81 that must be addressed when undertaking regression analysis due to the possibility
82 that they may mask other characteristics of the data that are of interest to
83 determining trends. Complex statistical models are capable of estimating and
84 removing these seasonal effects from a time series in order to better reveal certain
85 non-seasonal features

86
87 To remove this seasonal bias from traffic volumes as well as other variables,
88 BC Ferries utilized software known as "X-12-ARIMA". This computer program is
89 developed and maintained by the U.S. Census Bureau. It is based on the X-11-

90 ARIMA/88 seasonal adjustment program developed at Statistics Canada and is a
 91 widely recognized tool for correcting trend data for seasonal factors. It is used by
 92 the U.S. Census Bureau for all of their official adjustments.

93
 94 Once the seasonality adjustments were completed, not one variable showed a strong
 95 relationship to changes observed in any component of ferry travel on any route
 96 group. For example, the R² value between Major Route passengers and International
 97 Overnight Entries to BC dropped from 0.90 to 0.03.

98
 99 With no strong basis upon which to develop a regression equation for forecasting
 100 future values of ferry travel, BC Ferries asserts that the usefulness and confidence of
 101 an econometric model that could be developed from these results would be
 102 significantly limited. BC Ferries is pleased to review the methodology and results of
 103 these regression analyses with the Commissioner.

104

105 ***Conclusion***

106 In establishing an initial price cap for April 1, 2012, it is expected that the
 107 Commissioner will use a performance term three traffic forecast by route group to
 108 establish the price cap index (maximum allowable revenue from fares divided by
 109 traffic) for each route group.

110

111 Over the last seven years, BC Ferries has experienced an average decline in both
 112 vehicle and passenger volumes of -0.1% and -0.4%, respectively. BC Ferries
 113 expects a slight increase in vehicles carried for 2010/11 with continued decline in
 114 passenger volumes. Assuming this forecast is accurate, the resulting eight year
 115 average for both vehicle and passenger volumes would be 0.1% and -0.3%,
 116 respectively.

117

118 Table 8-2 provides actual passenger and vehicle traffic counts for the previous seven
 119 years along with the forecast for 2010/11.

120

121

122

123

Table 8-2
 Passenger and Vehicle Traffic Forecasts

Fiscal Year All Route Groups	Total VEHICLES	Growth	Total PASSENGERS	Growth
2003/04	8,292,229	(0.4%)	21,367,430	(1.2%)
2004/05	8,557,382	3.2%	22,026,543	3.1%
2005/06	8,543,269	(0.2%)	21,729,603	(1.3%)
2006/07	8,521,915	(0.2%)	21,664,953	(0.3%)
2007/08	8,578,703	0.7%	21,788,461	0.6%
2008/09	8,130,356	(5.2%)	20,727,493	(4.9%)
2009/10	8,255,409	1.5%	21,035,644	1.5%
Avg. Growth 2003/04 to 2009/10		(0.1%)		(0.3%)
<i>2010/11</i>	<i>8,368,870</i>	<i>1.4%</i>	<i>20,967,224</i>	<i>(0.3%)</i>
Avg. Growth 2003/04 to 2010/11		<i>0.1%</i>		<i>(0.3%)</i>

124

125 BC Ferries contends that the changes observed over the recent years appear to
126 represent a structural shift in the demand for ferry travel.
127
128 Attempts to develop an econometric forecast model based on economic and
129 demographic variables such as income, domestic production and trade, tourism
130 levels and population growth, have been unsuccessful. Furthermore, given the
131 uncertainty in future behaviour of these variables, any corresponding forecast of
132 travel demand developed using those variables may share that inherent risk.
133
134 Additional considerations, such as the continued high cost of fuel at the pump,
135 changes in travel patterns, potential price elasticity and heightened global security
136 may all have a negative effect on ferry travel. At this time, however, the individual or
137 cumulative impact that these items may have on BC Ferries' future travel demand, is
138 unknown.
139
140 Given the aforementioned uncertainties, BC Ferries has been unable to produce a
141 forecast, in which it has any degree of confidence, of travel demand for the balance
142 of the period through to the end of performance term three. Therefore, for purposes
143 of establishing the price caps by route group, BC Ferries proposes that the
144 Commissioner use the current year forecast (2010/11) for each year of performance
145 term three.

1 **Section 9: Productivity Improvements**

2
3 In determining the price caps for performance term three, the Commissioner is
4 required to consider a productivity factor. Section 41(5) of the Act states:

5
6 *“(5) For the purposes of this section, the Commissioner must*
7 *determine the productivity gain that, in the Commissioner’s opinion,*
8 *acting reasonably, the ferry operator should achieve in the following*
9 *performance term.”*

10
11 BC Ferries has made significant gains in productivity and innovation since 2003/04
12 and continuously seeks opportunities to improve the efficiency and variety of its
13 service offerings. The following is a selection of the achievements made by
14 BC Ferries to date during the first two performance terms.
15

16 ***Operating Cost Management***

17 **Labour**

18 Labour is the largest operating cost at BC Ferries. Productivity gains and innovation
19 all come within an environment that is being adversely impacted by new Safe
20 Manning requirements imposed by Transport Canada, regulatory training, severe
21 labour shortages and an aging workforce.
22

23 A number of efficiencies were gained through negotiated changes to the Collective
24 Agreement, most notably in the area of a streamlined posting system for vacancies
25 and more flexibility in multi-tasking workers across departments. BC Ferries will
26 continue to support and promote efficient use of labour through training, attendance
27 management, workforce planning and performance management.

28 **Exclusions**

29 Management presence on-board the vessels is considered necessary by BC Ferries to
30 manage the assets in an effective, efficient and accountable manner and to ensure
31 high standards of customer service. In February 2008, BC Ferries initiated a process
32 to seek the exclusion from the bargaining unit of certain senior positions on-board its
33 vessels. The matter was referred to binding arbitration. In September 2010,
34 Arbitrator Vince Ready issued his award concluding that approximately 155 senior
35 positions in the fleet should be excluded from the bargaining unit. A structured plan
36 will be developed by BC Ferries to implement the award over the next three to five
37 years. BC Ferries believes that the outcome in terms of increased management
38 presence in the fleet will bring positive results including decreased costs in such
39 areas as overtime, and increased efficiency and customer service.

40 **Restructuring**

41 In response to the decline in traffic levels and resulting revenues in 2008/09,
42 BC Ferries restructured its business to align expenses with reduced revenues while
43 continuing to ensure that safety remained the top priority. This restructuring was in
44 addition to other cost savings measures that included deferral of filling staff
45 vacancies and reduced travel, consulting, marketing, advertising and other
46 discretionary expenditures. Approximately 77 positions were eliminated. These

47 proactive measures, along with other initiatives, reduced operating expenditures by
48 approximately \$14.0 million from previously planned levels in 2009/10. Recognizing
49 that difficult market conditions are a fact of life, BC Ferries has responded by
50 continuing its cost containment efforts through fiscal 2010/11 and 2011/12.
51

52 **Fuel Consumption**

53 BC Ferries continues to implement strategies to reduce fuel consumption and
54 emissions on its vessels. A wide variety of fuel saving measures have been
55 implemented, ranging from operating vessels more efficiently to installing new, more
56 fuel-efficient engines on some vessels and fuel monitoring systems on others. As of
57 2009/10, all of BC Ferries' vessels utilize biodiesel where the product is available.
58 Biodiesel burns cleaner with significantly less unburned hydrocarbons, carbon
59 monoxide and particulate matter in emissions.
60

61 Shore side, the installation of shore power facilities for vessels and the introduction
62 of new vehicle types, such as tuggers and electric cars, are expected to result in
63 further fuel savings and environmental benefits.
64

65 **Vessel Maintenance**

66 Long-range maintenance plans have been created for each vessel in the BC Ferries
67 fleet. Wherever feasible, maintenance and capital requirements are consolidated into
68 fewer, larger projects rather than several small ones. To date, efficiencies in
69 mobilisation, planning and relief vessel requirements have resulted. To support
70 longer refit cycles, more maintenance is conducted while the vessel is in operation,
71 using existing engine room resources to perform jobs previously left to refits.
72 Further savings are expected through the adoption of a new refit regime that
73 consolidates refits to coincide with regulatory hull and underwater inspections and
74 surveys.
75

76 **Supply Chain Management**

77 BC Ferries has introduced and implemented a number of strategic sourcing initiatives
78 for supplier-retained inventory and direct online ordering (web-enabled) including
79 printed matter, employee uniforms and office supplies. These initiatives have
80 resulted in reduced inventory levels, fewer suppliers and purchase order transactions
81 as well as promoted the use of more efficient electronic payment methods.
82

83 Additionally, a new purchasing card program was implemented with an online system
84 for managing some purchases. The system allows for monitoring, approval and
85 reporting of all transactions and has enabled timely and accurate financial reporting
86 related to purchasing card purchases. The new system is allowing for a reduction in
87 the cost to purchase and has improved the overall efficiency of monthly transaction
88 processing.
89

90 BC Ferries also implemented an internal asset storage and disposal website which
91 enables recording of a large range of company assets slated for redeployment or sale.
92 The website offers viewers digital images, descriptions, and locations as well as the
93 detailed procedures for requesting goods for company use. This website improved
94 the efficiency and reduced the overall cost of asset disposal.
95

96 **Business Process Improvement**

97 A number of changes to business rules, facilitated by improvements in technology,
98 have resulted in reduced financial administration costs. These include reductions in
99 banking fees and invoice and payroll processing costs; improved asset protection;
100 and, reduced bad debts and opportunities for fraud.

101
102 Following a strategic review of communications infrastructure, BC Ferries
103 consolidated its services with one vendor. This consolidation was successful in
104 reducing direct costs by approximately 40% while improving service levels and
105 reducing support costs. Furthermore, the implementation of virtual technology
106 reduced support costs by reducing the number of physical computers (servers and
107 workstations), and thereby the time and effort to configure new computers.

108

109 **Price Stability Initiatives**

110 BC Ferries was able to negotiate loans which provided a commitment to a fixed
111 interest rate two and a half years prior to the first drawdown under the loans. This
112 reduced the company's exposure to interest rate risk. These loans were cost efficient
113 and required no onerous covenants.

114

115 The Company reduces its exposure to foreign exchange risk by entering into forward
116 rate agreements for all significant foreign-denominated transactions.

117

118 A fuel hedging program has reduced the impact of the volatility of oil prices on
119 operating costs and subsequently fares paid by customers.

120

121 **Insurance**

122 Introduction of a captive insurance company has allowed BC Ferries to reduce
123 insurance costs through financing of higher retentions (deductibles). It has also
124 allowed BC Ferries to better determine its cost of risk, allocate insurance and claims
125 costs more efficiently to specific routes, and promote clearer identification of
126 preventable damage to vessels and terminals rather than to absorb such costs as
127 routine maintenance.

128

129 ***Introduction of New Vessels***

130 **Coastal Class**

131 BC Ferries developed and implemented a RFP process that led to the delivery of a
132 high quality product at lower than budget price, on time and with substantial
133 transference of risk. Furthermore, the *Coastal Renaissance* won the prestigious
134 ShipPax Award for Outstanding Ferry Technology for 2008. Over 56 new prototype
135 ships built around the world were considered for this award recognizing innovation.

136

137 The layout of the vessel incorporates a flexible design that enables BC Ferries to
138 more effectively manage labour costs by opening/closing decks based on travel
139 demand. The vessel is also designed to support future onboard facilities to enable
140 revenue growth opportunities.

141

142 BC Ferries maintains a strong relationship with the BC Coalition of People with
143 Disabilities. During the development of the design of this class of vessels, the

144 coalition delivered valuable input that resulted in significant improvements for
145 passengers with disabilities.

146

147 These accomplishments have been recognized by other ferry operators who have
148 approached the Company with a view of having BC Ferries manage their future
149 vessel procurement projects.

150

151 ***Northern Expedition***

152 The *Northern Expedition* was designed to meet international standards. This means
153 that the ship can trade outside the BC Ferries system and that it will have a much
154 larger market for resale. Furthermore, the innovative hull design achieved fuel
155 savings of over 10% compared to hull forms traditionally in use by BC Ferries vessels.

156

157 ***Northern Adventure***

158 BC Ferries was successful in receiving remission from the 25% import duty tax
159 associated with the acquisition of the *Northern Adventure*, valued at \$13.9 million
160 including related GST. The Company is continuing to pursue duty remission on all
161 imported vessels. BC Ferries bore the cost of this initiative but 100% of the value is
162 being passed on to the benefit of the customer and/or the tax payer.

163

164 ***Kuper***

165 This project involved the innovative acquisition of a used vessel from the state of
166 Utah which was subsequently cut into four sections, transported to BC and modified
167 to meet Transport Canada and BC Ferries' service standards (including a hull insert
168 to increase the capacity to approximately 34 vehicles). Upon project completion,
169 BC Ferries possessed a vessel in "new" condition at considerably less cost.

170

171 Innovative improvements to bridge design/operation (single set of controls) and fire
172 fighting ability (including installation of fire monitors) allowed for the approval of a
173 crew level of five as opposed to the original level of eight required by Transport
174 Canada. These improvements are now being applied to other vessels where
175 practicable to gain crewing efficiencies.

176

177 ***Cable Ferry***

178 Work continues on reviewing the feasibility of a cable ferry alternative for the
179 Buckley Bay - Denman Island route. BC Ferries expects that this review will be
180 complete in 2010/11. Not only do cable ferries have a lower capital cost than
181 conventional ferries, but there is also potential for a reduction in operating costs.
182 While the use of a cable ferry is technically feasible, detailed engineering and design
183 work and a final cost assessment are required to determine if the concept is fully
184 feasible. In addition, there are a number of regulatory and environmental issues that
185 must be addressed before such a service could be implemented.

186 ***Upgrading of Existing Assets***

187 **Vessel Amenity Upgrades**

188 The interiors of vessels deployed to the Major Routes were redesigned to optimize
189 passenger flow and improve onboard passenger spending. For example, after the
190 mid-life-upgrade on the *Queen of Alberni*, the average expenditure per passenger
191 increased by \$1.30. On other vessels such as the *Queen of New Westminster* and
192 the *Coastal Celebration*, all-inclusive lounges were added to drive incremental
193 revenue.
194

195 **Facility Upgrades**

196 As buildings are renovated, BC Ferries pursues opportunities to derive benefits from
197 energy efficiencies. For example, the new retail/waiting room at Departure Bay
198 recently received LEED Silver (Leadership in Energy and Environmental Design)
199 certification - third-party verification that the building was built using strategies
200 intended to reduce, among other factors, energy consumption, water use and
201 emissions.
202

203 Further improvements have been completed at several terminals and work sites to
204 allow for composting of a variety of materials. These facilities divert significant
205 volumes of garbage while reducing BC Ferries' disposal costs.
206

207 ***Terminal Development***

208 **Master Plans**

209 To date, Master Plans have been developed for several of BC Ferries' major terminals
210 and over ten of the minor terminals. Master Plans are developed and updated as
211 required, to take into account major development, future traffic, short-term revenue
212 enhancement opportunities and long-term maintenance requirements. This approach
213 is expected to drive efficiencies similar to the long range maintenance plans for
214 vessels.
215

216 **Berth Standardization**

217 BC Ferries has committed to upgrading and building future berths to conform to a
218 standard set of requirements wherever feasible. The goal is to eliminate berth/vessel
219 incompatibilities and unlock the used vessel market for BC Ferries (for both buying
220 and selling).
221

222 The most recent terminal upgrades completed on the Northern Routes, to support
223 the introduction of the *Northern Expedition* and *Northern Adventure*, were completed
224 using this approach. The terminals were upgraded to the International Organization
225 for Standardization RO-RO ferry berth design standard. This means that the berths
226 can accept RO-RO style vessels complying with the standard from any operator,
227 rather than being exclusive to just BC Ferries vessels (as has been the case). The
228 berths were also designed for extreme simplicity and low maintenance.
229
230

231 ***Technology Enhancements***

232 **MyBCFerries website**

233 In June 2008, BC Ferries launched a new website that has more of a customer-
234 experience focus. It offers improved travel planning capabilities along with real-time
235 information regarding terminal and vessel conditions (including webcams). The next
236 update to the website will introduce more marketing options, provide support for
237 transacting using mobile devices, improve service to customers, as well as present
238 the content in multiple languages. The introduction of “MyBCFerries” and on line
239 reservations has facilitated a reduction in operational hours for the reservations staff
240 resulting in a reduction in labour cost.
241

242 **Experience Card™**

243 In 2008, BC Ferries released the “Experience Card™” to provide customers with a
244 number of benefits, such as loss protection, while reducing administrative costs and
245 the opportunities for fraud. The card has been very well received by customers–
246 improving service and revenues. Paper tickets have been replaced on the minor
247 routes, and the Experience Card™ has been introduced on the Major Routes. The
248 card offers families, teams and other groups the flexibility to connect multiple cards
249 on an account, to transfer money between them and to print a travel history report
250 showing when and where the cards have been used within the BC Ferries system.
251

252 **New Data Centre**

253 The former data centre had reached maximum capacity for servers and was
254 constrained in terms of space, air conditioning and power. BC Ferries moved the
255 computer centre to new facilities that are more robust and flexible to meet current
256 and planned business needs. At the same time, the support systems for the
257 corporate website were outsourced to separate hosting services in Vancouver. In
258 addition to supporting future requirements, the new data centre also serves as a
259 disaster recovery site.
260

261 **Operations and Security Centre**

262 BC Ferries has established a facility that is the focal point of company operations in
263 the event of any significant operational or security incident. There is a dashboard to
264 monitor operations to detect potential incidents as they are developing and monitor
265 the travel of all vessels. The images captured by the closed circuit TV cameras that
266 monitor security at the terminals are transmitted to the OSC to facilitate incident
267 management.
268

269 **Auto-ticketing Kiosks**

270 Kiosks were installed on some of the major routes for walk-on customers to pay their
271 fares via their bank card, and alleviate long line-ups at the ticket booths during peak
272 periods. These kiosks have been successful in improving customer satisfaction while
273 reducing the overall cost of fare collection.
274

275 **Customer Service Technology**

276 BC Ferries implemented integrated customer experience software to improve the
277 response rate of customer correspondence and the productivity of call centre staff.
278 As a result of these investments, the response rate on customer letters improved
279 from 3.5 months to 72 hours or less and the call abandonment rate and talk time are
280 now in line with that of other leading call centres.
281

282 **Highway Signage**

283 In an effort to inform and prepare customers regarding sailing conditions, BC Ferries
284 commissioned and deployed a series of large electronic signs on highway approaches
285 to the Major Route terminals. The signs help customers make informed decisions on
286 which sailing to take based on potential wait times at the terminal, improving
287 customer satisfaction and efficiency of processing customers through the ticket
288 booths.
289

290 ***Alternative Service Providers***

291 BC Ferries continues to consider opportunities to realize efficiencies and cost savings
292 through alternative service delivery initiatives. ASPs have been sought for a number
293 of routes, including Route 12 (Brentwood Bay - Mill Bay), Route 13 (Langdale –
294 Gambier – Keats Islands), Routes 10/11/26/40 (Northern Routes), Routes 23/24/25
295 (Northern Gulf Islands), and the mid-coast ports of Ocean Falls and Shearwater.
296

297 To date, operation of only one designated route has been awarded to a third party.
298 Following a competitive RFP process, operation of Route 13 (Langdale - Gambier –
299 Keats Islands) was awarded to Kona Winds Yacht Charters Ltd., who demonstrated
300 that it could deliver the service on a more cost-effective basis than BC Ferries.
301 Customer service feedback received to date has been positive.
302

303 To date through performance term two, ASPs have been sought for the Northern Gulf
304 Island routes, as well as for service to the mid-coast ports of Ocean Falls and
305 Shearwater. While the alternative service delivery initiative for the Northern Gulf
306 Islands routes did not generate market interest and was cancelled as a result, the
307 initiative for Ocean Falls and Shearwater generated results that offered the potential
308 for BC Ferries to realize significant savings through sub-contracting the service to
309 these ports to an ASP. However, the Province did not confirm that the service levels
310 proposed under the initiative would meet Contract requirements and, consequently,
311 BC Ferries cancelled the initiative.
312

313 ***Market Opportunities***

314 BC Ferries is constantly looking for innovative ways to serve its customers and
315 actively pursues opportunities for growth.
316

317 **Partnership Agreements**

318 BC Ferries pursued a number of partnership agreements to improve customer service
319 and efficiency, expand service selection and grow revenues. These included parking
320 management at Major Route terminals; food and retail service at Tsawwassen and
321 Departure Bay terminals; and food service onboard Major Route vessels.
322

323 BC Ferries expanded the number of cash dispensing machines available to customers,
324 as paying by debit card is not yet available on the vessels. Cash dispensing machines
325 are now available on all vessels and at all terminals on the Major Routes.
326

327 Recently, BC Ferries partnered with a local company to offer spa services on one of
328 the Major Routes. The new product offering is expected to increase revenue and
329 contribute to growing customer satisfaction. Depending on the financial success and
330 customer response, this service may be extended to other routes in the future.
331

332 **Drop Trailer Service**

333 In March 2009, BC Ferries launched its drop-trailer service on two of the Major
334 Routes. This drop-trailer service has been well received in the commercial market
335 and improved BC Ferries' overall productivity by utilizing otherwise unused capacity.
336 The profits derived from this line of business are returned to all segments of ferry
337 users through reduced pressures on fares. Modest growth in this segment in the
338 latter part of 2010/11 is expected.
339

340 **Vacations Packages**

341 In May 2010, the BC Ferries Vacations Centre was opened in downtown Vancouver.
342 Using a 37-foot long interactive media wall display, customers are able to view route
343 maps, vessel schematics, and destination images to help them choose from a variety
344 of travel package options. It is expected that this will expand the Company's market
345 reach and increase BC Ferries' profile in the Lower Mainland and within the tourism
346 industry.
347

348 ***Conclusion***

349 The activities undertaken by BC Ferries during the first two performance terms have
350 been successful in reducing operating expenses while improving the overall
351 productivity and variety of services offered. BC Ferries plans to continue to find
352 creative and innovative solutions to improve the efficiency and quality of its services.
353 The impact of gains made to date and productivity improvements anticipated during
354 the upcoming performance term have been incorporated into the financial forecasts
355 included in this submission.

