EXECUTIVE VICE PRESIDENT & CHIEF FINANCIAL OFFICER

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September 30, 2014

Mr. Gordon Macatee
British Columbia Ferries Commissioner
BC Ferry Commission
RPO Hillside P.O. Box 35119
Victoria, BC V8T 5G2

Re: Performance Term Four Submission

Dear Mr. Macatee:

Pursuant to section 40 of the *Coastal Ferry Act* ("Act"), we enclose British Columbia Ferry Services Inc.'s Performance Term Four ("PT4") Submission to the British Columbia Ferry Commissioner.

Supplemental documents to the PT4 Submission contain information that is confidential and commercially sensitive and have been submitted under separate cover. We request that the Commission and its advisors maintain confidentiality over the supplemental documents in accordance with section 54 of the Act.

Should you have any questions or require further information please contact us.

Sincerely,

Robert P. Clarke, CGA
Executive Vice President & Chief Financial Officer

Enclosure

Copy: Sheldon Stoilen, Deputy Commissioner

British Columbia Ferry Services Inc.

Performance Term Four

Submission to the British Columbia Ferries Commissioner

Pursuant to Section 40(1) of the *Coastal Ferry Act*

September 30, 2014

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APPENDICES

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, fluctuating financial markets, demographics, tax changes, and the requirements of the Coastal Ferry Services Contract.

Forward looking statements included in this report include statements with respect to: economic conditions, traffic levels, fuel costs, tariff revenue, and fuel surcharges; our expectations of the impact of our cost containment measures and the annual premium savings we expect as a result of receiving the Certificate of Recognition from WorkSafe BC; our short-term and long-range business plans, capital expenditure levels, and asset renewal programs for vessels and terminals; the Commissioner's efficiency target; revenue and expense projections; our vessel replacement program for the Queen of Burnaby and the Queen of Nanaimo, cable ferry initiative, and LNG plans; debt issuances and credit facility draws throughout the remainder of PT3; the amount of savings to be achieved through service level adjustments; and ferry transportation fee amounts, social program reimbursements, fuel deferral accounts, and core service levels. 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. 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, 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.

In addition to providing measures prepared in accordance with International Financial Reporting Standards ("IFRS"), we present certain supplemental non-IFRS measures. These include, but are not limited to, round trips provided, vehicle and passenger traffic, fleet reliability score, and price cap and average fare indices. These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. These supplemental non-IFRS measures are provided to assist readers in determining our ability to generate cash from operations and improve the comparability of our results from one period to another. We believe these measures are useful in assessing operating performance of our ongoing business on an overall basis.

Preamble

British Columbia Ferry Services Inc. ("BC Ferries" or the "Company") submits this report pursuant to Section 40(1) of the *Coastal Ferry Act* (the "Act"). Its purpose is to provide information to assist the British Columbia Ferries Commissioner (the "Commissioner") in establishing the price cap for each route group specified in the Coastal Ferry Services Contract (the "CFSC") between BC Ferries and the Province of British Columbia (the "Province") as represented by the Ministry of Transportation and Infrastructure, for performance term four (April 1, 2016 – March 31, 2020) ("PT4"). Supplemental to this report is the Company's plan for realizing further efficiencies in PT4 and beyond, and its capital plan covering fiscal 2015 through fiscal 2026, both of which have been submitted under separate cover to the Commissioner in accordance with Section 40(1.1) of the Act.

Introduction

BC Ferries is one of the largest ferry operators in the world. Under contract to the Province, the Company provides year-round vehicle and passenger service on 24 routes to 47 terminals, with a fleet of 35 vessels. BC Ferries is an essential transportation link that connects coastal communities and facilitates the movement of people, goods and services. In fiscal 2014, the Company carried 19.7 million passengers and 7.6 million vehicles throughout coastal British Columbia.

A Culture of Safety and Cost Containment

BC Ferries understands that having a safe, reliable and affordable ferry system continues to be the most important consideration for its customers. Safety is wholly embedded into all aspects of the organization, service reliability is strong at 99.7 percent of scheduled sailings delivered, and the Company is committed to containing costs in every area.

In fiscal 2009, a time when fuel costs were rising and the economic downturn meant overall passenger revenues were falling, BC Ferries restructured its business to better align expenses within its control with revenue. The Company eliminated 35 management and administrative positions, including numerous senior managers, deferred filling vacant staff positions and imposed a hiring freeze on all non-essential positions. BC Ferries also imposed a two-year wage and salary freeze for employees not covered under the Collective Agreement, reduced the use of outside contractors and consultants and minimized discretionary spending in all areas.

Since then, the Company has continued many of these cost containment measures, and has managed costs as prudently as possible, without compromising the safety of its customers and operations.

Today, cost containment is part of BC Ferries' "DNA".

While the Company continues to focus on productivity improvements and operating efficiencies, many of its vessels are at the end, or are nearing the end, of their economic lives, necessitating a capital investment in new vessels. In addition to new ships, BC Ferries must also invest in its terminal marine structures and information technology. These capital costs create a challenge to fare affordability because the capital that is required is in the $3 billion+ range. In 2012, the Commissioner, in his Review of the *Coastal Ferry Act*, identified the need for capital spending as the biggest impediment to keeping fare increases to the cost of living. At the time of the report, the Commissioner estimated the size of the gap between revenue and expenses would be $58 million per year in the last three years of performance term three (April 1, 2012 to March 31, 2016) ("PT3"), $114 million per year in PT4 (April 1, 2016 to March 31, 2020), and $143 million per year in performance term five (April 1, 2020 to March 31, 2024) ("PT5".)

During PT3, through a combination of the price caps going above the rate of inflation, the Province contributing $79.5 million to keep the rate increases down, and BC Ferries working even harder to find and implement ways to contain costs and improve efficiency, the estimated gap for PT4 and beyond has been significantly reduced.

Ten years ago, BC Ferries' administration expenses were $32 million. A decade later, administration expenses are still $32 million. In today's dollars, this actually represents a $5 million decrease in overall administration costs – a sign of how committed BC Ferries is to keeping fares affordable.

In his 2012 Review, when comparing BC Ferries to other ferry systems, the Commissioner said, *"Amongst the publicly-owned systems, BC Ferries appears to be relatively efficient based on the analysis. Indeed, many ferry operators appear to want to emulate some of BC Ferries' practices. The Company compares well with fare box recovery and ancillary revenue. Costs appear to be reasonable, based on a number of independent reviews."*

Results of Productivity Improvements and Performance Efficiencies

Financial Performance

Over this performance term (April 1, 2012 to March 31, 2016), BC Ferries is forecasting a shortfall in revenue of approximately $9 million against the revenue forecast that the PT3 price caps assumed. The Company believes a number of factors impacted passenger trips, which accounts for $33 million in lower than anticipated tariff revenue.

The good news is that BC Ferries has been able to offset this shortfall by an increase in transportation service fees and other revenue of approximately $24 million. In addition, prudent financial management resulted in lower than expected depreciation and amortization, and debt financing of approximately $46 million. Reduced costs for operations, maintenance and administration, as compared to Commissioner's target, is also expected to save another $21 million.

BC Ferries has not only overcome the revenue shortfall, but is forecasting to exceed the performance target set by the Commissioner, resulting in an improvement to net earnings of $58 million over the term. This results in a stronger financial position for the Company, which in turn, reduces pressure on PT4 price cap requirements.

Managing the Workforce

In February 2012, BC Ferries and the BC Ferry & Marine Workers' Union signed an extension of the Collective Agreement through October 2015 – making it a 12-year agreement, with modest wage increases averaging 1.3 percent per year over the last five years of the Agreement. The stability this brings to the Company and to its passengers, and the positive impact it has on employee engagement, cannot be underestimated. It allows BC Ferries to concentrate on the business at hand – providing safe, reliable and efficient services.

During PT3, BC Ferries converted 150 shipboard employees, such as Senior Chief Stewards and other vessel management staff, to excluded positions outside the Union. It is often asserted that BC Ferries has too many management level employees, so it is important to note that these are not new management positions, rather, conversions of existing positions, and a more effective means of managing the business.

Managing Debt

BC Ferries uses a range of well-established financial products to borrow funds for its capital program. Negotiating good terms for debt can make a substantial difference to debt payments over a 30-year period. In fiscal 2014, BC Ferries negotiated the lowest effective bond interest rate in the 11-year history of the Company – with a rate of 4.45 percent over a 30-year period. In addition, efficient debt management resulted in a further $0.3 million savings in interest costs in fiscal 2014.

Adjusting Service Levels

BC Ferries holds the contract to operate coastal ferry services in British Columbia according to levels of service determined by the provincial government. In fiscal 2014, as part of cost containment, the Province amended service levels to better align capacity to demand, reducing the number of annual round trips on the Major Routes – with a projected savings of $4 million – and work is underway to realize a further $4.9 million. Amendments to service levels on the Northern and Minor Routes have also been implemented, with total service level changes expected to realize $22.9 million in cost reductions over PT3.

As the operator, BC Ferries worked in collaboration with affected communities to determine how best to implement service reductions, and in many coastal communities, it was the residents who determined which particular sailings to eliminate.

Improving Safety

BC Ferries introduced its SailSafe program – a joint initiative between the Company and the BC Ferry & Marine Workers' Union – in fiscal 2007. Since then, the program has been paying off through improved workplace safety and is now paying off financially. The program, which focuses on injury prevention and employee wellness, has landed the Company WorkSafeBC's Certificate of Recognition (COR). As a result, BC Ferries received a rebate of $600,000 in WorkSafeBC premiums, in addition to the $500,000 in premium savings the Company will realize this year. BC Ferries was also recognized outside of the province with the Lloyd's List North America Safety Award in the training category for improvements in navigation safety and won the Latitude Productions UK International Safety Award for motivating and inspiring employees to reach world-class safety performance.

Reducing Employee Time Loss

In fiscal 2014, BC Ferries reduced employee time-loss injuries by 16 percent and days lost to injuries by 18 percent over the previous year. Over the past decade, the Company has reduced injuries by 61 percent from 367 to 143 time-loss injuries. Not only does this contribute to employee wellbeing, it also helps the Company reduce upward pressure on ferry fares through increased employee productivity and reduced insurance premiums.

Reducing Fuel Consumption

The second largest operating expenditure BC Ferries incurs, following the cost of labour, is the cost of fuel. BC Ferries has implemented competitive fuel procurement processes to ensure it receives the best market price for delivered fuel.

While the Company has focused on reducing the cost of fuel, it has also looked to find ways to use less of it, and has reduced its fuel consumption by over 5.8 million litres, or almost 5 percent, between fiscal 2004 and fiscal 2014. Last year alone, BC Ferries reduced its fuel consumption by 22,400 litres compared to the volume used the year prior. Unfortunately, despite the Company's best efforts at procuring the best rates, fuel prices were higher in fiscal 2014, resulting in a $4.7 million increase in fuel costs.

In the coming years, BC Ferries plans to fuel some vessels with liquefied natural gas ("LNG"), which in today's market, is approximately 50 percent of the cost of diesel fuel (the Company's normal fuel source), and improves the Company's environmental footprint. The Company's three new Intermediate Class ferries will be dual-fuel vessels, and the Company plans to convert the two existing Spirit Class vessels to dual-fuel as well.

Results of Increasing Revenue Sources

Reducing costs is one way to keep fares as low as possible. Increasing revenues is the other.

BC Ferries created a Commercial Services Division and BC Ferries Vacations, and expanded catering and retail services – all of which have contributed strongly to the Company's bottom line.

Commercial Services

In the highly competitive market place for commercial services, BC Ferries, in March 2009, started its drop trailer service – where the commercial customer drops its trailer at one location and BC Ferries transports it on the ferry to the other terminal for pick-up – on the Tsawwassen–Swartz Bay and Tsawwassen—Duke Point routes, with a single customer and two trucks. Today, the division has 27 drivers and 43 tractor trucks and has generated $21 million in revenue over the past two years. In fiscal 2014, BC Ferries marked a major milestone by carrying its 100,000th drop trailer. By competing aggressively, BC Ferries has protected and added to its commercial services revenue, which reduces regular passenger and vehicle fares.

BC Ferries Vacations

BC Ferries opened BC Ferries Vacations in May 2010 as a way to drive discretionary travel. The division now offers more than 100 unique travel packages in 45 destinations. Over the past two years, BC Ferries Vacations generated $6.3 million in gross sales revenue and $1.6 million in net contributions. Since it opened in downtown Vancouver four years ago, the Vacation Centre has served more than 35,000 customers.

Catering and Retail Services

From White Spot burgers to quinoa salads, the Company continues to expand product offerings in the cafeteria and gift shop, generating gross revenues of $76.5 million in fiscal 2013 and $78.9 million in fiscal 2014 – all of which helps to reduce upward pressure on fares.

Investing in our Employees

BC Ferries delivers safe and reliable services that customers depend on through 4,600 dedicated employees. It is through their ongoing commitment to excellence that BC Ferries is able to achieve its corporate goals and deliver an efficient travel experience for millions of customers every year.

During PT3, working together with employees and the BC Ferry & Marine Workers' Union, the Company completed Phase III of SailSafe and increased the size of the SailSafe Ambassador group from 337 to 426 employees. BC Ferries held Town Hall sessions with over 400 employees to collaborate and brainstorm different avenues for improving workplace safety. In addition, the Company delivered over 15,500 personal training days to BC Ferries' employees.

Reinvesting in the Coastal Ferry System

Since being established as an independent company 11 years ago, BC Ferries has placed considerable effort into planning for the future of the ferry system. Much of this effort has been directed to the replacement of many aged assets, resulting in more than $2 billion worth of investments. The Company has brought seven new vessels into service and 19 others have been upgraded. In addition, BC Ferries has made numerous improvements to terminals and marine structures, upgraded security, and put in sewage pump-ashore and waste-water treatment systems.

The need for capital spending will continue as a number of vessels and other assets are nearing, or are at the end of, their economic life.

A New Cable Ferry

BC Ferries is currently building a cable ferry system to replace traditional ferry service between Buckley Bay on Vancouver Island and Denman Island. This will reduce both capital and operating costs, as a cable ferry system is less expensive than a conventional ferry, with expected savings in the order of $2 million per year over the 40-year life of the ferry.

Some of the investment projects BC Ferries has undertaken in PT3:

- *Invested $130 million in capital expenditures for vessel upgrades and modifications, terminals and information technology in fiscal 2014 and $97 million in fiscal 2013.*
- *Continued to invest in the future through the Company's customer-facing information technology program, which is a multi-year integrated business solution to improve the end-to-end customer experience. This program will deliver enhanced value for BC Ferries' customers by enabling a greater selection of fare options, improve certainty of travel and consolidate customer information.*
- *Completed a $9 million project at Little River terminal to replace the ramp, ramp abutment and towers with active lift hydraulics and replaced the wingwalls and dolphin. This project will provide safe and reliable service for another 40 years.*
- *Completed an $18 million project at Westview terminal to replace the existing marine structures to provide safe and reliable service for another 40 years.*

Some of the investment projects BC Ferries has undertaken in PT3:

- *Conducted a $3 million three-quarter life upgrade of the Kwuna at Allied Shipbuilders in North Vancouver.*
- *Completed a project to extend the life of the upper transfer deck at Horseshoe Bay terminal for another seven years, providing the opportunity to pursue alternate strategies to avoid significant capital investments in this infrastructure in the future.*
- *Concluded a $20 million project at Point Hope Maritime in Victoria to extend the life of the Tachek by an additional 15 years until retirement in 2029.*
- *Completed an $8 million project at Alert Bay to upgrade wingwalls, towers and aprons, and ramp.*
- *Replaced the double-sided floating lead at Village Bay terminal.*
- *Completed a $1 million project to improve the C Class vessel propulsion systems by installing new controllable pitch propeller hub systems on the Queen of Coquitlam and the Queen of Cowichan.*

Intermediate Class Ferries

To help reduce costs further, BC Ferries is focused on a strategy of standardizing classes of ferries, which offers greater interoperability and lower crew training and maintenance costs. This approach also enhances safety.

The plan is to move from 17 classes of ships to five classes. The new Intermediate Class ferries will be the first vessels to operate as dual-fuel vessels capable of using LNG or diesel fuel for propulsion. This helps with fare affordability, given that fuel costs are the Company's second largest operating cost. An added benefit is that LNG is a cleaner burning fuel option. BC Ferries expects the new Intermediate Class ferries will save about $3.5 million per year of fuel costs.

Looking Ahead: Performance Term 4

BC Ferries looks for every opportunity to reduce operating costs and increase operating efficiencies. The specific financial target set for PT3 for cost reductions, as compared to the plan, was $84.2 million. BC Ferries is forecasting it will exceed this target by $21 million without compromising safety.

While BC Ferries has achieved these considerable savings during PT3, it will take new initiatives to achieve even greater savings going forward. These initiatives will need to centre on larger, structural changes regarding how BC Ferries provides service, and how customers adapt and change their behaviour as a result of these changes. Some of these initiatives will require an upfront investment that will pay dividends to customers, coastal communities, the Province and the Company over the longer term.

For PT4 and beyond, BC Ferries is pursuing four strategies for further efficiency gains:

1. LNG fuel efficiencies;

2. Business transformation strategies enabled by new information technology infrastructure that result in an improved customer experience;

3. Major Routes Strategy; and

4. Southern Gulf Islands Strategy.

We believe that strategies 1 and 2 above will result in operational efficiencies that will manifest during PT4, while strategies 3 and 4 are longer term in nature, so their direct impact is expected to be realized in PT5 and beyond. These strategies are addressed in the Company's submission to the Commissioner pursuant to section 40(1.1)(a) of the Act, dated September 30, 2014, entitled *Strategies for Enhanced Efficiency in Performance Term Four and Beyond*.

Some of the investment projects BC Ferries has undertaken in PT3:

- *Spent $1.5 million to replace a dolphin and modify another at Snug Cove terminal on Bowen Island.*
- *Completed a $43 million multi-year sewage and wastewater treatment program to upgrade 27 vessels for treatment of sewage generated onboard the vessels to comply with more stringent federal environmental regulations.*
- *Completed a $20 million multi-year project for the upgrade of berths 4 and 5 at Swartz Bay terminal.*
- *Installed a new $1.5 million tie-up arrangement and catwalk system at Prince Rupert terminal to address safety concerns raised by staff through the Company's All Learning Events Reported Today (ALERT) program.*
- *Conducted a $3 million project to upgrade the ramps at all three berths at Horseshoe Bay terminal.*
- *Undertook a $1.3 million shoreline stabilization project at Tsawwassen terminal.*

Overview

This report responds to the specific information requirements of Section 40.1(a) – (f) of the Act. It contains information on the ferry services BC Ferries has provided and expects to provide in PT3 in relation to each designated ferry route within the route group for which a price cap is to be set by the Commissioner for PT4. It is structured in six sections as follows:

Section 1: Core Ferry Services

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 designated routes. Section 1 of this report contains a description of core service levels and BC Ferries' performance against those service level commitments to date in PT3, as well as its expectations for performance through the remainder of the performance term.

Section 2: Tariffs for Core Ferry Services

The Act defines the process by which the Commissioner establishes the price caps and the process to authorize a price cap increase in response to an extraordinary situation. The Act requires that the weighted average of the tariffs charged by BC Ferries in relation to the core ferry services applicable to a route group be within the price cap established by the Commissioner. Compliance to this requirement is assessed by the Commissioner quarterly on the basis of a rolling four-quarter average. Should the average fare exceed the price cap, BC Ferries has three quarters to adjust its tariffs so that the average fare is at or below the price cap.

