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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: Capital Plan Fiscal Years 2015 through 2026 (the "Capital Plan")

Dear Mr. Macatee:

Pursuant to section 40 (1.1)(b) of the *Coastal Ferry Act* and in reference to British Columbia Ferry Commission Order 14-02, we enclose the above referenced document as part of our Performance Term Four Submission.

The detailed schedules of the enclosed Capital Plan 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 schedules in accordance with section 54 of the Act.

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

Sincerely,

A handwritten signature in black ink, appearing to be "R. Clarke", written over a horizontal line.

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

Enclosure

Copy: Sheldon Stoilen, Deputy Commissioner

British Columbia Ferry Services Inc.

Capital Plan
Fiscal Years 2015 through 2026

Submission to the
British Columbia Ferries Commissioner

Pursuant to
Section 64.1 of the *Coastal Ferry Act*

September 26, 2014



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Introduction

British Columbia Ferry Services Inc. ("BC Ferries" or the "Company") submits this Capital Plan to the British Columbia Ferries Commissioner (the "Commissioner") for approval pursuant to section 64.1 of the *Coastal Ferry Act* (the "Act").

The Capital Plan focusses on the capital expenditures the Company anticipates incurring over the 10-year period beginning April 1, 2016, the start of performance term four, in addition to the capital expenditures planned for the two years leading up to the start of performance term four (April 1, 2014 through March 31, 2016), with the result that the Capital Plan covers a 12-year period (April 1, 2014 through March 31, 2026).

In its B.C. Coastal Ferries Consultation and Engagement Discussion Guide - Fall 2012, the provincial government articulated its long-term vision for coastal ferries as "connecting coastal communities in an affordable, efficient and sustainable manner". The Coastal Ferry Services Contract between BC Ferries and the Province, as amended for the current performance term, is the embodiment of that vision and accordingly, the Capital Plan has been developed in the context of the service requirements set out therein. The capital expenditures that are included in the Capital Plan represent those the Company views as reasonable, prudent and required to ensure ongoing safe, reliable and efficient ferry service over the next 12 years that meets the core service level requirements of the current Coastal Ferry Services Contract.

The Capital Plan responds to the specific information requirements of section 64.1 of the Act and includes information on the amount, proposed timing and type of proposed capital acquisition or expenditure for each of the planned major capital expenditures. As well, the options considered and the rationale for the planned major capital expenditures are also addressed.

The Capital Plan is structured as follows. Part 1 provides an overview of historic capital investments of the Company and the approach BC Ferries intends to take going forward to ensure its investments enable it to continue to deliver safe, reliable and efficient service that minimizes pressure on fares. Part 2 describes the Company's capital planning process. Part 3 describes the capital expenditures the Company anticipates making over the next 12 years, with a focus on the major capital expenditures, by category, including the options considered and the rationale for the planned expenditures.

Part 1: Overview

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.

Over the past 11 years, since being established as an independent company in April 2003, BC Ferries has maintained a strong focus on providing a safe, reliable and efficient marine transportation service. The Company has been successful in its continued effort to improve the service it provides. A significant portion of this effort has been directed to the replacement of many aged assets, resulting in more than \$2.1 billion worth of investments over the past 11 years. During this period:

- BC Ferries invested in excess of \$1.4 billion in its fleet. The Company brought seven new vessels into service between 2007 and 2009. This comprised the following:
 - The **Northern Adventure** was a used vessel the Company purchased in Europe. The purchase price, combined with the necessary expenditures to bring the vessel to Canadian standards, resulted in a significantly lower cost than would have been incurred to build a new vessel. The vessel entered into service in 2007.
 - Three new **Coastal class vessels** were brought into service in 2008. This was a \$542 million project that was delivered on time and \$24.0 million under budget. Subsequently, this result was improved with the successful application for duty remission and related GST totaling \$82.3 million.
 - The new **Northern Expedition** was brought into service in 2009. This was a \$200 million project that was delivered on schedule and on budget. Subsequently, this result was improved with the successful application for duty remission and related GST totaling \$37.2 million.
 - The new **Island Sky** is an intermediate-sized vessel built in British Columbia. The vessel was acquired on budget and brought into service in February 2009.
 - The **Kuper** was a used vessel that the Company purchased in Utah, cut into four pieces and shipped to British Columbia. The vessel was then reassembled with

modification, and brought into new vessel condition at a British Columbian shipyard. This vessel was acquired and refitted to a new vessel standard at a significantly lower cost than would have been required to acquire a comparable new vessel. It entered into service in 2009.

- BC Ferries has recently signed contracts to acquire four new ships over the next three years which will allow for the retirement of some older vessels while reducing the Company's operating costs. The three new intermediate class ferries will be dual-fuel vessels, which will allow BC Ferries to operate on liquefied natural gas ("LNG") with the potential to reduce the fuel cost of operating these new vessels by up to 50 percent. The new cable ferry will also be very cost effective to build and operate. All four vessels will help the Company reduce pressure on fares and reduce its environmental impact.
- The Company also upgraded 19 of its vessels and made investments in security and sewage pump-ashore and waste water treatment systems, all of which provided significant work at local shipyards and the Company's refit facility.
- On the shore side, BC Ferries invested over \$455 million in capital projects at the Company's terminals to ensure the continuity of ship to shore interface of its vessels. This included the following innovative projects:
 - **Tsawwassen Quay**

The Tsawwassen Quay, a 16,000 square foot retail building, opened at Tsawwassen, BC Ferries' largest terminal, in 2005. This project was designed to improve the customer's experience and contribute to revenue growth, thereby reducing pressure on future fare increases. The design offers a contemporary feel and provides extensive high-quality food, beverage and retail services, with locally-branded tenants providing a mix of authentic British Columbian products. The Quay is operated and maintained by a Master Tenant under a lease agreement and is an example of an innovative and successful long-term business strategy.
 - **Departure Bay Uplands**

Completed in 2008, the 5,600 square foot Nanaimo Quay was built upon the Tsawwassen Quay concept and incorporated an expansion of the waiting room from 200 to 600 passengers with foot passenger access to the retail area. The new food and retail area was developed as part of the passenger walkway linking together the ticket building, retail area and waiting room. The area was designed to provide customers with a wide range of food and retail options as they arrive and depart the

ferry, with the goal of increasing ancillary revenue and reducing pressure on future fare increases.

– **Swartz Bay Berth 2**

Completed in 2006, the Swartz Bay Berth 2 project involved the replacement of the old marine structures and counter-weighted ramp lift system with a \$25 million state-of-the-art floating berth. Responses to the request for proposal at the time indicated that a conventional berth structure would have cost in excess of 30 percent more than the floating berth. In addition, the floating berth offered an innovative solution with a new, very efficient design for loading and unloading, with fewer ramp adjustments as the ramp rises and falls with the tide. The design also provided increased interoperability as it enabled the berthing of both a Spirit class vessel and a Coastal class vessel. Minimizing service disruptions, the 180-metre long concrete pontoon was built in North Vancouver and towed over to Swartz Bay.

– **Westview / Little River Berth Replacements**

The Westview and Little River berth replacement projects, completed in 2014, continued the Company's standardized berth concept with the result that these berths now accommodate all minor and intermediate vessels in the fleet. These berth replacements resulted in significant improvements in both safety and operational efficiency. Wider ramps at Little River and a wider trestle at Westview now allow for two lane offloading, while the introduction of an active lift system for the ramps negates the need for manual adjustment. Separate passenger walkways allow for greater efficiency with discharging and loading of foot passengers.

Several strategies were implemented in order to minimize the impact on service during the construction phase:

- A large portion of the new Westview trestle structure was constructed outside of the existing trestle footprint prior to berth closure;
- Both the Westview and the Little River terminal work was completed concurrently to minimize the time period of any service disruptions; and
- Following extensive public consultation, BC Ferries planned and successfully provided service while on-site construction was underway via three new temporary routes (Saltery Bay to Departure Bay, Saltery Bay to Texada Island, and Saltery Bay to Little River) and the deployment of a replacement vessel (*Island Sky*).

BC Ferries understands the important role it has as steward of reliable, safe and sustainable marine transportation. In order to ensure the Company is able to continue in the future to provide a safe, reliable and efficient service, and in the process, provide a high quality customer experience, continued capital investment is required. BC Ferries needs to replace a significant number of its minor and intermediate-size vessels that are, in some instances, over 40 years old and nearing the end of their economic lifecycles. Investments are also required in the Company's shore side infrastructure, including several of the largest terminals and its refit facility. The Company's information technology is aged and outdated, and significant investment in this area is also required to improve the customer experience and provide fare flexibility.

Over the next 12 years, BC Ferries anticipates the need to invest more than \$3 billion in its fleet and infrastructure in order to ensure it can continue to meet its contractual obligations to government in a safe, efficient and cost-effective manner. While the magnitude of this investment is significant, the Company believes that its Capital Plan is reasonable, and has demonstrated to date its ability to successfully deliver a complex and comprehensive capital program efficiently and effectively.

To manage its capital program, BC Ferries has a robust planning, approval and reporting process that reflects best practices. BC Ferries has established a formal project management framework and guidelines (described in Part 2 of this Capital Plan) which includes a 12-year rolling capital asset plan that is updated by management and approved by the board of directors annually; formal business cases for all capital projects; use of best practice project management principles; clear assignment of accountabilities to project managers, project owners, and project sponsors; and monthly reporting and monitoring of all active projects. A senior management committee, chaired by the Chief Financial Officer, meets at least monthly to review the status of the capital program and any capital related requests.

The Company has formal risk management systems in place for identifying, mitigating and monitoring risks corporate wide, and specifically those related to the capital program and individual capital projects. Risk registers with mitigation strategies are routinely reviewed and reported up to the executive and board level as appropriate. Rigorous procurement policies are also in place to ensure that capital projects are delivered in a cost-effective manner.

BC Ferries' capital management processes, as well as its risk management and procurement processes, have been reviewed independently on several occasions, including most recently by the Comptroller General of British Columbia, who found the Company to have appropriate processes in place.

The specific capital investments the Company plans to make in the next 12 years, as set out in the Capital Plan, have generally been identified through the following means:

- condition assessments for both vessels and terminals;
- master planning and long range maintenance plans for terminals;
- long range maintenance plans and deployment strategies for vessels; and/or
- the annual corporate business plan development and strategic planning process.

There are five principal drivers underlying the Capital Plan. While each capital project is categorized by its primary driver, the scope of a project is often driven by multiple drivers. For example, most vessel and terminal asset replacements also have an expansion component as the new assets can have an expected lifespan of up to 40 years or more.

1. Regulatory

BC Ferries operates within a complex regulatory environment which covers all aspects of its operations. Regulatory projects include expenditures deemed essential in order to comply with new or existing regulatory and legislative requirements.

2. Replacement / Betterment

Replacement/betterment projects are those that are required when assets, or major components of assets, are functionally obsolete or have outlived their useful or economic life. At the end of the useful or economic life of the asset, a decision has to be made to either replace or refurbish it to extend its original life. This decision is based on the results of a condition survey and an individual business case analysis.

3. Internal Payback

Internal payback expenditures include innovative projects that increase revenues or decrease operating expenditures such that the incremental returns pay for the capital investment within an attractive time frame relative to the life of the asset. Internal payback projects may be identified as a result of changing customer preferences, technological change and/or new business opportunities.

4. Expansion

Expansion projects involve an expansion of infrastructure (such as a larger building, terminal or vessel) to accommodate an increase, or forecasted increase, in demand as a result of economic factors, demographics, changing customer trends, etc. The need for expansion to be deferred or mitigated through demand management mechanisms is always considered.

5. Corporate Initiatives

Corporate initiatives are diverse in nature and address objectives such as improved employee or passenger safety, passenger facility upgrades, and/or environmental upgrades that are not specifically required by regulation.

The Company makes its capital expenditure decisions with the view to ensuring safe, reliable ferry services to coastal communities are provided in an affordable, efficient and sustainable manner. Overarching all decisions of the Company with respect to capital investments is the goal of protecting BC Ferries' customers and employees by ensuring, and continuously improving, the safety of the Company's operations, inclusive of vessels, terminals and other facilities. Simply put, the Company will not forego any capital investment that is required in order to ensure the continued safe operation of its fleet and shore side infrastructure.

The Company is also mindful of the need to continue to focus on reducing the pressure on fares and improving fare affordability. Opportunities to enhance operational efficiency, cost-effective service delivery and improved revenue generation are actively pursued as part of the capital planning processes. The Capital Plan reflects several key initiatives in this regard:

- **Asset Standardization**

BC Ferries continues to work towards standardizing its assets, both to improve operational efficiency and to minimize expenses in several areas, including critical spares inventory, operational training and familiarization, maintenance, and refit vessel relief.

Standardization is the broad term used to describe the methodology by which the number of unique configurations for vessels and terminal berths is minimized. Through standardization, opportunities exist to use vessels and terminal berths to service multiple routes (referred to as 'interoperability'), as opposed to their being constrained in use to a single or a limited number of routes.

Reducing the degree of fleet and terminal diversity brings with it the potential for significant benefits. Standardization contributes positively to ensuring continued safe operations through enhanced employee familiarity with the assets. Through standardization, the potential exists for significant savings in asset acquisition and other capital costs as efficiencies are realized through series build programs. Improved operational efficiencies are also expected, including those realized through lower crew training costs as a result of standardized bridge, engine room and accommodation layouts, and lower maintenance and inventory costs through more commonality or standardization of parts and critical spares. Standardization also enables greater consistency of service across routes and interoperability through which efficiencies can be realized as a result of having a better ability to match vessel capacity with demand,

particularly as the demographics of the communities the Company serves changes through time. Greater flexibility in scheduling can also be realized through standardization. Further, standardization helps ensure seamless and efficient emergency deployments in cases of unforeseen fleet operational issues.

Standardization is a principal objective underlying the Company's overall vessel replacement strategy. BC Ferries is of the view that vessels must be interoperable, which means they are able to operate effectively and efficiently on different routes in order to, among other things, provide supplemental service during peak periods, refits and emergencies. Standardization affords maximum flexibility in terms of fleet deployment to respond to changing demographics over the life of the vessels. In its purest form, standardization will apply not only in terms of the operating characteristics of the vessels, but also to the vehicle and passenger deck layouts (allowing for size to be scalable) and the passenger amenities. To maximize interoperability opportunities, standardization of berth interface will also be pursued. The goal is to achieve capital cost savings and operating efficiencies which will reduce pressure on fares going forward.

Due to the diverse nature of the ferry routes served by BC Ferries, it is not feasible to completely standardize the fleet. Accordingly, BC Ferries' vessel replacement program envisages the end goal of fleet standardization as comprising a smaller number of vessel classes than the current 17. The reduced number of vessel classes affords the opportunity for series builds, which is expected to result in considerable savings in the cost to design and build the vessels.

- **Liquefied Natural Gas ("LNG")**

BC Ferries continues to move forward towards using LNG and is convinced that a move to this fuel source will reduce costs and emissions. At this time, LNG is over 50 percent less expensive than the ultra-low sulphur diesel the Company currently uses. Both LNG and ultra-low sulphur diesel meet all current domestic and international emissions regulations, as well as the new regulations that will be effective January 1, 2015.

The Company believes that LNG is a viable option for future new vessels and has established a policy that, for all new vessel acquisitions, all requests for proposals will require potential proponents to include option pricing for LNG-fuelled engines. This will enable the Company to conduct appropriate business case analysis as to the cost effectiveness of the option. For certain vessel replacements, this may include dual fuel options (LNG and ultra-low sulphur diesel fuel).

The Company is also continuing to analyse the economic and technical feasibility of converting existing vessels to LNG technology as they undergo major upgrades. Potential LNG conversion grants that the industry or governmental agencies may make available are being pursued. The Company has several vessels scheduled for mid-life upgrades beginning in fiscal 2016, the first of which are the Spirit Class vessels. The Capital Plan reflects the planned conversion of the Spirit class vessels to LNG as part of their mid-life upgrades. At this point in time, the Company's analysis does not indicate that other existing vessel conversions are justified. However, BC Ferries will continue to monitor circumstances, and this analysis will be updated from time to time.