1 Section 10: Return on Equity

2
3 A key cornerstone of the regulatory framework as set out in the Act is the concept of
4 ROE. The Act sets out in Section 38(1)(a) that as the Commissioner undertakes his
5 regulatory responsibilities *"...priority is to be placed on the financial sustainability of*
6 *the ferry operators"*. ROE is a widely used metric when measuring earnings in the
7 context of financial sustainability.

8
9 Section 41(2)(b) of the Act states as follows:

10
11 *"the price cap, when combined with all other price caps applicable to all*
12 *route groups serviced by the ferry operator, must enable the ferry*
13 *operator to receive a pre-tax return on equity, which return is to be*
14 *calculated by adding*

15
16 *(i) an equity risk premium, provided that the equity risk premium*
17 *is equivalent to that of other regulated businesses with*
18 *reasonably similar risk characteristics, and*

19
20 *(ii) a bond yield that is consistent with Government of Canada 30*
21 *year bonds or with Government of Canada bonds that in*
22 *aggregate have a similar duration;"*
23

24 It is submitted that this is an important direction to the Commissioner as it relates
25 back to the first principle of regulation as described in Section 38(1)(a) of the Act.
26 The Commissioner established an ROE for BC Ferries of 13.16% on a pre-tax basis
27 for performance term two.

28
29 Table 10-1 provides a summary of the corporate financial performance during the
30 first two years and expected results for the balance of the current performance term.
31 These results show that BC Ferries achieved financial returns substantially below
32 what was permitted (13.16%) due primarily to lower tariff revenues as a result of
33 lower than anticipated traffic levels.

34
35 In the calculation of the price caps for performance term two, traffic growth of 1.2%
36 per annum was anticipated. As discussed in Section 4; however, vehicle and
37 passenger volumes decreased in the first year by 5.2% and 4.9%, respectively.
38 While volumes increased slightly the following year, current year results indicate
39 further erosion of traffic volumes. Although BC Ferries mitigated this decline in tariff
40 revenue by substantial reductions in controllable expenditures, the full impact could
41 not be offset sufficiently while maintaining core service levels. As shown in
42 Table 10-1, this situation is not expected to improve over the remainder of the
43 current performance term.

44
45
46

Table 10-1
Financial Results and Forecasts for Performance Term Two

(\$ millions)	2008/09	2009/10	Forecast 2010/11	Forecast 2011/12
Tariff Revenue	448.3	472.6	495.1	515.1
Reservation Revenue	15.3	16.0	17.2	17.5
Other Ancillary Revenue - Net	57.0	59.0	58.5	61.6
Ferry Transportation Fees*	105.2	127.4	127.1	128.5
Federal Contract Revenues	26.3	26.9	27.0	27.4
Total Revenues	652.2	701.9	724.9	750.2
OM&A Expenses	501.2	514.3	537.4	547.7
EBITDA	151.0	187.6	187.4	202.5
Amortization	93.1	115.2	115.1	123.9
Net Financing Expense	50.1	67.6	73.2	74.2
Loss (Gain) on Disposal	(1.2)	1.4	(9.3)	0.0
Net Earnings	9.0	3.4	8.4	4.4
ROE	2.9%	1.1%	2.7%	1.4%
Capital Structure (\$ millions)	2008/09	2009/10	Forecast 2010/11	Forecast 2011/12
Capital Expenditures	493.9	81.4	194.8	113.6
Total Debt	1,378.0	1,369.0	1,397.5	1,375.5
Equity (Year End)	313.6	311.0	313.3	311.7

*Ferry Transportation Fees include Service Fees for Unregulated Routes and assume no change from the levels set in the CFSC as amended to date.

47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66

To establish the appropriate price caps for performance term three, the Commissioner will need to set the initial price caps based on revenue adequacy for the Company as at April 1, 2012. For the purposes of this submission, BC Ferries has used the performance term two pre-tax ROE of 13.16% in its long-term planning model to forecast the required revenue in each year during performance term three for each of the route groups. By using this approach, BC Ferries has determined the approximate regulated revenues that are required to allow the Company recovery of its forecast cost of service (net of non-regulated revenues), based on the current year traffic forecast.

Table 10-2 below provides the Commissioner with a summary forecast at the corporate level of the elements of the revenue requirements as described above. All amounts are based on the most recent forecasts of BC Ferries and are subject to change over the review period (October 1, 2010 - March 31, 2011) as new information becomes available.

67
68
69

Table 10-2
Financial Forecasts for Performance Term Three

Financial Forecasts (\$ millions)	2012/13	2013/14	2014/15	2015/16
Tariff Revenue	582.5	603.9	614.1	635.4
Reservations Revenue	18.9	19.3	19.6	20.2
Total Regulated Revenue	601.4	623.2	633.7	655.6
Ancillary Revenue - Net	62.2	61.6	60.5	60.5
Ferry Transportation Fees*	129.0	128.2	126.7	125.5
Federal Contract Revenues	28.0	28.5	29.1	29.7
Total Revenue	820.5	841.5	850.1	871.4
OM&A	577.9	594.5	602.1	614.8
EBITDA	242.6	247.0	248.0	256.6
Amortization	122.8	125.9	127.3	129.3
Net Financing Expense	76.3	72.3	65.9	65.6
Net Earnings	43.5	48.8	54.8	61.7
ROE	13.16%	13.16%	13.16%	13.16%
Capital Structure (\$ millions)	2012/13	2013/14	2014/15	2015/16
Capital Expenditures	96.2	100.3	184.3	164.4
Total Debt	1,352.2	1,188.8	1,190.7	1,169.6
Equity (Year End)	349.1	391.8	440.6	496.2

70
71

*Ferry Transportation Fees include Service Fees for Unregulated Routes and assume no change from the levels set in the CFSC as amended to date.

Section 11: International Financial Reporting Standards

Until recently, it had been anticipated that BC Ferries would submit its performance term three price cap submission reflecting an April 1, 2011 transition to IFRS. Under this scenario, revenue requirements for the regulated routes would have reflected costs of providing service determined in accordance with IFRS and transition impacts would have been dealt with as part of the price cap setting process.

BC Ferries has regularly updated the Commissioner on the uncertainties it faces regarding the impact of IFRS on its financial statements and consequently, the costs of providing ferry service to the regulated routes.

It had been hoped that the International Accounting Standards Board (IASB) would complete its rate-regulated activities project prior to a BC Ferries transition on April 1, 2011 removing these uncertainties. Recent communications from the IASB indicate that this will not be the case.

At the date of filing this submission, the Canadian Accounting Standards Board is expected to publish, not later than October 1, 2010, amendments to existing standards which will provide Canadian entities with rate-regulated activities the option to defer transition to IFRS by one year (to April 1, 2012 in the case of BC Ferries). It is BC Ferries' intent to defer transition to IFRS if the option to do so becomes available as expected.

With the continuing uncertainty regarding treatment of regulatory assets and regulatory liabilities under IFRS and the anticipated one year deferral of transition, BC Ferries is currently unable to estimate the transition impacts with a reasonable degree of certainty. As a result, the financial forecasts included in this submission reflect the costs of providing service determined in accordance with existing Canadian generally accepted accounting principles.

When the IFRS transition impacts are able to be determined with certainty, BC Ferries will assess the significance of these impacts and may, if necessary, bring forward an application for an extraordinary price cap increase under Section 42 of the Act.

APPENDICES

This page intentionally left blank.

Appendix A – Performance Against CFSC

This page intentionally left blank.

2008/09 Year Ended March 31, 2009	
Route Group	
Major Routes	Route 01
	Route 02
	Route 30
Major Routes Total	
Route 3	
Northern Routes	Route 10
	Route 11
	Route 40
Northern Routes Total	
Minor Routes	Route 04
	Route 05
	Route 06
	Route 07
	Route 08
	Route 09
	Route 12
	Route 13
	Route 17
	Route 18
	Route 19
	Route 20
	Route 21
	Route 22
Route 23	
Route 24	
Route 25	
Route 26	
Minor Routes Total	
Company Total	

Performance Against CFSC Requirement Annual Core Service Levels Year Ended March 31, 2009				
Actual Round Trips (1)	Round Trips Required (2)	Variance - Net Extra / Short Round Trips	Required Round Trips Cancelled	Total Extra / Short Round Trips
3,916.0	9,741.0	64.0	6.0	70.0
3,118.0				
2,771.0				
9,805.0	9,741.0	64.0	6.0	70.0
3,042.0	2,988.0	54.0	2.0	56.0
120.5	122.5	(2.0)	2.0	
191.0	189.5	1.5		1.5
38.0	39.0	(1.0)	1.0	
349.5	351.0	(1.5)	3.0	1.5
2,892.0	2,880.0	12.0		12.0
3,503.0	3,494.0	9.0		9.0
5,026.0	5,046.0	(20.0)	20.0	
2,863.0	2,877.0	(14.0)	14.0	
5,562.0	5,571.0	(9.0)	9.0	
809.0	830.0	(21.0)	21.0	
3,183.0	3,215.0	(32.0)	32.0	
4,098.0	4,058.0	40.0		40.0
1,454.0	1,458.0	(4.0)	4.0	
3,641.0	3,648.0	(7.0)	9.0	2.0
5,716.0	5,732.0	(16.0)	16.0	
4,003.0	4,011.0	(8.0)	8.0	
7,047.0	6,149.0	898.0	2.0	900.0
4,836.0	4,482.0	354.0	2.0	356.0
6,272.0	6,253.0	19.0	8.0	27.0
2,140.0	2,136.0	4.0	7.0	11.0
3,961.0	3,961.0		3.0	3.0
4,390.0	4,378.0	12.0	11.0	23.0
71,396.0	70,179.0	1,217.0	166.0	1,383.0
84,592.5	83,259.0	1,333.5	177.0	1,510.5

2008/09 Year Ended March 31, 2009		Performance Against CFSC Requirement Annual Core Service Levels	
		Calendar Year 2008	Fiscal Year 2008/09
Route Group		Cumulative Days When Round Trips Missed <i>Allowed 30 Days Per Route</i>	Highest Consecutive Days when Round Trips Missed <i>Allowed 20 Days per Route</i>
RG 1 - Major Routes	Route 01	5	1
	Route 02	1	1
	Route 30	8	1
RG 2 - Route 3	Route 03	4	1
RG 3 - Northern Routes	Route 10	5	4
	Route 11	4	0
	Route 40	2	2
RG 4 - Minor Routes	Route 04	0	0
	Route 05	1	0
	Route 06	2	2
	Route 07	8	2
	Route 08	8	2
	Route 09	10	5
	Route 12	15	2
	Route 13	0	0
	Route 17	5	1
	Route 18	2	1
	Route 19	8	3
	Route 20	1	2
	Route 21	0	1
	Route 22	2	1
Route 23	2	1	
Route 24	4	1	
Route 25	2	1	
Route 26	10	1	

Notes:

(1) The Coastal Ferry Services Contract requires reporting to Calendar Year for Cumulative Days and to Fiscal Year for Consecutive Days

2008/09 Year Ended March 31, 2009		Cancellations of Required Round Trips for Reasons Specified in Schedule A, 2(a) of the Coastal Ferry Services Contract									Cancellations of Round Trips for Other Reasons					
		Force Majeure Round Trip Cancells		Force Majeure RT Total	Non Force Majeure Round Trip Cancells						Non Force Majeure RT Total	Other Round Trip Cancells		Other RT Total	Required Round Trips Cancelled	% Required Round Trips Cancelled
		Major Incident	Weather		Emerg. Response	Medical Emerg.	Regulatory Issue	Terminal Maint.	Vessel Maint.	Vessel Mech. Failure		Community Event	Traffic			
Route Group (RG)																
	Route 01			0						1	1			0	1	
	Route 02			0						2	2			0	2	
	Route 30			0						3	3			0	3	
RG 1 - Major Routes		0	0	0	0	0	0	0	0	6	6	0	0	0	6	0.1%
	Route 03			0				1		1	2			0	2	0.1%
RG 2 - Route 3		0	0	0	0	0	0	1	0	1	2	0	0	0	2	0.1%
	Route 10			0					2		2			0	2	1.6%
	Route 11			0							0			0	0	0.0%
	Route 40			0					1		1			0	1	2.6%
RG 3 - Northern Routes		0	0	0	0	0	0	0	3	0	3	0	0	0	3	0.9%
	Route 04			0							0			0	0	0.0%
	Route 05			0							0			0	0	0.0%
	Route 06			0				2	8	7	17		3	3	20	0.4%
	Route 07		2	2		4				6	10		2	2	14	0.5%
	Route 08		1	1			3			5	8			0	9	0.2%
	Route 09			0					21		21			0	21	2.5%
	Route 12		10	10			1	3	18		22			0	32	1.0%
	Route 13			0							0			0	0	0.0%
	Route 17		2	2					2		2			0	4	0.3%
	Route 18			0						9	9			0	9	0.2%
	Route 19		10	10		1	3			1	5		1	1	16	0.3%
	Route 20		1	1						5	5		2	2	8	0.2%
	Route 21			0				2			2			0	2	0.0%
	Route 22			0						2	2			0	2	0.0%
	Route 23		7	7						1	1			0	8	0.1%
	Route 24		7	7							0			0	7	0.3%
	Route 25		3	3							0			0	3	0.1%
	Route 26		8	8			3				3			0	11	0.3%
RG 4 - Minor Routes		0	51	51	0	5	10	7	49	36	107	0	8	8	166	0.2%
Company Total		0	51	51	0	5	10	8	52	43	118	0	8	8	177	0.2%

2009/10 Year Ended March 31, 2010	
Route Group	
Major Routes	Route 01
	Route 02
	Route 30
Major Routes Total	
Route 3	Route 03
Northern Routes	Route 10
	Route 11
	Route 40
Northern Routes Total	
Minor Routes	Route 04
	Route 05
	Route 06
	Route 07
	Route 08
	Route 09
	Route 12
	Route 13
	Route 17
	Route 18
	Route 19
	Route 20
	Route 21
	Route 22
Route 23	
Route 24	
Route 25	
Route 26	
Minor Routes Total	
Company Total	

Performance Against CFSC Requirement Annual Core Service Levels				
Actual Round Trips (1)	Round Trips Required (2)	Variance - Net Extra / Short Round Trips	Required Round Trips Cancelled	Total Extra / Short Round Trips
3,898.0				
3,073.0	9,745.0	(17.0)	17.0	(0.0)
2,757.0				
9,728.0	9,745.0	(17.0)	17.0	(0.0)
3,065.0	2,988.0	77.0	1.0	78.0
122.5	123.5	(1.0)	1.0	
177.0	190.0	(13.0)	13.0	
39.0	39.0			
338.5	352.5	(14.0)	14.0	0.0
2,924.0	2,879.0	45.0		45.0
3,497.0	3,491.0	6.0	2.0	8.0
5,039.0	5,046.0	(7.0)	7.0	
2,871.0	2,877.0	(6.0)	6.0	
5,563.0	5,570.0	(7.0)	7.0	
824.0	830.0	(6.0)	6.0	
3,195.0	3,215.0	(20.0)	20.0	
4,132.0	4,061.0	71.0		71.0
1,445.0	1,458.0	(13.0)	13.0	
3,633.0	3,648.0	(15.0)	15.0	
5,721.0	5,731.0	(10.0)	10.0	
4,002.0	4,013.0	(11.0)	11.0	
6,293.0	6,149.0	144.0		144.0
4,754.0	4,482.0	272.0	2.0	274.0
6,255.0	6,253.0	2.0	19.0	21.0
2,122.0	2,136.0	(14.0)	14.0	
3,957.0	3,961.0	(4.0)	4.0	
4,309.0	4,378.0	(69.0)	69.0	
70,536.0	70,178.0	358.0	205.0	563.0
83,667.5	83,263.5	404.0	237.0	641.0

2009/10 Year Ended March 31, 2010		Performance Against CFSC Requirement Annual Core Service Levels	
Route Group (RG)		Calendar Year 2009	Fiscal Year 2009/10
		Cumulative Days When Round Trips Missed <i>Allowed 30 Days Per Route</i>	Highest Consecutive Days when Round Trips Missed <i>Allowed 20 Days per Route</i>
RG 1 - Major Routes	Route 01	4	1
	Route 02	2	1
	Route 30	2	1
RG 2 - Route 3	Route 03	1	1
RG 3 - Northern Routes	Route 10	1	1
	Route 11	10	2
	Route 40	0	0
RG 4 - Minor Routes	Route 04	0	0
	Route 05	2	1
	Route 06	8	1
	Route 07	6	1
	Route 08	7	3
	Route 09	4	2
	Route 12	3	1
	Route 13	0	0
	Route 17	7	2
	Route 18	9	2
	Route 19	7	1
	Route 20	11	4
	Route 21	1	0
	Route 22	2	1
Route 23	6	2	
Route 24	7	2	
Route 25	0	1	
Route 26	6	2	

Note:

(1) The Coastal Ferry Services Contract requires reporting to Calendar Year for Cumulative Days and to Fiscal Year for Consecutive Days

