British Columbia Ferry Services Inc.

Performance Term Six Submission

September 30, 2022

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Caution Regarding Forward-Looking Statements

This report contains certain "forward looking statements". These statements relate to future events or future performance and reflect management's expectations regarding the company's growth, results of operations, performance, business prospects and opportunities, financial and business risks, and industry performance and trends. They reflect management's current internal projections, expectations or beliefs and are based on information currently available to management. Actual results may differ materially from any forward looking statement. Although management believes that the forward looking statements contained in this report are based upon reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this report, and the Company assumes no obligation to update or revise them to reflect new events or circumstances except as may be required by applicable law.

Executive Summary

British Columbia Ferry Services Inc. ("BC Ferries" or the "Company") makes this submission to provide information to assist the British Columbia Ferries Commissioner (the "Commissioner") in establishing the price caps for Performance Term Six.

The fares BC Ferries charges for core ferry services are regulated by the Commissioner in accordance with the *Coastal Ferry Act* (the "Act"). Every four years, the Commissioner establishes a price cap for each route group specified in the Coastal Ferry Services Contract (the "CFSC") between BC Ferries and the Province of British Columbia (the "Province") for the ensuing four-year performance term. The price cap is the maximum permitted ceiling of average ferry fares for each route group in that performance term.

This submission includes the following:

- **Overview of BC Ferries:** The Introduction and Section 1 of this submission provides background information and context for how planning and decisions are carried out at BC Ferries.

- **Performance Term Five:** Section 2 reviews the current performance term and responds to the information requirements of sections 40(1)(a) to (e) of the Act. It provides an overview of the ferry services the Company has provided and expects to provide in Performance Term Five (April 1, 2020 – March 31, 2024) ("PT5") in relation to each regulated ferry route.

- **Performance Term Six Outlook**: Section 3 focuses on the next performance term (April 1, 2024 to March 31, 2028) ("PT6"). It includes details related to BC Ferries Capital Plan (fiscal 2023 through fiscal 2034)[1] in accordance with the specific information requirements of section 64.1(1) of the Act and provides information on the capital expenditures the Company anticipates incurring over the next 12 years. It also discusses efficiency improvements in accordance with section 40(1.1) of the Act.[2]

An overview of the Company's current environment, key focus areas and strategies going forward, as well as BC Ferries' Traffic Demand Forecast (fiscal 2023 through 2034), are included as additional information to help inform the price cap determination.

[1] Fiscal years at BC Ferries are from April 1 to March 31.

[2] Other performance terms discussed in this submission are:
Performance Term Three (April 1, 2012 – March 31, 2016) ("PT3")
Performance Term Four (April 1, 2016 – March 31, 2020) ("PT4")
Performance Term Seven (April 1, 2028 – March 31, 2032) ("PT7")
Performance Term Eight (April 1, 2032 – March 31, 2036) ("PT8")

Section 1 - Overview of BC Ferries

This section provides as overview of BC Ferries' Strategic Plan, as well as the role of the Commissioner and the CFSC in BC Ferries' governance.

1.1 Strategic Vision, Mission and Goals

BC Ferries has been providing safe and efficient travel throughout the west coast of British Columbia for over 60 years. The Company began operations in 1960 with two vessels on a single route. It now operates one of the largest and most complex ferry systems in the world, with 4,700 employees (during peak season) providing services along 25,725 kilometres of BC coastline,[3] home to approximately 3.97 million residents,[4] on 25 coastal ferry routes using 39 vessels and 47 terminals. In fiscal 2022, BC Ferries safely transported 17.9 million customers and 8.5 million vehicles on a total of 82,742.5 round trips – or about 450 sailings per day.

BC Ferries is an essential transportation service that connects people and coastal communities, and supports the provincial economy, ensuring the movement of essential goods and services, and supporting tourism, agriculture and other industries.

BC Ferries understands that its ferry services are often the only available transportation linking people and communities to employment, education and essential services. As such, the Company undertakes a comprehensive planning process, including an annual risk assessment, to ensure it remains focused on what is important to its customers and the communities it serves. To understand what is important, the Company's strategic planning process begins by engaging Indigenous and coastal communities as well as key stakeholders, including employees, customers, municipalities, the provincial government, ferry advisory committees, the business and commercial sector, and other groups that can inform the delivery of services. This feedback helps shape a Strategic Plan intended to set the direction of the Company.

The current Strategic Plan reflects approaches that will enable BC Ferries to stay focused on protecting core operations as it recovers from the impact of the pandemic. At the same time, the Company's vision remains constant: BC Ferries strives to be trusted and valued while delivering its mission of connecting communities and customers to the people and places important in their lives:

[3] HelloBC.com BC Fact Sheet, https://www.hellobc.com/content/uploads/2019/04/TM_BCFactSheet.pdf.

[4] Statistics Canada, 2021 Census of Population, comprised of the economic regions of Vancouver Island and Coast, Lower Mainland – Southwest and North Coast. https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/prof/search-recherche/lst/results-resultats.cfm?Lang=E&GEOCODE=59.

OUR VISION	OUR VALUES
Trusted, Valued **OUR MISSION** We connect communities and customers to people and places important in their lives.	**Safe**: Safety is our highest value. ***Caring****:* We operate from a position of kindness and empathy for those who travel and work with us. ***Honest****:* We conduct business with integrity, honesty and accountability. ***Collaborative****:* We collaborate with others to enhance the customer experience. ***Respectful****:* Respect is paramount in our interactions with others. ***Sustainable****:* Our environment, social and economic impact are central to business decisions.

OUR GOALS Our strategic goals set the direction for all activities at BC Ferries.

Goal 1: Customer and Community Centred

BC Ferries places customers along with coastal and Indigenous communities at the centre of everything we do. We provide a safe, reliable and affordable travel experience in the public interest. We give back to coastal communities where we live and work.

We continue to build a customer-focused culture across all levels of the organization. We seek to work collaboratively with coastal and Indigenous communities through our outreach activities and ensure they have input into the decisions that impact them most. We make investments to ensure a satisfying and consistent customer experience.

Goal 2: Focused on Core Operations

Safe, reliable, efficient services delivered responsibly at the contracted levels are the cornerstone of the public interest. We ensure the vital flow of workers, goods and services. We are focused on the changing needs and realities of those who travel with us. We continue to explore efficiency-enhancing processes and technologies, train employees and deliver a consistently safe customer experience.

Goal 3: Supporting our Employees

We create a diverse culture and inclusive workplace where people want to work and remain throughout their careers in safe, productive, competitive and high skilled employment. We hire locally where we can and invest in developing and supporting the people that make our Company a global leader in marine transportation.

Goal 4: A Leader in the Transition to a More Sustainable Future

Our relationship with the natural environment is important. We strive to be one of the most sustainable large-scale ferry operators in the world. We employ our resources, services and relationships in recognition of our responsibility to invest in climate change initiatives and reduce our impact on the natural environment.

Goal 5: Manage Our Company Well

We continue to expend significant effort to lower costs, manage risks and innovate. We manage financial sustainability and prudent asset management in the public interest. We use our knowledge and technology to enhance employee learning, customer experience, asset investment, and management.

BC Ferries' Capital Plan emphasizes system capacity, operational efficiency, resiliency, and flexibility. Our Customer Experience, Information Technology, Fleet and Terminal Network Master Plans guide our long-range capital investments to deliver financial sustainability and fare affordability.

1.2 Governance

BC Ferries is an independent regulated ferry service contractor serving the public interest through the provision of essential coastal ferry services. BC Ferries operates as a "ferry operator" under a regulatory regime established by the Act, and under the terms set out in the CFSC.

1.2.a British Columbia Ferries Commissioner

The Office of the British Columbia Ferry Commission was created under the Act on April 1, 2003. Section 38 of the Act specifies that the Commissioner must undertake the regulation of ferry operators in the public interest in accordance with the following principles:

- The primary role of the Commissioner is to balance the interests of ferry users, taxpayers, and the financial sustainability of ferry operators;
- Ferry operators are to be encouraged to meet provincial greenhouse gas emission targets in their operations and when developing capital plans; and
- Ferry operators are to be encouraged to be innovative and to minimize expenses without adversely affecting their safe compliance with core ferry services.

The Commissioner's responsibilities include:

- Establishing price caps for designated ferry route groups for the purpose of regulating tariffs;
- Monitoring BC Ferries' services provided on regulated ferry routes under the CFSC;
- Regulating the reduction of service and discontinuance of routes;
- Determining if fuel deferral accounts are required;
- Authorizing major capital expenditures;
- Conducting performance reviews;
- Regulating competitive services to determine if an unfair competitive advantage exists; and
- Approving the customer complaints process.

With respect to ferry tariffs, every four years the Commissioner establishes a price cap for each route group specified in the CFSC for the ensuing four-year performance term. BC Ferries is making this submission in accordance with Section 40 of the Act to provide information to assist the Commissioner in establishing the price caps for PT6.

1.2.b Coastal Ferry Services Contract

BC Ferries provides ferry services to coastal British Columbia under the terms set out in the CFSC, and in return receives specified fees from the Province (ferry transportation fees). BC Ferries also receives an annual amount from the Province based on its agreement with the Government of Canada to fulfill the obligation of providing ferry services to coastal British Columbia. The CFSC, originally signed in 2003, is a binding 60-year agreement that is reviewed and updated at regular intervals (performance terms). The CFSC was also amended during PT5 in response to the impacts of the novel coronavirus ("COVID-19") pandemic (see section 2.2 – 'COVID-19.')

Regulated Ferry Routes and Definition of Core Service Levels

The CFSC requires BC Ferries to operate the system in a manner that complies with, or exceeds, the minimum core service levels in relation to the 25 regulated ferry routes. In PT5, ferry transportation fees have been paid to BC Ferries by the Province for the round trips delivered to meet the core service levels on each of the regulated ferry routes, with the exception of the major routes. The major routes comprise the three routes connecting Metro Vancouver with mid and southern Vancouver Island, as well as the route connecting Horseshoe Bay and Langdale.

Under the CFSC, BC Ferries also receives an annual amount from the Province based on its agreement with the Government of Canada to fulfill the obligation of providing ferry services to coastal British Columbia.

At the commencement of PT3, the regulated ferry routes in the CFSC had been arranged into three route groups, as shown in Table 1. The CFSC was then amended during PT3 to consolidate all regulated ferry routes into a single route group. This revised grouping has been extended to the end of PT5. In

the absence of any further amendment to the CFSC, the route group structure in PT6 will revert back to the structure in place at the commencement of PT3.

Table 1 - Listing of Regulated Ferry Routes

ROUTE GROUPINGS	REGULATED FERRY ROUTES	
Route Grouping 1	MAJOR ROUTES 1 2 3 30	 Tsawwassen – Swartz Bay Horseshoe Bay – Nanaimo Horseshoe Bay – Langdale Tsawwassen – Nanaimo
Route Grouping 2	NORTHERN ROUTES 10 11 28	 Port Hardy – Prince Rupert Prince Rupert – Skidegate Port Hardy – Mid Coast – Bella Coola
Route Grouping 3	MINOR ROUTES 4 5 6 7 8 9 12 13 17 18 19 20 21 22 23 24 25 26	 Swartz Bay – Salt Spring Island Swartz Bay – Outer Gulf Islands Crofton – Salt Spring Island Saltery Bay – Earls Cove Horseshoe Bay – Bowen Island Tsawwassen – Gulf Islands Brentwood Bay – Mill Bay Langdale – Gambier Island – Keats Island Comox – Powell River Powell River – Texada Island Nanaimo Harbour – Gabriola Island Chemainus – Thetis Island – Penelakut Buckley Bay – Denman Island Denman Island – Hornby Island Campbell River – Quadra Island Quadra Island – Cortes Island Port McNeill – Alert Bay – Sointula Skidegate – Alliford Bay

The minimum core service levels on each of the regulated ferry routes are set out in Schedule A to the CFSC. In relation to a regulated ferry route, these levels are generally defined as:

- The minimum number of round trips to be delivered in a contract year and in relation to routes 1, 2, 3 and 30, the aggregate minimum number of round trips to be provided per contract year between those routes;
- The minimum hours of operation;
- The minimum number of round trips per day; and
- Capacity provided will be sufficient to carry the previous year's traffic.

Social Programs

The CFSC requires BC Ferries to provide discounts at the levels specified to passengers travelling on the regulated ferry routes under its provincial social programs, including students, persons with disabilities and those travelling under the Medical Travel Assistance Program. The CFSC provides that BC Ferries be reimbursed for foregone tariff revenue associated with travel under these programs. (Further information on the social program discounts, as well the provision of discounts for BC Seniors,[5] is provided in Section 2.5.d – 'Service Fees.')

Service Disruptions

Core service levels in relation to each regulated ferry route include an allowance for short-term temporary service disruptions for specific circumstances as described in the CFSC, such as vessel or dock breakdowns, situations that compromise safety, tasking of vessels for emergency response and bad weather. Except as permitted by the CFSC, BC Ferries cannot reduce service on a regulated ferry route below the core service level specified in the CFSC for that route, unless authorized by the Commissioner pursuant to sections 42 to 44 of the Act.

[5] Seniors who are 65 or older who produce a valid BC Gold Carecard or BC Services Card.

Section 2 - Performance Term Five

In support of the establishment of price caps for PT6, and in accordance with section 40(1) of the Act, the following section provides information on actual performance to date and reasonable expectations of performance for the balance of PT5.

2.1 BC Ferries' PT5 Forecast Financial Performance

The following table provides an overview of actual performance for fiscal 2021 and fiscal 2022, with forecast performance for fiscal 2023 and fiscal 2024. This performance reflects the financial impact and responding actions of COVID-19, the impact of talent availability challenges, and efficiency improvements accomplishments.

Table 2 - PT5 Operating Performance ($ Millions)

Operating Performance	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Revenues	679.3	863.0	*1,013.0*	*1,064.1*
Contribution Agreement Funding	186.0	102.3	*11.5*	*8.1*
Total Revenues	**865.3**	**965.4**	***1,024.5***	***1,072.2***
Operating Expenses	600.3	694.7	*793.9*	*828.7*
EBITDA	**265.0**	**270.7**	***230.6***	***243.5***
Net Financing	56.0	56.0	*58.2*	*57.2*
Amortization	179.5	173.3	*179.9*	*187.4*
Loss (Gain) on Disposal	8.5	7.3	*0.2*	*0.0*
Net (Loss) Earnings	**21.0**	**34.1**	***(7.6)***	***(1.1)***

Numbers may not add due to rounding

2.2 COVID-19

BC Ferries' PT5 actions and financial performance were directly affected by the COVID-19 outbreak, which was declared a pandemic by the World Health Organization on March 11, 2020. BC Ferries put in place preventative measures and travel restrictions imposed by the BC Health Authority, Transport Canada, WorkSafeBC and others. These travel restrictions, which for a time denied travel to customers travelling for nonessential reasons, were in place until late mid June 2021.

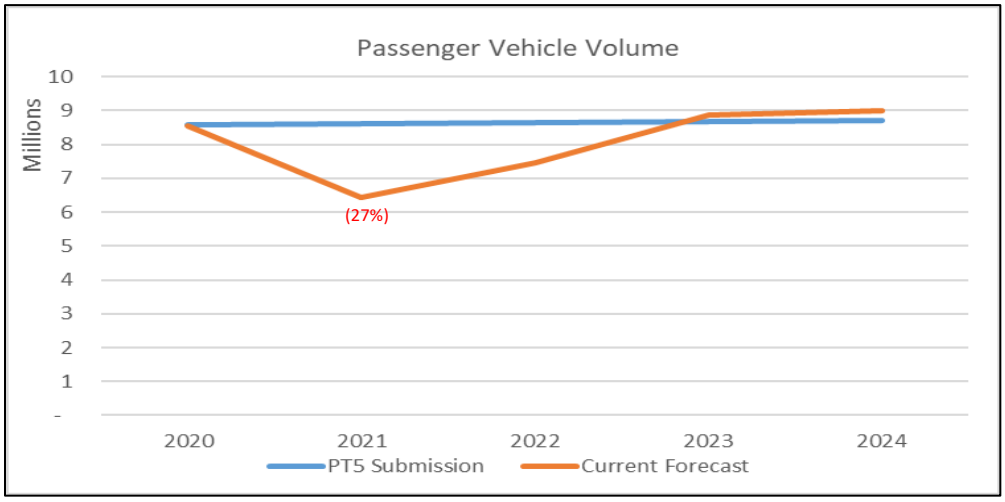
Due to the significant hardship businesses and individuals were facing at the height of the pandemic, the Company's Board of Directors deferred implementing the fare increase allowed for fiscal 2021. BC Ferries also responded by deferring $578 million in capital investments up to five years, and reducing

all non-essential spend by $72 million until traffic returned. These actions, along with the receipt of $308 million in Safe Restart Funding resulting from the formation of a joint task force between BC Ferries and the Province (see section 2.2.b – 'Planning Framework and Contribution Agreement'), assisted in limiting the immediate financial effects of the pandemic on the coastal ferry system.

BC Ferries' traffic forecasts for the purposes of PT5 price cap determination assumed traffic levels would remain at roughly fiscal 2020 levels throughout the four years of the performance term. However, the scale and rate of traffic decline associated with COVID-19 was unprecedented. During fiscal 2021, BC Ferries experienced a 42 percent decrease in passengers and 27 percent in vehicles as compared to levels forecast in BC Ferries' PT5 submission. These levels improved to decreases of 21 percent in passengers and 13 percent in vehicles during fiscal 2022 as COVID-19 related pressures abated. The Company expects continued improvement, with expected vehicle volumes to be slightly (2.8 percent) above volumes anticipated for fiscal 2024 in the PT5 submission. Passenger levels are slower to return with fiscal 2024 forecast 6 percent lower than PT5 expectations.

Figure 1 illustrates the PT5 price cap determination expected traffic levels compared to current forecast levels:

Figure 1 - Passenger Vehicle Volume in PT5 Submission and Current Forecast



While vehicle and passenger traffic is largely returning, the social and economic implications of COVID-19 have resulted in several longer lasting impacts that are affecting BC Ferries' financial results and are causing considerable upward pressure on fares, including significant lifts in housing prices, inflation and labour shortages. During this time, BC Ferries has expanded fare options to customers, designed to enable more people access to its services, and implemented key efficiency improvements. While impactful, these initiatives have been overshadowed by the sheer magnitude of the effects of the pandemic.

2.2.a COVID-19 Temporary Service Level Adjustment Agreements and Minor Routes Agreement

As a result of the COVID-19 pandemic, BC Ferries immediately faced significant decreases in traffic, with corresponding declines in revenue, earnings, and cash from operations. In response, the Ministry of Transportation and Infrastructure and BC Ferries agreed to amend the CFSC on April 4, 2020 for a 60-day period. These amendments included:

- Suspension of Route 2 service;
- Suspension of Route 12;
- Reductions to daily minimum round trips and hours of operations on Routes 1, 3 and 30;
- Reductions to the minimum weekly round trips provided on the Northern Routes; and
- Effective combination of Routes 5 and 9, with departures from Swartz Bay.

Effective June 3, 2020 the CFSC was amended a second time, updating reduced service levels through to September 7, 2020, including restoring service on route 2 at a reduced level and maintaining procedures to ensure priority loading for residents and essential goods, service and workers under Ministerial Order M084. These amendments included an expectation that as traffic levels increase BC Ferries would make reasonable efforts to increase service levels to ensure the travel needs of British Columbians continued to be served.

On June 18, 2020, the CFSC was further amended to deliver supplemental round trips on specified minor routes from June 19 to September 7, 2020. These are the regulated ferry routes primarily serving the northern and southern Gulf Islands and the northern Sunshine Coast. BC Ferries received a payment for this additional service.

2.2.b Planning Framework and Contribution Agreement

A task force was established with leadership from BC Ferries and the Province to collaborate on understanding the operating and financial implications of COVID-19 to the ferry system. In early August 2020, BC Ferries received confirmation it would be eligible to receive funding to assist in mitigating the impact of COVID-19 as part of the Safe Restart Agreement between the federal and provincial government.

To aid the decision of how much funding was needed, on September 10, 2020 BC Ferries provided the Province with its *COVID-19 Planning Framework* ("Framework"). The Framework described the impact of COVID-19 and actions taken to date, along with a planning framework estimating ongoing impacts and the steps the Company would take to protect essential service while preserving the operational and financial capability of the coastal ferry system through the balance of PT5.

The Framework also provided a base, low, and high outlook of the Company's financial performance through to the end of PT5. The base outlook projected net losses of $285 million, consisting of

$447 million in projected revenue losses, offset by the deferral of $578 million in capital spend, and the reduction of all non-essential spend by $72 million. These results did not include foregoing approved price cap increases or discretionary minor route sailings.

The Framework document, along with the projected financial performance, provided the context for a Contribution Agreement signed between the Province and BC Ferries on November 11, 2020 ("Contribution Agreement"). Under this agreement, the Province provided $308 million to BC Ferries:

- $280 million to provide relief from the operating fiscal impacts of COVID-19;
- $24 million to limit BC Ferries' fare increases over PT5 to 2.3 per cent for fiscal years 2022, 2023, and 2024; in effect, foregoing the 2.3 per cent increase in fiscal year 2021; and
- $4 million to deliver specified discretionary sailings to the end of the performance term.

See Section 2.6 – 'Section 2 Appendix A – Actual and Forecast Operational Performance during PT5' for detailed comparisons between the forecast outlook following the final PT5 Price Cap Determination, to the Planning Framework, and then to actual performance for fiscal years 2021 and 2022 and forecasted performance for fiscal years 2023 and 2024.

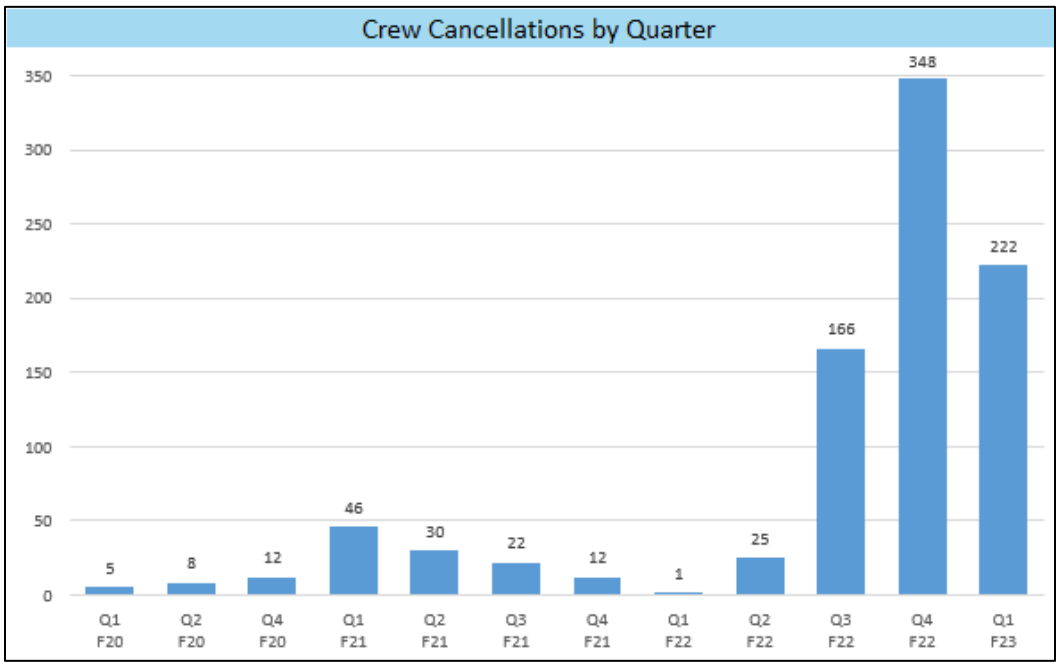
2.3 Talent Availability

BC Ferries has not been immune to global, national, and local economic conditions, including widespread labour shortages linked to aging populations, workforce exits, employee health concerns, occupational shifts and a lack of affordable housing.

These labour challenges have been reflected in occasional crew shortages, resulting in some sailing cancellations and affecting sailing times and plans to provide additional service on some routes. In order to provide ferry service at a level consistent with demand, each terminal and vessel requires a specific complement of staff with the competencies required as defined by each vessel's operating license. Even a small number of "unavailable" crew can impact service when replacement staff are not readily available. BC Ferries' goal is to avoid service disruptions wherever it can, to communicate service disruptions as soon as they become known, and to look for ways to minimize the impact these disruptions have on customers.

Figure 2 highlights the number of sailings BC Ferries canceled as a result of crewing challenges for each quarter from fiscal 2020 through to fiscal 2023. As BC Ferries emerges from COVID-19, the current increases are evident, with up to 348 cancellations (0.9 percent of total sailings) occurring during the three months of January to March of fiscal 2022. This was reduced to a total of 222 cancellations (0.5 percent of total sailings) for the three months of April to June 2022.

Figure 2 – The Number of Sailing Cancellations as a Result of Crewing Challenges



Several factors are influencing BC Ferries' ability to secure the necessary people to avoid service disruptions, including turnover and absenteeism.

Turnover

BC Ferries is experiencing higher than traditional turnover rates. Figure 3 and Figure 4 illustrate ship based and terminal employee turnover and the number of new ship and terminal based hires for the fiscal years 2020, 2021, and 2022, and for the first quarter covering April through June of fiscal 2023. For fiscal 2023, voluntary turnover among vessel-based and terminal employees is expected to be three times historical averages, from four to 12 percent.

Figure 3 - Ship Based and Terminal Turnover as at August 28, 2022

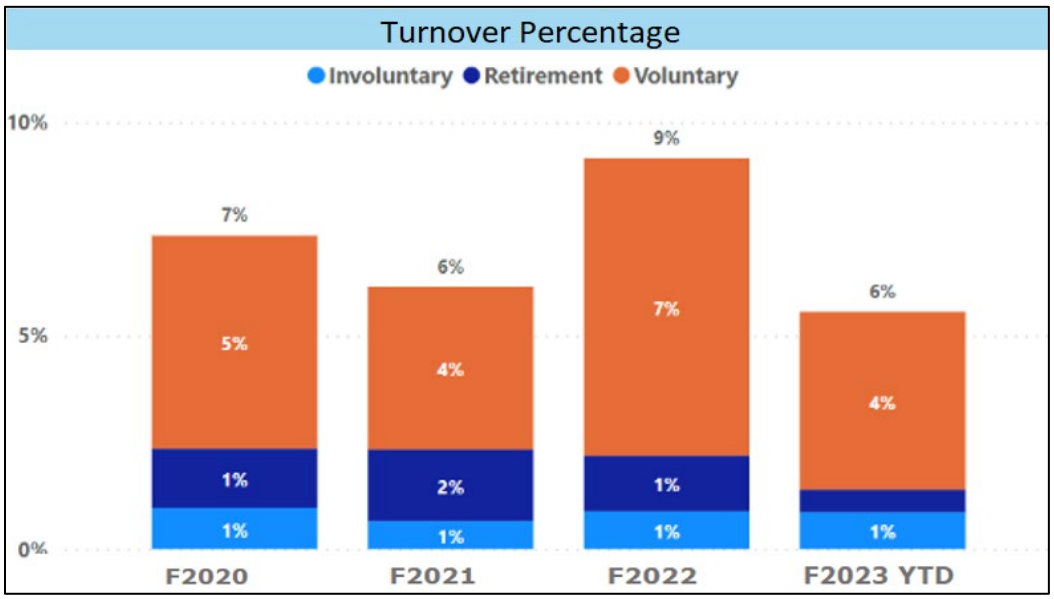
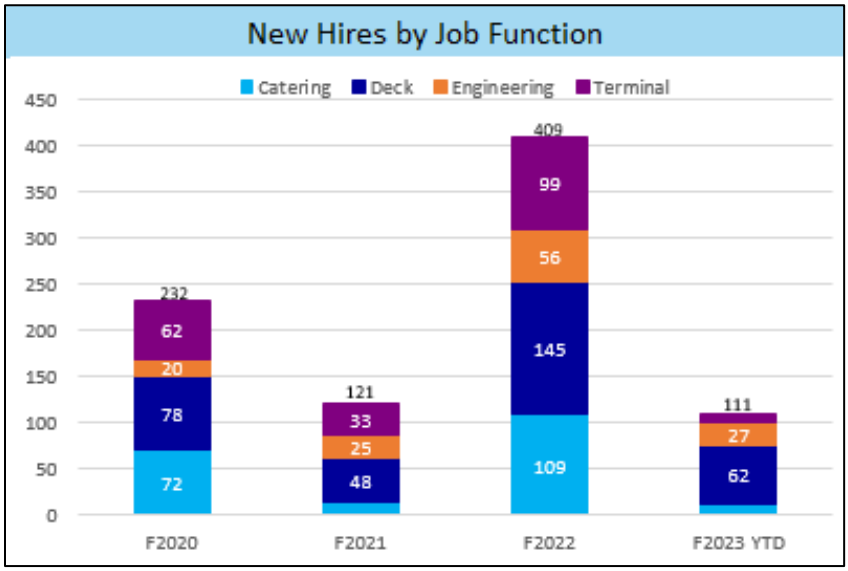


Figure 4 illustrates the volume of new hires for ship based and terminal employees, demonstrating higher than historical hires in response to higher turnover, crew shortages, and corresponding increases in overtime hours. Fiscal 2023 reflects hiring levels as of July 2022.

Figure 4 - Ship Base and Terminal New Hires as at August 28, 2022

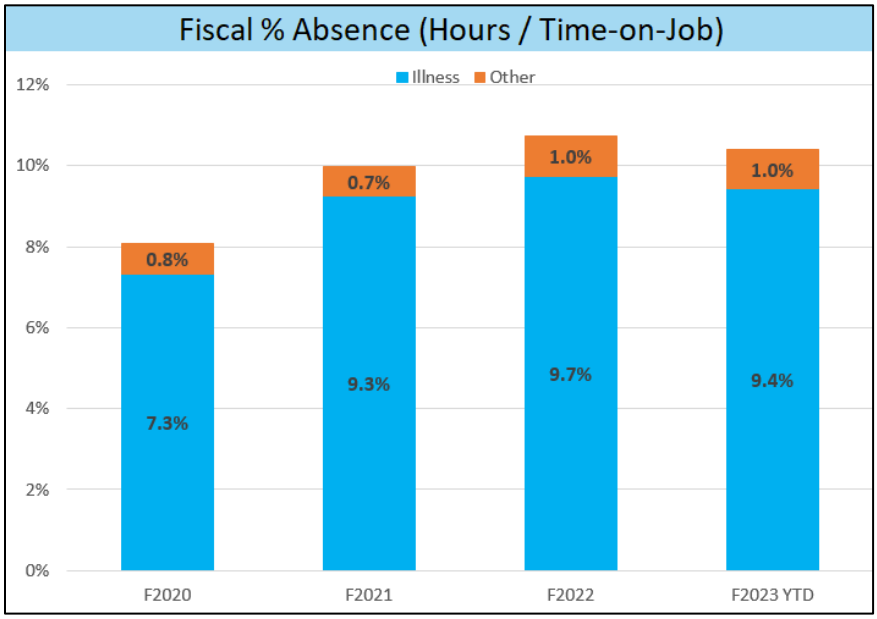


Absenteeism

Partly as a result of COVID-19, BC Ferries has been experiencing increased absenteeism due to illness and the requirements for employees experiencing COVID-19 symptoms to remain away from work for longer periods. Figure 5 provides a comparison of paid absence hours for recent fiscal years. The

proportion of hours employees are unavailable due to illness has increased nearly 25 percent since fiscal 2020, from approximately 7 to 9 percent.

Figure 5 - Absences from Work as at August 28, 2022

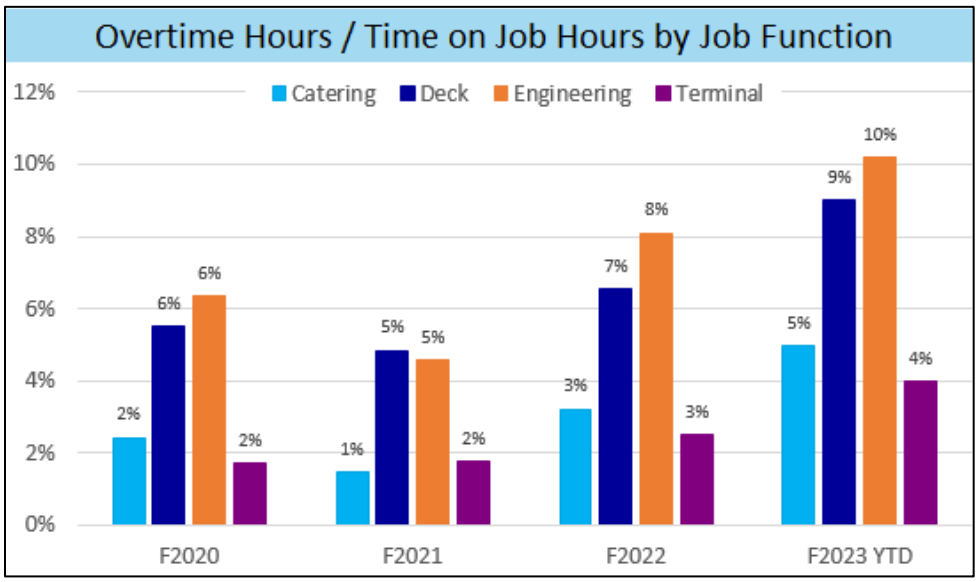


To ensure sufficient levels of employees, BC Ferries relies on a base of regular, casual and seasonal employees as well as staffing pools of full-time crew that are used for relief; the cross-training of employees so they can be redeployed from one location to another; and overtime pay for employees to cover short-term gaps in crewing levels.

Overtime

Increased absenteeism levels are placing a strain on reserves and resulting in the remaining employees working more overtime. The Company experienced a notable increase in overtime in fiscal 2022, with further increases occurring in fiscal 2023, where current trends are approximately 50 percent higher than historical levels. Current overtime levels are excessive and unsustainable, contributing to employee fatigue and resulting in additional costs where overtime rates are replacing regular rates. Figure 6 illustrates the increased use of overtime:

Figure 6 – Ship and Terminal based Overtime Summary as at July 31, 2022



Addressing Workforce Levels

Over the course of PT5, attraction and retention has become more challenging across all functions, and is felt most acutely in the licensed positions on the vessels. BC Ferries has been working to address employee turnover and absenteeism and to recruit new employees, to limit service disruptions and limit pressure on employees to work overtime.

It is expected recruitment activities will remain elevated in the near term as population aging, workforce exits, employee health concerns, occupational shifts and a lack of affordable housing continue to be present. This has been and will remain a key focus for BC Ferries during PT5 and PT6, further described in Section 3.3.b – 'People and Culture – Workforce Planning Strategies.'

2.4 PT5 Efficiency Performance

Order 19-04A, the Commissioner's amended order setting price caps for PT5, required BC Ferries to implement a process for tracking progress towards achieving an efficiency target equivalent to one percent of annual operating, maintenance and administration costs for PT5 (approximately $7 million in annual costs).[6] However, disruptions from the COVID-19 pandemic and current talent availability challenges have had a dampening effect on BC Ferries' financial performance, and have resulted in significant alterations to planned performance as presented within the company's PT5 Submission. As a

[6] British Columbia Ferries Commissioner Order 19-04A, *In the Matter of the Final Decision on Price Caps for the Fifth Performance Term Pursuant to the Coastal Ferry Act*, November 3, 2021.

result, on June 29, 2022 the Commissioner confirmed that this efficiency requirement was excused for PT5 due to consequences of the pandemic making it unrealistic to measure progress.

Despite the challenges in illustrating efficiency gains against the backdrop of COVID-19, BC Ferries has achieved significant efficiency improvements in certain segments of its service and operations. These improvements include a marked increase in the net contribution provided through catering and retail services, traffic and revenue increases driven through revenue management and fare choices initiatives, and additional revenue through earned carbon credits.

2.4.a Catering and Retail Service Increase in Net Contribution

With the outbreak of COVID-19 and in response to safety protocols, BC Ferries initially closed catering and retail outlets, implemented barriers and procedures to limit the spread of the virus and to keep passengers and employees safe, and reduced staffing levels on board vessels to what was minimally required to sail them. As a result, BC Ferries took the opportunity to analyze its catering and retail services, to rationalize resourcing allocations, and to prioritize the services that provided a significant financial contribution to the coastal ferry system while suspending the more marginal services.

The aim was to improve efficiency and increase the total net contribution of the service offerings. As a result, since the original closures:

- Passenger-facing outlets have been reopened on a profitability basis;
- Main cafeterias and gift shops are open, with secondary outlets, such as lounges and coffee bars re-opening only when justified by expected passengers volumes; and
- Buffet service on Route 1 and the Northern routes remain closed.

BC Ferries continually analyzes its catering and retail services, to provide a quality service for its customers while maximizing net contributions, which are directed at minimizing customer fares. These recent changes have resulted in a significant increase in the financial contribution of the catering and retail services, as illustrated in Table 3 below:

Table 3 - Catering and Retails Service Performance ($ millions)

	Pre-COVID (Fiscal 2020)	Percent of Revenues	*Fiscal 2023 Forecast*	Percent of Revenues	*Fiscal 2024 Forecast*	Percent of Revenues
Revenue	103.5		*107.6*		*119.0*	
Less: Cost of Goods Sold	39.2		*40.5*		*45.2*	
Gross Margin	**64.3**	**62.1%**	***67.2***	***62.4%***	***73.8***	**62.0%**
Direct Operating Expenses	40.8	39.4%	*33.7*	*32.6%*	*38.5*	32.4%
Maintenance	2.0	1.9%	*1.8*	*1.8%*	*2.1*	1.8%
Amortization	2.5	2.4%	*2.0*	*1.8%*	*2.3*	1.9%
Net Contribution	**$19.0**	**18.4%**	***$29.7***	***27.5%***	***$30.9***	**26.0%**
Passengers (millions)*	15.3		*14.6*		*15.2*	
Average Contribution per Passenger	$1.24		*$2.04*		*$2.03*	

**Includes passengers only on routes that offer catering and retail services.*
Numbers may not add due to rounding.

With respect to Catering and Retail services performance:

- Revenue, includes all gross revenues from catering and revenue services;
- Cost of goods sold, representing costs directly related to the sale of catering and retail products and services;
- Direct operating expenses includes crew labour above minimum safe manning levels required by Transport Canada. Other direct costs include management, administration, marketing, garbage and credit card interchange fees; and
- Maintenance and amortization costs directly related to catering and retail services.

Table 3 demonstrates the Company has improved the efficiency of the catering and retail services, as the net contribution has substantially increased while passenger volumes have been fairly consistent.

In fiscal 2020, prior to COVID-19, catering and retail services provided a net contribution of $19 million. During fiscal 2021 and fiscal 2022, succeeding waves of COVID-19 continued to cause intermittent travel restrictions, ferry service reductions and reduced traffic demand. As a result, performance comparisons become very challenging. However, with passenger traffic forecast to largely return, net contribution is forecast to increase to $29.7 million in fiscal 2023, and grow to $30.9 million in fiscal 2024.

Efficiency improvements have decreased direct operating expenses as a percentage of revenues from 39.4 percent pre-COVID to a forecast of 32.4 percent in fiscal 2024. This has improved net contribution as a percentage of revenue from 18.4 percent in fiscal 2020 to a forecast of 27.5 percent in fiscal 2023, and 26.0 percent in fiscal 2024.

Further improvements are planned as the pandemic subsides, with assessments underway to best serve customers and utilize onboard space. The Company recognizes that reduced amenities create longer wait times and a smaller selection for customers. Thus, future improvements aim to provide a high quality, efficient service. For example, near-term planned improvements include introducing alcoholic beverage sales on Routes 1, 2 and 30, and conduct renovations at the Lands End Café at the Swartz Bay terminal. These updates will replace end of life equipment and modernize the look, feel and offerings of the café similar to recent upgrades to vessel-based outlets. Going forward, careful consideration is being taken to operate Catering & Retail outlets such that customer expectations are met, resources are efficiently allocated, and net earnings are maximized.

2.4.b Fare Flexibility and Revenue Management

On March 3, 2021, BC Ferries launched new fare options on the three routes connecting Metro Vancouver with Vancouver Island (routes 1, 2 and 30):

- **Saver –** This option provides customers with a discounted advance purchase fare from $49 (car and driver) designed to encourage customers to book and pay in advance on less popular sailings. Subject to availability, always cheaper than driving up without a reservation and paying the 'at terminal' fare; and
- **Prepaid** – This option is designed for customers who prefer to pay in full at time of booking and is available on all sailings. It is slightly less expensive than paying the separate reservation fee in advance with the 'at terminal fare' on departure

These fare options are part of the Fare Flexibility and Digital experience strategies, which also include the implementation of a new website and an upgraded Revenue Management function. These strategies have modernized how BC Ferries sets pricing, sells travel and manages vessel capacity utilization. They provide customers with more fare choices, encourage travel on historically less utilized sailings and reduced sailing waits. They also enable more optimal utilization of both vessels and terminals, thereby supporting the ability to carry more overall traffic, which lowers costs and reduces pressure on future fares.