Section 2 of this report provides information on BC Ferries' tariff structure as well as the Company's performance in terms of ensuring that the weighted average of the tariffs is within the established price cap. This section includes information on the price caps and average tariffs BC Ferries expects to charge for the remainder of PT3. It also describes the fuel surcharges which have been implemented in accordance with Order 12-03.

Section 3: Service Fees

Under the CFSC, BC Ferries provides ferry services on 24 designated routes and seven 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 received and expects to receive, from the Province in PT3.

Section 4: Revenues From all Other Sources

BC Ferries earns tariff revenue from ticket sales (including reservation fees and assured loading ticket premiums), fuel surcharges, ancillary services and revenues provided to the Company pursuant to the CFSC.

Section 4 of this report provides with a summary of all revenues BC Ferries has earned and expects to earn in PT3, along with a description as to how those revenues are, and have been, allocated on a route basis.

Section 5: Expenses

Section 5 of this report provides information on the expenses that BC Ferries has incurred and expects to incur in respect of the provision of service on the designated ferry routes in PT3. A description as to how those expenses are, and have been, allocated on a route basis is also included.

Section 6: Alternative Service Providers

BC Ferries is required by Section 69 of the Act to seek additional or alternative service providers to provide ferry transportation services on one or more of the designated ferry routes where so ordered by the Commissioner. When BC Ferries receives such an Order, it must prepare a plan for the Commissioner's approval, and then report back to the Commissioner on the activities it undertook to comply with that Order. To date in PT3, the Commissioner has issued no Orders for BC Ferries to seek ASPs. However, consistent with its ongoing efforts to enhance efficiency and productivity in the delivery of coastal ferry services, BC Ferries from time to time proactively tests the market to determine if another operator, under sub-contract, could provide safe, reliable and high quality service that is more cost-effective. Section 6 of this submission provides information on the actions taken by BC Ferries in the current performance term to seek alternative service providers.

Section 1: Core Ferry Services

In accordance with Section 40(1)(a) of the Act, this section of this submission provides information on the core ferry service that BC Ferries has provided and reasonably expects to provide on the designated ferry routes in PT3.

Coastal Ferry Services Contract

BC Ferries provides ferry services to coastal British Columbia under the terms set out in the CFSC between BC Ferries and the Province. 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 24 designated ferry routes. Ferry Transportation Fees are paid to BC Ferries by the Province for the round trips delivered to meet the core service levels on each of the designated ferry routes other than the Major Routes, which comprise the three routes connecting Metro Vancouver with mid and southern Vancouver Island, and the route connecting Horseshoe Bay and Langdale. Under the CFSC, BC Ferries also receives an annual amount from the Province based on its agreement with the Government of Canada to fulfill the obligation of providing ferry services to coastal British Columbia. Information on Ferry Transportation Fees and federal government contributions received by BC Ferries in PT3 are provided in Section 3 of this submission.

Overview of Core Service Levels

As indicated above, the CFSC sets out the core service levels BC Ferries is expected to provide on the designated 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.

At the commencement of PT3, the designated routes were grouped in the CFSC into three route groups as shown in Table 1-1. Amendments to the CFSC effective April 1, 2013 included the consolidation of all designated routes into a single route group. This revised grouping will be in effect until the end of PT3 (March 31, 2016). In the absence of any further amendment to the CFSC, the route group structure will revert back, on April 1, 2016, to the structure in place at the commencement of PT3.

Table 1-1
Listing of Designated Routes

ROUTE GROUPS[1]	DESIGNATED ROUTES	
Route Group 1	MAJOR ROUTES 1 2 3 30	 Tsawwassen – Swartz Bay Horseshoe Bay – Nanaimo Horseshoe Bay – Langdale Tsawwassen – Nanaimo
Route Group 2	NORTHERN ROUTES[2] 10 11	 Port Hardy – Prince Rupert Prince Rupert – Skidegate
Route Group 3	MINOR ROUTES 4 5 6 7 8 9 12 13 17 18 19 20 21 22 23 24 25 26	 Swartz Bay – Saltspring Island Swartz Bay – Outer Gulf Islands Crofton – Saltspring Island Saltery Bay – Earls Cove Horseshoe Bay – Bowen Island Tsawwassen – Gulf Island Brentwood Bay – Mill Bay Langdale – Gambier – Keats Islands Comox – Powell River Powell River – Texada Island Nanaimo Harbour – Gabriola Island Chemainus – Thetis – Penelakut Islands Buckley Bay – Denman Island Denman – Hornby Islands Campbell River – Quadra Island Quadra Island – Cortes Island Port McNeill – Alert Bay – Sointula Islands Skidegate – Alliford Bay

Notes:

1. The three route groups were consolidated into a single route group effective April 1, 2013.

2. At the beginning of PT3, the Northern Route Group was comprised of three routes. Route 40 serving Port Hardy – Discovery Coast, was discontinued by amendment to the CFSC effective April 1, 2014.

Minimum core service levels on the designated ferry routes are set out in Schedule A to the CFSC. Core service levels in relation to a designated ferry route are generally defined as:

- the total minimum number of round trips to be delivered in a year (identified as "Number of Round Trips to be Delivered per Contract Year");
- in relation to each designated ferry route having round trips, the minimum hours of operation during which originating port departures occur for the designated ferry route (identified as "Minimum Hours of Operation");
- the number of departures per day that are required for the designated ferry route (identified as "Minimum Number of Round Trips per Day"); and
- capacity provided on the designated ferry route that will be sufficient to carry the previous year's traffic.

Social Programs

The CFSC requires BC Ferries to provide discounts at levels specified by the Province to passengers traveling on the designated ferry routes under its provincial social programs, including seniors, students, the disabled and persons traveling under the Province's Medical Travel Assistance Program. The CFSC provides that BC Ferries be reimbursed for foregone tariff revenue associated with travel under these programs. (Further information on the social program discounts is provided in Section 3 of this submission.)

Temporary Service Disruptions

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

Except as permitted by the CFSC, BC Ferries cannot reduce service on a designated ferry route below the core service level for that route specified in the CFSC, unless authorized by the Commissioner pursuant to Section 42, 43 or 43.1 of the Act. To date in PT3, BC Ferries has not applied to the Commissioner to reduce service on a designated ferry route.

Performance Term Three Core Service Level Amendments

In response to the findings and recommendations made by the Commissioner in his Review of the *Coastal Ferry Act*, released January 24, 2012, the Province and BC Ferries agreed to include in the CFSC for PT3 an objective to find service level adjustments to achieve $30 million in net savings over PT3. These targets were taken into account by the Commissioner in setting the final PT3 price caps, as set out in Order 12-02. Service level adjustments for the Major Routes (targeted savings of $4.0 million to the end of PT3) were implemented in the first year of PT3. Service level adjustments for the Minor and Northern Routes (targeted savings of $14.0 million) were implemented in Year 3 of PT3 (April 28, 2014). The remaining service level adjustments (targeted savings of $4.9 million) are focused on the Major Routes and are expected to be implemented in Year 4 of PT3, as per the amended CFSC. While the targeted net savings set forth for PT3 were $30 million, the Province contributed $7.1 million to BC Ferries to compensate for a deferral in determining and implementing service level reductions on the Minor and Northern Routes, in order to allow the Province to undertake further public consultation, resulting in a revised net savings target of $22.9 million. The Commissioner issued amending Order 12-02A to reflect this updated target.

In response to the agreed reduction in service for the Major Routes implemented in the first year of PT3, round trips were reduced on three of the Major Routes where the traffic levels no longer warranted extra service or where service was significantly under-utilized. The net savings of $4 million from these reductions result from fuel savings and reduced requirements for casual employees during the off-season.

The remaining $18.9 million in net savings to be achieved through service level adjustments in PT3 was addressed in a subsequent amendment of the CFSC effective March 31, 2014. That amendment:

- set out the service level reductions, as determined by the Province, for the Northern and Minor Routes, including the discontinuance of Route 40 (Port Hardy – Discovery Coast), which are targeted to achieve $14.0 million in net savings over the balance of the performance term. On April 28, 2014, after six weeks of community consultation, feedback and further analysis of schedule refinement options, BC Ferries implemented new schedules for the Northern and Minor Routes to achieve these targeted savings. There have been two modest amendments to the CFSC in order to effect additional refinements to schedules for certain of the Minor Routes arising from community feedback and consultation. Further minor amendments may be required.

- tasked BC Ferries with finding the remaining $4.9 million in net savings through service level adjustments on the Major Routes. Work is underway to determine how best to adjust the service on these routes in order to realize the targeted savings over the remainder of PT3.

Review of Core Service Delivery

Fiscal 2013

In fiscal 2013, BC Ferries delivered a total of 84,113.5 round trips which exceeded, by 822, the number of round trips required to be delivered in the year under the CFSC. Most of these additional round trips were delivered in the summer on Route 21 (Buckley Bay - Denman Island) and Route 22 (Denman Island - Hornby Island) to accommodate peak period traffic demand, and on the Major Routes to meet traffic demand. In summary, all core service level requirements were met in fiscal 2013, with the exception of four round trips for dangerous goods on Route 26 (Skidegate - Alliford Bay) which were cancelled because there was no demand for the trips.

Appendices A-1 to A-3 contain detailed information on the core ferry services delivered by BC Ferries in fiscal 2013, including information by designated route on the round trips delivered and the temporary service disruptions.

Fiscal 2014

To better align service levels to demand, the CFSC was amended in fiscal 2014 to reduce the number of annual round trips required on the Major Routes which, as described above, is expected to result in $4 million in net savings over PT3.

In fiscal 2014, BC Ferries delivered a total of 83,971.5 round trips which exceeded, by 705.5, the number round trips required to be delivered in the year under the CFSC. Most of these additional round trips were delivered in the summer on Route 21 (Buckley Bay - Denman Island) and Route 22 (Denman Island - Hornby Island) to accommodate peak period traffic demand, and on the Major Routes to meet traffic demand. Round trips delivered on Route 17 (Little River (Comox) – Powell River) and Route 18 (Texada – Powell River) were affected by the temporary dock closures at Westview and Little River terminals while the marine structures were upgraded or replaced, and alternative routes and supplemental alternative service were put in place. In summary, all core service level requirements were met in fiscal 2014, with the exception of three round trips on Route 6 (Crofton – Vesuvius), and three round trips on Route 20 (Chemainus – Thetis Island) which were cancelled because of accumulated traffic delays, and six round trips for dangerous goods on Route 26 (Skidegate – Alliford Bay) which were cancelled because there was no demand for the trips .

Appendices A-4 to A-6 contain detailed information on the core ferry services delivered by BC Ferries in fiscal 2014, including information by designated route on the round trips delivered and the temporary service disruptions.

Fiscal 2015 (First Quarter)

Appendices A-7 to A-9 contain detailed information on the core ferry services delivered by BC Ferries in the first quarter of fiscal 2015 (April 1 – June 30, 2014), including information by designated route on the round trips delivered and the temporary service disruptions. BC Ferries delivered 19,689.5 round trips during the quarter and met all core service level requirements.

Remainder of Performance Term Three

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

Section 2: Tariffs for Core Ferry Services

In accordance with Section 40(1)(b) of the Act, this section of this submission provides information on the tariffs, including reservations, that BC Ferries has charged and reasonably expects to charge on the designated ferry routes in PT3.

Tariff Structure

BC Ferries implements an annual tariff for the delivery of ferry transportation services on each of the designated routes. Generally, adjustments to tariffs occur on April 1 to align with the annual changes to the price cap as established by the Commissioner.

During PT3, BC Ferries continued with the tariff structure developed in performance term two (April 1, 2008 – March 31, 2012) ("PT2"), with two minor adjustments introduced in April 2014:

- After consultation with the North and Central Coast Ferry Advisory Committee, BC Ferries brought the Northern Routes tariff structure in line with other routes by merging the overheight rate with the lower underheight rate, and linking the extra foot rate for passenger vehicles to the commercial foot rate.

- BC Ferries introduced a higher reservation fee for day of departure reservations. The price for reservations made between one and seven days and for reservations made more than seven days in advance was not changed.

In March 2014, the Province determined that it would reduce the subsidy for seniors travelling on Major and Minor Routes from Monday to Thursday from 100 percent to 50 percent. BC Ferries implemented this change on April 1, 2014.

The adult passenger, passenger vehicle, bus and commercial tariffs for each route, by fare category, effective April 1st of 2012, 2013 and 2014, are provided in Tables 2-4, 2-5 and 2-6, respectively. BC Ferries' current tariff schedule by route and by fare category is available on BC Ferries' website at: http://www.bcferries.com/files/fares/pdf_format/BCF_Fares.pdf

Price Cap Setting

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

For the purposes of setting price caps in each performance term, the Commissioner computes a maximum permitted ceiling of average ferry fares by route group called the price cap. The methodology established by the Commissioner to calculate the price cap is set out in Order 11-03.

The average level of ferry fares and the price caps are expressed as indices. As stipulated by Section 48(2) of the Act, BC Ferries must not allow the average fare index for a route group to remain above the price cap index for more than three consecutive quarters. If the four-quarter average of fares does exceed the price cap in any particular quarter, BC Ferries has up to three subsequent quarters to reduce its average fare index to be within the allowable price cap index. If BC Ferries fails to do so within the allowable three consecutive quarter "grace period", the Commissioner may apply a penalty.

For PT3, there were several amendments to the Act and to the CFSC which affected price cap determination. *Coastal Ferry Amendment Act, 2011* ("Bill 14") established a price cap of 4.15 percent for all route groups for fiscal year 2013 and directed the Commissioner to issue a final price cap decision for the remaining three years by September 30, 2012. Amendments to the CFSC merged the previous route groups (Majors, Minors and Northern) into one system-wide route group for the remaining three years of PT3 (fiscal years 2014, 2015 and 2016). *Coastal Ferry Amendment Act, 2012* ("Bill 47"), provided new provisions to be reflected in the final decision on price caps for the final three years of PT3. The Act now:

- defines that the primary role of the Commissioner is to balance, in the manner the Commissioner considers appropriate, the interests of ferry users, taxpayers and the financial sustainability of ferry operators;
- allows cross subsidization of ferry routes;
- requires the Commissioner's approval of both the ferry operator's 10-year capital plan, prepared pursuant to Section 64.1 of the Act, and major capital expenditures, submitted in accordance with Section 55 of the Act, and allows the Commissioner to decide what level of capital expenditure would trigger a requirement for his approval;

- requires that the price cap, when combined with all other price caps applicable to all route groups, must allow for a financial return sufficient to enable the ferry operator to meet its debt obligations and maintain access to reasonable borrowing rates; and

- permits the Commissioner to require the ferry operator to establish fuel deferral accounts in relation to one or more route groups, and to establish terms and conditions for the use of any fuel deferral account.

In September 2012, the Commissioner, by Order 12-02, established the price caps for the remaining three years of PT3. These are increases of 4.1 percent for fiscal 2014; 4.0 percent for fiscal 2015; and 3.9 percent for fiscal 2016. The Commissioner also ordered that the price cap index be recalculated to an index level of 100 as of April 1, 2012, based on the weighted average tariffs that existed as of March 31, 2012.

Performance Term Three – Price Cap Performance

The indices for both the actual weighted average tariffs and the allowable price cap indices as set by the Commissioner for each route group in PT3 are shown in Table 2-1.

In fiscal 2013, the weighted average fare charged by BC Ferries remained below the price cap for all route groups. In fiscal 2014, the weighted average fare was slightly above the price cap in the first three quarters. In the fourth quarter, this surplus was eliminated following the Commissioner's decision, as set out in Memorandum 45 dated March 20, 2014, to allow the one time transfer of the price cap overage to the fuel deferral account. In the absence of this decision, BC Ferries would have been in the position of having to announce a fuel surcharge and a fare discount promotion during the same time period. The Company believes that such a move may have caused confusion among its customers, including uncertainty on their part of the all-in fare to be paid, and that this could have had a negative impact on traffic.

Table 2-1
Performance Term 3
Price Cap and Actual Average Fare Indices

	All Routes		Majors		Minors		North	
	Price Cap	**Actual Average Fare**	**Price Cap**	**Actual Average Fare**	**Price Cap**	**Actual Average Fare**	**Price Cap**	**Actual Average Fare**
Q1 Fiscal 2013			101.02	100.54	101.06	100.65	100.98	99.51
Q2 Fiscal 2013			102.45	101.85	102.46	101.70	103.31	99.78
Q3 Fiscal 2013			103.37	102.75	103.36	102.42	103.76	99.76
Q4 Fiscal 2013			104.15	103.40	104.15	103.23	104.15	99.92
Q1 Fiscal 2014	105.18	***105.80***						
Q2 Fiscal 2014	106.68	***107.16***						
Q3 Fiscal 2014	107.60	***108.06***						
Q4 Fiscal 2014	108.42	108.42						
Q1 Fiscal 2015	109.54	109.42						

Note: **Bold face** indicates those quarters where BC Ferries was over the price cap.

The price cap indices as at March 31, 2015 and March 31, 2016, as determined by the Commissioner, are shown in Table 2-2, together with the forecast average fare indices for those periods. The latter are based on BC Ferries' traffic forecasts, which take into account latest traffic, tariff and route mix trends.

Table 2-2
Price Cap and Forecast Average Fare Indices

	All Routes	
	Price Cap Index	***Forecast Average Fare Index***
As at March 31, 2015	112.87	*112.99*
As at March 31, 2016	117.27	*117.27*

Extraordinary Price Cap Increases

Section 42 of the Act allows the Commissioner to increase price caps during a performance term in response to extraordinary circumstances. To the date of this filing, no extraordinary price cap increases have been requested by the Company or authorized by the Commissioner during PT3.

Fuel Surcharges and Rebates

Fuel is a significant operating expense of the Company. BC Ferries spent $126 million in fiscal 2014 for fuel. Fuel costs are a function of the volume consumed as well as the market price of fuel.

BC Ferries has a minimal degree of influence over the volumes consumed. However the Company has no ability to influence or control market prices. In 2004, in recognition of the uncontrollable nature of fuel prices, the Commissioner authorized the use of fuel price deferral accounts to manage price volatility. Since that time, BC Ferries has used approved deferral mechanisms to manage fuel price volatility.

Section 41.1 of the Act provides the Commissioner with the authority to require BC Ferries to establish a fuel deferral account and set the terms and conditions for any such account, to allow the Company to add a temporary fuel surcharge, and to require the Company to provide a temporary discount to reflect fluctuations in the fuel deferral account for any period. By Order 12-03, the Commissioner authorized BC Ferries to establish two fuel deferral accounts for PT3 effective June 25, 2012 and set terms and conditions for their management.

The Company has established two fuel deferral accounts in accordance with Order 12-03 and, has managed those accounts in accordance with the terms and conditions set by the Commissioner. This has necessitated applying fuel surcharges from time to time. The amounts of the fuel surcharges, the dates they were implemented and the routes to which they have been applied are outlined in Table 2-3.

Table 2-3
Fuel Surcharges in Performance Term 3
(as a percentage of fares)

Date	Route 1, 2, 30	Route 3	Minors
April 2012	5.0%	2.5%	5.0%
July 2012	2.5%	2.0%	2.5%
November 2012	0.0%	0.0%	0.0%
January 2014	3.5%	3.5%	3.5%
April 2014*	3.3%	3.3%	3.3%

*Note: The absolute value of the surcharges in place did not change as at April 2014, rather the fares increased and, as a result, the surcharge as a percentage of total fares fell.