- **Transforming the Customer Experience Initiative**

BC Ferries has heard from its customers that they want more flexibility in how they book travel, more certainty at the terminal that they will be able to board the sailing they want, and more options for discounted fares. BC Ferries is investing in technology that will improve the customer experience and allow for additional fare flexibility and efficiency.

BC Ferries' current information technology systems are out-of-date and are not currently able to support flexible fare options that are required in order to improve service and operations. Customers will benefit once the technology is fully implemented, as BC Ferries will be able to provide valued fare products, offer greater departure certainty on select routes and apply a multi-level pricing structure. As well, customers' online experience will be enhanced through greater online functionality and the ability to access BC Ferries through their mobile, tablet and desktop devices. BC Ferries expects that the successful implementation of this initiative will lead to increased ferry traffic and increased revenue, helping to reduce pressure on fares and improve fare affordability.

In its investment decisions, the Company recognizes that vessels, terminals and other capital assets generally have long service lives. Accordingly, for new acquisitions, the Company does not make its investment decisions solely on the basis of the capital cost, but rather on the basis of an assessment of the life time cost of operation/ownership. Similarly, to ensure that the full life expectancy of its vessels, terminals and information technology systems is achieved, BC Ferries' asset management plans recognize the need for regular renewal or refurbishment of major systems and components over the asset's life, in addition to its long range maintenance programs and strategies for these assets.

Part 2: Capital Planning Process Overview

BC Ferries has a robust capital planning and approval process comprised of the following four principal pillars, each of which are described below:

- Project Management Framework and Guidelines;
- Master planning;
- Condition surveys; and
- Project risk classification.

2.1 Project Management Framework and Guidelines

BC Ferries' capital planning and approval process is guided by the *Project Management Framework and Guidelines*, which is a policy document approved by BC Ferries' board of directors. This framework is attached as Appendix 1 and outlines both the governance structure and the approval process and decision-making criteria to ensure capital plans are aligned with the Company's strategic objectives. The framework not only addresses long-term capital asset management strategies, but also provides a flexible mechanism to respond to the needs of operational requirements and emerging business opportunities in the short-term.

The objective of the *Project Management Framework and Guidelines* is to ensure that capital investments meet the functional and business needs of BC Ferries. It is the structure under which capital projects are identified, managed, monitored and delivered as effectively and efficiently as possible. It ensures BC Ferries takes a disciplined approach to the identification, management, reporting and delivery of projects by outlining the key principles, techniques and tools for managing and monitoring capital projects through the various stages of the project lifecycle.

Key elements of the framework include:

- Prior to funding release, all capital projects need approval based on a submitted business case. The business case sets out the options considered, including the scope, schedule and budget for each. Risks and mitigation strategies are also presented.
- Each active capital project has an identified sponsor, owner, manager and analyst responsible for managing and monitoring progress towards achievement of the outcomes identified in the approved business case.

2.2 Master Planning Process

BC Ferries' operations require a large asset infrastructure which necessitates maintenance, renewal and replacement. Vessel and terminal master plans assist BC Ferries in prioritizing and scheduling these infrastructure investments. The master plans include the development of long-term vessel deployment and retirement plans, comprehensive vessel and terminal condition surveys and associated long range maintenance plans. The master planning process is comprehensive and involves the identification, review and analysis of options and alternatives. The ultimate goal of the master planning process is to develop long-term strategies that will allow BC Ferries to provide cost-effective ferry services and replace capital assets in a planned and financially-responsible manner, with due consideration of the various identified options.

2.3 Condition Surveys

BC Ferries conducts condition surveys for all terminals and vessels at specified times during their economic lives. These surveys help to identify capital investment needs and ensure assets continue to adhere to regulated standards and reach their expected useful lives. The surveys, completed by both BC Ferries' engineering staff and independent assessors, are intended to examine both the asset and its major components to determine the remaining useful life and to identify any deficiencies, including any cost to address them.

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

2.4 Project Risk Classification

To ensure an appropriate reporting and monitoring process, BC Ferries classifies projects in terms of cost and risk to identify both the frequency and the degree to which projects are reviewed. Each project is assessed against an expenditure classification checklist which indicates a general level of project risk. This assessment, in combination with the overall project budget, will determine the risk classification of that project.

Part 3: Planned Capital Expenditures

Over the next 12 years, BC Ferries anticipates investing over \$3.0 billion in capital assets. Included are a number of planned projects that are major capital expenditures as defined by British Columbia Ferry Commission ("Commission") Order 12-04, and for which pre-approval of the Commissioner under section 55 of the Act will be required. In accordance with section 64.1 of the Act, Part 3.1 provides information on the amount, proposed timing and type of proposed capital acquisition or expenditure for each of the planned major capital expenditures, together with an overview of the options considered and the rationale for these expenditures. Part 3.2 includes a description of planned projects that may not be major capital expenditures, as defined by Commission Order 12-04, but represent expenditures of a significant nature. Part 3.3 includes all other planned expenditures that are included in the Capital Plan. The associated project listing is attached as Schedule 1.

3.1. Major Capital Expenditures

Prior to the *Coastal Ferry Amendment Act - 2012* ("Bill 47") coming in to force on June 25, 2012, BC Ferries had the option under section 55 of the Act to seek an early determination by the Commissioner of whether a particular capital expenditure was reasonably required and would, therefore, be included in the setting of future price caps. In this context, BC Ferries, at its discretion, sought and obtained the Commissioner's approval for the following major capital expenditures, which were adjudicated by the Commissioner during the period fiscal 2004 through fiscal 2007:

- *Northern Adventure*;
- three new Coastal class vessels to replace the retiring three V class vessels;
- *Northern Expedition* and associated terminal upgrades; and
- *Island Sky*.

Approved Major Capital Expenditures

Effective June 25, 2012, section 55 of the Act was amended by Bill 47 to require that BC Ferries obtain approval from the Commissioner prior to incurring a major capital expenditure.

By Commission Order 12-04, the Commissioner defined a major capital expenditure as "*any capital expenditure which exceeds \$30 million, inclusive of component programs and interest during construction, and irrespective of the level of expenditure, any new vessel or terminal, and any vessel life extension which extends the life of the vessel by more than five years. In addition, upgrades to information (IT) systems in excess of \$5 million which support ticketing and reservations*".

BC Ferries has to date sought and received approval from the Commissioner for two major capital expenditures. Details on these two projects, including the amount, proposed timing, type of expenditures, options considered and the rationale for the proposed expenditures were set out in the Company's applications to the Commissioner. The projects are now in the implementation phase.

- **Cable Ferry Project**

The cable ferry project will replace the conventional ferry service on route 21, connecting Buckley Bay with Denman Island, with a cable ferry service. While the project preceded the amendments to section 55 of the Act, the Company voluntarily sought approval from the Commissioner, as it felt that independent validation by the Commissioner would be helpful to address the concerns expressed by local communities and other stakeholders about the project.

By Commission Order 14-01, dated February 20, 2014, the Commissioner approved, with conditions, BC Ferries' request to incur a major capital expenditure to undertake the cable ferry project. The project involved extensive research and analysis which found it will provide significant cost savings that will offset pressure on future fare increases for all ferry users, while still allowing the Company to maintain its high standard of safety and reliability of service.

- **New Intermediate Class Vessels Project – Routes 9 and 17**

By Commission Order 13-01, dated July 19, 2013, the Commissioner approved, with conditions, BC Ferries' request to incur a major capital expenditure for the replacement of the *Queen of Burnaby* and *Queen of Nanaimo*.

In this first phase of the vessel standardization program, BC Ferries will procure three 145 AEQ vessels to replace the *Queen of Burnaby*, which operates on route 17, connecting Powell River with Comox, and the *Queen of Nanaimo*, which operates on route 9 connecting Tsawwassen with the Southern Gulf Islands. The third vessel is currently planned to serve as refit relief and peak supplemental service on various routes.

Planned Major Capital Expenditures

Over the next 12 years, BC Ferries is planning to replace 18 vessels which are expected to reach the end of their lives, and to carry out a number of major upgrades of existing vessels at planned intervals over their remaining lives. As well, the Company will need to invest in its terminals and berths, and upgrade its information technology systems. These investments are required in order to ensure the Company can continue to provide safe, reliable and efficient service that meets the needs of its customers and complies with the current Coastal Ferry Services Contract.

As previously described, the Company has in place a rigorous capital planning process. Before reaching a decision on the nature of a specific major capital expenditure, BC Ferries will consider a range of alternatives and options to ensure the most optimal investment for ongoing effective and efficient service. These will include, as appropriate to the type of investment:

- retirement of the asset without replacement;
- life extension or upgrade of the asset;
- replacement with a new or used asset of different size or type;
- replacement with a new or used asset of similar size and type;
- adoption of new technologies or innovations; and
- alternative service delivery or other commercial arrangements.

When considering a major capital expenditure, BC Ferries first assesses the condition and suitability of the current asset to determine its viability for life extension or upgrade in terms of value and length of time. This is then compared to the cost and benefits of replacing the asset, allowing for any alternative size or type of asset which may be better matched to meet service demand in terms of effectiveness and efficiency. In the case of vessels, this includes consideration of both new and used alternatives. New technologies and innovative solutions are explored, as are, where appropriate, alternative service delivery or other commercial arrangements through which capital investments may be avoided or financed in a different way.

The analysis of the options is done on a total cost of ownership (or life cycle) basis. It follows that, for these analyses to be conducted effectively, they cannot be done too far in advance of the notional retirement date of the assets as key determinants, such as the condition of the asset, costs to replace, upgrade or life-extend, technological solutions, identification of alternative service providers or other commercial arrangements, and service level requirements, will not be known with precision until closer to the notional retirement date. Hence, the capital expenditure ultimately required for each asset may differ from that included in the Capital Plan. However, the Company believes that this approach to the Capital Plan, which assumes a one for one replacement of the existing asset (within the Company's strategy of standardization), is appropriate as it reflects the conservative forecast of required capital expenditures.

Applications to the Commissioner for approval under section 55 of the Act for each of the planned major capital expenditures have or will be made. In all cases, these applications will address the specific guidelines established by the Commissioner for such applications, and will include details in regard to the amount, proposed timing, type of expenditure, options considered and the rationale for the proposed capital expenditures.

Vessel Replacements

For vessel replacements, the Capital Plan reflects the assumption that replacement will be on a one for one basis, within the Company's standardization strategy, such that vessels of similar size, amenities and service capabilities will be acquired. This reflects the assumption described previously that service requirements will continue to be those set out in the current Coastal Ferry Services Contract. The Company makes these assumptions as they are the most conservative. Closer to the notional replacement date for these vessels, additional analysis on the alternatives and options, as generally described above, will be considered and reported to the Commissioner as part of the Company's application for approval of the planned major capital expenditures. The additional analysis may include an alternative approach to service delivery and/or alternative service schedule. These options are addressed more fully 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* (the "Efficiency Plan for PT4").

The following vessels are nearing the end of their life and their planned replacement is included in the Capital Plan.

- **North Island Princess Replacement**

BC Ferries expects to retire the *North Island Princess* by 2017. This vessel presently provides service on route 18 connecting Powell River with Texada Island. To ensure an effective and efficient investment decision, BC Ferries is exploring the option of life extending the *Tenaka* rather than building a new purpose-built vessel for service on route 18. Under that option, the *North Island Princess* would be replaced by the life-extended *Tachek* which, in turn, would be replaced on route 24, connecting Cortes Island with Quadra Island, by the life-extended *Tenaka*. Depending on the findings from the current ongoing analysis, BC Ferries is anticipating seeking public consultation in the fall of 2014. The Capital Plan reflects capital expenditures for this project during the period fiscal 2015 through fiscal 2017, and assumes a new vessel replacement as this is the most conservative assumption.

- **Nimpkish Replacement**

BC Ferries expects to retire the *Nimpkish* by 2018. This vessel presently provides service to the mid coast communities as part of the northern routes service. The Capital Plan reflects capital expenditures for this project during the period fiscal 2015 through fiscal 2017. The opportunity to defer this major capital expenditure through having an alternative service provider ("ASP") deliver the service under sub-contract to BC Ferries will be considered. As the first step in the consideration of this matter, BC Ferries will seek a determination from government on its willingness to approve the core service level adjustments to the Coastal Ferry Services Contract that likely would be required under an ASP alternative.

- **Bowen Class Vessel Replacements**

The four Bowen Class vessels, *Powell River Queen*, *Bowen Queen*, *Mayne Queen* and *Howe Sound Queen* are nearing the end of their lives, and the Company plans to retire them between fiscal 2019 and fiscal 2021. These vessels are currently planned to be replaced with intermediate class ferries in the Capital Plan. The Capital Plan reflects capital expenditures for these vessel replacements during the period fiscal 2016 through fiscal 2020.

- **3 “C” Class and the *Queen of New Westminster* Vessel Replacements**

The *Queen of Coquitlam*, *Queen of Alberni*, *Queen of Cowichan* and *Queen of New Westminster* are currently expected to be replaced between fiscal 2021 and fiscal 2024. The capital plan reflects the assumption that these vessels will be replaced as a bundle, which is expected to enable BC Ferries to obtain favourable pricing for a multi-vessel purchase. This approach will also enable BC Ferries to continue to move towards fleet standardization which, through a smaller number of vessel classes, will generate capital and operating efficiencies. The Capital Plan reflects capital expenditures for these vessel replacements during the period fiscal 2020 through fiscal 2024.

- **“K” and “Q” Class Vessel Replacements**

The *Kwuna*, *Quinsam*, *Kahloke*, *Klitsa* and *Quinitza* are currently expected to be replaced between fiscal 2024 and fiscal 2026. The capital plan reflects the assumption that these vessels will be replaced as a bundle, further allowing BC Ferries to realize the benefits of fleet standardization as described above. The Capital Plan reflects capital expenditures for these vessel replacements during the period fiscal 2023 through fiscal 2028.

Vessel Upgrades

To ensure its vessels continually operate in a safe and efficient manner, reaching their expected life, BC Ferries carries out major upgrades at planned intervals over the life of the vessel. Meeting the threshold for major capital expenditures, as set by Commission Order 12-04, and included in the Capital Plan are the following upgrade projects:

- ***Spirit of Vancouver Island* and *Spirit of British Columbia* Mid-life Upgrades**

The Capital Plan reflects expenditures for the mid-life upgrades of the *Spirit of British Columbia* and *Spirit of Vancouver Island* during the period fiscal 2015 through fiscal 2019. As part of these mid-life upgrades, BC Ferries plans to convert the propulsion systems to dual fuel technology to enable the vessels to operate on lower-cost LNG; implement modifications which are expected to reduce fuel consumption and increase ancillary revenue from catering and retail services; renew end-of-life systems; and address regulatory requirements, in the absence of which the vessels will not be able to continue to operate. Through resulting lower

fuel and maintenance costs and enhanced revenue from ancillary services, this project will reduce the pressure on fares across the coastal ferry system over time.

The Company submitted an application pursuant to section 55 of the CFA to the Commissioner on September 22, 2014 for approval of the proposed capital expenditures for this project. The application provides details on all aspects of the proposed expenditures, including the amount, proposed timing, type, options considered and the rationale for the proposed project.

Terminals

As described in Part 2 of this Capital Plan, BC Ferries develops terminal master plans in consideration of the large investments and the expected life, typically 40 years. These plans recognize the benefits of long term phasing for economically-sustainable major developments, and identify short-term opportunities consistent with the long term phasing. The master plans incorporate vessel procurement and deployment plans, including operational requirements for the safe and efficient berthing, loading and unloading of passengers and vehicles, and consider various options. Likewise, any planned commercial and retail developments included within a master plan are included only if economically feasible and are integrated with on-board retail and food and beverage programs.

Like vessel replacements, condition assessments of the terminal/berth assets are conducted and help identify and determine the viability of options such as possible life extension or replacement, and the benefits and costs of each. Part of this analysis may include an exploration into various terminal layouts or structural innovations available. This type of analysis has resulted in investments in terminals and berths which have generated significant cost savings, efficiencies and operational improvements.

The floating berth installed at Swartz Bay Berth 2 is one example of the effectiveness of this type of analysis. In this case, the Company installed a floating berth, as opposed to the traditional fixed wingwalls and ramps supported by towers. The structure itself was fabricated offsite and then towed and assembled at the site. BC Ferries was able to replace the berth with a more efficient and seismically sound system in less time, with less service disruption and at lower cost. Operational efficiencies were also achieved through the design of the berth, which enables it to rise and fall with the tide, reducing the need for manual adjustment of the ramps.