When compared to the highest performing pre-pandemic equivalent month, for the months not affected by COVID travel restrictions, these strategies have resulted in:

4.3 percent increase in automobile equivalents carried (170,000 more)

14.4 percent less customers experiencing sailing waits

While requiring 515 fewer sailings (3.2 percent)

To date, over 1 million customers have taken advantage of Saver discounts, and the percentage of private vehicle customers booking in advance has increased from 36 percent to 62 percent, with over 43 percent now paying in full at time of booking. Overall, this efficiency initiative has contributed approximately $17 million in incremental tariff revenue, 60 percent more than forecasted performance in its first two years.

BC Ferries continues to work on other fare initiatives. In the spring of 2022, the Company rolled out the new Saver and Prepaid fare choices on route 3, launched Saver fares on route 17 and introduced a new commercial Saver fare on routes 1 and 30.

Further route launches are planned for the remainder of PT5, including finding approaches to address the operational constraints at Horseshoe Bay that are limiting performance on routes 2 and 30.

2.4.c Other Benefits of Revenue Management

Additional benefits resulting from investments in the Company's website include increased vacation package sales, and improvements to useable capacity between the lower mainland and mid-island Vancouver Island:

Increased BC Ferries Vacations Package Sales

The new website and e-commerce engine, launched in September 2020, provided the forum for customers to explore and complete online bookings for any of the multiple vacation packages offered by BC Ferries, without having to call the BC Ferries Vacations Centre. This much improved the online experience and has been well received by customers, as demonstrated by an over 50 percent increase in sales and margin. Further growth is anticipated as the marketplace becomes more familiar with the Company's product offerings.

Table 4 – BC Ferries Vacation Package Sales (fiscal 2019 through fiscal 2024)

	Fiscal 2019 Actual	**Fiscal 2020 Actual**	**Fiscal 2021 Actual**	**Fiscal 2022 Actual**	***Fiscal 2023 Forecast***	***Fiscal 2024 Forecast***
Revenue	4.6	4.9	2.3	7.4	*7.1*	*7.5*
Less: Cost of Sales	3.6	3.7	1.7	5.6	*5.3*	*5.6*
Gross Margin	**1.0**	**1.2**	**0.6**	**1.8**	***1.8***	***1.9***

Numbers may not add due to rounding.

Increased usable capacity Between Lower Mainland and Mid-Vancouver Island

During the summer months, BC Ferries' overall ability to accommodate customers travelling between the lower Mainland and mid-Vancouver Island is constrained by the geography of the Horseshoe Bay terminal. The physical characteristics of this terminal limit the volume of vehicles that can be processed and loaded As a consequence, when compared to departures from other major route terminals, Horseshoe Bay departures sail with more unused deck space, have a lower percentage of sailing capacity available to book in advance lower volumes of available discounted Saver fares.

During summer 2022, as a first step in addressing this bottleneck, the Company swapped a larger Coastal class vessel that had been on route 2 with the smaller *Queen of Alberni* that had been on route 30. This change was able to lift overall usable capacity between the lower mainland and Nanaimo, as:

- Larger class vessels sailed more frequently on route 2 and route 30, and
- Tsawwassen terminal, due to its geography and layout, is able to process vehicles to the Coastal class vessel's full capacity, and at the same time more space can be made available for customers wishing to book in advance or take advantage of Saver discounts.

In July and August, the Company estimates this change added approximately 12,800 automobile equivalents ("AEQs")[7] of usable capacity on route 30, which enabled the carriage of approximately 11,500 more vehicles than would otherwise have been possible. The Company estimates that reduction in capacity on route 2 attributable to the vessel swap did not affect traffic levels, which were constrained by other unrelated factors, including cancellations related to crew shortages, reduction in space allocated to reserved traffic and throughput limits.

Demand Discretionary and Contingency Discretionary Sailings

Traditionally, BC Ferries has planned for certain sailings on the major routes, primarily in the shoulder and peak season, to be provided at the discretion of the Operations and Security Centre. These sailings, which were not required to meet minimum service levels in the CFSC, were not in the published schedule. However, the sailings would have vessel crews ready at the terminals to sail in the event that traffic was greater than planned on a given day. By their nature, reservations or pre-sale of these sailings were not possible, and in the event that the sailing was not necessary, savings were largely limited to the fuel not consumed from the round trip that did not occur.

Prior to the COVID-19 pandemic, the Company had been reducing these discretionary sailings by either cutting them from the budget entirely or scheduling them. While scheduling these sailings provided certainty for customers and allowed for them to purchase reservations, it also removed the flexibility to not sail in the event traffic did not materialize.

[7] An AEQ represents the amount of vessel capacity occupied by a particular vehicle type, expressed as the number of under height vehicles it displaces (e.g. a bus which displaces three under height vehicles – or cars – would have an AEQ of three).

During the pandemic, traffic became very difficult to predict. However, with the support of revenue management initiatives, BC Ferries was able to design and implement a new flexible approach to add round trips on the days warranted by traffic. Two levels of discretionary sailings were planned:

1. **Contingency Discretionary Sailings:** These discretionary sailings are included in the annual service plan and budget. They are scheduled and made available to customers to purchase a reservation when it becomes apparent they are necessary to accommodate traffic demand, based on the volume of reservations being booked on adjacent sailings. If not needed, the cost of fuel is saved plus any labour that could either be reduced or reallocated elsewhere.

2. **Demand Discretionary Sailings:** These discretionary sailings are included in the annual budget, and sail only if the demand covers the cost of the fuel needed for the round trip. Crews are scheduled and secured to ensure continued retention of casual employees. If not needed, the cost of fuel is saved plus labour for any employees taking voluntary leaves.

This revised approach of assessing demand and scheduling additional sailings as demand warrants, has resulted in better decisions and efficiency gains, and is more effective than making day-of decisions based on the number of vehicles arriving at a terminal. It also allowed for greater labour savings as discretionary sailing decisions can be made further in advance of sailing days, which increased the ability for labour to be reduced or reallocated elsewhere.

It has been very useful during high demand periods, where the discretionary sailings could be scheduled and published for customers to plan and reserve weeks in advance. It has also been very useful during COVID-19 waves. For example, during the spring of 2021 a third wave of COVID-19 along with travel restrictions resulted in a sharp decline in traffic. As a result, the majority of both types of discretionary sailings were never scheduled or sailed. These decisions were made weeks in advance, allowing casual and seasonal labour costs to be reduced or made available to backfill other areas, thereby avoiding overtime costs.

2.4.d Monetizing Earned Carbon Credits

The Province implemented the BC Low Carbon Fuel Standard ("BC-LCFS") to reduce the carbon intensity of fuels. Under the BC-LCFS, Part 3 fuel suppliers are required to meet these targets or incur financial penalty.[8]

[8] The *Clean Energy Act* is supported through the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act* (the "Greenhouse Gas Reduction Act") and the Renewable and Low Carbon Fuel Requirements Regulation (the "Regulation"), together known as the BC Low Carbon Fuel Standard (BC-LCFS). Part 3 of the Greenhouse Gas Reduction Act addresses low carbon fuel requirements and the application process to become a Part 3 fuel supplier. A Part 3 fuel is considered any low-carbon fuel that is incentivized under the BC-LCFS – more specifically, any gasoline or diesel class fuel that does not include an energy source that is excluded by the Regulation.

Part 3 fuel suppliers who perform well, by having carbon emissions lower than these targets, are able to avoid penalties and are eligible to earn carbon credits, which can then be sold to those exceeding the targets. This provides an opportunity to Part 3 fuel suppliers to earn revenue through the sale of surplus credits to offset the cost of transitioning to lower carbon intense fuels.

BC Ferries began to use liquefied natural gas, in place of diesel, with the introduction of its Salish class vessels and the conversion of the engines on its Spirit class vessels during their mid-life upgrades. In response to the implementation of the BC-LCFS, in early 2021, BC Ferries began to procure its own natural gas ("LNG") in order to become recognized as a Part 3 fuel supplier and become eligible to earn carbon credits based on the lower carbon intensity of LNG as compared to diesel.

The Company submitted its first carbon intensity compliance report in January 2022, and was notified in September 2022 of its approval and award of 21,963 credits associated with its use of LNG during calendar 2021. The average sale price of each credit occurring over the 12 months ending August 2022, was $462.

In anticipation of this award, BC Ferries sought approval from the Commissioner to reinvest the proceeds from the sale of these credits in emission reduction initiatives, consistent with section 38(1)(a.1) of the Act, which stipulates "ferry operators are to be encouraged to meet provincial greenhouse gas emission targets in their operations and when developing capital plans". Approval was granted under Order22-01.[9]

Over time, ferry customers will benefit financially from the reinvestment of proceeds from these awarded carbon credits, as it will reduce the Company's incremental borrowing needs to fund necessary capital investments required to reduce carbon emissions. These investments will provide the opportunity to earn additional carbon credits and ability to generate additional revenues, and will benefit customers by minimizing fare increases related to expenditures necessary to reduce emissions.

2.5 PT5 Operating Performance

The following section responds to the specific information requirements of section 40(1)(a) to (f) of the Act. It contains information on the core ferry services, service fees, revenue, and expenses that has occurred and BC Ferries reasonably expects to occur for the balance of PT5 in support of the Commissioner establishing a price cap for PT6. These results reflect the impact of COVID-19, the current talent availability challenges and the efficiency improvements achieved to date.

[9] British Columbia Ferries Commissioner Order 22-01, *In the Matter of Monetization of Carbon Credits to Fund Clean Futures Initiatives Proposed by British Columbia Ferry Services Inc.*, April 21, 2022.

2.5.a Core Ferry Service

In accordance with section 40(1)(a) of the Act, this section provides information on the core ferry service that BC Ferries has provided and reasonably expects to provide on the regulated ferry routes in PT5.

The CFSC requires BC Ferries to operate the system in a manner that complies with, or exceeds, the core service levels in relation to the regulated ferry routes. In fiscal 2021, BC Ferries experienced extraordinary reductions in traffic resulting from the COVID-19 pandemic. As a result, BC Ferries and the Province entered into two consecutive temporary service level agreements that reduced core service levels on specified routes between April and September, 2020. Additionally, a supplemental service agreement in support of the Province's desire to increase service above core levels from June to September, 2020 on various minor routes was also agreed to. These are the regulated ferry routes primarily serving the northern and southern Gulf Islands and the northern Sunshine Coast.

Due to the extraordinary circumstances, the Ferry Transportation Fees were not reduced as a result of the two consecutive temporary service level agreements. BC Ferries received reimbursement for the minor routes supplemental service agreement.

The following results reflect these conditions and agreements:

Core Service Delivery – to Date in PT5

On a system-wide basis, BC Ferries delivered a total of 79,454 round trips during fiscal 2021, which exceeded by 483 the annual number of round trips required to be delivered under the CFSC, inclusive of the two Temporary Service Level Adjustment agreements. In fiscal 2022, BC Ferries delivered a total of 82,742.5 round trips, 3,772 more than the number of round trips required to be delivered in the year under the CFSC. In both years, many of these additional round trips were delivered on routes 13 and 26, and in the summer on routes 21 and 22.

BC Ferries met all core service levels in fiscal 2021, in terms of the delivery of the minimum required round trips under the CFSC and taking into account the COVID-19 amending agreements (see section 2.2 – 'COVID-19'). The Company also met all core service levels during fiscal 2022, with the exception of the cancellation of one round trip on route 19 due to the consolidation of end-of-shift sailings because of accumulated traffic delays.

In the first quarter of Fiscal 2023 (April 1 – June 30, 2022), BC Ferries delivered 21,514 round trips and met all core service level requirements.

Detailed information on the core ferry services delivered by BC Ferries to date in PT5, including information by regulated ferry route on the round trips delivered and the temporary service disruptions, can be found can be found in the quarterly and annual reports to the Commissioner at https://www.bcferrycommission.ca/compliance-reports/.

Core Service Delivery - Remainder of Performance Term Five

BC Ferries expects to meet or exceed core service level requirements, including those set out in the Contribution Agreement, for the remainder of the performance term.

2.5.b Revenues from All Sources

In addition to ferry transportation fees and other provincial and federal contributions, BC Ferries earns revenue from ticket sales (including reservation fees and assured loading ticket premiums), commercial services, catering and retail, and other revenue streams.

In accordance with section 40(1)(d) of the Act, this section provides information on what has been earned and is reasonably expected to be earned of these revenues.

These revenues provide for the overall recovery of the ferry systems' costs, including a financial return sufficient to enable debt obligations to be met and to maintain access to reasonable borrowing rates when incurring incremental debt. Additional borrowing is needed to add, replace or upgrade assets such as ferries, terminals and other infrastructure to ensure ferry service remains available.

Table 5 provides a comparison of annual revenues for PT5. Specific revenue summaries for each of the regulated ferry routes are included in the route statements attached as Section 2.6 – 'Section 2 Appendix A – Route Statements.'

Table 5 - Annual Revenues from All Sources ($ Millions)

Revenues	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Regulated Revenues				
Vehicle and Passenger Tariffs (including Social Program Fees)	431.8	582.4	*682.0*	*712.6*
Other Revenues				
Provincial Ferry Transportation Fees (excluding Social Program Fees)	229.6	230.2	*230.9*	*232.7*
Contribution Agreement ($308M)	186.0	102.3	*11.5*	*8.1*
Ancillary Revenues	24.6	54.4	*78.7*	*86.1*
Fuel Rebates	(6.7)	(3.9)	*21.4*	*32.7*
Total	**865.3**	**965.4**	***1,024.5***	***1,072.2***

Numbers may not add due to rounding.

2.5.c Tariffs for Core Ferry Service

In accordance with section 40(1)(b) of the Act, this section provides information on what has been earned and is reasonably expected to be earned through tariffs for providing ferry service.

Price Cap Setting

As noted above, BC Ferries' fares for core ferry services on regulated ferry routes are subject to regulation under the Act. For the purposes of setting price caps in each performance term, the Commissioner computes a maximum permitted ceiling to the weighted average ferry fares based on a basket of 10 traffic types for each route group. This is called the Price Cap Index. For PT5, under the CFSC all routes belong to one route group. The Commissioner monitors BC Ferries' compliance with the price cap using the methodology established by the Commissioner in Order 11-03.[10]

In accordance with the Act, the Commissioner does not regulate ancillary services, which are defined in the Act as any services that are not directly related to the transportation of vehicles and passengers. This includes services such as parking, catering and retail.

The average paid ferry tariff ("Price Compliance Index") and the allowable price cap increase ("Price Cap Index") are expressed as indices, calculated as a trailing four-quarter average. As stipulated by section 48(2) of the Act, BC Ferries must not allow the average paid tariff index for a route group to remain above the price cap index for more than three consecutive quarters. If the average of paid tariff does exceed the price cap in any particular quarter, BC Ferries has up to three subsequent quarters to reduce its average paid tariff index to be at or below the allowable price cap index. If BC Ferries fails to do so within the allowable three consecutive quarter 'grace period,' the Commissioner may apply a penalty.

On September 30, 2019, the Commissioner issued Order 19-04, which was the final decision on price caps for PT5.[11] The Order states: "*The price cap index for the consolidated route group will be increased by 2.3% annually from April 1, 2020 to the end of PT5 on March 31, 2024*".[12]

Tariff Adjustments Implemented

BC Ferries implements annual tariff adjustment for travel on each of the regulated ferry routes, with adjustments typically occurring on April 1 to align with the beginning of each fiscal year.

In response to the onset of the COVID-19 pandemic, BC Ferries deferred implementing the 2.3 percent fare increase allowed in April 2020 due to the significant hardship faced by businesses and individuals.

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[10] British Columbia Ferries Commissioner Order 11-03, *In the Matter of Section 38 (2) of the Coastal Ferry Act, S.B.C. 2003, c. 14 and Revised Methodology for Determining Weighted Average Fares for Comparison with Price Caps*, October 22, 2011.

[11] British Columbia Ferries Commissioner Order 19-04, *In the Matter of the Final Decision on Price Caps for the Fifth Performance Term Pursuant to the Coastal Ferry Act*, September 30, 2019.

[12] Order 19-04 was amended by Order 19-04A, November 3, 2021. However, there was no change in the amended order to this specific requirement.

In accordance with the Contribution Agreement, BC Ferries then received $24.0 million in lieu of this foregone revenue and agreed to limit price cap increases over the remainder of PT5 to 2.3 percent for fiscal years 2022, 2023 and 2024 (see section 2.2.b. – 'Planning Framework and Contribution Agreement').

In March 2021, the Company launched its Saver and Prepaid fare choices on routes 1, 2 and 30 (see section 2.4.b – 'Fare Flexibility and Revenue Management'). With these two new choices in market, on April 1, 2021 the Company then increased private vehicle 'at terminal' fares (driving up without a booking) by 3.5 percent and passenger fares by 2.3 percent on these routes. At the same time, commercial vehicle fares were increased by 3.8 percent, and passenger and vehicle fares on the minor routes, northern routes and the major route connecting Horseshoe Bay to Langdale were increased by 2.3 percent. In September 2021, the Company introduced a '$39 car and adult' Saver fare between Horseshoe Bay and Langdale. This represented a 36 percent discount compared to the 'at terminal' fare.

The following year, on April 8, 2022, the Company introduced the Prepaid fare choice on route 3. On Routes 1, 2 and 30, the Company did not increase or reduce the prices of Prepaid or Saver private vehicle fares choices. On all of the major routes, 'at terminal' fares for private vehicles were increased by 4.3 percent, while fees for cancelling Prepaid and Saver fares more than three days in advance were reduced to $5 (previously $20 for Saver and between $10 and $17 for Prepaid). The Company increased tariffs by 2.3 percent for fares for other vehicle types and passengers on these routes, as well as passenger and vehicle fares on the minor and northern routes.

BC Ferries' posts the annual tariff schedule by route and by fare category on its website at: https://www.bcferries.com/routes-fares/ferry-fares.

Price Cap Compliance Performance

BC Ferries' PT5 price cap indices for both the actual weighted average tariffs paid and the allowable price cap are shown below in Table 5. The following should be noted:

- The $24 million received under the Contribution Agreement (in lieu of the 2.3 percent price cap increase in fiscal 2021) was included in the price cap calculations, consistent with the methodology supported by the Commissioner by letter dated May 3, 2021; and

- During fiscal year 2022 and the first quarter of 2023, the average actual price index exceeded the allowable price cap index. This was caused by two factors: higher than expected take up of non-discounted Prepaid and Reservation only fares on the major routes; and a higher proportion of vehicle traffic on the more expensive major, minor and northern routes as compared to the year prior. During this time, fuel prices were rising, such than BC Ferries was faced with simultaneously having to introduce a significant fuel surcharge while implementing extensive discounting during the peak summer months to address the price cap overage. Due to these

exceptional circumstances, the Commissioner agreed on February 25, 2022 and again on July 25, 2022 (Memorandum 47 and in Memorandum 48, respectively) to transfers of the price cap overage to the fuel deferral account, such that BC Ferries would end these quarters one dollar under the price cap. As a result of these transfers, BC Ferries was able to forego the introduction of a fuel surcharge during quarter 1 of fiscal 2023, and to limit the fuel surcharge implemented in quarter 2 of fiscal 2023 to 2.5 percent.

Table 6 - PT5 Price Cap and Actual Average Tariff Indices

All Routes	**Allowable Price Cap Index**	**Actual Price Compliance Index**
Q1 Fiscal 2021	100.61	99.52
Q2 Fiscal 2021	101.41	100.37
Q3 Fiscal 2021	101.92	100.63
Q4 Fiscal 2021	102.30	100.56
Q1 Fiscal 2022	102.73	101.13
Q2 Fiscal 2022	103.67	103.61
Q3 Fiscal 2022	104.20	104.54
Q4 Fiscal 2022 *before Memorandum 47 transfer* Q4 Fiscal 2022 *after Memorandum 47 transfer*	*104.*65 104.65	*105.11* 104.65
Q1 Fiscal 2023 *before Memorandum 48 transfer* Q1 Fiscal 2023 *after Memorandum 48 transfer*	*105.09* 105.09	*106.06* 105.09

Extraordinary Price Cap Increases

Section 42 of the Act allows the Commissioner to authorize a price cap increase during a performance term in response to an application from the Company in the event of an extraordinary circumstance. The Company has made no application for an extraordinary price cap increase to date in PT5.

Fuel Rebates and Surcharges

Fuel costs, a significant operating expense of the Company, are a function of the volume consumed and the market price paid. BC Ferries spent $134 million in fiscal 2022 on diesel and LNG fuel. BC Ferries has a minimal degree of influence over the volumes of fuel consumed and no ability to influence or control market prices.

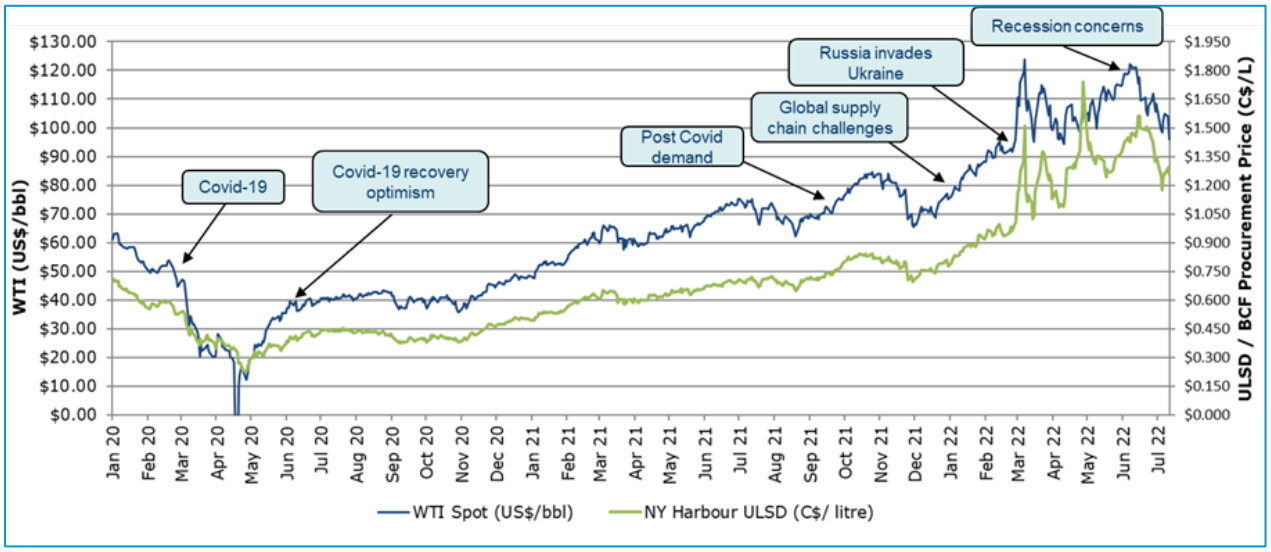
Section 41.1 of the Act provides the Commissioner with the authority to establish fuel deferral accounts and set the terms and conditions for any such account. This provides BC Ferries with the ability to add a temporary fuel surcharge, or requires the Company to provide a temporary discount, in the event actual fuel prices are above or below the fuel price set by the Commissioner for the given performance term. By Order 19-04A, the Commissioner authorized the continued use of fuel deferral accounts in PT5 and set the terms and conditions for their management.

With the onset of COVID-19, during 2020 there was a rapid decrease in fuel prices, as demand dropped and there was uncertainty how long lockdowns and travel restrictions would remain. As COVID-19 subsided and countries adjusted, fuel prices recovered to pre-pandemic levels. However, as part of the global recovery, accelerated demand began to outpace available supply at the same time supply chain issues and a general shortage of workers made providing fuel supply challenging.

In February 2022, Russia invaded Ukraine. Russia is a significant supplier of oil and natural gas, particularly to Europe. In response to the ongoing invasion, many countries imposed sanctions on Russia, which has resulted in oil and natural gas supply from Russia being restricted. This has increased demand for supply from North America, and driven up prices.

The world has also been experiencing rapid inflation during 2022. In an effort to curb this inflation, the global reserve banks have been tightening their monetary policy, increasing interest rates at regular intervals. Despite these efforts, recessionary fears remain. While this has put downward pressure on fuel prices, they currently remain elevated above pre- pandemic levels (see Figure 7).

Figure 7 - West Texas Intermediate Crude Oil & Ultra Low Sulphur Diesel January 2020 – August 2020



BC Ferries manages a fuel hedge program to minimize exposure to fuel price volatility and the potential adverse impacts on both the all-in-fares for customers (through excessive fuel surcharges) and the general cash flow of the Company.

The primary goal of the program's fuel hedge strategy is to reduce the risk of paying fuel prices higher than the price set by the Commissioner. This is managed through the use of Ultra Low Sulphur Diesel or natural gas fixed price swaps that are highly correlated to BC Ferries' physical fuel usage.

From April 1, 2020 to August 31, 2022, the fuel hedge program has resulted in the avoidance of approximately $21 million in fuel expenses and corresponding fuel surcharges. Of note, this value is the net result of hedging transactions that, when redeemed, lead to actual prices paid being lower and at times higher than the then current prices. These results highlight the value of the Company's hedge and hold approach.

As discussed above, the fuel deferral account has been credited with two separate price cap overage transfers, one for $2.7 million in March 2022 and the other for $6.3 million in July 2022. These transfers, to date, have limited fuel surcharges for customers. Table 7 provides an overview of the fuel deferral balances as at March 31, 2021 and March 31, 2022, with forecast balances as at March 31, 2023 and March 31, 2024.

Table 7 - Fuel Deferral Account Balance ($ Millions)

Routes	**Fiscal 2021**	**Fiscal 2022**	***Fiscal 2023 Forecast***	***Fiscal 2024 Forecast***
Majors	5.6	1.0	*(16.3)*	*(25.0)*
Minors	1.0	0.1	*(2.9)*	*(4.3)*
Northern	0.1	0.2	*(0.4)*	*(0.8)*
Total	**6.8**	**1.3**	***(19.6)***	***(30.1)***

During PT5, the Company has managed two fuel deferral accounts in accordance with the terms and conditions set by the Commissioner in Order 19-04A. Since the establishment of the PT5 fuel deferral accounts, the volatility of fuel prices has been significant due large macro-economic shocks including COVID-19, Russia-Ukraine war, and global inflation, resulting in the application of fuel rebates and surcharges. Table 8 outlines the amounts of the fuel rebates or surcharges, the date they were implemented and the route groupings to which they were applied. The amounts rebated or surcharged were applied against the fuel deferral accounts.

Table 8 - Fuel Rebates (Surcharges) in Performance Term Five (as a percentage of fares)

Date	**Non-Northern Routes**	**Northern Routes**
April 2020 – July 2021	1.50%	1.50%
August 2021 - November 2021	0.50%	1.50%
December 2021 – February 2022	0.00%	1.50%
March 2022 – May 2022	(1.00%)	0.00%
June 2022 – current	(2.50%)	(2.50%)

Contributions Applied to the Northern Fuel Deferral Account

The CFSC includes a mechanism by which BC Ferries and the Province share some of the risk of fuel price variability for the northern route grouping only. When the average fuel price exceeds the regulatory fuel set price by more than 5 cents per litre for a given quarter, the Province pays into the deferral account for the amount above the 5 cent variance. When the average fuel price for a given quarter is lower than the regulatory set price by more than 5 cents per litre, BC Ferries pays the Province out of the deferral account for the amount below the 5 cent variance.

In the first year of PT5, the fuel price was more often below the set price than above it, resulting in BC Ferries making a payment to the Province. Starting in late fiscal 2022 and continuing into the first half of 2023, the fuel price has consistently exceeded the set price including several months where it has exceeded the 5 cent bandwidth. Table 9 summarizes the payments to date and the forecast payments between BC Ferries and the Province, with the net annual payments by BC Ferries to the Province shown as negative numbers.

Table 9 - Payments to Province for Northern Fuel Deferral Account ($ Millions)

Routes	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Majors	-	-	-	-
Northern	(0.24)	0.03	*2.07*	*2.03*
Minors	-	-	-	-
Total	**(0.24)**	**0.03**	***2.07***	***2.03***

Tariff Revenues

BC Ferries charges a fare for each passenger and vehicle for ferry services as set out in the Company's tariff schedule that is updated from time to time. Section 2.5 – 'PT5 Operating Performance' provides more details on how BC Ferries manages its tariffs.

Traffic

BC Ferries generates revenue from customers in the form of fares, sales from ancillary services (such as catering, retail, travel packages and parking), and from the Province, including ferry transportation fees for the delivery of service on all but the major routes. Customer revenues are a direct result of traffic carried, and are recorded based on passenger and vehicle types.

On September 28, 2018, at the time of the PT5 submission to the Commissioner, BC Ferries' traffic levels had reached record levels and were expected to continue modest growth peaking in fiscal 2020, at which time they were expected to level off and remain through PT5. However, COVID-19 has had a

significant impact on traffic levels in PT5, with significant fluctuations alongside Health Authority restrictions and regulatory requirements, and influenced by personal responses to the risk of exposure.

Table 10 illustrates actual passenger and vehicle traffic statistics for fiscal 2021 and 2022, and forecasts for fiscal 2023 and 2024:

Table 10 - Traffic Statistics for All Routes (Millions)

	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Passengers	13,083	17,880	*20,743*	*21,646*
Vehicles	6,704	8,466	*9,369*	*9,511*

Fiscal 2021

In fiscal 2021, due to the impacts of the COVID-19 pandemic, BC Ferries experienced a 23.8 percent decrease in vehicle traffic and a 39.6 percent decrease in passenger traffic as compared to the prior year. The traffic decreases were most severe in April and May, when the Province instituted essential travel restrictions, and from November to February when the government re-instituted restrictions during the second wave of COVID-19. The pandemic impacts were stronger on passengers: in fiscal 2021, foot passenger volumes decreased 65.8 percent compared to the prior year, while vehicle passenger volumes decreased 33.6 percent.

Fiscal 2022

Traffic rebounded significantly in 2022, with a 26.3 percent increase in vehicle traffic and a 36.7 percent increase in passenger traffic compared to the previous year. Overall traffic levels for the year were below fiscal 2020 levels (by 3.8 percent for vehicles and 17.5 percent for passengers). This decrease was mostly confined to the first quarter of fiscal 2022 where non-essential travel restrictions were in place due to another wave of COVID-19. By excluding the first quarter and comparing July to March levels, vehicle traffic was up 2.4 percent as compared to fiscal 2019 and 4.5 percent as compared to fiscal 2020. Passenger traffic continued to perform worse than vehicles, mostly due to a decrease in foot passengers. As compared to fiscal 2020, foot passengers were down 42.2 percent while vehicle passengers were down 11.8 percent.

Fiscal 2023 and 2024

The recovery in traffic has continued into fiscal 2023. BC Ferries has forecast passenger traffic to increase by 16.0 percent and vehicle traffic to increase by 8.8 percent over fiscal 2022. The forecast vehicle volumes would set a record for vehicles carried in a fiscal year and would represent an increase of 3.7 percent above the previous record set in fiscal 2019. Passengers are expected to continue recovering with fiscal 2023 levels slightly above fiscal 2020 levels.

For fiscal 2024, the Company is forecasting growth of 4.4 percent for passengers and 1.4 percent for vehicles. Vehicle growth is expected to be lower than passenger growth, as passengers are expected to continue to recover to pre-pandemic levels, while vehicles are expected to remain at record levels, while restricted as a result of vessel capacity limitations.

Revenues from Regulated Sources

Actual tariff revenues for the first two years of PT5 and forecast tariff revenues for the remaining two years of the performance term are presented in Table 11.

The allowable price cap increases are applicable to the average fare of all tariffs collected for each unit of traffic carried on a weighted average basis. As a result, the number of passengers and vehicles carried and the price cap determines the maximum tariff revenue that BC Ferries is allowed to retain in any given year.

Table 11 - Tariff Revenue ($ Millions)

Routes	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Majors	352.8	478.2	*565.2*	*590.4*
Northern	7.7	13.8	*18.8*	*19.6*
Minors	71.4	90.3	*98.1*	*102.7*
Total	**431.9**	**582.4**	***682.0***	***712.6***

Tariff revenue includes social program reimbursements. Numbers may not add due to rounding.

Table 11 shows that the major routes generate more than 80 percent of tariff revenues. The minor routes are the second largest generator of tariff revenue accounting for approximately 15 percent of tariff revenue, with the northern routes accounting for the remainder.

Overall, BC Ferries' tariff revenue decreased by 31.3 percent from $628.4 million in fiscal 2020 to $431.9 million in fiscal 2021, primarily due to lower traffic as a result of the pandemic. For fiscal 2022, tariff revenue increased 34.8 percent to $582.4 million, reflective of on-going waves of COVID-19 and gradual recovery.

Continued recovery is expected, with tariff revenue forecast to increase year over year 16.9 percent for fiscal 2023, and 4.6 percent for fiscal 2024, with the return of passengers and levelling off vehicle traffic growth.

2.5.d Service Fees

In accordance with section 40(1)(c) of the Act, this section provides information on the service fees and contributions BC Ferries has received and reasonably expects to receive during PT5.

Under the CFSC, BC Ferries provides ferry services on regulated ferry routes, and in return, BC Ferries receives specified service fees (ferry transportation fees) from the Province. The Company does not receive service fees for services provided on the major routes. BC Ferries does receive payment for expenses related to the services provided by independent third party service providers on the unregulated ferry routes.

The service fees payable to BC Ferries under the CFSC for PT5 are comprised of:

- Ferry Transportation Fees - fees for providing ferry transportation services on the non-major regulated ferry routes for the number of required round trips to be delivered in the CFSC;
- Seniors Discounts – fees to compensate BC Ferries for providing a 100 percent discount to Seniors travelling mid-week on any designated ferry route except for the northern routes, and a 33 percent discount on each day of the week for travel on the northern routes;
- Minor Routes Supplemental Service Agreement – fees provided to BC Ferries for specified increased round trips in excess of core service levels from June 19 to September 7, 2020. The Province agreed to reimburse BC Ferries $180,000 for these additional round trips;
- Discretionary Sailings - in accordance with the Contribution Agreement, $4 million was provided for specified discretionary sailings to the end of PT5;
- Contributions Applied to the Northern Fuel Deferral Account – funds paid to or received from the Province and applied to the northern fuel deferral account;
- Funding for Unregulated Ferry Routes – payment for expenses related to the services provided by independent third party service providers on the unregulated ferry routes;
- Social Program Reimbursement – reimbursement for carrying passengers falling within the provincial social programs on the designated routes;
- Federal Contract - an agreement with the Government of Canada for the provision of ferry, coastal freight and passenger services in the waters of British Columbia; and
- Safe Restart Funding - further to the Contribution Agreement, $304 million in Safe Restart Funding, including:
    - $280 million to offset financial losses resulting from the COVID-19 pandemic, and
    - $24 million in lieu of a price cap increase in fiscal 2021, and to limit price cap increases to 2.3 percent in each fiscal 2022 to 2024.

Table 12 summarizes the service fees and other contributions. Various items are discussed in more detail following the table:

Table 12 - Provincial Ferry Transportation Fees and Other Contributions ($ Millions)

Provincial Ferry Transportation Fees and Other Contributions	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
PT5 Base Ferry Transportation Fees	164.0	164.0	*164.0*	*164.0*
British Columbia Seniors to FTF (Note 1)	19.0	13.7	*9.4*	*8.0*
British Columbia Seniors' Discounts (Note 1)	11.0	16.3	*20.6*	*22.0*
Minor Route Summer Supplemental (Note 2)	0.2	-	-	-
Safe Restart Funding – Discretionary Sailings (Note 3)	-	1.3	*1.3*	*1.3*
Ferry Transportation Fees	**194.2**	**195.3**	***195.3***	***195.3***
Northern Fuel Deferral Account Contributions (Note 4)	(0.2)	0.0	*2.1*	*2.0*
Unregulated Ferry Routes Fees	3.7	3.7	*3.7*	*3.7*
Ferry Transportation & Unregulated Ferry Route Fees and Contributions	**197.7**	**199.1**	***201.1***	***201.0***
Social Program Fees	7.8	10.4	*15.7*	*16.6*
Federal Contract	32.0	32.2	*33.3*	*34.9*
Safe Restart Funding (Note 3)	186.0	101.0	*10.2*	*6.8*
Total Provincial Ferry Transportation Fees and Other Contributions	**423.5**	**342.7**	***260.3***	***259.3***

Notes:

1. The Province provided a notional $30 million for the restoration of the 100 percent discount on passenger fares for British Columbia Seniors travelling between Mondays and Thursdays. The British Columbia Seniors' Discount reflects the cost of actual usage with the unused portion of the $30 million reflected in ferry transportation fees. Revenue from actual Seniors' usage is included in tariff revenue for the purposes of Price Cap Compliance Reporting, and included as Vehicle and Passenger Revenue in the Company's reported Financial Statements.
2. The Province agreed to increase the service fee to compensate for the added cost of round trips for certain routes (6, 7, 8, 17, 18, 19, 23, 24, and 26) in excess of Core Service Levels.
3. The Province provided $308 million under the Safe Restart Funding Program which included funding towards the estimated operational impacts of the COVID-19 pandemic ($280 million), to forgo a fare increase in fiscal 2021 and limit fare increases to 2.3 percent per year for the remainder of PT5 ($24 million) and to cover the estimated costs of discretionary sailings ($4 million).
4. The CFSC includes a mechanism, explained previously in this part, under which the Province takes some of the risk of fuel price variability for the northern route grouping. In PT5 this has resulted in a payment to the Province from BC Ferries.
5. Numbers may not add due to rounding

Ferry Transportation Fees

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

The maximum ferry transportation fees are set out in Appendix 1 of Schedule B of the CFSC and are paid by the Province for service on all regulated ferry routes with the exception of the major routes.

Without the ferry transportation fees, tariffs on the non-major routes would need to be correspondingly higher in order for BC Ferries to maintain current service levels and remain financially viable. Ferry transportation fees are service-based, and vary depending on the route and the actual service BC Ferries provides.

Table 13 summarizes the ferry transportation fees paid to BC Ferries for core ferry services paid for the first two years of PT5, as well as forecast payment amounts for the last two years of the performance term for each route grouping. Section 2.6 – 'Section 2 Appendix – Route Statements' provides further detail at a route level. The forecast information assumes that BC Ferries will fully meet core service level requirements and, accordingly, will receive full payment of the ferry transportation tees per the CFSC:

Table 13 - Ferry Transportation Fees ($ Millions)

Routes	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Majors	6.8	10.9	*14.8*	*15.1*
Northern	54.8	53.8	*52.4*	*53.1*
Minors	132.6	130.7	*128.1*	*127.2*
Total	**194.2**	**195.3**	***195.3***	***195.3***

Numbers may not add due to rounding.
Includes amounts received for minor routes supplemental service agreement.

The Contribution Agreement included $4 million from the Province to compensate for the estimated cost of providing specified discretionary sailings. Table 14 summarizes the allocation of this funding by route grouping:

Table 14 - Contribution Agreement allocations by Route ($ Millions)

Routes	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Majors	-	-	-	-
Northern	-	0.5	*0.5*	*0.5*
Minors	-	0.8	*0.8*	*0.8*
Total	-	**1.3**	***1.3***	***1.3***

Numbers may not add due to rounding.

Service Fees for Unregulated Ferry Routes

Under the CFSC, BC Ferries receives payment for expenses related to the services provided on the unregulated ferry routes. BC Ferries manages contracts on behalf of the Province with independent third-party service providers to deliver services on these routes. The Commissioner does not regulate the tariffs or service levels on these routes.

Table 15 summarizes the service fee paid to BC Ferries for the unregulated ferry routes. Actual payments received are presented for the fiscal 2021 and 2022, and forecasts are presented for fiscal 2023 and 2024:

Table 15 - Unregulated Ferry Routes Service Fees ($ Millions)

	Fiscal 2021	**Fiscal 2022**	***Fiscal 2023 Forecast***	***Fiscal 2024 Forecast***
Service Fee	3.7	3.7	*3.7*	*3.7*

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

Social Program Reimbursement

BC Ferries provides social program discounts on behalf of the Province for students, persons with disabilities and for those travelling under the Medical Travel Assistance Program. In return, the Province reimburses BC Ferries for the foregone tariff revenue associated with the discounts provided by these programs. As this is tariff revenue, it is included in the calculation of the price cap indices and the average fare indices, and is shown as part of tariff revenue reported in Section 2.5.b. – 'Revenues from All Sources.'

Table 16 summarizes the social program reimbursements paid to BC Ferries by the Province for fiscal 2021 and 2022, as well as forecast payments for fiscal 2023 and 2024:

Table 16 - Social Program Reimbursements ($ Millions)

Routes	**Fiscal 2021**	**Fiscal 2022**	***Fiscal 2023 Forecast***	***Fiscal 2024 Forecast***
Majors	3.5	4.8	*8.4*	*8.9*
Northern	0.7	1.0	*1.1*	*1.2*
Minors	3.6	4.6	*6.1*	*6.5*
Total	**7.8**	**10.4**	***15.7***	***16.6***

Numbers may not add due to rounding.