As described above, by Memorandum 45 dated March 20, 2014, the Commissioner granted BC Ferries approval, on a one-time basis, to transfer the amount in excess of the price cap at March 31, 2014 ($1.2 million) to the fuel deferral account. This transfer eliminated the price cap overage, reduced the balance of the fuel deferral accounts and thereby reduced the surcharge required.

Table 2-4
Tariffs for All Routes
As at April 1, 2012

	TARIFF Effective April 01, 2012	PASSENGER - ADULT		PASSENGER VEHICLE - up to 20'		BUS - per foot rate	COMMERCIAL - per foot rate
	ROUTE DESCRIPTION	Regular	Experience Card	Regular	Experience Card	Regular	Regular
	Tsawwassen - Swartz Bay	$14.85		$49.25		$4.00	$5.60
	Horseshoe Bay - Departure Bay	$14.85		$49.25		$4.00	$5.60
	Tsawwassen - Duke Point	$14.85		$49.25		$4.00	$5.60
*	Horseshoe Bay - Langdale	$14.00	$10.90	$47.10	$36.25	$4.65	$6.15
*	Swartz Bay - Fulford Harbour	$10.90	$7.45	$32.25	$21.95	$2.80	$3.35
*	Swartz Bay - Gulf Islands	$11.45	$7.60	$36.25	$24.30	$3.10	$3.20
	Inter-Southern Gulf Islands	$5.70		$12.40		$1.65	$1.65
*	Crofton - Vesuvius Bay	$10.90	$7.45	$32.25	$21.95	$2.80	$3.35
*	Earl's Cove - Saltery Bay	$13.70	$10.65	$45.90	$35.30	$4.45	$5.95
*	Horseshoe Bay - Snug Cove	$10.65	$6.45	$30.40	$19.50	$2.65	$3.20
	Gulf Islands to Tsawwassen (Off Peak Season)	$8.80		$23.30		$3.25	$4.05
	Gulf Islands to Tsawwassen (Peak Season)	$8.80		$35.35		$3.25	$4.05
	Tsawwassen to Gulf Islands (Off Peak Season)	$17.15		$54.80		$5.85	$7.35
	Tsawwassen to Gulf Islands (Peak Season)	$17.15		$63.55		$5.85	$7.35
	Mill Bay - Brentwood Bay	$6.90	$4.30	$16.15	$10.40	$1.40	$1.75
	Langdale - Keats Island - Gambier Island	$7.15	$5.00				
	Powell River (Westview) - Little River (Comox)	$13.65	$11.10	$43.20	$37.35	$3.10	$4.45
*	Powell River (Westview) - Texada Island	$9.90	$6.20	$23.55	$15.80	$2.45	$2.85
*	Nanaimo Harbour - Gabriola Island	$9.90	$5.75	$23.55	$15.05	$2.45	$2.85
*	Chemainus - Thetis Island - Kuper Island	$9.90	$5.75	$23.55	$15.05	$2.45	$2.85
*	Buckley Bay - Denman Island	$9.10	$5.30	$21.30	$12.80	$2.00	$2.00
*	Denman Island - Hornby Island	$9.10	$5.30	$21.30	$12.80	$2.00	$2.00
*	Campbell River - Quadra Island	$9.10	$5.30	$21.30	$13.50	$2.30	$2.60
*	Quadra Island - Cortes Island	$10.65	$7.05	$24.80	$17.60	$3.10	$3.90
*	Port McNeill - Alert Bay - Sointula	$10.65	$7.05	$24.80	$17.60	$3.10	$3.90
*	Skidegate - Alliford Bay	$9.10	$5.30	$21.30	$13.50	$2.30	$2.60
	Port Hardy - Prince Rupert (Peak Season)	$187.00		$427.00		$26.25	$36.50
	Port Hardy - Prince Rupert (Shoulder Season)	$135.00		$312.00		$25.00	$36.50
	Port Hardy - Prince Rupert (Off Season)	$110.00		$240.00		$25.00	$36.50
	Discovery Coast	$185.00		$370.00		$25.00	$34.75
	Prince Rupert - Skidegate (Peak Season)	$43.00		$153.00		$13.25	$17.25
	Prince Rupert - Skidegate (Off Peak Season)	$35.00		$126.00		$12.00	$17.25

*Fare includes return trip

	Fiscal 2013
ALT (10 trips)	$1,250.00
Short Notice Reservation	$17.50
Medium Notice Reservation	$17.50
Long Notice Reservation	$15.00

Table 2-5
Tariffs for All Routes
As at April 1, 2013

	TARIFF Effective April 01, 2013	PASSENGER - ADULT		PASSENGER VEHICLE - up to 20'		BUS - per foot rate	COMMERCIAL - per foot rate
	ROUTE DESCRIPTION	**Regular**	**Experience Card**	**Regular**	**Experience Card**	**Regular**	**Regular**
	Tsawwassen - Swartz Bay	$15.50		$51.25		$4.20	$5.85
	Horseshoe Bay - Departure Bay	$15.50		$51.25		$4.20	$5.85
	Tsawwassen - Duke Point	$15.50		$51.25		$4.20	$5.85
*	Horseshoe Bay - Langdale	$14.55	$11.35	$49.05	$37.75	$4.85	$6.40
*	Swartz Bay - Fulford Harbour	$11.35	$7.75	$33.55	$22.85	$2.90	$3.50
*	Swartz Bay - Gulf Islands	$12.00	$8.00	$37.95	$25.50	$3.25	$3.20
	Inter-Southern Gulf Islands	$6.00	$4.00	$13.10	$8.80	$1.70	$1.65
*	Crofton - Vesuvius Bay	$11.35	$7.75	$33.55	$22.85	$2.90	$3.50
*	Earl's Cove - Saltery Bay	$14.25	$11.10	$47.80	$36.75	$4.65	$6.20
*	Horseshoe Bay - Snug Cove	$11.10	$6.70	$31.65	$20.35	$2.75	$3.35
	Gulf Islands to Tsawwassen (Off Peak Season)	$9.15		$24.25		$3.40	$4.25
	Gulf Islands to Tsawwassen (Peak Season)	$9.15		$36.80		$3.40	$4.25
	Tsawwassen to Gulf Islands (Off Peak Season)	$17.85		$57.05		$6.10	$7.65
	Tsawwassen to Gulf Islands (Peak Season)	$17.85		$66.15		$6.10	$7.65
	Mill Bay - Brentwood Bay	$7.20	$4.50	$16.80	$10.85	$1.45	$1.85
	Langdale - Keats Island - Gambier Island	$6.95	$4.90				
	Powell River (Westview) - Little River (Comox)	$14.20	$11.55	$44.95	$38.85	$3.25	$4.65
*	Powell River (Westview) - Texada Island	$10.30	$6.45	$24.50	$16.45	$2.55	$3.00
*	Nanaimo Harbour - Gabriola Island	$10.30	$6.00	$24.50	$15.65	$2.55	$3.00
*	Chemainus - Thetis Island - Kuper Island	$10.30	$6.00	$24.50	$15.65	$2.55	$3.00
*	Buckley Bay - Denman Island	$9.45	$5.50	$22.15	$13.30	$2.10	$2.10
*	Denman Island - Hornby Island	$9.45	$5.50	$22.15	$13.30	$2.10	$2.10
*	Campbell River - Quadra Island	$9.45	$5.50	$22.15	$14.05	$2.40	$2.75
*	Quadra Island - Cortes Island	$11.10	$7.35	$25.80	$18.30	$3.25	$4.10
*	Port McNeill - Alert Bay - Sointula	$11.10	$7.35	$25.80	$18.30	$3.25	$4.10
*	Skidegate - Alliford Bay	$9.45	$5.50	$22.15	$14.05	$2.40	$2.75
	Port Hardy - Prince Rupert (Peak Season)	$194.75		$444.50		$27.25	$38.00
	Port Hardy - Prince Rupert (Shoulder Season)	$140.50		$324.75		$26.00	$38.00
	Port Hardy - Prince Rupert (Off Season)	$114.50		$249.75		$26.00	$38.00
	Discovery Coast	$192.50		$385.25		$26.00	$36.25
	Prince Rupert - Skidegate (Peak Season)	$44.75		$159.25		$13.75	$18.00
	Prince Rupert - Skidegate (Off Peak Season)	$36.50		$131.25		$12.50	$18.00

*Fare includes return trip

	Fiscal 2014
ALT (10 trips)	$1,350.00
Short Notice Reservation	$18.50
Medium Notice Reservation	$18.50
Long Notice Reservation	$15.00

Table 2-6
Tariffs for All Routes
As at April 1, 2014

	TARIFF Effective April 01, 2014	PASSENGER - ADULT		PASSENGER VEHICLE - up to 20'		BUS - per foot rate	COMMERCIAL - per foot rate
	ROUTE DESCRIPTION	Regular	Experience Card	Regular	Experience Card	Regular	Regular
	Tsawwassen - Swartz Bay	$16.25		$53.25		$4.35	$6.10
	Horseshoe Bay - Departure Bay	$16.25		$53.25		$4.35	$6.10
	Tsawwassen - Duke Point	$16.25		$53.25		$4.35	$6.10
*	Horseshoe Bay - Langdale	$15.25	$11.90	$50.95	$39.20	$5.05	$6.65
*	Swartz Bay - Fulford Harbour	$11.90	$8.10	$34.85	$23.75	$3.00	$3.65
*	Swartz Bay - Gulf Islands	$12.60	$8.40	$39.45	$26.50	$3.40	$3.20
	Inter-Southern Gulf Islands	$6.30	$4.20	$13.60	$9.15	$1.75	$1.65
*	Crofton - Vesuvius Bay	$11.90	$8.15	$34.85	$23.75	$3.00	$3.65
*	Earl's Cove - Saltery Bay	$14.95	$11.65	$49.65	$38.15	$4.85	$6.45
*	Horseshoe Bay - Snug Cove	$11.65	$7.05	$32.90	$21.20	$2.85	$3.50
	Gulf Islands to Tsawwassen (Off Peak Season)	$9.60		$25.20		$3.55	$4.40
	Gulf Islands to Tsawwassen (Peak Season)	$9.60		$38.25		$3.55	$4.40
	Tsawwassen to Gulf Islands (Off Peak Season)	$18.70		$59.25		$6.35	$7.95
	Tsawwassen to Gulf Islands (Peak Season)	$18.70		$68.75		$6.35	$7.95
	Mill Bay - Brentwood Bay	$7.55	$4.70	$17.45	$11.25	$1.50	$1.95
	Langdale - Keats Island - Gambier Island	$7.30	$5.15				
	Powell River (Westview) - Little River (Comox)	$14.90	$12.10	$46.70	$40.35	$3.40	$4.85
*	Powell River (Westview) - Texada Island	$10.80	$6.75	$25.45	$17.10	$2.65	$3.10
*	Nanaimo Harbour - Gabriola Island	$10.80	$6.30	$25.45	$16.25	$2.65	$3.10
*	Chemainus - Thetis Island - Kuper Island	$10.80	$6.30	$25.45	$16.25	$2.65	$3.10
*	Buckley Bay - Denman Island	$9.90	$5.75	$23.00	$13.80	$2.20	$2.20
*	Denman Island - Hornby Island	$9.90	$5.75	$23.00	$13.80	$2.20	$2.20
*	Campbell River - Quadra Island	$9.90	$5.75	$23.00	$14.60	$2.50	$2.85
*	Quadra Island - Cortes Island	$11.65	$7.70	$26.80	$19.00	$3.40	$4.25
*	Port McNeill - Alert Bay - Sointula	$11.65	$7.70	$26.80	$19.00	$3.40	$4.25
*	Skidegate - Alliford Bay	$9.90	$5.75	$23.00	$14.60	$2.50	$2.85
	Port Hardy - Prince Rupert (Peak Season)	$197.75		$451.25		$27.70	$38.50
	Port Hardy - Prince Rupert (Shoulder Season)	$142.50		$329.50		$26.40	$38.50
	Port Hardy - Prince Rupert (Off Season)	$116.25		$253.50		$26.40	$38.50
	Prince Rupert - Skidegate (Peak Season)	$45.50		$161.75		$13.95	$18.25
	Prince Rupert - Skidegate (Off Peak Season)	$37.10		$133.25		$12.70	$18.25

*Fare includes return trip

	Fiscal 2015
ALT (10 trips)	$1,450.00
Short Notice Reservation	$22.00
Medium Notice Reservation	$18.50
Long Notice Reservation	$15.00

Section 3: Service Fees and Other Provincial Contributions

In accordance with Section 40(1)(c) of the Act, this section of this submission provides information on the service fees that BC Ferries has received and reasonably expects to receive in PT3.

Under the CFSC, BC Ferries provides ferry services on designated and unregulated ferry routes, and in return, BC Ferries receives service fees from the Province. No service fees are paid in respect of the service provided on the Major Routes.

The service fees payable to BC Ferries in PT3 under the CFSC for services provided are comprised of the following components:

- Ferry Transportation Fees - fees for providing ferry transportation services on the non-Major designated routes;

- Social Program Reimbursement – an amount representing reimbursement to BC Ferries for foregone revenue in respect of the provincial social program discounts;

- Service Fees for Unregulated Ferry Routes – funds received from the Province for the provision of service on unregulated routes; and

- Contributions Applied to Fuel Deferral Accounts – funds received from the Province and applied to BC Ferries' fuel deferral accounts.

In addition to the foregoing, there were a number of decisions and/or amendments to the CFSC made during PT3 which make up the full amount of the provincial contribution. A summary of service fees and other provincial contributions is provided in Table 3-1.

Table 3-1
Summary of Provincial Ferry Transportation Fees
and Other Contributions
($ Millions)

Provincial Ferry Transportation Fees and Other Contributions		**Fiscal 2013**	**Fiscal 2014**	***Fiscal 2015 Forecast***	***Fiscal 2016 Forecast***
Base Ferry Transportation Fees		91.9	91.9	*91.9*	*91.9*
Northern Term Sheet Adjustment	(Note 1)	30.9	30.1	*29.0*	*28.0*
Queen of Chilliwack Adjustment	(Note 2)	4.2	4.2	*3.9*	*3.7*
Bill 47 Fee Enhancements	(Note 3)	10.0	10.5	*11.0*	*11.5*
Bill 14 Price Cap Adjustment	(Note 4)	11.5	-	-	-
Service Level Adjustments Compensation	(Note 5)	-	7.1	-	-
Reallocated Seniors Discount Program	(Note 6)	-	-	*10.4*	*10.6*
Ferry Transportation Fees		**148.5**	**143.8**	***146.2***	***145.7***
Fuel Deferral Account Contributions	(Note 7)	2.5	3.1	*2.7*	*1.8*
Unregulated Routes Fees		2.5	2.5	*2.5*	*2.5*
Ferry Transportation & Unregulated Route Fees and Contributions		**153.5**	**149.4**	**151.4**	**150.0**
Social Program Fees		28.6	30.7	*22.7*	*24.5*
TOTAL PROVINCIAL FERRY TRANSPORTATION FEES & OTHER CONTRIBUTIONS		**182.1**	**180.1**	***174.1***	***174.5***

Notes:

1. This adjustment reflects the negotiated increase in Ferry Transportation Fees with the Province resulting from the deployment of the *Northern Adventure* and *Northern Expedition* on Northern routes in fiscal 2008 and fiscal 2010 respectively.

2. In fiscal 2011, the Province agreed to contribute towards the refit costs of the *Queen of Chilliwack* through an increase in Ferry Transportation Fees payable to BC Ferries over a five year period starting in fiscal 2012 and ending in fiscal 2016.

3. As part of Bill 47, the Province announced additional payments totaling $79.5 million in order to reduce the pressure for future fare and price cap increases. The first payment of $25.0 million, approved on March 30, 2012, was recorded in fiscal 2012 as a contribution to BC Ferries' equity, leaving a balance of $54.5 million in fee enhancements to be received throughout PT3 as follows: in fiscal 2013, BC Ferries received $21.5 million (which included $11.5 million as compensation for price cap adjustments as detailed below) and in fiscal 2014, BC Ferries received $10.5 million. A further $11.0 million will be received in fiscal 2015 and $11.5 million in fiscal 2016.

4. Effective April 1, 2012, for the first year of PT3, Bill 14 established a price cap increase for each route group of 4.15 percent from the weighted average of the tariffs in place at March 31, 2012 as established

by the Commissioner. The Province agreed to compensate BC Ferries in return for limiting fare increases to reflect the price cap increase of 4.15 percent. The value of this compensation was $11.5 million, which the Province agreed to provide as part of the $21.5 million increase in Ferry Transportation Fees for fiscal 2013.

5. On April 3, 2013, an amendment to the CFSC extended the deadline for identifying service level adjustments for the remainder of PT3 in order to provide sufficient time for the Province to complete its consultation process, as described in Section 1 of this submission. As compensation for the deferral in identifying service level adjustments, the Province agreed to pay BC Ferries $7.1 million in Ferry Transportation Fees in nine equal monthly instalments commencing July 2013.

6. Effective April 1, 2014, BC Ferries implemented the Province's decision to reduce the passenger fare discount for BC seniors travelling Monday to Thursday from 100 percent to 50 percent on the designated routes with the exception of the Northern Routes, which did not change. BC Ferries records the number of passengers traveling under these social programs and invoices the Province for the difference between the fare collected and the full tariff fare. On this basis, BC Ferries is reimbursed for the cost of the social program discounts offered by the Province. For fiscal 2015 and fiscal 2016, the Province has provided an estimate of what the total social program payments would be for seniors, had the full fare discount remained in place. The difference between what BC Ferries invoices the Province for the Seniors Discount Program and this estimate is being reallocated to Ferry Transportation Fees for fiscal 2015 and fiscal 2016.

7. By letter agreement, the Province contributes to the non-Northern fuel deferral account an amount equivalent to the reduction in Ferry Transportation Fees related to the remission of import duties paid when the *Northern Adventure* was acquired. This letter agreement has been renewed on an annual basis. The Province also, from time to time, makes contributions to the Northern fuel deferral account.

Ferry Transportation Fees

The CFSC prescribes the core ferry services BC Ferries is to provide on each of the designated routes. In return for providing these services, BC Ferries receives Ferry Transportation Fees calculated on the basis of the number of core round trips the Company delivers.

The maximum Ferry Transportation Fees are set out in Appendix 1 of Schedule B of the CFSC and are paid by the Province for service on all designated routes with the exception of the Major Routes. In fiscal 2013, Route 3 was merged into the Major Route Group. A residual Ferry Transportation Fee for Route 3 was received in fiscal 2013, the transition year.

Without the Ferry Transportation Fees, tariffs on the non-Major Routes would need to be correspondingly higher in order for BC Ferries to remain financially viable and maintain current service levels. Ferry Transportation Fees are service based, and vary depending on the route and the actual service BC Ferries provides.

In fiscal 2014, the CFSC was amended to provide for additional Ferry Transportation Fees of $7.1 million as compensation to the Company for a deferral in determining service level adjustments. In fiscal 2015, the CFSC was further amended as part of the Province's change in its social program regarding discounts for BC seniors.