By way of another example, due to the depth and bed rock conditions at McLoughlin Bay, BC Ferries replaced three deteriorated steel floating leads with a concrete pontoon to improve stability and safety conditions for the Northern vessels. This enabled the Company to avoid the higher costs associated with the alternative of having a piled marine structure attached to the sea bed.

The following master plan related to one terminal meets the threshold for major capital expenditures, as set by Commission Order 12-04, and is included in the Capital Plan:

- **Horseshoe Bay Terminal**

Horseshoe Bay terminal is challenged with capacity constraints due to its inherent topography. As many of the terminal assets are nearing the end of their lives, BC Ferries has included in the Capital Plan the concepts proposed in an interim master plan developed in 2008. Recognizing the transportation investments made on the mainland in the South Fraser Perimeter Road and the planned replacement of the Massey tunnel with a bridge, BC Ferries expects to revisit this plan incorporating the influence these investments may have on travel patterns. In doing so, BC Ferries will look for viable options to alleviate the congestion and minimize required capital expenditures best suited to meet travel demands and minimize future fares. These options will consider: service delivery options, vessel design options, and pricing strategies. More detail on the options under consideration and the rationale for the proposed project is set out in the Company's Efficiency Plan for PT4.

Information Technology

BC Ferries is a complex organization which is heavily reliant upon information technology in order to support its operations. BC Ferries needs to ensure that critical applications, such as the point of sale, and those supporting key financial functions are appropriately supported and meet evolving business requirements. An annual evaluation is conducted to assess whether the information technology assets are achieving strategic objectives and supporting business objectives. This includes a review of emerging technology and its implications on these business objectives. As systems are no longer supported or are no longer compatible with the changing technological environment, BC Ferries will make investments that ensure the Company continues to have the appropriate systems in place to support its complex operations. In making its investment decisions, the Company considers a range of options, which may include updating the existing system, adopting new system functionality or implementing a whole new system.

Information technology also has the capability of enabling positive business transformation. When reviewing its technology requirements, the Company gives particular consideration to leveraging these investments to improve efficiency, service delivery and the customer experience. BC Ferries' current information technology systems are out of date and are not able to support the type of online experience and functionality, fare products and booking options its customers expect, and the Company needs to offer, in order to operate more efficiently, attract more customers and generate more revenue, all of which will help keep fares affordable.

- **Transforming the Customer Experience Initiative**

BC Ferries is planning to undertake a significant upgrade to its web portal and information technology systems in support of a fare flexibility and revenue management strategy. This initiative involves the implementation of commercial strength revenue generation capabilities, replacement of old technology and implementation of a new, easy to use website. This initiative is expected to take approximately two years to complete and when operational, will enhance BC Ferries' operations and revenue management capabilities. It will also provide customers with a number of benefits including greater departure certainty, discounted fares for selected sailings and an improved user experience online. BC Ferries believes the initiative will lead to increases in traffic and revenue and will reduce the pressure on fares.

The initiative involves a full website software upgrade with mobility, multi-channel content management, and revenue management decision software. It is important to note that this initiative has a high level of dependency on the *Automated Customer Experience* program, which is a significant technology program currently under development. Deferring the upgrade of the website is not considered a viable option, given the inflexibility and technical issues associated with the current website software platform. Many of the software components are outdated versions that are at end-of-life status and are no longer supported by the vendors. While the option exists, and has been considered, to implement upgrades to the legacy components of the website software platform only, this would solely address the technical website issues and would not support implementation of the business strategies that address customer expectations and will lead to enhancements in traffic and revenue that will help keep fares more affordable over the long term.

The Capital Plan reflects capital expenditures for this initiative during the period fiscal 2015 through fiscal 2017. The Company anticipates filing an application to the Commissioner pursuant to section 55 of the Act in the near term for this project.

- **Technology Upgrade Projects**

The latter part of the capital plan includes planned major capital expenditures to upgrade or replace the website software and the booking, ticketing and check-in system, as they will be at end-of-life. The pace of change of information technology and associated customer expectations makes it difficult, at this point in time, to identify and assess specific options with respect to these projects. However, consistent with its planning processes for all major capital projects, BC Ferries will consider a range of alternatives and options, as described previously, to ensure the most optimal investments.

- **Website Software Major Upgrade**

The Capital Plan reflects capital expenditures to update the proposed new website during the period fiscal 2022 through fiscal 2025, to reflect the expected useful life of that website.

- **Booking Ticketing and Check-in System Replacement**

The Capital Plan reflects capital expenditures commencing fiscal 2026, to upgrade or replace the new booking, ticketing and check-in system currently under construction.

3.2. Significant Capital Expenditures

The following projects included in the Capital Plan do not meet the threshold for a major capital expenditure as set by Commission Order 12-04, but represent significant capital expenditures.

- **Langdale Terminal (6 projects)**

BC Ferries developed a master plan for its Langdale terminal in fiscal 2013. This master plan addresses the functional requirements and resolves many key safety and operational issues with a planning horizon of 25 years. These issues include:

- main deck loading and unloading of foot passengers;
- convergence of parking lot traffic and ferry offloading traffic;
- safety and reliability of the berths;
- queuing of arriving traffic on Sunshine Coast Highway;
- uncontrolled pedestrian access and crossings;
- accessibility and location of administration building;
- security of baggage handling;
- capacity of parking lots and holding compound; and
- conversion to a revenue-based terminal.

The Capital Plan reflects the recommendations from this master plan, with expenditures planned during fiscal 2015 through fiscal 2019, which are consistent with the current Coastal Ferry Services Contract. The Efficiency Plan for PT4 contains discussion concerning the planned development of a Major Routes Strategy to address the challenges of the Horseshoe Bay terminal. By extension, the Company will revisit the Langdale Terminal master plan in the context of potential revised service arising from the Major Routes Strategy.

- **Tsawwassen – North Breakwater Replacement**

The Capital Plan incorporates the replacement of the current cellular sheet pile breakwater structure at the Tsawwassen terminal, originally constructed in the mid 1970's, during fiscal 2021 through fiscal 2023.

- **Fleet Maintenance Unit (Deas Dock) Upgrades (2 phases)**

The basin around which Deas Dock is built was created in 1959, when the Deas Tunnel was built under the south arm of the Fraser River. The basin was originally a dryland area, formed from an excavation in which tunnel sections were fabricated. The basin was then opened to the river, and the tunnel segments were floated out, lowered into a prepared trench, and joined together to form a tunnel. The man-made basin that was left behind then became a joint area for ferry maintenance and the Ministry of Highways Dock District maintenance headquarters, an organization that was formed in 1962 to design, construct, and maintain

ferry landings for British Columbia's coastal ferry system. The space was shared between the Ministry of Transportation's salt water ferry operation and the former British Columbia Ferry Corporation ("BCFC") until 1983, when BCFC took full control.

The strategic purpose of the Company's Deas Dock ship repair facility - to provide ship repair, modification and maintenance services in a safe, efficient and cost-effective manner - is severely limited with the current infrastructure. Thus, the Capital Plan includes facilities and infrastructure investments over the next five to seven years to address many of these issues. These include:

Phase one currently reflects

- a new life saving appliance repair facility;
- new/expanded machine shop;

Phase two currently reflects

- floating or fixed pier and crane system;
- general building re-purposing (and demolition) along with evaluation of a marine rail option for servicing smaller vessels (under 2,000 tonnes) out of the water; and

Overall, consideration will be given to establishing equipment and infrastructure for new and/or expanded service and marine technologies (LNG propulsion, control systems).

The Capital Plan reflects planned expenditures for the Fleet Maintenance Unit projects during fiscal 2015 through fiscal 2021.

3.3. Other Capital Expenditures

In addition to the projects detailed in Parts 3.1 and 3.2 above, the Capital Plan includes a large number of projects that, while important, are of a lesser magnitude. Specifically, over the next 12 years, BC Ferries is planning approximately 742 additional projects. These include 204 existing vessel projects, 227 terminal projects, 217 information technology projects and 94 other projects. While they do not meet the threshold for major capital expenditures, as set by Commission Order 12-04, they are required for BC Ferries in order to continue to provide safe, efficient and ongoing service. These investments are all managed under the capital planning processes and parameters as described previously.

SCHEDULE 1

Schedule of Projects

12 YEAR CAPITAL PLAN - (Including Interest During Construction)

	Fiscal Year	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
		(including Prior \$)												
Part 3.1. MAJOR CAPITAL EXPENDITURES														
NEW VESSEL PROJECTS														
New Minor Vessel - Cable Ferry		2012												
New INTERMEDIATE Vessels		2014												
New MINOR Vessel: (NIP)		2016												
New MINOR Vessel: (Nimpkish)		2016												
New ICF Vessels - Bowen Class		2017												
New MAJOR Vessel: Replacement #4 (New West)		2020												
New MAJOR Vessel: Replacement #5 (Coquitlam)		2021												
New MAJOR Vessel: Replacement #7 (Alberni)		2021												
New MAJOR Vessel: Replacement #6 (Cowichan)		2021												
New MINOR Vessel: (Kwuna)		2024												
New INTERMEDIATE Vessel: (Quinsam)		2025												
New MINOR Vessel: (Kahloke)		2025												
New MINOR Vessel: (Klitsa)		2025												
New INTERMEDIATE Vessel: (Quinitsa)		2026												
EXISTING VESSEL PROJECTS														
Spirit of Vancouver Island - Upgrade (Mid Life)		2015												
Spirit of British Columbia - Upgrade (Mid Life)		2015												
TERMINAL MAJOR CAPITAL PROJECTS														
Horseshoe Bay Master Plan upgrades														
Horseshoe Bay - CP 4 - Vehicle Transfer Road and Deck Improvements		2020												
Horseshoe Bay - CP 5 - Berth and Marine Improvements / Replacements		2021												
INFORMATION TECHNOLOGY (IT) PROJECTS														
IT - Transforming the Customer Experience		2015												
IT - Website Software Major Upgrade		2023												
IT - BTC Replacement		2026												
12 YR MAJOR CAPITAL EXPENDITURES (2015 to 2026)														
Part 3.2. SIGNIFICANT CAPITAL EXPENDITURES														
Horseshoe Bay Master Plan upgrades														
Horseshoe Bay - CP 3 - Control Tower and Arrivals/Departures Area Improvements		2019												
Horseshoe Bay - CP 2 - Toll Plaza Connection to Holding Compound		2021												
Langdale Master Plan upgrades														
Langdale - Master Plan Related Upgrades - Terminal Building & Walkway		2017												
Langdale - Master Plan Upgrades - Civil Package		2017												
Langdale - Master Plan Upgrades - Waiting Lounge & Gangway		2018												
Langdale - Master Plan Upgrades - Toll Plaza		2018												
Langdale - Master Plan Upgrades - Service Pavillion		2018												
Langdale - Master Plan Upgrades - Buildings		2018												
Tsawwassen - North Breakwater Replacement		2021												
OTHER PROJECTS														
FMU - Master Plan Related Upgrades Phase 1		2017												
FMU - Master Plan Related Upgrades Phase 2		2018												
12 YR SIGNIFICANT CAPITAL EXPENDITURES (2015 to 2026)														
Part 3.3. OTHER CAPITAL EXPENDITURES														
VESSELS														
TERMINALS														
IT														
OTHER														
12 YR OTHER CAPITAL EXPENDITURES (2015 to 2026)														
NET CAPITAL EXPENDITURES														
		3,112,579,106	190,662,085	196,910,801	460,299,003	249,100,875	291,706,811	263,647,399	233,026,516	348,494,116	371,088,646	206,052,260	147,883,652	153,706,942

APPENDIX 1

Project Management Framework and Guidelines



PROJECT MANAGEMENT FRAMEWORK & GUIDELINES

August 2014

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Appendix 2	CPBC Membership and Regular Committee Meetings
Appendix 3	Capital Project Drivers

LIST OF DOCUMENT LINKS WITHIN THE FRAMEWORK

CPBC Templates/Forms

All Capital Planning templates and forms can be found on the Corporate Capital Planning SharePoint site and the BC Ferries intranet. Below is a list of the documents:

Part 1 Project Charter Template

Part 2 Project Charter Template

Part 3 Project Charter Template

Pre-Implementation Funding Request Template

Program Request Form Template

Detailed Business Case Template

Business Case Financials Template

Short Form Business Case Template

Project Agreement Letter Template

Work Breakdown Structure (WBS) – IT Template

Work Breakdown Structure (WBS) – Ship Refit Template

Work Breakdown Structure (WBS) – Terminal Template

Work Breakdown Structure (WBS) – Vessel Template

Project Deferral or Cancellation Template

Project Amendment Form (PAF) Template

Detailed Project Report Template (Class A or B)

Project Closeout Request Template

Partial Available For Use Report Template

Available for Use Report Template

External Policies

Capital Thresholds

Approval of Consulting Contracts Form

Supply Chain Management Policies

BCF Privacy Impact Assessment (PIA) Policy/Form

IT System Development Lifecycle Policy and Guidelines

Miscellaneous**CPBC Meetings for the Year****CPR Project Manual Reference Manual****FRAMEWORK OVERVIEW and QUICK REFERENCE**

This document outlines the Project Management Framework & Guidelines (Framework) that applies to Capital Projects at BC Ferries. Capital Projects are planned betterments or additions to the existing asset base and are funded through the Company's Capital Budget.

This Framework is intended to promote a disciplined approach to the identification, management, reporting and delivery of projects and provides key principles, techniques and tools for managing and monitoring Capital Projects through the various stages of the project lifecycle.

While this document outlines a single framework to be utilized on all Capital Projects, it must be recognized that each project or project type is different and these differences must be considered, respected and understood when employing this Framework. Accordingly, the document has been designed to cover the wide range of Capital Projects undertaken by BC Ferries.

The goal of this Framework is to ensure that a Capital Project meets the functional and business needs of BC Ferries and is identified, managed, monitored and delivered as effectively and efficiently as possible. To this end, the Framework has been separated into four main parts as follows:

- Part A: General Roles and Responsibilities;
- Part B: Pre-Implementation Phase;
- Part C: Implementation Phase; and
- Part D: Post-Implementation Phase.

Part A defines the general roles and responsibilities of individuals and groups that are involved in this Framework. This includes the Board of Directors, the CEO, the Capital Program and Budgeting Committee (CPBC), the Project Executive (Project Manager, Project Owner and Project Sponsor), the Project Analyst and the Manager, Corporate Capital Planning. Where necessary, these roles are further defined in Parts B through D as they relate to different stages of the project lifecycle.

The overall accountability for the success of a Capital Project and adherence to this Framework is based on a joint responsibility involving the three parties forming the Project Executive.

Note: Roles in this Framework should not be confused with individual job titles within the Company. For example, someone identified as a “Project Analyst” within this Framework can have varying titles in the Company including Senior Business Analyst, Business Planner, Manager, etc.