2009/10 Year Ended March 31, 2010										Cancellations of Required Round Trips for Reasons Specified in Schedule A, 2(a) of the Coastal Ferry Services Contract			Cancellations of Round Trips for Other Reasons		
Route Group (RG)	Weather	Emerg. Response	Medical Emerg.	Regulatory Issue	Terminal / Dock Mech. Failure	Terminal / Dock Maint.	Vessel Maint.	Vessel Mech. Failure	Allowed Cancels	Community Event	Traffic	Other Cancels	Total Round Trips Cancelled	% of Required Round Trips Cancelled	
Route 01	4							2	6		1	1	7	1.0%	
Route 02	3							2	5			0	5	0.8%	
Route 30	1							4	5			0	5	0.9%	
RG 1 - Major Routes	8	0	0	0	0	0	0	8	16	0	1	1	17	0.9%	
Route 03								1	1			0	1	0.2%	
RG 2 - Route 3	0	0	0	0	0	0	0	1	1	0	0	0	1	0.2%	
Route 10								1	1			0	1	5.0%	
Route 11	10							3	13			0	13	34.2%	
Route 40								0	0			0	0	n/a	
RG 3 - Northern Routes	10	0	0	0	0	0	0	4	14	0	0	0	14	24.1%	
Route 04									0			0	0	0.0%	
Route 05	1			1					2			0	2	0.2%	
Route 06				3				2	5		2	2	7	0.6%	
Route 07	1	1		2				2	6			0	6	1.0%	
Route 08	1			3			1	2	7			0	7	0.5%	
Route 09	2			4					6			0	6	3.3%	
Route 12	18			1		1			20			0	20	2.9%	
Route 13									0			0	0	0.0%	
Route 17	6						3	4	13			0	13	3.6%	
Route 18	14		1						15			0	15	1.9%	
Route 19				6	1				7		3	3	10	0.8%	
Route 20			1					10	11			0	11	1.2%	
Route 21									0			0	0	0.0%	
Route 22								2	2			0	2	0.2%	
Route 23	19								19			0	19	1.3%	
Route 24	14								14			0	14	3.2%	
Route 25	4								4			0	4	0.5%	
Route 26	66							3	69			0	69	7.0%	
RG 4 - Minor Routes	146	1	2	20	1	1	4	25	200	0	5	5	205	1.3%	
TOTAL	164	1	2	20	1	1	4	38	231	0	6	6	237	1.3%	

2010/11 Quarter Ended June 30, 2010 Route Group (RG)		Performance Against Minimum (Daily) Core Service Levels			
		1st Quarter			
		Actual Round Trips	Minimum Required Round Trips	Variance (Actual to Minimum)	Cancellations of Minimum Required Round Trips
	Route 01	969.0	897.0	72.0	0.0
	Route 02	754.0	670.0	84.0	5.0
	Route 30	679.0	589.0	90.0	0.0
RG 1 - Major Routes		2,402.0	2,156.0	246.0	5.0
	Route 03	741.0	637.0	104.0	0.0
RG 2 - Route 3		741.0	637.0	104.0	0.0
	Route 10	36.0	36.0	0.0	0.0
	Route 11	41.0	42.0	(1.0)	1.0
	Route 40	7.0	7.0	0.0	0.0
RG 3 - Northern Routes		84.0	85.0	(1.0)	1.0
	Route 04	716.0	624.0	92.0	0.0
	Route 05	872.0	867.0	5.0	0.0
	Route 06	1,259.0	1,170.0	89.0	0.0
	Route 07	715.0	624.0	91.0	0.0
	Route 08	1,387.5	1,298.5	89.0	0.0
	Route 09	182.0	182.0	0.0	0.0
	Route 12	803.0	715.0	88.0	1.0
	Route 13	1,036.0	939.0	97.0	4.0
	Route 17	359.0	364.0	(5.0)	5.0
	Route 18	904.0	819.0	85.0	2.0
	Route 19	1,426.0	1,339.0	87.0	0.0
	Route 20	999.0	910.0	89.0	2.0
	Route 21	1,565.0	1,443.0	122.0	0.0
	Route 22	1,145.0	1,027.0	118.0	5.0
	Route 23	1,498.0	1,469.0	29.0	8.0
	Route 24	502.0	442.0	60.0	2.0
	Route 25	987.0	897.0	90.0	1.0
	Route 26	1,089.0	1,001.0	88.0	5.0
RG 4 - Minor Routes		17,444.5	16,130.5	1,314.0	35.0
TOTAL		20,671.5	19,008.5	1,663.0	41.0

2010/11 Quarter Ended June 30, 2010		Performance Against Minimum (Daily) Core Service Levels	
Route Group (RG)		Calendar Year 2010 Cumulative Days When Round Trips Missed <i>Allowed 30 Days Per Route</i>	Fiscal Year 2010/11 Highest Consecutive Days when Round Trips Missed <i>Allowed 20 Days per Route</i>
RG 1 - Major Routes	Route 01	1	
	Route 02	3	1
	Route 30	1	
RG 2 - Route 3	Route 03	0	
RG 3 - Northern Routes	Route 10	0	
	Route 11	7	2
	Route 40	0	
RG 4 - Minor Routes	Route 04	0	
	Route 05	0	
	Route 06	0	
	Route 07	0	
	Route 08	0	
	Route 09	1	
	Route 12	3	1
	Route 13	2	1
	Route 17	6	1
	Route 18	2	1
	Route 19	0	
	Route 20	1	1
	Route 21	0	
	Route 22	2	1
	Route 23	5	1
Route 24	3	1	
Route 25	3	1	
Route 26	16	2	

Note:

(1) The Coastal Ferry Services Contract requires reporting to Calendar Year for Cumulative Days and to Fiscal Year for Consecutive Days

Appendix A9: Reasons for Cancelled Round Trips by Route During Q1 2010/11

2010/11 Quarter Ended June 30, 2010														Cancellations of Minimum Required Round Trips for Reasons Specified in Schedule A, 2(a) of the Coastal Ferry Services Contract				Cancellations of Minimum Required Round Trips for Other Reasons		
Route Group (RG)		Major Incident	Weather	Emerg. Response	Medical Emerg.	Regulatory Issue	Terminal / Dock Maint.	Terminal / Dock Mech. Failure	Vessel Maint.	Vessel Mech. Failure	Vessel Sink / Ground	Fire	Labour Dispute	Allowed Cancels	Community Event	Traffic	Other Cancels	Total Cancels	% of Minimum Required Round Trips Cancelled	
	Route 01													0			0	0	0.0%	
	Route 02		5											5			0	5	0.7%	
	Route 30													0			0	0	0.0%	
RG 1 - Major Routes		0	5	0	0	0	0	0	0	0	0	0	0	5	0	0	0	5	0.2%	
	Route 03													0			0	0	0.0%	
RG 2 - Route 3		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%	
	Route 10													0			0	0	0.0%	
	Route 11		1											1			0	1	2.4%	
	Route 40													0			0	0	n/a	
RG 3 - Northern Routes		0	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	1.2%	
	Route 04													0			0	0	0.0%	
	Route 05													0			0	0	0.0%	
	Route 06													0			0	0	0.0%	
	Route 07													0			0	0	0.0%	
	Route 08													0			0	0	0.0%	
	Route 09													0			0	0	0.0%	
	Route 12		1											1			0	1	0.1%	
	Route 13		4											4			0	4	0.4%	
	Route 17		3						2					5			0	5	1.4%	
	Route 18		2											2			0	2	0.2%	
	Route 19													0			0	0	0.0%	
	Route 20		2											2			0	2	0.2%	
	Route 21													0			0	0	0.0%	
	Route 22		5											5			0	5	0.5%	
	Route 23		8											8			0	8	0.5%	
	Route 24		2											2			0	2	0.5%	
	Route 25					1								1			0	1	0.1%	
	Route 26		5											5			0	5	0.5%	
RG 4 - Minor Routes		0	32	0	0	1	0	0	2	0	0	0	0	35	0	0	0	35	0.2%	
TOTAL		0	38	0	0	1	0	0	2	0	0	0	0	41	0	0	0	41	0.2%	

This page intentionally left blank.

Appendix B – Route Statements

This page intentionally left blank.

Corporate Total Route Statement

This page intentionally left blank.



British Columbia Ferry Services Inc.
Route Statement
Corporate Total
For the period April 1, 2008 to March 31, 2012
(in 000's)

	Corporate Total			
	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	448,315	472,568	495,067	515,100
Reservation Revenue	15,346	16,001	17,205	17,549
Other Ancillary Revenue - Net	56,981	58,948	58,546	61,649
Unregulated Routes Fee	1,939	1,849	1,938	1,938
Total Operating Revenue	522,581	549,366	572,756	596,236
Total Operating Expenses	501,180	514,268	537,435	547,681
Earnings (Loss) from Operations	21,401	35,098	35,320	48,555
Amortization	(93,088)	(115,175)	(115,134)	(123,919)
Financing Expense	(50,111)	(67,638)	(73,245)	(74,200)
Cost of Capital	(143,199)	(182,813)	(188,379)	(198,119)
(Loss) Gain on Disposal of Capital Assets	1,239	(1,386)	9,300	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(120,559)	(149,101)	(143,759)	(149,564)
Ferry Transportation Fees	103,294	125,599	125,149	126,588
Federal-Provincial Subsidy Agreement	26,294	26,924	26,962	27,407
Net Route Earnings (Loss)	9,029	3,422	8,353	4,430
Fuel Costs Deferred (note 1)	29,456	(17,005)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(16,531)	6,298	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).

This page intentionally left blank.

Route Group Statements

This page intentionally left blank.



British Columbia Ferry Services Inc.
Route Statement
Group 1 - Major Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Major Routes

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	330,716	343,001	357,096	369,630
Reservation Revenue	14,078	14,611	15,427	15,735
Other Ancillary Revenue - Net	44,949	46,714	48,168	50,513
Unregulated Routes Fee	-	-	-	-
Total Operating Revenue	389,743	404,326	420,691	435,879
Total Operating Expenses	281,341	286,108	303,349	309,229
Earnings (Loss) from Operations	108,402	118,218	117,342	126,650
Amortization	(60,413)	(71,580)	(67,103)	(69,750)
Financing Expense	(34,500)	(42,285)	(43,266)	(43,184)
Cost of Capital	(94,913)	(113,865)	(110,369)	(112,934)
(Loss) Gain on Disposal of Capital Assets	865	(415)	6,708	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	14,354	3,938	13,681	13,716
Ferry Transportation Fees	-	-	-	-
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Route Earnings (Loss)	14,354	3,938	13,681	13,716
Fuel Costs Deferred (note 1)	18,618	(10,599)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(11,950)	153	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 2 - Route 3: Horseshoe Bay - Langdale
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 3: Horseshoe Bay - Langdale

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	33,438	36,906	40,638	42,904
Reservation Revenue	1,040	1,184	1,097	1,119
Other Ancillary Revenue - Net	5,030	5,155	5,256	5,523
Unregulated Routes Fee	-	-	-	-
Total Operating Revenue	39,508	43,245	46,990	49,546
Total Operating Expenses	36,369	36,079	36,901	37,756
Earnings (Loss) from Operations	3,139	7,166	10,089	11,790
Amortization	(6,436)	(6,652)	(6,843)	(7,248)
Financing Expense	(3,604)	(3,567)	(3,829)	(3,830)
Cost of Capital	(10,040)	(10,219)	(10,672)	(11,078)
(Loss) Gain on Disposal of Capital Assets	191	119	763	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(6,710)	(2,934)	181	712
Ferry Transportation Fees	3,665	3,665	3,665	3,665
Federal-Provincial Subsidy Agreement	943	966	967	983
Net Route Earnings (Loss)	(2,102)	1,697	4,813	5,360
Fuel Costs Deferred (note 1)	1,840	(1,222)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(1,013)	776	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 3 - Northern Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Northern Routes

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	16,052	15,986	17,355	18,212
Reservation Revenue	69	56	62	64
Other Ancillary Revenue - Net	2,707	2,899	2,040	2,149
Unregulated Routes Fee	-	-	-	-
Total Operating Revenue	18,828	18,941	19,458	20,425
Total Operating Expenses	41,150	45,146	48,339	50,170
Earnings (Loss) from Operations	(22,322)	(26,205)	(28,881)	(29,745)
Amortization	(8,576)	(15,535)	(18,021)	(19,566)
Financing Expense	(4,390)	(12,453)	(12,466)	(12,294)
Cost of Capital	(12,966)	(27,988)	(30,487)	(31,860)
(Loss) Gain on Disposal of Capital Assets	221	(1,320)	326	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(35,067)	(55,513)	(59,042)	(61,604)
Ferry Transportation Fees	25,283	47,590	47,139	48,577
Federal-Provincial Subsidy Agreement	6,505	6,660	6,670	6,780
Net Route Earnings (Loss)	(3,279)	(1,263)	(5,234)	(6,247)
Fuel Costs Deferred (note 1)	2,620	(1,438)	0	0
Net Fuel (Surcharges) Rebates (note 1)	0	0	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Minor Routes

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	68,109	76,675	79,977	84,353
Reservation Revenue	158	150	619	632
Other Ancillary Revenue - Net	4,296	4,180	3,083	3,463
Unregulated Routes Fee	-	-	-	-
Total Operating Revenue	72,563	81,005	83,680	88,448
Total Operating Expenses	140,381	145,086	146,973	148,615
Earnings (Loss) from Operations	(67,818)	(64,081)	(63,293)	(60,167)
Amortization	(17,663)	(21,408)	(23,166)	(27,355)
Financing Expense	(7,617)	(9,333)	(13,685)	(14,892)
Cost of Capital	(25,280)	(30,741)	(36,850)	(42,247)
(Loss) Gain on Disposal of Capital Assets	(38)	230	1,502	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(93,136)	(94,592)	(98,641)	(102,414)
Ferry Transportation Fees	74,346	74,344	74,346	74,346
Federal-Provincial Subsidy Agreement	18,846	19,298	19,325	19,644
Net Route Earnings (Loss)	56	(950)	(4,971)	(8,424)
Fuel Costs Deferred (note 1)	6,378	(3,746)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(3,568)	5,369	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Unregulated Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	0	0	0	0
Reservation Revenue	0	0	0	0
Other Ancillary Revenue - Net	0	0	0	0
Unregulated Routes Fee	1,939	1,849	1,938	1,938
Total Operating Revenue	1,939	1,849	1,938	1,938
Total Operating Expenses	1,939	1,849	1,875	1,912
Earnings (Loss) from Operations	0	0	63	26
Amortization	0	0	0	0
Financing Expense	0	0	0	0
Cost of Capital	0	0	0	0
(Loss) Gain on Disposal of Capital Assets	0	0	0	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	0	0	63	26
Ferry Transportation Fees	-	-	-	-
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Route Earnings (Loss)	0	0	63	26
Fuel Costs Deferred (note 1)	0	0	0	0
Net Fuel (Surcharges) Rebates (note 1)	0	0	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).

This page intentionally left blank.

Route Statements

This page intentionally left blank.



British Columbia Ferry Services Inc.
Route Statement
Group 1 - Major Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 1: Swartz Bay - Tsawwassen

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	165,848	171,964	180,205	186,530
Reservation Revenue	7,542	7,473	7,906	8,064
Other Ancillary Revenue - net	24,299	25,863	25,709	26,921
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	197,689	205,300	213,820	221,515
Total Operating Expenses	127,507	132,676	143,539	146,408
Earnings (Loss) from Operations	70,182	72,624	70,280	75,107
Amortization	(23,379)	(31,194)	(30,272)	(31,951)
Financing Expense	(10,362)	(16,326)	(19,125)	(19,490)
Cost of Capital	(33,741)	(47,520)	(49,397)	(51,440)
(Loss) Gain on Disposal of Capital Assets	100	(749)	3,385	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	36,541	24,355	24,269	23,667
Ferry Transportation Fees	-	-	-	-
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Route Earnings (Loss)	36,541	24,355	24,269	23,667
Fuel Costs Deferred (note 1)	7,387	(4,399)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(5,909)	153	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



*British Columbia Ferry Services Inc.
Route Statement
Group 1 - Major Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)*

Route 2: Horseshoe Bay - Nanaimo

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	104,374	105,205	108,958	112,783
Reservation Revenue	4,556	5,030	5,170	5,273
Other Ancillary Revenue - net	13,516	13,864	15,850	16,589
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	122,446	124,099	129,978	134,645
Total Operating Expenses	86,781	85,041	86,974	88,695
Earnings (Loss) from Operations	35,665	39,058	43,004	45,950
Amortization	(21,254)	(22,057)	(19,045)	(19,569)
Financing Expense	(12,900)	(13,747)	(12,140)	(11,856)
Cost of Capital	(34,154)	(35,804)	(31,185)	(31,424)
(Loss) Gain on Disposal of Capital Assets	194	318	2,047	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	1,705	3,572	13,866	14,526
Ferry Transportation Fees	-	-	-	-
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Route Earnings (Loss)	1,705	3,572	13,866	14,526
Fuel Costs Deferred (note 1)	5,864	(3,189)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(3,750)	0	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 1 - Major Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 30: Tsawwassen - Nanaimo

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	60,494	65,832	67,933	70,317
Reservation Revenue	1,982	2,108	2,351	2,398
Other Ancillary Revenue - net	7,132	6,987	6,609	7,004
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	69,608	74,927	76,893	79,719
Total Operating Expenses	67,053	68,391	72,836	74,126
Earnings (Loss) from Operations	2,555	6,536	4,057	5,593
Amortization	(15,780)	(18,329)	(17,786)	(18,231)
Financing Expense	(11,238)	(12,212)	(12,001)	(11,838)
Cost of Capital	(27,018)	(30,541)	(29,787)	(30,070)
(Loss) Gain on Disposal of Capital Assets	571	16	1,276	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(23,892)	(23,989)	(24,454)	(24,476)
Ferry Transportation Fees	-	-	-	-
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Route Earnings (Loss)	(23,892)	(23,989)	(24,454)	(24,476)
Fuel Costs Deferred (note 1)	5,367	(3,011)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(2,291)	0	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 2 - Route 3: Horseshoe Bay - Langdale
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 3: Horseshoe Bay - Langdale

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	33,438	36,906	40,638	42,904
Reservation Revenue	1,040	1,184	1,097	1,119
Other Ancillary Revenue - Net	5,030	5,155	5,256	5,523
Unregulated Routes Fee	-	-	-	-
Total Operating Revenue	39,508	43,245	46,990	49,546
Total Operating Expenses	36,369	36,079	36,901	37,756
Earnings (Loss) from Operations	3,139	7,166	10,089	11,790
Amortization	(6,436)	(6,652)	(6,843)	(7,248)
Financing Expense	(3,604)	(3,567)	(3,829)	(3,830)
Cost of Capital	(10,040)	(10,219)	(10,672)	(11,078)
(Loss) Gain on Disposal of Capital Assets	191	119	763	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(6,710)	(2,934)	181	712
Ferry Transportation Fees	3,665	3,665	3,665	3,665
Federal-Provincial Subsidy Agreement	943	966	967	983
Net Route Earnings (Loss)	(2,102)	1,697	4,813	5,360
Fuel Costs Deferred (note 1)	1,840	(1,222)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(1,013)	776	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



*British Columbia Ferry Services Inc.
Route Statement
Group 3 - Northern Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)*

Route 10: Bear Cove - Bella Bella - Prince Rupert

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	10,060	10,055	9,689	10,163
Reservation Revenue	27	22	25	26
Other Ancillary Revenue - net	1,884	1,864	1,268	1,332
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	11,971	11,941	10,983	11,520
Total Operating Expenses	25,705	25,963	28,647	29,181
Earnings (Loss) from Operations	(13,734)	(14,022)	(17,665)	(17,661)
Amortization	(7,127)	(10,787)	(12,650)	(12,674)
Financing Expense	(4,052)	(9,349)	(9,314)	(8,952)
Cost of Capital	(11,179)	(20,136)	(21,964)	(21,625)
(Loss) Gain on Disposal of Capital Assets	95	(634)	182	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(24,818)	(34,792)	(39,447)	(39,286)
Ferry Transportation Fees	11,161	25,369	25,088	25,039
Federal-Provincial Subsidy Agreement	1,006	1,030	1,031	1,048
Net Route Earnings (Loss)	(12,651)	(8,393)	(13,327)	(13,199)
Fuel Costs Deferred (note 1)	1,494	(848)	0	0
Net Fuel (Surcharges) Rebates (note 1)	0	0	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