Table 3-2 summarizes the Ferry Transportation Fees paid to BC Ferries for core ferry services paid for the first two years of PT3, as well as forecast payment amounts for the last two years of the performance term. Appendix B provides further detail at a route level. The forecast information assumes that BC Ferries will fully meet core service level requirements and, accordingly, will receive full payment of the Ferry Transportation Fees as per the CFSC.

Table 3-2
Ferry Transportation Fees
($ Millions)

Routes	**Fiscal 2013**	**Fiscal 2014**	***Fiscal 2015 Forecast***	***Fiscal 2016 Forecast***
Majors	2.3	0.0	*0.0*	*0.0*
Northern	57.4	56.3	*55.7*	*55.5*
Minors	88.8	87.5	*90.5*	*90.2*
TOTAL*	**148.5**	**143.8**	***146.2***	***145.7***

* For fiscal 2015 and fiscal 2016, the Province has provided an estimate of what the total social program payments would be for seniors, had the full fare discount remained in place. The difference between what BC Ferries invoices the Province for the Seniors Discount Program and this estimate is being reallocated to Ferry Transportation Fees for fiscal 2015 and fiscal 2016.

Social Program Reimbursement

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

The following discount policies of the Province applied in fiscal 2013 and fiscal 2014:

- BC seniors travelling Monday through Thursday, excluding statutory holidays, received free passenger travel (on Routes 10, 11 and 40, seniors received a 33 percent discount any day of the week);

- Students travelling for school and/or junior association related events received free passage on the Minor Routes, a 50 percent discount on the Major Routes;

- Disabled individuals travelling received a 50 percent discount on all routes; and

- Passengers requiring travel for approved medical treatment received free travel for themselves and their vehicle.

Effective April 1, 2014, BC Ferries implemented the Province's decision to reduce the passenger fare discount for BC seniors travelling Monday to Thursday from 100 percent to 50 percent on the designated routes, with the exception of the Northern Routes which did not change.

BC Ferries records the number of passengers travelling under these social programs and invoices the Province for the difference between the fare collected and the full tariff fare. On this basis, BC Ferries is reimbursed for the cost of the social program discounts offered by the Province. As this is tariff revenue, it is included in the calculation of the price cap indices and the average fare indices, and is shown as part of tariff revenue reported in Section 4 of this submission.

Table 3-3 summarizes the social program reimbursements paid to BC Ferries by the Province for fiscal 2013 and fiscal 2014, as well as forecast payments for fiscal 2015 and fiscal 2016. Appendix B provides further detail at a route level.

Table 3-3
Social Program Reimbursements
($ Millions)

Routes	**Fiscal 2013**	**Fiscal 2014**	***Fiscal 2015 Forecast***	***Fiscal 2016 Forecast***
Majors	17.4	18.9	*12.8*	*14.1*
Northern	1.0	1.2	*1.2*	*1.3*
Minors	10.2	10.6	*8.7*	*9.1*
TOTAL *	**28.6**	**30.7**	***22.7***	***24.5***

* For fiscal 2015 and fiscal 2016, the Province has provided an estimate of what the total social program payments would be for seniors, had the full fare discount remained in place. The difference between what BC Ferries invoices the Province for the Seniors Discount Program and this estimate is being reallocated to Ferry Transportation Fees for fiscal 2015 and fiscal 2016.

Contributions Applied to the Fuel Deferral Accounts

Funds received from the Province and applied to BC Ferries' fuel deferral accounts include:

- Funds related to the import duty remission on one of BC Ferries' foreign-built vessels, the *Northern Adventure*; and
- Funds related to the price of fuel on the Northern Routes.

Table 3-4
Provincial Contribution to Fuel Deferral Accounts
($ Millions)

Routes	Fiscal 2013	Fiscal 2014	*Fiscal 2015 Forecast*	*Fiscal 2016 Forecast*
Majors	1.1	1.0	*1.1*	*0.9*
Northern	1.0	1.7	*1.3*	*0.6*
Minors	0.4	0.4	*0.3*	*0.3*
TOTAL	**2.5**	**3.1**	***2.7***	***1.8***

Service Fees for Unregulated Ferry Routes

Under the CFSC, BC Ferries receives a service fee from the Province for the provision of service on seven unregulated routes. BC Ferries has contracts with third-party service providers to deliver service on these routes. The Commissioner does not regulate the tariffs or service levels on these routes. Table 3-5 summarizes the service fee paid to BC Ferries for the unregulated routes. Actual payments received are presented for the years fiscal 2013 and 2014, and forecasts are presented for fiscal 2015 and fiscal 2016.

Table 3-5
Unregulated Ferry Routes Service Fee
($ Millions)

	Fiscal 2013	Fiscal 2014	*Fiscal 2015 Forecast*	*Fiscal 2016 Forecast*
Service Fee	2.5	2.5	*2.5*	*2.5*

Contribution to Charter Agreement

In addition to the above, the Province has supported a charter agreement between BC Ferries and the Lax Kw'alaams Band Ferry Corporation, whereby BC Ferries has leased the use of its vessel, the *Nicola,* for service between Prince Rupert and Tuck Inlet. The Province supports this charter agreement by reimbursing the cost of the quadrennial refit of this vessel.

Section 4: Revenues From All Sources

In accordance with Section 40(1)(d) of the Act, this section of this submission provides information on the revenues that BC Ferries has earned and reasonably expects to earn in PT3.

BC Ferries earns revenues from various sources that contribute to the overall recovery of its cost of service, including a financial return sufficient to enable the Company to meet its debt obligations and maintain access to reasonable borrowing rates. 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 (including reservation fees and assured loading ticket premiums), fuel surcharges, ancillary services and revenues provided to the Company pursuant to the CFSC. The CFSC revenues include funding from the Canada/British Columbia coastal ferry subsidy agreement dated April 18, 1977 (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 submission.

Table 4-1 provides a comparison of revenues, year over year, in PT3. 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
($ Millions)

Revenues	Fiscal 2013	Fiscal 2014	*Fiscal 2015 Forecast*	*Fiscal 2016 Forecast*
Regulated Revenues				
Vehicle and Passenger Tariffs (including Social program reimbursements)	497.4	520.0	*538.5*	*565.0*
Reservations	12.8	13.4	*14.5*	*15.1*
Other Revenues				
Ferry Transportation & Unregulated Route Fees and Contributions	153.5	149.4	*151.4*	*150.0*
Ancillary Revenues	83.1	86.3	*86.2*	*87.9*
Proceeds from Federal Contract	28.1	28.4	*28.4*	*29.0*
Fuel Surcharges Collected	11.5	2.7	*17.5*	*9.1*
TOTAL	**786.4**	**800.2**	***836.5***	***856.1***

Tariff Revenues

BC Ferries charges a fare for each passenger and/or vehicle for ferry service as set out in the Company's tariff schedule that is updated from time to time. Section 2 of this submission provides more details on how BC Ferries manages its tariffs.

Traffic

The price cap applies to each unit of traffic carried on a weighted average basis. Therefore, the number of passengers and vehicles carried and the price cap determines the maximum tariff revenue that BC Ferries is allowed to retain in any given year.

Traffic not only determines tariff revenues to the Company, but also influences revenues received from ancillary services. Traffic statistics are recorded based on passenger and vehicle types. Traffic categories include passengers (adults, child, and students) and vehicles (underheight vehicles, overheight vehicles, as well as trucks, buses, semi-trailers and drop trailers).

Table 4-2 illustrates actual BC Ferries passenger and vehicle traffic statistics for fiscal years 2013 and 2014, with a forecast of passenger and vehicle traffic for fiscal years 2015 and 2016.

Table 4-2
Traffic Statistics for All Routes
(000's)

	Passengers	Vehicles
Fiscal 2013	19,919	7,749
Fiscal 2014	19,697	7,644
Fiscal 2015 Forecast	*19,659*	*7,633*
Fiscal 2016 Forecast	*19,778*	*7,692*

Fiscal 2013

In fiscal 2013, BC Ferries experienced a 1.1 percent decline in vehicle traffic and a 1.2 percent decline in passenger traffic as compared to the prior year. A significant factor in the decline was a period of stormy weather with high winds that resulted in numerous sailing cancellations during the December holiday season. In three of the last five months of fiscal 2013, total traffic was higher than the same periods in the prior year. Increases of 2.9 percent in vehicle traffic and 3.0 percent in passenger traffic on BC Ferries' Major Routes were experienced in the last quarter of fiscal 2013. Every category of traffic was higher with the exception of buses.

Fiscal 2014

BC Ferries experienced a 1.3 percent decline in vehicle traffic and a 1.1 percent decline in passenger traffic in fiscal 2014 compared to the prior year. However, the Company believes that after adjusting for the timing of the Easter holiday, fiscal 2014 traffic levels were generally flat compared to fiscal 2013.

Fiscal 2015 and Fiscal 2016

For fiscal 2015, BC Ferries is forecasting traffic demand to remain relatively flat with a slight decline in passengers of 0.2 percent and vehicle traffic of 0.1 percent. These forecast declines are driven by reduced student travel as a result of a teachers' strike, and reduced senior travel due to the reduction in the subsidy provided by the Province for seniors' travel. For fiscal 2016, the Company expects traffic levels to return to fiscal 2014 levels, excluding Easter adjustments.

Regulated Revenues

Revenues From Fares

Actual tariff revenues for the first two years of PT3 and forecast tariff revenues for the remaining two years of the current performance term are presented in Table 4-3. Tariff revenues by route are included in the route statements attached as Appendix B.

Table 4-3
Tariff Revenue
($ Millions)

Routes	Fiscal 2013	Fiscal 2014	*Fiscal 2015 Forecast*	*Fiscal 2016 Forecast*
Majors	401.6	423.0	*440.0*	*462.6*
Northern	15.8	16.2	*14.4*	*15.0*
Minors	80.0	80.8	*84.1*	*87.4*
TOTAL	**497.4**	**520.0**	***538.5***	***565.0***

Note: Tariff revenue includes social program reimbursements.

As is shown in Table 4-3, the Major Routes serving Victoria, Nanaimo, Metro Vancouver and the southern Sunshine Coast account for approximately 81 percent of tariff revenues. The Minor Routes are the second largest generator of tariff revenue, accounting for approximately 16 percent of total tariff revenues. The Northern Routes account for the remaining 3 percent of tariff revenue.

Overall, BC Ferries' tariff revenue increased by 4.5 percent from $497.4 million in fiscal 2013 to $520.0 million in fiscal 2014, primarily due to higher tariffs and a change in traffic composition.

For fiscal 2015, BC Ferries is forecasting tariff revenues to increase from the previous year by 3.6 percent or $18.5 million to $538.5 million. This increase reflects fare increases, offset by the combined effect of the Province's service level adjustments, the teachers' strike and its impact on student travel, and a decrease in senior travel resulting from the fare discount reduction. For fiscal 2016, BC Ferries is forecasting tariff revenues to increase by 4.9 percent. This forecast increase in revenue is expected to result from a 3.9 percent increase in yield, and higher growth in traffic due to favourable seasonal timing (e.g. Easter, leap year).

Reservation Revenue

In May 2012, *Miscellaneous Statutes Amendment Act (No. 3), 2010* changed the definition of reservation fees from an ancillary service to a regulated traffic type. As a result, during PT3, reservation fees are included in the calculation of the average fare and price cap indices. Table 4-4 reports the reservation revenue received and expected for PT3. Reservation revenues by route are included in the route statements attached as Appendix B. The growth in reservation fee revenue has been driven by an increase in the number of reservations made, primarily due to improvements in the Company's online reservation booking system, and reservation fee adjustments.

Table 4-4
Reservation Revenues
($ Millions)

Routes	**Fiscal 2013**	**Fiscal 2014**	***Fiscal 2015 Forecast***	***Fiscal 2016 Forecast***
Majors	12.6	13.2	*14.3*	*14.9*
Northern	0.0	0.0	*0.0*	*0.0*
Minors	0.2	0.2	*0.2*	*0.2*
TOTAL	**12.8**	**13.4**	***14.5***	***15.1***

Fuel Surcharge Revenue

Table 2-3 outlines the amounts of the fuel surcharges, the date they were implemented and the routes to which they are applied. The amounts collected from fuel surcharges are applied against fuel deferral accounts. Table 4-5 shows the actual and forecast amounts for each year of PT3. The surcharge revenue forecast reflects a lower fuel surcharge rate for fiscal 2016 due to a narrowing of the difference between the procurement price and the set price of fuel as a result of a marginally lower forecast procurement price and the set price rising by 2 percent per year.

Table 4-5
Fuel Surcharge Revenues
($ Millions)

Routes	Fiscal 2013	Fiscal 2014	*Fiscal 2015 Forecast*	*Fiscal 2016 Forecast*
Majors	9.5	2.3	*14.6*	*7.6*
Northern	0.0	0.0	*0.0*	*0.0*
Minors	2.0	0.4	*2.9*	*1.5*
TOTAL	**11.5**	**2.7**	***17.5***	***9.1***

Revenues From Non-Regulated Sources

In addition to fares and reservation revenues for ferry transportation services, BC Ferries earns revenues from non-regulated ancillary goods and services. Catering and retail sales, both on and off the vessels, make up approximately 90 percent of these revenues. Other revenue-generating activities include parking, vacation package revenue and hostling. These ancillary revenues reduce fares from what they otherwise would have been.

Table 4-6
Ancillary Revenues
($ Millions)

Routes	Fiscal 2013	Fiscal 2014	*Fiscal 2015 Forecast*	*Fiscal 2016 Forecast*
Majors	74.4	77.6	*78.3*	*79.9*
Northern	3.5	3.8	*3.6*	*3.6*
Minors	5.2	4.9	*4.3*	*4.4*
TOTAL	**83.1**	**86.3**	***86.2***	***87.9***

As shown in Table 4-6, ancillary revenue increased by $3.2 million between fiscal 2013 and fiscal 2014. This is principally due to increased catering and retail sales on the Major Routes. The largest drivers were from improvements to the cafeteria menu, which included adding White Spot branded salads and entrees, and a complete refresh of the breakfast offering. Also contributing was a growth in retail operations.

For fiscal 2015, BC Ferries is forecasting that ancillary revenues will remain relatively flat at $86.2 million due to slightly lower traffic. In the following year, fiscal 2016, these revenues are expected to increase to $87.9 million, due to increased passenger traffic and price adjustments.

Revenues From Federal Contract

The Federal Contract provides funding from the federal government to the Province in return for the provision of ferry, coastal freight and passenger services in the waters of British Columbia. The CFSC stipulates that the Province will continue to make available to BC Ferries the full proceeds from the Federal Contract. The Federal Contract is a contract in perpetuity and can only be terminated by joint agreement of the Province and the federal government.

The annual payments under the Federal Contract are subject to growth at a rate equal to the growth of the Vancouver Consumer Price Index. Actual payments through fiscal 2014 and forecast payments through fiscal 2016 are presented in Table 4-7.

Table 4-7
Summary of Federal Contract Payment
($ Millions)

Routes	**Fiscal 2013**	**Fiscal 2014**	**Fiscal 2015**	***Fiscal 2016 Forecast***
Majors	0.0	0.0	0.0	*0.0*
Northern	7.2	7.3	7.1	*7.2*
Minors	20.9	21.1	21.3	*21.8*
TOTAL	**28.1**	**28.4**	**28.4**	***29.0***

Note: The above table assumes a Vancouver Consumer Price Index of 2.0% for the calculation of fiscal 2016 payments.

Service Fees

Ferry Transportation Fees and unregulated route service fees are described in Section 3.

Allocation of Revenues

Allocation Methodology

In order to account for all revenues at the route level, BC Ferries must assign direct and indirect revenues to each route. Revenues incurred directly at the route level are easily assignable to that route. For example, direct revenues, such as tariffs are easily applied to the route in which the revenue was received from vessel operations.

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

Table 4-8 provides a guide to the types of revenue that are allocated to routes, the allocation factor used and the methodology followed. This methodology has been consistently applied since fiscal 2004.

Table 4-8
Allocation of Actual Revenues

Type of Revenue	Allocation Factor	Allocation Methodology
Federal Contract	Direct	Fees are assigned directly to each route based on the Coastal Ferry Services Contract. There are no fees for Routes 1, 2, 3, 12 and 30.
Coastal Ferry Services Contract Fees		
Ferry Transportion Fees	Direct	Fees are assigned directly to each route based on the Coastal Ferry Services Contract. There are no fees for Routes 1, 2, 3 and 30.
Social Program Reimbursements	Direct	Assigned to routes based on forgone revenue not charged to travelers on those routes.
Unregulated Routes Fee	Direct	Assigned to contracted routes based on the contracted cost.
Tariff Revenue	Direct	Tariff revenues are assigned directly to each route.
Catering and Retail Revenue		
Vessels	Direct	Vessel catering revenues are assigned directly to each route.
Terminals	Passenger through put	Terminal catering revenues are allocated based on the percentage of total passengers embarking from the terminal on a route.
Vacation Centre	Vacation Centre fare revenue	Vacation Centre retail revenue is allocated to routes based on route tariff revenue generated by the Vacation Centre.
Parking Revenue	Foot passenger through put	Parking revenues are allocated based on the percentage of foot passengers embarking on a route from the terminal where the parking revenues are earned.
Other Revenue (reservation fees, rent)	Direct	Other revenues directly related to a route are directly assigned to the routes.
Travel Package Revenue	Vacation Centre fare revenue	Allocated to routes based on route tariff revenue generated by the Vacation Centre.
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.

Section 5: Expenses

In accordance with Section 40(1)(e) of the Act, this section 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 PT3. 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.

In setting the price caps the Commissioner set a target of $54.2 million in productivity savings plus $30 million (later modified to $22.9 million as discussed in Section 1) in service level adjustments. BC Ferries expects to exceed this target.

Overview of Expenses

Table 5-1 provides a summary of total expenses incurred by the Company in the first two years of PT3, as well as forecast expenses to the end of the performance term.

Table 5-1
Summary of Total Expenses
($ Millions)

	Fiscal 2013	**Fiscal 2014**	***Fiscal 2015 Forecast***	***Fiscal 2016 Forecast***
Operating, Maintenance & Administrative Expenses	536.4	546.5	*574.6*	*580.9*
Catering Cost of Goods Sold	29.5	30.9	*31.1*	*31.8*
Depreciation and Amortization	135.7	136.9	*143.4*	*154.1*
Financing Expense	69.2	67.3	*61.9*	*59.4*
Loss on Disposal and Revaluation of Capital Assets	0.1	0.6	*0.0*	*0.0*
TOTAL	**770.9**	**782.2**	***811.0***	***826.1***

Operating, Maintenance and Administrative Expenses (OM&A)

BC Ferries continues to take proactive measures to contain and reduce expenses while ensuring that safety remains the top priority. In fiscal 2014, operating expenses, excluding fuel costs, were $14.2 million or 2.5 percent below previously planned levels as published in BC Ferries' annual Business Plan for fiscal 2014.