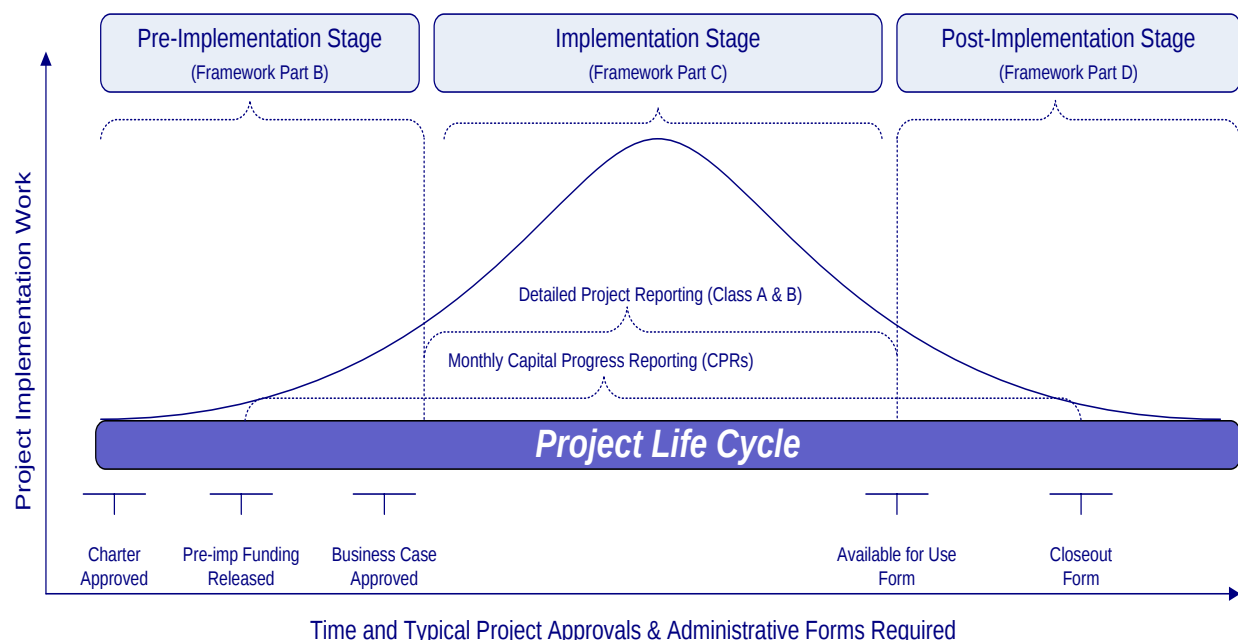
Part B the Pre-Implementation Phase, involves the identification of a project, the pre-planning and planning activities to support the project, the justification and the review and approval of a Detailed Business Case.

Part C the Implementation Phase, is comprised of the stages and requirements through which approved projects are constructed, acquired, managed, monitored, controlled and delivered.

Part D the Post-Implementation Phase, measures the performance of the project management process by evaluating the actual project outcome against the originally-intended outcome as outlined in the approved Detailed Business Case. Lessons learned by members of the Project Executive are also identified for the benefit of ongoing or future projects of a similar nature.

The following chart provides a visual summary of the typical project approvals and administrative forms required throughout the project lifecycle:

Project Life Cycle, Approvals & Administration



PROJECT ADMINISTRATIVE FORMS

There are a number of project administrative forms that enable management of Capital Project approvals, project activation, project reporting/tracking and project closeout consistent with this Framework and International Financial Reporting Standards (IFRS). The following is a summary of the key administrative forms:

Project Charter

The Project Charter is a one-page document associated with Capital Projects planned for years 2 through 12 of the 12 Year Capital Plan. The Project Charter establishes a placeholder for a Capital Project within the Capital Plan and can also request the release of pre-implementation funding to be used in the preparation of a Detailed Business Case.

Business Cases

The Business Case examines viable capital investment alternatives and ultimately recommends and establishes the approved Scope, Budget and Schedule for Capital Projects. The Business Case also identifies key project risks and associated mitigation strategies. All Capital Projects planned for the upcoming fiscal year require the completion and approval of a Detailed Business Case prior to implementation and associated funding release.

In addition to the Detailed Business Case, there are a number of Business Case variations including the Preliminary Business Case, Short Form Business Case and Contingency Business Case. See Section 5 for details regarding Business Cases and the use of Business Case variations.

Project Amendment Form

The Project Amendment Form (PAF) documents formal amendments to the Detailed Business Case for a Capital Project. Once approved, a PAF establishes the revised approved project scope, budget and/or schedule. The requirements and thresholds for preparing a PAF on a project are outlined in Section 9 and Appendix 1 (Project Approval Hierarchy).

Available for Use Report

Once a Capital Project has been accepted by the Project Owner as “Available for Use”, an Available for Use report is prepared to recognize the project as such, outline any outstanding issues to be addressed, and to document any significant lessons learned over the course of project implementation.

BC Ferries’ Accounting department utilizes the Available for Use Report as a flag to stop Interest During Construction (IDC) charges against the project and begin amortizing the Capital Asset(s) according to International Financial Reporting Standards (IFRS) and corporate policy.

Partial Available for Use Form

In the event that a Capital Project involves a number of individual Capital Assets being brought into service at different times, Partial Available for Use Forms must be prepared such that the Accounting department can begin to amortize the assets accordingly.

Project Closeout Request

A Project Closeout Request, once approved, formally closes down a Capital Project such that project accounting is deactivated and regular project reporting ceases. The Project Closeout requires all invoices to be paid and all outstanding issues on a project to be addressed to the satisfaction of the Project Executive.

REGULAR PROJECT REPORTING

Regular project reporting begins as soon as a Capital Project number is activated, typically when pre-implementation funding is released. There are two types of regular project reporting: Corporate Progress Reports and Detailed Project Reports. Regular project reporting is essential to monitoring Scope, Schedule, Budget and

Project Risks at an individual project level. Regular project reporting is also used collectively to establish and report against the overall Capital Expenditure Budget, including actual expenditures to date and a forecast of total capital expenditures for the remainder of the fiscal year. Regular project reporting also includes actual expenditures to date and a forecast of total operating (research, feasibility and/or training) funding that is associated with the project.

Capital Progress Reports (CPRs)

CPRs are completed by Project Managers on a monthly basis for all Capital Projects with active project numbers, regardless of project risk classification. These Cognos Contributor-based reports are updated and made available online to Project Managers each month, providing details of actual and accrued expenditures to date. Within three business days, Project Managers provide forecasts to completion and comment on any issues relating to Scope, Schedule, Budget or Risk/Risk Mitigation. **It is the Project Manager's responsibility to ensure back-ups are in place for continuity of the CPR reporting process in the event of travel, vacation, sickness, etc.** Project Owners are required to review CPRs for their projects on a monthly basis and either "accept" or "not accept" the report. Acceptance is managed on an exception basis, and any CPRs that are not accepted by the Owner are included in the Issues List provided to the CPBC at its monthly meeting.

Project Managers should consult the Project Analyst for assistance in completing monthly CPRs in Cognos Contributor. In addition, a CPR Project Manager Reference Manual is available on the intranet and the Corporate Capital Planning SharePoint site for your reference.

Detailed Project Reports

Detailed Project Reports are required to be prepared on a monthly basis for projects with a "Class A" risk classification and on a quarterly basis for projects with a "Class B" risk classification. Risk classifications are determined in the Detailed Business Case or as determined by the CPBC. Detailed Project Reports are completed by Project Managers and reviewed by Project Owners and other personnel involved in the management of the project, as determined by the Project Executive. Per the standardized template, these reports are focused on Scope, Budget, Schedule and Risk/Risk Mitigation. Unless otherwise requested by the CPBC, Detailed Project Reports are only required for projects that are in the Implementation Phase.

Capital and Major Operating Projects Report

Project reporting is an important input in the preparation of the Capital and Major Operating Projects (CMOP) report which is prepared for the CPBC on a monthly basis and the Board of Directors on a quarterly basis. The CMOP report identifies the status of capital spending against the overall Capital Expenditure Budget for the fiscal year and identifies and explains significant individual project budget and forecast variances. The CMOP report also reports on operating expenditures for projects with released research, feasibility and/or training funding, and vessel refit projects. Accurate, timely information, as provided in the monthly CPRs and Detailed Progress Reports, is essential to the preparation of the CMOP report.

PART A: GENERAL ROLES AND RESPONSIBILITIES

This section defines the general roles and responsibilities of individuals and groups that are involved in this Framework. These fall into Executive Management and Delegated Management categories:

- Executive Management:
 - Board of Directors
 - President and CEO
- Delegated Management:
 - Capital Program and Budgeting Committee (CPBC)
 - Project Executive:
 - Project Sponsor
 - Project Owner
 - Project Manager
 - Project Analyst
 - Manager, Corporate Capital Planning and Corporate Capital Planning Group

Where necessary, these roles are further defined in Parts B through D as they relate to different stages of the project lifecycle.

1 EXECUTIVE MANAGEMENT ROLES

BC Ferries is responsible for overseeing and managing the delivery of coastal ferry services in British Columbia, as described in the *Coastal Ferry Act* and the Coastal Ferry Services Contract. To fulfill its legal obligations and achieve the vision and objectives outlined in BC Ferries' Strategic Plan, the Company must maintain its Capital Assets and acquire or plan for new assets. Specific Capital Asset Management responsibilities include:

- Maintaining and operating Capital Assets;
- Identifying Capital Asset needs and preparing and implementing plans to address the needs;
- Acquiring Capital Assets;
- Managing expenditures on Capital Assets; and
- Developing, maintaining and implementing a financial framework (including but not limited to procurement policy, project management policy, accounting policy, risk management, budget and planning process and policy).

1.1 Board of Directors (Board)

The Board is responsible for the strategic direction of the Company. Due to the long term strategic nature of capital investments, the Board is a major party in the approval of Capital Projects and the overall capital budget for the Company.

Annually, the Board reviews and approves an updated 12 Year Capital Plan. The approvals include the specific Capital Projects to be implemented in the upcoming fiscal year (the Capital Projects Request), the Capital Expenditure Budget¹ for the upcoming fiscal year, and operational expenditures associated with research, feasibility, and training costs identified in approved project budgets.

Quarterly, the Board reviews and monitors progress against the Capital Expenditure Budget as well as variances to approved project budgets as they are summarized in the Capital and Major Operating Projects (CMOP) report.

Appendix 1 (Project Approval Hierarchy) identifies the Capital Project thresholds where management must receive specific approval from the Board prior to making expenditure commitments.

1.2 President & Chief Executive Officer (CEO)

The CEO annually requests the Board's approval of the 12 Year Capital Plan, including the Capital Projects Request and the fiscal year Capital Expenditure Budget.

The CEO is also critical to reviewing and monitoring approved projects and has responsibility for approving any Emergent Capital Projects (projects identified outside of the Annual Capital Plan and Budget Review) and significant amendments to ongoing projects. Appendix 1 (Project Approval Hierarchy) identifies the specific project thresholds where CEO approval is required. In addition, the CEO provides final resolution for decisions vetoed by the CPBC Chair.

To support and assist the CEO in the above responsibilities, there are a number of executive managers who form the Capital Program and Budget Committee (CPBC), which is chaired by the Executive Vice President and Chief Financial Officer (CFO). As per the Project Approval Hierarchy, all Capital Project related requests are first reviewed by the CPBC prior to being forwarded to the CEO (if CEO approval is required).

¹ The Capital Expenditure Budget is the total budget for capital expenditures within a fiscal year that is approved annually by the Board of Directors.

2 DELEGATED MANAGEMENT ROLES

While the Board and the CEO are ultimately accountable for the overall strategic direction and management of the Company, the day-to-day responsibilities and functions within the Framework have been delegated to the following parties:

1. The Capital Program and Budget Committee (CPBC);
2. The Project Executive;
 - a. Project Sponsor
 - b. Project Owner
 - c. Project Manager
3. The Project Analyst; and
4. The Manager, Corporate Capital Planning.

2.1 The Capital Program and Budget Committee (CPBC)

The CPBC is responsible for overseeing BC Ferries' Capital and Major Operating Projects. As such, all Capital and Major Operating Project requests are reviewed by the CPBC. Consistent with the Project Approval Hierarchy, CPBC is both a decision making and recommendation making body (when subsequent approvals are required by the CEO and/or the Board). CPBC makes decisions and recommendations related to strategic fit and capital funding prioritization with consideration to financial implications and constraints.

The CPBC is comprised of a number of executive managers, and is chaired by the Executive Vice President and Chief Financial Officer (CFO). The Chair has the authority to veto decisions made at the CPBC level. As per the Project Approval Hierarchy, all Capital Project requests are first reviewed by the CPBC and are either approved, or recommended to the CEO (if required).

The CPBC's responsibilities include:

- Coordinating the budget process for capital expenditures, which includes the development of the 12 Year Capital Plan;
- Reviewing, filtering, ranking and providing recommendations to the CEO and the Board of Directors on Capital Projects that are presented in the form of Detailed Business Cases and Part 1 Project Charters;
- Monitoring capital expenditures on approved projects;
- Reviewing regular project reporting;

- Reviewing and approving (or supporting) project administrative forms including Detailed Business Cases, Contingency and Pre-Implementation Requests, Project Amendments, Available for Use Forms and Project Closeout Forms;
- Preparing quarterly reports on capital and operating expenditures (for projects with research, feasibility, or training costs) for the CEO and the Board of Directors; and
- Reviewing and approving any changes to the Framework and the associated policies and procedures.

The CPBC is supported in all of the above responsibilities by the Manager, Corporate Capital Planning and members of the Corporate Capital Planning group as described in Section 2.4.

Meetings of the CPBC are held once per month. The following link lists the CPBC meeting dates scheduled for the next 12 months:

CPBC Meetings for the Year

These meetings are sometimes rescheduled based on executive availability and the need for a quorum.

Despite the role of the CPBC in approving, reviewing and monitoring projects, ultimate project accountability and responsibility resides with the members of the Project Executive (see Section 2.2).

2.1.1 The CPBC's Role during Project Implementation:

During the progress of Capital Projects, the CPBC is focused on project oversight and governance with a distinct focus on material deviations from Scope, Schedule and Budget, as well as with Project Risk Management. As such, the monthly meetings of the Committee are focused on the following three items:

1. Emergent Projects brought forth (Contingency Business Cases);
2. Project Amendments (Scope, Budget and/or Schedule) brought forth; and;
3. Monitoring of regular project reporting (including Capital Progress Reports and Class A/B Detailed Project Reports).

2.1.2 General CPBC Submission Guidelines

CPBC meeting agendas are finalized four business days prior to the meeting date with fully signed off documentation due to the Capital Planning Co-ordinator at or before same time. It is the responsibility of the Project Executive and the Project Analyst to organize the preparation of a request and the associated reviews such

that these deadlines can be met. If documentation is not received in time (fully signed off by Project Manager, Project Owner and Project Sponsor), the agenda item may be removed and placed on the following month's CPBC agenda.

- In rare occurrences (typically driven by a significant, unforeseeable event), CPBC agenda items may be e-mailed for a "Walk Around" vote that takes place in between regularly scheduled CPBC meetings.
- In a similar manner, it is possible to request a special meeting of the CPBC to be held in between regularly scheduled CPBC meetings.

2.2 Project Executive

The Project Executive consists of the Project Sponsor, the Project Owner and the Project Manager. Successful project execution and the management of Scope, Schedule, Budget and Project Risk Management is the joint responsibility of the Project Executive. To function effectively and promote healthy tension, individuals in Project Owner and Project Manager capacities should not report to each other in a line management fashion (where practicable).

Ultimate accountability for successful project delivery lies with the individuals in Project Executive roles. As such, all three members of the project executive sign off on the front cover of each Capital Project Business Case and any subsequent amendment requests.

The order of sign-off on this documentation is as follows:

1. Project Manager
2. Project Owner
3. Project Sponsor

To provide effective project stewardship during the progress of projects, members of the Project Executive should meet on a regular basis. It is the Project Executive's responsibility to review regular project reporting and reduce/filter out detailed project related information that is inconsistent with the CPBC's primary governance and oversight responsibilities related to project scope, schedule, budget, and risk management.

Issues brought forth to the CPBC by the Project Executive should include proposed solutions to the extent practicable. This allows the CPBC to focus discussion on its primary responsibilities of providing project oversight and governance.

Note: The existence of a Project Steering Committee does not relieve any members of the Project Executive from their accountability for successful project delivery as identified in this Framework. For this reason, the Chair of a Project Steering Committee is typically either the Project Owner or the Project Sponsor. See section 7.4 for details regarding the establishment of a Project Steering Committee.

2.2.1 Project Executive Role: Project Sponsor

Each Capital Project must have the support of a member of the Executive Management Committee (the Project Sponsor). The role of the Project Sponsor is to ensure a Capital Project is consistent with the strategic direction of the Company and is appropriately prioritized within the context of other requests and the known financial constraints of the Company.

The Project Sponsor can also act as a mediator on disputes between a Project Owner and a Project Manager and may provide direction to the Project Owner and Project Manager on the need for a Project Steering Committee and on its composition.

As the size, risk and/or complexity of a project increases, so does the need for a Project Sponsor to be actively engaged and provide a visible leadership presence on the project.