Revenue from Federal Contract

A 1977 federal/provincial subsidy agreement ("Federal Contract") provides funding from the federal government to BC Ferries via the Province in return for the provision of ferry, coastal freight and passenger services in the waters of British Columbia. The CFSC stipulates that BC Ferries receives the proceeds from the Federal Contract. The Federal Contract is a contract in perpetuity and can only be terminated by joint agreement of the Province and the federal government.

The annual payments under the Federal Contract are subject to growth at a rate equal to the growth of the Vancouver Consumer Price Index. Actual payments through fiscal 2022 and forecast payments through fiscal 2024 are presented in Table 17.

Table 17 - Summary of Federal Contract Payment ($ Millions)

Routes	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Majors	-	-	-	-
Northern	8.2	9.6	*9.9*	*10.4*
Minors	23.8	22.6	*23.3*	*24.5*
Total	**32.0**	**32.2**	***33.3***	***34.9***

Numbers may not add due to rounding.

2.5.e Revenue from Non-Regulated Sources (Ancillary Revenues)

In addition to tariff revenue, BC Ferries earns revenues from non-regulated ancillary services, including catering, retail, travel packages, hostling and parking. These revenues help reduce upward pressure on fares.

In fiscal 2020, gross ancillary revenue represented 12.0 percent of total revenue. COVID-19 required all food service and on-board amenities to be closed in the first quarter of fiscal 2021. As outlets gradually reopened, they suffered from lower passenger levels than pre-COVID. As a result, fiscal 2021 proportion of revenue declined significantly to 4.2 percent of total revenue, and fiscal 2022 saw improvement to 8.3 percent of total revenue.

As the Company emerges from COVID-19, traffic forecast reflect a gradual return of passenger traffic to pre-COVID levels. Net ancillary revenue was $24.6 million in fiscal 2021, down approximately 65 percent from pre-COVID levels. Results in fiscal 2022 improved to $54.4 million, however were still depressed by over 25 percent. Based on forecast passenger traffic levels, net ancillary revenues are forecast to be $78.7 million in fiscal 2023 and $86.1 million in fiscal 2024.

Table 18illustrates net ancillary revenue for fiscal 2021 and 2022, and forecasts for fiscal 2023 and 2024 by revenue source.

Table 18 - Net Ancillary Revenue by source ($ Millions)

Revenue Source	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Catering and Retail	29.8	72.4	*107.6*	*119.0*
Less Cost of Goods Sold	12.1	27.8	*40.5*	*45.3*
Net Catering and Retail	**17.8**	**44.6**	***67.1***	***73.7***
Parking	3.3	4.9	*5.7*	*6.1*
Travel Packages and Other	3.6	5.0	*5.8*	*6.3*
Total	**24.6**	**54.4**	***78.7***	***86.1***

Numbers may not add due to rounding.

Summary of Revenues allocated to Routes

Table 19 provides an allocation of revenues for PT5. In some instances, BC Ferries earns revenues that are not directly recognized as attributed to a route which require an allocation methodology as presented in the following section. The table below summarizes all PT5 revenues by route grouping.

Table 19 - Revenues Earned by Route Grouping ($ millions)

Route Grouping	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Majors	530.7	618.2	*671.7*	*710.0*
Northern	77.4	82.6	*88.3*	*91.0*
Minors	253.5	260.8	*260.8*	*267.5*
Unregulated	3.7	3.7	*3.7*	*3.7*
Total	**865.3**	**965.3**	***1,024.5***	***1,072.2***

Numbers may not add due to rounding.

Section 2.6 – 'Section 2 Appendix A – Route Statements' provides a breakdown of actual and forecasted revenues for both route groupings and the individual routes.

Route Allocation Methodology – Revenues

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

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

Table 20 provides a guide to the types of revenue that are allocated to routes, the allocation factor used and the methodology followed. This methodology has been consistently applied since fiscal 2004:

Table 20 - Allocation of Actual Revenues

Type of Revenue	Allocation Factor	Allocation Methodology
Federal Contract	Direct	Fees are assigned directly to each route. There are no fees for routes 1, 2, 3, 12 and 30.
Coastal Ferry Services Contract Fees		
Ferry Transportation Fees	Direct	Fees are assigned directly to each route based on the CFSC. There are no fees for routes 1, 2, 3 and 30.
Fare Initiatives	Direct	Assigned to routes based on forecast revenue impact.
Social Program Reimbursements	Direct	Assigned to routes based on forgone revenue not charged to travelers on those routes.
Contracted Routes Fee	Direct	Assigned to unregulated contracted routes based on the contracted cost.
Tariff Revenue	Direct	Tariff revenues are assigned directly to each route.
Catering and Retail Revenue		
Vessels	Direct	Vessel catering revenues are assigned directly to each route.
Terminals	Passenger throughput	Terminal catering revenues are allocated based on the percentage of total passengers embarking from the terminal on a route.
BC Ferries Vacations Centre	Vacations Centre tariff revenue	BC Ferries Vacations Centre retail revenue is allocated to routes based on route tariff revenue generated by the Vacations Centre.
Parking Revenue	Foot passenger throughput	Parking revenues are allocated based on the percentage of foot passengers embarking on a route from the terminal where the parking revenues are earned.
Other Revenue (hostling, rent)	Direct	Other revenues directly related to a route are assigned to those routes.
Travel Package Revenue	Vacations Centre tariff revenue	Allocated to routes based on route tariff revenue generated by the BC Ferries Vacations Centre.
Other Revenues (marketing rights, advertising revenue)	Total direct revenue	Revenues that are not directly attributable to a route are allocated based on each route's percentage of total direct revenue.

2.5.f Expenses

In accordance with section 40(1)(e) of the Act, this section of the report provides information on the expenses that BC Ferries has incurred and reasonably expects to incur in respect of the provision of service on the regulated ferry routes in PT5. It provides an overview of these expenses, followed by a description as to how those expenses are allocated on a route basis.

Table 21 provides a summary of total expenses incurred by the Company in the first two years of PT5, as well as forecast expenses to the end of the performance term.

Table 21 - Summary of Total Expenses ($ Millions)

	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Operating, Maintenance & Administrative Expenses ("OM&A")	606.6	689.7	*763.8*	*804.1*
Fuel Expense (below)/above Set Price	-6.3	5.0	*30.1*	*24.6*
Net OM&A Expense	**600.3**	**694.7**	***793.9***	***828.7***
Net Financing Expense	56.0	56.0	*58.2*	*57.2*
Depreciation and Amortization	179.5	173.3	*179.9*	*187.4*
Loss on Disposal and Revaluation of Capital Assets	8.5	7.3	*0.2*	*0.0*
Total	**844.3**	**931.3**	***1,032.2***	***1,073.2***

Numbers may not add due to rounding.

Operations, Maintenance and Administrative Expenses

As described in preceding sections, BC Ferries is operating in an uncertain environment due to COVID-19, changing traffic and customer behaviours, high inflation, challenges with absenteeism, and in attracting and retaining talent. The implications of these factors are reflected in actual expenses for fiscal 2021 and fiscal 2022, and in the forecast expenses for fiscal 2023 and fiscal 2024. These factors influence both labour and non-labour expenses, introducing a level of uncertainty in forecast results.

It should be noted, the term of the existing Collective Agreement spans from October 31, 2020 through October 31, 2025 and provides for wage increases of 0, 2, and 2 percent over the first three years (to the end of PT5), with wage re-openers in years four and five (coinciding with the first two years of PT6).

As always, BC Ferries continues to take proactive measures to manage expenses, while ensuring safety remains its top priority.

Fiscal 2021

In response to traffic declines resulting from COVID-19, BC Ferries successfully curtailed spending, reducing OM&A expenses by $60 million during fiscal 2021. Working with the Province, the CFSC was amended to adjust service on a select number of routes in line with experienced traffic declines. This resulted in nearly $20 million in fuel savings. A hiring freeze was implemented, and any form of discretionary expense was cut or deferred, including training, travel and maintenance activities. Overall, fiscal 2021 OM&A expenses were $73 million lower than the prior year.

Fiscal 2021 versus Fiscal 2022

OM&A expenses increased from $600.3 million in fiscal 2021 to $694.7 million in fiscal 2022, for a total year-over-year increase of $94.4 million or 15.7 percent. With the return of traffic, contracted service levels were restored to normal levels for the full year in fiscal 2022. The number of round trips provided increased 16 percent on the major routes and 4 percent overall, resulting in increased labour and fuel expenses.

Operations expenses increased by $82.4 million, the main increases consisting of:

- $31.1 million increase in wages and benefits costs, to staff the return of service levels, along with the negotiated wage rate increases;
- $33.0 million increase in fuel expense, reflecting increases of $18 million in fuel consumption in response to higher traffic levels, and $15 million due to higher diesel and LNG prices; and
- $18.3 million increase in contracted services, credit card fees, insurance costs, travel, property tax, materials and supplies, training and other miscellaneous expenses.

Maintenance expenses increased by $12.4 million compared to the prior year with an increase in vessel refit activity, vessel maintenance, terminal repairs and inflationary cost increases. Refit and maintenance activity levels are based on long-term asset planning and reflect the cyclical nature of these activities. Repairs by their very nature are often unplanned. This can result in costs being higher in some years than others.

Administration costs decreased $0.4 million in fiscal 2022 compared to the prior year, primarily as a result of a legal settlement in the prior year.

Fiscal 2022 Actuals versus Fiscal 2023 Forecast

OM&A expenses in fiscal 2023 are expected to increase $99.2 million from fiscal 2022 levels. This increase is mainly attributable to continued increases in service levels in line with returning traffic, and the planned introduction of two-ship service on routes 19 and 23. Forecast fuel costs also reflect escalated fuel prices driven by geo-political events and economic market conditions. The fiscal 2023 forecast also includes funding to support a greater focus on Indigenous relations and reducing the ferry system's environmental impact.

Operations expenses are forecast to increase by approximately $70.0 million mainly due to:

- $33.5 million increase in labour costs driven primarily by service enhancements with additional round trips, incremental training, resources to support lowering greenhouse gas emissions, annual wage increases and higher benefit costs;
- $31.0 million increase in fuel expense due to higher diesel and LNG prices than set price allows and higher forecast fuel consumption resulting from increased service levels; and
- $5.5 million increase in feasibility and training costs related to the execution of capital projects.

Maintenance costs are forecast to increase by approximately $2.9 million, mostly reflecting increases in vessel refit activity, vessel and terminal maintenance activities, negotiated wage rate increases and inflationary pressures.

Administration costs are forecast to increase by approximately $8.0 million to support the implementation of revenue management and strengthen the Company's human resources function to address employee retention, recruitment and training needs. The year over year variance also reflects increases in software licensing costs, wage rates, and commissioner and board fees.

The Company's fiscal 2023 forecast includes a general contingency of $18.3 million, largely to guard against potential fluctuations in traffic levels and corresponding changes in revenues as well as workforce pressures related to illness and the ability to attract and retain employees.

Fiscal 2023 versus Fiscal 2024

OM&A expenses are projected to increase approximately $34.8 million in fiscal 2024 from fiscal 2023 levels.

Operations expenses are forecast to increase by approximately $21.8 million mainly due to wage increases, training initiatives and labour market conditions. Year over year, fuel costs are projected to be largely unchanged as consumption increases in the service plan are offset by assumed favourable market pricing relative to fiscal 2023.

Maintenance expenses are forecast to increase $9.4 million over fiscal 2023 due to annual variability in refit and maintenance activities and inflationary pressures.

Administration increase of $1.9 million related to inflation and wage rate increases.

Fiscal 2024 also includes a general contingency of $20.0 million, an increase of $1.7 million from the prior year, to guard against both revenue and expense uncertainties.

Amortization of Capital Costs

BC Ferries amortizes assets on a straight line basis in accordance with International Financial Reporting Standards and section 41(2)(a)(iii)(B) of the Act. Amortization is based on the cost of the asset, expected life, and salvage value at end of life. BC Ferries' amortization policy establishes the average life expectancy of each asset, including its components. For example, a vessel consists of several major components each with a different life expectancy: the hull is depreciated over 45 years, hotel and lifesaving appliances are depreciated over 13 years, and certain propulsion components are depreciated over 20 years.

As BC Ferries makes investments in capital assets such as vessels, terminals and information technology, the cost of the asset base grows, resulting in higher annual depreciation/amortization costs.

PT5 Financing Expense

BC Ferries funds its operational requirements and capital expenditures from cash generated from operations, as well as funds received through bank financing and bond issuances through the capital markets.

BC Ferries currently has six outstanding senior secured bond offerings. These bonds bear interest payable semi-annually. In addition, BC Ferries has three loan agreements with KfW bank group ("KfW"), with the proceeds applied towards the purchase of new vessels. BC Ferries currently has $1.4 billion in long-term debt. Table 22 provides a summary of the bonds and loans outstanding as at June 30, 2022.

Table 22 - Summary of Bonds and Loans Outstanding as at June 30, 2022

Type	Amount ($ Millions)	Effective Interest Rate
Senior Secured Bonds:		
6.25%, Due October 2034	250	6.41%
5.02%, Due March 2037	250	5.06%
5.58%, Due January 2038	200	5.62%
4.70%, Due October 2043	200	4.75%
4.29%, Due April 2044	200	4.45%
2.79%, Due October 2049	250	2.83%
KfW Loans:		
2.09% KfW Loan, Due October 2028	24	2.70%
2.09% KfW Loan, Due January 2029	25	2.68%
2.09% KfW Loan, Due January 2029	25	2.70%

Between April 1, 2020 and June 30, 2022, BC Ferries has made $36.3 million in principal repayments on its KfW loans, with an additional $19.7 million in principal payments forecast by the end of the

performance term. Over the remainder of PT5, BC Ferries will monitor cash requirements and the debt capital markets for prudent financing opportunities. Current cash forecasts indicate no new debt issuance will be required in PT5.

In addition to its long-term debt, the Company has a $105 million, four-year revolving credit facility with a syndicate of Canadian banks. The facility matures in April 2026 with an annual renewable option to maintain tenor. As at June 30, 2022, it is undrawn, with the exception of approximately $0.5 million in letters of credit.

As shown in Table 5.1, net financing expense was $56.0 million in fiscal 2021 and fiscal 2022. Net finance expense is forecast to increase by $2.1 million in fiscal 2023, mainly due to a reduction in the capitalization of interest costs during construction as key projects reach completion offset by increased interest earnings on excess cash. In fiscal 2024, net finance expense is forecast to decrease by $1.0 million to $57.2 million, mainly due to an increase in the capitalization of interest costs during construction as new projects are approved and begin construction, partially offset by a reduction in interest earnings from lower cash balances.

PT5 Loss on Disposal and Revaluation of Capital Assets

When BC Ferries disposes of its capital assets, it must recognize a gain or loss on the sale if the disposal value is different from the net book value of that asset. In addition, if the revaluation of assets recorded at fair value is lower than the original cost of the asset, the loss must be recognized in net earnings. The loss on disposal and revaluation of property, plant and equipment and intangible assets was $8.5 million in fiscal 2021 and $7.3 million in fiscal 2022. In response to the COVID-19 pandemic, BC Ferries underwent a detailed review of the Capital Plan and either reduced the scope or deferred projects, which in some cases, resulted in capital asset impairments.

Summary of Expenses Allocated to Routes

Table 23 provides an allocation of OM&A expenses by route grouping for PT5.

Table 23 - OM&A Expenses by Route Grouping ($ Millions)

Routes	Fiscal 2021	Fiscal 2022	*Fiscal 2023 Forecast*	*Fiscal 2024 Forecast*
Majors	381.4	447.2	*520.4*	*543.6*
Northern	43.5	55.6	*63.6*	*65.8*
Minors	171.7	188.1	*206.1*	*215.6*
Unregulated	3.7	3.7	*3.7*	*3.7*
Total	**600.3**	**694.7**	***793.9***	***828.7***

Numbers may not add due to rounding.

Section 2.6 – 'Section 2 Appendix A – Route Statements' provides the actual and forecasted expenses for both route grouping and the individual routes.

Route Allocation Methodology - Expenses

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

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

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

Table 24 provides a guide to the types of indirect costs that are allocated to routes, the allocation factor used and the methodology followed. This methodology has been consistently applied since fiscal 2004:

Table 24 - Allocation of Actual Operating Expenses

Type of Expense	Allocation Factor	Allocation Methodology
Vessel Redeployment	Vessel sailing hours	Redeployment costs are allocated to the routes that the ship worked on based on percentage of sailing hours.
Staffing Pool & Crews Not Onboard	Direct ship wages for region	Allocated based on each route's percentage of total direct ship wages.
Marine Insurance	Vessel sailing hours	Marine insurance is charged directly to vessels. It is allocated to routes based on the percentage of vessel sailing hours per route.
Refit & Maintenance	Vessel sailing hours	Refit and maintenance costs are charged to each vessel; overhead costs associated with this activity are allocated based on directly assigned costs. The total is then allocated to routes based on the percentage of vessel sailings hours that each ship worked on each route.
Terminal Operations	Vehicle throughput	Allocated based on percentage of vehicles embarking on a route from the terminal.

Type of Expense	Allocation Factor	Allocation Methodology
Terminal Catering	Passenger throughput	Allocated based on each route's percentage of passengers embarking on a route.
Drop Trailers	Drop trailer throughput	Allocated based on drop trailer throughput on each route.
Terminal Maintenance Overhead	Direct maintenance cost by terminal	Maintenance yard overhead costs are allocated to terminals serviced by each yard based on direct maintenance costs per terminal.
Direct Maintenance Costs and Overhead	Vehicle throughput	Direct maintenance costs plus allocated overhead is allocated to routes based on the percentage of vehicles embarking on a route from the terminals.
Operational Administration and Human Resources	Productive labour hours per route	Allocated to routes based on productive labour hours.
Catering – Direct Overhead	Net catering revenue	Allocated across catering routes based on each route's percentage of net catering revenue.
Call Handling - Direct Overhead		
Inquiry	Total tariff revenue	Historically 60 percent of all call handling expenses are inquiry related. Allocated across all routes based on each route's percentage of tariff revenue.
Booking	Quantity of reservations	Historically 40 percent of all call handling expenses are booking related. 50 percent of this is allocated to routes based on quantity of reservations booked to a route and 50 percent is allocated to routes based on total value of reservations redeemed on a route.
Operations & Security Centre	Total passengers	Allocated to routes based on total passengers per route.
Travel Services	Vacations Centre tariff revenue	Allocated to routes based on route tariff revenue generated by the Vacations Centre.
Depreciation and Amortization – Capital Assets		
Vessels	Vessel sailing hours	Depreciation for each vessel is allocated to individual routes based on vessel sailing hours.
Terminals	Vehicle throughput	Depreciation for multi-route terminals is allocated to individual routes based on vehicle throughput.
Other	Total revenue	Depreciation and Amortization for overhead assets is allocated to individual routes based on total revenue.
Corporate Human Resources Workforce Development	Productive labour hours per route	Allocated to routes based on productive labour hours.
Purchasing & materials Administration	Productive labour hours per route	Allocated to routes based on productive labour hours.
Corporate Support Services	Total revenue	Allocated across all routes based on total operating revenue per route.
Financing Expense	Net Book Value ("NBV") of Capitalized Assets	Allocated based on the NBV of capital assets employed on each route. The NBV of vessels is allocated to routes based on vessel sailing hours.

Type of Expense	Allocation Factor	Allocation Methodology
BCF Captive Insurance Company Gain (Loss)	Vessel Policies	Allocated across all routes based on allocated marine insurance.
	Terminal Policies	Allocated across all routes based on total operating revenue per route.
	Administrative & Investment Income	Allocated across all routes based on total operating revenue per route.
Loss (Gain) on Disposal of Fixed Assets	Vessel Sailing Hours	Losses (gains) directly attributable to vessels are first assigned to the route grouping the vessel served and are then allocated to routes based on vessel sailing hours.
	Vehicle throughput	Losses (gains) directly attributable to terminals are allocated to routes based on vehicle throughput.
	Total Revenue	Losses (gains) on overhead assets are allocated based on total operating revenue.

2.6 Section 2 Appendix A – Actual and Forecast Operational Performance during PT5

($Millions)	PT5 Determination Outlook					COVID-19 Framework					PT5 Determination vs. Framework
	F2021	F2022	F2023	F2024	Total	F2021	F2022	F2023	F2024	Total	Total
Forecasted Operating Results											
Traffic ***(Note 1)***	643	645	647	653	2,589	458	577	615	640	2,289	-300
Allowable Tariff Increase - per PT5 Price Cap Determination	15	30	44	59	148	0	20	37	54	111	-37
Ancillary and Other Revenue	80	82	84	86	331	28	43	74	79	224	-107
Service Fees & Other Contributions (incl. seniors)	229	230	230	231	920	230	230	232	232	924	4
Revenue	967	986	1,006	1,030	3,988	716	870	957	1,004	3,548	-440
Less: Operating Expenses ***(Note 2)***	684	696	717	747	2,844	633	704	717	728	2,781	63
EBITDA	**283**	**290**	**289**	**283**	**1,144**	**83**	**167**	**240**	**276**	**766**	**-377**
Net Financing ***(Note 3)***	63	69	76	86	294	58	55	58	55	226	68
Amortization ***(Note 3)***	192	191	201	205	789	183	175	193	193	743	46
Regulatory Net (Loss) Earnings before Contribution Agreement	**28**	**30**	**12**	**-8**	**61**	**-157**	**-63**	**-11**	**28**	**-203**	**-264**
Fuel Surcharge (Rebate)	0	0	0	0	0	-7	0	1	2	-4	-4
Fuel Above (Below) Set Price	0	0	0	0	0	-8				-8	8
IFRS Net (Loss) Earnings before Contribution Agreement	**28**	**30**	**12**	**-8**	**61**	**-156**	**-63**	**-10**	**29**	**-199**	**-260**
Safe Restart Funding ***(Note 4)***						186	94			280	280
Subtotal	**28**	**30**	**12**	**-8**	**61**	**30**	**31**	**-10**	**29**	**81**	20
Discretionary Sailings ***(Note 4)***											
Cost of providing sailings							-1	-1	-1	-4	-4
Contribution Agreement Funding							1	1	1	4	4
						0	0	0	0	0	0
Fare Increase Buydown ***(Note 4)***											
Cost of forgone fare increase							-7	-8	-10	-24	-24
Contribution Agreement Funding							7	8	10	24	24
						0	0	0	0	0	0
NET EARNINGS	**28**	**30**	**12**	**-8**	**61**	**30**	**31**	**-10**	**29**	**81**	20
Equity Position (incl. Divident pymt)	686	710	716	**702**		678	710	699	**729**		27
Capital Spend ***(Note 3)***	451	389	295	456	**1,591**	146	238	177	347	**908**	**-683**
Incremental Borrowing ***(Note 3)***	250	150	250	200	**850**	0	0	0	0	**0**	**850**
Leverage Ratio ***(Note 5)***	73.3%	74.0%	75.9%	**77.7%**		70.7%	69.5%	69.7%	**68.6%**		9.1%
DSCR	2.87x	3.10x	2.83x	**2.51x**		2.96x	3.29x	3.03x	**3.53x**		**1.02x**

Notes:

1. The impact of COVID-19 was forecast to reduce revenue by $440 from expected levels informing the PT5 Price Cap Determination.
2. In response to projected revenue losses, BC Ferries reduced operating costs by $70 million in fiscal 2021, and then maintained an ongoing focus on cost containment.
3. Net Financing and Amortization expenses were reduced in relation capital deferrals prior to fiscal 2021 of $200 million and $683 million of deferrals within PT5.
4. The Contribution agreement signed in November 2020 was comprised of three components:
    a. Safe Restart funding to provide relief for tariff revenue losses
    b. Discretionary Sailing funding to maintain a select number of discretionary sailings in the service schedule
    c. Fare increase Buy down funding to maintain fares flat to fiscal 2020 yields for fiscal 2021 and 2.30% for the remainder of PT5
5. The improvement in the Leverage Ratio from the PT5 Determination Outlook reflects the net effect of COVID-19, capital deferrals, cost containment, and the Contribution Agreement.

($Millions)	COVID-19 Framework					Actual	Actual	Forecast	Forecast		COVID-19 Framework vs. Actual/Forecast Experience
	F2021	F2022	F2023	F2024	Total	F2021	F2022	F2023	F2024	Total	Total
Forecasted Operating Results											
Traffic	458	577	615	640	2,289	430	569	650	663	2,312	23
Allowable Tariff Increase - per PT5 Price Cap Determination	0	20	37	54	111	10	27	47	65	150	39
Ancillary and Other Revenue	28	43	74	79	224	25	54	79	86	244	20
Service Fees & Other Contributions (incl. seniors)	230	230	232	232	924	230	230	231	233	924	0
Revenue ***(Note 1)***	716	870	957	1,004	3,548	695	881	1,007	1,047	3,630	82
Less: Operating Expenses ***(Note 2)***	633	704	717	728	2,781	607	689	762	803	2,860	-79
EBITDA	**83**	**167**	**240**	**276**	**766**	**88**	**192**	**245**	**245**	**770**	**3**
Net Financing	58	55	58	55	226	56	56	58	57	227	-1
Amortization	183	175	193	193	743	189	180	180	187	736	7
Regulatory Net (Loss) Earnings before Contribution Agreement	**-157**	**-63**	**-11**	**28**	**-203**	**-157**	**-44**	**7**	**1**	**-193**	**10**
Fuel Surcharge (Rebate)	-7	0	1	2	-4	-7	-4	21	33	44	47
Fuel Above (Below) Set Price ***(Note 3)***	-8				-8	-6	5	30	25	54	-61
IFRS Net (Loss) Earnings before Contribution Agreement	**-156**	**-63**	**-10**	**29**	**-199**	**-157**	**-53**	**-2**	**9**	**-203**	**-4**
Safe Restart Funding	186	94			280	186	94			280	0
Subtotal	**30**	**31**	**-10**	**29**	**81**	**29**	**41**	**-2**	**9**	**77**	**-4**
Discretionary Sailings											
Cost of providing sailings		-1	-1	-1	-4		-1	-1	-1	-4	0
Contribution Agreement Funding		1	1	1	4		1	1	1	4	0
	0	0	0	0	0	0	0	0	0	0	0
Fare Increase Buydown											
Cost of forgone fare increase ***(Note 4)***		-7	-8	-10	-24	-8	-14	-16	-17	-55	-30
Contribution Agreement Funding		7	8	10	24		7	10	7	24	0
	0	0	0	0	0	-8	-7	-6	-10	-31	-31
NET EARNINGS	**30**	**31**	**-10**	**29**	**81**	**21**	**34**	**-8**	**-1**	**46**	**-35**
Equity Position (incl. Divident pymt)	678	710	699	**729**		663	691	676	**673**		-56
Capital Spend	146	238	177	347	**908**	125	167	203	354	**849**	-59
Incremental Borrowing	0	0	0	0	**0**	0	0	0	0	**0**	**0**
Leverage Ratio	70.7%	69.5%	69.7%	**68.6%**		71.1%	70.1%	69.7%	**69.7%**		-1.1%
DSCR	2.96x	3.29x	3.03x	**3.53x**		2.89x	3.37x	2.94x	**3.15x**		**(0.38)x**

Notes:

1. The COVID-19 Framework did not anticipate subsequent COVID-19 waves, along with additional non-essential travel restrictions. However, nor did it anticipate vaccines being available as early as they were, or peoples pent up demand for travel following periods of restriction.
2. Operation expenses have exceeded the Framework forecast, driven mainly by the labour challenges, increased maintenance work, and overall inflationary pressure.
3. Fuel commodity costs have risen dramatically since COVID-19 Framework resulting in higher fuel surcharges.
4. Fare increase Buydown funding offset foregone revenues through mid-fiscal 2023 but will not fully restore revenue lost from holding fiscal 2021 fares flat to fiscal 2020 levels.

5.

2.6 Section 2 Appendix B - Route Statements (Actuals & Forecast)

British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Corporate Total			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	424,077	569,551	660,024	696,068
Ancillary Revenue	24,582	54,401	78,688	86,149
Social Program Fees	7,750	10,385	15,696	16,557
Contracted Routes Fee	3,675	3,676	3,700	3,700
Total Operating Revenue	**460,083**	**638,013**	**758,108**	**802,474**
Total Operating Expenses	**606,549**	**689,523**	**763,729**	**804,086**
Earnings (Loss) from Operations	**(146,466)**	**(51,511)**	**(5,621)**	**(1,612)**
Depreciation and Amortization	(179,541)	(173,300)	(179,889)	(187,366)
Net Financing Expense	(56,135)	(56,081)	(58,187)	(57,168)
Cost of Capital	**(235,676)**	**(229,380)**	**(238,076)**	**(244,534)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(8,501)	(7,273)	(208)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(390,643)**	**(288,164)**	**(243,905)**	**(246,146)**
Ferry Transportation Fees	194,226	195,379	195,272	195,343
Safe Restart Funding	186,000	107,806	12,394	(2,200)
Federal-Provincial Subsidy Agreement	32,028	32,183	33,255	34,917
Net Regulatory Earnings (Loss)	**21,611**	**47,204**	**(2,984)**	**(18,086)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	6,351	(5,040)	(30,108)	(24,696)
Fuel Surcharges Received (Rebates Paid)	(6,761)	(3,920)	21,366	32,704
Provincial Contributions to Fuel Deferral Accounts	(230)	27	-	-
Tariffs in Excess of Price Cap	-	2,671	6,309	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(6,806)	(2,194)	9,000
Net IFRS Earnings (Loss)	**20,971**	**34,136**	**(7,612)**	**(1,078)**

Effective April 1, 2020, the CFSC was amended for PT5, formalizing ferry transportation fees for the four-year term which commenced April 1, 2020 and ends on March 31, 2024. The annual maximum ferry transportation fees includes a contribution to the Seniors' discounts to a maximum of $30 million. The CFSC updated fees per round trip for PT5 based on a review of the average net loss (before ferry transportation fees) of the fifteen years prior to the start of the term.

BC Ferries entered into a contribution agreement with the Province dated November 11, 2020, through which it received Safe Restart Funding to primarily offset financial losses resulting from the COVID-19 pandemic. The Contribution Agreement consisted of three components: Base Operating Relief ($280M), Fare Increase Relief ($24M) and Discretionary Sailing Relief ($4M). For reporting purposes, Discretionary Sailing Relief is included in the Ferry Transportation Fees annual totals, with the Base Operating Relief and Fare Increase Relief included in Safe Restart Funding, including the fare increase relief deferral amounts for consistency with the submission to the Province based on the estimated loss of earnings. No Safe Restart Funding was provided to the drop trailer business.

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

British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Major Routes			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	349,225	471,380	551,463	581,504
Ancillary Revenue	20,547	46,514	68,755	75,275
Social Program Fees	3,532	4,789	8,404	8,862
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**373,304**	**522,683**	**628,622**	**665,641**
Total Operating Expenses	**385,573**	**443,572**	**499,893**	**526,339**
Earnings (Loss) from Operations	**(12,269)**	**79,112**	**128,729**	**139,302**
Depreciation and Amortization	(105,724)	(99,544)	(100,747)	(106,279)
Net Financing Expense	(28,193)	(26,997)	(28,064)	(27,546)
Cost of Capital	**(133,916)**	**(126,541)**	**(128,811)**	**(133,826)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(6,956)	(6,206)	(173)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(153,141)**	**(53,635)**	**(255)**	**5,476**
Ferry Transportation Fees	6,821	10,853	14,784	15,063
Safe Restart Funding	156,011	90,852	10,057	(1,898)
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	**9,691**	**48,070**	**24,585**	**18,641**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	4,204	(3,604)	(20,544)	(17,255)
Fuel Surcharges Received (Rebates Paid)	(5,393)	(2,986)	14,579	23,613
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	2,211	5,319	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(5,412)	(1,671)	7,549
Net IFRS Earnings (Loss)	**8,502**	**38,279**	**22,268**	**32,548**

Effective April 1, 2020, the CFSC was amended for PT5, formalizing ferry transportation fees for the four-year term which commenced April 1, 2020 and ends on March 31, 2024. The annual maximum ferry transportation fees includes a contribution to the Seniors' discounts to a maximum of $30 million. The CFSC updated fees per round trip for PT5 based on a review of the average net loss (before ferry transportation fees) of the fifteen years prior to the start of the term.

BC Ferries entered into a contribution agreement with the Province dated November 11, 2020, through which it received Safe Restart Funding to primarily offset financial losses resulting from the COVID-19 pandemic. The Contribution Agreement consisted of three components: Base Operating Relief ($280M), Fare Increase Relief ($24M) and Discretionary Sailing Relief ($4M). For reporting purposes, Discretionary Sailing Relief is included in the Ferry Transportation Fees annual totals, with the Base Operating Relief and Fare Increase Relief included in Safe Restart Funding, including the fare increase relief deferral amounts for consistency with the submission to the Province based on the estimated loss of earnings. No Safe Restart Funding was provided to the drop trailer business.

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

British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Northern Routes			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	7,025	12,833	17,491	18,384
Ancillary Revenue	1,894	3,590	4,655	5,096
Social Program Fees	669	963	1,144	1,203
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**9,588**	**17,386**	**23,290**	**24,683**
Total Operating Expenses	**44,081**	**55,286**	**60,480**	**63,855**
Earnings (Loss) from Operations	**(34,493)**	**(37,900)**	**(37,190)**	**(39,172)**
Depreciation and Amortization	(19,235)	(18,929)	(19,093)	(20,176)
Net Financing Expense	(7,961)	(7,574)	(7,877)	(7,730)
Cost of Capital	**(27,196)**	**(26,503)**	**(26,970)**	**(27,906)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(109)	(206)	(6)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(61,798)**	**(64,609)**	**(64,167)**	**(67,078)**
Ferry Transportation Fees	54,779	53,853	52,400	53,121
Safe Restart Funding	5,170	2,061	477	(57)
Federal-Provincial Subsidy Agreement	8,218	9,617	9,937	10,434
Net Regulatory Earnings (Loss)	**6,368**	**921**	**(1,353)**	**(3,580)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	604	(293)	(3,116)	(1,996)
Fuel Surcharges Received (Rebates Paid)	(125)	(212)	2,211	2,579
Provincial Contributions to Fuel Deferral Accounts	(230)	27	-	-
Tariffs in Excess of Price Cap	-	60	142	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(129)	(127)	250
Net IFRS Earnings (Loss)	**6,617**	**373**	**(2,243)**	**(2,747)**

Effective April 1, 2020, the CFSC was amended for PT5, formalizing ferry transportation fees for the four-year term which commenced April 1, 2020 and ends on March 31, 2024. The annual maximum ferry transportation fees includes a contribution to the Seniors' discounts to a maximum of $30 million. The CFSC updated fees per round trip for PT5 based on a review of the average net loss (before ferry transportation fees) of the fifteen years prior to the start of the term.

BC Ferries entered into a contribution agreement with the Province dated November 11, 2020, through which it received Safe Restart Funding to primarily offset financial losses resulting from the COVID-19 pandemic. The Contribution Agreement consisted of three components: Base Operating Relief ($280M), Fare Increase Relief ($24M) and Discretionary Sailing Relief ($4M). For reporting purposes, Discretionary Sailing Relief is included in the Ferry Transportation Fees annual totals, with the Base Operating Relief and Fare Increase Relief included in Safe Restart Funding, including the fare increase relief deferral amounts for consistency with the submission to the Province based on the estimated loss of earnings. No Safe Restart Funding was provided to the drop trailer business.

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

British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Minor Routes			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	67,827	85,338	91,070	96,180
Ancillary Revenue	2,140	4,297	5,278	5,778
Social Program Fees	3,549	4,633	6,148	6,493
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**73,516**	**94,267**	**102,496**	**108,450**
Total Operating Expenses	**173,220**	**186,990**	**199,657**	**210,193**
Earnings (Loss) from Operations	**(99,703)**	**(92,723)**	**(97,161)**	**(101,742)**
Depreciation and Amortization	(54,583)	(54,827)	(60,049)	(60,911)
Net Financing Expense	(19,981)	(21,510)	(22,245)	(21,891)
Cost of Capital	**(74,564)**	**(76,336)**	**(82,294)**	**(82,802)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(1,436)	(861)	(28)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(175,703)**	**(169,920)**	**(179,483)**	**(184,544)**
Ferry Transportation Fees	132,626	130,674	128,089	127,159
Safe Restart Funding	24,819	14,894	1,861	(245)
Federal-Provincial Subsidy Agreement	23,810	22,566	23,317	24,483
Net Regulatory Earnings (Loss)	**5,552**	**(1,787)**	**(26,216)**	**(33,147)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	1,543	(1,143)	(6,448)	(5,445)
Fuel Surcharges Received (Rebates Paid)	(1,242)	(722)	4,576	6,513
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	400	848	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(1,265)	(396)	1,201
Net IFRS Earnings (Loss)	**5,853**	**(4,516)**	**(27,636)**	**(30,878)**

Effective April 1, 2020, the CFSC was amended for PT5, formalizing ferry transportation fees for the four-year term which commenced April 1, 2020 and ends on March 31, 2024. The annual maximum ferry transportation fees includes a contribution to the Seniors' discounts to a maximum of $30 million. The CFSC updated fees per round trip for PT5 based on a review of the average net loss (before ferry transportation fees) of the fifteen years prior to the start of the term.