Fiscal 2014 vs Fiscal 2013

As indicated in Table 5-1, OM&A expenses increased in fiscal 2014 by $10.1 million, or 1.9 percent, to $546.5 million from $536.4 million in fiscal 2013. The increase is mainly attributable to the following:

Operating expenses - increased $14.9 million mainly due to:

- $6.4 million increase in wages and benefits, including wage rate increases, higher benefit costs, increased training costs and a 7.0 percent increase in overtime, partially due to service alterations to accommodate upgrades at some of the Company's terminals;

- $4.5 million increase in fuel expense, reflecting an increase of $4.8 million due to higher fuel prices, partially offset by a $0.3 million decrease in fuel consumption; and

- $4.0 million increase consisting of:
  - $0.9 million in travel expenses mainly related to the service alterations to accommodate upgrades at some of the Company's terminals;
  - $0.8 million in telecommunications costs, software license fees and computer leases;
  - $0.6 million increase in insurance claims costs, mainly due to a $0.7 million claim recovery in fiscal 2013;
  - $0.5 million in credit card processing fees;
  - $0.5 million in materials and supplies; and
  - $0.7 million net increase in a number of miscellaneous items, including a $0.7 million reduction in contracted services.

Maintenance costs decreased $6.8 million, resulting from a decrease in vessel maintenance costs, reflecting variations in vessel refit scheduling while terminal maintenance costs remained at a similar level to fiscal 2013.

Administration costs increased $2.0 million, mainly consisting of $1.3 million in computer software fees, licenses and leases and $0.6 million in wages and benefits.

Fiscal 2015 vs Fiscal 2014

OM&A expenses (excluding general contingency) are projected to increase approximately 3.8 percent in fiscal 2015. The projected increases reflect the following:

Operating expenses are expected to increase by $7.4 million due mainly to:

- $4.5 million increase in wages and benefits, including wage rate increases, higher benefit costs, increased training costs and feasibility and training costs associated with capital projects offset by savings to be realized from service level adjustments;

- $1.8 million increase in contracted services including IT enhancements and project support; and

- $3.2 million increase including utilities, insurance and property tax; credit card service fees; software licenses and computer fees; mail and telecommunications costs; insurance claims recovery recognized in fiscal 2014; travel; feasibility and training costs associated with capital projects; and a number of miscellaneous items offset by training supplies.

These increases will be partially offset by:

- $2.1 million decrease in fuel expense reflecting a decrease of $3.9 million in consumption offset by a $1.8 million increase in price. Reduction in fuel costs reflect savings to be realized from service level adjustments.

Maintenance costs will increase by $11.4 million, reflecting wage rate increases; higher benefit costs; variations in vessel refit scheduling and other vessel and terminal maintenance requirements, offset by the effects of savings to be realized from service level adjustments.

Administration costs will increase by $2.3 million, mainly as a result of:

- $0.8 million increase in wages and benefits, including wage rate increases and higher benefit costs; and

- $1.5 million increase mainly due to $0.3 million in legal costs; $0.5 million in consulting including costs related to the PT4 submission; $0.4 million in Commissioner fees and $0.2 million in travel and training supplies.

In addition to the above, the Company holds a general contingency of $7.0 million against unforeseen fluctuations in traffic levels and corresponding revenues, or unforeseen expenses.

Fiscal 2016 vs Fiscal 2015

OM&A expenses (excluding general contingency) are projected to increase approximately 1.1 percent in fiscal 2016. The projected increases reflect the following:

- An increase in labour costs of 2 percent reflecting the April 1, 2015 lift according to the Collective Agreement;

- A general 2 percent increase in non-labour expenses reflecting the forecast increase in the Consumer Price Index; and

- A net increase of $1.0 million associated with operating expense components of capital projects, mainly due to one-time costs like research, training and feasibility.

These increases are partially offset by:

- A decrease in operating expenses of $2.9 million associated with Major Routes service level adjustments; and

- Savings of approximately $1.4 million from investing in capital projects that drive operating efficiencies.

The Company holds a general contingency of $7.0 million against unforeseen fluctuations in traffic levels and corresponding revenues, or unforeseen expenses.

Depreciation and Amortization of Capital Costs

BC Ferries depreciates/amortizes assets on a straight line basis in accordance with Canadian Generally Accepted Accounting Principles and Section 41(2)(a)(iii)(B) of the Act. Depreciation/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 life of the asset. BC Ferries' depreciation/amortization policy sets the average life expectancy of each asset as well as the components in each asset. For example, a ship is made up of several different components each with a different life expectancy: the hull is depreciated over 40 years, hotel and lifesaving appliances are depreciated over 13 years, and certain propulsion components are depreciated over 20 years.

As BC Ferries makes investments in capital assets such as vessels, terminals and information technology and equipment, the cost of the asset base grows, resulting in higher annual depreciation/amortization. Since its inception in 2003, the Company has been reinvesting in infrastructure and will continue to do so for the remainder of PT3 and throughout PT4.

Depreciation and amortization expenses incurred and expected to be incurred by BC Ferries in PT3 are set out in Table 5-1. From fiscal 2013 to fiscal 2014, depreciation and amortization costs increased a total of $1.2 million, mainly as a result of additional assets coming into service. In fiscal 2013, BC Ferries' investment in capital assets totaled $96.6 million and in fiscal 2014, $129.9 million.

Over PT3, depreciation and amortization expense is forecast to increase by 13.6 percent to $154.1 million for the end of fiscal 2016, as compared to $135.7 million for fiscal 2013. This reflects the continued investment BC Ferries is making in its infrastructure.

Financing Expense

BC Ferries funds its operational requirements and capital expenditure program through cash flow generated from operations, as well as bank financing and capital markets.

As at the date of this submission, BC Ferries has five outstanding senior secured bond offerings. These bonds bear interest payable semi-annually. In addition, BC Ferries has three loan agreements with KfW bank group ("KfW"), with the proceeds applied towards the purchase of new vessels. BC Ferries currently has $1.3 billion in long term debt. Table 5-2 provides a summary of the bonds and loans outstanding as at June 30, 2014.

Table 5-2
Summary of Bonds and Loans Outstanding
As at June 30, 2014

Type	Amount ($ Millions)	Effective Interest Rate
Senior Secured Bonds		
6.25%, Due October 2034	250	6.41%
5.02%, Due March 2037	250	5.06%
5.58%, Due January 2038	200	5.62%
4.70%, Due October 2043	200	4.75%
4.29%, Due April 2044	200	4.45%
12-Year KfW Loans:		
Tranche A, Due March 2020	43	5.17%
Tranche B, Due March 2020	23	Floating*
Tranche A, Due June 2020	45	5.18%
Tranche B, Due June 2020	23	Floating*
2.95% KfW Loan, Due January 2021	63	3.08%

** Canadian Dealer Offered Rate (CDOR) plus 30 basis points*

During the current performance term, BC Ferries fully repaid two bond series totaling $390 million and issued two new bond series totaling $400 million. BC Ferries has made $18 million in principal repayments on the KfW loans during PT3 to June 30, 2014 and the PT3 principal repayments are forecast to total $62.3 million by the end of the performance term. During the remainder of PT3, BC Ferries does not expect to issue any other new debt.

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 April 2019 and, as at June 30, 2014, it was un-drawn, with the exception of approximately $0.3 million in letters of credit. The facility is currently forecast to remain undrawn throughout the remainder of PT3.

As shown in Table 5-1, net financing expense decreased from $69.2 million in fiscal 2013 to $67.3 million in fiscal 2014. The decrease of $1.9 million is primarily due to:

- $1.4 million increase in interest capitalized;
- $0.8 million increase in finance income;
- $0.8 million decrease in interest on KfW loans, reflecting $9.0 million in principal repayments on the 2.95 percent KfW loan and lower interest rates on the Tranche B than on the Tranche A components of the 12-year KfW loans; and
- $0.3 million decrease in interest on finance leases.

Partially offset by:

- $0.4 million year-to-date decrease in interest rate support received through the Structured Financing Facility Program offered by the Government of Canada, reflecting the completion of the funding related to the life extension of the *Quinsam*;
- $0.7 million increase in bond interest, reflecting $60 million increase in outstanding bonds ($200 million issued and $140 million redeemed in October 2013); and
- $0.3 million increase in short-term interest.

For the remainder of PT3, net finance expense is forecast to further decrease to $61.9 million in fiscal 2015 and $59.4 million in fiscal 2016. These forecast decreases in net finance expense are primarily due to:

- the bonds that matured in fiscal 2014 and 2015 were refinanced with bonds with lower interest rates;
- continued amortization of the KfW loans; and
- a forecast increase in capitalization of interest associated with growth in the capital program.

Loss on Disposal and Revaluation of Capital Assets

When BC Ferries disposes of its capital assets, it must recognize a gain or loss on the sale if the disposal value is different from the net book value of that asset. In addition, if the revaluation of assets recorded at fair value is lower than the original cost of the asset, the loss must be recognized in net earnings. The loss on disposal and revaluation of property, plant and equipment and intangible assets went from $0.1 million in fiscal 2013 to $0.6 million in fiscal 2014. These losses were primarily due to the revaluation of land.

Allocation of Expenses

Allocation Methodology

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

However, costs incurred at the terminal and at the administrative level (indirect costs and overheads) are not necessarily readily assignable to any one specific route. Examples of such costs include expenses incurred in multi-route terminals, payroll and accounting services, and terminal asset management. These indirect costs all serve to ensure that the ferry on a route continues to operate, but are not specific to one route. Therefore, costs that are not specific to any particular route must be allocated to a route in a systematic and rational way.

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

Table 5-3 provides a guide to the types of indirect costs that are allocated to routes, the allocation factor used and the methodology followed. This methodology has been consistently applied since fiscal 2004.

Table 5-3
Allocation of Actual Operating Expenses

Type of Expense	Allocation Factor	Allocation Methodology
Operational Administration and Human Resources	Productive labour hours per route	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.
Call Handling - Direct Overhead		
Inquiry	Total tariff revenue	Historically 60% of all call handling expenses are inquiry related. Allocated across all routes based on each route's percentage of tariff revenue.
Booking	Quantity of reservations	Historically 40% of all call handling expenses are booking related. 50% of this is allocated to routes based on quantity of reservations booked to a route. 50% of this 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	Vacation Centre tariff revenue	Allocated to routes based on route tariff revenue generated by the Vacation Centre.
Depreciation and Amortization – Capital Assets		
Vessels	Vessel sailing hours	Depreciation for each vessel is allocated to individual routes based on vessel sailing hours.
Terminals	Vehicle through put	Depreciation for multi-route terminals is allocated to individual routes based on vehicle throughput.
Other	Total revenue	Depreciation and Amortization for overhead assets is allocated to individual routes based on total revenue.
Corporate Human Resources Workforce Development	Productive labour hours per route	Allocated to routes based on productive labour hours.
Purchasing & Materials Administration Corporate Support Services	Total revenue	Allocated across all routes based on total revenue (excluding service fees and federal subsidy) per route.
Financing Expense	Net Book Value ("NBV") 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.

Type of Expense	Allocation Factor	Allocation Methodology
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 (excluding service fees and federal subsidy) per route.
	Administrative & Investment Income	Allocated across all routes based on total revenue (excluding service fees and federal subsidy) per route.
Loss (Gain) on Disposal of Fixed 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.
	Vehicle through put	Losses (gains) directly attributable to terminals are allocated to routes based on vehicle through put.
	Total Revenue	Losses (gains) on overhead assets are allocated based on total revenue (excluding service fees and federal subsidy).

Expenses Allocated to Routes

Table 5-4 provides an allocation of expenses for PT3. Expenses allocated by designated ferry routes are provided in the route statements attached as Appendix B.

Table 5-4
Total Expenses
($ Millions)

Routes	Fiscal 2013	Fiscal 2014	*Fiscal 2015 Forecast*	*Fiscal 2016 Forecast*
Majors	494.3	503.4	*520.7*	*527.0*
Northern	80.3	75.4	*68.2*	*68.5*
Minors	193.8	200.9	*219.6*	*228.1*
Unregulated	2.5	2.5	*2.5*	*2.5*
TOTAL	**770.9**	**782.2**	***811.0***	***826.1***

Section 6: Alternative Service Providers

In accordance with Section 40(1)(f) of the Act, this section of this submission provides information on the actions taken by BC Ferries in the current performance term in accordance with Section 69 of the Act.

BC Ferries is required by Section 69 of the Act to seek alternative service providers to provide ferry transportation services on one or more of the designated ferry routes where so ordered by the Commissioner. When BC Ferries receives such an Order, it must prepare a plan for the Commissioner's approval, and then report back to the Commissioner on the activities it undertook to comply with that Order. To date, no Orders have been issued by the Commissioner for BC Ferries to seek ASPs.

BC Ferries, however, continuously seeks opportunities to enhance efficiency and productivity in the delivery of coastal ferry services. With that as its continued objective, BC Ferries from time to time tests the market to determine if another operator under sub-contract to the Company can provide safe, reliable and high quality service that is more cost-effective.

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

Alternative service providers have been sought by BC Ferries for service on a number of the designated routes, including Route 12 (Brentwood Bay - Mill Bay), Route 13 (Langdale – Gambier – Keats Islands), Routes 10/11/26/40 (Northern Routes), Routes 23/24/25 (Northern Gulf Islands), the mid-coast ports of Ocean Falls and Shearwater, and Route 21 (Denman Island – Buckley Bay). To date, however, operation of only one designated route has been awarded to a third party service provider. Following a competitive procurement process, operation of Route 13 was awarded to Kona Winds Yacht Charters Ltd., which demonstrated that it could deliver the service on a more cost-effective basis than BC Ferries. Customer feedback received to date for this route has been positive.

In PT3, BC Ferries' actions in this area have focussed on seeking alternative service providers for a cable ferry service on Route 21. In May 2012, BC Ferries issued a Request for Proposals ("RFP") to invite selected potential alternative service providers, who responded to a Request for Expressions of Interest issued by BC Ferries in November 2011, to provide BC Ferries with a proposal to design, build, operate and maintain a cable ferry system for Route 21. The RFP closed in August 2012. The responses did not demonstrate the potential for BC Ferries to realize cost savings from having the Route 21 cable ferry system designed, built, operated and maintained by an alternative service provider. Accordingly, the RFP process was terminated in November 2012 without issuance of a contract with an alternative service provider. This marked the conclusion of the alternative service delivery initiative for the cable ferry.

Cable ferry service on Route 21 offers significant potential for BC Ferries to realize cost savings that will help ensure an affordable and sustainable ferry system. Having received confirmation from the Commissioner by Order 14-01 issued in February 2014 that the capital expenditures proposed to implement this service are reasonable and prudent, BC Ferries has now entered into contracts for the construction of the cable ferry, acquisition of the cable systems and upgrade of the associated terminals and berths, with the view that BC Ferries will itself build, operate and maintain the cable ferry system. The cable ferry is expected to be in service in fiscal 2016.

APPENDICES

Appendix A:

Performance Against Core Service Levels

CANCELLED & EXTRA ROUND TRIPS BY ROUTE AND ROUTE GROUP

Fiscal 2012/13 Year Ended March 31, 2013				Performance Against CFSC Requirement Annual Core Service Levels Year Ended March 31, 2013				
Routes		Terminal 1	Terminal 2	Actual Round Trips (1)	Round Trips Required(2)	Variance - Net Extra / Short Round Trips	Required Round Trips Cancelled	Total Extra / Short Round Trips
	Route 01	Swartz Bay	Tsawwassen	3,829.0	12,294.0	327.0	44.0	371.0
	Route 02	Horseshoe Bay	Departure Bay	3,052.0				
	Route 03	Langdale	Horseshoe Bay	3,059.0				
	Route 30	Duke Point	Tsawwassen	2,681.0				
Major Routes				**12,621.0**	**12,294.0**	**327.0**	**44.0**	**371.0** (3)
	Route 10	Port Hardy	Prince Rupert	124.0	123.0	1.0	0.0	1.0
	Route 11	Skidegate	Prince Rupert	183.5	189.5	-6.0	5.0	-1.0 (2)
	Route 40	Port Hardy	Mid-coast	39.0	39.0	0.0	0.0	0.0
Northern Routes				**346.5**	**351.5**	**-5.0**	**5.0**	**0.0**
	Route 04	Fulford Harbour	Swartz Bay	2,881.0	2,880.0	1.0	0.0	1.0
	Route 05	Swartz Bay	Four SGIs	3,494.0	3,492.0	2.0	4.0	6.0
	Route 06	Crofton	Vesuvius Bay	5,036.0	5,047.0	-11.0	9.0	-2.0 (2)
	Route 07	Earls Cove	Saltery Bay	2,871.0	2,877.0	-6.0	4.0	-2.0 (2)
	Route 08	Horseshoe Bay	Bowen Island	5,575.0	5,570.0	5.0	4.5	9.5
	Route 09	Tsawwassen	Long Harbour	829.0	830.0	-1.0	1.0	0.0
	Route 12	Mill Bay	Brentwood Bay	3,210.0	3,216.0	-6.0	4.0	-2.0 (2)
	Route 13	Langdale	Gambier/Keats	4,117.0	4,062.0	55.0	3.0	58.0
	Route 17	Little River	Powell River	1,424.0	1,458.0	-34.0	34.0	0.0
	Route 18	Texada	Powell River	3,649.0	3,648.0	1.0	31.0	32.0
	Route 19	Nanaimo Harbour	Gabriola Island	5,728.0	5,731.0	-3.0	4.0	1.0
	Route 20	Chemainus	Thetis Island	4,365.0	4,377.0	-12.0	11.0	-1.0 (2)
	Route 21	Buckley Bay	Denman West	6,458.0	6,148.0	310.0	1.0	311.0
	Route 22	Denman East	Hornby Island	4,753.0	4,481.0	272.0	12.0	284.0
	Route 23	Campbell River	Quadra Island	6,245.0	6,252.0	-7.0	38.0	31.0
	Route 24	Quadra Island	Cortes Island	2,107.0	2,135.0	-28.0	31.0	3.0
	Route 25	Port McNeill	Alert Bay	3,956.0	3,960.0	-4.0	4.0	0.0
	Route 26	Skidegate	Alliford Bay	4,448.0	4,482.0	-34.0	34.0	0.0
Minor Routes				**71,146.0**	**70,646.0**	**500.0**	**229.5**	**729.5**
TOTAL				**84,113.5**	**83,291.5**	**822.0**	**278.5**	**1,100.5**

Note: (1) In certain circumstances (e.g. vessel or dock breakdown, mechanical failure or maintenance) round trips may be provided by contracted service providers (e.g. water taxi, tug & barge, flights).

(2) Core Service Levels do not apply on Christmas Day for Designated Ferry Routes 6, 7, 11, 12 and 20.

(3) For the Major Routes, the annual number of round trips required under the Contract is an aggregate total for the four routes (Routes 1, 2, 3 and 30).