2.2.2 Project Executive Role: Project Owner

The Project Owner is defined as the project executive member who is responsible and accountable for:

- The ongoing use and general management and/or maintenance of assets within his/her/their designated service and operational area(s);
- Identifying and defining the functional need and scope (i.e. Statement of Operational Requirements (SOR)) for proposed projects; and
- Outlining the objectives and monitoring project(s). This may be done through a Steering Committee to ensure the scope is maintained and the project objectives outlined in the Detailed Business Case are achieved.

Project Owners must be actively engaged and in regular contact with the Project Manager throughout the project lifecycle. This includes keeping up to date on project planning, implementation and issues as they arise. The monthly review and acceptance of Monthly Capital Progress Reports facilitates this requirement but does not replace the need for direct communication and project site visits (where applicable).

At project completion, the Project Owner is accountable for the achievement of the business objectives, as stated in the Detailed Business Case, and typically has primary responsibility for the ongoing operation, general management and maintenance of the asset(s). To facilitate the effective transfer of an asset from the Project Manager to the Project Owner at project completion, it is strongly recommended that a sign-off process (including a written checklist) be developed and agreed to between the members of the Project Executive.

Note: Under extraordinary circumstances, the CPBC may authorize an employee below the Director level to be a Project Owner.

Note: Assets that are cross functional in nature may involve multiple individuals with ownership responsibilities during the project lifecycle and after project completion.

2.2.3 Project Executive Role: Project Manager

The Project Manager is responsible for successfully managing and delivering a project according to the approved Scope, Budget and Schedule. Within these parameters, the Project Manager's duties include:

- Assisting the Project Owner with completion of a Part 1 Project Charter;
- Assisting the Project Executive and Project Analyst in the preparation of a Detailed Business Case (see section 5.1);
- Establishing the selection criteria for consultants, contractors and suppliers;
- Hiring and managing outside consultants;
- Ordering materials;
- Managing all contracts;
- Completing all reporting and other required documentation;
- Monitoring and overseeing the project through to completion;
- Ensuring compliance within the Framework policies and other Corporate Policy (e.g., Approval of Consultants, Purchase Order Approval, etc.);
- Identifying and appropriately managing/mitigating project risks;
- Reporting any potential deviations or variance from the originally approved scope, budget or schedule, and ensuring that the Framework is followed in establishing any revised project approvals;
- Facilitating transfer of the asset to the Project Owner upon project completion;
- Addressing any project related deficiencies upon completion; and
- Identifying any material lessons learned for the benefit of future Capital Projects.

All projects identified within the 12 Year Capital Plan must have an assigned Project Manager. Section 3.3 describes the process for assigning a Project Manager to a contemplated Capital Project.

Project Analysts

The Project Analysts (typically Senior Business Analysts) of the Finance division support the development of the 12 Year Capital Plan and the compliance with this Framework throughout the project lifecycle.

Every Capital Project identified within the 12 Year Capital Plan has an associated Project Analyst. Section 3.5 describes the process for assigning a Project Analyst to a contemplated Capital Project.

Project Analysts are accountable for:

- Providing assistance to the Project Executive in understanding and following this Framework;
- Providing assistance to the Project Executive in preparing Detailed Business Cases that support the need and justification for the project expenditure. Specific responsibilities relating to the preparation of a Business Case are outlined in Section 5.3;
- Tracking Capital Project progress against approved Scope, Budget and Schedule and assisting the Project Executive in identifying the need for any subsequent approvals consistent with the Framework and Project Approval Thresholds;
- Assisting the Project Executive in preparing, coordinating, reviewing and collecting all project lifecycle related Forms and Requests including Part 1 Project Charters, Pre-Implementation Funding Requests, Contingency Business Case Requests, Project Amendment Forms, Available for Use Forms and Project Closeout Forms; and
- Providing assistance to the Project Executive in preparing, coordinating, reviewing and collecting all project reporting documentation, including Capital Progress Reports and/or Detailed (Class A or Class B) Project Reports.

2.3 Manager, Corporate Capital Planning and Corporate Capital Planning Group

The CPBC has delegated a number of responsibilities in supporting this Framework and the effective functioning of the CPBC to the Manager, Corporate Capital Planning/Corporate Capital Planning Group including:

- Maintaining this Framework and ensuring it is current;
- Ensuring the Framework's policies are being effectively communicated to stakeholders and are being appropriately applied;
- Reviewing all submissions to the CPBC for completeness, with a particular focus on financial aspects;
- Determining whether a contemplated scope change is material enough to require a scope PAF (see section 9.2);
- Determining the extent to which Business Cases under \$500,000 can be abbreviated into a Short Form Business Case (see section 5.2);
- Managing the Capital Projects Database, including the issuance of Monthly CPRs and associated data management;
- Preparing the monthly and quarterly CMOP reports;
- Preparing the CPBC meeting agendas and minutes;
- Co-ordinating Capital Project activation consistent with required documentation and associated approvals;
- Filing and the associated security of project documentation;
- Co-ordinating the Annual Capital Plan and Budget Review;
- Preparing the 12 Year Capital Plan for annual approval by the Board; and
- Preparing and updating the Longer Term Capital Plan (up to 15 years) as required by the Executive and/or Board.

2.3.1 Maintaining the Framework

This Framework document resides in an electronic format on the BC Ferries corporate intranet. Responsibility for maintaining the Framework lies with the Manager, Corporate Capital Planning who must co-ordinate the approval of any updates or changes to the Framework with the CPBC, the CEO and the Board of Directors as required.

Suggestions for continuous improvement are encouraged as the Framework must continue to evolve and mature with BC Ferries. Accordingly, the Framework is to be reviewed and updated on an annual basis as follows:

- In February, a call for proposed revisions will be made with suggestions due to be forwarded to the Manager, Corporate Capital Planning within four weeks.
- Proposed revisions will be considered by the CPBC and incorporated into an update to the Framework during the March/April time frame.

PART B: PRE-IMPLEMENTATION PHASE

The Pre-Implementation Phase incorporates the identification of a need or opportunity, the need for capital to address the need or opportunity, the establishment of the Project Executive and Project Analyst, the options analysis, the pre-planning and planning activities to support the identified project, the justification for the project and the review and approval of a Detailed Business Case.

International Financial Reporting Standards require that research and feasibility costs be treated as operating expenses. The Pre-Implementation Phase may or may not include research and/or feasibility costs. Despite their classification as an operating expense, these costs still form part of the project's budget.

Within the Framework, the Pre-Implementation Phase is divided into the following sub-sections:

- Annual Capital Plan and Budget Review Process;
- Project Charter Preparation; and
- Business Case Preparation.

3 ANNUAL CAPITAL PLAN AND BUDGET REVIEW PROCESS

Annually, the 12 Year Capital Plan is updated and approved by the Board of Directors. Although aspects of the capital budgeting process are ongoing throughout the fiscal year, the majority of annual capital budgeting efforts begin in August and continue until after the Board's review of the Capital Plan (typically in late February).

3.1 Needs Identification

A major challenge for any organization is the identification and prioritization of needs or projects. For BC Ferries, the operational and functional need for everyday service requires a dependable asset structure. It is essential that there is an effective and efficient process for the identification of issues (needs) and opportunities (ideas) that ultimately leads to the identification of projects that are consistent with the Company's Strategic Plan.

Throughout the year, a series of issues or opportunities (either in the current fiscal year or in future years) will affect and drive potential needs associated with Capital Assets. These needs are identified through formal scheduled procedures, consistent ongoing analysis, periodic analysis or by the unforeseen or accidental failure of a Capital Asset.

At BC Ferries, the majority of Capital Projects are initially identified through the following means:

- Condition Assessment Program for both vessels and terminals;
- Master Planning process for terminals;
- Long Range Maintenance Plans (LRMP) and Deployment Plans for vessels; and/or
- Annual Business Plan development and Strategic Plan review process.

Projects may also be identified as a result of the unforeseen or accidental failure of a Capital Asset.

Appendix 3 provides a brief description of the following five Capital Project driver categories recognized by BC Ferries:

- Regulatory;
- Replacement/Betterment;
- Internal Payback;
- Expansion; and
- Corporate Initiative.

3.2 Project Owner / Sponsor Plans

Once Capital Project needs or opportunities have been identified and categorized by a Project Owner/Project Sponsor, they must be ranked and put into a plan that is considered “affordable” within the context of the Company’s financial framework.

Project Owner/Sponsor plans cover a minimum of 12 years and are reviewed and updated annually. Within each division of the Company, Project Owner/Sponsor plans must be reviewed and prioritized prior to being forwarded to the CPBC for consideration during the Annual Capital Plan and Budget Review.

In general, the Capital Expenditures Forecast for Performance Term 3 (PT3), as summarized in PT3 Submission to the British Columbia Ferries Commissioner, along with the previous year’s capital plan, provide a good indication of the level of capital expenditures in the upcoming year (and the following eleven year period) that can be considered “affordable” within the context of Company’s financial framework.

3.2.1 Project Prioritization

Given the diversity of project types/drivers, there is no single methodology for the prioritization of Capital Projects employed amongst the Divisions of BC Ferries.

Some of the more common inter-related factors that should be taken into account during prioritization include:

- Project drivers;
- Criticality/urgency (safety, regulations, asset failure, etc.);
- Available funding;
- Contractual obligations/implications;
- Lifecycle costs / opportunity for payback;
- Strategic significance;
- Operational efficiencies/impact;
- Customer impact; and
- Route group/performance term commitments and price caps.

In most cases, prioritization is established by considering a combination of the significance of the project's primary driver and the associated immediacy of the consequence(s) of not proceeding. Projects can be categorized in this manner as "discretionary" or "non-discretionary".

3.2.2 CPBC Annual Capital Plan and Budget Review Documentation

Capital Projects being brought forth as part of a division's 12 year capital request must be supported by Part 1 Project Charters or Business Cases as identified below:

Year	Budget	Document
0	\$0-unlimited	Contingency Business Case
1	\$0-unlimited	Detailed Business Case/Detailed Program Request
2&3	\$0-unlimited	Project Charter
4&5	\$1 million or more <\$1 million	Project Charter One line description and cash flow

Year 0 Projects: Contingency Business Case

- For Emergent Projects which require implementation in the current fiscal year, a Contingency Business Case is required.

Year 1 Projects: Detailed Business Case

- For projects which require implementation in the upcoming fiscal year, a Detailed Business Case is required.

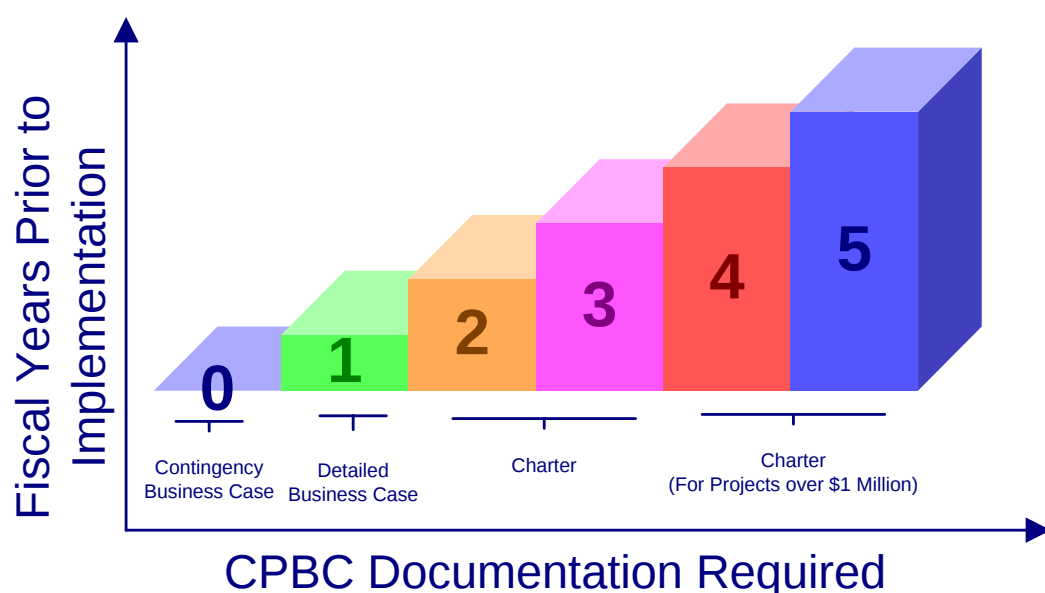
Year 2-3 Projects: Project Charter

- For projects identified for implementation in the 2 years following the upcoming fiscal year, a Project Charter is required.

Year 4-12 Projects over \$1 Million: Project Charter

- For projects identified for implementation in years 4 through 12 of the capital plan, a Project Charter is required when the estimated budget is greater than \$1 million. For projects less than \$1million, a one line description and an associated cash flow forecast are sufficient for the Capital Plan.

These requirements are further illustrated in the figure below:



3.3 Project Manager Assignment

All identified projects within a Project Owner's plan must have a Project Manager assigned. As Project Managers are required at all stages of the Project Lifecycle, the timely assignment (and reassignment) of Project Managers is essential to the functioning of this Framework.

The Project Owner cannot assign a Project Manager but may provide a recommendation. Where practicable, individuals in the capacity of Project Owner and Project Manager should not report to each other in a line management fashion.

Responsibilities for the timely assignment or reassignment of a Project Manager are as follows:

Project Type	Responsibility for Assignment of PM
• Information Technology (IT) Projects	Chief Information Officer (CIO)
• New Vessel Construction Projects	EVP Finance (in consultation with the VP Engineering)
• Existing Vessel Projects • Terminal Projects • "Other" Projects (not identified above)	VP Engineering

Note: The Vice President, Engineering may choose, on a case by case basis, to delegate the assignment of a Project Manager to the Director of Fleet Planning and Projects for Existing Vessel projects or to the Director, Terminal Construction for Terminal projects.

Note: The reassignment of a Project Manager must follow the above guidelines.

3.4 Assignment of an IT Representative to Non-IT Projects

Increasingly, non-IT projects (including New and Existing Vessel projects, Terminal projects and Other Corporate projects) have technological components to them. Consideration must be given to the technology requirements of all Capital Projects to ensure that the IT architectures and IT resources are sufficiently recognized, planned and available to support business priorities.

All non-IT projects with a technological component (or potential technological impact) must have an IT representative appointed by the CIO who will liaise with the Project Manager throughout the project development stage and the remainder of the project lifecycle.

3.5 Project Analyst Assignment

After establishing a preliminary project plan, the Project Owner must have a Project Analyst assigned to the project to assist with the preparation of Business Cases and Project Charters. Project Analysts are assigned by the Manager, Corporate Capital Planning.

The Project Analyst interacts with and assists members of the Project Executive throughout the project budget process (including the development of Project Charters and Project Business Cases) and during the remainder of the project lifecycle.

Note: Roles in this Framework should not be confused with individual job titles within the Company. For example, someone identified as a “Project Analyst” within this Framework can have varying titles in the Company including Planning Analyst, Business Planner, Manager, etc.

3.6 CPBC Annual Capital Plan and Budget Review

The CPBC Annual Capital Plan and Budget Review typically takes place in late November / early December of each year.

The primary focus of the CPBC Annual Capital Plan and Budget Review is on projects proposed for Year 1; however, the CPBC also reviews future years’ projects (Years 2 - 12) to assess the need and implications on the Company’s 12 Year Capital Plan and the overall financial framework of the Company. This includes the implications for the Company’s operating budget associated with capital projects. Implications can include but are not limited to research costs, feasibility costs, and end user training.

During this review stage, the CPBC focuses on the context of affordability in making Capital Project recommendations to the EMC. Discussion of strategic projects that are not well represented by the CPBC members is deferred to the EMC forum.

As part of the CPBC’s review, each Project Owner may be asked to make a brief presentation on the project and its merits. Accordingly, Project Managers may be asked to attend the review process to answer possible questions.

3.7 EMC Review of the 12 Year Capital Plan

CPBC recommendations regarding the 12 Year Capital Plan are forwarded to EMC for decision at a meeting that typically takes place in early January of each year.

Those projects approved by EMC form BC Ferries’ 12 Year Capital Plan, encompassing the Capital Projects Request and Capital Expenditure Budget for the upcoming fiscal year.