*British Columbia Ferry Services Inc.
Route Statement
Group 3 - Northern Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)*

Route 11: Prince Rupert - Skidegate

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	4,286	4,411	5,843	6,138
Reservation Revenue	39	30	32	32
Other Ancillary Revenue - net	640	838	516	550
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	4,965	5,279	6,391	6,720
Total Operating Expenses	11,723	13,857	15,290	15,575
Earnings (Loss) from Operations	(6,758)	(8,578)	(8,899)	(8,855)
Amortization	(1,238)	(4,361)	(5,114)	(5,124)
Financing Expense	(301)	(3,028)	(3,017)	(2,899)
Cost of Capital	(1,539)	(7,389)	(8,131)	(8,023)
(Loss) Gain on Disposal of Capital Assets	126	(691)	110	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(8,171)	(16,658)	(16,920)	(16,878)
Ferry Transportation Fees	13,118	21,217	21,047	20,734
Federal-Provincial Subsidy Agreement	5,241	5,366	5,374	5,462
Net Route Earnings (Loss)	10,188	9,925	9,500	9,319
Fuel Costs Deferred (note 1)	878	(456)	0	0
Net Fuel (Surcharges) Rebates (note 1)	0	0	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



*British Columbia Ferry Services Inc.
Route Statement
Group 3 - Northern Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)*

Route 40: Bear Cove - Mid Coast

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	1,706	1,520	1,823	1,911
Reservation Revenue	3	4	5	6
Other Ancillary Revenue - net	186	201	256	268
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	1,892	1,721	2,084	2,185
Total Operating Expenses	3,722	5,326	4,402	5,414
Earnings (Loss) from Operations	(1,830)	(3,605)	(2,318)	(3,229)
Amortization	(211)	(387)	(257)	(1,768)
Financing Expense	(37)	(76)	(135)	(443)
Cost of Capital	(248)	(463)	(392)	(2,211)
(Loss) Gain on Disposal of Capital Assets	0	5	34	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(2,078)	(4,063)	(2,675)	(5,440)
Ferry Transportation Fees	1,004	1,004	1,004	2,804
Federal-Provincial Subsidy Agreement	258	264	265	269
Net Route Earnings (Loss)	(816)	(2,795)	(1,407)	(2,367)
Fuel Costs Deferred (note 1)	248	(134)	0	0
Net Fuel (Surcharges) Rebates (note 1)	0	0	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 4: Swartz Bay - Fulford Harbour

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	5,325	6,124	6,479	6,834
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	294	286	34	60
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	5,619	6,410	6,513	6,894
Total Operating Expenses	8,872	11,049	8,851	9,040
Earnings (Loss) from Operations	(3,253)	(4,639)	(2,339)	(2,146)
Amortization	(1,644)	(1,825)	(1,786)	(1,992)
Financing Expense	(1,050)	(1,123)	(1,109)	(1,137)
Cost of Capital	(2,694)	(2,948)	(2,895)	(3,129)
(Loss) Gain on Disposal of Capital Assets	(13)	18	122	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(5,960)	(7,569)	(5,112)	(5,275)
Ferry Transportation Fees	2,191	2,191	2,191	2,191
Federal-Provincial Subsidy Agreement	1,117	1,144	1,145	1,164
Net Route Earnings (Loss)	(2,652)	(4,234)	(1,775)	(1,919)
Fuel Costs Deferred (note 1)	510	(272)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(272)	430	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 5: Swartz Bay - Gulf Islands

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	4,737	5,401	8,964	9,454
Reservation Revenue	19	18	12	12
Other Ancillary Revenue - net	405	392	199	239
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	5,161	5,811	9,175	9,705
Total Operating Expenses	16,579	17,696	20,092	20,511
Earnings (Loss) from Operations	(11,418)	(11,885)	(10,916)	(10,806)
Amortization	(1,719)	(1,865)	(2,213)	(2,480)
Financing Expense	(1,078)	(1,074)	(1,292)	(1,416)
Cost of Capital	(2,797)	(2,939)	(3,505)	(3,895)
(Loss) Gain on Disposal of Capital Assets	(12)	16	168	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(14,227)	(14,808)	(14,253)	(14,701)
Ferry Transportation Fees	13,670	13,669	13,670	13,670
Federal-Provincial Subsidy Agreement	3,517	3,601	3,606	3,666
Net Route Earnings (Loss)	2,960	2,462	3,023	2,634
Fuel Costs Deferred (note 1)	1,194	(712)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(249)	376	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 6: Crofton - Vesuvius

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	4,211	4,957	5,054	5,331
Reservation Revenue	50	51	44	45
Other Ancillary Revenue - net	34	42	32	53
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	4,295	5,050	5,130	5,429
Total Operating Expenses	4,472	4,979	4,970	5,084
Earnings (Loss) from Operations	(177)	71	160	345
Amortization	(569)	(605)	(497)	(552)
Financing Expense	(235)	(209)	(212)	(218)
Cost of Capital	(804)	(814)	(709)	(769)
(Loss) Gain on Disposal of Capital Assets	0	14	95	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(981)	(729)	(454)	(424)
Ferry Transportation Fees	2,191	2,191	2,191	2,191
Federal-Provincial Subsidy Agreement	11	11	11	11
Net Route Earnings (Loss)	1,221	1,473	1,748	1,778
Fuel Costs Deferred (note 1)	99	(62)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(228)	365	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 7: Earls Cove - Saltery Bay

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	5,540	6,054	4,676	4,933
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	523	430	280	304
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	6,063	6,484	4,956	5,237
Total Operating Expenses	13,729	11,402	12,603	12,527
Earnings (Loss) from Operations	(7,666)	(4,918)	(7,647)	(7,290)
Amortization	(1,137)	(3,079)	(3,497)	(3,587)
Financing Expense	926	(376)	(2,911)	(2,794)
Cost of Capital	(211)	(3,455)	(6,408)	(6,382)
(Loss) Gain on Disposal of Capital Assets	(1)	18	88	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(7,878)	(8,355)	(13,967)	(13,672)
Ferry Transportation Fees	9,069	9,069	9,069	9,069
Federal-Provincial Subsidy Agreement	2,333	2,389	2,392	2,432
Net Route Earnings (Loss)	3,524	3,103	(2,506)	(2,171)
Fuel Costs Deferred (note 1)	839	(466)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(295)	446	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



*British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)*

Route 8: Horseshoe Bay - Snug Cove

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	7,416	8,420	9,572	10,095
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	429	369	259	303
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	7,845	8,789	9,831	10,398
Total Operating Expenses	12,117	10,784	12,602	12,772
Earnings (Loss) from Operations	(4,272)	(1,995)	(2,770)	(2,374)
Amortization	(1,608)	(1,710)	(1,737)	(1,787)
Financing Expense	(1,148)	(1,148)	(1,293)	(1,356)
Cost of Capital	(2,756)	(2,858)	(3,030)	(3,143)
(Loss) Gain on Disposal of Capital Assets	0	24	180	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(7,028)	(4,829)	(5,620)	(5,518)
Ferry Transportation Fees	4,605	4,605	4,605	4,605
Federal-Provincial Subsidy Agreement	1,185	1,213	1,215	1,235
Net Route Earnings (Loss)	(1,238)	989	200	323
Fuel Costs Deferred (note 1)	659	(421)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(416)	533	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 9: Tsawwassen - Gulf Islands

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	10,408	11,325	8,487	8,951
Reservation Revenue	88	79	84	85
Other Ancillary Revenue - net	1,507	1,606	1,292	1,352
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	12,003	13,010	9,863	10,388
Total Operating Expenses	20,104	16,554	19,843	19,925
Earnings (Loss) from Operations	(8,101)	(3,544)	(9,980)	(9,536)
Amortization	(2,960)	(3,052)	(3,503)	(4,005)
Financing Expense	(974)	(903)	(1,018)	(1,004)
Cost of Capital	(3,934)	(3,955)	(4,520)	(5,009)
(Loss) Gain on Disposal of Capital Assets	0	36	159	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(12,035)	(7,463)	(14,341)	(14,546)
Ferry Transportation Fees	8,008	8,008	8,008	8,008
Federal-Provincial Subsidy Agreement	2,060	2,109	2,113	2,147
Net Route Earnings (Loss)	(1,967)	2,654	(4,220)	(4,390)
Fuel Costs Deferred (note 1)	871	(532)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(499)	816	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 12: Mill Bay - Brentwood Bay

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	1,285	1,490	1,950	2,057
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	4	9	9	17
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	1,289	1,499	1,959	2,073
Total Operating Expenses	1,597	1,675	1,830	2,769
Earnings (Loss) from Operations	(308)	(176)	129	(696)
Amortization	(526)	(550)	(7)	(439)
Financing Expense	(50)	(12)	(39)	(216)
Cost of Capital	(576)	(562)	(46)	(655)
(Loss) Gain on Disposal of Capital Assets	(1)	4	37	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(885)	(734)	120	(1,351)
Ferry Transportation Fees	1,091	1,090	1,090	1,090
Federal-Provincial Subsidy Agreement	-	-	0	0
Net Route Earnings (Loss)	206	356	1,211	(260)
Fuel Costs Deferred (note 1)	17	(10)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(67)	130	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 13: Langdale - Gambier Islands - Keats Island

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	196	216	231	244
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	20	20	1	2
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	216	236	233	246
Total Operating Expenses	532	553	548	561
Earnings (Loss) from Operations	(316)	(317)	(315)	(314)
Amortization	(8)	(9)	0	0
Financing Expense	(18)	(4)	(0)	(1)
Cost of Capital	(26)	(13)	(0)	(1)
(Loss) Gain on Disposal of Capital Assets	0	1	4	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(342)	(329)	(311)	(315)
Ferry Transportation Fees	249	249	249	249
Federal-Provincial Subsidy Agreement	64	65	66	67
Net Route Earnings (Loss)	(29)	(15)	3	0
Fuel Costs Deferred (note 1)	30	9	0	0
Net Fuel (Surcharges) Rebates (note 1)	(7)	15	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 17: Comox - Powell River

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	10,196	11,020	10,981	11,583
Reservation Revenue	-	-	480	490
Other Ancillary Revenue - net	865	850	828	888
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	11,061	11,870	12,289	12,961
Total Operating Expenses	15,797	16,761	19,921	19,525
Earnings (Loss) from Operations	(4,736)	(4,891)	(7,632)	(6,564)
Amortization	(1,460)	(1,729)	(1,420)	(2,163)
Financing Expense	(506)	(470)	(472)	(741)
Cost of Capital	(1,966)	(2,199)	(1,892)	(2,904)
(Loss) Gain on Disposal of Capital Assets	0	32	206	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(6,702)	(7,058)	(9,318)	(9,469)
Ferry Transportation Fees	6,278	6,278	6,278	6,278
Federal-Provincial Subsidy Agreement	1,615	1,654	1,656	1,684
Net Route Earnings (Loss)	1,191	874	(1,383)	(1,507)
Fuel Costs Deferred (note 1)	792	(475)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(506)	749	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 18: Powell River - Texada Island

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	1,185	1,351	1,462	1,542
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	17	12	10	16
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	1,202	1,363	1,472	1,558
Total Operating Expenses	4,276	6,275	4,834	4,919
Earnings (Loss) from Operations	(3,074)	(4,912)	(3,362)	(3,361)
Amortization	(442)	(490)	(511)	(676)
Financing Expense	(235)	(215)	(209)	(242)
Cost of Capital	(677)	(705)	(720)	(918)
(Loss) Gain on Disposal of Capital Assets	(1)	4	27	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(3,752)	(5,613)	(4,054)	(4,279)
Ferry Transportation Fees	3,503	3,503	3,503	3,503
Federal-Provincial Subsidy Agreement	901	923	924	939
Net Route Earnings (Loss)	652	(1,187)	372	163
Fuel Costs Deferred (note 1)	168	(90)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(67)	91	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 19: Gabriola Island - Nanaimo

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	4,690	5,428	6,209	6,549
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	45	50	46	72
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	4,735	5,478	6,256	6,621
Total Operating Expenses	7,457	7,433	6,691	6,721
Earnings (Loss) from Operations	(2,722)	(1,955)	(435)	(100)
Amortization	(718)	(1,025)	(1,687)	(1,896)
Financing Expense	(329)	(543)	(1,172)	(1,146)
Cost of Capital	(1,047)	(1,568)	(2,859)	(3,043)
(Loss) Gain on Disposal of Capital Assets	0	15	117	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(3,769)	(3,508)	(3,178)	(3,142)
Ferry Transportation Fees	2,322	2,322	2,322	2,322
Federal-Provincial Subsidy Agreement	597	612	612	623
Net Route Earnings (Loss)	(850)	(574)	(244)	(198)
Fuel Costs Deferred (note 1)	293	(175)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(264)	353	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



*British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)*

**Route 20: Thetis Island - Penelakut Island -
Chemainus**

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	1,270	1,472	1,565	1,651
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	32	14	7	14
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	1,302	1,486	1,572	1,664
Total Operating Expenses	3,880	3,779	5,034	4,533
Earnings (Loss) from Operations	(2,578)	(2,293)	(3,462)	(2,868)
Amortization	(898)	(835)	(1,124)	(942)
Financing Expense	(707)	(659)	(727)	(623)
Cost of Capital	(1,605)	(1,494)	(1,851)	(1,565)
(Loss) Gain on Disposal of Capital Assets	(1)	4	29	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(4,184)	(3,783)	(5,283)	(4,433)
Ferry Transportation Fees	3,447	3,447	3,447	3,447
Federal-Provincial Subsidy Agreement	887	908	909	924
Net Route Earnings (Loss)	150	572	(927)	(62)
Fuel Costs Deferred (note 1)	130	(74)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(68)	104	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 21: Denman Island - Buckley Bay

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	2,472	3,186	3,538	3,732
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	35	26	18	33
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	2,507	3,212	3,557	3,765
Total Operating Expenses	5,968	4,423	5,269	5,380
Earnings (Loss) from Operations	(3,461)	(1,211)	(1,713)	(1,615)
Amortization	(1,275)	(1,380)	(1,379)	(1,427)
Financing Expense	(815)	(923)	(933)	(884)
Cost of Capital	(2,090)	(2,303)	(2,311)	(2,311)
(Loss) Gain on Disposal of Capital Assets	0	(17)	66	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(5,551)	(3,531)	(3,957)	(3,926)
Ferry Transportation Fees	3,311	3,311	3,310	3,310
Federal-Provincial Subsidy Agreement	852	872	873	888
Net Route Earnings (Loss)	(1,388)	652	226	272
Fuel Costs Deferred (note 1)	84	(52)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(152)	244	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 22: Denman Island - Hornby Island

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	1,350	1,391	1,257	1,325
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	4	3	7	13
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	1,354	1,394	1,264	1,338
Total Operating Expenses	3,852	3,145	3,878	4,194
Earnings (Loss) from Operations	(2,498)	(1,751)	(2,614)	(2,856)
Amortization	(189)	(278)	(515)	(972)
Financing Expense	(101)	(114)	(151)	(564)
Cost of Capital	(290)	(392)	(666)	(1,535)
(Loss) Gain on Disposal of Capital Assets	0	4	24	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(2,788)	(2,139)	(3,256)	(4,391)
Ferry Transportation Fees	2,769	2,769	2,769	2,769
Federal-Provincial Subsidy Agreement	712	730	731	743
Net Route Earnings (Loss)	693	1,360	244	(880)
Fuel Costs Deferred (note 1)	58	(29)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(71)	99	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 23: Quadra Island - Campbell River

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	4,776	5,422	5,852	6,173
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	42	44	35	59
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	4,818	5,466	5,888	6,232
Total Operating Expenses	7,591	8,609	7,627	7,785
Earnings (Loss) from Operations	(2,773)	(3,143)	(1,739)	(1,553)
Amortization	(1,149)	(1,332)	(1,599)	(1,778)
Financing Expense	(474)	(519)	(803)	(833)
Cost of Capital	(1,623)	(1,851)	(2,402)	(2,611)
(Loss) Gain on Disposal of Capital Assets	(6)	25	110	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(4,402)	(4,969)	(4,031)	(4,164)
Ferry Transportation Fees	2,467	2,467	2,467	2,467
Federal-Provincial Subsidy Agreement	635	650	651	662
Net Route Earnings (Loss)	(1,300)	(1,852)	(914)	(1,035)
Fuel Costs Deferred (note 1)	255	(157)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(252)	386	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 24: Cortes Island - Quadra Island

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	821	967	1,196	1,262
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	7	5	7	12
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	828	972	1,204	1,274
Total Operating Expenses	2,775	8,759	3,234	3,295
Earnings (Loss) from Operations	(1,947)	(7,787)	(2,030)	(2,021)
Amortization	(282)	(384)	(285)	(330)
Financing Expense	(117)	(113)	(110)	(98)
Cost of Capital	(399)	(497)	(396)	(429)
(Loss) Gain on Disposal of Capital Assets	(1)	2	22	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(2,347)	(8,282)	(2,403)	(2,449)
Ferry Transportation Fees	2,182	2,182	2,182	2,182
Federal-Provincial Subsidy Agreement	561	575	576	585
Net Route Earnings (Loss)	396	(5,525)	354	317
Fuel Costs Deferred (note 1)	110	(79)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(44)	63	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 25: Alert Bay - Sointula - Port McNeill

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	1,553	1,777	1,838	1,939
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	18	16	12	20
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	1,571	1,793	1,850	1,959
Total Operating Expenses	7,403	4,859	5,615	5,490
Earnings (Loss) from Operations	(5,832)	(3,066)	(3,765)	(3,531)
Amortization	(490)	(503)	(596)	(1,489)
Financing Expense	(269)	(246)	(638)	(1,054)
Cost of Capital	(759)	(749)	(1,234)	(2,542)
(Loss) Gain on Disposal of Capital Assets	(1)	28	35	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(6,592)	(3,787)	(4,964)	(6,074)
Ferry Transportation Fees	3,545	3,545	3,545	3,545
Federal-Provincial Subsidy Agreement	912	934	935	951
Net Route Earnings (Loss)	(2,135)	692	(484)	(1,578)
Fuel Costs Deferred (note 1)	204	(120)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(74)	124	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).



British Columbia Ferry Services Inc.
Route Statement
Group 4 - Minor Routes
For the period April 1, 2008 to March 31, 2012
(in 000's)

Route 26: Skidegate - Alliford Bay

	ACTUALS		FORECASTS	
	2008/09	2009/10	2010/11	2011/12
Tariff Revenue	678	674	663	699
Reservation Revenue	-	-	-	-
Other Ancillary Revenue - net	16	8	4	6
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	694	682	667	706
Total Operating Expenses	3,380	6,351	3,529	3,585
Earnings (Loss) from Operations	(2,686)	(5,669)	(2,862)	(2,879)
Amortization	(589)	(757)	(812)	(841)
Financing Expense	(437)	(682)	(596)	(566)
Cost of Capital	(1,026)	(1,439)	(1,407)	(1,406)
(Loss) Gain on Disposal of Capital Assets	(1)	2	12	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(3,713)	(7,106)	(4,257)	(4,285)
Ferry Transportation Fees	3,448	3,448	3,448	3,448
Federal-Provincial Subsidy Agreement	887	908	910	925
Net Route Earnings (Loss)	622	(2,750)	101	88
Fuel Costs Deferred (note 1)	65	(29)	0	0
Net Fuel (Surcharges) Rebates (note 1)	(37)	45	0	0

Note 1: The British Columbia Ferries Commissioner has authorized the use of deferred fuel cost accounts whereby differences between actual fuel costs and approved fuel costs used to develop regulated price caps are deferred for settlement in future tariffs. Also as authorized by the Commissioner, the Company collects fuel surcharges or provides fuel rebates which are applied against deferred fuel cost account balances.