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Tsawwassen - Swartz Bay Rte 01			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	145,463	205,698	253,778	270,567
Ancillary Revenue	8,683	20,385	33,132	36,274
Social Program Fees	897	1,275	2,610	2,752
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**155,043**	**227,358**	**289,520**	**309,592**
Total Operating Expenses	**135,735**	**159,965**	**197,853**	**208,369**
Earnings (Loss) from Operations	**19,308**	**67,393**	**91,667**	**101,223**
Depreciation and Amortization	(44,708)	(44,868)	(45,256)	(47,824)
Net Financing Expense	(14,147)	(13,561)	(14,099)	(13,838)
Cost of Capital	**(58,856)**	**(58,428)**	**(59,355)**	**(61,661)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(3,154)	(2,699)	(80)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(42,702)**	**6,265**	**32,232**	**39,562**
Ferry Transportation Fees	2,516	4,277	5,866	6,295
Safe Restart Funding	73,929	43,045	4,446	(958)
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	**33,742**	**53,587**	**42,544**	**44,899**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	619	(2,292)	(6,356)	(8,221)
Fuel Surcharges Received (Rebates Paid)	(2,251)	(1,251)	4,510	8,669
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	965	2,521	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(2,111)	(632)	3,577
Net IFRS Earnings (Loss)	**32,109**	**48,898**	**42,587**	**48,923**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Horseshoe Bay - Nanaimo Rte 02			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	80,649	123,815	136,470	143,263
Ancillary Revenue	5,445	12,466	17,592	19,260
Social Program Fees	1,016	1,487	2,766	2,916
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**87,111**	**137,767**	**156,828**	**165,440**
Total Operating Expenses	**90,016**	**118,579**	**126,286**	**132,938**
Earnings (Loss) from Operations	**(2,905)**	**19,188**	**30,542**	**32,502**
Depreciation and Amortization	(21,476)	(24,213)	(24,422)	(25,808)
Net Financing Expense	(4,495)	(5,220)	(5,429)	(5,328)
Cost of Capital	**(25,971)**	**(29,433)**	**(29,851)**	**(31,135)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(1,532)	(1,636)	(43)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(30,408)**	**(11,881)**	**648**	**1,366**
Ferry Transportation Fees	1,807	3,088	4,019	4,030
Safe Restart Funding	39,650	22,452	2,595	(489)
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	**11,049**	**13,659**	**7,262**	**4,908**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	1,310	(536)	(5,423)	(3,538)
Fuel Surcharges Received (Rebates Paid)	(1,246)	(819)	3,849	6,361
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	581	1,268	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(1,483)	(444)	1,919
Net IFRS Earnings (Loss)	**11,113**	**11,402**	**6,511**	**9,650**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Horseshoe Bay - Langdale Rte 03			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	35,818	44,618	51,371	55,840
Ancillary Revenue	2,609	5,580	7,393	8,094
Social Program Fees	1,155	1,522	2,139	2,256
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**39,582**	**51,720**	**60,903**	**66,190**
Total Operating Expenses	**50,451**	**57,156**	**60,489**	**63,620**
Earnings (Loss) from Operations	**(10,869)**	**(5,436)**	**414**	**2,569**
Depreciation and Amortization	(11,405)	(10,666)	(10,758)	(11,369)
Net Financing Expense	(2,549)	(2,405)	(2,501)	(2,454)
Cost of Capital	**(13,954)**	**(13,071)**	**(13,260)**	**(13,823)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(696)	(614)	(17)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(25,519)**	**(19,121)**	**(12,863)**	**(11,254)**
Ferry Transportation Fees	1,116	1,483	1,936	1,843
Safe Restart Funding	12,935	7,791	945	(132)
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	**(11,468)**	**(9,847)**	**(9,982)**	**(9,542)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	560	(206)	(2,385)	(1,482)
Fuel Surcharges Received (Rebates Paid)	(567)	(308)	1,693	2,580
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	209	454	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(619)	(194)	626
Net IFRS Earnings (Loss)	**(11,475)**	**(10,770)**	**(10,414)**	**(7,818)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Nanaimo - Tsawwassen Rte 30			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	87,295	97,250	109,843	111,833
Ancillary Revenue	3,810	8,083	10,639	11,648
Social Program Fees	463	506	889	937
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**91,569**	**105,839**	**121,371**	**124,418**
Total Operating Expenses	**109,372**	**107,871**	**115,264**	**121,411**
Earnings (Loss) from Operations	**(17,803)**	**(2,033)**	**6,107**	**3,008**
Depreciation and Amortization	(28,135)	(19,798)	(20,310)	(21,279)
Net Financing Expense	(7,001)	(5,811)	(6,035)	(5,927)
Cost of Capital	**(35,135)**	**(25,609)**	**(26,345)**	**(27,206)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(1,574)	(1,257)	(33)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(54,512)**	**(28,898)**	**(20,272)**	**(24,198)**
Ferry Transportation Fees	1,382	2,005	2,962	2,894
Safe Restart Funding	29,499	17,564	2,071	(320)
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	**(23,632)**	**(9,329)**	**(15,239)**	**(21,624)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	1,715	(570)	(6,380)	(4,014)
Fuel Surcharges Received (Rebates Paid)	(1,329)	(608)	4,527	6,003
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	456	1,077	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(1,200)	(401)	1,427
Net IFRS Earnings (Loss)	**(23,246)**	**(11,252)**	**(16,416)**	**(18,208)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Bear Cove - Bella Bella - Prince Rupert Rte 10			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	4,064	7,063	10,267	10,729
Ancillary Revenue	1,006	1,910	2,646	2,897
Social Program Fees	227	326	444	467
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**5,297**	**9,299**	**13,357**	**14,093**
Total Operating Expenses	**21,014**	**25,340**	**29,173**	**30,766**
Earnings (Loss) from Operations	**(15,717)**	**(16,041)**	**(15,816)**	**(16,673)**
Depreciation and Amortization	(8,331)	(8,555)	(8,629)	(9,119)
Net Financing Expense	(3,413)	(3,458)	(3,595)	(3,528)
Cost of Capital	**(11,744)**	**(12,013)**	**(12,224)**	**(12,647)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(57)	(110)	(4)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(27,519)**	**(28,164)**	**(28,044)**	**(29,320)**
Ferry Transportation Fees	30,490	30,141	29,328	29,913
Safe Restart Funding	3,004	1,135	288	(32)
Federal-Provincial Subsidy Agreement	1,597	5,349	5,527	5,804
Net Regulatory Earnings (Loss)	**7,572**	**8,462**	**7,100**	**6,365**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	334	(156)	(1,666)	(1,065)
Fuel Surcharges Received (Rebates Paid)	(68)	(113)	1,182	1,376
Provincial Contributions to Fuel Deferral Accounts	(230)	27	-	-
Tariffs in Excess of Price Cap	-	33	87	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(61)	(79)	145
Net IFRS Earnings (Loss)	**7,608**	**8,192**	**6,623**	**6,821**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Prince Rupert - Skidegate Rte 11			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	2,867	4,697	5,996	6,388
Ancillary Revenue	884	1,572	1,876	2,054
Social Program Fees	441	633	529	556
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**4,192**	**6,902**	**8,401**	**8,999**
Total Operating Expenses	**16,020**	**19,965**	**21,995**	**23,259**
Earnings (Loss) from Operations	**(11,828)**	**(13,063)**	**(13,593)**	**(14,260)**
Depreciation and Amortization	(6,375)	(5,738)	(5,788)	(6,116)
Net Financing Expense	(2,624)	(2,265)	(2,355)	(2,311)
Cost of Capital	**(8,999)**	**(8,003)**	**(8,143)**	**(8,427)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(69)	(82)	(2)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(20,896)**	**(21,148)**	**(21,739)**	**(22,688)**
Ferry Transportation Fees	19,939	19,456	18,947	18,984
Safe Restart Funding	1,643	841	144	(16)
Federal-Provincial Subsidy Agreement	6,621	3,503	3,620	3,801
Net Regulatory Earnings (Loss)	**7,307**	**2,653**	**972**	**81**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	251	(114)	(1,218)	(778)
Fuel Surcharges Received (Rebates Paid)	(56)	(85)	865	1,015
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	22	50	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(62)	(36)	80
Net IFRS Earnings (Loss)	**7,501**	**2,414**	**632**	**398**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Port Hardy - Bella Coola Rte 28			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	94	1,073	1,228	1,267
Ancillary Revenue	4	108	132	144
Social Program Fees	1	4	172	180
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**99**	**1,185**	**1,531**	**1,592**
Total Operating Expenses	**7,047**	**9,980**	**9,312**	**9,830**
Earnings (Loss) from Operations	**(6,948)**	**(8,795)**	**(7,781)**	**(8,239)**
Depreciation and Amortization	(4,528)	(4,636)	(4,676)	(4,942)
Net Financing Expense	(1,925)	(1,852)	(1,927)	(1,890)
Cost of Capital	**(6,453)**	**(6,488)**	**(6,603)**	**(6,832)**
Gain (Loss) on Disposal and Impairment of Capital Assets	17	(14)	(0)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(13,384)**	**(15,297)**	**(14,384)**	**(15,070)**
Ferry Transportation Fees	4,351	4,255	4,125	4,224
Safe Restart Funding	523	84	45	(9)
Federal-Provincial Subsidy Agreement	-	765	790	830
Net Regulatory Earnings (Loss)	**(8,511)**	**(10,193)**	**(9,424)**	**(10,026)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	19	(23)	(232)	(153)
Fuel Surcharges Received (Rebates Paid)	(1)	(15)	165	188
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	5	5	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(6)	(11)	25
Net IFRS Earnings (Loss)	**(8,492)**	**(10,233)**	**(9,498)**	**(9,965)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Swartz Bay - Fulford Harbour Rte 04			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	5,142	6,386	6,997	7,420
Ancillary Revenue	177	237	284	311
Social Program Fees	310	353	396	418
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**5,629**	**6,976**	**7,678**	**8,149**
Total Operating Expenses	**12,071**	**12,696**	**12,605**	**13,252**
Earnings (Loss) from Operations	**(6,441)**	**(5,720)**	**(4,928)**	**(5,103)**
Depreciation and Amortization	(3,786)	(3,808)	(3,841)	(4,059)
Net Financing Expense	(1,206)	(1,182)	(1,228)	(1,206)
Cost of Capital	**(4,992)**	**(4,990)**	**(5,068)**	**(5,264)**
Gain (Loss) on Disposal and Impairment of Capital Assets	32	(78)	(2)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(11,402)**	**(10,788)**	**(9,998)**	**(10,367)**
Ferry Transportation Fees	7,548	7,409	7,295	7,263
Safe Restart Funding	1,972	1,224	124	(23)
Federal-Provincial Subsidy Agreement	1,411	1,281	1,324	1,390
Net Regulatory Earnings (Loss)	**(470)**	**(874)**	**(1,256)**	**(1,738)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	146	(55)	(511)	(344)
Fuel Surcharges Received (Rebates Paid)	(101)	(54)	363	501
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	30	67	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(89)	(20)	95
Net IFRS Earnings (Loss)	**(425)**	**(1,042)**	**(1,357)**	**(1,485)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Swartz Bay - Gulf Islands Rte 05			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	4,802	5,820	5,900	6,179
Ancillary Revenue	167	416	563	617
Social Program Fees	411	475	579	611
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**5,380**	**6,711**	**7,042**	**7,407**
Total Operating Expenses	**24,387**	**24,029**	**29,947**	**31,532**
Earnings (Loss) from Operations	**(19,007)**	**(17,318)**	**(22,905)**	**(24,125)**
Depreciation and Amortization	(6,312)	(4,356)	(6,746)	(5,868)
Net Financing Expense	(1,662)	(1,568)	(1,631)	(1,600)
Cost of Capital	**(7,974)**	**(5,925)**	**(8,376)**	**(7,468)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(95)	(80)	(2)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(27,076)**	**(23,322)**	**(31,283)**	**(31,593)**
Ferry Transportation Fees	20,677	20,173	19,747	19,581
Safe Restart Funding	1,629	1,018	126	(15)
Federal-Provincial Subsidy Agreement	4,443	3,563	3,682	3,866
Net Regulatory Earnings (Loss)	**(327)**	**1,432**	**(7,729)**	**(8,161)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	388	(144)	(1,026)	(775)
Fuel Surcharges Received (Rebates Paid)	(96)	(51)	728	768
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	27	57	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(95)	(28)	79
Net IFRS Earnings (Loss)	**(34)**	**1,169**	**(7,997)**	**(8,089)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Vesuvius Bay - Crofton Rte 06			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	4,428	5,425	5,638	5,968
Ancillary Revenue	9	10	11	12
Social Program Fees	212	267	374	395
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**4,649**	**5,702**	**6,023**	**6,375**
Total Operating Expenses	**8,518**	**9,034**	**9,261**	**9,768**
Earnings (Loss) from Operations	**(3,869)**	**(3,332)**	**(3,238)**	**(3,393)**
Depreciation and Amortization	(1,570)	(1,340)	(1,351)	(1,428)
Net Financing Expense	(180)	(199)	(206)	(202)
Cost of Capital	**(1,750)**	**(1,538)**	**(1,557)**	**(1,630)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(82)	(68)	(2)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(5,701)**	**(4,938)**	**(4,797)**	**(5,023)**
Ferry Transportation Fees	2,794	2,818	2,790	2,776
Safe Restart Funding	1,451	916	116	(12)
Federal-Provincial Subsidy Agreement	13	445	460	483
Net Regulatory Earnings (Loss)	**(1,443)**	**(760)**	**(1,431)**	**(1,777)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	59	(14)	(218)	(122)
Fuel Surcharges Received (Rebates Paid)	(84)	(46)	154	310
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	25	53	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(84)	(27)	70
Net IFRS Earnings (Loss)	**(1,468)**	**(878)**	**(1,468)**	**(1,519)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Saltery Bay - Earls Cove Rte 07			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	5,605	7,083	7,276	7,730
Ancillary Revenue	138	309	342	374
Social Program Fees	175	227	343	363
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**5,918**	**7,619**	**7,961**	**8,467**
Total Operating Expenses	**15,295**	**17,686**	**17,202**	**18,117**
Earnings (Loss) from Operations	**(9,377)**	**(10,066)**	**(9,241)**	**(9,651)**
Depreciation and Amortization	(3,369)	(3,326)	(3,354)	(3,545)
Net Financing Expense	(1,233)	(1,158)	(1,205)	(1,182)
Cost of Capital	**(4,602)**	**(4,484)**	**(4,559)**	**(4,727)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(104)	(90)	(2)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(14,083)**	**(14,641)**	**(13,802)**	**(14,377)**
Ferry Transportation Fees	13,569	13,471	13,192	13,085
Safe Restart Funding	1,902	1,087	155	(18)
Federal-Provincial Subsidy Agreement	2,948	2,343	2,421	2,542
Net Regulatory Earnings (Loss)	**4,336**	**2,260**	**1,966**	**1,232**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	228	(79)	(826)	(533)
Fuel Surcharges Received (Rebates Paid)	(99)	(55)	586	680
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	33	65	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(102)	(36)	92
Net IFRS Earnings (Loss)	**4,464**	**2,056**	**1,755**	**1,471**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Horseshoe Bay - Snug Cove Rte 08			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	8,165	9,985	11,128	11,841
Ancillary Revenue	382	466	554	606
Social Program Fees	568	753	961	1,015
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**9,116**	**11,204**	**12,643**	**13,462**
Total Operating Expenses	**17,394**	**17,214**	**18,069**	**19,003**
Earnings (Loss) from Operations	**(8,279)**	**(6,010)**	**(5,425)**	**(5,541)**
Depreciation and Amortization	(4,212)	(4,094)	(4,129)	(4,363)
Net Financing Expense	(1,222)	(1,075)	(1,117)	(1,096)
Cost of Capital	**(5,433)**	**(5,168)**	**(5,246)**	**(5,460)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(160)	(133)	(3)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(13,872)**	**(11,311)**	**(10,675)**	**(11,000)**
Ferry Transportation Fees	8,686	8,610	8,491	8,493
Safe Restart Funding	2,891	1,836	210	(28)
Federal-Provincial Subsidy Agreement	1,497	1,451	1,500	1,575
Net Regulatory Earnings (Loss)	**(798)**	**587**	**(474)**	**(960)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	208	(75)	(776)	(501)
Fuel Surcharges Received (Rebates Paid)	(142)	(78)	551	747
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	47	102	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(151)	(43)	140
Net IFRS Earnings (Loss)	**(731)**	**329**	**(640)**	**(575)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Tsawwassen - Gulf Islands Rte 09			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	10,681	14,813	15,886	16,692
Ancillary Revenue	740	1,686	2,176	2,383
Social Program Fees	122	148	260	275
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**11,544**	**16,646**	**18,323**	**19,349**
Total Operating Expenses	**18,094**	**23,872**	**23,601**	**24,837**
Earnings (Loss) from Operations	**(6,550)**	**(7,226)**	**(5,278)**	**(5,488)**
Depreciation and Amortization	(7,178)	(7,755)	(10,218)	(9,513)
Net Financing Expense	(3,398)	(3,532)	(3,673)	(3,604)
Cost of Capital	**(10,576)**	**(11,287)**	**(13,890)**	**(13,118)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(220)	(198)	(5)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(17,346)**	**(18,710)**	**(19,173)**	**(18,605)**
Ferry Transportation Fees	13,758	13,555	13,400	13,274
Safe Restart Funding	4,544	2,431	344	(51)
Federal-Provincial Subsidy Agreement	2,603	2,334	2,412	2,533
Net Regulatory Earnings (Loss)	**3,559**	**(390)**	**(3,017)**	**(2,850)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	1	(317)	(541)	(1,000)
Fuel Surcharges Received (Rebates Paid)	(172)	(126)	384	820
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	69	144	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(190)	(74)	220
Net IFRS Earnings (Loss)	**3,388**	**(954)**	**(3,104)**	**(2,810)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Mill Bay - Brentwood Rte 12			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	1,116	1,690	1,729	1,800
Ancillary Revenue	(1)	1	3	3
Social Program Fees	2	6	32	34
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,117**	**1,696**	**1,764**	**1,837**
Total Operating Expenses	**2,364**	**3,018**	**3,881**	**4,096**
Earnings (Loss) from Operations	**(1,248)**	**(1,322)**	**(2,117)**	**(2,259)**
Depreciation and Amortization	(1,197)	(1,060)	(1,069)	(1,130)
Net Financing Expense	(169)	(136)	(141)	(139)
Cost of Capital	**(1,366)**	**(1,196)**	**(1,211)**	**(1,268)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(20)	(20)	(0)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(2,634)**	**(2,538)**	**(3,328)**	**(3,527)**
Ferry Transportation Fees	1,979	2,019	1,804	1,713
Safe Restart Funding	592	440	24	(8)
Federal-Provincial Subsidy Agreement	-	321	331	348
Net Regulatory Earnings (Loss)	**(62)**	**241**	**(1,169)**	**(1,474)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	16	(6)	(59)	(39)
Fuel Surcharges Received (Rebates Paid)	(26)	(18)	42	108
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	8	17	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(23)	1	29
Net IFRS Earnings (Loss)	**(72)**	**202**	**(1,168)**	**(1,375)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Langdale - Gambier Island - Keats Island Rte 13			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	149	169	163	174
Ancillary Revenue	18	19	19	21
Social Program Fees	3	3	2	2
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**170**	**191**	**184**	**196**
Total Operating Expenses	**734**	**705**	**745**	**786**
Earnings (Loss) from Operations	**(564)**	**(515)**	**(561)**	**(589)**
Depreciation and Amortization	(12)	(11)	(11)	(11)
Net Financing Expense	-	-	-	-
Cost of Capital	**(12)**	**(11)**	**(11)**	**(11)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(3)	(2)	(0)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(579)**	**(527)**	**(571)**	**(600)**
Ferry Transportation Fees	547	538	489	525
Safe Restart Funding	46	27	5	(0)
Federal-Provincial Subsidy Agreement	81	88	91	95
Net Regulatory Earnings (Loss)	**95**	**126**	**14**	**19**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	(0)	(28)	(19)	(75)
Fuel Surcharges Received (Rebates Paid)	(2)	(3)	14	21
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	1	2	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(3)	(1)	2
Net IFRS Earnings (Loss)	**93**	**93**	**8**	**(33)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Comox - Powell River Rte 17			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	8,513	11,409	12,592	13,370
Ancillary Revenue	338	932	1,229	1,345
Social Program Fees	652	894	1,112	1,175
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**9,504**	**13,235**	**14,933**	**15,890**
Total Operating Expenses	**16,717**	**17,107**	**17,303**	**18,217**
Earnings (Loss) from Operations	**(7,214)**	**(3,871)**	**(2,370)**	**(2,327)**
Depreciation and Amortization	(6,440)	(6,008)	(6,060)	(6,403)
Net Financing Expense	(3,387)	(3,048)	(3,169)	(3,110)
Cost of Capital	**(9,826)**	**(9,056)**	**(9,229)**	**(9,514)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(167)	(157)	(4)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(17,207)**	**(13,084)**	**(11,603)**	**(11,841)**
Ferry Transportation Fees	11,599	11,496	11,338	11,260
Safe Restart Funding	3,265	1,947	257	(30)
Federal-Provincial Subsidy Agreement	2,041	1,983	2,049	2,152
Net Regulatory Earnings (Loss)	**(302)**	**2,342**	**2,041**	**1,541**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	49	(263)	(381)	(799)
Fuel Surcharges Received (Rebates Paid)	(161)	(89)	270	576
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	54	116	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(172)	(58)	158
Net IFRS Earnings (Loss)	**(414)**	**1,873**	**1,989**	**1,475**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Texada Island - Powell River Rte 18			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	1,234	1,433	1,432	1,523
Ancillary Revenue	22	34	8	9
Social Program Fees	113	136	171	181
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,368**	**1,603**	**1,612**	**1,713**
Total Operating Expenses	**7,356**	**7,015**	**6,690**	**7,048**
Earnings (Loss) from Operations	**(5,988)**	**(5,413)**	**(5,078)**	**(5,335)**
Depreciation and Amortization	(2,777)	(3,083)	(3,110)	(3,286)
Net Financing Expense	(1,530)	(1,791)	(1,843)	(1,819)
Cost of Capital	**(4,306)**	**(4,874)**	**(4,953)**	**(5,105)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(27)	(19)	(0)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(10,321)**	**(10,306)**	**(10,031)**	**(10,440)**
Ferry Transportation Fees	6,713	6,591	6,440	6,393
Safe Restart Funding	374	243	31	(3)
Federal-Provincial Subsidy Agreement	1,138	1,155	1,193	1,253
Net Regulatory Earnings (Loss)	**(2,097)**	**(2,318)**	**(2,368)**	**(2,797)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	65	(23)	(235)	(152)
Fuel Surcharges Received (Rebates Paid)	(24)	(13)	167	182
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	7	13	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(25)	(7)	18
Net IFRS Earnings (Loss)	**(2,056)**	**(2,372)**	**(2,430)**	**(2,748)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Gabriola Island - Nanaimo Harbour Rte 19			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	4,755	5,489	6,165	6,528
Ancillary Revenue	36	40	22	24
Social Program Fees	256	358	482	509
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**5,048**	**5,887**	**6,669**	**7,061**
Total Operating Expenses	**8,852**	**9,889**	**13,343**	**14,042**
Earnings (Loss) from Operations	**(3,804)**	**(4,002)**	**(6,675)**	**(6,981)**
Depreciation and Amortization	(2,518)	(3,106)	(3,133)	(3,311)
Net Financing Expense	(385)	(1,155)	(1,157)	(1,157)
Cost of Capital	**(2,904)**	**(4,262)**	**(4,290)**	**(4,468)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(89)	(70)	(2)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(6,797)**	**(8,333)**	**(10,966)**	**(11,449)**
Ferry Transportation Fees	5,069	5,049	5,067	5,050
Safe Restart Funding	1,568	985	123	(14)
Federal-Provincial Subsidy Agreement	755	812	839	881
Net Regulatory Earnings (Loss)	**594**	**(1,487)**	**(4,938)**	**(5,531)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	72	(29)	(445)	(253)
Fuel Surcharges Received (Rebates Paid)	(87)	(46)	316	435
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	26	57	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(88)	(28)	76
Net IFRS Earnings (Loss)	**579**	**(1,625)**	**(5,038)**	**(5,274)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Thetis Island - Penelakut Island - Chemainus Rte 20			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	1,149	1,263	1,353	1,458
Ancillary Revenue	2	3	3	3
Social Program Fees	74	134	238	251
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,225**	**1,400**	**1,593**	**1,711**
Total Operating Expenses	**4,495**	**5,014**	**5,398**	**5,685**
Earnings (Loss) from Operations	**(3,270)**	**(3,614)**	**(3,805)**	**(3,973)**
Depreciation and Amortization	(1,604)	(1,579)	(1,593)	(1,683)
Net Financing Expense	(440)	(396)	(412)	(404)
Cost of Capital	**(2,044)**	**(1,975)**	**(2,005)**	**(2,087)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(22)	(17)	(0)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(5,336)**	**(5,605)**	**(5,810)**	**(6,060)**
Ferry Transportation Fees	5,228	5,094	4,982	4,945
Safe Restart Funding	392	249	27	(4)
Federal-Provincial Subsidy Agreement	1,120	901	931	978
Net Regulatory Earnings (Loss)	**1,405**	**640**	**130**	**(141)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	33	(11)	(113)	(73)
Fuel Surcharges Received (Rebates Paid)	(23)	(11)	80	109
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	6	12	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(20)	(5)	19
Net IFRS Earnings (Loss)	**1,416**	**603**	**104**	**(86)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Denman Island - Buckley Bay Rte 21			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	3,135	3,611	3,683	3,884
Ancillary Revenue	21	23	7	7
Social Program Fees	158	216	275	291
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**3,314**	**3,849**	**3,965**	**4,182**
Total Operating Expenses	**5,820**	**5,962**	**5,789**	**6,090**
Earnings (Loss) from Operations	**(2,506)**	**(2,114)**	**(1,824)**	**(1,907)**
Depreciation and Amortization	(2,515)	(2,657)	(2,680)	(2,832)
Net Financing Expense	(1,289)	(1,268)	(1,319)	(1,294)
Cost of Capital	**(3,804)**	**(3,926)**	**(3,999)**	**(4,127)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(58)	(46)	(1)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(6,368)**	**(6,085)**	**(5,824)**	**(6,034)**
Ferry Transportation Fees	5,919	5,934	5,840	5,790
Safe Restart Funding	1,021	594	86	(9)
Federal-Provincial Subsidy Agreement	1,076	988	1,021	1,072
Net Regulatory Earnings (Loss)	**1,648**	**1,432**	**1,123**	**820**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	13	(4)	(45)	(29)
Fuel Surcharges Received (Rebates Paid)	(59)	(34)	32	165
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	17	36	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(58)	(21)	49
Net IFRS Earnings (Loss)	**1,602**	**1,353**	**1,125**	**1,006**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Hornby Island - Denman Island Rte 22			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	1,485	1,729	1,551	1,589
Ancillary Revenue	15	15	2	3
Social Program Fees	6	15	27	28
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,506**	**1,759**	**1,580**	**1,620**
Total Operating Expenses	**4,452**	**4,429**	**4,080**	**4,301**
Earnings (Loss) from Operations	**(2,946)**	**(2,671)**	**(2,500)**	**(2,681)**
Depreciation and Amortization	(1,578)	(1,407)	(1,419)	(1,499)
Net Financing Expense	(665)	(625)	(650)	(638)
Cost of Capital	**(2,244)**	**(2,031)**	**(2,069)**	**(2,137)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(26)	(21)	(0)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(5,216)**	**(4,723)**	**(4,569)**	**(4,818)**
Ferry Transportation Fees	3,788	3,709	3,560	3,502
Safe Restart Funding	486	254	34	(6)
Federal-Provincial Subsidy Agreement	900	653	674	708
Net Regulatory Earnings (Loss)	**(42)**	**(107)**	**(301)**	**(614)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	7	(4)	(46)	(30)
Fuel Surcharges Received (Rebates Paid)	(26)	(16)	33	90
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	8	15	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(24)	(7)	24
Net IFRS Earnings (Loss)	**(61)**	**(143)**	**(306)**	**(530)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Quadra Island - Campbell River Rte 23			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	4,689	5,368	5,758	6,039
Ancillary Revenue	45	54	33	36
Social Program Fees	270	369	499	527
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**5,003**	**5,792**	**6,289**	**6,602**
Total Operating Expenses	**10,186**	**10,571**	**12,831**	**13,495**
Earnings (Loss) from Operations	**(5,183)**	**(4,779)**	**(6,542)**	**(6,892)**
Depreciation and Amortization	(2,047)	(3,126)	(3,153)	(3,332)
Net Financing Expense	(343)	(1,082)	(1,086)	(1,085)
Cost of Capital	**(2,390)**	**(4,208)**	**(4,239)**	**(4,417)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(342)	185	(2)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(7,915)**	**(8,802)**	**(10,783)**	**(11,309)**
Ferry Transportation Fees	6,398	6,297	6,201	6,194
Safe Restart Funding	1,607	990	119	(16)
Federal-Provincial Subsidy Agreement	802	1,056	1,091	1,146
Net Regulatory Earnings (Loss)	**891**	**(458)**	**(3,372)**	**(3,986)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	90	(29)	(584)	(310)
Fuel Surcharges Received (Rebates Paid)	(86)	(50)	415	524
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	25	55	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(83)	(25)	78
Net IFRS Earnings (Loss)	**894**	**(594)**	**(3,511)**	**(3,693)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Cortes Island - Quadra Island Rte 24			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	911	1,108	959	948
Ancillary Revenue	5	12	8	9
Social Program Fees	108	122	158	167
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,024**	**1,242**	**1,125**	**1,124**
Total Operating Expenses	**3,943**	**5,214**	**4,944**	**5,216**
Earnings (Loss) from Operations	**(2,919)**	**(3,972)**	**(3,819)**	**(4,092)**
Depreciation and Amortization	(2,066)	(3,373)	(3,403)	(3,596)
Net Financing Expense	(486)	(691)	(718)	(705)
Cost of Capital	**(2,553)**	**(4,064)**	**(4,121)**	**(4,301)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(18)	(15)	(0)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(5,489)**	**(8,050)**	**(7,941)**	**(8,393)**
Ferry Transportation Fees	5,128	4,998	4,830	4,772
Safe Restart Funding	314	188	21	(4)
Federal-Provincial Subsidy Agreement	709	891	921	967
Net Regulatory Earnings (Loss)	**662**	**(1,974)**	**(2,169)**	**(2,658)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	45	(16)	(162)	(105)
Fuel Surcharges Received (Rebates Paid)	(18)	(10)	115	130
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	5	11	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(18)	(4)	15
Net IFRS Earnings (Loss)	**689**	**(2,012)**	**(2,209)**	**(2,618)**

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British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Alert Bay - Sointula - Port Mcneill Rte 25			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	1,456	1,915	2,075	2,206
Ancillary Revenue	16	18	12	13
Social Program Fees	90	123	180	190
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**1,561**	**2,056**	**2,267**	**2,409**
Total Operating Expenses	**7,164**	**7,818**	**7,740**	**8,152**
Earnings (Loss) from Operations	**(5,602)**	**(5,763)**	**(5,473)**	**(5,743)**
Depreciation and Amortization	(3,815)	(3,361)	(3,390)	(3,582)
Net Financing Expense	(1,949)	(2,219)	(2,292)	(2,257)
Cost of Capital	**(5,764)**	**(5,580)**	**(5,682)**	**(5,839)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(27)	(24)	(1)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(11,394)**	**(11,367)**	**(11,155)**	**(11,582)**
Ferry Transportation Fees	7,463	7,286	7,123	7,088
Safe Restart Funding	528	322	44	(4)
Federal-Provincial Subsidy Agreement	1,152	1,292	1,336	1,402
Net Regulatory Earnings (Loss)	**(2,250)**	**(2,467)**	**(2,653)**	**(3,096)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	96	(37)	(375)	(243)
Fuel Surcharges Received (Rebates Paid)	(30)	(17)	266	276
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	9	19	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(31)	(11)	26
Net IFRS Earnings (Loss)	**(2,184)**	**(2,542)**	**(2,753)**	**(3,037)**

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BC Ferries entered into a contribution agreement with the Province dated November 11, 2020, through which it received Safe Restart Funding to primarily offset financial losses resulting from the COVID-19 pandemic. The Contribution Agreement consisted of three components: Base Operating Relief ($280M), Fare Increase Relief ($24M) and Discretionary Sailing Relief ($4M). For reporting purposes, Discretionary Sailing Relief is included in the Ferry Transportation Fees annual totals, with the Base Operating Relief and Fare Increase Relief included in Safe Restart Funding, including the fare increase relief deferral amounts for consistency with the submission to the Province based on the estimated loss of earnings. No Safe Restart Funding was provided to the drop trailer business.

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

British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Skidegate - Alliford Bay Rte 26			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	413	643	786	832
Ancillary Revenue	9	23	1	2
Social Program Fees	19	34	57	61
Contracted Routes Fee	-	-	-	-
Total Operating Revenue	**441**	**700**	**845**	**894**
Total Operating Expenses	**5,377**	**5,717**	**6,229**	**6,558**
Earnings (Loss) from Operations	**(4,936)**	**(5,017)**	**(5,384)**	**(5,663)**
Depreciation and Amortization	(1,587)	(1,377)	(1,389)	(1,468)
Net Financing Expense	(436)	(385)	(400)	(393)
Cost of Capital	**(2,023)**	**(1,762)**	**(1,790)**	**(1,861)**
Gain (Loss) on Disposal and Impairment of Capital Assets	(8)	(8)	(0)	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	**(6,967)**	**(6,788)**	**(7,174)**	**(7,524)**
Ferry Transportation Fees	5,761	5,626	5,499	5,456
Safe Restart Funding	238	142	17	(3)
Federal-Provincial Subsidy Agreement	1,121	1,008	1,042	1,094
Net Regulatory Earnings (Loss)	**152**	**(12)**	**(616)**	**(977)**
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	27	(11)	(85)	(61)
Fuel Surcharges Received (Rebates Paid)	(7)	(6)	60	70
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	3	8	-
Safe Restart Funding - Fare Increase Relief Deferral	-	(7)	(3)	12
Net IFRS Earnings (Loss)	**172**	**(32)**	**(636)**	**(957)**

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

British Columbia Ferry Services Inc.
Route Statement
For the period Apr. 1 2020 to Mar. 31 2024
(in $ 000's)

	Unregulated Routes			
	Actual		Forecast	
	F2021	F2022	F2023	F2024
Revenues				
Tariff and Reservation Revenue	-	-	-	-
Ancillary Revenue	-	-	-	-
Social Program Fees	-	-	-	-
Contracted Routes Fee	3,675	3,676	3,700	3,700
Total Operating Revenue	**3,675**	**3,676**	**3,700**	**3,700**
Total Operating Expenses	**3,675**	**3,676**	**3,700**	**3,700**
Earnings (Loss) from Operations	-	-	-	-
Depreciation and Amortization	-	-	-	-
Net Financing Expense	-	-	-	-
Cost of Capital	-	-	-	-
Gain (Loss) on Disposal and Impairment of Capital Assets	-	-	-	-
Route Earnings (Loss) Before Ferry Service Fees, Safe Restart Funding & Federal Contract	-	-	-	-
Ferry Transportation Fees	-	-	-	-
Safe Restart Funding	-	-	-	-
Federal-Provincial Subsidy Agreement	-	-	-	-
Net Regulatory Earnings (Loss)	-	-	-	-
Items Included in Regulatory Earnings (Loss) not Permitted Under IFRS				
Fuel Costs Deferred	-	-	-	-
Fuel Surcharges Received (Rebates Paid)	-	-	-	-
Provincial Contributions to Fuel Deferral Accounts	-	-	-	-
Tariffs in Excess of Price Cap	-	-	-	-
Safe Restart Funding - Fare Increase Relief Deferral	-	-	-	-
Net IFRS Earnings (Loss)	-	-	-	-

Effective April 1, 2020, the CFSC was amended for PT5, formalizing ferry transportation fees for the four-year term which commenced April 1, 2020 and ends on March 31, 2024. The annual maximum ferry transportation fees includes a contribution to the Seniors' discounts to a maximum of $30 million. The CFSC updated fees per round trip for PT5 based on a review of the average net loss (before ferry transportation fees) of the fifteen years prior to the start of the term.

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Section 3 - Performance Term Six Outlook

This section provides information relevant to the setting of PT6 price caps, including an overview of the Company's current risk profile, expected traffic, key strategic focus areas during PT6 and information on the capital expenditures the Company anticipates incurring over the next 12 years. This section fulfills the information requirements of section 64.1(1) of the Act.

3.1 BC Ferries' Risk Profile

3.1.a Current Environment

The Company conducts a comprehensive risk assessment annually to inform and support long-term plans and service delivery. The risk assessment enables the Company to prioritize, manage and mitigate risks, and adjust long-term strategic and capital plans accordingly.

The following lists the external and internal environmental conditions that are influencing the Company's current key risks:

COVID-19

The impacts of the COVID-19 pandemic on BC Ferries during the current performance term are discussed in Section 2 – 'Performance Term Five.' The pandemic has had a profound impact across the globe, having been the most severe pandemic in terms of mortality since the Spanish Flu in 1918-19, and perhaps the most disruptive in terms of its toll on the global economy. Since early 2020, the virus mutated and with several waves with an elevated number of infected people. Its impact has been broad, affecting the global economy, politics and human behaviour. While the pandemic appears to be subsiding, there is some uncertainty due to possible future waves.

COVID-19 and the corresponding travel restrictions have led to ongoing global supply chain issues. As people isolated, factories were closed, goods were not transported and production was halted. People's savings also increased during the height of the pandemic, as their ability to spend was limited. When restrictions were lifted, this led to elevated spending, including travel. It is uncertain how long this fluctuating spend will continue.

When people were unable to leave their homes to shop, they turned to on-line shopping and home delivery. This appears to have become a permanent shift in behaviour. Commercial traffic on BC Ferries remained high throughout the pandemic, with fiscal 2022 volumes having grown approximately 12 percent since fiscal 2019.

With the onset of the pandemic, many people shifted to work from home. This shift appears to have persisted, with many employees now making these work arrangements permanent. The opportunity to work remotely, combined with increased housing costs, particularly in urban areas, appears to be influencing people to relocate more affordable and less dense regions. Table 26 in Section 3.2.b – 'Explanatory Variables and Key Initiatives' illustrates the population growth in the islands on the west coast of BC. This growth is particularly pronounced from 2016 to 2021.

Countries across the globe have demonstrated varying levels of tolerance and restrictions in response to the pandemic's outbreaks. China, for example, continues to have a zero tolerance approach, shutting down cities where outbreaks are detected. It is uncertain how long these outbreaks will continue, what restrictions will be imposed or how the virus will continue to influence behaviour.

Geopolitical Events

Russia invaded Ukraine in February 2022. The conflict has had and continues to have far-reaching implications, including influencing inflation and energy prices. It is uncertain how or when this conflict will be settled.

The China-Taiwan conflict, arising from China's territorial claims for Taiwan, has been escalating in recent months and it is uncertain how this matter will unfold.

Inflation

Consumer prices continue to rise at rates not seen in decades. With fuel, food and housing prices leading the way, inflation has recently been growing by over seven percent year over year. The inflationary drivers present over the last two years are the same as those in the 1970's and 1980's: shelter, transportation and food. Inflation is no longer a pandemic induced surge, nor a commodity price shock, rather has broadened across other expenditure components. This means that high inflation will likely be more persistent.

Geopolitical events are also influencing inflation. Taiwan is a major producer of computer chips, which power much of the world's everyday electronic equipment, including phones, laptops, watches, marine technology and games consoles. The conflict with China has lead to disruptions in Taiwan producing and supplying these computer chips, limiting production in dependent equipment and driving up prices. Likewise, Ukraine is a global supplier of grain, and the Russian invasion of the country has disrupted supply and increased prices.

In response to these escalating prices, the central banks are expected to continue to increase interest rates in an effort to temper spend and lower year over year cost increases. It is uncertain how fast this tempering effect will take to show results.

Elevated Energy Prices

During the height of the pandemic, energy prices plummeted to historic lows as transportation and production were severely restricted. As COVID-19 subsided and energy consumption resumed, prices steadily increased to multi-decade highs due to supply limitations, exacerbated by sanctions imposed on Russia in response to the invasion of Ukraine. There are currently limited factors that would indicate a reduction in energy prices. The Russia-Ukraine conflict continues, completely cutting off gas exports from Russia to Europe, and as China re-opens from current COVID-19 lockdowns its energy needs will escalate. However, a possible recession in advanced economies, resulting from the central banks' response to inflation, would decrease energy consumption and put a dampening effect on energy prices.

Labour Shortages and Wage Pressure

During the COVID-19 pandemic, many companies were forced to close and temporarily lay-off employees. Governments responded by providing emergency support to those affected. Many companies have still not returned to pre-pandemic production or service levels. Thus, many people have sought employment in other sectors. At the same time, the baby boom generation has reached retirement age, and employees are expecting more flexibility and an improved work/life balance. These factors are currently influencing access to available labour across many business sectors.

BC Ferries has a large and diverse workforce, representing multiple professions, skill sets and subject matter expertise. The effects of the current labour market shortages are being felt by the Company. This is particularly true for experienced marine and engineering professionals, project management professionals, and information technology and other professional resources. As noted in Section 2.3 – 'Talent Availability,' BC Ferries has been experiencing higher levels of turnover, and over the past year crew shortages have resulted in some sailing cancellations.

A global and local shortage of professional seafarers is creating a high demand at BC Ferries for skilled ship-based workers, especially in the deck and engineering areas. By 2026, it is anticipated there will be a global shortage of 26,000 seafarers.[13] This shortage is a result of multiple factors including, anticipated retirement rates above historical averages, difficulty attracting workers to the industry, wage pressures and industry expansion.

Due to anticipated retirements and industry expansion, the marine transportation industry job market in BC is expected to grow by 11.9 percent.

The marine industry in BC is diverse, and a variety of industries are competing for professional seafarers including tourism, ferry services, Coast Guard, cargo operators, and tug and barge. BC Ferries is experiencing higher voluntary turnover in licensed ship based roles than has been traditionally

[13] As stated by a panel member speaking at the "Spinnaker Maritime People and Culture Conference" held on May 26 and 27, 2022.

experienced with two commonly cited reasons: 1) shift schedule and the need for work/life balance, and 2) wage offering below competitors.

The marine industry as whole must attract new people to the industry. There is a strong need for employers to offer rewarding careers, competitive total rewards and support for training and development. To prepare for new technologies and the future of work, training across the marine sector needs to expand beyond the minimum Standards of Training Certification and Watchkeeping to include adaptability, environment, critical thinking, leadership, communication and business acumen.

These labour shortages and training requirements, combined with current economic conditions, are placing upward pressure on wages. Companies are competing for qualified employees, with employees seeking wages that offset the effects of current high inflation, energy prices and housing prices. Employees are also looking for increased flexibility in hours and location of work.

Tourism and Discretionary Travel

The tourism sector has been significantly impacted by COVID-19, and is being influenced by current high energy prices, inflation and the potential for a recession. These conditions, along with housing costs, also influence discretionary travel. Put simply, a deterioration in real incomes is expected to lead to a deterioration in discretionary traffic levels.

Tourism may also be impacted temporarily by the current labour shortages hitting the airline industry, which has the potential to deter travel in response to degraded service quality. At this time, tourism and discretionary travel levels remain uncertain.

Possible/Probable Recession

At the beginning of 2022, the possibility of a recession seemed rather remote. Any possibility that COVID-19 would have caused a recession was mitigated by an escalation in fuel prices and rebalancing of supply-chain issues. However, since then many of the conditions described above are shifting and a recession seems more likely.

In this context, the Bank of Canada has started raising its interest rates. The possibility of a recession has also garnered the attention of the public, businesses and policy makers. Currently, there is no clear consensus among economists on the likelihood, magnitude or timing of a recession. A recession could force individuals to cut discretionary travel, posing a downside risk to traffic forecasts.

Climate Change

Climate change has resulted in changes to weather patterns, which have caused more extreme weather events, record heat waves, drought, flooding and forest fires. BC continues to rebuild following significant damage resulting from atmospheric river event during the winter of 2021, and has to contend with annual summer forest fires. In response to climate change, many countries and governments are

legislating reductions in greenhouse gases ("GHGs"), and seeking lower carbon intensive energy sources.

Long term changes to Travel Behaviour

Many factors might shape future travel behaviour and future transportation needs. COVID-19 has highlighted the possibility of exposure to viruses in public places, and has brought about many new health and safety measures to address this risk. The demand for transportation in more remote regions may increase as the public adapts to working remotely and as people respond to housing costs and move out of urban settings.