3.8 Board Submission, Approval and Conditions

In early February of each year, the CEO forwards the 12 Year Capital Plan (including the Capital Projects Request and the Capital Expenditure Budget) is forwarded to the Board of Directors for approval. The Board then reviews and establishes the approved 12 Year Capital Plan, Capital Projects Request and Capital Expenditure Budget for the upcoming fiscal year. The Board may identify conditions of that

approval associated with the plan as a whole or with individual projects identified within the plan.

3.9 Capital versus Operating Expenditures

BC Ferries identifies capital assets in accordance with International Financial Reporting Standards (IFRS) as defined by the Canadian Institute of Chartered Accountants (CICA) Handbook and BC Ferries Corporate Policy. Capital assets include both tangible (property, plant & equipment) and intangible (computer software and licenses) assets. Property, plant & equipment (tangible assets) include those that:

- Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other Capital Assets;
- Have been acquired, constructed or developed with the intention of being used on a continuing basis for more than one year; and
- Are not intended for sale in the ordinary course of business.

Property, plant & equipment generally does not include inventory, but major spare parts and standby equipment are included.

The cost of a capital asset includes the purchase price and related taxes, and installation costs. Betterments to assets which enhance the service potential of the asset are also capital.

As a result of IFRS, capital projects may now include expenditures that are considered operating expenses. These expenditures include research costs, feasibility costs, and operational and end user training.

To assist in the determination of whether an expenditure is capital or operating, Project Owners, Project Managers and Project Analysts are asked to review the following link:

List of Tangible Capital Assets / Thresholds for Capitalization

If the Project Owner and Project Manager are unsure whether an expenditure is capital or operating, the Corporate Comptroller's staff should be contacted. In all circumstances, the Corporate Comptroller is the final arbitrator as to whether an expenditure is categorized as capital or operating.

3.10 Major Operating Projects

Major Operating Projects are defined as projects that are:

- Greater than \$250,000;

- Directly related to Capital Assets (e.g., vessel refits and terminal maintenance);
- Not betterments to the existing asset base; and
- Funded through the Company's Operating Budget.

Vessel Refits are Major Operating Projects that are governed by Corporate policy that is separate from this Framework. Major Operating Projects unrelated to Vessel Refits are rare. For these rare Major Operating Projects, the principles and reporting requirements of this Framework are applicable unless otherwise agreed to by the CFO.

4 PROJECT CHARTER PREPARATION

The development of Part 1 Project Charters supports the creation of individual project budget requests and associated place-markers within years 2 through 12 of the 12 Year Capital Plan.

A Part 1 Project Charter:

- Identifies the need or opportunity;
- Identifies the implications of the issue or opportunity on the operation or service;
- Identifies what the consequences would be if the issue or opportunity is not addressed or pursued;
- Includes a Statement of Operational Requirements (SOR);
- Includes a proposed high level preliminary capital and operating budget and a projected annual cash flow; and
- Includes a request for Pre-Implementation funding, if required.

To ensure an appropriate solution is applied to address the need or take advantage of the opportunity, a Project Owner must clearly identify the objectives, purpose, scope and the expected deliverable (SOR). The Project Owner then works with the assigned Project Manager to prepare a relatively high level budget and cash flow place marker. This process allows the Project Owner and the Project Sponsor (typically the relevant VP) to assess the priority of these needs and opportunities with a high level understanding of cost and to ensure that the need is valid or is, in fact, necessary.

In turn, the Part 1 Project Charters allow the members of the CPBC and EMC to better understand and prioritize all of the Company's Capital Project requests as part of the Annual Capital Plan and Budget Review process.

The following is a link to the one-page Capital Project Charter template:

Part 1 Project Charter Template

4.1 Request for Pre-implementation Funding

The objective of pre-implementation funding is to enable the Project Executive and Project Analyst to prepare a robust Detailed Business Case that examines viable options leading to a recommendation that will ultimately establish a Capital Project's approved Scope, Budget and Schedule.

In preparing the Project Charter, the Project Executive and the Project Analyst will achieve a greater understanding of the potential project Scope, Budget and Schedule for the project. This stage will identify any pre-implementation work or studies that are required in order to further establish detailed Scope, Budget and Schedule to be used in the eventual preparation of a Detailed Business Case.

Pre-Implementation funding can be requested a year or more prior to the submission of a Detailed Business Case. Pre-implementation requests for Year 2 projects (projects identified for Year 2 of the 12 Year Capital Plan) should be clearly outlined in the Project Charter prepared for the Annual Capital Plan and Budget Review. Identifying pre-implementation funding requirements as part of the Project Charter avoids the need to prepare a later on.

Pre-Implementation Funding Request

As a general rule, pre-implementation funding is limited to 4% of a project's identified budget. A specific Pre-implementation Funding Request may be requested by the CPBC if:

- The request for pre-implementation funding is greater than 4% of the identified project budget; and/or
- The request for pre-implementation is for a project beyond Year 2 of the Capital Plan.

Pre-implementation funding release beyond 4% is typically limited to:

- Projects with smaller proposed budgets (i.e., less than \$200,000);
- Projects where a greater degree of design work or advancement to a Request for Expressions of Interest (RFEI) or Request for Proposals (RFP) is required before a Detailed Business Case can realistically be prepared; and/or
- Pre-release of funds for the purchase of long lead items before a Detailed Business Case can reasonably be prepared and approved.

4.2 Work Breakdown Structure / Project Code Activation

Once approval for pre-implementation funding is received, a Work Breakdown Structure (WBS) must be completed by the Project Manager and submitted to their respective Project Analyst. Although the line items may vary, the total budget identified within the WBS must align with the amount of pre-implementation funding requested in the Project Charter.

The following are links to the standard WBS Template which is modified by Project Managers as required:

Work Breakdown Structure (WBS) - IT Template

Work Breakdown Structure (WBS) – Ship Refit Template

Work Breakdown Structure (WBS) – Terminal Template

Work Breakdown Structure (WBS) – Vessel Template

Once a WBS is submitted, it is used to set up the project budget within Oracle Project Accounting (OPA)² and the project is then activated in OPA, allowing the Project Manager to access the approved funds to commence the pre-implementation phase of the project.

4.3 Part 2 and Part 3 Project Charters

Part 2 and Part 3 Project Charters are to be completed at the discretion of the Project Executive. These Charter templates were originally developed for use by the Project Executive based on best practices as identified in the Project Management Body of Knowledge (PMBOK). However, it is recognized that many aspects of these templates are duplicated in the Detailed Business Case or in the preparation of Project Definition Reports.

Part 2 and Part 3 Project Charters can be particularly useful and necessary in defining project plans and clarifying acceptance criteria between members of the Project Executive. However, these documents are not part of this Framework and their preparation does not revise the approved Scope, Budget or Schedule of a project as defined in the Detailed Business Case.

² Oracle Project Accounting (OPA) is a module within the BC Ferries' Oracle Financial System. For all Capital Projects, a WBS that corresponds to the Project Budget is established in OPA by the OPA Administrator. Once the project is activated in OPA, the Project Manager &/or their supports create work orders linked to their unique project code & the subtasks of the WBS in BC Ferries' Maintenance Management System, Maximo. These work orders are linked to the Purchase Requisitions, Purchase Orders, Labour and Inventory. OPA tracks the Commitments and Expenditures of a project and this information is refreshed daily and can be viewed using the Cognos CMOP Cube.

The following are links to Part 2 and Part 3 Project Charter templates:

Part 2 Project Charter Template

Part 3 Project Charter Template

4.4 Vessel Project Definition Reports

The Project Definition Report (PDR) for Vessel Capital Projects defines the project scope prior to proceeding to the development of a Detailed Business Case. The scope related detail within a Vessel PDR far exceeds that of the Part 1 Project Charter. The objective of the Vessel PDR is to provide configuration management to the Fleet Capital Projects and to maintain control over scope definition and development.

The PDR document:

- Defines the project objective(s);
- Provides background on the vessel and route(s);
- Identifies the project drivers (key themes or issues);
- Identifies the project activities in accordance with each project driver;
- Identifies the risk elements and mitigation strategies; and
- Provides a decision record on project activities.

At the early stages, project activities may include a number of options that will be researched with an outcome documented in the decision record.

Development of the PDR is iterative and consultative. The PDR process is led by the Director, Naval Architecture, who works with the vessel's Marine and Engineering Superintendents to incorporate input from stakeholders in the Deck, Engineering, Retail and Catering, and IT departments. The PDR is owned by the Project Owner and may involve a Steering Committee; ultimately all stakeholders must sign off on an agreed upon scope. If possible, the Project Manager should be involved in the PDR process, not to establish scope, but to provide feedback on potential costs and project timelines at this early stage.

When complete, the PDR is utilized by the Project Executive and Project Analyst to develop the Detailed Business Case within clear scope constraints.

Note: Vessel PDRs are not part of this Framework and their preparation does not revise the approved Scope, Budget or Schedule of a project as defined in the Detailed Business Case.

4.5 Terminal Project Definition Reports

Terminal Asset Management (TAM) utilizes Project Definition Reports differently than Vessel PDRs.

TAM PDRs advance the concepts developed in the terminal Master Plans and provide a baseline document for managing projects. As such, TAM PDRs may be prepared prior to Detailed Business Cases.

TAM PDRs are generally utilized for large and complex terminal projects (or groupings of terminal projects) where they further define the project through development of work packages which include:

- Preliminary design (architectural, structural, mechanical and electrical);
- Detailed scope for an accurate estimate of all project costs;
- Project schedule;
- Project management and implementation plan; and
- Communication plan for stakeholders, the community and First Nations groups.

Note: TAM PDRs are not part of this Framework and their preparation does not revise the approved Scope, Budget or Schedule of a project as defined in the Detailed Business Case.

5 BUSINESS CASE PREPARATION

Approval for capital expenditures is contingent upon the preparation and appropriate support of a Detailed Business Case. As such, the main emphasis of the Annual Capital Plan and Budget Review process is on the Detailed Business Cases prepared for Year 1 projects.

The Project Analyst is responsible for drafting many aspects of the Detailed Business Case based largely on information that is provided by the members of the Project Executive. As it is the Project Executive that must ultimately sign off on the Business Case, both the Project Analyst and members of the Project Executive are responsible for ensuring the Detailed Business Case document is as comprehensive and accurate as possible. The Detailed Business Case is not considered complete or final until the three parties forming the Project Executive have signed. If any of the members of the Project Executive are not in agreement, a Detailed Business Case cannot be submitted for approval.

The Scope, Budget and Schedule must be clearly defined in a Detailed Business Case, including any downstream financial implications as these parameters will be reviewed and approved by the CEO and the Board of Directors.

Downstream financial implications can include (but are not limited to):

- Ongoing or one time revenue implications;
- Ongoing or one time operating budget increases or decreases (including labour costs, fuel costs, maintenance, utilities, insurance, property taxes, rental costs, etc.);
- The need for write-offs or accelerated amortization associated with existing assets; and
- Capital spares, purchasing, and other inventory implications.

5.1 Detailed Business Case

The purpose, goals and objectives of the Detailed Business Case are briefly described below.

5.1.1 Goals and Objectives

- To standardize the decision-making process;
- To analyze the viable alternatives and make a recommendation based upon the operational requirements and a favourable life cycle cost outcome;
- To formally identify the project Scope, Budget and Schedule that must be delivered by the Project Executive;
- To establish the financial implications of the project;
- To identify and reduce the degrees of risk or uncertainty and the complexity of the proposed project; and
- To identify the reporting requirements of the project.

The Detailed Business Case template and the associated Business Case Financials Template are updated with improvements as lessons learned from past Business Cases are applied.

The following are links to the current Detailed Business Case templates:

Detailed Business Case Template

Business Case Financials Template

Suggestions for enhancements or changes to the above templates should be forwarded to the Manager, Corporate Capital Planning.

5.1.2 Project Executive Review

Once a Detailed Business Case has been drafted, it is the responsibility of the Project Owner and Project Manager to review the document to ensure it is accurate and comprehensive. In addition, the Project Owner and Project Sponsor will assess the Detailed Business Case to determine whether they will support the project and/or its time line (i.e., should the project still proceed, be deferred, be moved up in the 12Year Capital Plan or be cancelled/withdrawn).

A Detailed Business Case will outline both the optimal financial option and the Project Owner's recommendation. If the Project Owner's recommendation differs from the optimal financial option, a clear justification is required.

As part of the Detailed Business Case review stage, the Project Sponsor, the Project Owner and the Project Manager must sign in acknowledgement and agreement of the final Detailed Business Case.

5.1.3 Project Manager and Project Analyst Roles

The objective is to produce a robust Business Case which comprehensively examines available options while making a clear recommendation that establishes project Scope, Budget, Schedule, Financial Implications and Project Risk / Risk Mitigation strategies. The Project Manager and Project Analyst assist one another in this process but also must challenge one another on the options to be examined and the associated assumptions within the Business Case analysis.

Aspects of the Business Case that are typically led by either the Project Manager or the Project Analyst are identified below.

Activities Led by Project Manager:

- Detailed Scope Description;
- Detailed Budget Breakdown;
- Project Schedule;
- Detailed Cash Flow Forecast;
- Options Development & Costing;
- Identifying Inventory Implications;
- Project Risks / Risk Mitigation Strategies;
- Setting Up VA Sessions (if required);
- Identifying Environmental Considerations;
- Establishment and Spending of Pre-implementation Budget to support the above activities; and
- Liaising with the Project Owner and Project Sponsor as required.

Activities Led by Project Analyst:

- NPV Analysis;
- Options Analysis;
- Writing and Editing for Clarity / Consistency;
- Preparation of an Interest During Construction (IDC)³ forecast to be included in the Project Budget;
- Ensuring all Budgets, Cash flows and Financial Analysis are consistent;
- Working with Accounting to identify any write offs and to review the scope to confirm all scope items can be capitalized;
- Completion of the Financial Implications table;
- Completing the Strategic Objectives section;
- Identifying the requirements / timelines for submission and approval;
- Completing the Service Fee / Tariff Structure section;
- Assisting the Project Manager with understanding the Business Case template, approval process and with any aspect of the Business Case template or this Framework;
- Providing a non-biased viewpoint with appropriate push back on the options being analysed, project Scope, Budget, Schedule, Risks, etc.;
- Research of past Capital Project files for similar projects which may have applicable “lessons learned”.
- Shepherding the Business Case for reviews and sign-offs by all members of the Project Executive; and
- Ensuring the Project Manager and Project Owner are invited to attend the review of the Business Case by the CPBC.

Note: The Project Manager and Project Analyst must support each other in each of these activities. Involvement can depend somewhat on Business Case familiarity, education and experience.

5.1.4 Role of the Project Owner

While it is typically a Project Owner’s needs or opportunity that has led to the identification of a potential Capital Project, the Project Owner may or may not be able to take a significant role in the development of a Business Case.

³ Interest During Construction (IDC) is the interest accumulated on the cumulative cash disbursements during the construction period of an asset; the interest rate used is generally the company’s debt portfolio average. Capital Project Budgets are expressed both before IDC and after IDC. Although a project’s schedule and associated cash flows impact on IDC, Project Managers are not directly responsible for the IDC portion of a project’s budget.

Ultimately, the Project Owner must be comfortable with the options and assumptions surrounding the Business Case. The Project Owner must identify an “owner’s recommended option” with an associated project Scope, Budget and Schedule or may decide to cancel the Business Case prior to request for approval. As such, the Project Owner must be kept informed during Business Case development and may, in fact, play a lead role in either developing the options or in challenging assumptions, risks, etc. It is important that the Project Manager keep the Project Owner informed of the status of pre-implementation funding such that the spending is consistent with options that the Project Owner wants investigated and will support. The Project Owner is ultimately responsible for any downstream operating budget implications as a result of a Capital Project (fuel/labour/materials savings or costs, asset maintenance, etc.). For this reason, it is particularly important that a Project Owner review and have input towards the financial implications contained within the options analysis (and NPV) and particularly the financial implications identified with the preferred option.

It is likely that a Project Owner (and members of their division/department) will have had previous ownership experience with similar Capital Projects (or Capital Assets). If so, lessons learned from this experience are important to discuss with the Project Manager and Project Analyst for consideration and inclusion in the Business Case.