Included in the amounts disclosed in the above statement are fuel surcharges, net of fuel rebates received, paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2010, the Province received fuel rebates of \$0.5 million (March 31, 2009 - paid fuel surcharges of \$0.7 million).

This page intentionally left blank.

Appendix C – Fuel Price Forecast

This page intentionally left blank.

Fuel Forecast Summary

As at September, 2010

		PT2	PT3			
		<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
Price Per Barrel						
Futures Curve						
	US\$ ⁽¹⁾	82	85	87	88	89
	Foreign Exchange Rate (USD/CAD) ⁽²⁾	1.045	1.056	1.064	1.071	1.076
	C\$	86	90	93	94	96
Consensus ⁽³⁾						
	US\$	84	86	91	94	99
	Foreign Exchange Rate (USD/CAD)	1.040	1.054	1.094	1.102	1.103
	C\$	87	91	100	104	109
Oil Forecasters ⁽⁴⁾						
	US\$	84	87	90	94	96
	Foreign Exchange Rate (USD/CAD)	1.059	1.059	1.059	1.059	1.059
	C\$	89	92	95	100	102
Weighted Average Set Price (C\$/Litre) ⁽⁵⁾						
	0.8166	0.8329	0.8496	0.8666	0.8839	
Indicative Oil Price (C\$/Barrel)						
	74	75	77	79	82	
Price Per Litre (C\$)						
	Futures Curve	0.8920	0.9327	0.9549	0.9663	0.9767
	<i>variance to Set Price</i>	0.0754	0.0998	0.1053	0.0997	0.0928
	Consensus	0.9031	0.9385	1.0010	1.0280	1.0654
	<i>variance to Set Price</i>	0.0865	0.1056	0.1514	0.1614	0.1815
	Oil Forecasters	0.9136	0.9484	0.9730	1.0013	1.0156
	<i>variance to Set Price</i>	0.0970	0.1155	0.1234	0.1347	0.1317

⁽¹⁾ Futures curve based on average WTI futures prices at NYMEX close over the period September 8-21, 2010

⁽²⁾ Forward curve based on average USD/CAD forward contracts at approximately 11:30am over the period September 8-21, 2010

⁽³⁾ Consensus Economics Inc.:
 - *Consensus Forecasts*, September 2010
 - *Consensus Forecasts Global Outlook: 2009-2019*, October 2009

⁽⁴⁾ Oil Forecasters:
 - GLJ Petroleum Consultants, *Product Price And Market Forecasts For The Canadian Oil And Gas Industry*, July 1, 2010
 - McDaniel & Associates Consultants Ltd., *Summary of Price Forecasts*, July 1, 2010
 - Sproule Associates Ltd., *Summary of Price Forecasts and Inflation and Exchange Rates (\$Cdn)*, as of August 31, 2010

⁽⁵⁾ Set Price is the estimated price of delivered fuel cost per litre determined by the BC Ferries Commissioner for each route group before the beginning of a performance term and increased each April 1 by the percentage increase reported by Statistics Canada in the Consumer Price Index (Vancouver) for the previous calendar year. Variations in set price among route groups will occur due to the cost of delivering fuel.

This page intentionally left blank.

Appendix D – Traffic Forecast by Route Group

This page intentionally left blank.

Appendix D – Traffic Forecast by Route Group

Forecast Passenger and Vehicle Volumes for Fiscal 2010/11

Route Group	Route	Passenger Vehicles	Commercial Vehicles	Passengers
Major Routes	Tsawwassen - Swartz Bay	1,796,790	116,906	5,774,986
	Horseshoe Bay - Nanaimo	1,230,886	42,735	3,494,023
	Tsawwassen - Nanaimo	559,849	80,753	1,487,359
	Subtotal	3,587,524	240,394	10,756,368
Route 3	Horseshoe Bay - Langdale	1,096,622	39,842	2,621,367
Northern Routes	Port Hardy - Prince Rupert	12,671	700	45,110
	Prince Rupert - Skidegate	14,345	2,362	38,101
	Port Hardy - Discovery Coast	2,700	0	8,894
	Subtotal	29,716	3,062	92,105
Minor Routes	Swartz Bay - Saltspring Island	306,083	12,944	649,816
	Swartz Bay - Outer Gulf Islands	224,394	14,753	470,751
	Crofton - Saltspring Island	243,005	10,960	520,813
	Saltery Bay - Earls Cove	170,032	10,084	362,245
	Horseshoe Bay - Bowen Island	480,520	9,596	1,108,259
	Tsawwassen - Gulf Island	167,260	2,449	459,277
	Brentwood Bay - Mill Bay	68,729	0	155,446
	Langdale - Gambier - Keats Islands	0	0	38,862
	Comox - Powell River	152,420	9,848	384,977
	Powell River - Texada Island	83,972	3,540	186,634
	Nanaimo Harbour - Gabriola Island	371,004	10,722	835,534
	Chemainus - Thetis - Penelakut Islands	82,459	1,932	262,825
	Buckley Bay - Denman Island	237,676	6,669	497,569
	Denman - Hornby Islands	101,533	0	202,048
	Campbell River - Quadra Island	363,874	12,478	848,736
	Quadra Island - Cortes Island	101,533	0	181,843
Port McNeill - Alert Bay - Sointula Islands	84,859	3,308	234,740	
Skidegate - Alliford Bay	21,936	1,139	97,010	
Subtotal	3,261,287	110,422	7,497,385	
System Total	7,975,150	393,720	20,967,224	

Forecast Passenger and Vehicle Volumes for Fiscal 2011/12

Route Group	Route	Passenger Vehicles	Commercial Vehicles	Passengers
Major Routes	Tsawwassen - Swartz Bay	1,796,790	116,906	5,774,986
	Horseshoe Bay - Nanaimo	1,230,886	42,735	3,494,023
	Tsawwassen - Nanaimo	559,849	80,753	1,487,359
	Subtotal	3,587,524	240,394	10,756,368
Route 3	Horseshoe Bay - Langdale	1,096,622	39,842	2,621,367
Northern Routes	Port Hardy - Prince Rupert	12,671	700	45,110
	Prince Rupert - Skidegate	14,345	2,362	38,101
	Port Hardy - Discovery Coast	2,700	0	8,894
	Subtotal	29,716	3,062	92,105
Minor Routes	Swartz Bay - Saltspring Island	306,083	12,944	649,816
	Swartz Bay - Outer Gulf Islands	224,394	14,753	470,751
	Crofton - Saltspring Island	243,005	10,960	520,813
	Saltery Bay - Earls Cove	170,032	10,084	362,245
	Horseshoe Bay - Bowen Island	480,520	9,596	1,108,259
	Tsawwassen - Gulf Island	167,260	2,449	459,277
	Brentwood Bay - Mill Bay	68,729	0	155,446
	Langdale - Gambier - Keats Islands	0	0	38,862
	Comox - Powell River	152,420	9,848	384,977
	Powell River - Texada Island	83,972	3,540	186,634
	Nanaimo Harbour - Gabriola Island	371,004	10,722	835,534
	Chemainus - Thetis - Penelakut Islands	82,459	1,932	262,825
	Buckley Bay - Denman Island	237,676	6,669	497,569
	Denman - Hornby Islands	101,533	0	202,048
	Campbell River - Quadra Island	363,874	12,478	848,736
	Quadra Island - Cortes Island	101,533	0	181,843
Port McNeill - Alert Bay - Sointula Islands	84,859	3,308	234,740	
Skidegate - Alliford Bay	21,936	1,139	97,010	
Subtotal	3,261,287	110,422	7,497,385	
System Total	7,975,150	393,720	20,967,224	

This page intentionally left blank.

Appendix E – Regression Analysis Output

Interpretation of the following tables:

The value of the coefficient of determination (R^2) produced through regression analysis for each segment of ferry traffic (passengers, personal vehicles and commercial vehicles) by route group is presented for a number of economic and demographic variables. Some of these variables are presented in a seasonally-adjusted format. The banner underneath the variables going across the tables identifies which are seasonally-adjusted and which are not.

Due to the seasonal nature of ferry demand, the regression analysis was conducted twice. The first grouping of results summarizes the R^2 values obtained through regression analysis of each variable against unadjusted BC Ferries traffic volumes. The second grouping of results summarizes the R^2 values obtained through regression analysis of each variable against seasonally-adjusted traffic figures.

A software program known as "X-12-ARIMA" was used to seasonally-adjust BC Ferries' traffic volumes. This computer program is developed and maintained by the U.S. Census Bureau. It is based on the X-11-ARIMA/88 seasonal adjustment program developed at Statistics Canada and is a widely recognized tool for correcting trend data for seasonal factors. It is used by the U.S. Census Bureau for all of their official adjustments.

The input values for all variables used in the analysis were obtained from BC Statistics for the period January 1998 to December 2009 unless otherwise noted. These values were regressed against BC Ferries' traffic volumes for the same time period.

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Labour Force Activity				
		Labour Force	Employed	Unemployment Rate	Participation Rate	Average Actual Hours Worked
		Thousands of persons		%		Number
Seasonally Adjusted (SA)					Unadjusted	
Majors	Passengers	0.00	0.00	0.00	0.00	0.04
Majors	Personal Vehicles	0.01	0.01	0.01	0.00	0.04
Majors	Commercial Vehicles	0.00	0.00	0.01	0.00	0.01
Route 3	Passengers	0.01	0.01	0.00	0.00	0.05
Route 3	Personal Vehicles	0.04	0.04	0.02	0.02	0.05
Route 3	Commercial Vehicles	0.01	0.00	0.00	0.00	0.00
Minors	Passengers	0.00	0.00	0.00	0.00	0.04
Minors	Personal Vehicles	0.02	0.02	0.02	0.01	0.04
Minors	Commercial Vehicles	0.21	0.24	0.20	0.17	0.00
North	Passengers	0.02	0.02	0.01	0.01	0.01
North	Personal Vehicles	0.01	0.01	0.01	0.01	0.01
North	Commercial Vehicles	0.02	0.02	0.00	0.01	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Labour Force Activity				
		Labour Force	Employed	Unemployment Rate	Participation Rate	Average Actual Hours Worked
		Thousands of persons		%		Number
Seasonally Adjusted (SA)					Unadjusted	
Majors	Passengers	0.08	0.05	0.00	0.02	0.03
Majors	Personal Vehicles	0.33	0.35	0.27	0.22	0.00
Majors	Commercial Vehicles	0.02	0.05	0.17	0.05	0.01
Route 3	Passengers	0.25	0.26	0.19	0.14	0.00
Route 3	Personal Vehicles	0.59	0.59	0.34	0.32	0.01
Route 3	Commercial Vehicles	0.03	0.01	0.01	0.00	0.03
Minors	Passengers	0.01	0.01	0.02	0.03	0.00
Minors	Personal Vehicles	0.21	0.22	0.18	0.13	0.00
Minors	Commercial Vehicles	0.63	0.71	0.62	0.51	0.00
North	Passengers	0.55	0.56	0.32	0.29	0.01
North	Personal Vehicles	0.22	0.24	0.20	0.10	0.00
North	Commercial Vehicles	0.16	0.13	0.02	0.05	0.03

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Earnings		Employment Insurance:	
		Earnings from Wages and Salaries	Average Weekly Wage Rates	Number of Beneficiaries on EI Benefits	Value of EI Benefits
		\$ million	\$	(Persons)	thousand
		SA	Unadjusted	Unadjusted	
Majors	Passengers	0.00	0.00	0.08	0.07
Majors	Personal Vehicles	0.01	0.01	0.10	0.07
Majors	Commercial Vehicles	0.00	0.00	0.24	0.17
Route 3	Passengers	0.01	0.00	0.08	0.06
Route 3	Personal Vehicles	0.04	0.03	0.12	0.07
Route 3	Commercial Vehicles	0.00	0.01	0.13	0.12
Minors	Passengers	0.00	0.00	0.08	0.07
Minors	Personal Vehicles	0.02	0.01	0.14	0.09
Minors	Commercial Vehicles	0.23	0.18	0.33	0.17
North	Passengers	0.02	0.02	0.05	0.06
North	Personal Vehicles	0.01	0.01	0.06	0.06
North	Commercial Vehicles	0.02	0.02	0.13	0.11

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Earnings		Employment Insurance:	
		Earnings from Wages and Salaries	Average Weekly Wage Rates	Number of Beneficiaries on EI Benefits	Value of EI Benefits
		\$ million	\$	(Persons)	thousand
		SA	Unadjusted	Unadjusted	
Majors	Passengers	0.05	0.10	0.07	0.11
Majors	Personal Vehicles	0.35	0.29	0.10	0.02
Majors	Commercial Vehicles	0.03	0.00	0.20	0.19
Route 3	Passengers	0.25	0.20	0.09	0.02
Route 3	Personal Vehicles	0.59	0.53	0.09	0.01
Route 3	Commercial Vehicles	0.01	0.03	0.03	0.04
Minors	Passengers	0.00	0.00	0.03	0.04
Minors	Personal Vehicles	0.21	0.16	0.10	0.04
Minors	Commercial Vehicles	0.68	0.55	0.29	0.11
North	Passengers	0.59	0.55	0.04	0.00
North	Personal Vehicles	0.27	0.22	0.05	0.01
North	Commercial Vehicles	0.14	0.17	0.01	0.03

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Employment in Goods Producing Industries							
		Goods Producing	Agriculture	Forestry		Fishing & Trapping		Mining	
		Thousands of persons							
		SA	Unadjusted	SA	Unadjusted	SA	Unadjusted	SA	Unadjusted
Majors	Passengers	0.00	0.00	0.04	0.00	0.05	0.00	0.00	0.00
Majors	Personal Vehicles	0.01	0.01	0.01	0.01	0.03	0.00	0.00	0.00
Majors	Commercial Vehicles	0.01	0.02	0.02	0.00	0.03	0.00	0.01	0.00
Route 3	Passengers	0.00	0.01	0.01	0.01	0.03	0.00	0.00	0.00
Route 3	Personal Vehicles	0.03	0.03	0.00	0.03	0.01	0.01	0.01	0.01
Route 3	Commercial Vehicles	0.00	0.00	0.06	0.02	0.03	0.00	0.01	0.01
Minors	Passengers	0.00	0.01	0.02	0.00	0.04	0.00	0.00	0.00
Minors	Personal Vehicles	0.01	0.03	0.00	0.02	0.02	0.00	0.00	0.00
Minors	Commercial Vehicles	0.23	0.11	0.03	0.09	0.01	0.05	0.06	0.08
North	Passengers	0.01	0.00	0.09	0.01	0.08	0.01	0.01	0.01
North	Personal Vehicles	0.01	0.00	0.07	0.00	0.06	0.00	0.01	0.01
North	Commercial Vehicles	0.00	0.00	0.08	0.01	0.06	0.01	0.00	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Employment in Goods Producing Industries							
		Goods Producing	Agriculture	Forestry		Fishing & Trapping		Mining	
		Thousands of persons							
		SA	Unadjusted	SA	Unadjusted	SA	Unadjusted	SA	Unadjusted
Majors	Passengers	0.01	0.00	0.14	0.12	0.01	0.01	0.08	0.08
Majors	Personal Vehicles	0.31	0.22	0.13	0.15	0.07	0.09	0.03	0.04
Majors	Commercial Vehicles	0.10	0.19	0.00	0.00	0.01	0.01	0.12	0.12
Route 3	Passengers	0.20	0.27	0.16	0.17	0.09	0.10	0.00	0.00
Route 3	Personal Vehicles	0.40	0.30	0.37	0.41	0.16	0.17	0.06	0.06
Route 3	Commercial Vehicles	0.00	0.01	0.08	0.10	0.00	0.00	0.01	0.01
Minors	Passengers	0.01	0.18	0.01	0.01	0.00	0.00	0.12	0.10
Minors	Personal Vehicles	0.15	0.26	0.13	0.15	0.05	0.05	0.02	0.02
Minors	Commercial Vehicles	0.70	0.31	0.22	0.25	0.13	0.15	0.17	0.18
North	Passengers	0.40	0.07	0.33	0.36	0.13	0.14	0.42	0.44
North	Personal Vehicles	0.19	0.02	0.10	0.12	0.04	0.06	0.24	0.25
North	Commercial Vehicles	0.04	0.04	0.12	0.13	0.02	0.01	0.01	0.01

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes										
Route Group	Segment of Demand	Employment in Goods Producing Industries (continued)								
		Utilities	Construction	Food		Wood		Paper	Total	
		Thousands of persons								
		SA	Unadjusted	SA	Unadjusted	SA	Unadjusted	SA	SA	
Majors	Passengers	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00
Majors	Personal Vehicles	0.00	0.01	0.00	0.00	0.03	0.00	0.01	0.02	0.00
Majors	Commercial Vehicles	0.00	0.00	0.00	0.00	0.08	0.01	0.00	0.02	0.01
Route 3	Passengers	0.00	0.01	0.00	0.00	0.03	0.00	0.01	0.02	0.00
Route 3	Personal Vehicles	0.00	0.03	0.00	0.00	0.02	0.00	0.04	0.06	0.00
Route 3	Commercial Vehicles	0.01	0.00	0.04	0.04	0.03	0.00	0.05	0.02	0.00
Minors	Passengers	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.01	0.00
Minors	Personal Vehicles	0.01	0.01	0.01	0.00	0.06	0.00	0.03	0.06	0.00
Minors	Commercial Vehicles	0.00	0.22	0.01	0.01	0.01	0.01	0.09	0.15	0.00
North	Passengers	0.00	0.02	0.00	0.00	0.06	0.01	0.00	0.00	0.00
North	Personal Vehicles	0.00	0.01	0.00	0.00	0.05	0.00	0.00	0.00	0.00
North	Commercial Vehicles	0.00	0.01	0.01	0.02	0.07	0.00	0.03	0.01	0.00
Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes										
Route Group	Segment of Demand	Employment in Goods Producing Industries (continued)								
		Utilities	Construction	Food		Wood		Paper	Total	
		Thousands of persons								
		SA	Unadjusted	SA	Unadjusted	SA	Unadjusted	SA	SA	
Majors	Passengers	0.06	0.03	0.05	0.06	0.09	0.09	0.09	0.09	0.08
Majors	Personal Vehicles	0.01	0.31	0.03	0.02	0.01	0.01	0.14	0.16	0.00
Majors	Commercial Vehicles	0.09	0.03	0.01	0.01	0.10	0.12	0.04	0.04	0.24
Route 3	Passengers	0.07	0.19	0.04	0.05	0.00	0.00	0.31	0.33	0.01
Route 3	Personal Vehicles	0.01	0.49	0.07	0.07	0.04	0.05	0.45	0.47	0.01
Route 3	Commercial Vehicles	0.03	0.00	0.14	0.15	0.00	0.00	0.17	0.17	0.00
Minors	Passengers	0.12	0.00	0.03	0.03	0.10	0.10	0.05	0.06	0.14
Minors	Personal Vehicles	0.09	0.12	0.08	0.09	0.03	0.04	0.31	0.33	0.07
Minors	Commercial Vehicles	0.01	0.64	0.04	0.04	0.02	0.03	0.31	0.32	0.00
North	Passengers	0.01	0.53	0.01	0.01	0.18	0.21	0.15	0.16	0.13
North	Personal Vehicles	0.00	0.25	0.02	0.02	0.07	0.11	0.02	0.02	0.08
North	Commercial Vehicles	0.01	0.07	0.11	0.14	0.04	0.05	0.24	0.24	0.03