The actions taken to date and in the future to reduce climate change may also influence travel behaviour. Technological advances may significantly reduce GHG emissions in current forms of transportation, and may introduce alternative forms of transportation that are not mainstream today. While they have the potential to be disruptive, these changes are extremely difficult to predict.

Indigenous Relations and First Nations

There are 203 distinct First Nations and Indigenous communities in BC. With 47 terminals up and down the coast, BC Ferries operates within the traditional territories of over 80 of these Indigenous communities. This entrenches BC Ferries' operations solidly within areas of historic and current interest to Indigenous communities.

The Indigenous landscape in coastal BC includes shared or overlapping assertions of rights and title, a mix of allied and contentious community relationships, growing activism, and a myriad of treaty and reconciliatory negotiations in various stages of completion and implementation. This means that the Company must do its due diligence to inform itself about the territories in which it operates and the Indigenous communities that need to be engaged.

Many Indigenous communities are now seeking formal protocol agreements with companies to outline how to work together in recognition of their rights, and how companies can more equitably share the economic benefits resulting their activities occurring within their traditional territories. These factors create a legally, geographically and politically complex landscape that requires careful attention.

Recently, BC Ferries has experienced project delays due to the Crown's legal obligation to consult with the Indigenous communities. Most of BC Ferries' terminal infrastructure was constructed by the Province decades ago. As part of BC Ferries' Master Lease Agreement with the Province, the resolution of real or alleged historical infringements on Indigenous rights and title is the responsibility of the Province. This, together with the Crown's duty to consult, creates a growing requirement for coordination with Provincial ministries like the Ministry of Transportation and Infrastructure and the Ministry of Indigenous Relations and Reconciliation.

Capacity Constraints

Several of BC Ferries' routes have challenges accommodating the current and forecast levels of demand, particularly at desirable travel times of the day and during peak summer travel periods. As a result, communities and customers are expressing frustration and a need for increased capacity to better support access to travel.

While there are areas with current vessel capacity constraints, several emerging social and environmental considerations, along with technological advances potentially may drive demand over the long-term. The degree of any adjustment is unclear, as several factors might compensate for one another. Population growth in urban areas may offset those moving to more remote areas, and more remote areas may become more self-sufficient, which limits the need for frequent travel. The drive to decrease emissions may lead to infrastructure improvements, including access by foot to BC Ferries terminals, to encourage less dependency on individual vehicles. In the meantime, increased access to and use of renewable energy may eliminate emissions for both vehicles and vessels, avoiding the need to spend on alternative infrastructure. Once again, this adds to current uncertainties, particularly related to traffic growth and decisions related to what infrastructure to invest in to ensure sustainable ferry service.

Aged Assets in Need of Replacement

Many of BC Ferries' assets are nearing end of life and need to be replaced. In response to COVID-19, the Company deferred approximately $578 million of necessary capital spend beyond fiscal 2024 in an effort to conserve cash and delay incremental net financing and amortization expenses. The following were included in these deferrals:

- The replacement of four major vessels , which instead underwent life extensions in an effort to extract an additional five years of life;
- The redevelopment of BC Ferries' Fleet Maintenance Unit ("FMU"), which is the Company's primary vessel maintenance and refit facility. Many of the FMU's facilities are at end of life and with limited capacity available at other local shipyards, without this facility the Company's vessel maintenance and refit needs will be placed at risk. Additionally, components of terminal infrastructure across the Company are also in need of replacement.

Technological Advancements

Advancements in information technology currently or potentially used by the Company are offering opportunities to streamline and improve services and processes. However, with these opportunities comes increasing dependency and exposure, including to cyber attacks. This, in turn, brings a need for new training and skills.

Over the past several years, BC Ferries has invested in upgrading its information technology infrastructure and website in support of improving service, including the ability to offer fare choices to customers. The Company also expects to launch a mobile application in the coming months.

Like many of its terminals and vessels, much of BC Ferries' IT infrastructure is dated and lags in the adoption of mainstream technology that can enhance and streamline a customer's journey.

3.1.b Key Risks: Implications for BC Ferries

Current environmental conditions introduce risk to BC Ferries, and can potentially impact the Company's ability to provide safe, reliable, efficient and sustainable service.

The key risks include:

Traffic demand uncertainty, now and in the future

Multiple factors have the potential to place downward pressure on traffic demand, including affordability concerns, labour shortages and current capacity constraints. At the same time, other factors may place upward pressure on traffic demand, including on-line shopping and home delivery behaviours, and upward trends in tourism. Section 3.2 – 'Long Term Traffic Demand Outlook' reviews the Company's ten-year traffic demand outlook.

Meeting Community, Customer, and Stakeholder Expectations

BC Ferries is an essential service, with a significant presence along coastal BC. It provides transportation to millions of people, carries essential goods and services, and is depended on by businesses and local communities. The following lists the main areas service, if not addressed, where quality may fall below reasonable expectations.

- Available capacity – Section 3.3.a – 'Capacity Review and Service Enhancement Strategies' reviews the available capacity by route, identifies the routes where additional capacity is required to address growing demand, and discusses strategies to increase capacity as appropriate;
- GHG emissions – Section 3.3.d – 'Emission Reduction Strategies' reviews emission reduction targets and planned strategies to attain these targets;
- Efficiently responding to indicative travel behaviour changes – Section 3.3.e – 'Strategies to Evolve with Travel Behaviour Changes' reviews BC Ferries' strategies to support government mandates and adoption of emerging transportation alternatives; and
- Effective communication and ease of use service. See the discussion of Information Technology Projects under Section 3.4.c 'PT6 Twelve-Year Capital Plan.'

Indigenous and First Nations Relations.

The Province has adopted standards in the *United Nations Declaration on the Rights of Indigenous Peoples* ("UNDRIP") by enacting the *Declaration on the Rights of Indigenous Peoples Act,* which includes expectations around "free, prior, and informed consent". BC Ferries must align its activities with UNDRIP standards in order to move towards resolution of current terminal investment delays, and the formation of processes to mitigate the potential for future delays in project execution. Section 3.3.c – 'Indigenous Relations' provides additional information and an overview of the actions committed to by BC Ferries.

Talent Availability Shortages

The Company is facing shortages in talent as a result of an increased number of retirements, a global shortage of marine personnel, limited access to requisite training and sea time, a highly competitive labour market and corresponding wage escalation, and BC Ferries hours of operation. Section 3.3.b – 'People and Culture – Workforce Planning Strategies' provides an overview of the actions BC Ferries is taking to mitigate this risk.

Upward Pressure on Revenue Requirements

In response to COVID-19, BC Ferries deferred a significant portion of its capital expenditures. The necessity to proceed with these expenditures is now imminent. At the same time, the Company faces global supply chain issues, inflation, labour shortages and wage pressure, escalated energy prices and a need to invest in energy sources and infrastructure to lower emissions. The convergence of these conditions is placing significant upward pressure on revenue requirements.

BC Ferries' capital plan reflects the prudent investments needed to ensure ongoing safe and reliable service. Through these investments, and also in the day to day operation of coastal ferry service, the Company is focussed on efficiency aimed at minimizing annual price cap increases and other funding requirements. Section 3.3.f – 'Efficiency Improvement Strategies' provides an overview of the planned efficiency improvements in PT6.

3.2 Long Term Traffic Demand Outlook

Multiple factors influence the demand for ferry service from BC Ferries. Forecasting a long-term traffic outlook begins with a starting point. From this starting point, multiple factors and methodologies are applied to generate a forecast. Depending on economic and social conditions at the time, past performance term submissions had started from a stable, growth or decline position. Due to the unprecedented traffic impacts of COVID-19 since March 2020, the starting point is unlike any previously experienced.

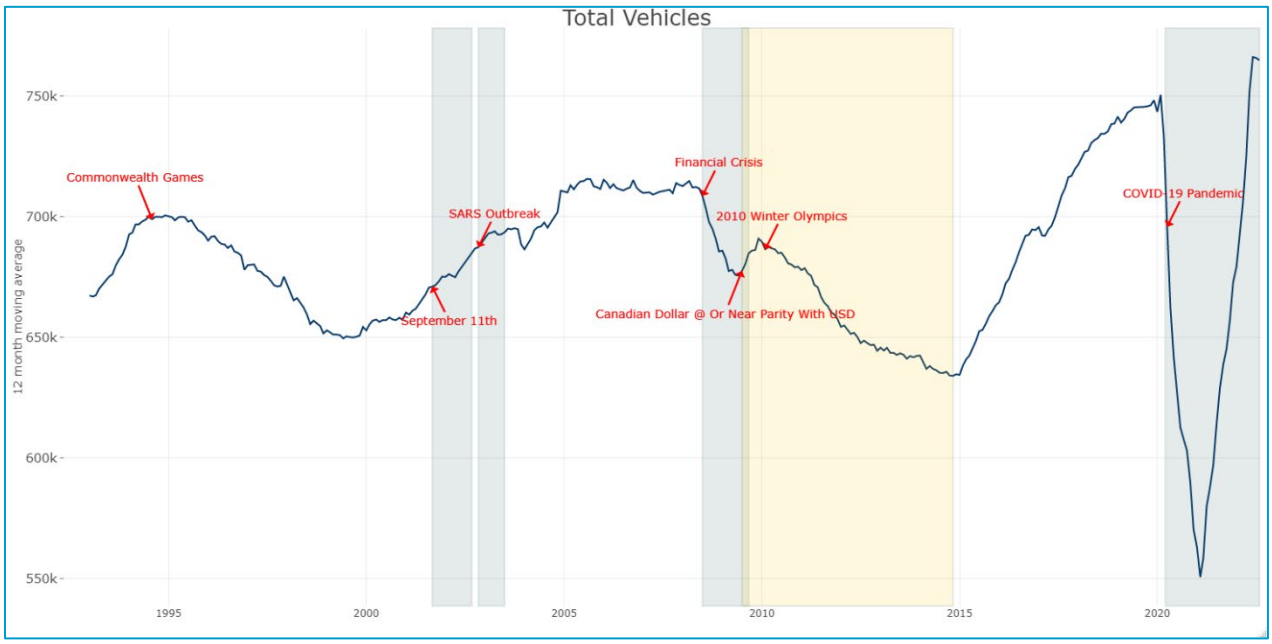
A long-term traffic demand outlook begins with a review of current social and economic conditions and from that, multiple factors and methodologies are applied to generate the traffic forecast. Past performance term submissions had started from a stable, growth or decline position. Due to the unprecedented traffic impacts of COVID-19 since March 2020, the starting point for the current traffic demand outlook is unlike any previously experienced.

The COVID-19 pandemic has dramatically influenced traffic levels on BC Ferries. It initially caused traffic drops of up to 70 to 80 percent in a single month as travel restrictions were implemented, but then as the number of COVID-19 cases subsided and travel restrictions were eased traffic increased significantly, only to be followed by subsequent steep declines with waves of COVID variants. Overall, through the pandemic traffic levels have been very unstable, and while traffic has now largely returned to pre pandemic levels, significant uncertainty remains.

Recently, traffic levels for private vehicles have achieved record highs despite passenger levels being well below pre-pandemic levels. The Company expects that passenger levels will recover to pre-pandemic levels over time, although it is unclear when this will occur. Since recent strong vehicle levels may be partially driven by pent-up demand following the easing of COVID-19 travel restrictions, it is unclear if current levels will continue or will subside. This uncertainty and instability proves challenging to establish a baseline from which to forecast traffic going forward.

As illustrated in Figure 8, traffic demand has fluctuated over the years, highly influenced by both global and local key events.

Figure 8 - Traffic demand from 1990 through 2022



Adding to the complexity of the current environment, there is limited information detailing how consumer and travel behaviour may have changed, or whether those changes are permanent. It appears travel behaviour is still evolving rapidly. While BC Ferries' traffic has largely rebounded to pre-pandemic levels, the experience has not been consistent across all traffic types and route groupings. The following key traffic drivers or trends are not consistent with pre-pandemic levels:

- International travellers have not fully returned, and are of a different composition due to varying pandemic-related travel restrictions in place in different parts of the world;
- Transit ridership in BC, and those travelling by foot on BC Ferries, both remain at 60 to 80 percent of pre-pandemic levels,; and
- Remote and hybrid work, virtual appointments and online commerce options have greatly increased and are showing varying degrees of becoming normal.

BC Ferries has also recently launched new fare options and revenue management on the three Metro Vancouver – Vancouver Island routes, and has plans to expand this program, offering fare options to select minor and northern routes. A key aim of this program is to shift demand to less popular sailings and grow traffic, particularly in off-peak periods. The success of this program is expected to evolve as BC Ferries assesses and adjusts as customers respond to these options and their prices. While newly launched, the anticipated changes in traffic from historical patterns due to these new fare options need to be reflected in the long-range forecasts.

It is important to note that current risk conditions are elevating the typical level of uncertainty present when developing any forecast, and may affect traffic negatively or positively from the original forecast.

3.2.a Traffic Forecast Approach

To address the complexity and uncertainty stemming from COVID-19, along with the introduction of new fare products, BC Ferries elected to use a two-step approach to the traffic forecast. The first step is to focus on near-term traffic that is not compatible with standard modelling techniques, while the second step focuses on modeling long-run trends using econometric models.

Fiscal 2023 and 2024: Establishing a Near Term Baseline

While BC Ferries traffic has largely returned following the most severe periods of the pandemic, its composition and levels are different, with concerns that recent strong levels are the result of pent-up temporary demand. To establish a baseline from which to project long-term traffic levels, the Company assessed its traffic experience through the pandemic, identified current but temporary factors impacting traffic, and identified emerging factors likely to influence traffic in the near-term.

Throughout the pandemic, traffic levels have fluctuated in the route groupings:

- The minor routes and route 3 recovered the fastest during the pandemic, likely in response to limits on inter-provincial and international travel combined with increased travel to closer to home destinations; and
- The major routes have returned to their historical place as the strongest performing routes as travel restrictions have eased.

There have also been fluctuations among the traffic types using BC Ferries:

- Passenger vehicles, vehicle passengers and commercial vehicles have had strong and sustained recoveries;
- Foot passenger and bus traffic were particularly hit hard by the pandemic and have been slow to recover; and
- Given the linkage between foot passengers and public transit, foot passenger traffic levels are recovering at rates similar to that of public transit ridership across the province.

As the pandemic subsides and travel restrictions ease across the globe, British Columbians have recently been returning to travel abroad, while international tourists are now returning to BC and travelling on BC Ferries.

Current and emerging economic conditions are also likely to influence traffic levels. The high levels of consumer spending witnessed during 2021 and 2022 may dissipate due to current high levels of inflation and the aggressive interest rates set in place by central banks to combat it. Traffic may also decrease if a recession materializes. Given the difficultly of forecasting the likelihood, timing and severity of economic events, BC Ferries has assumed a slowing economy for the remainder of PT5.

Overall, assuming COVID-19 continues to dissipate, BC Ferries assumes that COVID-19 will continue to recede and expects traffic performance in fiscal 2024 similar to fiscal 2023, with the following adjustments:

- Fiscal 2024 has both of the Easter weekend statutory holidays within the year, while fiscal 2023 had only one. A statutory holiday typically results in a one percent lift in private vehicle and passenger traffic for the year;
- Passenger vehicle traffic on the major routes, particularly in the off-peak months, will be increased by expanded revenue and fare options management;
- Sailing cancellations caused by insufficient crewing will ease as needed employees are secured; and
- Foot passenger traffic will continue to recover.

Fiscal 2025 onwards: Long-Term Outlook

Assuming COVID-19 continues to dissipate and traffic recovers, BC Ferries expects historical key traffic drivers and their relationship with traffic will return. Econometric modelling has been developed to understand the long-term relationship between key drivers and traffic that existed before the pandemic. Once those relationships were understood, multiple combinations of key driver information were used to generate traffic forecasts.

When establishing these potential traffic drivers, it is important to remember that ferry travel, like most transportation, is a derived demand. Derived demand means that a ferry trip itself is not the purpose, but is being used to get to somewhere and something else, such as work, school, or special event, etc. For this reason, traffic modelling must include direct drivers, such as service levels and fares, but also broader drivers such as inflation, employment and the cost of gas.

It is also important to identify historically significant events that impacted traffic in past but that will not in the future. For example, the 2010 Vancouver Winter Olympics resulted in significant increases to traffic levels during January 2010 through March 2010. Unless a future Olympics or similar event is scheduled, the future forecast will not anticipate this traffic to repeat. On the other hand, other unscheduled events such as significant snow falls, windstorms or weather related service disruptions are incorporated to help normalize the base traffic period, however not specifically included as scheduled events themselves.

Econometric Modeling Steps

Econometric models are the combined use of economic theory and statistical analysis to identify key economic relationships. Overall, an econometric model can identify the key traffic drivers, along with their relative impact. Following the establishment of these models, they can then be used to develop traffic forecasts based on appropriate inputs of key drivers. The following steps were used to develop the econometric models to establish a long-term forecast for BC Ferries:

1. Identify the routes and traffic types to be modeled. Depending on the route and data availability, a variety of the below traffic types were modeled:
    a. Vehicle Passengers (including bus and commercial passengers);
    b. Foot Passengers;
    c. Total Passengers; and
    d. Private Vehicles (over-height and under-height);
2. Gather a representative sample of monthly historical data for each traffic type per selected routes, with samples from January 2001 to January 2020;
3. Identify potential key traffic drivers;
4. Isolate those key traffic drivers that show statistical significance, and fit economic theory;
5. Test model for appropriate statistical properties to ensure the model is a reasonable representation of traffic;
6. Gather or generate forecasts for the key drivers; and
7. Produce traffic forecasts.

Selected Models

Where possible, BC Ferries attempted to develop an econometric model for each route and traffic type. A variety of econometric models can be developed to explain ferry traffic, but only certain models possess key properties that actually make them informative and valid to use for the development of insights and the generation of forecasts. Typically, a valid model is one that explains traffic well, includes key traffic drivers that are statistically significant, and results align with economic theory. Overall, econometric models were feasible on most routes and available for over 80 percent of the Company's traffic. In cases where an econometric model was not feasible, either the long-run growth rate or a flat growth rate was used in its place.

For some routes, econometric models were able to explain past behaviour, but when used to forecast, it became clear they were not appropriate. In those cases, the traffic forecast was developed using the route's long-run traffic trend (compound annual growth rate). For example, routes 19 and 22 have faced considerable capacity challenges that cannot be properly captured in the models. Adding further complexity, route 19's available capacity was increased in fiscal 2022 with a change from one to two vessel service. As a result, it was deemed unreasonable to use an econometric model developed on historical data and the econometric models on routes 19 and 22 were replaced with a long-run growth rate forecast. Similarly, a long-run trend was used on other routes and commercial when a suitable econometric model could not be found.

Table 25 – Forecast Approach Used By Route and Traffic Type

Route	Vehicle Passengers	Foot Passengers	Total Passengers	Private Vehicles	Commercial
01 - Tsawwassen - Swartz Bay	econometric	econometric		econometric	long-run trend
02 - Horseshoe Bay - Nanaimo	econometric	econometric		econometric	long-run trend
30 - Nanaimo - Tsawwassen	econometric	econometric		econometric	long-run trend
03 - Horseshoe Bay - Langdale			econometric	econometric	long-run trend
04 - Swartz Bay - Fulford Harbour			econometric	econometric	long-run trend
05 - Swartz Bay - Gulf Islands			long-run trend	long-run trend	long-run trend
06 - Vesuvius Bay - Crofton			econometric	econometric	long-run trend
07 - Saltery Bay - Earls Cove			long-run trend	long-run trend	long-run trend
08 - Horseshoe Bay - Snug Cove			econometric	econometric	long-run trend
09 - Tsawwassen - Gulf Islands			econometric	econometric	long-run trend
12 - Mill Bay - Brentwood			long-run trend	long-run trend	long-run trend
13 - Langdale - Gambier Island - Keats Island			long-run trend		long-run trend
17 - Comox - Powell River			econometric	econometric	long-run trend
18 - Texada Island - Powell River			long-run trend	long-run trend	long-run trend
19 - Gabriola Island - Nanaimo Harbour			long-run trend	long-run trend	long-run trend
20 - Thetis Island - Penelakut - Chemainus			long-run trend	long-run trend	long-run trend
21 - Denman Island - Buckley Bay			econometric	econometric	long-run trend
22 - Hornby Island - Denman Island			long-run trend	long-run trend	long-run trend
23 - Quadra Island - Campbell River			econometric	econometric	long-run trend
24 - Cortes Island - Quadra Island			econometric	econometric	long-run trend
25 - Alert Bay - Sointula - Port McNeill			long-run trend	long-run trend	long-run trend
26 - Skidegate - Alliford Bay			long-run trend	long-run trend	long-run trend
10 - Bear Cove - Bella Bella - Prince Rupert			long-run trend	long-run trend	long-run trend

Route	Vehicle Passengers	Foot Passengers	Total Passengers	Private Vehicles	Commercial
11 - Prince Rupert - Skidegate			long-run trend	long-run trend	long-run trend
28 - Port Hardy - Bella Coola			long-run trend	long-run trend	long-run trend

3.2.b Explanatory Variables and Key Initiatives

COVID-19 has significantly influenced traffic and the relation of historic traffic drivers with current traffic behaviour. Some routes and traffic types appear to have recovered, while others are still in the recovery stage. In developing the forecast, it is assumed the impact of COVID-19 will have subsided by the end of fiscal 2024, and that key drivers will have reverted to their long-term trend.

While not the same across every route or traffic type, the following set of drivers were found to be relevant to developing a long-term forecast following an extensive selecting and testing process. For each key driver discussed, the forecast provided represents the long-run trend, which assumes the pandemic is no longer relevant.

For the external explanatory variable forecast, the models used focus on the long-run trend for each variable. These models provide and an average expectation, or forecast mean, and a 95 percent confidence interval to illustrate the uncertainty around such a forecast. These forecasts were then checked for alignment with third-party sources, where available, to ensure reasonable consistency with external party expectations.

Ferry Fares

BC Ferries' ferry fares vary depending on the traffic type and the route. They have had a varied history, with periods where they were held relatively flat, significantly increased or decreased. Recent strong traffic growth has been driven by a combination of fare freezes and reductions in 2017, strong returning tourism numbers, and a healthy and growing economy. Starting in fiscal 2022, fares began to increase in accordance with the Contribution Agreement, and as allowed by the Commissioner's PT5 price cap determination.

BC Ferries uses historical fares adjusted for inflation, also known as real fares, in its models. By adjusting for inflation, real fares show how BC Ferries fares have changed relative to the average cost of other goods and services. In 2021 and into 2022, inflation increased to rates well above the typical two to three percent target set by the Bank of Canada, with rates as high as 8.1 percent. Since recent inflation has been higher than annual average ferry fare increases of 2.3 percent or lower, real ferry fares for the most part have been decreasing over the last two years.

Current high inflation is not expected to ease significantly in the short-term, causing some challenges for the short-term forecast. If high inflation persists and the Company's fares do not increase substantially, they will remain relatively less expensive when compared to other goods and services in real terms, thus potentially driving more traffic. Conversely, with high inflation customers' real income levels decrease and discretionary purchases, like some travel on BC Ferries, may no longer be affordable. The long-term forecast assumes that by April 2024, inflation will have mostly returned to the Bank of Canada's two to three percent target range.

For the remainder of PT5, fares are expected to increase at the allowable annual increases of 2.3 percent. For the long-range forecast, fares are assumed to increase at the rate of inflation.

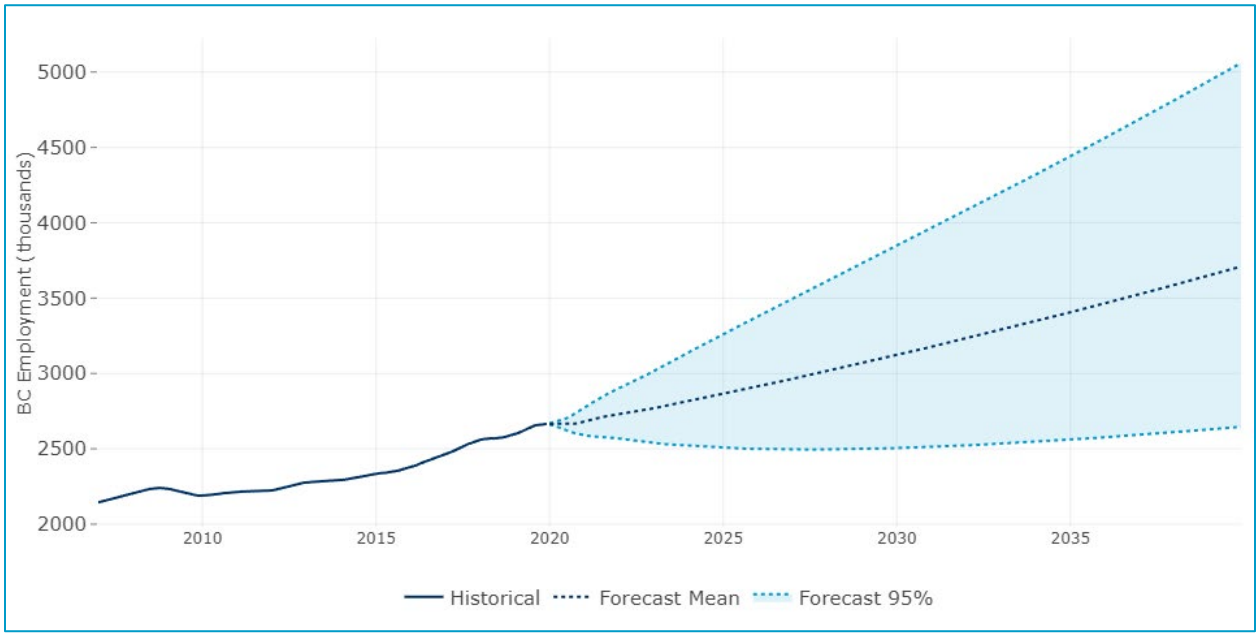
Employment

BC Employment represents persons in BC who had a job or did paid work in a given month. It has been selected both to represent the overall health of the economy, and to capture shifts in population. Overall, given stable economic conditions, BC Employment is expected to grow with an increasing population.

In addition, while *population* estimates are either reported annually or every five years when a new census is conducted, *employment* data is reported monthly and therefore provides a better source for modelling.

Figure 9 illustrates historic BC Employment from 2000 to 2020 and forecast employment for 2020 to 2040. The forecast is for the long-run trend and therefore excludes the impact of the pandemic:

Figure 9 – Influence of Employment on Traffic



Historical Data Source: Statistics Canada

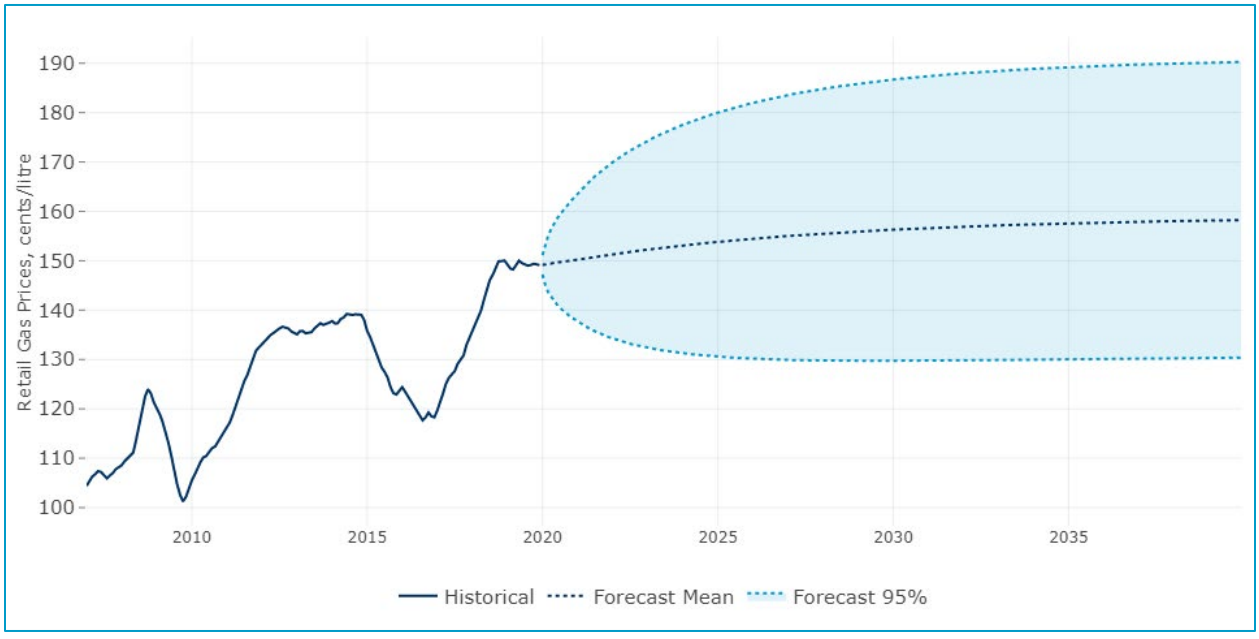
Consistent with BC Stats' annual projections for the provincial population, the trend for BC Employment is largely based on the long-run trend experienced before the pandemic. As noted earlier, this forecast does not include any sort of economic downturn, such as a recession. A recession is a deviation from the long-run trend and would be modelled as a scenario rather than in the base forecast.

Retail Gas Prices

Retail Gas Prices, like real ferry fares, represent a portion of the total cost of transportation. Large increases in retail gas prices can influence BC Ferries customers to leave their vehicles at home and travel as foot passengers, and vice versa. The current forecast reflects the theory there is a lagged response by customers to changes in retail gas prices and that the response only follows significant price changes. While current elevated fuel prices temporarily may have a small impact, BC Ferries focused on the forecast long-run retail gas price (where retail gas prices are expected to steadily increase) for its the long-term traffic forecast.

Figure 10 illustrates the historic retail gas prices for Metro Vancouver from 2000 to 2020 and forecast retail gas prices for 2020 to 2040. The forecast is for the long-run trend and therefore excludes the impact of the pandemic:

Figure 10 – Influence of Retail Gas Prices on Traffic



Historical Data Source: Statistics Canada

Tourism

Tourism-related trips make up a large portion of BC Ferries discretionary travel. To best capture the impact of tourism on BC Ferries' traffic, both inbound and outbound tourism was included in the models. Inbound tourism is a combination of overnight visitors from the United States and the rest of the world.

Outbound tourism is a combination of Canadian residents returning from the United States and from the rest of the world.

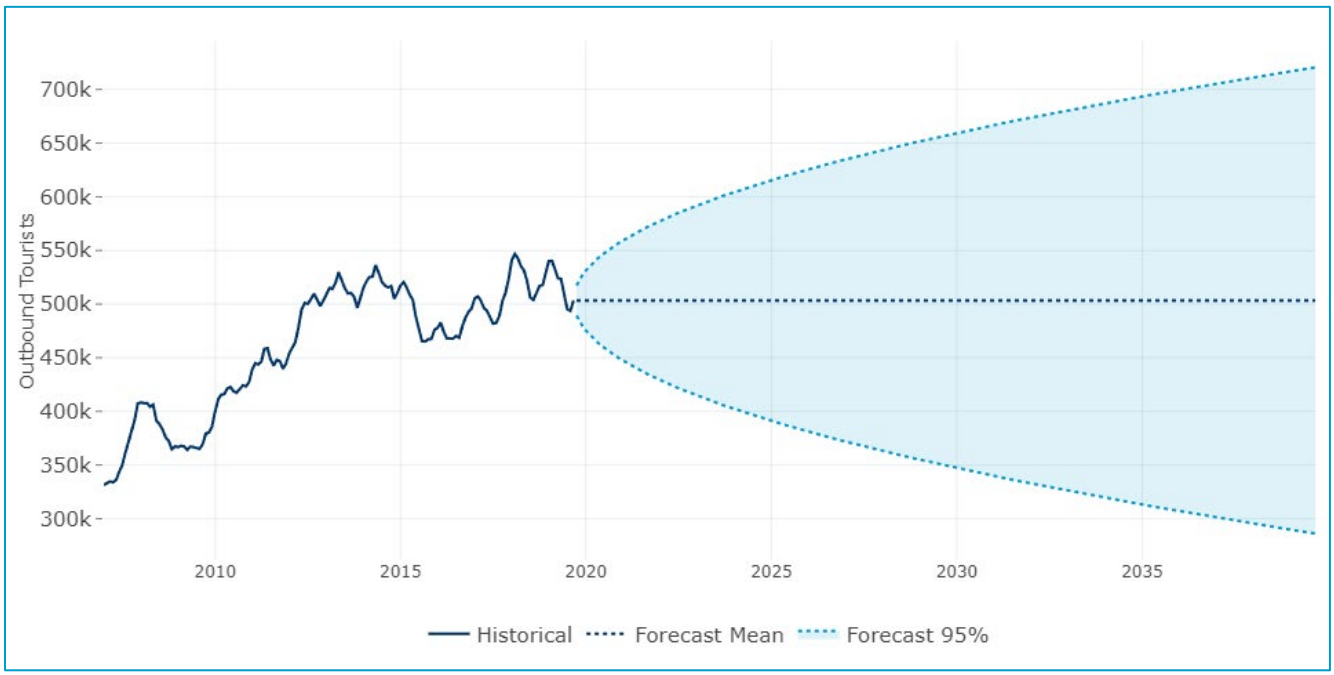
Several factors can impact the level of tourism in BC, including on BC Ferries. The key factor is cost of travel and accommodation, specifically the exchange rate of the Canadian dollar with other currencies. From 2009 through to 2015, the Canadian dollar increased to near parity with the US dollar, breaking a long-run trend of being below parity. This had the temporary effect of decreasing the number of American tourists to BC and resulted in measurable traffic reductions, especially during the summer peak season. The base forecast assumes the Canadian dollar, now valued lower than the US dollar, will remain sufficiently below parity to ensure that long-run normal tourism trends are sustained throughout the forecast period.

Accommodation capacity is another factor that impacts BC tourism levels. While the lack of physical accommodations (hotel rooms, campsites, etc.) will naturally limit the number of overnight stays in BC, a limited supply of available accommodations can also result in high accommodation prices that further deter tourists. Since 2019 and through the pandemic, there has been a very limited supply of accommodations in desirable BC vacation spots. This has led to excessively high prices or the inability to find accommodation, particularly during peak summer months. The long-term forecast reflects persistent limited and relatively expensive accommodations, which act as a limiting constraint on tourism.

While not yet determined, tourism is also expected to be influenced by the ongoing implications of COVID-19 and related restrictions. While these restrictions have begun to ease considerably, it is expected that they will remain in some form for the foreseeable future and will act as an additional limiting constraint on tourism and tourism-related ferry travel.

Figure 11 illustrates the historical Outbound Tourism from 2000 to 2020 and forecast Outbound Tourism for 2020 to 2040. The forecast is for the long-run trend and therefore excludes the impact of the pandemic:

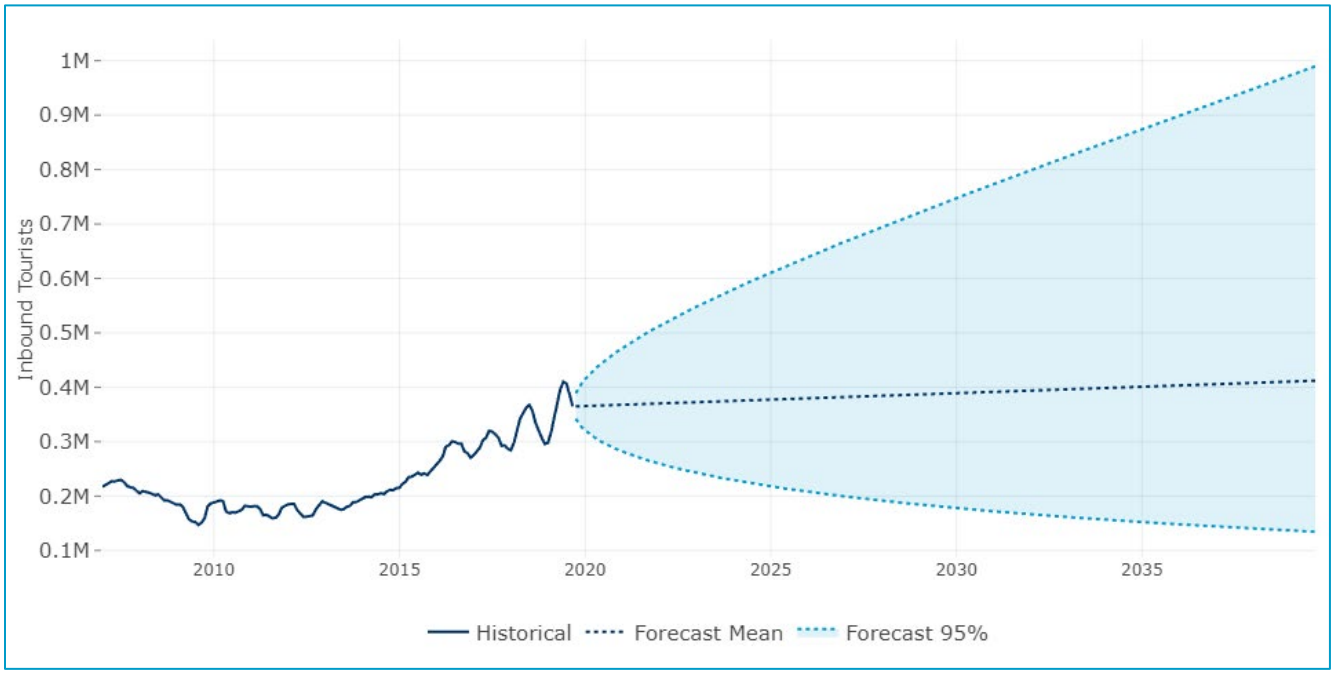
Figure 11 - Tourism Outbound



Historical Data Source: Statistics Canada

Figure 12 illustrates the historical Inbound Tourism from 2000 to 2020 and forecast Inbound Tourism for 2020 to 2040. The forecast is for the long-run trend and therefore excludes the impact of the pandemic:

Figure 12 - Tourism Inbound



Historical Data Source: Statistics Canada

Housing Costs & Migration

Over the past seven years, housing costs have increased significantly in BC, particularly in the more urban areas surrounding Vancouver and Victoria. These increases have led many BC residents to consider moving out of an expensive urban area to more affordable and rural areas. This choice has become more viable with the recent mainstream adoption of options for remote or hybrid work following the COVID-19 pandemic. It is believed that this is a contributing reason for the population growth of many of the Southern Gulf Islands in the most recent census.