In consultation with the other members of the Project Executive, the Project Owner will determine if the project requires the establishment of a Steering Committee (see section 7.4).

5.1.5 Role of the Project Sponsor

The Project Sponsor ensures that the request is valid, that the appropriate strategic alternatives have been examined and that the project is appropriately prioritized with respect to other requests coming from the Division and the known financial constraints of the Company.

Once the Project Sponsor is comfortable with the information and request as presented in the Business Case, he or she must sign in approval prior to submission for CPBC, CEO and/or Board review and approval.

As a member of the Project Executive, the Project Sponsor will liaise with the Project Owner to determine if the project requires the establishment of a Steering Committee (see section 7.4).

5.2 Short Form Business Case Policy

For simple Capital Projects with proposed budgets less than \$500,000, the Manager, Corporate Capital Planning, in consultation with the assigned Project Analyst, determines the extent to which the Detailed Business Case template can be abbreviated into a Short Form Business Case. Projects that qualify for Short Form Business Cases are typically simple asset replacements where there are no (or limited) viable alternatives and little or no downstream operating budget implications.

The Detailed Business Case template is used in the development of a Short Form Business Case, with the template modified such that it can potentially be abbreviated to a single page. The sections of the Detailed Business Case template to be excluded from the Short Form Business Case are determined on a project-by-project basis.

5.3 Preliminary Business Case Policy

An approved Detailed Business Case is required before a project can proceed to the Implementation Phase. If a Detailed Business Case for a project cannot be completed in time for the Annual Capital Plan and Budget Review, the Project Executive can decide to either defer/cancel the project or to proceed with the preparation of a Preliminary Business Case.

A Preliminary Business Case utilizes the same template as a Detailed Business Case; however, there is far less certainty surrounding the proposed Scope, Budget and Schedule.

The approval of a Preliminary Business Case merely sets a “preliminary budget” placeholder for a project in the Capital Plan and typically establishes an amount of Pre-implementation Funding to be released. The subsequent preparation and approval of a Detailed Business Case is required to establish the project’s approved Scope, Budget and Schedule and for associated full release of full project funding.

5.4 Emergent Projects / Contingency Business Cases

During the fiscal year, unexpected or unplanned events such as fires or major mechanical failures may occur or unique opportunities for Capital Projects may present themselves. To address these emergent occurrences for Capital Projects, the Project Executive may request access to capital funding through the preparation of a Contingency Business Case.

The preparation of a Contingency Business Case follows the same template and basic process as a Detailed Business Case, including the assignment of a Project Manager and Project Analyst. Once prepared and signed off by the Project Executive, a Contingency Business Case must be submitted to the CPBC for review and recommendation to the CEO for approval.

Note: Consistent with the Project Approval Hierarchy (Appendix 1), an Emergent Project with a proposed budget greater than \$5 million requires the approval of the Board of Directors. Emergent (contingency) projects also have lower thresholds for approval of budget amendments.

Note: Once an Emergent Project greater than \$5 million is specifically approved by the Board, it is no longer considered an Emergent Project under the Project Approval Hierarchy.

5.5 Capital Programs

Capital Programs involve the acquisition of multiple related assets over multiple fiscal years and are initially established through the development and approval of a Detailed Business Case. The establishment of a Capital Program can be particularly useful when there is a need to replace a relatively large number of smaller assets on an annual basis where the preparation of individual Detailed Business Cases would be unreasonable. Capital Programs are also established for groupings of large, related and complex expenditures that need to be examined and justified from a holistic point of view (e.g., the Vessel Sewage Treatment Program).

Detailed scope and budgets are approved and released for Capital Programs one fiscal year at a time. In the initial year of a Capital Program, the detailed scope and budget for Year 1 is identified in the Detailed Business Case while the preliminary scope and budget for future years of the program are also identified. Once a Capital Program has been established, a Detailed Program Request must be submitted to the CPBC in each of the subsequent years of the Program to seek approval of that year's detailed scope and budget.

Note: Once a Capital Program has been established through the submission and approval of a Detailed Business Case, **Program Request Forms** for subsequent years can be brief as long as the Requests are within the Preliminary Budgets previously established.

At the time of writing, current examples of Capital Programs included:

- Vessel Electronics Program;
- Catering Equipment Replacement Program;
- PC Evergreening Program;
- Server Evergreening Program;
- Printer Replacement Program;
- Heavy Vehicle Replacement Program;
- Light Vehicle Replacement Program; and
- FMU Equipment Replacement Program.

PART C: IMPLEMENTATION PHASE

A project enters the Implementation Phase following the approval of a Detailed Business Case. The Implementation Phase is comprised of the stages and requirements through which approved projects are constructed, acquired, managed, monitored, controlled and delivered.

This section covers:

- Decision Notification, Agreement and Activation;
- Project Management / Delivery;
- Project Amendments;
- Project Reporting / Monitoring; and
- Project Deferral / Cancellation.

6 DECISION NOTIFICATION, AGREEMENT AND ACTIVATION

6.1 Project Decision

Project Managers are notified of approved projects, and if there are any conditions attached to that approval. That notification will be made by way of an email from the Capital Planning Coordinator, Corporate Capital Planning Group. The email will include the Project Agreement Letter (discussed below), and the Work Breakdown Structure (discussed below), which are both required to be completed prior to project activation.

The Board reviews Capital Projects as part of the annual budget process. There are typically three possible decisions that the Board can make on a specific project:

1. Approve the project;
2. Approve the project subject to defined conditions; or
3. Do not approve the project.

Decisions will focus on the project's Scope, Budget, Schedule, Risks and any downstream outcomes. This demonstrates the importance of the Pre-Implementation Phase and the establishment of a comprehensive Detailed Business Case.

6.2 Project Agreement

After project approval is granted by the Board of Directors and prior to releasing full implementation funding, a Project Agreement Letter (PAL) is prepared by the CPBC. The PAL, typically referencing the approved Business Case, outlines the parameters and conditions upon which a project may proceed and forms a contract between the CPBC and the Project Owner and Project Manager.

The PAL ensures CPBC, the Project Owner and the Project Manager mutually agree upon the scope, budget, schedule and conditions of the approved project. This agreement can be particularly important in the event of a time lag or a change in the Project Executive since the preparation and approval of the Detailed Business Case.

The following is a link to the Project Agreement Letter template:

Project Agreement Letter Template

Note: If the parties do not agree with the terms and conditions within the PAL, a Project Amendment Form (PAF) must be completed by the Project Executive and submitted to for approval. See Section 8 for details on preparation and submission of a PAF.

6.3 Start-Up Meeting

At the discretion of the Project Executive, a start-up meeting can be held between the members of the Project Executive and the Project Analyst upon receipt of the PAL. Depending on the project, a representative from the Company's IT Department, Public Affairs Department or other departments not represented within the Project Executive may be invited. Start-up meetings can be particularly helpful in the following areas:

- Introductions between the different members of the Project Executive, Project Analyst, IT Representative, etc.;
- Review of the PAL; and
- Discussion of the need for the establishment of a Project Steering Committee and/or Working Committee and associated membership.

The value of a meeting increases if:

- A project is higher risk, complex and/or cross-functional in nature;
- There have been any changes to the project roles since the preparation of the Detailed Business Case; and/or
- Significant time has passed since the preparation of the Detailed Business Case.

6.4 Establishment of a Project Steering Committee

It is the responsibility of the Project Executive to identify the need for the establishment of a Project Steering Committee (or any associated working committee) and the terms of reference for any such committees.

In general, the need for a Project Steering Committee increases with the complexity and cross-functional nature of a project. A Project Steering Committee may be particularly necessary if the successful implementation of a complex project involves input from divisions or departments not represented by the members of the Project Executive.

Note: The existence of a Project Steering Committee does not relieve any members of the Project Executive from their accountability for successful project delivery as identified in this Framework. For this reason, the Chair of a Project Steering Committee is typically either the Project Owner or the Project Sponsor.

6.5 Work Breakdown Structure / Project Code Activation

Once the PAL is signed off by all parties, a Work Breakdown Structure (WBS) must be completed by the Project Manager and submitted to the respective Project Analyst, Corporate Capital Planning Group. In the case of a project with pre-implementation funding previously released, a revised WBS must be completed. Although the line items may vary, the total budget identified within the WBS must align with the project Budget from the approved Detailed Business Case. Ideally, the project Budget from the approved Detailed Business Case is simply a summary of a WBS which was first prepared by the Project Manager.

The following are links to the standard WBS Template which is modified by Project Managers as required:

Work Breakdown Structure (WBS) - IT Template

Work Breakdown Structure (WBS) – Ship Refit Template

Work Breakdown Structure (WBS) – Terminal Template

Work Breakdown Structure (WBS) – Vessel Template

Once a WBS is submitted, it is used to set up the project budget within Oracle Project Accounting (OPA).

7 MANAGEMENT AND DELIVERY

7.1 Range of Project Types / Implementation Procurement Strategies

The nature of Capital Projects varies widely at BC Ferries. The following are some examples of typical Capital Projects:

- Simple vehicle purchases and modifications;
- Marine structure replacement / refurbishment;
- Upland Terminal asset replacement / redevelopment / expansion;
- Building construction;

- Vessel component replacement;
- Vessel quarter / mid-life upgrade or life extension;
- New vessel construction;
- IT systems procurement / development; and
- Marketing initiatives with capital components.

Project implementation / procurement strategies associated with the management and delivery of the above project types can also vary widely and may involve:

- Simple Quote / Purchase;
- Direct Award;
- Request for Proposal / Formal Tender;
- Internal Design / Tender Construction;
- Design / Build; or
- Construction Management approach.

Capital Projects at BC Ferries are delivered utilizing any combination of internal and external resources.

Due to the wide range of Capital Projects and implementation / procurement strategies employed at BC Ferries, this Framework cannot (and is not meant to be) prescriptive in how the Project Manager and Project Executive manage the delivery of a project during the implementation stage. The Project Manager and other members of the Project Executive must utilize their experience, skills and project management best practices⁴ to deliver upon the approved project Scope, Budget and Schedule while appropriately identifying and mitigating project risks.

7.2 Managing within the Project Approval Thresholds

In managing the implementation stage of a project, the Project Manager/Project Executive are only authorized to make commitments that are within the Project Approval Thresholds and any conditions defined in the Project Agreement Letter.

If it becomes apparent that the approved scope, budget and/or schedule need to change, the Project Executive must prepare and submit a Project Amendment Form (PAF) to the CPBC. Details on the requirement and preparation of a PAF are outlined in Section 9. If there are concerns regarding the necessity of a PAF, the Project Executive should consult with the Project Analyst or the Manager, Corporate Capital Planning regarding whether a PAF is required. Once a PAF is approved by the CPBC,

⁴ BC Ferries recognizes fundamental project management best practices to be consistent with “A Guide to the Project Management Body of Knowledge” (PMBOK), Fifth Edition, Project Management Institute.

CEO and/or Board (consistent with the Project Approval Hierarchy as identified in Appendix 1), the Project Manager/Executive is authorized to proceed.

7.3 Managing Equipment Selection and Technical Decisions

There is often a debate between Project Managers and other parties about where the authority rests for making equipment selection and technical decisions within an approved project. A Project Manager must understand that they have “project management authority”; that is, the authority over all aspects of the management of the project. However, Project Managers do not have “technical authority”; line managers (within IT, Fleet Operations, Catering, Terminal Operations, Engineering, etc.) have the authority for technical decisions within BC Ferries.

As such, the Project Manager (and other members of the Project Executive), must ensure that equipment selection and technical decisions made during a project meet the following two tests:

1. That project decisions on technical matters meet the approval of the relevant technical authorities inside the Company.

At BC Ferries, line management are the technical authorities. This could be Fleet Operations for life saving equipment selection, Catering if selecting fabrics or galley equipment, or Engineering for selection of engines, pumps, alarm systems, etc. Therefore, the Project Manager must ensure their selections have appropriate line management approval.

2. That project decisions meet the Project Owner’s scope requirements.

It is important to understand that the project scope encompasses more than just quantity. It also encompasses quality, fitness for purpose, and adequacy. While the Project Owner does not have a “technical” approval role, they must be satisfied that the equipment or solution being proposed by the Project Manager meets their scope requirements in terms of function, fitness for purpose, quantity and quality. Therefore, the Project Manager must ensure the Project Owner has endorsed the decision being made.

Note: Securing both of the above approvals is made easier when the Project Manager has an inclusive and consultative selection process built into the project plan.

7.4 Managing within Relevant BC Ferries Policies outside the Framework

The Project Manager and other members of the Project Executive must follow all relevant corporate policies that reside outside of this Framework. At the time of writing, the most significant of these policies included:

- CEO Approval of Consulting Contracts/Services Policy
- Supply Chain Management Policies
- Contract Award
- Privacy Impact Assessment Policy
- IT Policies

Note: The forms and approvals associated with the above policies are outside this Framework and are therefore not managed through the CPBC. The sections below provide a highlight of these policies and associated links that were current at the time of writing. For this reason, Project Managers should always review the up to date policy and template links as they are located on the Corporate Intranet.

7.4.1 CEO Approval of Consulting Contracts/Services Policy

The Project Manager is responsible for hiring all project consultants (i.e., architects, engineers, interior designers, etc.) which includes establishing the evaluation criteria for their hire.

The CEO has issued a standing policy that all consulting services are to be specifically approved by the CEO prior to assignment. The following is a link to the associated approval form:

Approval of Consulting Contracts Form

7.4.2 Supply Chain Management Policies

Supply Chain Management maintains a number of Corporate policies that directly relate to the procurement of goods and services associated with Capital Projects including:

- Asset Disposal Program
- Shipboard Inventory
- Contract Management
- Supplier Records and Management
- Procurement of Goods and Services
- Purchase Initiation and Approval
- Warehouse
- Web Enabled Procurement
- Receipt of Purchased Goods & Services
- Segregation of Duties Procurement Process

It is essential that Project Managers familiarize themselves with these Supply Chain Management Policies and that the policies are appropriately followed.

The following is a link to the most recent Supply Chain Management policies as they are located on the Corporate Intranet:

Supply Chain Management Policies

7.4.3 Contract Award Policy

Consistent with the relevant Supply Chain Management policies, before awarding a contract, the Project Manager must seek and receive approval to award the contract from an Executive or other BC Ferries employee with the appropriate spending authority. Depending upon the magnitude of the contract, approval of the CEO and/or the Board of Directors may be required.

7.4.4 Privacy Impact Assessment Policy

The development of new services or applications or modifications to existing ones that collect, use or disclose customer and/or employee personal information must comply with the *Freedom of Information and Protection of Privacy Act* and BC Ferries' privacy policies and practices.

A Privacy Impact Assessment (PIA) must be completed for all projects, whether or not those projects involve personal information. This requirement is identified in the Detailed Business Case template. Once completed, the PIA is either attached as an appendix to the project's Detailed Business Case or otherwise sent to the Capital Planning Coordinator for inclusion in the Project File.

The following is a link to the BCF Privacy Impact Assessment (PIA) guidelines/form:

BCF Privacy Impact Assessment (PIA) Policy/Form

7.4.5 IT Policies

All projects involving IT systems development must follow the policies as identified in the link below:

BC Ferries: Information Technology, Project Management Office

7.5 Deferral or Cancellation of Approved Projects

If at any point in the Implementation Phase the Project Executive feels a project should be deferred or cancelled, a Deferral or Cancellation Form must be prepared and signed off. This form is to be forwarded for review and approval by the CPBC.

An approved project with minimal expenditures to date can be deferred for a maximum of one year. A deferral of more than one year requires project cancellation and subsequent resubmission of a Detailed Business Case for project approval.

Note: Project cancellations may result in the need for Accounting to write-off all (or a portion) of the project expenditures to date. Project Cancellation forms must accurately document any requirement for write-offs.

The following is a link to the Project Deferral or Cancellation template:

Project Deferral or Cancellation template

7.6 Change of Project Manager or Project Owner

Where possible, changes to Project Managers and Project Owners should be avoided; this is particularly true during Project Implementation. However, turnover and evolving business needs sometimes necessitate a change in these key members of the Project Executive.

7.6.1 Change to Project Manager

As per the original assignment of a Project Manager, a change in Project Managers must be approved according to the table in section 3.3.