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes						
Route Group	Segment of Demand	Employment in Service Industries				
		Service Producing Sectors	Trade	Transportation and Warehousing	Finance, Insurance and Real Estate	Professional, Scientific and Technical
Thousands of persons						
Seasonally Adjusted						
Majors	Passengers	0.00	0.00	0.00	0.00	0.00
Majors	Personal Vehicles	0.01	0.01	0.00	0.00	0.01
Majors	Commercial Vehicles	0.00	0.00	0.00	0.00	0.01
Route 3	Passengers	0.01	0.01	0.00	0.00	0.01
Route 3	Personal Vehicles	0.04	0.04	0.00	0.02	0.04
Route 3	Commercial Vehicles	0.00	0.00	0.00	0.00	0.00
Minors	Passengers	0.00	0.00	0.00	0.00	0.00
Minors	Personal Vehicles	0.02	0.02	0.00	0.01	0.02
Minors	Commercial Vehicles	0.22	0.18	0.11	0.19	0.21
North	Passengers	0.02	0.02	0.01	0.02	0.01
North	Personal Vehicles	0.01	0.01	0.00	0.01	0.01
North	Commercial Vehicles	0.02	0.02	0.01	0.01	0.01

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes						
Route Group	Segment of Demand	Employment in Service Industries				
		Service Producing Sectors	Trade	Transportation and Warehousing	Finance, Insurance and Real Estate	Professional, Scientific and Technical
Thousands of persons						
Seasonally Adjusted						
Majors	Passengers	0.07	0.04	0.02	0.02	0.03
Majors	Personal Vehicles	0.34	0.35	0.08	0.33	0.32
Majors	Commercial Vehicles	0.03	0.03	0.09	0.03	0.05
Route 3	Passengers	0.26	0.23	0.05	0.16	0.29
Route 3	Personal Vehicles	0.61	0.56	0.15	0.43	0.57
Route 3	Commercial Vehicles	0.03	0.02	0.00	0.00	0.01
Minors	Passengers	0.01	0.01	0.00	0.00	0.01
Minors	Personal Vehicles	0.23	0.24	0.09	0.12	0.23
Minors	Commercial Vehicles	0.66	0.52	0.40	0.61	0.65
North	Passengers	0.57	0.53	0.13	0.49	0.50
North	Personal Vehicles	0.24	0.24	0.03	0.23	0.23
North	Commercial Vehicles	0.16	0.13	0.04	0.06	0.11

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Employment in Service Industries (continued)				
		Education	Health & Social Assistance	Information, Culture and Recreation	Accommodation	Public Administration
		Thousands of persons				
Seasonally Adjusted						
Majors	Passengers	0.00	0.00	0.00	0.00	0.00
Majors	Personal Vehicles	0.01	0.01	0.01	0.01	0.00
Majors	Commercial Vehicles	0.00	0.00	0.01	0.01	0.00
Route 3	Passengers	0.00	0.01	0.01	0.01	0.00
Route 3	Personal Vehicles	0.03	0.03	0.05	0.04	0.01
Route 3	Commercial Vehicles	0.00	0.01	0.01	0.01	0.00
Minors	Passengers	0.00	0.00	0.00	0.00	0.00
Minors	Personal Vehicles	0.01	0.01	0.03	0.04	0.00
Minors	Commercial Vehicles	0.18	0.16	0.17	0.19	0.06
North	Passengers	0.02	0.02	0.01	0.00	0.00
North	Personal Vehicles	0.01	0.01	0.00	0.00	0.00
North	Commercial Vehicles	0.03	0.02	0.01	0.01	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Employment in Service Industries (continued)				
		Education	Health & Social Assistance	Information, Culture and Recreation	Accommodation	Public Administration
		Thousands of persons				
Seasonally Adjusted						
Majors	Passengers	0.07	0.09	0.05	0.05	0.05
Majors	Personal Vehicles	0.28	0.26	0.31	0.26	0.08
Majors	Commercial Vehicles	0.02	0.00	0.05	0.14	0.02
Route 3	Passengers	0.22	0.17	0.31	0.37	0.04
Route 3	Personal Vehicles	0.54	0.47	0.56	0.57	0.13
Route 3	Commercial Vehicles	0.01	0.05	0.08	0.08	0.00
Minors	Passengers	0.00	0.00	0.06	0.07	0.01
Minors	Personal Vehicles	0.19	0.13	0.32	0.38	0.00
Minors	Commercial Vehicles	0.57	0.48	0.48	0.54	0.13
North	Passengers	0.49	0.61	0.30	0.22	0.17
North	Personal Vehicles	0.24	0.30	0.08	0.06	0.02
North	Commercial Vehicles	0.20	0.17	0.14	0.09	0.05

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes				
Route Group	Segment of Demand	Business Stats		
		Wholesale Sales	Business Incorporations	Bankruptcies - Business
		\$ million	Number	
		SA	Unadjusted	
Majors	Passengers	0.00	0.00	0.00
Majors	Personal Vehicles	0.01	0.00	0.01
Majors	Commercial Vehicles	0.01	0.03	0.00
Route 3	Passengers	0.01	0.00	0.01
Route 3	Personal Vehicles	0.05	0.02	0.04
Route 3	Commercial Vehicles	0.00	0.01	0.00
Minors	Passengers	0.00	0.00	0.00
Minors	Personal Vehicles	0.03	0.02	0.01
Minors	Commercial Vehicles	0.27	0.28	0.13
North	Passengers	0.01	0.02	0.01
North	Personal Vehicles	0.01	0.01	0.00
North	Commercial Vehicles	0.01	0.00	0.01
Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes				
Route Group	Segment of Demand	Business Stats		
		Wholesale Sales	Business Incorporations	Bankruptcies - Business
		\$ million	Number	
		SA	Unadjusted	
Majors	Passengers	0.02	0.00	0.04
Majors	Personal Vehicles	0.40	0.36	0.26
Majors	Commercial Vehicles	0.14	0.18	0.00
Route 3	Passengers	0.34	0.29	0.11
Route 3	Personal Vehicles	0.64	0.46	0.35
Route 3	Commercial Vehicles	0.01	0.00	0.00
Minors	Passengers	0.04	0.09	0.00
Minors	Personal Vehicles	0.32	0.29	0.07
Minors	Commercial Vehicles	0.79	0.58	0.47
North	Passengers	0.49	0.33	0.48
North	Personal Vehicles	0.23	0.20	0.27
North	Commercial Vehicles	0.08	0.02	0.07

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Consumer Statistics		
		Bankruptcies - Consumer	CPI Index	Retail Sales - BC
		Number	(2002=100)	\$ million
		Unadjusted	SA	
Majors	Passengers	0.01	0.00	0.00
Majors	Personal Vehicles	0.01	0.02	0.01
Majors	Commercial Vehicles	0.00	0.02	0.01
Route 3	Passengers	0.01	0.02	0.01
Route 3	Personal Vehicles	0.00	0.07	0.05
Route 3	Commercial Vehicles	0.00	0.00	0.00
Minors	Passengers	0.00	0.01	0.00
Minors	Personal Vehicles	0.00	0.05	0.03
Minors	Commercial Vehicles	0.00	0.28	0.26
North	Passengers	0.00	0.01	0.02
North	Personal Vehicles	0.00	0.00	0.01
North	Commercial Vehicles	0.00	0.01	0.02

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Consumer Statistics		
		Bankruptcies - Consumer	CPI Index	Retail Sales - BC
		Number	(2002=100)	\$ million
		Unadjusted	SA	
Majors	Passengers	0.05	0.07	0.05
Majors	Personal Vehicles	0.04	0.35	0.41
Majors	Commercial Vehicles	0.11	0.05	0.08
Route 3	Passengers	0.00	0.32	0.33
Route 3	Personal Vehicles	0.00	0.67	0.67
Route 3	Commercial Vehicles	0.08	0.05	0.02
Minors	Passengers	0.00	0.03	0.03
Minors	Personal Vehicles	0.01	0.30	0.31
Minors	Commercial Vehicles	0.12	0.69	0.76
North	Passengers	0.02	0.53	0.52
North	Personal Vehicles	0.04	0.22	0.23
North	Commercial Vehicles	0.11	0.17	0.13

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Consumer Statistics (continued)		
		Retail Sales - Metro Vancouver	New Motor Vehicle Sales - Units	New Motor Vehicle Sales - Value
		\$ million	Number	\$ thousand
		Unadjusted		
Majors	Passengers	0.00	0.12	0.08
Majors	Personal Vehicles	0.01	0.15	0.12
Majors	Commercial Vehicles	0.01	0.32	0.26
Route 3	Passengers	0.01	0.14	0.11
Route 3	Personal Vehicles	0.05	0.19	0.18
Route 3	Commercial Vehicles	0.00	0.18	0.11
Minors	Passengers	0.00	0.16	0.12
Minors	Personal Vehicles	0.03	0.24	0.22
Minors	Commercial Vehicles	0.23	0.42	0.44
North	Passengers	0.01	0.04	0.02
North	Personal Vehicles	0.00	0.06	0.03
North	Commercial Vehicles	0.01	0.11	0.06

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Consumer Statistics (continued)		
		Retail Sales - Metro Vancouver	New Motor Vehicle Sales - Units	New Motor Vehicle Sales - Value
		\$ million	Number	\$ thousand
		Unadjusted		
Majors	Passengers	0.01	0.02	0.01
Majors	Personal Vehicles	0.38	0.13	0.20
Majors	Commercial Vehicles	0.11	0.13	0.17
Route 3	Passengers	0.36	0.14	0.23
Route 3	Personal Vehicles	0.60	0.14	0.27
Route 3	Commercial Vehicles	0.02	0.00	0.01
Minors	Passengers	0.04	0.15	0.18
Minors	Personal Vehicles	0.28	0.21	0.33
Minors	Commercial Vehicles	0.65	0.15	0.26
North	Passengers	0.47	0.04	0.09
North	Personal Vehicles	0.22	0.03	0.06
North	Commercial Vehicles	0.08	0.00	0.02

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Foreign Trade			
		BC Origin Exports to Total All Countries		BC Origin Exports to United States	
		\$ million			
		Unadjusted	SA	Unadjusted	SA
Majors	Passengers	0.06	0.00	0.04	0.00
Majors	Personal Vehicles	0.06	0.00	0.03	0.01
Majors	Commercial Vehicles	0.13	0.01	0.10	0.00
Route 3	Passengers	0.06	0.00	0.04	0.00
Route 3	Personal Vehicles	0.08	0.00	0.03	0.01
Route 3	Commercial Vehicles	0.09	0.00	0.05	0.00
Minors	Passengers	0.06	0.00	0.04	0.00
Minors	Personal Vehicles	0.08	0.00	0.05	0.00
Minors	Commercial Vehicles	0.17	0.03	0.02	0.01
North	Passengers	0.02	0.00	0.04	0.00
North	Personal Vehicles	0.02	0.00	0.03	0.00
North	Commercial Vehicles	0.04	0.00	0.05	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Foreign Trade			
		BC Origin Exports to Total All Countries		BC Origin Exports to United States	
		\$ million			
		Unadjusted	SA	Unadjusted	SA
Majors	Passengers	0.03	0.02	0.09	0.07
Majors	Personal Vehicles	0.01	0.01	0.00	0.00
Majors	Commercial Vehicles	0.13	0.16	0.15	0.15
Route 3	Passengers	0.07	0.07	0.01	0.01
Route 3	Personal Vehicles	0.04	0.05	0.00	0.00
Route 3	Commercial Vehicles	0.01	0.02	0.00	0.00
Minors	Passengers	0.01	0.01	0.04	0.03
Minors	Personal Vehicles	0.05	0.05	0.03	0.03
Minors	Commercial Vehicles	0.11	0.11	0.00	0.00
North	Passengers	0.00	0.00	0.09	0.11
North	Personal Vehicles	0.01	0.00	0.02	0.04
North	Commercial Vehicles	0.00	0.00	0.02	0.02

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Foreign Trade (continued)		
		BC Origin Exports to Japan	Imports through BC Ports	
		\$ million		
		Unadjusted	SA	
Majors	Passengers	0.03	0.02	0.00
Majors	Personal Vehicles	0.02	0.06	0.01
Majors	Commercial Vehicles	0.04	0.11	0.00
Route 3	Passengers	0.02	0.05	0.01
Route 3	Personal Vehicles	0.02	0.12	0.04
Route 3	Commercial Vehicles	0.11	0.05	0.00
Minors	Passengers	0.02	0.04	0.00
Minors	Personal Vehicles	0.01	0.09	0.02
Minors	Commercial Vehicles	0.04	0.45	0.23
North	Passengers	0.01	0.00	0.02
North	Personal Vehicles	0.01	0.00	0.01
North	Commercial Vehicles	0.05	0.01	0.02

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Foreign Trade (continued)		
		BC Origin Exports to Japan	Imports through BC Ports	
		\$ million		
		Unadjusted	SA	
Majors	Passengers	0.01	0.02	0.03
Majors	Personal Vehicles	0.03	0.23	0.29
Majors	Commercial Vehicles	0.01	0.04	0.06
Route 3	Passengers	0.02	0.21	0.24
Route 3	Personal Vehicles	0.03	0.45	0.52
Route 3	Commercial Vehicles	0.08	0.01	0.01
Minors	Passengers	0.04	0.01	0.01
Minors	Personal Vehicles	0.08	0.16	0.20
Minors	Commercial Vehicles	0.00	0.59	0.68
North	Passengers	0.00	0.43	0.49
North	Personal Vehicles	0.04	0.24	0.24
North	Commercial Vehicles	0.01	0.15	0.16

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Commodity Prices				
		Lumber Price		Wood Pulp Price		Copper Price
		\$/1000 bd ft		\$/tonne		\$/lb.
		Unadjusted	SA	Unadjusted	SA	Unadjusted
Majors	Passengers	0.01	0.00	0.00	0.00	0.01
Majors	Personal Vehicles	0.00	0.00	0.00	0.00	0.03
Majors	Commercial Vehicles	0.02	0.00	0.00	0.00	0.02
Route 3	Passengers	0.00	0.00	0.00	0.00	0.02
Route 3	Personal Vehicles	0.00	0.01	0.00	0.00	0.06
Route 3	Commercial Vehicles	0.00	0.00	0.03	0.03	0.01
Minors	Passengers	0.01	0.00	0.00	0.00	0.01
Minors	Personal Vehicles	0.01	0.00	0.00	0.01	0.04
Minors	Commercial Vehicles	0.03	0.07	0.01	0.00	0.30
North	Passengers	0.04	0.01	0.00	0.00	0.01
North	Personal Vehicles	0.03	0.01	0.00	0.00	0.00
North	Commercial Vehicles	0.05	0.02	0.00	0.00	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Commodity Prices				
		Lumber Price		Wood Pulp Price		Copper Price
		\$/1000 bd ft		\$/tonne		\$/lb.
		Unadjusted	SA	Unadjusted	SA	Unadjusted
Majors	Passengers	0.04	0.04	0.01	0.02	0.00
Majors	Personal Vehicles	0.13	0.14	0.01	0.01	0.34
Majors	Commercial Vehicles	0.04	0.05	0.00	0.00	0.05
Route 3	Passengers	0.02	0.02	0.01	0.01	0.20
Route 3	Personal Vehicles	0.16	0.17	0.03	0.03	0.45
Route 3	Commercial Vehicles	0.01	0.01	0.11	0.11	0.01
Minors	Passengers	0.05	0.04	0.08	0.09	0.01
Minors	Personal Vehicles	0.00	0.00	0.08	0.09	0.15
Minors	Commercial Vehicles	0.21	0.22	0.01	0.01	0.67
North	Passengers	0.29	0.31	0.00	0.00	0.56
North	Personal Vehicles	0.15	0.17	0.00	0.00	0.40
North	Commercial Vehicles	0.10	0.11	0.00	0.00	0.03

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Commodity Prices (continued)					
		Gold Price		Silver Price	Zinc Price	Crude Oil Price	
		\$/troy oz.		\$/troy oz.	\$/lb.	\$ per Barrel	
		Unadjusted	SA	Unadjusted			
Majors	Passengers	0.00	0.00	0.00	0.00	0.01	0.00
Majors	Personal Vehicles	0.00	0.00	0.00	0.00	0.03	0.01
Majors	Commercial Vehicles	0.01	0.00	0.00	0.00	0.04	0.01
Route 3	Passengers	0.00	0.00	0.00	0.00	0.03	0.01
Route 3	Personal Vehicles	0.01	0.02	0.01	0.01	0.08	0.04
Route 3	Commercial Vehicles	0.01	0.00	0.00	0.00	0.02	0.00
Minors	Passengers	0.00	0.00	0.00	0.00	0.02	0.00
Minors	Personal Vehicles	0.00	0.00	0.00	0.00	0.06	0.02
Minors	Commercial Vehicles	0.09	0.11	0.13	0.10	0.33	0.25
North	Passengers	0.03	0.02	0.03	0.02	0.00	0.01
North	Personal Vehicles	0.02	0.01	0.02	0.02	0.00	0.00
North	Commercial Vehicles	0.03	0.02	0.01	0.00	0.00	0.01

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Commodity Prices (continued)					
		Gold Price		Silver Price	Zinc Price	Crude Oil Price	
		\$/troy oz.		\$/troy oz.	\$/lb.	\$ per Barrel	
		Unadjusted	SA	Unadjusted			
Majors	Passengers	0.11	0.11	0.02	0.02	0.02	0.02
Majors	Personal Vehicles	0.18	0.18	0.26	0.21	0.26	0.28
Majors	Commercial Vehicles	0.02	0.02	0.00	0.04	0.07	0.08
Route 3	Passengers	0.08	0.08	0.09	0.08	0.24	0.25
Route 3	Personal Vehicles	0.34	0.34	0.32	0.17	0.49	0.50
Route 3	Commercial Vehicles	0.01	0.01	0.01	0.02	0.00	0.00
Minors	Passengers	0.02	0.02	0.01	0.00	0.02	0.02
Minors	Personal Vehicles	0.03	0.03	0.03	0.07	0.18	0.20
Minors	Commercial Vehicles	0.35	0.35	0.44	0.33	0.69	0.71
North	Passengers	0.57	0.57	0.58	0.35	0.38	0.38
North	Personal Vehicles	0.24	0.25	0.30	0.34	0.20	0.18
North	Commercial Vehicles	0.14	0.15	0.05	0.00	0.11	0.11

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Construction and Housing				
		Building Permits-Total	Building Permits-Residential	Building Permits-Industrial	Building Permits-Commercial	Building Permits-Institutional & Government
		\$ thousand				
Seasonally Adjusted						
Majors	Passengers	0.01	0.00	0.08	0.00	0.07
Majors	Personal Vehicles	0.03	0.02	0.09	0.01	0.09
Majors	Commercial Vehicles	0.07	0.05	0.10	0.02	0.08
Route 3	Passengers	0.03	0.02	0.08	0.01	0.09
Route 3	Personal Vehicles	0.07	0.05	0.09	0.02	0.13
Route 3	Commercial Vehicles	0.02	0.00	0.06	0.03	0.07
Minors	Passengers	0.02	0.01	0.09	0.00	0.08
Minors	Personal Vehicles	0.07	0.05	0.10	0.01	0.10
Minors	Commercial Vehicles	0.34	0.28	0.09	0.22	0.15
North	Passengers	0.00	0.00	0.08	0.01	0.04
North	Personal Vehicles	0.00	0.00	0.08	0.00	0.06
North	Commercial Vehicles	0.00	0.00	0.09	0.00	0.05