CANCELLED ROUND TRIPS BY ROUTES (by Days)

(For Cancellations of Minimum Required Round Trips for Reasons Specified in Schedule A. 2(a) of the Coastal Ferry Services Contract)

Fiscal 2012/13 Year Ended March 31, 2013				Performance Against CFSC Requirement Annual Core Service Levels	
Routes				Cumulative Days When Round Trips Missed *Allowed* ***30*** *Days / Route*	Highest Consecutive Days when Round Trips Missed *Allowed* ***20*** *Days / Route*
Major Routes	Route 01	Swartz Bay	Tsawwassen	12	3
	Route 02	Horseshoe Bay	Departure Bay	5	1
	Route 03	Langdale	Horseshoe Bay	1	1
	Route 30	Duke Point	Tsawwassen	7	2
Northern Routes	Route 10	Port Hardy	Prince Rupert	0	0
	Route 11	Skidegate	Prince Rupert	8	2
	Route 40	Port Hardy	Mid-coast	0	0
Minor Routes	Route 04	Fulford Harbour	Swartz Bay	0	0
	Route 05	Swartz Bay	Four SGIs	4	1
	Route 06	Crofton	Vesuvius Bay	7	1
	Route 07	Earls Cove	Saltery Bay	4	1
	Route 08	Horseshoe Bay	Bowen Island	5	1
	Route 09	Tsawwassen	Long Harbour	1	1
	Route 12*	Mill Bay	Brentwood Bay	3	1
	Route 13	Langdale	Gambier/Keats	1	1
	Route 17	Little River	Powell River	21	3
	Route 18	Texada	Powell River	13	2
	Route 19	Nanaimo Harbour	Gabriola Island	4	1
	Route 20	Chemainus	Thetis Island	8	3
	Route 21	Buckley Bay	Denman West	1	1
	Route 22	Denman East	Hornby Island	5	2
	Route 23	Campbell River	Quadra Island	10	2
	Route 24	Quadra Island	Cortes Island	14	2
	Route 25	Port McNeill	Alert Bay	1	1
	Route 26*	Skidegate	Alliford Bay	12	1

*__Note:__ The Coastal Ferry Services Contract includes an allowance for a temporary service disruption on Routes 12 and 26 of up to 65 consecutive days once every four years for the purpose of carrying out quadrennial surveys and refits

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CANCELLED ROUND TRIPS BY ROUTE AND ROUTE GROUP

PERFORMANCE AGAINST MINIMUM (DAILY) CORE SERVICE LEVELS

Fiscal 2012/13 Year Ended March 31, 2013			Cancellations of Minimum Required Round Trips for Reasons Specified in Schedule A, 2(a) of the Coastal Ferry Services Contract													Cancellations of Round Trips for Other Reasons				
Routes	Terminal 1	Terminal 2	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 Required Round Trips Cancelled
Route 01	Swartz Bay	Tsawwassen	1	7							12				20.0			0.0	20.0	0.36%
Route 02	Horseshoe Bay	Departure Bay	2	7							1				10.0			0.0	10.0	
Route 03	Langdale	Horseshoe Bay									1				1.0			0.0	1.0	
Route 30	Duke Point	Tsawwassen		5							5		3		13.0			0.0	13.0	
Major Routes			3	19	0	0	0	0	0	0	19	0	3	0	44.0	0	0	0.0	44.0	0.36%
Route 10	Port Hardy	Prince Rupert													0.0			0.0	0.0	0.00%
Route 11	Skidegate	Prince Rupert		5											6.0			0.0	5.0	2.64%
Route 40	Port Hardy	Mid-coast													0.0			0.0	0.0	0.00%
Northern Routes			0	6	0	0	0	0	0	0	0	0	0	0	6.0	0	0	0.0	5.0	1.42%
Route 04	Fulford Harbour	Swartz Bay													0.0			0.0	0.0	0.00%
Route 05	Swartz Bay	Four SGIs		2			2								4.0			0.0	4.0	0.11%
Route 06	Crofton	Vesuvius Bay		3		2	3				1				8.0			0.0	9.0	0.18%
Route 07	Earls Cove	Saltery Bay					1			3					4.0			0.0	4.0	0.14%
Route 08	Horseshoe Bay	Bowen Island			1		1				2.5				4.6			0.0	4.5	0.08%
Route 09	Tsawwassen	Long Harbour		1											1.0			0.0	1.0	0.12%
Route 12	Mill Bay	Brentwood Bay					4								4.0			0.0	4.0	0.12%
Route 13*	Langdale	Gambier/Keats		3											3.0			0.0	3.0	0.07%
Route 17	Little River	Powell River		27			3				4				34.0			0.0	34.0	2.33%
Route 18	Texada	Powell River		23		1					7				31.0			0.0	31.0	0.85%
Route 19	Nanaimo Harbour	Gabriola Island				1	2				1				4.0			0.0	4.0	0.07%
Route 20	Chemainus	Thetis Island	2	1							8				11.0			0.0	11.0	0.25%
Route 21	Buckley Bay	Denman West							1						1.0			0.0	1.0	0.02%
Route 22	Denman East	Hornby Island		11							1				12.0			0.0	12.0	0.27%
Route 23	Campbell River	Quadra Island		36			2								38.0			0.0	38.0	0.61%
Route 24	Quadra Island	Cortes Island		26			3				2				31.0			0.0	31.0	1.45%
Route 25	Port McNeill	Alert Bay		4											4.0			0.0	4.0	0.10%
Route 26	Skidegate	Alliford Bay	2	27						1					30.0		4	4.0	34.0	0.76%
Minor Routes			4	164	1	4	21	0	1	4	26.5	0	0	0	226.5	0	4	4.0	229.5	0.32%
TOTAL			**7.0**	**188.0**	**1.0**	**4.0**	**21.0**	**0.0**	**1.0**	**4.0**	**45.5**	**0.0**	**3.0**	**0.0**	**274.5**	**0.0**	**4.0**	**4.0**	**278.5**	**0.33%**
% of Required Round Trips Cancelled			0.01%	0.23%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.06%	0.00%	0.00%	0.00%	0.33%	0.00%	0.00%	0.00%	0.33%	

Note: Route 13 core service levels include some round trips that are deliverable only 'on demand.'

CANCELLED & EXTRA ROUND TRIPS BY ROUTES

Fiscal 2013/14 — Year Ended March 31, 2014

Performance Against CFSC Requirements — Annual Core Service Levels — Year Ended March 31, 2014

Routes		Terminal 1	Terminal 2	Actual Round Trips (1)	Round Trips Required(2)	Variance - Net Extra / Short Round Trips	Required Round Trips Cancelled	Total Extra / Short Round Trips
	Route 01	Swartz Bay	Tsawwassen	3,778.0	12,254.0	289.0	15.0	304.0
	Route 02	Horseshoe Bay	Departure Bay	3,029.0				
	Route 03	Langdale	Horseshoe Bay	3,043.0				
	Route 30	Duke Point	Tsawwassen	2,693.0				
Major Routes				**12,543.0**	**12,254.0**	**289.0**	**15.0**	**304.0**
	Route 10	Port Hardy	Prince Rupert	121.0	123.0	-2.0	2.0	0.0
	Route 11	Skidegate	Prince Rupert	188.0	190.0	-2.0	2.0	0.0
	Route 40	Port Hardy	Mid-coast	39.0	39.0	0.0	0.0	0.0
Northern Routes				**348.0**	**352.0**	**-4.0**	**4.0**	**0.0**
	Route 04	Fulford Harbour	Swartz Bay	2,884.0	2,880.0	4.0	0.0	4.0
	Route 05	Swartz Bay	Four SGIs	3,499.0	3,497.0	2.0	2.0	4.0
	Route 06	Crofton	Vesuvius Bay	5,037.0	5,046.0	-9.0	9.0	0.0
	Route 07	Earls Cove	Saltery Bay	2,873.0	2,876.0	-3.0	3.0	0.0
	Route 08	Horseshoe Bay	Bowen Island	5,567.5	5,571.0	-3.5	3.5	0.0
	Route 09	Tsawwassen	Long Harbour	803.0	830.0	-27.0	27.0	0.0
	Route 12	Mill Bay	Brentwood Bay	3,215.0	3,215.0	0.0	0.0	0.0
	Route 13	Langdale	Gambier/Keats	4,096.0	4,066.0	30.0	0.0	30.0
	Route 17 (3)	Little River	Powell River	1,372.0	1,458.0	-86.0	37.0	-49.0
	Route 18	Texada	Powell River	3,842.0	3,648.0	194.0	5.0	199.0
	Route 19	Nanaimo Harbour	Gabriola Island	5,730.0	5,732.0	-2.0	2.0	0.0
	Route 20	Chemainus	Thetis Island	4,369.0	4,378.0	-9.0	9.0	0.0
	Route 21	Buckley Bay	Denman West	6,284.0	6,149.0	135.0	0.0	135.0
	Route 22	Denman East	Hornby Island	4,643.0	4,482.0	161.0	6.0	167.0
	Route 23	Campbell River	Quadra Island	6,284.0	6,253.0	31.0	3.0	34.0
	Route 24	Quadra Island	Cortes Island	2,135.0	2,136.0	-1.0	8.0	7.0
	Route 25	Port McNeill	Alert Bay	4,029.0	3,961.0	68.0	0.0	68.0
	Route 26 (4)	Skidegate	Alliford Bay	4,418.0	4,482.0	-64.0	43.0	-21.0
Minor Routes				**71,080.5**	**70,660.0**	**420.5**	**157.5**	**578.0**
TOTAL				**83,971.5**	**83,266.0**	**705.5**	**176.5**	**882.0**

Note 1) In certain circumstances (e.g. vessel or dock breakdown, mechanical failure or maintenance) round trips may be provided by contracted service providers (e.g. water taxi, tug & barge, flights).

Note 2) For the Major Routes, the annual number of round trips required under the Coastal Ferry Services Contract is an aggregate total for the four routes (Routes 1, 2, 3 and 30).

Note 3) Route 17 - 50 round trips were exempted during berth upgrades.

Note 4) Route 26 - 26 round trips were exempted while the regular vessel was in refit and 6 round trips for dangerous goods were cancelled due to there being no demand.

CANCELLED ROUND TRIPS BY ROUTES

(For Cancellations of Required Round Trips for Reasons Specified in Schedule A. 2(a) of the Coastal Ferry Services Contract)

Fiscal 2013/14 Year Ended March 31, 2014				Performance Against CFSC Requirements Annual Core Service Level	
Routes				Cumulative Days When Round Trips Missed *Allowed* ***30*** *Days / Route*	Highest Consecutive Days when Round Trips Missed *Allowed* ***20*** *Days / Route*
Major Routes	Route 01	Swartz Bay	Tsawwassen	2.0	1.0
	Route 02	Horseshoe Bay	Departure Bay	6.0	1.0
	Route 03	Langdale	Horseshoe Bay	1.0	1.0
	Route 30	Duke Point	Tsawwassen	2.0	1.0
Northern Routes	Route 10	Port Hardy	Prince Rupert	4.0	2.0
	Route 11	Skidegate	Prince Rupert	4.0	2.0
	Route 40	Port Hardy	Mid-coast	0.0	0.0
Minor Routes	Route 04	Fulford Harbour	Swartz Bay	0.0	0.0
	Route 05	Swartz Bay	Four SGIs	2.0	1.0
	Route 06	Crofton	Vesuvius Bay	5.0	2.0
	Route 07	Earls Cove	Saltery Bay	2.0	1.0
	Route 08	Horseshoe Bay	Bowen Island	3.0	1.0
	Route 09	Tsawwassen	Long Harbour	15.0	14.0
	Route 12(1)	Mill Bay	Brentwood Bay	0.0	0.0
	Route 13	Langdale	Gambier/Keats	0.0	0.0
	Route 17(2)	Little River	Powell River	22.0	3.0
	Route 18	Texada	Powell River	2.0	1.0
	Route 19	Nanaimo Harbour	Gabriola Island	1.0	1.0
	Route 20	Chemainus	Thetis Island	7.0	2.0
	Route 21	Buckley Bay	Denman West	0.0	0.0
	Route 22	Denman East	Hornby Island	4.0	1.0
	Route 23	Campbell River	Quadra Island	2.0	1.0
	Route 24	Quadra Island	Cortes Island	6.0	2.0
	Route 25	Port McNeill	Alert Bay	0.0	0.0
	Route 26(1)	Skidegate	Alliford Bay	20.0	2.0

Note 1) Schedule A, paragraph 2(c) of the Coastal Ferry Services Contract includes an allowance for a temporary service disruption on Routes 12 and 26 of up to 65 consecutive days once every four years for the purposes of carrying out quadrennial surveys and refits. Any such service disruptions are therefore not reflected in the table above.

CANCELLED ROUND TRIPS BY ROUTES

Performance Against CFSC Requirements - Annual Core Service Levels

Fiscal 2013/14 Year Ended March 31, 2014			Cancellations of Required Round Trips for Reasons Specified in Schedule A, 2(a) of the Coastal Ferry Services Contract												Cancellations of Required Round Trips for Other Reasons			
Routes	Terminal 1	Terminal 2	Major Incident	Weather	Emerg. Response	Medical Emerg.	Regulatory Issue	Terminal / Dock Maint.	Terminal / Dock Mech. Failure	Vessel Maint.	Vessel Mech. Failure	Fire	Labour Dispute	Allowed Cancels	Traffic	Other Cancels	Total Cancels	% of Required Round Trips Cancelled
Route 01	Swartz Bay	Tsawwassen		1							2			3.0		0.0	3.0	0.12%
Route 02	Horseshoe Bay	Departure Bay		2		2					5			9.0		0.0	9.0	
Route 03	Langdale	Horseshoe Bay									1			1.0		0.0	1.0	
Route 30	Duke Point	Tsawwassen		2										2.0		0.0	2.0	
Major Routes			0	5	0	2	0	0	0	0	8	0	0	15.0	0	0.0	15.0	0.12%
Route 10	Port Hardy	Prince Rupert		2										2.0		0.0	2.0	1.63%
Route 11	Skidegate	Prince Rupert		2										2.0		0.0	2.0	1.05%
Route 40	Port Hardy	Mid-coast												0.0		0.0	0.0	0.00%
Northern Routes			0	4	0	0	0	0	0	0	0	0	0	4.0	0	0.0	4.0	1.14%
Route 04	Fulford Harbour	Swartz Bay												0.0		0.0	0.0	0.00%
Route 05	Swartz Bay	Four SGIs					1			1				2.0		0.0	2.0	0.06%
Route 06	Crofton	Vesuvius Bay								1	5			6.0	3	3.0	9.0	0.18%
Route 07	Earls Cove	Saltery Bay					1				2			3.0		0.0	3.0	0.10%
Route 08	Horseshoe Bay	Bowen Island		2						1	0.5			3.5		0.0	3.5	0.06%
Route 09	Tsawwassen	Long Harbour	1	1						25				27.0		0.0	27.0	3.25%
Route 12	Mill Bay	Brentwood Bay												0.0		0.0	0.0	0.00%
Route 13 (1)	Langdale	Gambier/Keats												0.0		0.0	0.0	0.00%
Route 17	Little River	Powell River		30			2			4	1			37.0		0.0	37.0	2.54%
Route 18	Texada	Powell River		3				2						5.0		0.0	5.0	0.14%
Route 19	Nanaimo Harbour	Gabriola Island									2			2.0		0.0	2.0	0.03%
Route 20	Chemainus	Thetis Island					1				5			6.0	3	3.0	9.0	0.21%
Route 21	Buckley Bay	Denman West												0.0		0.0	0.0	0.00%
Route 22	Denman East	Hornby Island		4			1	1						6.0		0.0	6.0	0.13%
Route 23	Campbell River	Quadra Island		3										3.0		0.0	3.0	0.05%
Route 24	Quadra Island	Cortes Island		8										8.0		0.0	8.0	0.37%
Route 25	Port McNeill	Alert Bay												0.0		0.0	0.0	0.00%
Route 26 (2)	Skidegate	Alliford Bay		22						7	8			37.0	6	6.0	43.0	0.96%
Minor Routes			1	73	0	0	6	3	0	39	23.5	0	0	145.5	12	12.0	157.5	0.22%
TOTAL			1.0	82.0	0.0	2.0	6.0	3.0	0.0	39.0	31.5	0.0	0.0	164.5	12.0	12.0	176.5	0.21%
% of Required Round Trips Cancelled			0.00%	0.10%	0.00%	0.00%	0.01%	0.00%	0.00%	0.05%	0.04%	0.00%	0.00%	0.20%	0.01%	0.01%	0.21%	

Note 1) Route 13 - core service levels include some round trips that are deliverable only 'on demand.'

Note 2) Route 26 - traffic cancellations were dangerous goods sailings for which there was no demand

CANCELLED & EXTRA ROUND TRIPS BY ROUTES

Fiscal 2014/15 — Quarter Ended June 30, 2014

Performance Against Minimum (Daily) Core Service Levels — 1st Quarter

Routes		Terminal 1	Terminal 2	Actual Round Trips[1]	Daily Minimum Required Round Trips	Variance (Actual to Minimum)	Cancellations of Minimum Required Round Trips
	Route 01	Swartz Bay	Tsawwassen	941.0	673.0	268.0	0.0
	Route 02	Horseshoe Bay	Departure Bay	764.0	651.0	113.0	0.0
	Route 03	Langdale	Horseshoe Bay	743.0	636.0	107.0	0.0
	Route 30	Duke Point	Tsawwassen	675.0	565.0	110.0	0.0
Major Routes				**3,123.0**	**2,525.0**	**598.0**	**0.0**
	Route 10	Port Hardy	Prince Rupert	22.0	22.0	0.0	0.0
	Route 11	Skidegate	Prince Rupert	33.0	34.0	-1.0	1.0
Northern Routes				**55.0**	**56.0**	**-1.0**	**1.0**
	Route 04	Fulford Harbour	Swartz Bay	718.0	625.0	93.0	0.0
	Route 05	Swartz Bay	Four SGIs	873.0	873.0	0.0	0.0
	Route 06	Crofton	Vesuvius Bay	1,195.0	1,106.0	89.0	0.0
	Route 07	Earls Cove	Saltery Bay	654.0	561.0	93.0	0.0
	Route 08	Horseshoe Bay	Bowen Island	1,349.5	1,256.5	93.0	0.0
	Route 09	Tsawwassen	Long Harbour	192.0	192.0	0.0	0.0
	Route 12	Mill Bay	Brentwood Bay	806.0	715.0	91.0	0.0
	Route 13[2]	Langdale	Gambier/Keats	1,012.0	932.0	80.0	0.0
	Route 17	Little River	Powell River	349.0	347.0	2.0	0.0
	Route 18	Texada	Powell River	798.0	673.0	125.0	2.0
	Route 19	Nanaimo Harbour	Gabriola Island	1,278.0	1,188.0	90.0	0.0
	Route 20	Chemainus	Thetis Island	973.0	882.0	91.0	0.0
	Route 21	Buckley Bay	Denman West	1,386.0	1,269.0	117.0	1.0
	Route 22	Denman East	Hornby Island	1,063.0	945.0	118.0	1.0
	Route 23	Campbell River	Quadra Island	1,484.0	1,387.0	97.0	0.0
	Route 24	Quadra Island	Cortes Island	534.0	442.0	92.0	0.0
	Route 25	Port McNeill	Alert Bay	989.0	897.0	92.0	0.0
	Route 26	Skidegate	Alliford Bay	858.0	745.0	113.0	6.0
Minor Routes				**16,511.5**	**15,035.5**	**1,476.0**	**10.0**
TOTAL				**19,689.5**	**17,616.5**	**2,073.0**	**11.0**

Notes: [1] In certain circumstances (e.g. vessel or dock breakdown, mechanical failure or maintenance) round trips may be provided by contracted service providers (e.g. water taxi, tug & barge, flights).

[2] Route 13 core service levels include some round trips that are deliverable only 'on demand.'