The new Project Manager is required to review and accept the parameters and conditions outlined in the Detailed Business Case, Project Agreement Letter and any other documentation related to the project (including subsequent Project Amendments).

If the new Project Manager is NOT in agreement with any of the approved parameters and conditions of a project as identified in the Detailed Business Case, Project Agreement Letter and any subsequent Project Amendments, a PAF is required.

Note: There is no formal template for a change to Project Manager. As such, it is the responsibility of the new Project Manager to ensure that the Project Owner, Project Analyst and Capital Planning Co-ordinator are appropriately notified of the change.

7.6.2 Change to Project Owner

A change to the Project Owner, at any point during the lifecycle of a project, must be approved by the Project Sponsor.

If the new Project Owner is not in agreement with any of the approved parameters and conditions of a project as identified in the Detailed Business Case, Project Agreement Letter and subsequent Project Amendments, a PAF is required.

Note: There is no formal template for a change to Project Owner. As such, it is the responsibility of the new Project Owner to ensure that the Project Manager, Project Analyst and Capital Planning Co-ordinator are appropriately notified of the change.

8 PROJECT AMENDMENTS

Project Amendments are the mechanism by which the approved parameters of a project (primarily Scope, Budget and Schedule), as identified in the Detailed Business Case and Project Agreement Letter, can be formally amended. Project Amendments can also be prepared to request a change to the conditions placed upon a project or in recognition of a change to the downstream benefits or costs associated with the project's implementation.

The Project Executive can only make project related commitments that are within the approved parameters of a project and within the approval thresholds for the Project Executive as identified in Appendix 1.

Note: Project Amendment Forms (PAFs) must be prepared, submitted to the CPBC and approved at the appropriate level prior to a Project Manager committing to any changes that are outside the approval thresholds of the Project Executive.

The following is a link to the Project Amendment Form (PAF) template:

Project Amendment Form (PAF) Template

8.1 Budget PAFs and Thresholds

Budget PAFs formally amend the approved budget for a project and may also be paired with a requested scope and/or schedule change.

The requirement for preparation of a Budget PAF and the required approval level varies based on whether a project has a budget greater than or less than \$15 million and whether a project was approved on a contingency (or emergent) basis.

Details on approval thresholds are outlined in Appendix 1.

A PAF must be prepared if commitments are expected to bring the forecast cost above \$5 million as these PAFs must be specifically approved by the Board of Directors.

8.1.1 Budget PAF Threshold: Approved Budget Less than \$15 million

A PAF is not required if:

- The negative budget variance is less than \$50,000; or
- The negative budget variance is less than 5% of the approved project budget and under \$250,000.

Despite the above, a PAF must be prepared if commitments are expected to bring the forecast cost of the project above the \$15 million mark as these PAFs must be specifically approved by the Board of Directors.

8.1.2 Budget PAF Threshold: Approved Budget Greater than \$15 million

A PAF is not required if:

- The negative budget variance is less than 5% of the approved project budget to a maximum of \$500,000.

8.1.3 Budget PAF Threshold: Project approved on a Contingency (Emergent) Basis

A PAF is not required if:

- The negative budget variance is less than \$50,000; or
- The negative budget variance is less than 5% of the approved project budget and under \$250,000.

Despite the above, a PAF must be prepared if commitments are expected to bring the forecast cost above the \$5 million mark as these PAFs must be specifically approved by the Board of Directors.

8.2 Scope PAFs and Thresholds

Scope PAFs are required for all projects in the event the Project Executive requests a material change to the approved scope as identified in the Detailed Business Case. A material change to approved scope can involve a scope increase or decrease and typically involves a change to the functional requirements of the Capital Project.

- Scope PAFs may or may not be paired with a requested budget and/or schedule change.
- Scope PAFs may or may not involve an options analysis similar to that in the Business Case template.
- Scope creep and scope management is a significant concern with all projects. Scope PAFs are absolutely required even if a material change to the project scope can be accommodated within the project budget.

Note: If the Project Executive are uncertain whether a contemplated change to scope is material or not (requiring a Scope PAF or not), the question should be brought to the attention of the Project Analyst for decision by the Manager, Corporate Capital Planning.

8.3 Schedule PAFs and Thresholds

Schedule PAFs are required in the event of a material change (or contemplated change) to the project's schedule. The significance of a schedule PAF can vary widely depending on inter-dependencies with the approved project schedule. In some cases, a two week delay in a project's Available for Use date can have significant and costly impacts on other projects or operations. In general, schedule PAFs are prepared in the event a project's Available for Use date is expected to vary one month or more past the approved timeframe.

Note: Schedule PAFs with no Capital Budget, Operating Budget and/or Scope implications can generally be abbreviated down to one page.

8.4 PAF Preparation

The Project Manager generally completes the PAF with the assistance of the Project Analyst and Project Owner. Prior to submission to the CPBC, the PAF must be independently reviewed for completeness by the Manager, Corporate Capital Planning and reviewed/signed by each member of the Project Executive.

8.4.1 Board Approval Timelines

Depending on the magnitude of the PAF, approval by the CEO or Board of Directors may also be required, as identified in Appendix 1.

The Project Executive and Project Analyst must pay particular attention to the required timelines for PAFs that will require Board of Directors' approval. Board meetings are typically held quarterly and have a mail out date of three weeks prior to the meeting. Submission of a PAF to the CPBC and subsequent review by the CEO is required prior to a PAF being submitted to the Board.

For example, submission of a PAF for decision to a Board meeting held in early June requires mail out in mid-May (3 weeks prior). This would require submission of the PAF to the CPBC in mid/late April for review at the scheduled end of the April CPBC meeting.

8.5 PAF Approval Notification

If the PAF is approved, the CPBC (through the Capital Planning Co-ordinator) will inform the Project Executive via e-mail.

In the case of an approved budget amendment, the Project Manager must submit a revised WBS to their respective Project Analyst to allow for the revised budget to be updated and reflected within Oracle Project Accounting (OPA).

If the PAF is not approved, the Project Executive are informed by the Capital Planning Co-ordinator and will have to decide whether to:

1. Reissue a revised PAF;
2. Comply with the original Project Agreement Letter/Detailed Business Case; or
3. Cancel or defer the project.

There exists the potential for a project to be delayed as a PAF is cycled within the CPBC/Project Executive loop. This cycle will continue until all the parties are in agreement.

9 REGULAR PROJECT REPORTING

Regular project reporting begins as soon as a Capital Project number is activated; this is typically when pre-implementation funding for a project is released. There are two types of regular project reporting associated with this Framework:

1. Capital Progress Reports; and
2. Detailed Project Reports.

Regular project reporting is essential to monitoring Scope, Schedule, Budget and Project Risks at an individual project level. Regular project reporting is also used collectively to establish and report against the overall capital expenditure budget. Regular project reporting is utilized in the preparation of the Capital and Major Operating Projects (CMOP) report which is prepared for the CPBC on a monthly basis and is prepared for the Board of Directors on a quarterly basis.

9.1 Capital Progress Reports (CPRs)

CPRs are completed by Project Managers on a monthly basis for all active Capital Projects. The requirement to complete CPRs begins as soon as a project number is activated (either in the Pre-Implementation Stage or the Implementation Stage) and is required up until the point a project is formally closed out (or cancelled).

The CPR reports are completed by Project Managers each month in the Contributor system and provide details of actual/accrued expenditures to date. Each CPR highlights the project budget, whether the budget is approved or preliminary, and the released amount of the project budget.

- Project Managers provide forecasts to completion and comment on any material issues relating to Scope, Schedule, Budget or Risk/Risk Mitigation.
- Project Owners are required to review CPRs for their projects on a monthly basis and either “accept” or “not accept” the report. Acceptance is managed on an exception basis, and any CPRs that are not accepted by the Owner are included in the Issues List provided to the CPBC at its monthly meeting.

The following is a link to a presentation that provides detail regarding the process of preparing and submitting a monthly CPR:

Presentation on Preparing and Submitting CPRs

CPRs are typically required to be completed by Project Managers within three business days after access is provided to CPRs in Contributor. It is the Project Manager’s responsibility to ensure the continuity of the CPR reporting process in the event of travel, vacation, sickness, etc.

9.2 Detailed Project Reports

During the Implementation Phase, Detailed Project Reports are required to be prepared on a monthly basis for projects with a “Class A” risk classification and on a quarterly basis for projects with a “Class B” risk classification. The Detailed Project Reports are completed by Project Managers and reviewed by Project Owners. Per the standardized template, these reports are focused on Scope, Budget, Schedule and Risk/Risk Mitigation.

- Project Risk classifications are typically determined within the Detailed Business Case by a system that considers a combination of both risk and cost. Project Risk classifications can also be assigned by the CPBC, the CEO or the Board.
- The requirement to complete a Detailed Project Report begins when a project enters the “Implementation” phase or as otherwise requested by the CPBC. Unless otherwise requested, Class “A” and “B” Detailed Project Reports are required up until the point a project is identified as Available for Use (see Section 11).

The following is a link to the Detailed Project Report template:

Detailed Project Report Template (Class A/B Report)

9.3 Capital and Major Operating Projects Report

Project reporting is an important input in the preparation of the Capital and Major Operating Projects (CMOP) report which is prepared for the CPBC on a monthly basis and the Board of Directors on a quarterly basis. The CMOP report identifies the status of capital spending against the overall Capital Expenditure Budget for the fiscal year and identifies and explains significant individual project budget and forecast variances. Also, any operating expenses incurred by the project will be included in this report. Accurate, timely information, as provided in the monthly CPRs and Detailed Progress Reports, is essential to the preparation of the CMOP report.

PART D: POST-IMPLEMENTATION PHASE

The Post-Implementation Phase measures the performance of the project management process by evaluating the actual project outcome against the originally-intended outcome as outlined in the approved Detailed Business Case. Lessons learned by members of the Project Executive are also identified for the benefit of ongoing or future projects of a similar nature.

The Post-Implementation Phase evaluates the actual project outcome against the originally approved/intended outcome. There are three sub-sections within the Post-Implementation Phase:

- Available for Use Reports and Project Closeout Requests;
- Post Project Benefits Realization Review; and
- Formal Post Implementation Reviews.

10 AVAILABLE FOR USE REPORTS AND PROJECT CLOSEOUT REQUESTS

10.1 Available for Use Reports

At the time the asset(s) associated with a Capital Project is/are recognized as being Available for Use, the Project Manager, with the assistance of the Project Analyst and Project Owner, must prepare an Available for Use Report. The Available for Use Report must be signed off by all members of the Project Executive and forwarded to the CBPC for information.

The Available for Use Report marks the point at which the responsibility for the asset is formally transferred away from the Project Manager to the Project Owner(s). It is the Project Owner who is then accountable for the ongoing asset operation, maintenance and benefits realization. However, the Project Manager remains responsible for resolving any outstanding deficiencies and all outstanding financial commitments to the satisfaction of all members of the Project Executive.

Note: To facilitate the asset transfer process referred to above, it is strongly recommended that a sign-off process (including a written checklist) be developed and agreed to between the members of the Project Executive.

The Available for Use Report compares the approved Scope, Budget, Schedule and expected outcomes of the project with the final outcome and determines the success of the project. The Available for Use Report is also a key flag for BC Ferries' Accounting Department to begin amortizing the asset according to IFRS and for Interest During Construction (IDC) charges to the project to cease.

Additionally, the Available for Use Report:

- Identifies any outstanding issues, deficiencies, or work required to be completed prior to Project Closeout.
- Can revise the approved Closeout date for a project;
- Identifies all outstanding project invoices and when they will be paid;
- Identifies any further requirement for a Project Benefits Realization (PBR) review (see Section 12); and
- Documents any material lessons learned by the Project Executive and Project Analyst over the course of the project. The lessons learned, as documented within Available for Use reports, can be referenced by Project Managers, Project Owners and Project Analysts when contemplating future Capital Projects, developing Business Cases, preparing project plans, etc.

The following is a link to the Available for Use Report template:

Available for Use Report Template

Note: If all outstanding invoices have been paid and deficiencies addressed, an Available for Use Report can be combined with the Project Closeout Request (see section 11.3).

10.2 Partial Available for Use Forms

In the event that a Capital Project involves a number of individual Capital Assets being brought into service at different times, Partial Available for Use Forms must be prepared during the Implementation phase of the project. This supports the requirement of the Accounting Department to recognize these Capital Assets as Available for Use and to begin amortizing their respective costs.

Preparation of a Partial Available for Use Report is a combined effort between the Project Manager, the Project Owner, the Project Analyst and the Accounting Department.

These forms are submitted to the Accounting Department and to the CPBC for information. The following is a link to the Partial Available for Use Form template:

Partial Available for Use Form Template

Note: The need for Partial Available for Use Forms is particularly common when a project involves the implementation of multiple assets across various terminals, vessels and/or other geographic locations.

10.3 Project Closeout Requests

When all the outstanding invoices have been paid, commitments closed, and deficiencies addressed to the satisfaction of the members of the Project Executive, the Project Manager must complete a Project Closeout Request (PCR). This form is signed off by all members of the Project Executive and forwarded to the CPBC for information. When the PCR is accepted by the CPBC for information, the project code number and file will be closed and all Regular Project Reporting ceases.

Before the submission of a Project Closeout Request, the Project Manager and Project Analyst must ensure that all commitments are closed in Oracle Project Accounting (OPA).

The following is a link to the Project Closeout Request template:

Project Closeout Request Template

10.4 Project Closeout Meeting

At the discretion of the Project Executive, a Project Closeout Meeting is recommended for all projects which involved a Steering Committee or had risk classifications of “A” or “B”. The focus of the Project Closeout Meeting is on lessons learned that can be applied by each member of the Project Executive (or their colleagues) in identifying, planning and implementing projects of a similar nature in the future.

Other issues for discussion could include:

- The organization for a future review of project benefits (fuel savings, labour savings, etc.) which could not be fully ascertained at the time of the Available for Use Report / Project Closeout (see Section 12 below); and/or;
- The potential for future involvement of the Project Manager in the event that warranty issues arise (or are ongoing) that cannot be realistically handed off to the asset operators / line managers reporting to the Project Owner.

11 PROJECT BENEFITS REALIZATION (PBR) REVIEW

A PBR is a review of one-time or ongoing project benefits or costs that could not be fully ascertained at the time of the Capital Asset being brought into service. This situation can be relatively common amongst internal payback projects or any project that had operating budget implications identified as part of the approved Business Case or subsequent approved PAFs.

Besides quantitative financial implications, there could be quantitative or qualitative customer service, environmental or other implications from the Business Case or subsequent PAF(s) that need to be confirmed for the project to ultimately be considered a success.

Besides holding the Project Owner and Project Sponsor accountable for the realization of Business Case / PAF benefits, the PBR is of direct benefit to the development or identification of future projects of a similar nature.

The need for and expected timing of a PBR is identified within the Available for Use Report. The PBR report is jointly prepared by the Project Analyst and Project Owner, must be signed off by the Project Sponsor and is submitted or presented to the CPBC for information.

Note: A specific template for PBR reports has yet to be developed.

12 FORMAL POST-IMPLEMENTATION REVIEW

Objective

A Post Implementation Review (PIR) is a formalized review of a project after completion to determine:

- Whether the intended corporate and project objectives were met;
- What went right, what went wrong; and
- Any lessons learned so that mistakes are not repeated and processes and procedures are improved.

Requirement

Any project may be subject to a PIR with the emphasis being on projects greater than \$5 million and large internal payback projects. Additionally, a PIR may be specifically requested by the CPBC, the Chief Financial Officer, the CEO, or the Audit & Finance Committee of the Board.

The PIR should be conducted within 15 to 24 months after the project is completed and formally handed over to the Project Owner(s).

Internal Audit's Role

PIRs are carried out under the direction of the Internal Audit department. Internal Audit ensures the PIR is undertaken by a qualified individual or entity (internal or external) that is independent of the project to ensure there is no bias.

PIR Review

All PIRs are forwarded to the CPBC for review.

PIRs conducted for projects greater than \$5 million and with a risk classification of moderate or high must be forwarded to the Audit and Finance Committee of the Board of Directors. In addition, the CPBC may recommend that other PIRs be forwarded to the Audit and Finance Committee.