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Construction and Housing				
		Building Permits-Total	Building Permits-Residential	Building Permits-Industrial	Building Permits-Commercial	Building Permits-Institutional & Government
		\$ thousand				
Seasonally Adjusted						
Majors	Passengers	0.00	0.00	0.03	0.00	0.00
Majors	Personal Vehicles	0.34	0.34	0.02	0.17	0.05
Majors	Commercial Vehicles	0.19	0.28	0.03	0.03	0.00
Route 3	Passengers	0.29	0.33	0.01	0.08	0.05
Route 3	Personal Vehicles	0.48	0.49	0.02	0.20	0.12
Route 3	Commercial Vehicles	0.00	0.00	0.00	0.02	0.00
Minors	Passengers	0.08	0.13	0.01	0.00	0.00
Minors	Personal Vehicles	0.30	0.39	0.01	0.05	0.02
Minors	Commercial Vehicles	0.63	0.64	0.01	0.35	0.08
North	Passengers	0.31	0.25	0.01	0.28	0.09
North	Personal Vehicles	0.18	0.13	0.03	0.21	0.06
North	Commercial Vehicles	0.02	0.02	0.00	0.00	0.02

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Construction and Housing (continued)			
		Housing Starts- All Areas	New House Price Index - Vancouver	New House Price Index - Victoria	Average House Sale Price - MLS
		Thousands	1997=100		\$
		SAAR	Unadjusted		
Majors	Passengers	0.00	0.00	0.00	0.00
Majors	Personal Vehicles	0.01	0.01	0.01	0.01
Majors	Commercial Vehicles	0.05	0.00	0.01	0.00
Route 3	Passengers	0.01	0.01	0.01	0.01
Route 3	Personal Vehicles	0.04	0.03	0.04	0.04
Route 3	Commercial Vehicles	0.00	0.00	0.00	0.00
Minors	Passengers	0.01	0.00	0.00	0.00
Minors	Personal Vehicles	0.05	0.01	0.02	0.02
Minors	Commercial Vehicles	0.24	0.23	0.23	0.22
North	Passengers	0.00	0.02	0.01	0.02
North	Personal Vehicles	0.00	0.01	0.01	0.01
North	Commercial Vehicles	0.00	0.01	0.00	0.01

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Construction and Housing (continued)			
		Housing Starts- All Areas	New House Price Index - Vancouver	New House Price Index - Victoria	Average House Sale Price - MLS
		Thousands	1997=100		\$
		SAAR	Unadjusted		
Majors	Passengers	0.01	0.03	0.01	0.04
Majors	Personal Vehicles	0.29	0.34	0.37	0.36
Majors	Commercial Vehicles	0.35	0.03	0.11	0.02
Route 3	Passengers	0.34	0.18	0.31	0.21
Route 3	Personal Vehicles	0.39	0.46	0.54	0.53
Route 3	Commercial Vehicles	0.00	0.00	0.01	0.00
Minors	Passengers	0.26	0.00	0.06	0.00
Minors	Personal Vehicles	0.43	0.13	0.28	0.16
Minors	Commercial Vehicles	0.56	0.67	0.68	0.63
North	Passengers	0.12	0.54	0.46	0.59
North	Personal Vehicles	0.06	0.26	0.24	0.28
North	Commercial Vehicles	0.00	0.06	0.04	0.10

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes							
Route Group	Segment of Demand	Forestry and Fiber					
		Timber Scaled		Lumber Production		Newsprint Production	Other Paper Production
		Cubic metres (000s)					
		Thousands of tonnes			Thousands of tonnes		
		Unadjusted	SA	Unadjusted	SA	Unadjusted	
Majors	Passengers	0.10	0.00	0.00	0.00	0.00	0.00
Majors	Personal Vehicles	0.10	0.00	0.00	0.00	0.00	0.00
Majors	Commercial Vehicles	0.12	0.01	0.05	0.04	0.00	0.02
Route 3	Passengers	0.09	0.00	0.00	0.00	0.00	0.00
Route 3	Personal Vehicles	0.11	0.00	0.00	0.00	0.01	0.02
Route 3	Commercial Vehicles	0.13	0.00	0.00	0.01	0.00	0.00
Minors	Passengers	0.12	0.00	0.00	0.01	0.00	0.00
Minors	Personal Vehicles	0.10	0.00	0.01	0.03	0.00	0.02
Minors	Commercial Vehicles	0.12	0.00	0.04	0.02	0.10	0.14
North	Passengers	0.10	0.00	0.00	0.00	0.02	0.02
North	Personal Vehicles	0.13	0.00	0.00	0.00	0.01	0.01
North	Commercial Vehicles	0.09	0.00	0.00	0.00	0.02	0.02
Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes							
Route Group	Segment of Demand	Forestry and Fiber					
		Timber Scaled		Lumber Production		Newsprint Production	Other Paper Production
		Cubic metres (000s)					
		Thousands of tonnes			Thousands of tonnes		
		Unadjusted	SA	Unadjusted	SA	Unadjusted	
Majors	Passengers	0.01	0.04	0.08	0.09	0.10	0.00
Majors	Personal Vehicles	0.00	0.00	0.05	0.05	0.19	0.15
Majors	Commercial Vehicles	0.09	0.13	0.37	0.44	0.00	0.32
Route 3	Passengers	0.00	0.02	0.20	0.20	0.08	0.24
Route 3	Personal Vehicles	0.00	0.00	0.07	0.07	0.32	0.34
Route 3	Commercial Vehicles	0.00	0.00	0.02	0.03	0.00	0.01
Minors	Passengers	0.01	0.05	0.32	0.32	0.00	0.10
Minors	Personal Vehicles	0.01	0.05	0.29	0.35	0.05	0.33
Minors	Commercial Vehicles	0.00	0.00	0.03	0.04	0.32	0.41
North	Passengers	0.00	0.01	0.02	0.02	0.35	0.12
North	Personal Vehicles	0.02	0.01	0.00	0.00	0.12	0.06
North	Commercial Vehicles	0.00	0.00	0.00	0.00	0.13	0.07

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Forestry and Fiber (continued)					
		Total Paper Production	Market Pulp Shipments	Newsprint Paper Shipments	Other Paper Shipments	Total Shipments	
		Thousands of tonnes					
		Unadjusted	SA	Unadjusted			
Majors	Passengers	0.00	0.01	0.00	0.00	0.00	0.00
Majors	Personal Vehicles	0.00	0.00	0.00	0.00	0.00	0.00
Majors	Commercial Vehicles	0.01	0.04	0.00	0.00	0.04	0.00
Route 3	Passengers	0.00	0.01	0.00	0.00	0.00	0.00
Route 3	Personal Vehicles	0.00	0.00	0.00	0.02	0.02	0.01
Route 3	Commercial Vehicles	0.00	0.01	0.00	0.00	0.00	0.00
Minors	Passengers	0.00	0.01	0.00	0.00	0.00	0.00
Minors	Personal Vehicles	0.00	0.01	0.00	0.00	0.03	0.00
Minors	Commercial Vehicles	0.01	0.00	0.01	0.08	0.20	0.01
North	Passengers	0.00	0.03	0.00	0.01	0.02	0.00
North	Personal Vehicles	0.00	0.02	0.00	0.01	0.01	0.00
North	Commercial Vehicles	0.00	0.03	0.00	0.02	0.01	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Forestry and Fiber (continued)					
		Total Paper Production	Market Pulp Shipments	Newsprint Paper Shipments	Other Paper Shipments	Total Shipments	
		Thousands of tonnes					
		Unadjusted	SA	Unadjusted			
Majors	Passengers	0.09	0.12	0.09	0.11	0.00	0.09
Majors	Personal Vehicles	0.03	0.03	0.01	0.18	0.18	0.02
Majors	Commercial Vehicles	0.14	0.15	0.08	0.01	0.32	0.10
Route 3	Passengers	0.00	0.00	0.00	0.07	0.29	0.00
Route 3	Personal Vehicles	0.04	0.04	0.02	0.30	0.37	0.03
Route 3	Commercial Vehicles	0.00	0.00	0.01	0.00	0.02	0.00
Minors	Passengers	0.06	0.06	0.04	0.01	0.12	0.05
Minors	Personal Vehicles	0.01	0.02	0.01	0.04	0.38	0.01
Minors	Commercial Vehicles	0.03	0.03	0.01	0.29	0.46	0.02
North	Passengers	0.13	0.14	0.10	0.33	0.15	0.12
North	Personal Vehicles	0.04	0.04	0.03	0.12	0.08	0.04
North	Commercial Vehicles	0.04	0.05	0.06	0.10	0.08	0.03

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Mining and Energy					
		Coal Production		Copper Production	Lead Production	Zinc Production	Moly Production
		Thousands of tonnes		Million kilograms			
		Unadjusted	SA	Unadjusted			
Majors	Passengers	0.00	0.00	0.00	0.00	0.00	0.03
Majors	Personal Vehicles	0.00	0.00	0.00	0.01	0.00	0.02
Majors	Commercial Vehicles	0.11	0.01	0.00	0.02	0.00	0.02
Route 3	Passengers	0.00	0.00	0.00	0.01	0.00	0.02
Route 3	Personal Vehicles	0.00	0.00	0.00	0.04	0.02	0.01
Route 3	Commercial Vehicles	0.16	0.03	0.00	0.01	0.04	0.08
Minors	Passengers	0.01	0.00	0.00	0.01	0.00	0.02
Minors	Personal Vehicles	0.01	0.00	0.00	0.04	0.02	0.01
Minors	Commercial Vehicles	0.11	0.01	0.00	0.15	0.10	0.01
North	Passengers	0.00	0.00	0.00	0.01	0.01	0.02
North	Personal Vehicles	0.01	0.00	0.01	0.00	0.01	0.01
North	Commercial Vehicles	0.06	0.01	0.00	0.01	0.02	0.07

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Mining and Energy					
		Coal Production		Copper Production	Lead Production	Zinc Production	Moly Production
		Thousands of tonnes		Million kilograms			
		Unadjusted	SA	Unadjusted			
Majors	Passengers	0.04	0.05	0.01	0.02	0.05	0.05
Majors	Personal Vehicles	0.01	0.01	0.00	0.29	0.26	0.00
Majors	Commercial Vehicles	0.11	0.18	0.01	0.13	0.11	0.01
Route 3	Passengers	0.02	0.02	0.03	0.32	0.24	0.01
Route 3	Personal Vehicles	0.00	0.00	0.01	0.51	0.49	0.01
Route 3	Commercial Vehicles	0.08	0.08	0.00	0.09	0.11	0.14
Minors	Passengers	0.03	0.03	0.03	0.15	0.07	0.01
Minors	Personal Vehicles	0.00	0.01	0.04	0.39	0.35	0.02
Minors	Commercial Vehicles	0.01	0.01	0.00	0.41	0.41	0.00
North	Passengers	0.07	0.10	0.00	0.25	0.25	0.00
North	Personal Vehicles	0.05	0.09	0.00	0.07	0.10	0.01
North	Commercial Vehicles	0.04	0.05	0.00	0.08	0.09	0.11

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Mining and Energy (continued)							
		Gold Production	Silver Production	Natural Gas Production		Crude Oil Production		Electricity Production	
		Million grams		Million m ³		Thousand m ³		MW.h	
		Unadjusted		SA	Unadjusted	SA	Unadjusted	SA	
Majors	Passengers	0.04	0.00	0.00	0.00	0.01	0.00	0.05	0.00
Majors	Personal Vehicles	0.01	0.00	0.02	0.00	0.00	0.01	0.07	0.00
Majors	Commercial Vehicles	0.03	0.00	0.03	0.00	0.00	0.00	0.22	0.00
Route 3	Passengers	0.01	0.00	0.02	0.00	0.00	0.01	0.04	0.00
Route 3	Personal Vehicles	0.00	0.01	0.07	0.02	0.02	0.04	0.06	0.00
Route 3	Commercial Vehicles	0.01	0.02	0.01	0.06	0.01	0.00	0.16	0.01
Minors	Passengers	0.02	0.00	0.01	0.00	0.00	0.00	0.08	0.00
Minors	Personal Vehicles	0.01	0.00	0.06	0.02	0.00	0.02	0.10	0.01
Minors	Commercial Vehicles	0.06	0.10	0.20	0.13	0.16	0.21	0.22	0.00
North	Passengers	0.07	0.01	0.01	0.03	0.03	0.02	0.04	0.00
North	Personal Vehicles	0.05	0.00	0.01	0.02	0.02	0.01	0.06	0.00
North	Commercial Vehicles	0.07	0.00	0.02	0.05	0.03	0.02	0.15	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Mining and Energy (continued)							
		Gold Production	Silver Production	Natural Gas Production		Crude Oil Production		Electricity Production	
		Million grams		Million m ³		Thousand m ³		MW.h	
		Unadjusted		SA	Unadjusted	SA	Unadjusted	SA	
Majors	Passengers	0.07	0.02	0.06	0.07	0.06	0.06	0.00	0.01
Majors	Personal Vehicles	0.21	0.12	0.25	0.27	0.32	0.32	0.01	0.00
Majors	Commercial Vehicles	0.00	0.02	0.08	0.09	0.03	0.03	0.02	0.03
Route 3	Passengers	0.14	0.02	0.32	0.34	0.25	0.25	0.02	0.03
Route 3	Personal Vehicles	0.36	0.14	0.58	0.62	0.55	0.56	0.02	0.03
Route 3	Commercial Vehicles	0.00	0.03	0.16	0.17	0.02	0.02	0.01	0.07
Minors	Passengers	0.00	0.05	0.10	0.11	0.01	0.01	0.03	0.02
Minors	Personal Vehicles	0.07	0.00	0.45	0.48	0.20	0.20	0.01	0.03
Minors	Commercial Vehicles	0.36	0.22	0.47	0.51	0.59	0.60	0.00	0.00
North	Passengers	0.36	0.40	0.38	0.38	0.49	0.51	0.00	0.00
North	Personal Vehicles	0.17	0.23	0.16	0.16	0.20	0.21	0.01	0.00
North	Commercial Vehicles	0.09	0.03	0.18	0.19	0.13	0.13	0.02	0.05

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Manufacturing - Durables			
		Value of Shipments-All	Value of Shipments-Durables	Value of Shipments-Wood	Value of Shipments-Non-Metallic Minerals
		\$ thousand			
Seasonally Adjusted					
Majors	Passengers	0.00	0.00	0.00	0.00
Majors	Personal Vehicles	0.00	0.00	0.00	0.01
Majors	Commercial Vehicles	0.04	0.03	0.01	0.02
Route 3	Passengers	0.01	0.00	0.00	0.01
Route 3	Personal Vehicles	0.02	0.00	0.01	0.05
Route 3	Commercial Vehicles	0.00	0.00	0.00	0.00
Minors	Passengers	0.01	0.00	0.00	0.01
Minors	Personal Vehicles	0.04	0.02	0.00	0.04
Minors	Commercial Vehicles	0.11	0.03	0.05	0.28
North	Passengers	0.00	0.00	0.01	0.01
North	Personal Vehicles	0.00	0.00	0.00	0.00
North	Commercial Vehicles	0.00	0.00	0.01	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Manufacturing - Durables			
		Value of Shipments-All	Value of Shipments-Durables	Value of Shipments-Wood	Value of Shipments-Non-Metallic Minerals
		\$ thousand			
Seasonally Adjusted					
Majors	Passengers	0.02	0.09	0.11	0.00
Majors	Personal Vehicles	0.12	0.03	0.08	0.38
Majors	Commercial Vehicles	0.42	0.42	0.14	0.21
Route 3	Passengers	0.28	0.13	0.00	0.34
Route 3	Personal Vehicles	0.23	0.05	0.10	0.55
Route 3	Commercial Vehicles	0.02	0.00	0.00	0.00
Minors	Passengers	0.19	0.19	0.10	0.10
Minors	Personal Vehicles	0.41	0.22	0.01	0.37
Minors	Commercial Vehicles	0.31	0.09	0.15	0.76
North	Passengers	0.02	0.01	0.37	0.40
North	Personal Vehicles	0.01	0.00	0.16	0.26
North	Commercial Vehicles	0.01	0.01	0.07	0.03

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Manufacturing - Durables (continued)		
		Value of Shipments-Machinery	Value of Shipments-Computer and Electronics	Value of Shipments-Transportation Equipment
		\$ thousand		
Seasonally Adjusted				
Majors	Passengers	0.00	0.00	0.00
Majors	Personal Vehicles	0.00	0.00	0.00
Majors	Commercial Vehicles	0.02	0.00	0.01
Route 3	Passengers	0.00	0.00	0.00
Route 3	Personal Vehicles	0.02	0.00	0.01
Route 3	Commercial Vehicles	0.01	0.01	0.03
Minors	Passengers	0.00	0.00	0.00
Minors	Personal Vehicles	0.03	0.00	0.00
Minors	Commercial Vehicles	0.16	0.03	0.01
North	Passengers	0.01	0.00	0.01
North	Personal Vehicles	0.01	0.00	0.00
North	Commercial Vehicles	0.01	0.00	0.03

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Manufacturing - Durables (continued)		
		Value of Shipments-Machinery	Value of Shipments-Computer and Electronics	Value of Shipments-Transportation Equipment
		\$ thousand		
Seasonally Adjusted				
Majors	Passengers	0.01	0.00	0.04
Majors	Personal Vehicles	0.31	0.00	0.10
Majors	Commercial Vehicles	0.36	0.00	0.01
Route 3	Passengers	0.41	0.00	0.12
Route 3	Personal Vehicles	0.47	0.00	0.18
Route 3	Commercial Vehicles	0.02	0.02	0.07
Minors	Passengers	0.20	0.01	0.01
Minors	Personal Vehicles	0.51	0.00	0.05
Minors	Commercial Vehicles	0.55	0.07	0.07
North	Passengers	0.17	0.02	0.14
North	Personal Vehicles	0.08	0.04	0.04
North	Commercial Vehicles	0.02	0.02	0.09

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Manufacturing - Non-Durables		
		Value of Shipments-Total	Value of Shipments-Food	Value of Shipments-Beverage
		\$ thousand		
Seasonally Adjusted				
Majors	Passengers	0.00	0.00	0.00
Majors	Personal Vehicles	0.01	0.01	0.01
Majors	Commercial Vehicles	0.02	0.00	0.01
Route 3	Passengers	0.01	0.01	0.01
Route 3	Personal Vehicles	0.05	0.05	0.03
Route 3	Commercial Vehicles	0.01	0.02	0.02
Minors	Passengers	0.01	0.00	0.01
Minors	Personal Vehicles	0.05	0.03	0.04
Minors	Commercial Vehicles	0.21	0.19	0.14
North	Passengers	0.00	0.02	0.00
North	Personal Vehicles	0.00	0.01	0.00
North	Commercial Vehicles	0.01	0.03	0.02

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Manufacturing - Non-Durables		
		Value of Shipments-Total	Value of Shipments-Food	Value of Shipments-Beverage
		\$ thousand		
Seasonally Adjusted				
Majors	Passengers	0.02	0.09	0.10
Majors	Personal Vehicles	0.23	0.35	0.13
Majors	Commercial Vehicles	0.17	0.05	0.03
Route 3	Passengers	0.36	0.36	0.18
Route 3	Personal Vehicles	0.50	0.70	0.35
Route 3	Commercial Vehicles	0.06	0.09	0.14
Minors	Passengers	0.09	0.04	0.06
Minors	Personal Vehicles	0.45	0.39	0.30
Minors	Commercial Vehicles	0.56	0.62	0.39
North	Passengers	0.18	0.47	0.20
North	Personal Vehicles	0.06	0.19	0.06
North	Commercial Vehicles	0.15	0.20	0.18