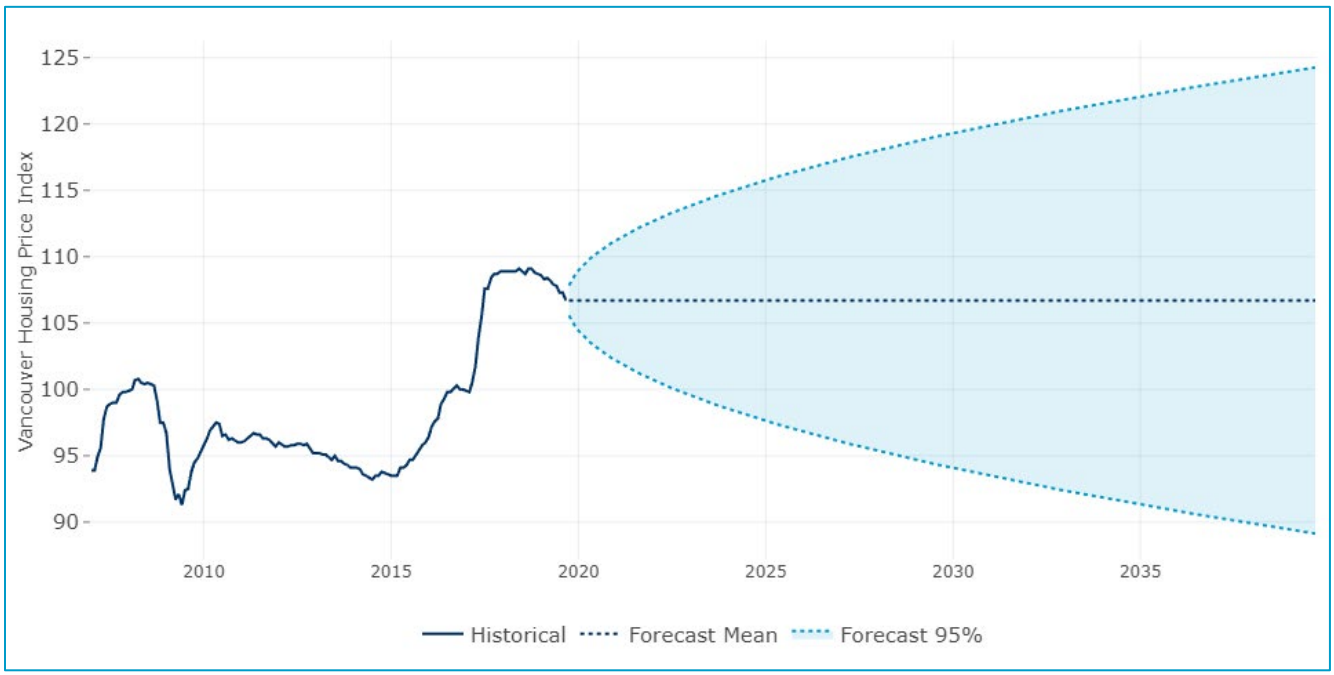
Table 26 provides the Statistics Canada Census data for regions served by BC Ferries. The 2001 Census did not have reporting for individual Southern Gulf Islands and therefore only a total is provided:

Table 26 – Census Data

Census Region	2001	2006	2011	2016	2021
Mayne Island	-	1,112	1,071	949	1,304
Galiano Island	-	1,258	1,138	1,044	1,396
Saturna Island	-	359	335	354	465
South Pender Island	-	236	201	235	306
Southern Gulf Islands	4,307	5,101	4,868	4,732	6,101
Hornby Island	-	1,074	958	1,016	1,225
Denman Island	-	1,095	1,022	1,165	1,391
North and South Pender Island combined	-	2,232	2,236	2,302	2,773
North Pender Island	-	1,996	2,035	2,067	2,467
Bowen Island	2,957	3,362	3,402	3,680	4,256
Strathcona C (includes Quadra Island and Cortes Island)	2,548	2,472	2,601	2,431	2,737
Nanaimo B (includes Gabriola Island)	3,522	4,050	4,045	4,033	4,500
Salt Spring Island	-	9,640	10,234	10,557	11,635
Comox A (includes Denman Island and Hornby Island)	-	6,973	6,735	7,213	7,926

Figure 13 illustrates the historical Vancouver House Price Index from 2000 to 2020 and forecast Vancouver House Price Index for 2020 to 2040. The forecast is for the long-run trend and therefore excludes the impact of the pandemic:

Figure 13 – Vancouver House Price



Historical Data Source: Statistics Canada

Elasticities

Elasticities are a means of understanding the responsiveness of BC Ferries' traffic to a change in one of the key traffic drivers. Specifically, an elasticity represents the percent change in traffic resulting in a one percent change in the key driver. Table 27 provides a summary of the average elasticities estimated for various key drivers, major and minor route groupings, and private vehicle and passenger traffic types:

Table 27 – Major and Minor Route Elasticities

Key Traffic Driver Elasticities		Private Vehicles	Passengers
Fares	Majors	-0.24	-0.22
	Minors	-0.31	-0.25
Gas Prices	Majors	-0.14	-0.15
	Minors	-0.32	-0.03
Employment	Majors	0.66	0.41
	Minors	1.01	0.68

Key Traffic Driver Elasticities		Private Vehicles	Passengers
Tourism In	Majors	0.04	0.06
	Minors	0.04	0.08
Tourism Out	Majors	-0.15	-0.20
	Minors	-0.19	-0.22

Private vehicles and passengers elasticities are different in most cases, reasonably explained by the available alternatives and relative costs for the potential ferry traveler. The all-in-cost of a ferry trip for a private vehicle is higher than for a foot passenger, as a trip by car has a higher fare and requires gas. By comparison, a prospective traveller may elect to travel on foot rather than by vehicle as it is less expensive – but perhaps also less convenient.

Another relevant observation from the elasticities is that in almost all cases, the minor routes are more sensitive than the major routes to the same change in a key driver. This could reflect that the minor routes serve more ferry dependent communities and more frequent users, and as such, are more sensitive to changes in fares, gas prices and employment.

It should be noted that because econometric models were not feasible for the northern routes, it is not possible to provide elasticities in these cases. In general, the northern routes are known to be considerably impacted by shifts in tourism, likely at levels greater than other routes, but this relative magnitude cannot be determined without the appropriate models.

3.2.c Traffic Forecast

While most of BC Ferries traffic has returned from the worst of the pandemic, it is still a very challenging environment for forecasting future traffic. It is uncertain if this recovery is the 'new-normal' or a temporary surge that may moderate. While there are numerous paths that traffic can take, the following forecast is reasonably expected at this time. It is also important to note that these forecasts are considered to be unconstrained by capacity and illustrate the potential demand that is expected given the current assumptions for the key drivers.

Forecast Alignment with Prior Years

Section 3.2.a – 'Traffic Forecast' discusses the traffic forecast approach and explains where possible, BC Ferries developed an econometric model for each route and traffic type. For most routes where an econometric model was used to forecast traffic levels from fiscal 2025 onwards, results were reasonably aligned with fiscal 2023 and fiscal 2024. In cases where there were alignment issues, the forecast growth rates from the econometric models were applied to the base fiscal 2024 forecast. This ensures that any shifts in seasonal traffic patterns assumed in the fiscal 2024 forecast will persist into the long-run forecast. This alignment was particularly important for routes that had revenue management

implemented in fiscal 2022 and are forecast to grow through fiscal 2024. More specifically, a key goal of the revenue management model is to shift and grow traffic in the off-peak periods.

Some of the econometric models presented some less than desired traits, such as relatively low explanation of the historic traffic, decreased seasonal highs and lows in the forecast period, and small level shifts into the forecast period. While these models are not optimal, suitable improvements could not be developed given limited access to more route and region-specific data. In these cases, the long-run growth rates for 2023 that emerged from the forecast were deemed to be more informative than simple historic long-run growth rates. These forecast long-run growth rates were then applied to the fiscal 2024 base forecasts to generate the long-range forecasts. The overall amount of traffic impacted by these models is less than five percent of the total traffic and it is not expected that these model deficiencies will have a material impact on the overall forecast.

3.2.d Fiscal 2023 Onward Compound Annual Growth Rates ("CAGRs")

The following table depicts the long-term forecasts CAGRs by each route grouping for private vehicles, total passengers and commercial traffic, for fiscal 2023 onwards:

Table 28 – Forecast long-term CAGRS

	Private Vehicles	Total Passengers	Commercial
Majors	0.4%	0.4%	1.1%
Minors	0.5%	0.8%	1.7%
North	0.0%	0.4%	1.8%

Private Vehicles

Major Routes

Off-peak private vehicle traffic is expected to grow strongly in fiscal 2024, largely as a result of the use of revenue management. Following fiscal 2024, slow and steady long-term growth is projected, largely driven by growing BC Employment and a stable tourism market.

Minor Routes

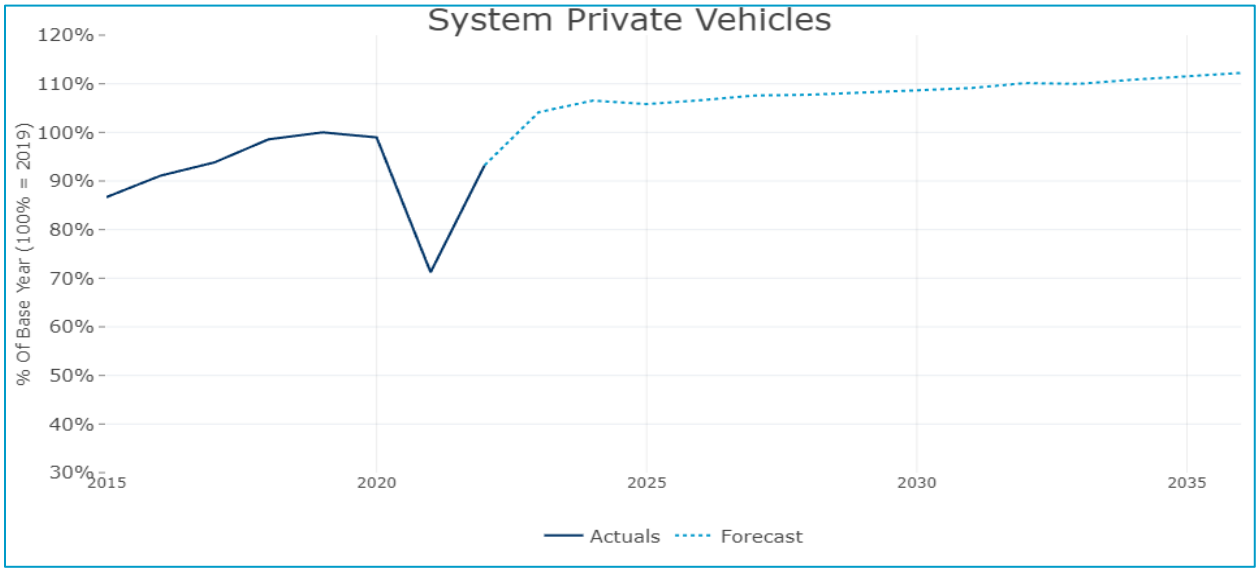
The minor routes private vehicle traffic is expected to maintain growth consistent with fiscal 2022 and 2023, as a result of the large population growth experienced on many of the islands. Following this period, it is expected that growing BC Employment and stable tourism will result in slow and steady long-term growth.

Northern Routes

Northern routes private vehicle traffic is expected to continue its recovery as tourism returns following the pandemic. Following this growth, it is expected that slow and steady long-term growth will be largely driven by growing BC Employment and a stable tourism market.

Figure 14 illustrates the forecast private vehicle traffic in relation to fiscal 2019 levels for all routes:

Figure 14 - System Private Vehicles



Total Passengers

Major Routes

Passenger traffic growth on the major routes is expected to be sustained in fiscal 2022 and 2023 by revenue management efforts. Following this, a slow and steady long-term growth in passengers will be largely driven by growing BC Employment and a stable tourism market, while being tempered by a slow-to-recover bus market and the increased competition with airlines that are expected to add capacity, frequency and destinations from Vancouver Island airports.

Minor Routes

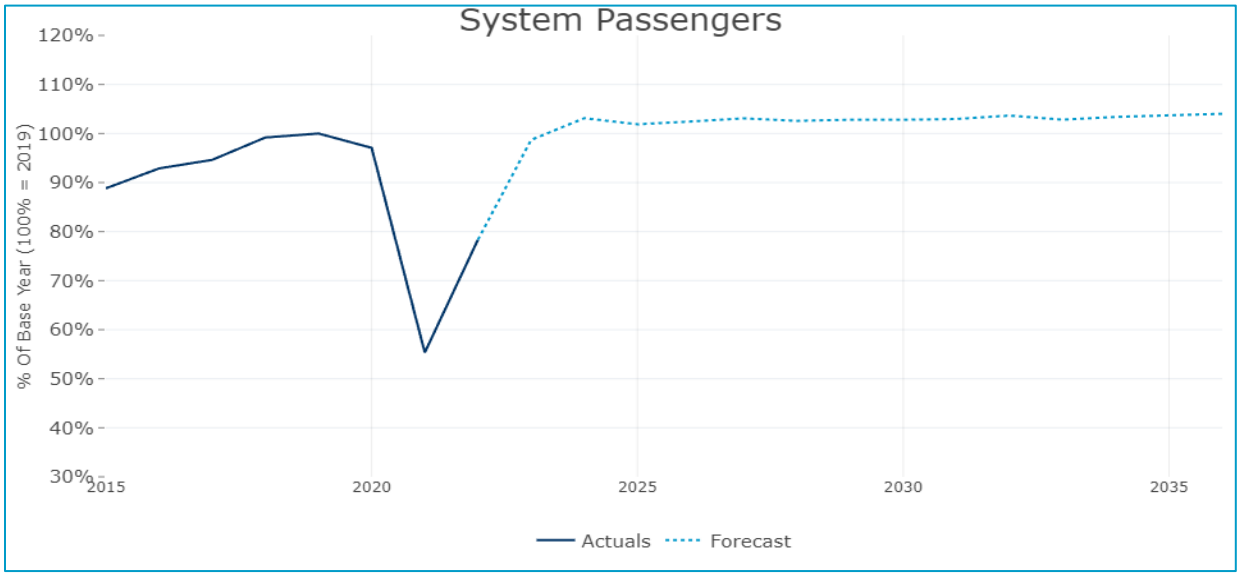
Minor route passenger traffic is expected to maintain the traffic growth experienced in fiscal 2022 and 2023, due to the large population growth experienced on many of the islands. Following this growth, a slow and steady long-term growth will be largely driven by growing BC Employment and a stable tourism market.

Northern Routes Passengers

Northern routes passenger traffic is expected to continue its recovery as tourism returns following the pandemic. Following this recovery, slow and steady long-term growth is expected to be largely driven by growing BC Employment and a stable tourism market.

Figure 15 illustrates the forecast passenger traffic in relation to fiscal 2019 levels for all routes:

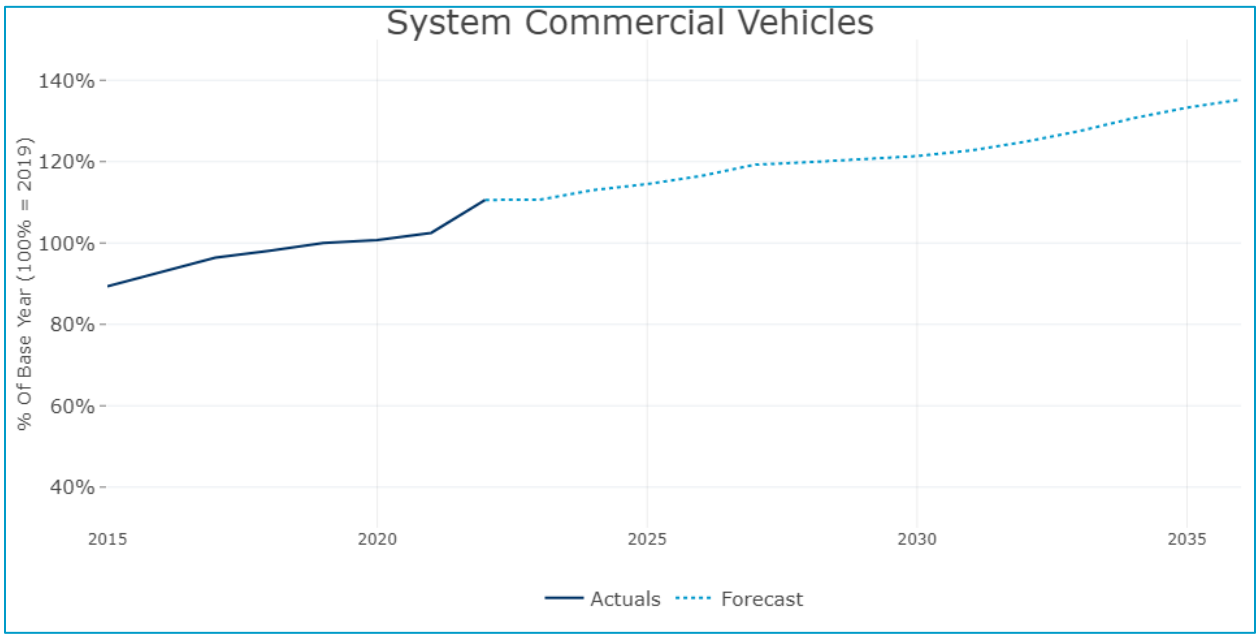
Figure 15 - System Passengers



System Commercial

Commercial traffic growth is forecast to be higher than private vehicle traffic growth. In recent years, including through the pandemic, record commercial traffic has been driven by a combination of increasing populations on Vancouver Island and island communities (see discussion above on Housing Costs & Migration), and changing consumer buying patterns with more BC residents purchasing goods online. While the Company does not expect to see the same level of growth as experienced in fiscal 2022, it does expect that commercial traffic will grow at marginally higher rates than levels forecast for private vehicles.

Figure 16 - System Commercial



3.2.e Summary

BC Ferries is forecasting slow but steady growth in vehicle traffic over the next 15 years. This growth is driven by strong commercial vehicle traffic, incremental passenger vehicle traffic driven by revenue management and generally a favourable outlook for key traffic drivers. Passenger traffic will grow at a much slower rate than vehicles due to declining passengers per vehicle trends, declining long-run bus passenger trends and competition from other modes of travel and destinations. In general, the increases in vehicle traffic forecast will put significant pressure on the current capacity levels available and are a key driver of many Capital Plan investments.

3.3 Performance Term Six Strategic Focus

Through the annual risk assessment and comprehensive planning process, BC Ferries identified several strategic focus areas for the remainder of PT5 and through PT6. These include:

- Capacity Enhancements;
- People and Culture;
- Indigenous Relations;
- Emission Reduction;
- Evolving with Changes in Travel Behavior; and
- Efficiency Improvements.

These areas also guided the development of Capital Plan, particularly as it relates to capacity, efficiency, and the customers experience. These strategic focus areas are described below.

3.3.a Capacity Review and Service Enhancement Strategies

BC Ferries understands customers want timely, consistent and on-time access to vessel capacity and that when demand exceeds capacity the system becomes stressed. Transportation systems show stress when utilization exceeds 75 to 85 percent, resulting in increased congestion, less choice for customers and elimination of any slack in the system to absorb shocks. Accessing the last 15 to 25 percent of "Absolute Capacity"[14] is challenging, more so on smaller routes with limited terminal infrastructure. When assessing service capacity, reaching "Practical Capacity"[15] is a leading indicator for further review.

A continually stressed system leads to a negative experience for both customers and employees. Adding capacity is challenging when there is growing demand, yet fixed assets. The opportunities to increase capacity during peak times are limited by the size and number of vessels in the system. Significant increases in capacity, realized through the introduction of new vessels, take years to plan and implement.

Near and medium term operational changes provide opportunities to ensure the ferry system has the capacity to improve the customer experience and support future growth. These opportunities range from schedule and deployment changes to vessel procurement and terminal infrastructure projects. Building flexibility into vessel procurement plans provides resiliency to adapt to changing traffic patterns and demand, customer behaviours and corporate financial conditions. This planning work is critical to informing fleet renewal plans and provides an effective process to design and build new vessels that will serve users and growing coastal communities for the next 40 to 50 years.

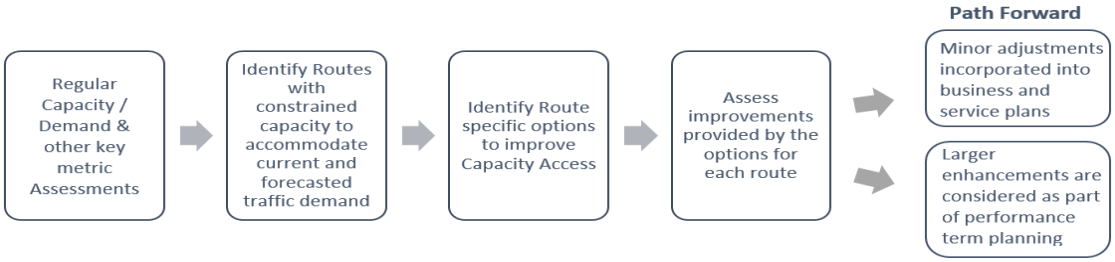
Current and Projected Capacity View

As part of ongoing planning efforts to inform asset deployment and replacement decisions, BC Ferries studies route specific needs, assessing a number of key metrics: available capacity, on time performance, fleet reliability, overloaded sailings (passengers and vehicles), Experience™ Card usage, and customer feedback and service considerations. Available capacity is a key indicator of customer satisfaction and is the focus of the system assessment, outlined in Figure 17, used to identify routes where demand exceeds available capacity, at present and with anticipated future growth:

[14] Absolute Capacity is the maximum volume that can be accommodated at a point in time or across a period.

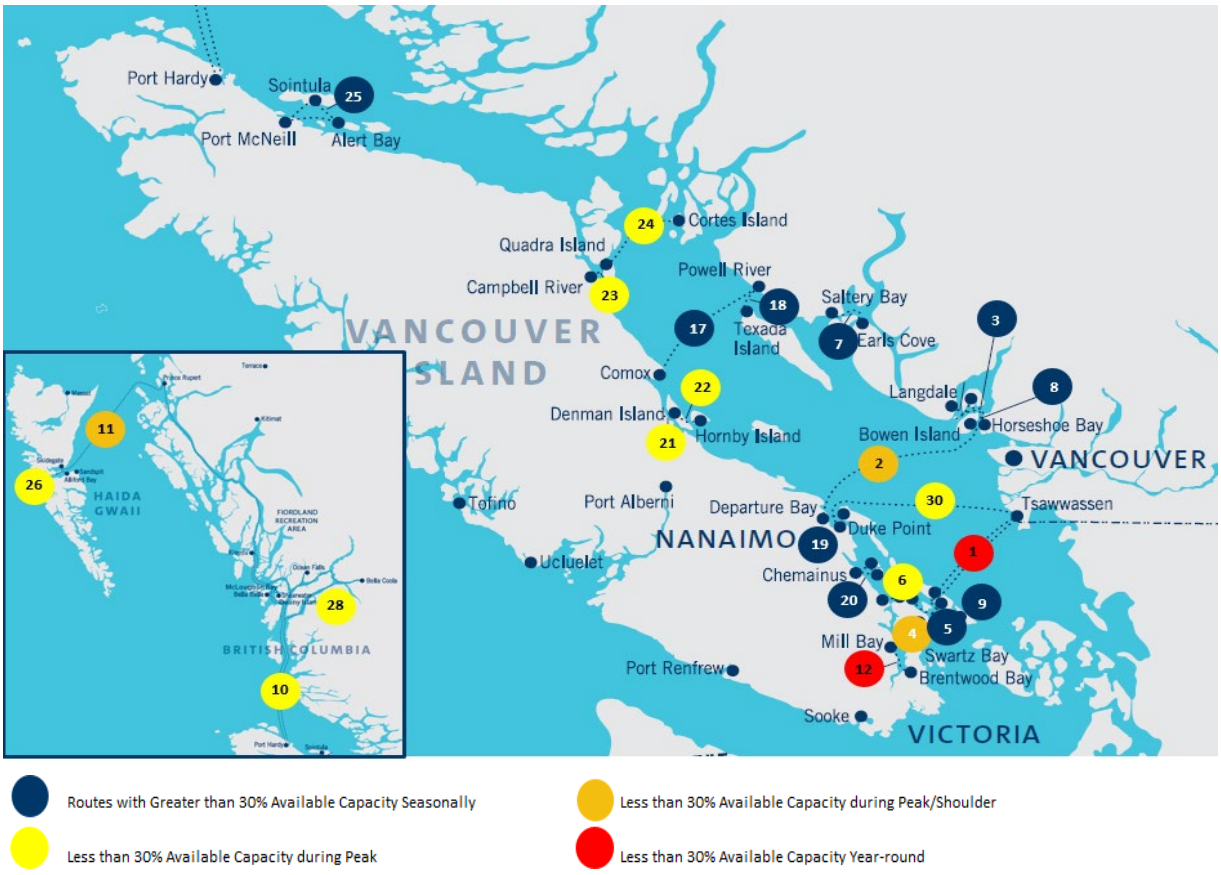
[15] Practical Capacity usually 75 percent to 85 percent of Absolute Capacity and is the volume that can be accommodated without stressing the system.

Figure 17 - Process for System Capacity Assessment



In preparation for this PT6 submission, a system capacity assessment was conducted, which reflects the forecast traffic demand provided in section 3.2 Long Term Traffic Demand Outlook. This assessment identified the need to increase service levels on some routes to match growing system demand. While foot passengers can be accommodated on the majority of sailings provided across the year, vehicle capacity is insufficient to carry peak demand, with some routes frequently exceeding Practical Capacity on a seasonal basis. The map below highlights the routes that have less that 30 percent available capacity by season. These routes are identified for further assessment:

Figure 18 - Highlighting routes with less than 30 percent available capacity, seasonally



The flexibility of the coastal ferry system to address demand was assessed through modelling of additional growth scenarios – low, base and high growth.

Inter Island Routes

BC Ferries' experience on the inter island routes, where travel is largely directional and focused on serving local communities with a high proportion of non-discretionary travel, has shown that customer satisfaction decreases as utilization exceeds 70 percent, or when available capacity dips below 30 percent.

Figure 19 - Map of hot spot Inter Island routes

A by-season, by-sailing, and by-day-of-week assessment identified seven inter island routes with a base year average peak season available capacity of less than 30 percent as "hot spots". Each of these 'hot spot routes' underwent further review to identify feasible options for increasing capacity. The routes, current challenges and plans to address capacity constraints are summarized in Table 29:

Table 29 - Inter Island Routes Overview of capacity challenges and options

Route		Challenge	Plan
Route 24	Quadra Island – Cortes Island	Limited frequency, high demand in peak, high directional demand for commuters and residents (early morning from Cortes Island, later afternoon off Quadra Island) year-round	**Near Term**: add round trip during peak season. **Medium Term**: Deploy an Island class vessel (47 AEQ) to replace the *Tachek* (26 AEQ)
Route 23	Campbell River – Quadra Island	Less than 30 percent capacity available in the peak season, high commuter directional demands year-round	**Near Term**: Deploy two Island class vessels (47 AEQ), scheduled for January 2023, and retire *Powell River Queen* (59 AEQ)
Route 22	Denman Island – Hornby Island	Less than five percent peak season capacity available and frequent overloads in peak season, high commuter directional demand year-round at key times, overloads cause congestion in surrounding community	**Near Term**: Redeploy a larger vessel to the route, *Quinitsa* (44 AEQ) for summer service **Medium Term**: Redeploy a larger vessel to the route, *Quinitsa* (44 AEQ) year-round
Route 21	Buckley Bay – Denman Island	Less than 30 percent capacity available in the peak season, high commuter directional demand year-round at key times of day, overloads cause congestion in surrounding community	**Near term:** Supplement peak season with the *Kahloke* (21 AEQ) to support higher capacity vessel on route 22 **Medium Term**: Increase the size of the *Baynes Sound Connector* from 45 AEQ to approximately 65 AEQ to support higher capacity vessel on route 22

Route		Challenge	Plan
Route 6	Crofton – Salt Spring Island (Vesuvius Bay	Less than 15 percent capacity available in the peak season, high commuter directional demand year-round at key times, overloads cause congestion in surrounding community	**Near term**: Deploy *Quinsam* (63 AEQ) Spring 2022 to replace the *Quinitsa* (44 AEQ). ***Implemented.*** **Medium term**: Deploy two Island class vessels (47 AEQ) to replace the *Quinsam*
Route 4	Victoria – Salt Spring Island (Fulford Harbour)	Frequent overloads, less than 30 percent available capacity during the shoulder/peak season, high commuter directional demand year-round at key times of day, overloads cause congestion in surrounding community	**Near term**: Increase, by two round trips per day, the service provided by the *Skeena Queen* (92 AEQ) **Medium term**: Redeploy *Quinsam* (63 AEQ) to supplement the *Skeena Queen* during peak season

Customer experience will be improved by increasing available capacity, by implementing near term service enhancements and then medium term initiatives of advancing four Island class vessels, expanding the capacity of the *Baynes Sound Connector* and adding seasonal supplementary service. The following 'heat maps' show how near and medium term initiatives will address capacity challenges for each of the hot spots.

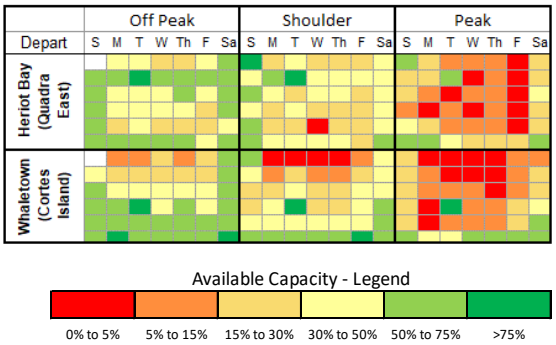
Route 24 – Cortes Island to Quadra Island

The following tables outline the average available capacity by season, by day of week, across the day for the base year and future years as the near and medium term initiatives are implemented:

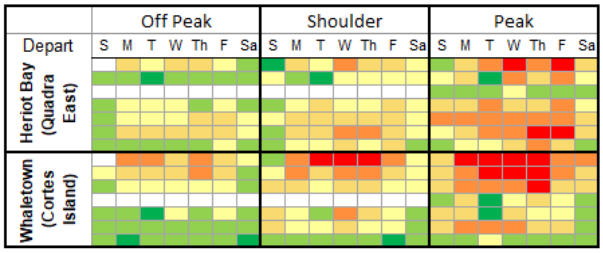
Available Capacity Base Year with *Tachek* (26 AEQ)

Service Considerations:

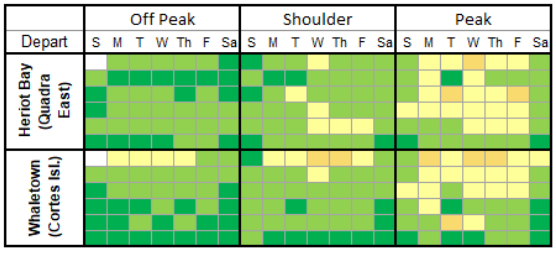
- Overloads combined with limited frequency
- Berth design limited to T-class, until replacement
- Two ferries to get from Cortes Island to Campbell River
- Peak/shoulder season residents park at terminal night before to ensure access to required sailing



Near Term - Supplement service with an additional sailing with Tachek (26 AEQ), in peak.



Medium Term –Deploy Island class (47 AEQ), year round. *Estimated Spring 2026*



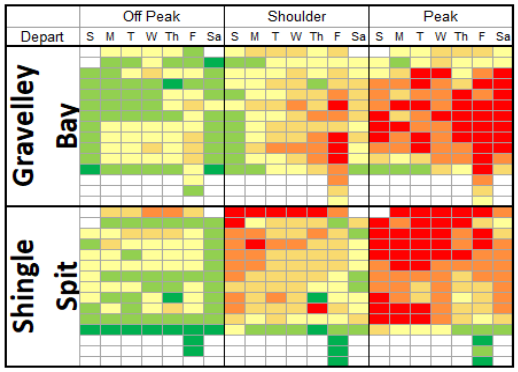
Route 22 – Hornby Island to Denman Island

The following tables outline the average available capacity by season, by day of week, across the day for the base year and future years as the near and medium term initiatives are implemented:

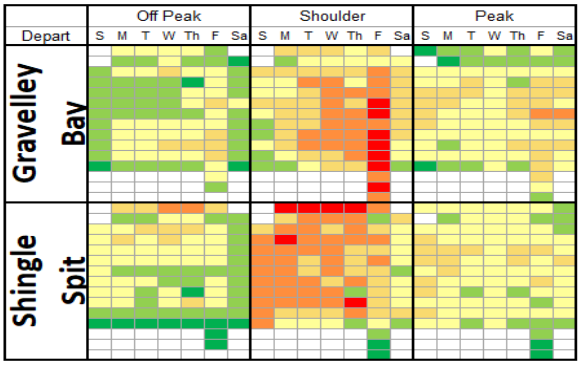
Available Capacity Base Year with *Kahloke* (21 AEQ)

Service Considerations:

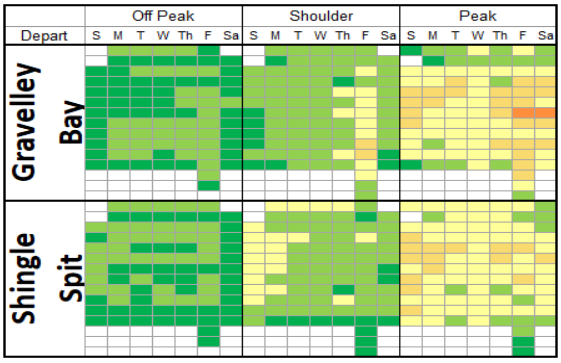
- Seasonal high capacity utilization and overloads
- Use shuttling to address peak period demand
- Directional nature of daily demand
- Size of *Baynes Sound Connector* is a consideration for a larger vessel on route 22



Near Term - Increase the capacity on route by deploying *Quinitsa* (44 AEQ) in peak season.



Medium Term –Deploy *Quinitsa* (44 AEQ), year round. *Estimated Spring 2026*



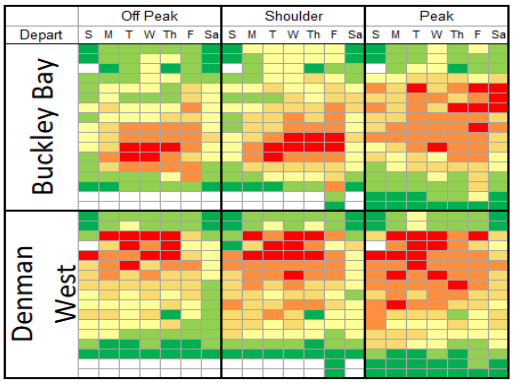
Route 21 – Denman Island to Vancouver Island (Buckley Bay)

The following tables outline the average available capacity by season, by day of week, across the day for the base year and future years as the near and medium term initiatives are implemented:

Available Capacity Base Year with *Baynes Sound Connector* (45 AEQ)

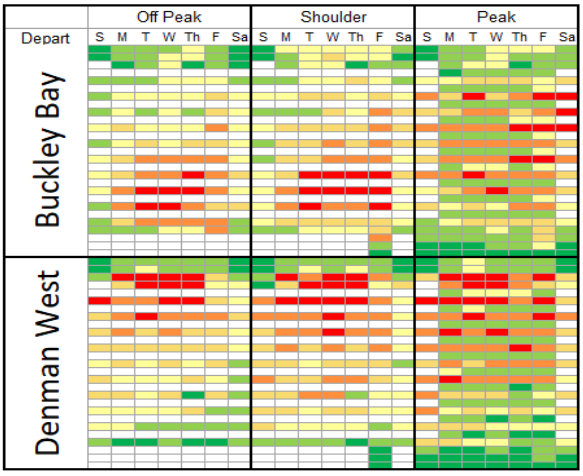
Service Considerations:

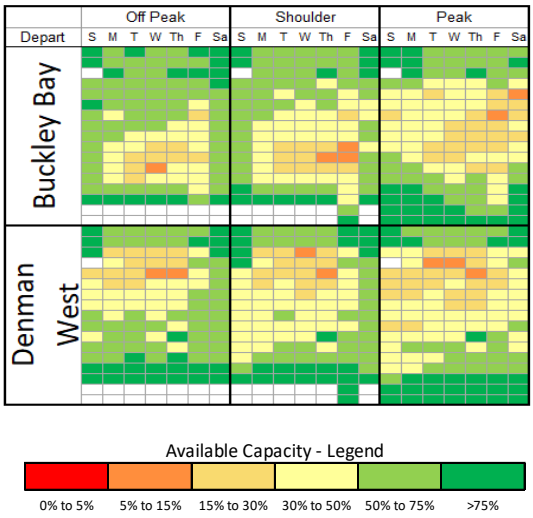
- Seasonal high capacity utilization and overloads
- Use of shuttling to address peak demand
- Directional nature of daily demand



Near Term - Increase the capacity on route by deploying *Kahloke* (21 AEQ) in peak season.

Medium Term –Expansion of the *Baynes Sound Connector*. *Estimated Spring 2026*

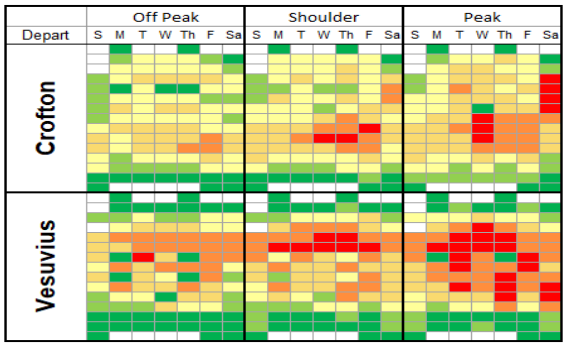




Route 6 – Crofton to Salt Spring Island (Vesuvius)

The following tables outline the average available capacity by season, by day of week, across the day for the base year and future years as the near and medium term initiatives are implemented:

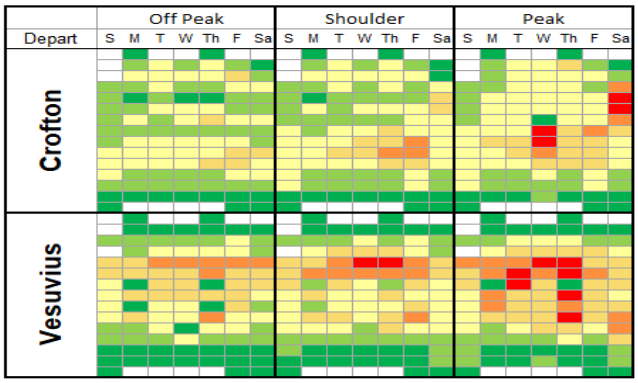
Available Capacity Base Year with *Quinitsa* (44 AEQ) **Off Peak/Shoulder & *Bowen Queen*** (61 AEQ) **in Peak**



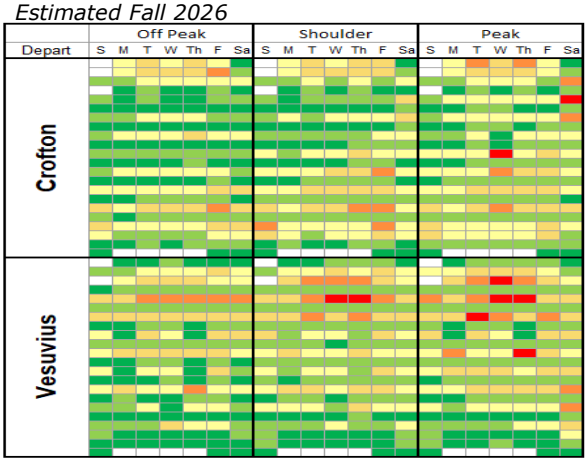
Service Considerations:

- Seasonal redeployments required to address demand as *Quinitsa* too small to handle growth
- Directional nature of daily commuter and commercial demand
- Provides Salt Spring Island's dangerous cargo sailings

Near Term – Increase the capacity on route by deploying *Quinsam* (63 AEQ) year-round.



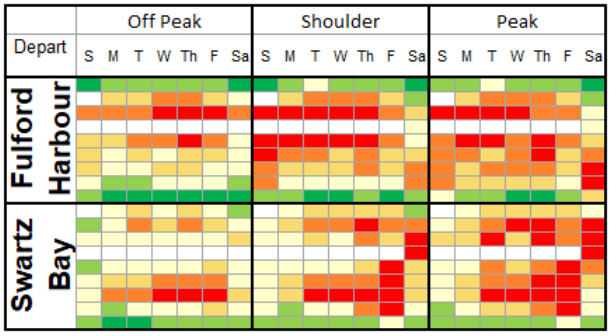
Medium Term –Increase capacity and frequency by deploying two Island class vessels to the route. *Estimated Fall 2026*



Route 4 – Salt Spring Island (Fulford Harbour) to Swartz Bay

The following tables outline the average available capacity by season, by day of week, across the day for the base year and future years as the near and medium term initiatives are implemented:

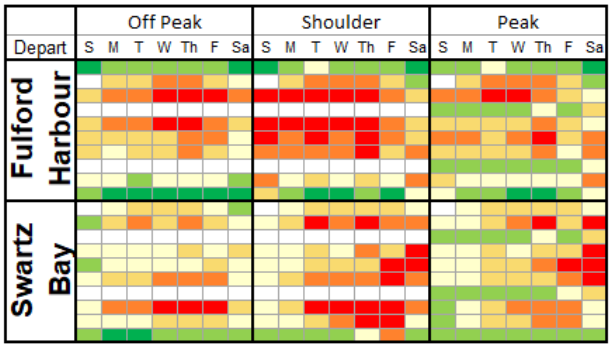
Available Capacity Base Year with *Skeena Queen* (91 AEQ)

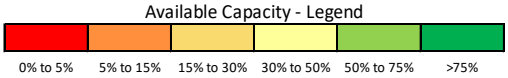


Service Considerations:

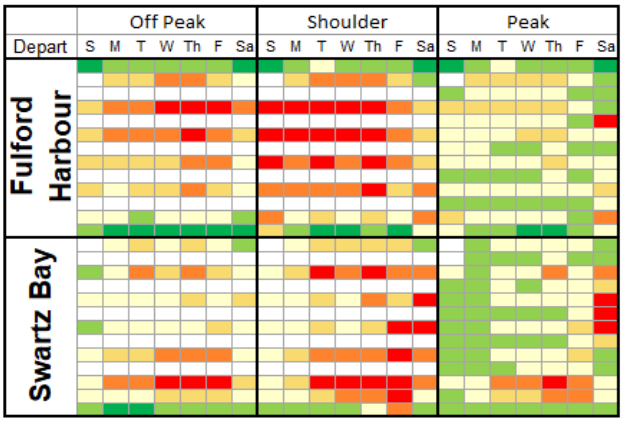
- Frequent overloads, high capacity utilization
- Congestions at Fulford Harbour and limited holding capacity

Near Term - Increase the frequency of service by adding two round trips daily, peak season..





Medium Term – Supplement the *Skeena Queen* (91 AEQ) with additional sailings of the *Quinsam* (63 AEQ), Peak season only. *Estimated Summer 2027.*



Northern Routes

The northern routes service consists of routes 10, 11 and 28/28A.