CANCELLED ROUND TRIPS BY ROUTES

(For Cancellations of Minimum Required Round Trips for Reasons Specified in Schedule A. 2(a) of the Coastal Ferry Services Contract)

Fiscal 2014/15 Quarter Ended June 30, 2014				Performance Against Minimum (Daily) Core Service Levels	
Routes				Cumulative Days When Round Trips Missed *Allowed 30 Days / Route*	Highest Consecutive Days when Round Trips Missed *Allowed 20 Days / Route*
Major Routes	Route 01	Swartz Bay	Tsawwassen	0.0	
	Route 02	Horseshoe Bay	Departure Bay	0.0	
	Route 03	Langdale	Horseshoe Bay	0.0	
	Route 30	Duke Point	Tsawwassen	0.0	
Northern Routes	Route 10	Port Hardy	Prince Rupert	0.0	
	Route 11	Skidegate	Prince Rupert	2.0	2.0
Minor Routes	Route 04	Fulford Harbour	Swartz Bay	0.0	
	Route 05	Swartz Bay	Four SGIs	0.0	
	Route 06	Crofton	Vesuvius Bay	0.0	
	Route 07	Earls Cove	Saltery Bay	0.0	
	Route 08	Horseshoe Bay	Bowen Island	0.0	
	Route 09	Tsawwassen	Long Harbour	0.0	
	Route 12	Mill Bay	Brentwood Bay	0.0	
	Route 13	Langdale	Gambier/Keats	0.0	
	Route 17	Little River	Powell River	0.0	
	Route 18	Texada	Powell River	2.0	1.0
	Route 19	Nanaimo Harbour	Gabriola Island	0.0	
	Route 20	Chemainus	Thetis Island	0.0	
	Route 21	Buckley Bay	Denman West	1.0	1.0
	Route 22	Denman East	Hornby Island	1.0	1.0
	Route 23	Campbell River	Quadra Island	0.0	
	Route 24	Quadra Island	Cortes Island	0.0	
	Route 25	Port McNeill	Alert Bay	0.0	
	Route 26	Skidegate	Alliford Bay	2.0	2.0

CANCELLED ROUND TRIPS BY ROUTES

PERFORMANCE AGAINST MINIMUM (DAILY) CORE SERVICE LEVELS

Fiscal 2014/15 Quarter Ended June 30, 2014			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				
Routes	Terminal 1	Terminal 2	Major Incident	Weather	Emerg. Response	Medical Emerg.	Regulatory Issue	Terminal / Dock Maint.	Terminal / Dock Mech. Failure	Vessel Maint.	Vessel Mech. Failure	Fire	Labour Dispute	Allowed Cancels	Community Event	Traffic	Other Cancels	Total Cancels	% of Minimum Required Round Trips Cancelled
Route 01	Swartz Bay	Tsawwassen												0.0			0.0	0.0	0.00%
Route 02	Horseshoe Bay	Departure Bay												0.0			0.0	0.0	0.00%
Route 03	Langdale	Horseshoe Bay												0.0			0.0	0.0	0.00%
Route 30	Duke Point	Tsawwassen												0.0			0.0	0.0	0.00%
Major Routes			0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0.0	0.0	0.00%
Route 10	Port Hardy	Prince Rupert												0.0			0.0	0.0	0.00%
Route 11	Skidegate	Prince Rupert		1										1.0			0.0	1.0	2.94%
Northern Routes			0	1	0	0	0	0	0	0	0	0	0	1.0	0	0	0.0	1.0	1.79%
Route 04	Fulford Harbour	Swartz Bay												0.0			0.0	0.0	0.00%
Route 05	Swartz Bay	Four SGIs												0.0			0.0	0.0	0.00%
Route 06	Crofton	Vesuvius Bay												0.0			0.0	0.0	0.00%
Route 07	Earls Cove	Saltery Bay												0.0			0.0	0.0	0.00%
Route 08	Horseshoe Bay	Bowen Island												0.0			0.0	0.0	0.00%
Route 09	Tsawwassen	Long Harbour												0.0			0.0	0.0	0.00%
Route 12	Mill Bay	Brentwood Bay												0.0			0.0	0.0	0.00%
Route 13[1]	Langdale	Gambier/Keats												0.0			0.0	0.0	0.00%
Route 17	Little River	Powell River												0.0			0.0	0.0	0.00%
Route 18	Texada	Powell River									2			2.0			0.0	2.0	0.30%
Route 19	Nanaimo Harbour	Gabriola Island												0.0			0.0	0.0	0.00%
Route 20	Chemainus	Thetis Island												0.0			0.0	0.0	0.00%
Route 21	Buckley Bay	Denman West					1							1.0			0.0	1.0	0.08%
Route 22	Denman East	Hornby Island					1							1.0			0.0	1.0	0.11%
Route 23	Campbell River	Quadra Island												0.0			0.0	0.0	0.00%
Route 24	Quadra Island	Cortes Island												0.0			0.0	0.0	0.00%
Route 25	Port McNeill	Alert Bay												0.0			0.0	0.0	0.00%
Route 26	Skidegate	Alliford Bay		6										6.0			0.0	6.0	0.81%
Minor Routes			0	6	0	0	2	0	0	0	2	0	0	10.0	0	0	0.0	10.0	0.07%
TOTAL			0.0	7.0	0.0	0.0	2.0	0.0	0.0	0.0	2.0	0.0	0.0	11.0	0.0	0.0	0.0	11.0	0.06%
% of Minimum Required Round Trips Cancelled			0.00%	0.04%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.06%	0.00%	0.00%	0.00%	0.06%	

Note: [1]Route 13 core service levels include some round trips that are deliverable only 'on demand.'

Appendix B:

Route Statements

British Columbia Ferry Services Inc.
Route Statement
For the period April 1, 2012 to March 31, 2016

(in $ 000's) **Corporate Total**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	510,231	533,458	*553,024*	*580,047*
Ancillary Revenue	83,098	86,259	*86,190*	*87,913*
Fuel Surcharges Collected	11,469	2,690	*17,500*	*9,100*
Contracted Routes Fee	2,451	2,460	*2,452*	*2,501*
Total Operating Revenue	**607,249**	**624,867**	***659,166***	***679,561***
Total Operating Expenses	**565,882**	**577,406**	***605,684***	***612,712***
Earnings (Loss) from Operations	**41,367**	**47,461**	***53,482***	***66,849***
Depreciation and Amortization	(135,675)	(136,897)	*(143,374)*	*(154,056)*
Financing Expense	(69,154)	(67,309)	*(61,917)*	*(59,372)*
Cost of Capital	**(204,829)**	**(204,206)**	***(205,291)***	***(213,428)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(154)	(557)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(163,616)**	**(157,302)**	***(151,809)***	***(146,579)***
Ferry Transportation Fees	151,046	146,922	*148,922*	*147,523*
Federal-Provincial Subsidy Agreement	28,078	28,373	*28,400*	*28,968*
Net Earnings (Loss)	**15,508**	**17,993**	***25,513***	***29,912***

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 added to, or fuel rebates applied against, tariffs paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2014, the Province paid fuel surcharges of $0.2 million (March 31, 2013: $0.6 million).

British Columbia Ferry Services Inc.
Route Statement
For the period April 1, 2012 to March 31, 2016

(in $ 000's) **Major Routes**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	414,237	436,208	*454,272*	*477,368*
Ancillary Revenue	74,457	77,533	*77,673*	*79,227*
Fuel Surcharges Collected	9,481	2,268	*14,642*	*7,614*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**498,175**	**516,009**	***546,587***	***564,209***
Total Operating Expenses	**366,792**	**377,467**	***396,972***	***401,331***
Earnings (Loss) from Operations	**131,383**	**138,542**	***149,615***	***162,878***
Depreciation and Amortization	(84,194)	(83,975)	*(85,798)*	*(89,862)*
Financing Expense	(43,258)	(41,447)	*(37,992)*	*(35,802)*
Cost of Capital	**(127,452)**	**(125,422)**	***(123,790)***	***(125,664)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(45)	(484)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**3,886**	**12,636**	***25,825***	***37,214***
Ferry Transportation Fees	3,391	1,045	*1,067*	*915*
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Earnings (Loss)	**7,277**	**13,681**	***26,892***	***38,129***

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 added to, or fuel rebates applied against, tariffs paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2014, the Province paid fuel surcharges of $0.2 million (March 31, 2013: $0.6 million).

British Columbia Ferry Services Inc.
Route Statement
For the period April 1, 2012 to March 31, 2016

(in $ 000's) **01-Tsawwassen - Swartz Bay**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	187,791	198,031	*208,451*	*218,347*
Ancillary Revenue	37,095	38,496	*38,566*	*39,337*
Fuel Surcharges Collected	4,480	1,034	*6,738*	*3,504*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**229,366**	**237,561**	***253,755***	***261,188***
Total Operating Expenses	**153,357**	**156,869**	***168,424***	***170,264***
Earnings (Loss) from Operations	**76,009**	**80,692**	***85,331***	***90,924***
Depreciation and Amortization	(34,596)	(35,472)	*(36,135)*	*(36,360)*
Financing Expense	(19,035)	(18,759)	*(17,439)*	*(16,229)*
Cost of Capital	**(53,631)**	**(54,231)**	***(53,574)***	***(52,589)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(23)	(129)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**22,355**	**26,332**	***31,757***	***38,335***
Ferry Transportation Fees	419	397	*401*	*343*
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Earnings (Loss)	**22,774**	**26,729**	***32,158***	***38,678***

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 added to, or fuel rebates applied against, tariffs paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2014, the Province paid fuel surcharges of $0.2 million (March 31, 2013: $0.6 million).

British Columbia Ferry Services Inc.
Route Statement
For the period April 1, 2012 to March 31, 2016

(in $ 000's) **02-Horseshoe Bay - Nanaimo**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	113,019	119,453	*123,828*	*129,191*
Ancillary Revenue	19,939	20,780	*20,818*	*21,234*
Fuel Surcharges Collected	2,669	583	*3,975*	*2,067*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**135,627**	**140,816**	***148,621***	***152,492***
Total Operating Expenses	**94,041**	**96,859**	***102,184***	***103,159***
Earnings (Loss) from Operations	**41,586**	**43,957**	***46,437***	***49,333***
Depreciation and Amortization	(20,650)	(20,139)	*(22,286)*	*(25,195)*
Financing Expense	(9,165)	(8,454)	*(8,721)*	*(8,456)*
Cost of Capital	**(29,815)**	**(28,593)**	***(31,007)***	***(33,651)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(15)	(102)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**11,756**	**15,262**	***15,430***	***15,682***
Ferry Transportation Fees	285	272	*286*	*245*
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Earnings (Loss)	**12,041**	**15,534**	***15,716***	***15,927***

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 added to, or fuel rebates applied against, tariffs paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2014, the Province paid fuel surcharges of $0.2 million (March 31, 2013: $0.6 million).

British Columbia Ferry Services Inc.
Route Statement
For the period April 1, 2012 to March 31, 2016

(in $ 000's) **03-Horseshoe Bay - Langdale**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	41,984	43,092	*44,421*	*46,546*
Ancillary Revenue	7,251	7,620	*7,634*	*7,786*
Fuel Surcharges Collected	654	237	*1,412*	*734*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**49,889**	**50,949**	***53,467***	***55,066***
Total Operating Expenses	**41,260**	**42,299**	***42,897***	***43,388***
Earnings (Loss) from Operations	**8,629**	**8,650**	***10,570***	***11,678***
Depreciation and Amortization	(9,585)	(9,627)	*(9,895)*	*(10,161)*
Financing Expense	(3,569)	(3,505)	*(3,219)*	*(3,075)*
Cost of Capital	**(13,154)**	**(13,132)**	***(13,114)***	***(13,236)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(1)	(38)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(4,526)**	**(4,520)**	***(2,544)***	***(1,558)***
Ferry Transportation Fees	2,401	99	*102*	*88*
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Earnings (Loss)	**(2,125)**	**(4,421)**	***(2,442)***	***(1,470)***

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British Columbia Ferry Services Inc.
Route Statement
For the period April 1, 2012 to March 31, 2016

(in $ 000's) **30-Nanaimo - Tsawwassen**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	71,444	75,632	*77,572*	*83,283*
Ancillary Revenue	10,173	10,637	*10,656*	*10,869*
Fuel Surcharges Collected	1,677	413	*2,517*	*1,309*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**83,294**	**86,682**	***90,745***	***95,461***
Total Operating Expenses	**78,132**	**81,437**	***83,468***	***84,520***
Earnings (Loss) from Operations	**5,162**	**5,245**	***7,277***	***10,941***
Depreciation and Amortization	(19,363)	(18,737)	*(17,482)*	*(18,147)*
Financing Expense	(11,491)	(10,730)	*(8,613)*	*(8,042)*
Cost of Capital	**(30,854)**	**(29,467)**	***(26,095)***	***(26,189)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(6)	(215)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(25,698)**	**(24,437)**	***(18,818)***	***(15,248)***
Ferry Transportation Fees	285	276	*279*	*239*
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Earnings (Loss)	**(25,413)**	**(24,161)**	***(18,539)***	***(15,009)***

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British Columbia Ferry Services Inc.
Route Statement
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(in $ 000's) **Northern Routes**

	ACTUALS		FORECAST	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	15,784	16,200	*14,441*	*15,004*
Ancillary Revenue	3,482	3,825	*3,605*	*3,677*
Fuel Surcharges Collected	-	-	-	-
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**19,266**	**20,025**	***18,046***	***18,681***
Total Operating Expenses	**51,109**	**48,353**	***43,691***	***44,225***
Earnings (Loss) from Operations	**(31,843)**	**(28,328)**	***(25,645)***	***(25,544)***
Depreciation and Amortization	(17,652)	(16,335)	*(15,731)*	*(16,085)*
Financing Expense	(11,548)	(10,654)	*(8,777)*	*(8,214)*
Cost of Capital	**(29,200)**	**(26,989)**	***(24,508)***	***(24,299)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	15	(31)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(61,028)**	**(55,348)**	***(50,153)***	***(49,843)***
Ferry Transportation Fees	58,438	58,040	*57,020*	*56,130*
Federal-Provincial Subsidy Agreement	7,204	7,280	*7,070*	*7,211*
Net Earnings (Loss)	**4,614**	**9,972**	***13,937***	***13,498***

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British Columbia Ferry Services Inc.
Route Statement
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(in $ 000's) **10-Bear Cove - Bella Bella - Prince Rupert**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	9,537	9,440	*9,608*	*9,983*
Ancillary Revenue	2,311	2,387	*2,391*	*2,439*
Fuel Surcharges Collected	-	-	-	-
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**11,848**	**11,827**	***11,999***	***12,422***
Total Operating Expenses	**28,445**	**27,970**	***27,582***	***27,919***
Earnings (Loss) from Operations	**(16,597)**	**(16,143)**	***(15,583)***	***(15,497)***
Depreciation and Amortization	(9,100)	(9,565)	*(4,824)*	*(5,264)*
Financing Expense	(6,760)	(6,706)	*(2,819)*	*(2,799)*
Cost of Capital	**(15,860)**	**(16,271)**	***(7,643)***	***(8,063)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(1)	(16)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(32,458)**	**(32,430)**	***(23,226)***	***(23,560)***
Ferry Transportation Fees	29,252	28,972	*30,926*	*30,582*
Federal-Provincial Subsidy Agreement	1,114	1,126	*1,138*	*1,161*
Net Earnings (Loss)	**(2,092)**	**(2,332)**	***8,838***	***8,183***

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British Columbia Ferry Services Inc.
Route Statement
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(in $ 000's) **11-Prince Rupert - Skidegate**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	4,702	5,182	*4,833*	*5,022*
Ancillary Revenue	1,014	1,211	*1,213*	*1,237*
Fuel Surcharges Collected	-	-	-	-
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**5,716**	**6,393**	***6,046***	***6,259***
Total Operating Expenses	**16,648**	**16,336**	***16,109***	***16,306***
Earnings (Loss) from Operations	**(10,932)**	**(9,943)**	***(10,063)***	***(10,047)***
Depreciation and Amortization	(6,096)	(5,684)	*(10,908)*	*(10,821)*
Financing Expense	(4,149)	(3,688)	*(5,958)*	*(5,415)*
Cost of Capital	**(10,245)**	**(9,372)**	***(16,866)***	***(16,236)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	(19)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(21,177)**	**(19,334)**	***(26,929)***	***(26,283)***
Ferry Transportation Fees	23,784	23,429	*26,095*	*25,548*
Federal-Provincial Subsidy Agreement	5,804	5,865	*5,931*	*6,050*
Net Earnings (Loss)	**8,411**	**9,960**	***5,097***	***5,315***

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British Columbia Ferry Services Inc.
Route Statement
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(in $ 000's) **40-Bear Cove - Central Coast**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	1,545	1,577	-	-
Ancillary Revenue	219	228	-	-
Fuel Surcharges Collected	-	-	-	-
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,764**	**1,805**	**-**	**-**
Total Operating Expenses	**6,078**	**4,047**	**-**	**-**
Earnings (Loss) from Operations	**(4,314)**	**(2,242)**	**-**	**-**
Depreciation and Amortization	(2,457)	(1,086)	-	-
Financing Expense	(639)	(258)	-	-
Cost of Capital	**(3,096)**	**(1,344)**	**-**	**-**
Gain (Loss) on Disposal and Revaluation of Capital Assets	16	4	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(7,394)**	**(3,582)**	**-**	**-**
Ferry Transportation Fees	5,403	5,637	-	-
Federal-Provincial Subsidy Agreement	286	289	-	-
Net Earnings (Loss)	**(1,705)**	**2,344**	**-**	**-**

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British Columbia Ferry Services Inc.
Route Statement
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(in $ 000's) **Minor Routes**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	80,211	81,049	*84,311*	*87,675*
Ancillary Revenue	5,160	4,902	*4,912*	*5,010*
Fuel Surcharges Collected	1,988	422	*2,858*	*1,486*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**87,359**	**86,373**	***92,081***	***94,171***
Total Operating Expenses	**145,531**	**149,129**	***162,569***	***164,655***
Earnings (Loss) from Operations	**(58,172)**	**(62,756)**	***(70,488)***	***(70,484)***
Depreciation and Amortization	(33,829)	(36,587)	*(41,845)*	*(48,109)*
Financing Expense	(14,348)	(15,207)	*(15,149)*	*(15,356)*
Cost of Capital	**(48,177)**	**(51,794)**	***(56,994)***	***(63,465)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(123)	(41)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(106,472)**	**(114,591)**	***(127,482)***	***(133,949)***
Ferry Transportation Fees	89,216	87,838	*90,834*	*90,477*
Federal-Provincial Subsidy Agreement	20,873	21,093	*21,330*	*21,757*
Net Earnings (Loss)	**3,617**	**(5,660)**	***(15,318)***	***(21,715)***

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British Columbia Ferry Services Inc.
Route Statement
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(in $ 000's) **04-Swartz Bay - Fulford Harbour**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	6,504	6,613	*7,166*	*7,453*
Ancillary Revenue	259	271	*271*	*277*
Fuel Surcharges Collected	157	38	*239*	*124*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**6,920**	**6,922**	***7,676***	***7,854***
Total Operating Expenses	**9,388**	**9,895**	***10,908***	***11,025***
Earnings (Loss) from Operations	**(2,468)**	**(2,973)**	***(3,232)***	***(3,171)***
Depreciation and Amortization	(1,639)	(1,996)	*(1,880)*	*(1,942)*
Financing Expense	(1,138)	(1,206)	*(958)*	*(900)*
Cost of Capital	**(2,777)**	**(3,202)**	***(2,838)***	***(2,842)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(121)	(7)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(5,366)**	**(6,182)**	***(6,070)***	***(6,013)***
Ferry Transportation Fees	2,646	3,847	*2,694*	*2,681*
Federal-Provincial Subsidy Agreement	1,237	1,250	*1,264*	*1,289*
Net Earnings (Loss)	**(1,483)**	**(1,085)**	***(2,112)***	***(2,043)***