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Manufacturing - Non-Durables (continued)		
		Value of Shipments-Paper	Value of Shipments-Printing and Related	Value of Shipments-Plastics and Rubber
		\$ thousand		
Seasonally Adjusted				
Majors	Passengers	0.01	0.00	0.00
Majors	Personal Vehicles	0.00	0.00	0.01
Majors	Commercial Vehicles	0.02	0.02	0.03
Route 3	Passengers	0.00	0.01	0.01
Route 3	Personal Vehicles	0.00	0.01	0.04
Route 3	Commercial Vehicles	0.03	0.01	0.01
Minors	Passengers	0.00	0.01	0.01
Minors	Personal Vehicles	0.00	0.03	0.06
Minors	Commercial Vehicles	0.00	0.04	0.15
North	Passengers	0.01	0.00	0.00
North	Personal Vehicles	0.01	0.00	0.00
North	Commercial Vehicles	0.01	0.00	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Manufacturing - Non-Durables (continued)		
		Value of Shipments-Paper	Value of Shipments-Printing and Related	Value of Shipments-Plastics and Rubber
		\$ thousand		
Seasonally Adjusted				
Majors	Passengers	0.06	0.01	0.00
Majors	Personal Vehicles	0.03	0.05	0.21
Majors	Commercial Vehicles	0.03	0.25	0.33
Route 3	Passengers	0.00	0.17	0.34
Route 3	Personal Vehicles	0.05	0.10	0.38
Route 3	Commercial Vehicles	0.03	0.05	0.07
Minors	Passengers	0.00	0.24	0.26
Minors	Personal Vehicles	0.00	0.37	0.67
Minors	Commercial Vehicles	0.00	0.12	0.39
North	Passengers	0.09	0.00	0.13
North	Personal Vehicles	0.03	0.00	0.08
North	Commercial Vehicles	0.00	0.01	0.04

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Transportation Services					
		YVR Cargo Handled		YVR Arrivals & Departures		Coquihalla Passenger Vehicles	
		Tonnes		Thousands			
		Unadjusted	SA	Unadjusted	SA	Unadjusted	SA
Majors	Passengers	0.26	0.00	0.69	0.01	0.63	0.00
Majors	Personal Vehicles	0.20	0.00	0.71	0.01	0.59	0.01
Majors	Commercial Vehicles	0.20	0.00	0.49	0.01	0.57	0.00
Route 3	Passengers	0.19	0.01	0.69	0.01	0.59	0.01
Route 3	Personal Vehicles	0.15	0.03	0.71	0.02	0.53	0.02
Route 3	Commercial Vehicles	0.27	0.04	0.41	0.05	0.36	0.00
Minors	Passengers	0.21	0.00	0.64	0.00	0.65	0.00
Minors	Personal Vehicles	0.15	0.02	0.61	0.00	0.62	0.00
Minors	Commercial Vehicles	0.02	0.07	0.42	0.12	0.27	0.00
North	Passengers	0.27	0.01	0.51	0.00	0.60	0.00
North	Personal Vehicles	0.24	0.00	0.52	0.00	0.58	0.00
North	Commercial Vehicles	0.27	0.02	0.44	0.00	0.56	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Transportation Services					
		YVR Cargo Handled		YVR Arrivals & Departures		Coquihalla Passenger Vehicles	
		Tonnes		Thousands			
		Unadjusted	SA	Unadjusted	SA	Unadjusted	SA
Majors	Passengers	0.12	0.15	0.02	0.01	0.10	0.13
Majors	Personal Vehicles	0.08	0.13	0.04	0.12	0.00	0.00
Majors	Commercial Vehicles	0.01	0.01	0.00	0.01	0.07	0.23
Route 3	Passengers	0.08	0.16	0.01	0.02	0.00	0.00
Route 3	Personal Vehicles	0.17	0.33	0.03	0.09	0.00	0.02
Route 3	Commercial Vehicles	0.06	0.15	0.03	0.13	0.01	0.03
Minors	Passengers	0.00	0.01	0.00	0.05	0.08	0.13
Minors	Personal Vehicles	0.10	0.17	0.00	0.00	0.02	0.05
Minors	Commercial Vehicles	0.10	0.22	0.10	0.28	0.00	0.00
North	Passengers	0.13	0.28	0.10	0.28	0.03	0.13
North	Personal Vehicles	0.02	0.10	0.15	0.21	0.00	0.05
North	Commercial Vehicles	0.08	0.16	0.00	0.00	0.05	0.11

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Tourism Statistics				
		International Entries - US Same Day	International Entries - US Overnight		International Entries - US Total	
		Persons				
		Unadjusted	SA	Unadjusted	SA	Unadjusted
Majors	Passengers	0.44	0.00	0.90	0.00	0.81
Majors	Personal Vehicles	0.34	0.00	0.85	0.00	0.73
Majors	Commercial Vehicles	0.32	0.00	0.59	0.02	0.55
Route 3	Passengers	0.33	0.00	0.87	0.00	0.73
Route 3	Personal Vehicles	0.23	0.03	0.79	0.00	0.63
Route 3	Commercial Vehicles	0.27	0.01	0.35	0.00	0.37
Minors	Passengers	0.40	0.00	0.89	0.00	0.78
Minors	Personal Vehicles	0.29	0.01	0.81	0.00	0.67
Minors	Commercial Vehicles	0.01	0.18	0.26	0.03	0.16
North	Passengers	0.57	0.02	0.92	0.01	0.89
North	Personal Vehicles	0.52	0.01	0.91	0.01	0.86
North	Commercial Vehicles	0.46	0.02	0.64	0.01	0.65

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Tourism Stats				
		International Entries - US Same Day	International Entries - US Overnight		International Entries - US Total	
		Persons				
		Unadjusted	SA	Unadjusted	SA	Unadjusted
Majors	Passengers	0.11	0.12	0.03	0.14	0.06
Majors	Personal Vehicles	0.12	0.28	0.00	0.03	0.02
Majors	Commercial Vehicles	0.01	0.01	0.00	0.11	0.00
Route 3	Passengers	0.10	0.22	0.00	0.00	0.01
Route 3	Personal Vehicles	0.26	0.53	0.00	0.08	0.05
Route 3	Commercial Vehicles	0.01	0.03	0.00	0.01	0.00
Minors	Passengers	0.00	0.01	0.02	0.08	0.01
Minors	Personal Vehicles	0.10	0.20	0.00	0.01	0.01
Minors	Commercial Vehicles	0.28	0.58	0.00	0.13	0.05
North	Passengers	0.25	0.53	0.00	0.28	0.05
North	Personal Vehicles	0.06	0.22	0.02	0.12	0.00
North	Commercial Vehicles	0.07	0.11	0.00	0.04	0.02

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Tourism Stats (continued)					
		International Entries - Overseas		International Entries - Total		Hotel Occupancy Rate	
		Persons					
		Unadjusted	SA	Unadjusted	SA	Unadjusted	SA
Majors	Passengers	0.82	0.01	0.84	0.00	0.71	0.01
Majors	Personal Vehicles	0.81	0.01	0.77	0.00	0.74	0.01
Majors	Commercial Vehicles	0.69	0.02	0.59	0.00	0.76	0.01
Route 3	Passengers	0.78	0.01	0.77	0.00	0.66	0.01
Route 3	Personal Vehicles	0.77	0.01	0.68	0.02	0.68	0.01
Route 3	Commercial Vehicles	0.43	0.01	0.39	0.00	0.55	0.02
Minors	Passengers	0.81	0.00	0.82	0.00	0.73	0.00
Minors	Personal Vehicles	0.77	0.01	0.72	0.01	0.72	0.01
Minors	Commercial Vehicles	0.42	0.05	0.20	0.14	0.58	0.10
North	Passengers	0.82	0.00	0.91	0.02	0.65	0.00
North	Personal Vehicles	0.84	0.00	0.89	0.01	0.66	0.00
North	Commercial Vehicles	0.65	0.00	0.68	0.01	0.73	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Tourism Stats (continued)					
		International Entries - Overseas		International Entries - Total		Hotel Occupancy Rate	
		Persons					
		Unadjusted	SA	Unadjusted	SA	Unadjusted	SA
Majors	Passengers	0.02	0.07	0.05	0.16	0.05	0.11
Majors	Personal Vehicles	0.00	0.06	0.01	0.18	0.04	0.23
Majors	Commercial Vehicles	0.00	0.20	0.00	0.01	0.01	0.16
Route 3	Passengers	0.00	0.03	0.01	0.12	0.02	0.09
Route 3	Personal Vehicles	0.00	0.06	0.03	0.37	0.02	0.12
Route 3	Commercial Vehicles	0.00	0.02	0.00	0.02	0.01	0.07
Minors	Passengers	0.00	0.00	0.01	0.00	0.03	0.03
Minors	Personal Vehicles	0.00	0.02	0.01	0.08	0.01	0.06
Minors	Commercial Vehicles	0.01	0.16	0.03	0.41	0.04	0.32
North	Passengers	0.01	0.03	0.03	0.48	0.02	0.13
North	Personal Vehicles	0.05	0.03	0.00	0.19	0.07	0.11
North	Commercial Vehicles	0.00	0.01	0.01	0.09	0.00	0.01

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Tourism Statistics (continued)					
		International Entries - Overseas		International Entries - Total		Hotel Occupancy Rate	
		Persons					
		Unadjusted	SA	Unadjusted	SA	Unadjusted	SA
Majors	Passengers	0.82	0.01	0.84	0.00	0.71	0.01
Majors	Personal Vehicles	0.81	0.01	0.77	0.00	0.74	0.01
Majors	Commercial Vehicles	0.69	0.02	0.59	0.00	0.76	0.01
Route 3	Passengers	0.78	0.01	0.77	0.00	0.66	0.01
Route 3	Personal Vehicles	0.77	0.01	0.68	0.02	0.68	0.01
Route 3	Commercial Vehicles	0.43	0.01	0.39	0.00	0.55	0.02
Minors	Passengers	0.81	0.00	0.82	0.00	0.73	0.00
Minors	Personal Vehicles	0.77	0.01	0.72	0.01	0.72	0.01
Minors	Commercial Vehicles	0.42	0.05	0.20	0.14	0.58	0.10
North	Passengers	0.82	0.00	0.91	0.02	0.65	0.00
North	Personal Vehicles	0.84	0.00	0.89	0.01	0.66	0.00
North	Commercial Vehicles	0.65	0.00	0.68	0.01	0.73	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Tourism Stats (continued)					
		International Entries - Overseas		International Entries - Total		Hotel Occupancy Rate	
		Persons					
		Unadjusted	SA	Unadjusted	SA	Unadjusted	SA
Majors	Passengers	0.02	0.07	0.05	0.16	0.05	0.11
Majors	Personal Vehicles	0.00	0.06	0.01	0.18	0.04	0.23
Majors	Commercial Vehicles	0.00	0.20	0.00	0.01	0.01	0.16
Route 3	Passengers	0.00	0.03	0.01	0.12	0.02	0.09
Route 3	Personal Vehicles	0.00	0.06	0.03	0.37	0.02	0.12
Route 3	Commercial Vehicles	0.00	0.02	0.00	0.02	0.01	0.07
Minors	Passengers	0.00	0.00	0.01	0.00	0.03	0.03
Minors	Personal Vehicles	0.00	0.02	0.01	0.08	0.01	0.06
Minors	Commercial Vehicles	0.01	0.16	0.03	0.41	0.04	0.32
North	Passengers	0.01	0.03	0.03	0.48	0.02	0.13
North	Personal Vehicles	0.05	0.03	0.00	0.19	0.07	0.11
North	Commercial Vehicles	0.00	0.01	0.01	0.09	0.00	0.01

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Tourism Statistics (continued)				
		Tourism Room Revenue	YVR Transborder Arrivals and Departures		YVR International Arrivals and Departures	
		\$ thousands	Thousands of persons			
		SA	Unadjusted	SA	Unadjusted	SA
Majors	Passengers	0.00	0.75	0.02	0.63	0.00
Majors	Personal Vehicles	0.01	0.71	0.02	0.66	0.00
Majors	Commercial Vehicles	0.01	0.43	0.02	0.49	0.01
Route 3	Passengers	0.01	0.73	0.01	0.65	0.00
Route 3	Personal Vehicles	0.04	0.66	0.01	0.68	0.02
Route 3	Commercial Vehicles	0.00	0.34	0.08	0.23	0.00
Minors	Passengers	0.00	0.71	0.01	0.62	0.00
Minors	Personal Vehicles	0.02	0.64	0.01	0.64	0.01
Minors	Commercial Vehicles	0.25	0.26	0.07	0.41	0.13
North	Passengers	0.01	0.71	0.00	0.56	0.01
North	Personal Vehicles	0.01	0.68	0.00	0.57	0.00
North	Commercial Vehicles	0.01	0.50	0.02	0.37	0.01

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Tourism Stats (continued)				
		Tourism Room Revenue	YVR Transborder Arrivals and Departures		YVR International Arrivals and Departures	
		\$ thousands	Thousands of persons			
		SA	Unadjusted	SA	Unadjusted	SA
Majors	Passengers	0.01	0.04	0.14	0.02	0.01
Majors	Personal Vehicles	0.38	0.02	0.11	0.07	0.22
Majors	Commercial Vehicles	0.11	0.00	0.07	0.06	0.26
Route 3	Passengers	0.26	0.00	0.01	0.06	0.17
Route 3	Personal Vehicles	0.55	0.00	0.01	0.10	0.33
Route 3	Commercial Vehicles	0.00	0.02	0.19	0.00	0.00
Minors	Passengers	0.02	0.01	0.00	0.01	0.01
Minors	Personal Vehicles	0.26	0.00	0.00	0.05	0.16
Minors	Commercial Vehicles	0.75	0.02	0.15	0.16	0.49
North	Passengers	0.46	0.01	0.06	0.07	0.19
North	Personal Vehicles	0.21	0.05	0.05	0.10	0.11
North	Commercial Vehicles	0.09	0.00	0.04	0.01	0.06

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Money and Markets				
		DJIA - Average Close	TSE 300 Index	Bank Rate	Prime Rate	5-yr Mortgage Rate
		\$	1975=1000	%		
Unadjusted						
Majors	Passengers	0.00	0.00	0.00	0.00	0.01
Majors	Personal Vehicles	0.00	0.01	0.00	0.00	0.00
Majors	Commercial Vehicles	0.01	0.01	0.00	0.00	0.00
Route 3	Passengers	0.00	0.01	0.00	0.00	0.00
Route 3	Personal Vehicles	0.02	0.04	0.02	0.02	0.01
Route 3	Commercial Vehicles	0.00	0.02	0.06	0.06	0.07
Minors	Passengers	0.00	0.00	0.00	0.00	0.00
Minors	Personal Vehicles	0.01	0.02	0.01	0.01	0.01
Minors	Commercial Vehicles	0.13	0.25	0.02	0.02	0.02
North	Passengers	0.01	0.01	0.00	0.00	0.01
North	Personal Vehicles	0.00	0.00	0.00	0.00	0.01
North	Commercial Vehicles	0.01	0.00	0.03	0.03	0.02

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Money and Markets				
		DJIA - Average Close	TSE 300 Index	Bank Rate	Prime Rate	5-yr Mortgage Rate
		\$	1975=1000	%		
Unadjusted						
Majors	Passengers	0.01	0.00	0.19	0.19	0.07
Majors	Personal Vehicles	0.22	0.30	0.06	0.06	0.13
Majors	Commercial Vehicles	0.26	0.07	0.00	0.00	0.01
Route 3	Passengers	0.17	0.19	0.14	0.15	0.22
Route 3	Personal Vehicles	0.33	0.37	0.29	0.29	0.30
Route 3	Commercial Vehicles	0.00	0.04	0.27	0.27	0.21
Minors	Passengers	0.01	0.00	0.03	0.04	0.13
Minors	Personal Vehicles	0.16	0.12	0.16	0.18	0.26
Minors	Commercial Vehicles	0.49	0.64	0.06	0.07	0.10
North	Passengers	0.19	0.35	0.10	0.09	0.12
North	Personal Vehicles	0.11	0.21	0.00	0.00	0.01
North	Commercial Vehicles	0.06	0.03	0.17	0.17	0.06

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Money and Markets (continued)			
		1-yr Mortgage Rate	US Federal Funds	US/CDN \$ Rate	CERI - C\$ Rate
		%		\$ Can	1992=100
Unadjusted					
Majors	Passengers	0.00	0.00	0.00	0.00
Majors	Personal Vehicles	0.00	0.00	0.01	0.01
Majors	Commercial Vehicles	0.00	0.00	0.01	0.01
Route 3	Passengers	0.00	0.00	0.01	0.01
Route 3	Personal Vehicles	0.01	0.01	0.04	0.05
Route 3	Commercial Vehicles	0.10	0.08	0.00	0.00
Minors	Passengers	0.00	0.00	0.00	0.00
Minors	Personal Vehicles	0.01	0.01	0.02	0.03
Minors	Commercial Vehicles	0.00	0.01	0.25	0.26
North	Passengers	0.00	0.00	0.01	0.01
North	Personal Vehicles	0.00	0.00	0.00	0.00
North	Commercial Vehicles	0.02	0.03	0.00	0.00

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Money and Markets (continued)			
		1-yr Mortgage Rate	US Federal Funds	US/CDN \$ Rate	CERI - C\$ Rate
		%		\$ Can	1992=100
Unadjusted					
Majors	Passengers	0.11	0.22	0.02	0.01
Majors	Personal Vehicles	0.03	0.02	0.34	0.36
Majors	Commercial Vehicles	0.00	0.00	0.05	0.06
Route 3	Passengers	0.13	0.06	0.26	0.24
Route 3	Personal Vehicles	0.17	0.15	0.50	0.49
Route 3	Commercial Vehicles	0.36	0.29	0.00	0.00
Minors	Passengers	0.11	0.03	0.02	0.02
Minors	Personal Vehicles	0.21	0.12	0.20	0.19
Minors	Commercial Vehicles	0.01	0.04	0.67	0.68
North	Passengers	0.01	0.04	0.47	0.46
North	Personal Vehicles	0.01	0.00	0.24	0.25
North	Commercial Vehicles	0.08	0.16	0.06	0.05

Results of Regression Analysis: Value of R² (Coefficient of Determination) by Variable and Segment of Demand

Variables Regressed Against Unadjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Gasoline Prices	BC Population
		Retail Price	
		¢/litre Vancouver	#
		Unadjusted	
Majors	Passengers	0.02	0.00
Majors	Personal Vehicles	0.06	0.38
Majors	Commercial Vehicles	0.07	0.00
Route 3	Passengers	0.05	0.00
Route 3	Personal Vehicles	0.12	0.03
Route 3	Commercial Vehicles	0.01	0.01
Minors	Passengers	0.04	0.00
Minors	Personal Vehicles	0.10	0.01
Minors	Commercial Vehicles	0.43	0.27
North	Passengers	0.00	0.03
North	Personal Vehicles	0.00	0.02
North	Commercial Vehicles	0.00	0.03

Variables Regressed Against Seasonally-Adjusted BC Ferries Traffic Volumes

Route Group	Segment of Demand	Gasoline Prices	BC Population
		Retail Price	
		¢/litre Vancouver	#
		Unadjusted	
Majors	Passengers	0.03	0.13
Majors	Personal Vehicles	0.32	0.00
Majors	Commercial Vehicles	0.08	0.00
Route 3	Passengers	0.33	0.26
Route 3	Personal Vehicles	0.62	0.58
Route 3	Commercial Vehicles	0.01	0.04
Minors	Passengers	0.04	0.01
Minors	Personal Vehicles	0.27	0.21
Minors	Commercial Vehicles	0.72	0.69
North	Passengers	0.45	0.63
North	Personal Vehicles	0.23	0.23
North	Commercial Vehicles	0.14	0.23

Retail gasoline prices obtained from MJ Ervin & Associates for the period January 1998 to December 2009 (http://mjervin.com/gasoline_prices.htm)
 BC Population statistics obtained from Statistics Canada for the period January 1998 to July 2009