Figure 20 - Map of routes 10, 11, 28 and 28A

To assess capacity constraints on routes with 100 percent reservations and a much lower frequency of the service, ranging from one sailing per week to one sailing per day, BC Ferries' analysis combined anecdotal community feedback around ability to book on desired sailings, service change requests and forecast growth projections. These routes provide a vital connection for the local communities of the north coast to food, services and the rest of the province, year-round. The majority of the travel demand is linked to tourism and occurs between May and September. Due to the highly seasonal nature of peak demand on these routes, adding service to the existing summer or periods surrounding the summer (May and September) will improve availability of capacity access for residents while allowing tourism within these communities to grow.

Table 30. Northern Routes Overview of capacity challenges and options

Route		Challenge	Plan
Route 10	Port Hardy, Bella Bella, Klemtu, Prince Rupert	Weekly frequency of sailings is maximized with current service/assets in the peak season	Add sailings in May and September to provide more opportunities to travel; requires alignment with route 11 service
Route 11	Haida Gwaii to Prince Rupert	Less than 15 percent available capacity available during the peak season, high demand for tourism as well as commercial carriers competing with residents	Increase weekly sailings from five to six during peak season, increasing capacity available by 20 percent Expand shoulder by increasing service in June and September; requires alignment with route 10 service

Route 11 – Haida Gwaii to Prince Rupert

The following tables outline the average available capacity over the peak season, for the base year and future years as the near and medium term initiatives are implemented:

Peak season Available Capacity, with mid growth, at current peak service level

Route	F23	F24	F25	F26	F27	F28	F29	F30	F31	F32	F33	F34	F35	F36
11														

Available Capacity - Legend

0% to 5% | 5% to 15% | 15% to 30% | 30% to 50% | 50% to 75% | >75%

Near Term - Peak season Available Capacity, with mid growth, Increase weekly round trips from 5 to 6 in peak.

Route	F23	F24	F25	F26	F27	F28	F29	F30	F31	F32	F33	F34	F35	F36
11														

Increased capacity introduced

Major Routes

At present, the size and number of ships limit growth potential for the major routes. During the peak season, all vessels are deployed. With no redundancy available, there is limited ability to address demand growth or maintain service during an incident. BC Ferries' experience indicates routes with a high proportion of discretionary travel become stressed when utilization exceeds 75 to 85 percent, or when available capacity dips below 15 percent. When the system is stressed, customers must modify travel plans, which may mean they choose to travel by another means, travel on another day or not travel at all. This system stress leads to high customer and employee dissatisfaction. When looking at adding capacity to address-growing demand on the major routes, both near-term solutions with current assets and longer-term solutions requiring fleet investment are considered.

Figure 21 - Map of routes 1, 2, 3 and 30

Near-term opportunities to increase capacity on the major routes are tied to increasing the use of the supplementary vessels on routes 1, 2 and 3. However, this opportunity is limited by ensuring sailing times are when customers want to travel, ensuring sufficient time for vessel maintenance (e.g., servicing which occurs overnight) and crew availability. Longer-term opportunities focus on procuring the right number and type of new vessels to address demand growth while building flexibility to ensure BC Ferries is adaptable to changing traffic patterns, customer behaviours and corporate financial conditions. Other near term initiatives to assist in making the most of the available capacity include supporting modal shift to get more customers to travel without vehicles, and revenue management to smooth demand.

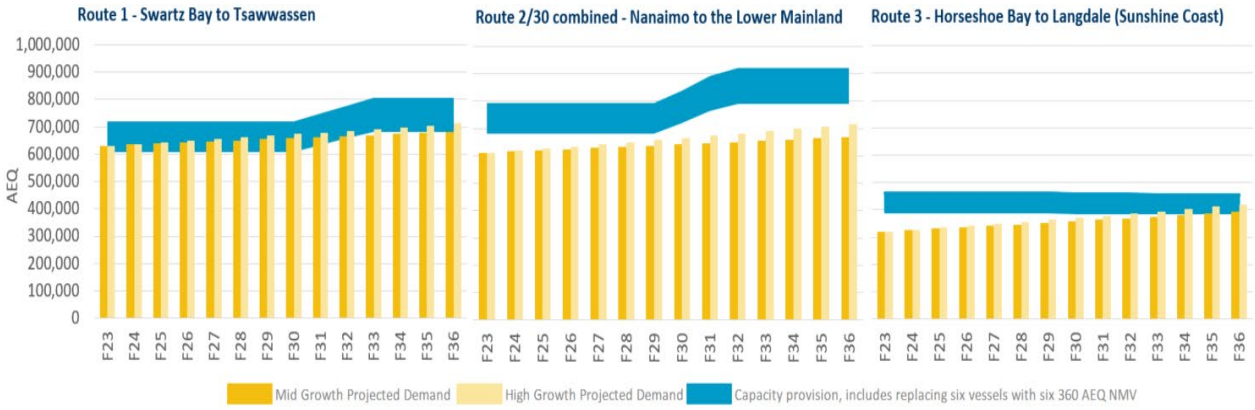
While near-term opportunities may assist to lessen the negative impacts of operating above the Practical Capacity, the procurement of an incremental vessel would provide capacity and frequency for both routes 1 and 3, greatly improving the customer experience during the busiest times of the year. As the design for the new major vessels is developed, there will be further detailed seasonal, day of week and time of day analysis to align vessel capacity, traffic projections and service levels to serve the changing needs of the major routes.

Table 31 - Major Routes - Overview of capacity challenges and options

Route		Challenge	Plan
Route 1	Swartz Bay to Tsawwassen	Low available capacity year round, off-peak and shoulder seasons opportunity to increase service, peak season vessels operating at full service	**Near Term**: add service with supplementary vessel to meet demand in off-peak and shoulder seasons **Medium Term**: Incremental new major vessel increases service in peak season on route 1 (~20 percent increase) and supports year-round extra service for route 3
Route 2/30	Nanaimo to Vancouver	Less than 15 percent available capacity in the shoulder/peak season, demand and capacity split between two Nanaimo terminals, Horseshoe Bay terminal congestion	**Near Term**: Increase supplementary sailings to address demand. Adjust vessel deployment to better align with commercial demand, and to enable higher utilisation of available capacity **Medium Term**: use new major vessel replacements to align service between Nanaimo and Vancouver to better support changing travel patterns
Route 3	Horseshoe Bay to Langdale	High commuter directional demands, commercial capacity constraints with C-class vessels, on-time performance challenges due to high demand, community requesting frequency over single larger vessel capacity	**Near Term**: increase sailings in spring/fall with supplementary vessel, increase summer service to seven days a week with supplementary vessel **Medium Term**: vessel procurement to provide a higher frequency two ship service in spring and fall aligned with higher frequency peak service

The following graphs outline the average available capacity over the peak season, for the base year and future years with mid and high growth forecasts. The blue shaded region spans the Practical Capacity (85 percent of vessel AEQ) to the Absolute Capacity (100 percent of vessel AEQ). When demand enters the blue shaded area, the route becomes stressed:

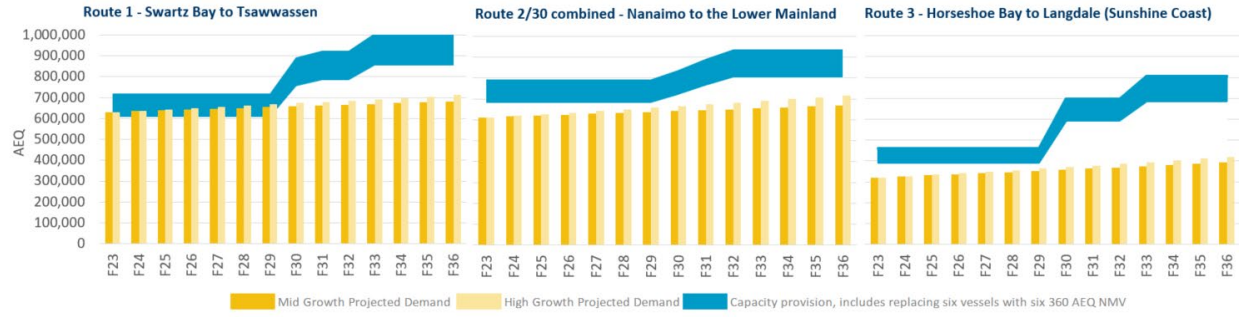
Figure 22 - Available Capacity Scenario - replacing 6 vessels with 6 vessels



As shown in Figure 22, traffic levels on Route 1 current exceed practical levels. This is anticipated to become marginally better as the current major vessels are replaced with new vessels with 20 percent more AEQ carrying capacity. Route 2 and 30 combined indicate sufficient overall capacity, improving with the replacement of current major vessels. Route 3 indicates demand will begin to breach Practical Capacity levels come fiscal 2032 under a high traffic growth scenario.

A new incremental major vessel will support both frequency and needed additional capacity between Swartz Bay and Tsawwassen during the peak and between Langdale and Horseshoe Bay during the off-peak and shoulder seasons.

Figure 23 - Available Capacity Scenario - replacing 6 vessels with 7 vessels



Through the design development of the new major vessel, there will be further detailed seasonal, day of week and time of day analysis to align vessel capacity, traffic projections and service levels to best serve the changing needs of the major routes.

Near Term Service Enhancements

To provide sufficient capacity to accommodate traffic, BC Ferries developed the following enhancements to link near term relief in advance of the proposed more substantial medium term investments outlined in this submission for the routes where demand is exceeding capacity at peak times:

Table 32 - Response to changing demand across the Coastal Ferry System

	Route	PT6				PT7				PT8			
		F25	F26	F27	F28	F29	F30	F31	F32	F33	F34	F35	F36
Majors	1	Increasing Supplemental Service, Support modal shift initiatives & revenue management					Incremental Route 1 vessel - Peak						
	2	Increasing Supplemental Service, Support modal shift initiatives & revenue management						NMV additional Capacity					
	30	Support modal shift initiatives & revenue management						NMV additional Capacity					
	3	Increasing Peak supplemental service and Support modal shift initiatives					Incremental Route 3 vessel - YR						
Northern	10	Expand Peak Season											
	11	Expand Peak Season, increase shoulder season service, increase Peak season RT's											
	28	Peak available capacity over 30% to F26, 100% reservations											
Inter Island	4	Add RT's peak		Seasonal deployment of Quinsam as supplementary vessel									
	5	Salish Introduced Fall 2022											
	6	Quinsam redeployment		Island Class Phase 3									
	7	Peak available capacity over 30% to F36											
	8	Peak available capacity over 30% to F29, support modal shift initiatives											
	9	Salish Class (deployed 2017)											
	12	Well utilized route with alternate option via highway											
	17	Salish Class (deployed 2017)											
	18	Island Class Phase 1 (deployed Spring 2020)											
	19	Island Class Phase 2 (deployed Spring 2022)											
	20	Peak available capacity over 30%									Island Class Phase 4		
	21	Kahloke as seasonal supplemental		Increase capacity of the BSC									
	22	Seasonal Deploy Quinitsa		IC Phase 3 supports Quinitsa redeployment Year round						Island Class Phase 4			
	23	Island Class Phase 2											
	24	Seasonal 2 ship service		Island Class Phase 3									
	25	Island Class Phase 1 (deployed Summer 2020)											
	26	Revert to 2 shifts daily service in 2020											New Ship

SERVICE DEPLOYMENT PROCURE/CAPITAL

Building flexibility into the vessel procurement plans ensures these plans are adaptable to changing traffic patterns and demand, customer behaviours and corporate financial conditions. Acknowledging that traffic patterns and demand projections may change over time, building flexibility into the vessel procurement plans to ensure these plans are adaptable to changing traffic patterns, customer behaviours and corporate financial conditions.

Many of the more significant near term and medium term service enhancements require the hiring of incremental employees. Section 3.3.b 'People & Culture – Workforce Planning Strategies' outlines the company's plan to recruit and retain the required skills and competencies.

The near term service enhancements and medium term initiatives identified in the current Capital Plan (see Section 3.4 – 'Capital Plan'), such as the advancement of four Island class vessel, expansion of the *Baynes Sound Connecter* and the procurement of an incremental new major vessel are designed to ensure the ferry system has the capacity to improve the customer experience and support future growth.

3.3.b People and Culture – Workforce Planning Strategies

BC Ferries anticipates that the current challenges with attracting and retaining employee talent will continue to persist into PT6. In order to recruit and retain employees with the required skills and competencies, the Company must compete for talent in short supply. Recruitment and retention strategies and mitigation measures used historically to deliver required talent when needed no longer fit todays' labour market environment. BC Ferries is moving towards a people-centric culture, while evolving its recruitment and retention strategy.

BC Ferries is actively working to address the current environment with a longer-term focus to achieve the following strategic objectives:

1. Provide an employee centric experience that drives business results
   - Foster a culture of belonging
   - Build leadership capability
   - Foster a culture of learning and development
   - Drive a culture of performance, innovation and results
   - Foster positive and progressive labour relations
   - Engage the workforce through communication

2. Attract and retain a high calibre workforce
   - Provide competitive total rewards
   - Provide meaningful work (value add work with work life balance)
   - Provide a quality candidate experience
   - Minimize workforce pressure through analytics enabling leaders to anticipate changing labour dynamics and adjust pre-emptively

3. Adjust the operating model of the People and Culture division
   - Update the operating model by creating centres of excellence that develop workforce programs and services delivered at the points of assembly (talent acquisition and development, people analytics and corporate services, labour relations)
   - Implement process and systems improvements
   - Drive People and Culture service accountability

To achieve these objectives, BC Ferries is progressing a number of short and long-term initiatives. These include:

Short-term activities

- Establish a centre of excellence that supports the provision of workforce programs and services at the points of assembly throughout the service territory;
- Invest in workforce development to meet anticipated future workforce needs;
- Understand the reasons for higher than historical voluntary turnover and develop mitigation strategies;
- Evaluate total rewards offerings, assessing equity among internal employee groups and for external market competitiveness, and adjust where required;
- Provide marine sector career development bursaries, scholarships, and financial aid in anticipation of future workforce needs;
- Continue to provide co-op and apprenticeship opportunities across the various lines of business;
- Assess options to improve seasonal work experiences to encourage retention through to the end of peak season;
- Offer guaranteed minimum hours for seasonal and casual workforces; and
- Foster a culture of belonging through learning and development and effective workforce communication.

Longer-term activities

- Work with the BC Ferry and Marine Workers' Union to pilot different hours of work and shift schedule arrangements to reduce workforce pressures, to reduce unplanned overtime and to improve work life balance;
- Encourage and facilitate employment partnerships in industries with opposite seasonal dependent demands;
- Build leadership capability through development of competencies that align to today's workforce expectations;
- Provide viable accommodation options for seasonal and regular staff based out of remote coastal communities where affordable housing is in low supply;
- Work directly with educational institutions to promote the marine sector as a rewarding career option;
- Work with under-represented communities to highlight BC Ferries' career opportunities and to support the development of capabilities that align to future workforce needs;
- Ensure total rewards remain competitive and continuously evolve to align with changing workforce expectations;
- Develop, communicate and implement succession and career pathways; and
- Create student mentorship opportunities.

By supporting employees with employee centric practices and programs such as equitable market level pay, predictable scheduling, engaged leaders and ample developmental opportunities, the Company will be better prepared to address global marine workforce demands.

3.3.c Indigenous Relations

BC Ferries operates within the traditional territories of over 80 First Nations and Indigenous communities. BC Ferries has adopted a relationship-based approach focused on building long-term connections with these communities. This approach fosters ongoing open dialogue and supports formal permitting processes when they arise.

A strategic and phased approach to relationship building through more formal agreements is under way. The overarching approach to guide these activities starts with getting to know each of the communities, building a relationship based on information sharing and then exploring opportunities and areas of interest (e.g., economic and employment opportunities, cultural recognition and support, project updates and consultations, and capacity funding).

To align with and support this approach, BC Ferries has hired dedicated Indigenous Relations managers and established the following goals:

- Goal One: Establish mutually-respectful relationships with Indigenous communities that have rights claims within the land and waters in BC Ferries' system;
- Goal Two: Proactively promote local Indigenous culture, language and communities within the operations of BC Ferries;
- Goal Three: Foster internal cultural awareness and capacity building;
- Goal Four: Manage risk and support project-based consultation requirements; and
- Goal Five: Seek economic participation of Indigenous communities through the operations of BC Ferries.

BC Ferries is committed to building strong relationships with Indigenous peoples. Through active engagement, BC Ferries will involve Indigenous communities in achieving these goals.

3.3.d Emission Reduction Strategies

BC Ferries is committed to supporting the Province in meeting its GHG emissions reduction target for the transportation sector of at least 27 percent compared to 2008 levels by 2030. The Company is also developing an achievable path to attain net zero emissions by 2050 based on a carefully chosen multifaceted and adaptable approach.

BC Ferries' approach to selecting the best options to reduce GHG emissions is in balance with the Company's commitment to maintain a safe, reliable, affordable and efficient ferry system. BC Ferries will invest in initiatives to reduce GHG emissions that pass a rigorous evaluation of risk, costs and environmental benefits. The Company will also continue to monitor climate actions taken by other operators, while recognizing that there is not a one-size-fits-all solution to reducing GHG emissions for operations. With 98 percent of the Company's emissions originating from vessels, the main focus is on the fleet with five action areas for achieving GHG objectives:

Renewable and Alternate Fuels

BC Ferries will search available energy sources for the cleanest, lowest carbon-intensity options that can displace its reliance on fossil fuel. Successful trials with biodiesel and renewable diesel in 2022 have demonstrated it is possible to significantly reduce the carbon intensity of BC Ferries' operations with 'greener' fuels. BC Ferries will expand the use of renewable liquid fuels to displace conventional fossil fuels wherever practical. Moreover, BC Ferries will consider renewable natural gas for its existing six natural gas-operated vessels, as well as an option for future vessels. BC Ferries will also remain open to all other alternate fuels such as green methanol, hydrogen and ammonia. The Company will work hard to overcome challenges related to affordability and availability.

Electrification

Electrification can play a vital part in reducing GHG emissions in ferry operations. The recent acquisition of six battery electric hybrid vessels brings BC Ferries one-step closer to having all-electric ferries. BC Ferries is advancing solutions to overcome the physical, technological and financial challenges with installing the needed infrastructure to charge fully electric vessels. The extensive practice of connecting vessels to electric shore power, along with the focus to electrify BC Ferries' vehicles ashore also contribute towards achieving corporate emissions reduction targets.

Operational Efficiencies

BC Ferries' fleet and engineering operations teams work together to find ways to operate the Company's vessels as efficiently as possible. Operational efficiencies include effective vessel route planning, applying consistent and efficient vessel speeds and diligent use of extra engine power when required. Close collaboration with BC Ferries' terminal operations team enable efficient turnaround to minimize schedule disruptions and conserve energy consumption.

Advanced Technologies

BC Ferries is actively seeking innovative approaches to reduce energy consumption and minimize the Company's emissions, including collaborating with government agencies and industry experts. Simple ways to reduce energy consumption include converting lighting systems to energy saving fixtures, investing in more efficient hull coatings and regular cleaning underwater hulls. More technically complex initiatives including the potential installation of variable frequency drive on Coastal class vessel propulsion motors, and retrofitting Spirit class vessels with emissions reduction kits to support GHG reduction. BC Ferries is also considering auto-mooring systems for the future. There is often a financial payback from these projects making these innovations more attractive.

Fleet Modernization

BC Ferries' new major vessel program to replace six legacy vessels operating on the major routes is currently in the design phase and proposes to put the first vessel into service in 2029. The design will

aim for simplified automation, efficient operations, and a reduction of approximately 30 to 50 percent in CO2 emissions. These new vessels will operate on four of the six regulated routes that make up approximately 77 percent of all GHG emissions from vessel operations. The opportunity to reduce GHG with these new vessels is crucial and this program will be at the heart of BC Ferries' emission reductions initiatives post 2030.

In 2008, BC Ferries' CO2 emissions totalled 341,000 tons. The Company is starting to make progress towards the objective of reducing overall emissions to no more than 250,000 tons of CO2 by 2030, a 27 percent reduction from the 2008 level. BC Ferries expects further future reductions as it structures the pathway to bring sustainability and cleaner operations to the coastal ferry system.

3.3.e Strategies to Evolve with Travel Behaviour Changes

The Province recently published its *CleanBC Roadmap to 2030* strategy ("BC Roadmap"). It identifies key areas to achieve provincial GHG emission reduction targets, including encouraging more walking and cycling, and reducing the carbon intensity of fuels used to support transportation. The BC Roadmap includes two provincial goals that may materially affect BC Ferries' operations over the planning horizon:

- The first goal is to reduce distances travelled in light-duty vehicles by 25 percent by 2030, compared to 2020. Achieving this goal will likely involve more compact urban planning along with an increase in active transportation and public transit options. Coupled with continued support for digital access and remote work, the use of personal vehicles may decrease and could result in reduced ferry demand at traditional commuter times.
- The second goal is to increase the share of trips made by walking, cycling and transit to 30 percent by 2030, from 24 percent in 2019. Achieving this goal may lead to reduced demand for personal vehicle travel by ferry, especially on inter-island routes that currently support a large proportion of daily commuters.

Shifting customer travel modes to bus, car share or other active transportation modes, creates an opportunity to accommodate additional growth without adding vehicle carrying capacity. In alignment with broad provincial mode-shifting goals, BC Ferries is further exploring opportunities to reduce travellers' reliance on personal vehicles through initiatives including:

- Working with the Province and transit providers to enhance the customer experience across the various modes of travel;
- Working with the Province and transit providers for insight into transit and bike lane improvements;
- Monitoring global and local market mobility shifts;
- Monitoring shifts in mode of travel to inform investments in public transit or active transportation;

- Assessing the customer market size likely to shift travel modes by region and route (travel patterns and preferences); and
- Improving terminals and vessels to support increased use of buses, bikes, e-bikes, mobility scooters and car shares.

As public mobility concepts evolve around the globe and in coastal BC, so too will BC Ferries. While longer-term forms of mobility may include tunnels, drones and hyperloops (pods travelling at high speed inside a near-vacuum tunnel), for the foreseeable future, coastal communities will expect to rely on BC Ferries to continue to support the vital movement of people and goods. The Company will adapt to changing customer behaviours and actively plan for integration with multiple forms of mobility, and will continue to work collaboratively with the Province and other government agencies in this area.

Improving the integration between transportation service providers and regional land use planning will be critical to addressing vehicle capacity constraints on vessels, and reducing the carbon intensity of the public's movements in coastal BC. In addition, improving the non-vehicle customer travel experience on vessels will encourage mode shift (i.e., from personal vehicles to buses, car-share, e-bikes, e-scooters, etc.), thereby reducing vehicle capacity demand. Over the next two years, as customers and communities emerge from the pandemic, BC Ferries will continue to reassess traffic projections and plans to increase vessel capacity and adapt to ensure the service delivery meets the public's needs for decades to come.

A multi-agency working group including Ministry and Transportation and Infrastructure, TransLink, BC Transit and BC Ferries was established to find approaches to:

- Better integrate services between the agencies;
- Make transit and active transportation more convenient and easier to access for interregional travel; and
- Better align transportation and land use planning to encourage mode shift to cleaner forms of transportation in BC.

Opportunities for service integration across agencies have been identified to:

- Improve the user experience;
- Increase the number of people choosing transit and active transportation; and
- Ensure equitable access to transit and transportation services.

3.3.f Efficiency Improvement Strategies

In support of the establishment of price caps for PT6, and in accordance with section 40(1.1) of the Act, this section provides information on how BC Ferries intends to provide services more efficiently.

BC Ferries understands that efficiencies help to reduce costs and upward pressure on fares. The efficiencies that have already been gained through investments and initiatives implemented to date will continue to be improved to extract the full expected efficiency benefits, many of which were outlined in section 2.5 – PT5 Operating Performance. These include:

- Further progressing fare flexibility and revenue management initiatives to drive incremental traffic and revenue, maximize useful capacity and improve operational flexibility;
- Pursuing opportunities to earn and monetize additional carbon credits; and
- Maximizing the net contribution from catering and retail services, and vacations package sales.

Additionally, there are several investments planned to improve efficiency, either during PT6 or in later performance terms. Four such major capital projects are highlighted below and some are further described in section 3.4.c – PT6 Twelve-Year Capital Plan.

Fleet Maintenance Unit (FMU) Site Development

This capital project is expected to address a number of inherent deficiencies, capacity constraints and inefficiencies associated with the existing shipyard while replacing and life extending aged infrastructure. Annual savings of approximately $2.4 million are expected from improved workflows and a reduced reliance on contracting services. These savings will be partially offset by the need to lease an offsite warehouse for supply chain management and potential incremental property taxes associated with the site development. Further details are provided in Section 3.4.c. – 'PT6 12-Year Capital Plan.'

Major Terminal Efficiency

A detailed business case for this modular capital program is in the final phase of development. The Company anticipates that investments in systems and infrastructure at the major terminals will be supported by improved safety and security and improved operational efficiency, which in turn will improve the customer and employee experience. These investments are expected to provide a positive payback. Further details are provided in Section 3.4.c. – 'PT6 12-Year Capital Plan.'

New Major Vessels

This capital program is currently in the early stages of feasibility and conceptual design. All aspects of the new vessel class are being examined to improve on their total lifecycle cost, while advancing interoperability standardization and customer service, and meeting environmental objectives. In support of both cost efficiency and improved environmental performance, these vessels will be designed for reduced energy consumption using lower carbon intensive alternative or hybrid fuel energy sources.

Island Class Electrification

This capital program is planned to enable full electrical operations on Routes 19 and 23 either by converting four existing Island class vessels to full electric operation, or by having the next four delivered

fully electric. Electric charging infrastructure will be installed at the two routes' four terminals. This program will take advantage of Provincial and BC Hydro funding incentives to partially offset the initial capital costs, will enable expected fuel energy savings and will provide the opportunity to earn carbon credits through the use of electricity.

BC Ferries continues to pursue external funding opportunities that would enable expansion of electrification (or partial electrification) of existing and future Island class vessels on other routes.

3.4. Capital Plan

As part of this PT6 Submission, BC Ferries is required by section 40(1.1) of the Act to submit its most recent capital plan prepared under section 64.1 ("Capital Plan").

The PT6 Twelve-Year Capital Plan spans fiscal 2023 to 2034. It outlines the capital expenditures BC Ferries anticipates incurring for the 10 year period beginning with PT6 (April 1, 2024 to March 31, 2034), along with the capital expenditures anticipated for the remainder of PT5 (April 1, 2022 to March 31, 2024). In accordance with section 64.1(2), it provides information on the amount, proposed timing, type of proposed capital acquisition or expenditure, and options considered and rationale for the proposed capital acquisition or expenditure.

3.4.a Summary of Changes from PT5 Twelve-Year Capital Plan

The Capital Plan that formed part of the PT5 submission included approximately $4 billion in capital investments over the 12 years from fiscal 2019 to fiscal 2030, with approximately $2.1 billion anticipated to have been spent by fiscal 2024.

Due to escalating costs and upon review of projected traffic, BC Ferries deferred investment on an incremental new major vessel beyond fiscal 2024. This change, along with other updates across the capital program, including assumptions on contract signing and milestone payments related to the FMU site redevelopment program, was provided to the Commissioner in September 2019.

Subsequently, a dramatic decline in earnings caused by the COVID-19 pandemic compelled the Company in fiscal 2021 to defer $101 million of capital spend for the year, and then significantly re-planned capital spend for the remainder of the performance term.

Since then, the Company has continue to update the capital program, reflecting necessary changes to portfolio scope, schedule and budget over the past two years.

The current Capital Plan, covering the fiscal years 2019 through 2024, is now approximately $1.0 billion lower than the Capital Plan included in the September 2018 PT5 submission to the Commissioner. Figure 24 represents the annual capital spend comparison from fiscal 2019 through fiscal 2024:

Figure 24 - Capital Plan Comparison: PT5 vs. PT6 Submission

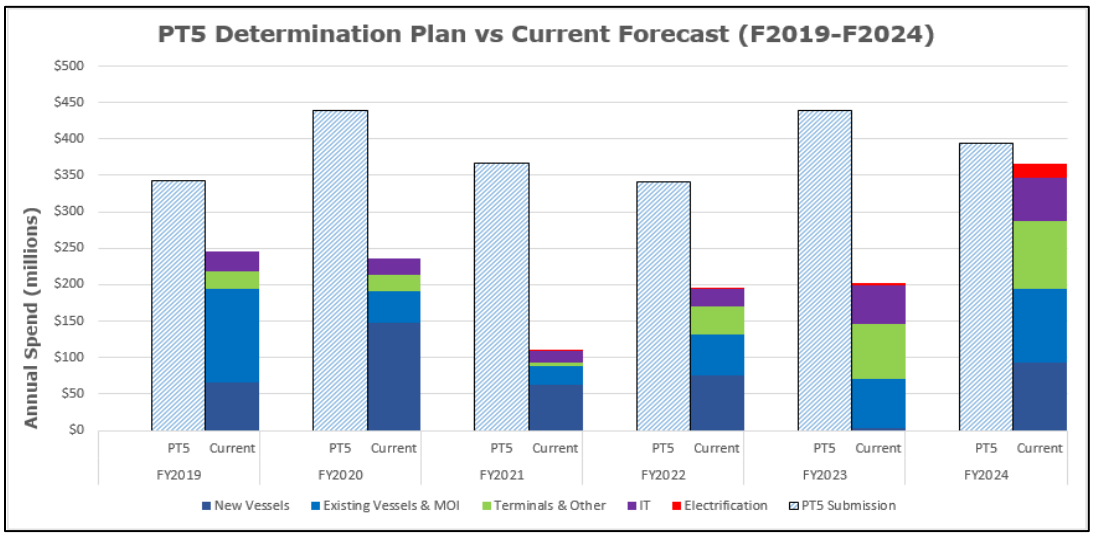


Table 33 summarizes the associated financial impact of the key updates to the Capital Plan:

Table 33 - Variance to PT5 Capital Plan

Capital Spend ($ Millions)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Total
PT5 Capital Plan September 2018	343	439	367	341	439	395	2,324
Change from: PT5 Capital Plan– September 2019	*(95)*	*(153)*	83	48	*(144)*	61	*(199)*
Change from: COVID-19 Framework	*(9)*	*(54)*	*(306)*	*(151)*	*(118)*	*(109)*	*(747)*
Change from: PT6 Capital Plan- September 2022	7	4	*(20)*	*(71)*	26	11	*(44)*
PT6 Capital Plan September 2022	**246**	**236**	**125**	**167**	**203**	**358**	**1,334**

Numbers may not add due to rounding.

Key Changes from PT5

The following provides details on the key changes to the capital spend, including the deferral related to COVID-19, following the September 2019 submission:

New Major Vessels

BC Ferries deferred the replacement of its four oldest major vessels following detailed condition assessments and the determination they could receive five year life extensions beyond their original planned retirement dates.

Fleet Maintenance Unit Site Redevelopment

Partly in response to price escalation and then to COVID-19, scope was reduced and schedule was elongated for BC Ferries' ship repair facility site redevelopment project.

Horseshoe Bay Redevelopment

The scope and scale of the Horseshoe Bay redevelopment project has been reduced since the PT5 submission. Prudent investment in a life extension of the transfer deck completed early in PT5 allowed other investments to be postponed. As part of the COVID-19 re-prioritization process, spend related to the active lift and wingwall at Berths 2 and 3 scope was deemed necessary for completion during PT5. PT6 project scope prioritizes critical items while leaving longer remaining life or lower priority improvements to a second phase in PT7 and PT8.

Langdale Terminal Development

The PT5 submission included investment in Langdale Terminal. As part of BC Ferries pandemic response, projects were prioritized based on achieving the goals of providing safe and efficient core service with a focus on safety and regulatory requirements. As a result of this review, the Langdale Terminal Development was deemed non-essential spend under the tight financial constraints and is no longer reflected in the Capital Plan.

Swartz Bay Redevelopment Plan

The Swartz Bay redevelopment plan has been changed in scope, schedule and budget since the PT5 Submission. As part of BC Ferries' annual Capital Plan review process, lower priority scope items, including the administration building, were removed from the project plan in December 2019 to support the affordability of the overall Capital Plan within the PT5 determination. In the following spring, the Company's pandemic response deferred the remaining scope by five years.

Completed Capital Projects

While the PT5 Capital Plan was significantly reduced, the Company is still on track to invest $1.2 billion, from fiscal 2019 through fiscal 2024, in maintaining existing assets and ensuring safe and reliable service. The following notable capital projects have either been completed, or are planned to be completed, during PT5:

Bowen Class Vessel Replacements

BC Ferries accepted delivery of four Island class vessels in fiscal 2022 to replace ageing Bowen class vessels. These Island class vessels are now, or will be, delivering two-ship operation on routes 19 and 23, providing increased sailing frequency while facilitating vessel standardization and interoperability. Associated terminal infrastructure to enable two-ship operation on both routes was completed during PT5.

The Salish Heron was delivered late fiscal 2022 and will result in capacity increases to the Southern Gulf Islands network in fiscal 2023.

Fare Flexibility Digital Experience Initiative (FFDEI)

In September 2020, BC Ferries launched its new mobile-friendly website, which lets customers easily book and manage their bookings online and delivers dynamically updated schedules and current conditions information. The website further enables revenue management capabilities. A customer-facing mobile application is also under development with delivery planned in fiscal 2023.

Coastal Quarter-Life Upgrades

By the end of PT5, the Coastal Quarter Life Upgrades will be completed. This work will ensure long-term vessel reliability, and will include several key customer-facing upgrades, such as the elevators.

Life extension of C-Class and V-Class Vessels

To enable the major vessel replacement program to be deferred beyond fiscal 2024, four vessels will undergo life-extension work. This will ensure they continue to provide safe and reliable service.

Time Collection, Crew Scheduling

The Time Collection and Crew Scheduling project is currently in the execution phase and reflects investments in information technology to modernize the crewing functions at BC Ferries. The scope of the project includes new applications for crew scheduling and time keeping, as well as process improvements for employees, crewing offices and employee relations offices. This project is forecast to complete in fiscal 2024.

3.4.b Summary of Planning Process

The Capital Plan is underpinned by a detailed and inclusive planning process, intended to ensure a ferry service that operates and evolves in the interest of ferry passengers and British Columbians.

As provided in Section 1.1 – 'Strategic Vision, Mission and Goals,' BC Ferries' Strategic Plan sets out Company's vision (to be trusted and valued) and its mission (to connect communities and customers to people and places important in their lives). It contains the goals that set the direction for all activities at BC Ferries. These goals are then converted into practical policies and directions that guide the development of a customer experience master plan and master plans for the three main asset categories: fleet, terminal and information technology.

The master plans contain the policies and design directives for each asset class, and based on information regarding age and condition, contain a 25-year investment schedule that informs the Capital Plan. The Capital Plan is integral to delivering BC Ferries' strategic goals in support of a ferry system that is responsive to customer and community needs.

The strategic, master and capital plans are living documents, informed through engagement, and updated and improved upon as customer and community needs evolve.

Master Plans

The key strategies contained in the master plans represent the ferry system's aspirational future state, and will take time to achieve. The following are the current key strategic policies guiding investment decisions:

Customer Focused

A customer-centric organization starts with engaging customers, communities and businesses on the type, scale and frequency of the service they want to see. Customer service planning will focus on ways to enhance and improve the customer's experience. Vessel and terminal design will support BC Ferries' commitment to coastal communities and improving the customer experience. Vessel and terminal design will include the implementation of improved customer-facing systems to enhance the customer experience and eliminate barriers for accessibility. Consultation with customers will be important in ensuring design changes are responsive to their needs.

Consistent Customer Experience

Customers will be provided with a consistent experience, regardless of which route they travel on. The goal is that all customer touch points exhibit the highest practicable level of commonality in terms of design and layout, available equipment and services, application of BC Ferries' brand to wayfinding and livery, and where possible, use of west coast sourced, sustainable materials.

Technology Enhanced

BC Ferries will use technology to streamline and modernize the customer booking and travel experience. New technologies will have sustained advantage, be easy to use, forward-looking and accessible and have broad industry acceptance.

Commonality

High commonality ensures safety, inter-operability, reliability, efficiency and customer satisfaction. All vessels and terminals will exhibit the highest practicable level of commonality, in terms of design, layout, equipment, operating characteristics, documentation and maintenance. Commonality refers to the degree to which assets are the same. Commonality is a spectrum from identical to completely dissimilar; it is not a singular state or condition.

Interoperability

An interoperable vessel can be redeployed without the need to adjust or modify the vessel or berths, and does not require additional crew training beyond route familiarization. Interoperability supports

reliable operations and reduced operating costs. The goal is to have models of vessels within a vessel class that will be inter-operable with each other.

Standardization

Standardization refers to the use of standardized components, systems, procedures, design features and equipment that is intended to remain the same across a wide variety of applications. Standardization is a primary means to achieve organizational efficiency and sustainability through commonality of design, system and process. All vessels and terminals will use standardized designs, components, procedures and equipment to the maximum extent possible with the intent to enhance safe operation and provide consistent customer experience and organizational efficiencies.

Fleet Identicality

There are benefits associated with constructing identical vessels within a class. Identicality means exactly the same in all respects. Identicality maximizes efficiency, reliability, inter-operability and customer satisfaction. Identicality will be applied to design, layout, equipment, operating characteristics, documentation, operating procedures and maintenance regimes

Efficiency

All vessels will be designed to maximize efficiency of operating costs, crew size, loading and unloading, fueling provisioning, training, passenger and vehicle flow, and maintenance. Terminals will be designed to maximize efficiency of route network, operating costs, passenger and traffic flow, provision of ship services and maintenance. New terminals will be located and designed to minimize sailing times, and to allow simple approach and departure of ships.

Community Participation

BC Ferries' capital projects process reflect a commitment to involve whenever possible Indigenous and coastal communities and key stakeholders (including employees, customers, municipalities, the provincial government, ferry advisory committees, the business and commercial sector) in the decisions that impact them. This provides the opportunity to identify solutions to challenges that may not have otherwise been considered, and results in greater community and customer satisfaction and better decisions.

BC Ferries engages communities and stakeholders in many capital projects. The Engagement Commitment and Engagement Opportunities is located at: https://www.bcferries.com/in-the-community/projects.

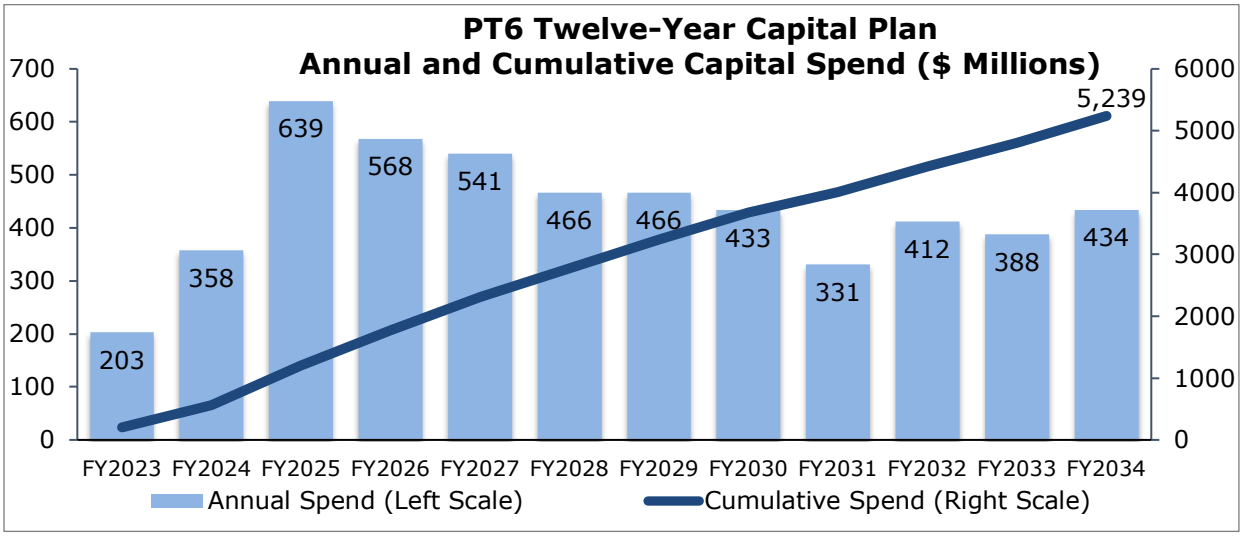
3.4.c PT6 Twelve-Year Capital Plan

The Capital Plan is the culmination of a comprehensive long-range planning process, starting with BC Ferries' Strategic Plan, which then flows into asset master plans where strategy is translated into

practical polices and directions that guide investment decisions. This Capital Plan is inclusive of fleet, terminal, information technology and other infrastructure investments totalling $5.2 billion, and is at a level considered reasonable and prudent, and necessary to support customer-centric, safe, reliable, efficient and environmentally responsible service.