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British Columbia Ferry Services Inc.
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(in $ 000's) **05-Swartz Bay - Gulf Islands**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	5,805	5,995	*6,963*	*7,241*
Ancillary Revenue	406	411	*412*	*420*
Fuel Surcharges Collected	141	33	*228*	*119*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**6,352**	**6,439**	***7,603***	***7,780***
Total Operating Expenses	**20,234**	**19,383**	***23,301***	***23,574***
Earnings (Loss) from Operations	**(13,882)**	**(12,944)**	***(15,698)***	***(15,794)***
Depreciation and Amortization	(2,822)	(2,819)	*(2,920)*	*(2,949)*
Financing Expense	(1,309)	(1,346)	*(1,255)*	*(1,184)*
Cost of Capital	**(4,131)**	**(4,165)**	***(4,175)***	***(4,133)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	(4)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(18,013)**	**(17,113)**	***(19,873)***	***(19,927)***
Ferry Transportation Fees	16,405	16,203	*16,708*	*16,641*
Federal-Provincial Subsidy Agreement	3,895	3,936	*3,980*	*4,060*
Net Earnings (Loss)	**2,287**	**3,026**	***815***	***774***

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(in $ 000's) **06-Vesuvius Bay - Crofton**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	5,178	5,197	*5,279*	*5,487*
Ancillary Revenue	19	17	*17*	*17*
Fuel Surcharges Collected	128	29	*176*	*92*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**5,325**	**5,243**	***5,472***	***5,596***
Total Operating Expenses	**5,504**	**5,213**	***6,013***	***6,099***
Earnings (Loss) from Operations	**(179)**	**30**	***(541)***	***(503)***
Depreciation and Amortization	(1,780)	(1,638)	*(1,703)*	*(1,614)*
Financing Expense	(360)	(324)	*(276)*	*(259)*
Cost of Capital	**(2,140)**	**(1,962)**	***(1,979)***	***(1,873)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	(3)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(2,319)**	**(1,935)**	***(2,520)***	***(2,376)***
Ferry Transportation Fees	2,625	2,679	*2,673*	*2,663*
Federal-Provincial Subsidy Agreement	12	12	*12*	*12*
Net Earnings (Loss)	**318**	**756**	***165***	***299***

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(in $ 000's) **07-Saltery Bay - Earls Cove**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	6,180	6,305	*5,876*	*6,098*
Ancillary Revenue	534	523	*524*	*534*
Fuel Surcharges Collected	156	32	*187*	*97*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**6,870**	**6,860**	***6,587***	***6,729***
Total Operating Expenses	**13,095**	**14,965**	***13,362***	***13,516***
Earnings (Loss) from Operations	**(6,225)**	**(8,105)**	***(6,775)***	***(6,787)***
Depreciation and Amortization	(3,957)	(4,160)	*(3,431)*	*(3,497)*
Financing Expense	(2,529)	(1,893)	*(2,026)*	*(1,876)*
Cost of Capital	**(6,486)**	**(6,053)**	***(5,457)***	***(5,373)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	8	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(12,711)**	**(14,150)**	***(12,232)***	***(12,160)***
Ferry Transportation Fees	10,883	10,096	*11,077*	*11,034*
Federal-Provincial Subsidy Agreement	2,584	2,611	*2,641*	*2,693*
Net Earnings (Loss)	**756**	**(1,443)**	***1,486***	***1,567***

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(in $ 000's) **08-Horseshoe Bay - Snug Cove**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	9,507	9,782	*10,132*	*10,522*
Ancillary Revenue	389	416	*417*	*425*
Fuel Surcharges Collected	216	58	*348*	*181*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**10,112**	**10,256**	***10,897***	***11,128***
Total Operating Expenses	**13,619**	**12,894**	***14,155***	***14,302***
Earnings (Loss) from Operations	**(3,507)**	**(2,638)**	***(3,258)***	***(3,174)***
Depreciation and Amortization	(2,390)	(2,225)	*(2,634)*	*(4,195)*
Financing Expense	(1,258)	(1,238)	*(1,150)*	*(1,331)*
Cost of Capital	**(3,648)**	**(3,463)**	***(3,784)***	***(5,526)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(1)	(10)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(7,156)**	**(6,111)**	***(7,042)***	***(8,700)***
Ferry Transportation Fees	5,544	5,856	*5,640*	*5,616*
Federal-Provincial Subsidy Agreement	1,312	1,326	*1,341*	*1,368*
Net Earnings (Loss)	**(300)**	**1,071**	***(61)***	***(1,716)***

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(in $ 000's) **09-Tsawwassen - Gulf Islands**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	11,773	11,673	*12,825*	*13,341*
Ancillary Revenue	2,253	2,176	*2,180*	*2,224*
Fuel Surcharges Collected	312	52	*435*	*226*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**14,338**	**13,901**	***15,440***	***15,791***
Total Operating Expenses	**19,155**	**19,992**	***21,692***	***21,948***
Earnings (Loss) from Operations	**(4,817)**	**(6,091)**	***(6,252)***	***(6,157)***
Depreciation and Amortization	(4,045)	(4,243)	*(5,796)*	*(6,775)*
Financing Expense	(979)	(859)	*(980)*	*(859)*
Cost of Capital	**(5,024)**	**(5,102)**	***(6,776)***	***(7,634)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(1)	(7)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(9,842)**	**(11,200)**	***(13,028)***	***(13,791)***
Ferry Transportation Fees	9,622	8,937	*9,798*	*9,758*
Federal-Provincial Subsidy Agreement	2,282	2,306	*2,332*	*2,378*
Net Earnings (Loss)	**2,062**	**43**	***(898)***	***(1,655)***

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(in $ 000's) **12-Mill Bay – Brentwood Bay**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	1,707	1,879	*2,262*	*2,346*
Ancillary Revenue	6	5	*5*	*5*
Fuel Surcharges Collected	49	13	*84*	*44*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,762**	**1,897**	***2,351***	***2,395***
Total Operating Expenses	**2,274**	**2,285**	***2,970***	***3,013***
Earnings (Loss) from Operations	**(512)**	**(388)**	***(619)***	***(618)***
Depreciation and Amortization	(607)	(599)	*(626)*	*(773)*
Financing Expense	(254)	(228)	*(195)*	*(198)*
Cost of Capital	**(861)**	**(827)**	***(821)***	***(971)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	(1)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(1,373)**	**(1,216)**	***(1,440)***	***(1,589)***
Ferry Transportation Fees	1,306	1,651	*1,330*	*1,325*
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Earnings (Loss)	**(67)**	**435**	***(110)***	***(264)***

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Included in the amounts disclosed in the above statement are fuel surcharges added to, or fuel rebates applied against, tariffs paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2014, the Province paid fuel surcharges of $0.2 million (March 31, 2013: $0.6 million).

British Columbia Ferry Services Inc.
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(in $ 000's) **13-Langdale - Gambier Island - Keats Island**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	246	238	*327*	*338*
Ancillary Revenue	19	19	*19*	*19*
Fuel Surcharges Collected	6	1	*12*	*6*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**271**	**258**	***358***	***363***
Total Operating Expenses	**601**	**577**	***613***	***621***
Earnings (Loss) from Operations	**(330)**	**(319)**	***(255)***	***(258)***
Depreciation and Amortization	(7)	(7)	*(11)*	*(13)*
Financing Expense	-	-	*(3)*	*(4)*
Cost of Capital	**(7)**	**(7)**	***(14)***	***(17)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	-	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(337)**	**(326)**	***(269)***	***(275)***
Ferry Transportation Fees	297	334	*303*	*302*
Federal-Provincial Subsidy Agreement	71	72	*72*	*74*
Net Earnings (Loss)	**31**	**80**	***106***	***101***

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British Columbia Ferry Services Inc.
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(in $ 000's) **17-Comox - Powell River**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	10,844	10,523	*10,449*	*10,945*
Ancillary Revenue	1,134	985	*987*	*1,007*
Fuel Surcharges Collected	270	44	*361*	*188*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**12,248**	**11,552**	***11,797***	***12,140***
Total Operating Expenses	**15,946**	**17,118**	***20,171***	***20,444***
Earnings (Loss) from Operations	**(3,698)**	**(5,566)**	***(8,374)***	***(8,304)***
Depreciation and Amortization	(3,635)	(4,910)	*(7,026)*	*(7,594)*
Financing Expense	(755)	(1,607)	*(1,623)*	*(1,361)*
Cost of Capital	**(4,390)**	**(6,517)**	***(8,649)***	***(8,955)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	(1)	(6)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(8,089)**	**(12,089)**	***(17,023)***	***(17,259)***
Ferry Transportation Fees	7,548	6,928	*7,685*	*7,653*
Federal-Provincial Subsidy Agreement	1,789	1,808	*1,828*	*1,865*
Net Earnings (Loss)	**1,248**	**(3,353)**	***(7,510)***	***(7,741)***

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Included in the amounts disclosed in the above statement are fuel surcharges added to, or fuel rebates applied against, tariffs paid by the Province of British Columbia on behalf of customers travelling under Social Programs. During the year ended March 31, 2014, the Province paid fuel surcharges of $0.2 million (March 31, 2013: $0.6 million).

British Columbia Ferry Services Inc.
Route Statement
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18-Texada Island - Powell River

(in $ 000's)

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	1,445	1,352	*1,451*	*1,505*
Ancillary Revenue	8	4	*4*	*4*
Fuel Surcharges Collected	36	5	*54*	*28*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,489**	**1,361**	***1,509***	***1,537***
Total Operating Expenses	**5,179**	**5,902**	***5,698***	***5,786***
Earnings (Loss) from Operations	**(3,690)**	**(4,541)**	***(4,189)***	***(4,249)***
Depreciation and Amortization	(936)	(1,674)	*(1,596)*	*(2,972)*
Financing Expense	(288)	(548)	*(568)*	*(508)*
Cost of Capital	**(1,224)**	**(2,222)**	***(2,164)***	***(3,480)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	2	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(4,914)**	**(6,761)**	***(6,353)***	***(7,729)***
Ferry Transportation Fees	4,194	4,199	*4,271*	*4,256*
Federal-Provincial Subsidy Agreement	998	1,009	*1,020*	*1,040*
Net Earnings (Loss)	**278**	**(1,553)**	***(1,062)***	***(2,433)***

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British Columbia Ferry Services Inc.
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(in $ 000's) **19-Gabriola Island - Nanaimo Harbour**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	5,785	5,878	*5,762*	*5,992*
Ancillary Revenue	24	25	*25*	*26*
Fuel Surcharges Collected	136	34	*200*	*104*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**5,945**	**5,937**	***5,987***	***6,122***
Total Operating Expenses	**7,094**	**7,532**	***7,360***	***7,452***
Earnings (Loss) from Operations	**(1,149)**	**(1,595)**	***(1,373)***	***(1,330)***
Depreciation and Amortization	(2,564)	(2,436)	*(2,215)*	*(2,207)*
Financing Expense	(615)	(1,016)	*(868)*	*(772)*
Cost of Capital	**(3,179)**	**(3,452)**	***(3,083)***	***(2,979)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	(3)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(4,328)**	**(5,050)**	***(4,456)***	***(4,309)***
Ferry Transportation Fees	2,789	2,754	*2,839*	*2,828*
Federal-Provincial Subsidy Agreement	662	669	*676*	*690*
Net Earnings (Loss)	**(877)**	**(1,627)**	***(941)***	***(791)***

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British Columbia Ferry Services Inc.
Route Statement
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(in $ 000's) **20-Thetis Island - Penelakut Island - Chemainus**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	1,532	1,557	*1,617*	*1,677*
Ancillary Revenue	3	3	*3*	*3*
Fuel Surcharges Collected	38	10	*56*	*29*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,573**	**1,570**	***1,676***	***1,709***
Total Operating Expenses	**4,207**	**4,593**	***5,058***	***5,137***
Earnings (Loss) from Operations	**(2,634)**	**(3,023)**	***(3,382)***	***(3,428)***
Depreciation and Amortization	(1,001)	(1,001)	*(1,038)*	*(1,104)*
Financing Expense	(559)	(515)	*(458)*	*(435)*
Cost of Capital	**(1,560)**	**(1,516)**	***(1,496)***	***(1,539)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	(1)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(4,194)**	**(4,540)**	***(4,878)***	***(4,967)***
Ferry Transportation Fees	4,127	3,911	*4,202*	*4,187*
Federal-Provincial Subsidy Agreement	982	993	*1,004*	*1,024*
Net Earnings (Loss)	**915**	**364**	***328***	***244***

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British Columbia Ferry Services Inc.
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(in $ 000's) **21-Denman Island - Buckley Bay**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	3,320	3,346	*3,271*	*3,397*
Ancillary Revenue	8	7	*7*	*7*
Fuel Surcharges Collected	84	16	*112*	*58*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**3,412**	**3,369**	***3,390***	***3,462***
Total Operating Expenses	**5,266**	**4,869**	***5,154***	***5,234***
Earnings (Loss) from Operations	**(1,854)**	**(1,500)**	***(1,764)***	***(1,772)***
Depreciation and Amortization	(1,852)	(1,672)	*(1,696)*	*(3,282)*
Financing Expense	(860)	(777)	*(626)*	*(1,372)*
Cost of Capital	**(2,712)**	**(2,449)**	***(2,322)***	***(4,654)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	1	(2)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(4,565)**	**(3,951)**	***(4,086)***	***(6,426)***
Ferry Transportation Fees	3,962	3,824	*4,034*	*4,020*
Federal-Provincial Subsidy Agreement	943	953	*964*	*983*
Net Earnings (Loss)	**340**	**826**	***912***	***(1,423)***

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(in $ 000's) **22-Hornby Island - Denman Island**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	1,302	1,360	*1,462*	*1,517*
Ancillary Revenue	2	9	*9*	*9*
Fuel Surcharges Collected	36	6	*50*	*26*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,340**	**1,375**	***1,521***	***1,552***
Total Operating Expenses	**3,327**	**3,165**	***3,544***	***3,603***
Earnings (Loss) from Operations	**(1,987)**	**(1,790)**	***(2,023)***	***(2,051)***
Depreciation and Amortization	(1,172)	(1,055)	*(1,092)*	*(1,001)*
Financing Expense	(959)	(998)	*(793)*	*(738)*
Cost of Capital	**(2,131)**	**(2,053)**	***(1,885)***	***(1,739)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	2	(1)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(4,116)**	**(3,844)**	***(3,908)***	***(3,790)***
Ferry Transportation Fees	3,312	3,222	*3,373*	*3,361*
Federal-Provincial Subsidy Agreement	789	798	*806*	*822*
Net Earnings (Loss)	**(15)**	**176**	***271***	***393***

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(in $ 000's) **23-Quadra Island - Campbell River**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	5,620	5,732	*5,758*	*5,972*
Ancillary Revenue	21	20	*20*	*20*
Fuel Surcharges Collected	139	31	*191*	*99*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**5,780**	**5,783**	***5,969***	***6,091***
Total Operating Expenses	**7,883**	**8,097**	***8,279***	***8,388***
Earnings (Loss) from Operations	**(2,103)**	**(2,314)**	***(2,310)***	***(2,297)***
Depreciation and Amortization	(2,063)	(2,197)	*(2,229)*	*(2,475)*
Financing Expense	(829)	(780)	*(658)*	*(596)*
Cost of Capital	**(2,892)**	**(2,977)**	***(2,887)***	***(3,071)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	(3)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(4,995)**	**(5,294)**	***(5,197)***	***(5,368)***
Ferry Transportation Fees	2,963	2,871	*3,016*	*3,004*
Federal-Provincial Subsidy Agreement	703	710	*718*	*733*
Net Earnings (Loss)	**(1,329)**	**(1,713)**	***(1,463)***	***(1,631)***

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(in $ 000's) **24-Cortes Island - Quadra Island**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	987	1,039	*1,076*	*1,116*
Ancillary Revenue	2	3	*3*	*3*
Fuel Surcharges Collected	24	5	*38*	*20*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,013**	**1,047**	***1,117***	***1,139***
Total Operating Expenses	**3,609**	**3,528**	***4,431***	***4,498***
Earnings (Loss) from Operations	**(2,596)**	**(2,481)**	***(3,314)***	***(3,359)***
Depreciation and Amortization	(668)	(663)	*(1,569)*	*(1,377)*
Financing Expense	(149)	(105)	*(656)*	*(618)*
Cost of Capital	**(817)**	**(768)**	***(2,225)***	***(1,995)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	(1)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(3,413)**	**(3,250)**	***(5,539)***	***(5,354)***
Ferry Transportation Fees	2,615	2,535	*2,663*	*2,653*
Federal-Provincial Subsidy Agreement	622	628	*635*	*648*
Net Earnings (Loss)	**(176)**	**(87)**	***(2,241)***	***(2,053)***

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(in $ 000's) **25-Alert Bay - Sointula - Port McNeill**

	ACTUALS		*FORECAST*	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	1,784	1,817	*1,901*	*1,970*
Ancillary Revenue	10	8	*8*	*8*
Fuel Surcharges Collected	43	11	*63*	*33*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,837**	**1,836**	***1,972***	***2,011***
Total Operating Expenses	**5,176**	**5,466**	***6,374***	***6,465***
Earnings (Loss) from Operations	**(3,339)**	**(3,630)**	***(4,402)***	***(4,454)***
Depreciation and Amortization	(1,716)	(1,872)	*(2,794)*	*(2,705)*
Financing Expense	(860)	(1,110)	*(1,340)*	*(1,685)*
Cost of Capital	**(2,576)**	**(2,982)**	***(4,134)***	***(4,390)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	(1)	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(5,915)**	**(6,613)**	***(8,536)***	***(8,844)***
Ferry Transportation Fees	4,250	4,016	*4,327*	*4,311*
Federal-Provincial Subsidy Agreement	1,010	1,021	*1,032*	*1,053*
Net Earnings (Loss)	**(655)**	**(1,576)**	***(3,177)***	***(3,480)***

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(in $ 000's) **26-Skidegate - Alliford Bay**

	ACTUALS		***FORECAST***	
	2013	**2014**	***2015***	***2016***
Tariff and Reservation Revenue	693	762	*731*	*758*
Ancillary Revenue	1	1	*1*	*1*
Fuel Surcharges Collected	18	4	*26*	*14*
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**712**	**767**	***758***	***773***
Total Operating Expenses	**3,917**	**3,657**	***3,488***	***3,548***
Earnings (Loss) from Operations	**(3,205)**	**(2,890)**	***(2,730)***	***(2,775)***
Depreciation and Amortization	(974)	(1,420)	*(1,588)*	*(1,633)*
Financing Expense	(645)	(661)	*(714)*	*(660)*
Cost of Capital	**(1,619)**	**(2,081)**	***(2,302)***	***(2,293)***
Gain (Loss) on Disposal and Revaluation of Capital Assets	-	-	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	**(4,824)**	**(4,971)**	***(5,032)***	***(5,068)***
Ferry Transportation Fees	4,125	3,978	*4,201*	*4,186*
Federal-Provincial Subsidy Agreement	983	993	*1,004*	*1,024*
Net Earnings (Loss)	**284**	**-**	***173***	***142***

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