Figure 25 illustrates the anticipated capital expenditures by fiscal year:

Figure 25 - Planned Capital Expenditures



Capital Plan Priorities

Ferry service is asset intensive, and as such, the majority of expenditures in the Capital Plan are linked to the age and condition of existing assets that either need to be replaced or reinvested in to ensure ongoing safe and reliable service. A number of vessels are at end of life and are in need of replacement. This provides the opportune time to invest in additional capacity to address the coastal ferry system's capacity constraints highlighted in Section 3.3.a – 'Capacity Review and Service Enhancement Strategies.' Several projects will result in significant capacity improvements, including the acquisition of seven new major vessels and seven Island class vessels, and the planned expansion of the *Baynes Sound Connector*. These new vessels, along with planned modifications to existing vessels, also provide the opportunity to reduce emissions in support of the Company's objectives and in alignment with social expectations highlighted in Section 3.3.d – 'Emissions Reduction Strategies.'

The Capital Plan supports of a safe, reliable and efficient ferry system by also prioritizing capital spending that:

- Provides reliable access to a modern and efficient ship repair facility;
- A terminal network that safely and efficiently interfaces with the vessels;
- Ancillary services onboard vessels and at the terminals that meet customer needs and generate revenue for the Company;

- Information technology that enables the Company to run the business efficiently; and
- Technologies and processes onboard vessels and shore-side that are respectful of the natural environment and that serve to lessen the Company's environmental footprint.

Major Capital Expenditures

Section 55(2) of the Act requires BC Ferries to obtain the Commissioner's approval prior to incurring a major capital expenditure. In accordance with that section, BC Ferries will need to obtain the Commissioner's approval for projects in the Capital Plan that meet the criteria for a "major capital expenditure" as defined by the Commissioner in Order 19-03.[16]

In accordance with section 64.1 of the Act, information on the anticipated amount, proposed timing and type of capital asset for each planned major capital expenditure is outlined in this section and the accompanying Capital Plan Schedules in 3.4.d, as well as with an overview of the options considered and rationale for the expenditures. For the purposes of section 64.1, the Company has used the criteria provided in Order 19-03 for identifying anticipated "major capital expenditures". Of the $5.2 billion in the Capital Plan, approximately $3.3 billion (or 62 percent of the plan) is for yet-to-be-approved projects that meet the threshold for a major capital expenditure as provided in Order 19-03.[17] An additional one percent of the Capital Plan is for major capital expenditures that were previously approved by the Commissioner.

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

As previously described, BC Ferries has in place a rigorous capital planning process. Before reaching a decision on the nature of a specific major capital expenditure, the Company will consider a range of alternatives and options to ensure the 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;

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[16] British Columbia Ferries Commissioner Order 19-03, *In the Matter of Section 55 and Section 67 of the Coastal Ferry Act and Establishment of the Criteria for a Major Capital Expenditure*, January 25, 2019. A "major capital expenditure" is defined as:
"Any capital expenditure for any new vessel or mid-life upgrade to a vessel ("Vessel Expenditure") is a major capital expenditure if the expenditure exceeds $50 million inclusive of vessel related component programs and interest during construction;
Any capital expenditure for new terminals, terminal upgrades, information technology systems or other non-vessel capital expenditures ("Non-Vessel Expenditure") is a major capital expenditure if the expenditure exceeds $25 million, inclusive of non-vessel related component programs and interest during construction…"

[17] This is inclusive of the FMU Site Development Project submitted to the Commissioner for approval in August 2022.

- 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.

The analysis of options is undertaken on a life cycle (total cost of ownership) basis. 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 will not be known with precision until closer to that date, 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. Hence, the capital expenditure ultimately required for each asset may differ from that included in the Capital Plan. The Company believes the assumptions it uses to estimate project costs are reasonable for the purposes of a long-range capital plan with the understanding the assumptions will be updated annually and each project will be subject to further analysis and a detailed business case.

A description of planned projects that may not be major capital expenditures as provided in Order 19-03, but represent expenditures of a significant nature are outlined later in this section, along with all other planned expenditures that are included in the Capital Plan.

The Capital Plan includes investments in fleet renewal, vessel upgrades, ship repair, terminals and information technology.

Fleet Renewal

Vessel replacements occur based on a vessel's age and condition. The Year Capital Plan includes investments to replace 13 vessels over the next 14 years, consistent with the Fleet Master Plan. As these vessels are replaced with standardized vessel classes, six different classes will be pared down into three, transitioning the fleet toward greater standardization, as illustrated in Table 34:

Table 34 - Planned Vessel Replacements

Retiring Vessels	Replacement Vessel Class
5 C-Class (280-316 AEQ) 1 V-Class (254 AEQ)	7 New Major Class (~360 AEQ)
2 Q-Class (44-63 AEQ) 2 K-Class (19-21 AEQ)2 T-Class (26 AEQ)	7 Island Class (47 AEQ)
Kwuna (16 AEQ)	1 Unique (AEQ TBD)

As part of planned vessel replacements, significant increases in capacity will be achieved with:

- The implementation of a new class on the major routes, consisting of seven new major vessels, each with a proposed carrying capacity of 360 AEQs, an average increase of approximately 20 percent over the six vessels being replaced;
- The introduction of seven Island class vessels on the minor routes, providing a carrying capacity of 47 AEQs, an average increase of 42 percent over the six vessels being replaced.

The planned vessel replacements, along with the addition of an incremental major and a minor vessel, will improve service capacity across multiple routes. As discussed in Section 3.3.a – 'Capacity Review and Service Enhancement Strategies,' service enhancements, vessel deployment adjustments and investments in new vessels will provide significant improvements to capacity on the following routes:

- Route 24 - Quadra Island to Cortes Island;
- Route 22 - Denman Island to Hornby Island;
- Route 21 - Buckley Bay to Denman Island;
- Route 6 - Crofton to Vesuvius;
- Route 4 - Swartz Bay to Fulford Harbour;
- Route 1 - Swartz Bay to Tsawwassen;
- Route 3 –Horseshoe Bay to Langdale;
- Route 2 –Horseshoe Bay to Nanaimo; and
- Route 30 –Tsawwassen to Nanaimo.

Alongside capacity improvements, the new vessels are expected to provide a marked improvement in efficiency and reduction in GHG emissions. Vessels built in 1960s through the 1980s will be replaced with modern technology and amenities, and design for reduced energy consumption. The Company also plans to continue its strategies of reducing underwater-radiated noise, the adoption of alternative or hybrid fuel options, improved customer amenities and accessibility and increased passenger seating.

The planned vessel investments represent significant capital expenditures that each have a 45-year expected life. Because the manner in which people will travel may evolve over this time horizon, the new vessel designs will be flexible to accommodate changes in the mix of vehicle and passenger traffic that could result from a transition towards active modes or public modes of transportation, ride sharing or other options.

As the notional replacement date for each of these vessel in the Fleet Master Plan approaches, deeper analysis of the alternatives and options will be considered and reported to the Commissioner as part of the Company's application for approval of each major capital expenditure. Additional analysis may include an alternative approach to service delivery and/or alternative service schedule.

The following vessel replacement projects meet the major capital expenditure threshold provided in Order 19-03:

Seven New Major Vessels (anticipated approval in PT6)

Six major vessels, including the *Queen of Coquitlam, Queen of Alberni, Queen of Cowichan, Queen of New Westminster, Queen of Surrey,* and *Queen of Oak Bay* are scheduled to retire in PT7. The retirement of six major vessels within the next 10 years provides BC Ferries an opportunity to build major vessels that will ensure the service delivery meets the community's needs for decades to come.

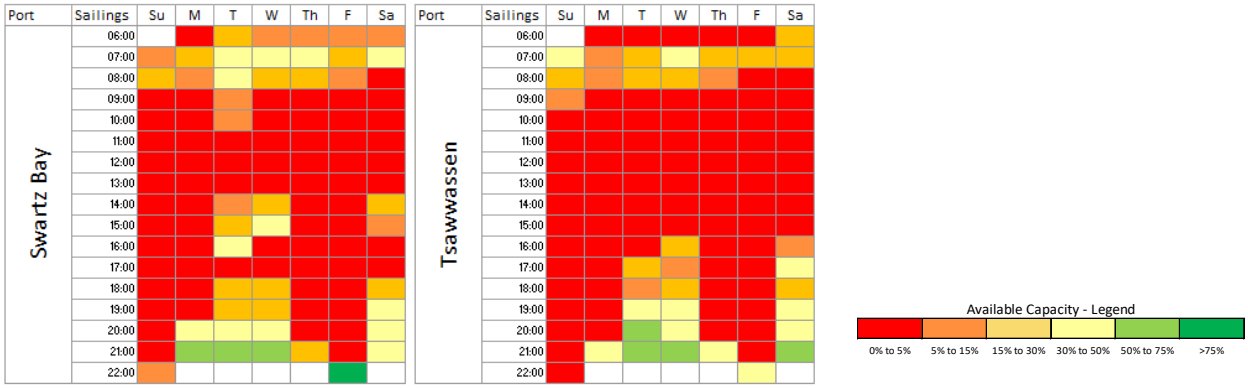
The Capital Plan reflects the assumption that these vessels will be replaced with seven new major vessels, injecting more capacity onto the major routes with the introduction of an incremental ship. The seven vessels will follow a series-build, advancing towards further fleet standardization and resiliency, while providing an opportunity to take advantage of expected favourable multi-vessel purchase pricing. They will leverage modern technology to reduce onboard production of GHG emissions during normal operations. Their design will take into consideration growth projections, changes in travel behaviours and travel preferences, and flexibility to support mode shift away from vehicles with the potential to convert car space to passenger space. In addition, the new major vessels will be designed for simplicity, efficiency and maintainability, and to minimize underwater radiated noise.

The Company has determined, based on current and long term forecasted demand on the major routes, that there is a need for an incremental vessel. It will not only reduce capacity constraints currently experienced on route 1 during peak season, but will also only enable year round two vessel operations on route 3. As outlined in Figure 26 and Figure 27, based on current demand, route 1 has less than five percent available capacity throughout most of the day during a typical week in the peak summer season:

Figure 26 – Route 1 - Current Daily Overload and Capacity in Peak Summer Season

Port	Metric	Su	M	T	W	Th	F	Sa
Swartz Bay	Overloaded (AEQ)	2377	461	160	119	1298	2037	473
	Available Capacity							
Tsawwassen	Overloaded (AEQ)	2119	2652	467	317	2393	3024	438
	Available Capacity							

Figure 27 – Route 1 – Current Capacity based on a Typical Week in Peak Summer Season

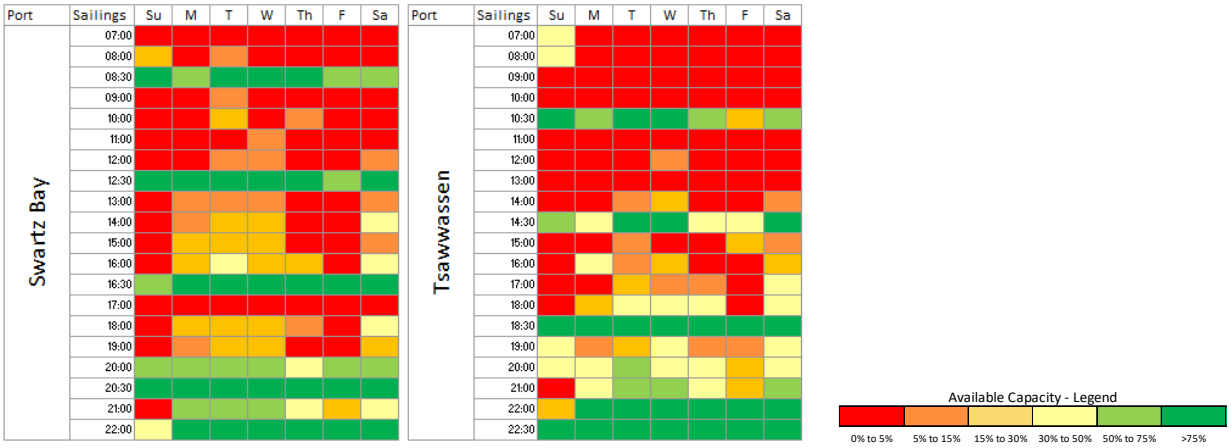


Based on the long term traffic outlook, available vessel capacity was assessed with the introduction of an incremental vessel on route 1 in fiscal 2030. Figures 28 and 29 illustrate more than five percent capacity would be available over approximately 50 percent of a given day during a typical day in the peak summer season:

Figure 28 – Route 1 – Forecasted Fiscal 2030 Daily Overload and Available Capacity, with Growth and Additional Sailings with Incremental Vessel

Port	Metric	Su	M	T	W	Th	F	Sa
Swartz Bay	Overloaded (AEQ)	764	562	234	196	609	1023	508
	Available Capacity							
Tsawwassen	Overloaded (AEQ)	691	1371	661	394	1453	1804	685
	Available Capacity							

Figure 29 – Route 1 – Forecasted Fiscal 2030 Capacity Based on a Typical Week in Peak Summer Season, with Growth and Additional Sailings with Incremental Vessel



The incremental capacity will improve service and the customers' experience by reducing the wait times, increasing the available capacity across the day, and increasing the sailing opportunities available during the busiest time of year. As shown in the 'heat maps' above, the incremental vessel will not eliminate peak congestion; its role is to reduce the stress on the system by increasing the available capacity to 15 to 30 percent. The Company anticipates that revenue management initiatives and modal shifts will spread demand more evenly among the available sailings.

Seven New Island Class Vessels (Anticipated Approval in PT5 and PT7)

The *Quadra Queen II, Tachek, Kahloke, Klitsa, Quinitsa* and *Quinsam* are currently expected to be replaced with seven Island class vessels phased in two separate series-build programs:

- In PT6, the *Quadra Queen II, Tachek* and *Kahloke* are expected to be replaced with four Island class ferries, adding capacity on constrained minor routes with the introduction of an incremental vessel; and

- In PT8, the *Klitsa, Quinitsa, and Quinsam* are expected to be replaced with three Island class ferries. The Capital Plan reflects capital expenditures for these vessel replacements during the period fiscal 2032 through fiscal 2034, with additional expenditures planned through fiscal 2036.

The reduction of vessel classes through the replacement of aged vessels allows BC Ferries to realize further the benefits of fleet standardization. This investment will increase needed capacity on the minor routes, as described in Section 3.3.a – 'Capacity Review and Service Enhancements,' as summarized below:

Route 19 – Replacing one vessel with two new fully electrified Island class vessels;

Route 23 – Replacing one vessel with two new fully electrified Island class vessels;

Route 6 – Replacing one vessel with two Island class vessels, and enabling the redeployment of the *Quinsam* to support inter-island refit relief as well as support seasonal increases with supplementary service within the fleet;

Route 24 – Replacing a 26 AEQ vessel with a new 47 AEQ Island class vessel;

Route 22 – Replacing the 21 AEQ *Kahloke* with the 44 AEQ *Quinitsa*;

Route 4 – Additional peak season capacity with the now available 63 AEQ *Quinsam*; and

Relief Vessel – An additional refit relief vessel to support the inter-island routes and the progression of the Island Class Electrification Program, allowing BC Ferries provide a seamless experience for communities when a vessel is removed from a route.

Vessel Upgrades

The Capital Plan includes regulatory-required refit projects, whereby a vessel is taken out of service, inspected and overhauled on a two-in-five year cycle. It also includes several vessel upgrade projects, prudently planned to occur at the quarter, mid and three-quarter marks of each vessel's useful life. During these upgrades, vessels undergo more extensive refit scope than a typical refit project and provide opportunities to modernize systems, improve customer experience and enhance performance.

The following vessel upgrade projects meet the major capital expenditure threshold provided in Order 19-03:

Three Coastal Class Mid-Life Upgrades (anticipated approval in PT7)

The *Coastal Renaissance, Coastal Inspiration* and *Coastal Celebration* are scheduled to undergo mid-life upgrades in PT7 and PT8, around the halfway mark of the vessels' approximate 45 year life, to address regulatory needs and perform betterments to critical systems and passenger amenities. Where feasible,

upgrades will incorporate available emissions reduction technology. The investment in these three major class vessels is an important step to ensure continued service reliability through their lifecycle.

Terminals

BC Ferries' terminal investments are guided by the principles set forth in the Terminal Network Master Plan. Specific investments are laid out in individual terminal development plans, which reflect the broad long-term plan for each site. 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 development plans incorporate vessel procurement and deployment plans, including operational requirements for safe and efficient berthing, loading and unloading of passengers and vehicles. They are also consistent with BC Ferries' standards for commercial and retail spaces.

Like vessel replacements, condition assessments of the terminal and berth assets are regularly conducted to 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 of 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, such as the use of floating berths, active lift ramps and overhead passenger walkways. New concepts that improve efficiency are incorporated into the Terminal Network Master Plan and Terminal Development Plans, as they are developed.

The following terminal projects meet the threshold for a major capital expenditure provided in Order 19-03:

Horseshoe Bay Terminal Development (anticipated approval PT6 and PT8)

Horseshoe Bay terminal is challenged with capacity constraints due to its landscape. Many of the terminal's assets are nearing end of life, and significant investment is needed to continue safe and efficient operations at the site. A community and stakeholder engagement process commenced in PT5 and has informed draft terminal development plans in the final stages of completion. The Capital Plan assumes a significant investment at Horseshoe Bay, including two major projects that will each span over multiple years and require service disruption during execution:

- Replacement of the transfer deck, control tower and associated works is planned for PT6 and PT7. Scope will primarily address condition-based and seismic upgrades along with improvements for operational efficiency and customer experience; and
- Replacement of marine structures, foot passenger waiting room and overhead walkway is planned for PT8, in line with the expected end of life for the marine infrastructure. The Capital Plan reflects capital expenditures for this program from fiscal 2032 through fiscal 2034, with additional expenditures planned through fiscal 2037.

Swartz Bay Terminal Development (anticipated approval PT6 and PT8)

The main buildings at Swartz Bay terminal are no longer able to meet current functional requirements and demands. The foot passenger building and the adjacent warehouse, built in 1992 and 1959 respectively, are undersized for their purpose. The administration building, which was built in 1959 and contains the Land's End Café, is also undersized and lacks the choices and amenities customers have come to expect. A community and stakeholder engagement in PT5 informed a terminal development plan for Swartz Bay. The Capital Plan includes two major, multi-year projects commencing in 2022:

- New warehouse, employee parking, tunnel and west exit road and roundabout is planned for PT6. This phase of the program encompasses the west zone of the terminal, adding warehouse capacity and reconfiguring traffic streams to improve safety and efficiency; and
- Foot passenger building expansion and improvements, and replacement of the Land's End building are notionally planned to commence in PT8. The Year Capital Plan reflects capital expenditures from fiscal 2032 through fiscal 2034, with additional expenditures planned through fiscal 2037.

Swartz Bay Berth 3 Replacement (anticipated approval PT7)

Berth 3 at Swartz Bay currently serves as an operational minor and intermediate ferry berth, and as a tie-up berth for major vessels. With the introduction of an incremental new major vessel, a fifth ship is proposed to serve during the peak season on the Tsawwassen to Swartz Bay route 1. The Capital Plan assumes Berth 3 will be replaced in fiscal 2030 with a standardized major berth to accommodate major vessels.

Tsawwassen Marine and Uplands (anticipated approval PT7 and PT8)

Tsawwassen is a major terminal connecting the lower mainland, Vancouver Island, and the Southern Gulf Islands. The terminal is situated at the end of a long causeway into the Strait of Georgia, necessitating protective marine structures for environmentally exposed berths 3, 4 and 5. The Capital Plan includes three major initiatives at Tsawwassen terminal:

- Replacement of the Berth 3 vehicle and foot passenger ramps and towers is planned in PT7. A berth life-extension was completed in PT4 and the berth replacement is timed with the expected end of life of the marine assets;
- Replacement of the North breakwater, and a portion of the South breakwater, both constructed in the 1970's, are is scheduled for replacement at the beginning in of PT8. The breakwaters are operationally critical assets due to their berth protection function. The Capital Plan reflects capital expenditures during the period from fiscal 2033 through fiscal 2034, with additional expenditures planned through fiscal 2037.
- Terminal ground improvements to enhance protection of assets during a seismic event, are notionally included in the plan, are planned to commence commencing in PT8. The Capital Plan reflects capital expenditures from fiscal 2033 to fiscal 2034, with additional expenditures planned through fiscal 2038.

Departure Bay Berth 3 Replace Ramps, Towers, and Abutment (anticipated approval PT8)

Departure Bay is a major terminal located in Nanaimo, connecting Vancouver Island with the mainland at Horseshoe Bay. Berth 3 assets are nearing end of life and require replacement. This project proposes to replace the ramps, towers and abutment in PT8. A separate project to replace wingwalls, three dolphins, and catwalks is planned for completion in PT7 and is included as a significant capital expenditure.

Crofton and Vesuvius Bay Terminal Developments (anticipated approval PT5)

Crofton and Vesuvius Bay connect Vancouver Island and Salt Spring Island (Route 6). The marine structures and timber trestles at both terminals are nearing their end of life and are expected to undergo a replacement, as well as an upgrade of the uplands components, in PT6. A new lay-by berth will be constructed at one of the two terminals to support two ship operation following the introduction of an incremental minor Island class vessel in PT6 (Island class program).

Sturdies Bay Trestle and Waiting Room (approval anticipated PT6)

Sturdies Bay terminal is located on Galiano Island. The terminal has one single-level berth accessed by a 165 metre timber trestle. A waiting room and washroom with onsite sewage treatment plan is situated at the seaward end of the trestle near the berth. Replacement of the trestle, waiting room, washroom and sewage treatment is planned in PT7 at the end of the assets' useful lives. The remaining berth marine structures have significant life and do not require replacement.

Bella Coola Terminal Development (approval anticipated PT7)

Bella Coola is an unstaffed terminal and is one of the direct destinations of the *Northern Sea Wolf* during peak season service between Bear Cove and Bella Coola. The terminal consists of a berth modified in 2018 to accommodate the *Northern Sea Wolf*. There is no holding compound for staging vehicles, and no waiting room. A project to replace the existing berth is planned at the end of the its expected useful life in PT8, along with the creation of a holding compound with new waiting room.

Information Technology Projects

BC Ferries relies heavily upon information technology to support its complex operations. The Company needs to ensure that critical applications, including those supporting its operations, sales and 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 for these business objectives.

As systems are no longer supported or compatible with technological advancements, BC Ferries will make investments to ensure appropriate systems are 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.

The following information technology projects meet the threshold for a major capital expenditure provided in Order 19-03:

Major Terminal Efficiency (anticipated approval PT5)

BC Ferries is facing new and changed business demands driven by digitization, an aging workforce and a limited labour supply. The current processes and resource models used to operate the major terminals were established decades ago, and are not sufficient or flexible enough to meet these challenges. A modular program is planned commencing in fiscal 2023 to improve end-to-end performance for vehicle and foot passengers that is flexible, scalable, and reliable. The solution will provide a contactless experience for customers, reduce delays and queues, and improve consistency of customer and employee experience.

Data Centre Modernization (anticipated approval PT5)

BC Ferries' data centres provide the critical infrastructure necessary to run the business applications, data storage and network communications required to support operations. The current data centre hardware and architecture is now obsolete and requires replacement. BC Ferries is moving to a modern hybrid cloud infrastructure delivery model which is an evolutionary shift in service delivery that will take many years complete. The on premise data center is required for continued support of legacy systems, those systems that are most economically efficient on premise, and the management of interconnected services with distributed digital infrastructure. Modernizing of the digital infrastructure will deliver optimization resulting in more scale, density, resiliency, performance, agility and cost-efficiency.

A three phase, multi-year program spanning the period fiscal 2023 through fiscal 2033 is planned for replacement of aged assets with modern technology and tools, and to deliver a roadmap for BC Ferries' journey to distributed workloads across traditional, cloud and edge infrastructure.

Other Projects

Projects falling outside the categories of vessel, terminal and information technology include investments in corporate assets including the Fleet Maintenance Unit, maintenance yards and support vehicles. Two such projects meets the threshold for a major capital expenditure provided in Order 19-03:

Fleet Maintenance Unit Site Development (Section 55 application submitted August 2022)

BC Ferries will be investing in renewing its ship repair facility located in Richmond, BC. This facility provides much of the required refit and maintenance for the Company's fleet of 37 vessels. The site has evolved over time, with most of the facility over 40 years old. Its aged condition, undersized buildings, and ad hoc layout limits productivity and efficiency. The site development project will replace aged

infrastructure and modernize the facility to ensure the coastal ferry system has the ship repair facilities needed for a safe and reliable fleet.

The Capital Plan includes investment to construct a new machine shop building and retrofit existing buildings to improve site-wide efficiency and expand in-house capability. BC Ferries submitted a section 55 application for approval of this major capital expenditure to the Commissioner in August 2022, and the application is currently under review. Subject to approval, project execution is scheduled to commence late fiscal 2023.

Fleet Maintenance Marine Structure Replacement (approval anticipated PT7)

The Fleet Maintenance Unit marine assets – sheet pile walls, berths and ramps – are approaching their end of service life in PT7. Replacement of the infrastructure will incorporate design to improve function and efficiency, and address sea level rise.

Significant Capital Expenditures

The following projects included in the Capital Plan are not anticipated to meet the threshold for a major capital expenditure as provided in Order 19-03, but represent significant capital expenditures:

One Unique Vessel Replacement

The *Kwuna* is scheduled to retire in PT8. Its replacement vessel is expected to be a standalone build, designed for simplicity and to interface with the existing concrete ramp infrastructure on Route 26. The Capital Plan provides for this vessel replacement from fiscal 2032 through fiscal 2034, with additional expenditures planned through fiscal 2036.

Two Spirit Class Third Quarter-Life Upgrades

The *Spirit of British Columbia* and *Spirit of Vancouver Island* are scheduled to undergo their third quarter-life upgrades in PT8, the final lifecycle milestone upgrades before retirement. Both vessels completed mid-life upgrades in PT4, including conversion from diesel to dual fuel LNG propulsion systems. The third quarter-life upgrade program will focus on regulatory condition-based renewals as well as prioritized discretionary upgrades. Where feasible, upgrades will incorporate available emissions reduction technology.

Northern Adventure Mid-Life Upgrade

The *Northern Adventure* was constructed in 2004 and is scheduled to undergo a mid-life upgrade in PT8, around the age of 30. The vessel will be brought up to applicable fleet and regulatory standards Electrical or mechanical components that have reached the end of their serviceable lives will be replaced. Where feasible, upgrades will incorporate available emissions reduction technology.

Horseshoe Bay Berths 2 & 3 Improvements

The Horseshoe Bay terminal has three berths. Berth 1 already has active lift, which allows ramp adjustments without interrupting traffic and is the only Berth that accommodates Coastal class or larger vessels. Berths 2 and 3 will receive active lift, as well as wingwall strengthening. These upgrades, which will provide flexibility in berth assignments and will support on-time performance, are included in the Capital Plan for completion in fiscal 2025.

Tsawwassen Berth 5 Waiting Room

Tsawwassen Terminal has five berths. The terminal carries a high volume of foot passenger traffic and the waiting area at berth 5 is undersized for current and forecast passenger volumes. This project includes a larger waiting area to accommodate growth expectations and an overhead walkway to improve foot passenger traffic flow. The Capital Plan includes investment in the waiting room and walkway in PT8.

Departure Bay Marine Projects

The Departure Bay terminal has three berths. Berth 1 is primarily a maintenance / tie-up berth with single-level access, and berths 2 and 3 are the main operating berths. Two significant projects are planned at Departure Bay:

- Replace the end of life berth 3 wingwalls, three line dolphins, and catwalks in PT7. The new assets will have capacity to accommodate the berthing energy of Coastal class and new major vessels. A separate project in PT8 to replace the ramps, towers and abutment is included as a major capital expenditure.
- Replace the berth 1 trestle in PT7. The trestle was built in 1963, has undergone a life-extension, and is approaching end of life.

Langdale Berth 1 Rebuild

In fiscal 2017, berth 1 at the Langdale terminal underwent a capital upgrade to extend its life for another 10 years. A full berth rebuild is planned for completion around fiscal 2027, based on current asset condition monitoring. Construction scheduling will be planned to minimize operational impacts with Horseshoe Bay upgrades.

Village Bay Berth Replacements

The Village Bay terminal has two adjacent berths, both nearing the end of their service life and requiring replacement. Berth 1 replacement is scheduled in PT6 and will accommodate Salish class vessels in the full range of tidal conditions. A separate project for Berth 2 replacement is scheduled in PT8.

Route 20 Marine Structures (Chemainus – Thetis Island – Penelakut Island)

The marine structures at the three terminals connecting Vancouver Island, Thetis Island and Penelakut Island are nearing the end of their service lives and require replacement. The Capital Plan reflects construction of new standardized berths in PT6 that will accommodate future Island class vessel operation on route 20.

Route 19 Terminal Developments (Nanaimo Harbour – Gabriola Island)

The marine structures and timber trestle at Nanaimo Harbour are nearing their end of life and will soon need replacement. Development plans include full berth replacements with a lay-by berth at Nanaimo Harbour, along with site reconfigurations at both route 12 terminals. Execution is planned in PT6.

Route 24 Berth Rebuilds (Heriot Bay – Whaletown)

The marine structures at the Heriot Bay and Whaletown terminals are nearing the end of their service lives and require replacement. The Capital Plan reflects construction of new standardized berths in early PT6 that will accommodate future Island class vessel operation.

Otter Bay Marine Structure Replacements

The single berth at Otter Bay terminal is nearing its end of service life and requires replacement. The Capital Plan includes investment in PT6 to replace the ramp, towers and wingwalls, and for shoreline stabilization.

Long Harbour Berth Rebuild

The timber trestle and berth at the Long Harbour terminal are nearing their end of service life and require replacement. The Capital Plan includes investment to replace the trestle and berth in PT7.

Alliford Bay Berth and Ramp Replacement

The marine structures at the Alliford Bay terminal need to be replaced due to age and condition. The project will install new line dolphins and a concrete ramp and is planned for completion in PT6.

Other Capital Projects

In addition to the projects identified as major or significant capital expenditures as detailed above, BC Ferries has place marked funding in the Capital Plan for customer experience initiatives that are still to be defined but expected to focus on customer-facing digital solutions in order to improve the customer experience, and improve efficiency. With the pace of technological change, future digital solutions are not yet known and this place marker is intended for future innovation that will benefit the customer. The funding spans fiscal 2024 through fiscal 2034 with timing and scope to be refined over time as opportunities are identified.

The remainder of the Capital Plan includes approximately 700 projects that, while important, are of a lesser magnitude and do not meet the threshold for a major capital expenditure as provided in Order 19-03. These projects are necessary for the continued delivery of safe, efficient, and reliable service and will be managed within the capital planning process and parameters as described in this document.

Section 3.5 – 'Section 3 –Appendix B – Capital Plan Schedules' provides Capital Plan schedules covering fiscal 2023 to fiscal 2034.

3.5 Section 3 - Appendices

Section 3 - Appendix A: Traffic Forecast Methodology Validation Letter

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28 September 2022

Jill Sharland
Interim CEO and Chief Financial Officer
BC Ferry Services Inc.
Suite 500 – 1321 Blanchard Street
Victoria, BC V8W 0B7

Dear Ms. Sharland:

Review of Forecasts Approach for BCFS traffic for Performance Term Six

This letter is in response to your request to review and comment on the general approach being used by BC Ferry Services Inc. (BCFS) to forecast ferry vehicular and passenger traffic for the upcoming Performance Term Six (PT6) Price Cap Review.

Qualifications

Inter*VISTAS* Consulting Inc. is a transportation and tourism consultancy based in Vancouver. We have produced traffic forecasts for a range of transport infrastructure including ferries, airports, maritime, rail and parking. Inter*VISTAS* produced traffic forecasts previously for BCFS, including for Performance Term Three and reviewed the forecasts produced internally by BCFS for Performance Term Four and Performance Term Five. The firm has also produced traffic forecasts for ferry systems in the U.S. and UK.

The review was conducted by Ian Kincaid, Senior Vice President, Forecasting and Economics and Jody Kositsky, Senior Director. Both have worked on the previous forecasting projects for BCFS.

Review of Methodology

The forecasting challenge for BCFS is the same being faced by all transportation modes, and many industries around the world – how to forecast recovery and the future trend following the COVID-19 pandemic. This is not an easy task, as the traffic impacts from the pandemic have been unlike any impacts seen before. While in the past forecasts may have been produced in the context of relatively stable market conditions, the PT6 forecast faces the challenge of pent-up demand, incomplete recovery, and unknown long-term

impacts. Recognizing this difficulty, BCFS chose to utilize a two-step approach, which is a sensible method under the circumstances.

For the short-term fiscal years (FY23-FY24),[1] BCFS focused on developing a baseline for recovery out of the COVID-19 pandemic, focusing on both traffic types and route specific trends pre- and post-COVID. This approach for the short-term is similarly to that used for traffic and demand forecasting in other sectors, such as forecasting air traffic demand. The impact of the pandemic itself and government restrictions mean that the "normal" relationship between traffic and economic drivers has been disrupted and conventional methods are not effective or instructive. Instead, a reasoned approach for traffic development as been applied based on the recovery trend to date and projections for economic recovery in the short term. The assumptions regarding the traffic performance in FY23 and FY24 are plausible, reflecting likely continued recovery, and impacts from a slowing economy (given the higher inflationary situation in Canada).

For the longer-term forecast (the long-range forecast FY25-FY36),[2] BCFS utilized an ordinary least squares (OLS) econometric model to estimate the relationship between traffic and various drivers of traffic demand. This analysis is based on pre-COVID data from January 2001 to January 2020 (monthly data was used). The selected explanatory variables represent a credible mix of drivers of ferry traffic related to fares, gas prices, employment, tourism, house prices and one-off factors (public holidays, extreme weather, Olympics, etc.). Separate analysis was conducted for individual routes or groups of routes and for types of traffic (vehicle passengers, foot passengers, private vehicles). The results of this econometric analysis was then used to forecast future demand over the next 15 years. For some smaller routes/traffic groups, trend analysis was used rather than econometric analysis.

The BCFS forecast report does note an issue with the "endogeneity" of the price and traffic variables (as has been the case for previous forecasts). Endogeneity indicates that the forecasted traffic level is jointly determined with price. This is a well-known issue/problem/challenge in econometric analysis and receives much attention in the classroom and in academic discussions. Regression methods such as OLS (which was used here) may theoretically result in biased coefficients. The BCFS report acknowledges this issue (which was also present in the PT4 and PT5 forecasts) but notes that in practice this could not be addressed for a number of legitimate reasons. One method tested was to use an econometric method know as 2 stage least squares (2SLS), can be used to address this issue, however BCFS was not able to estimate a plausible and robust model due to a common difficultly with the method. As noted by BCFS, fares throughout the sample period were largely determined by the regulator and not tied directly to traffic demand (and therefore, to some degree, can be considered exogenous).

While the PT4 and PT5 forecasts utilized different methodologies than PT6, those forecasts were being used for different purposes, with a focus on short term forecasts that would be more applicable to quarterly revenue projection use. In addition, those forecasts did not have to account for the previously mentioned unprecedented traffic impacts from COVID-19. For PT6,

[1] This covers the remainder of Performance Term Five.
[2] This covers all of Performance Term Six, and 10 years beyond.

BCFS is utilizing Ordinary Least Squares (OLS), which is a commonly used forecasting methodology (and has been used by BCFS in the past). It is a methodology that is better suited to the long-term forecast requested for PT6.

In sum, we find that the methodology used by BCFS for its PT6 forecast is acceptable, commonly used by industry and academic econometricians/statisticians, and suitable for the BCFS case where traffic is still recovering from the impacts of the COVID-19 pandemic, and a more long-term forecast is needed.

Review of the Results

The estimation of the model is well documented by BCFS. They thoroughly discuss the model and provide background information on trends in the key traffic influencers, as well as the impact of the COVID-19 pandemic on traffic. They also document well the forecasts of the key explanatory variables, including retail gas prices, employment, tourism, and housing prices. BCFS provided a clear and broad insight into the key economic and demographic drivers of traffic, considering multiple variables to estimate key drivers (such as the impact of tourism flows versus using exchange rates).

The econometric approach for the long-term forecasts fundamentally assumes that relationship between the drivers of traffic (the explanatory variables) and ferry traffic is broadly unchanged by the pandemic in the long term. We agree with this approach, given the traffic recovery seen to date and observe that this is in line with the forecasting assumptions made in other sectors.

An appropriate set of statistical tests on the estimated models has been conducted. The statistical tests indicate that the models explain historical traffic effectively and the selected explanatory variables are significant to traffic development. In addition, the direction and size of the estimated parameters are plausible. For example, the parameter on fares indicates that traffic is responsive to price, albeit with an inelastic response (an increase or decrease in price would lead to a lower percent increase or decrease in demand). This is consistent with the results from the previous forecasts, as well as other transportation modes.

The resulting forecasts themselves seem reasonable.

- BCFS constructed core traffic forecasts for each of the routes, and presented the results for the major route groups as well as the whole system. The forecasts are split into two components; the near-term remainder of Performance Term Five (based on assumptions on pandemic recovery) and the PT6 forecasts. The method used to align the two forecast periods is also reasonable, with documentation of the issues for some routes that impact only a small portion of traffic in the system.
- Vehicle traffic is overall expected to grow at a higher rate than passenger traffic for the system as whole. The explanation provided by BCFS for this (the slow recovery of bus passengers and competition from other modes) is reasonable, and the forecast is in line with previous forecasts of slow and steady growth.
- The forecast for the Major Routes shows flat passenger traffic but slow and steady private vehicle growth. The explanation provided by BCFS for this (the slow recovery of

bus passengers and competition from other modes) is reasonable, and the forecast is in line with previous forecasts of slow and steady growth for the major routes.

- For the remainder of the routes, a slow and steady to flat passenger and vehicle traffic growth is expected. This is reasonable for the mix of remaining routes, which will be driven largely by tourism and movements in population size.

As noted previously, for some smaller routes, BCFS used a trend analysis. The use of a long-term trend analysis is a reasonable approach considering the modelling challenges for routes with limited traffic levels and service levels. For these routes, the relationship between the key traffic drivers and demand are more difficult to model due to both data availability and limited data points.

To summarise, we find the model results to be reasonable and well documented.

Sincerely,

Jody Kositsky
Senior Director
Inter*VISTAS* Consulting Inc.

Section 3 – Appendix B: Capital Plan Schedules (Fiscal 2023 – Fiscal 2034)

12-Year PT6 Capital Plan (Fiscal 2023 to 2034)

Major and Significant Projects (figures in $ millions)

	Fiscal Year Completion	Total	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Major Capital Expenditures														
NEW VESSEL PROJECTS														
New Vessel - Island Class - Phase 2	2023													
New Vessel - Salish IV	2023													
New Major Vessels	2030													
New Vessel - Island Class - Phase 3	2027													
New Vessel - Island Class - Phase 4	2035													
ELECTRIFICATION														
Island Class Electrification	2026													
EXISTING VESSEL PROJECTS														
Coastal Renaissance - Mid Life Upgrade	2032													
Coastal Inspiration - Mid Life Upgrade	2033													
Coastal Celebration - Mid Life Upgrade	2033													
TERMINAL PROJECTS														
Swartz Bay - Redevelopment West Zone	2028													
Swartz Bay - Terminal Redevelopment - Phase 2	2030													
Swartz Bay - Berth 3 - Replacement	2036													
Horseshoe Bay - Replace Transfer Deck, Control Tower and Associated Works	2030													
Horseshoe Bay - New Berths, Waiting Room and Overhead Walkway	2037													
Tsawwassen - Berth 3 - Replacement	2032													
Tsawwassen - South Breakwater - Replace Sheet-Piled Can Dolphins	2035													
Tsawwassen - North Breakwater Replacement	2036													
Tsawwassen - Seismic Ground Improvements	2037													
Departure Bay - Berth 3 - Replace Upper and Lower Ramps, Ramp Towers, and Abutment	2036													
Crofton - Terminal Redevelopment and Berth Rebuild	2026													
Vesuvius Bay - Terminal Redevelopment and Berth Rebuild	2027													
Sturdies Bay - Replace Trestle and Waiting Room	2027													
Bella Coola - Marine Structure Replacement, Holding Compound and Waiting Room Construction	2033													
INFORMATION TECHNOLOGY PROJECTS														
IT - FFDEI	2023													
IT - Major Terminal Efficiency Initiative	2034													
IT - Cloud Readiness & Data Center Modernization	2033													
OTHER PROJECTS														
FMU - Site Development	2027													
FMU - Marine Works (Wall, Berths, Ramps)	2033													
12 YEAR MAJOR CAPITAL EXPENDITURES (2023 to 2034)														

12-Year PT6 Capital Plan (Fiscal 2023 to 2034)

Major and Significant Projects (figures in $ millions)

	Fiscal Year Completion	Total	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Significant Capital Expenditures														
NEW VESSEL PROJECTS														
New Vessel - Kwuna - Replacement	2023													
EXISTING VESSEL PROJECTS														
Coastal Inspiration - ¼ Life Upgrade	2023													
Coastal Renaissance - ¼ Life Upgrade	2024													
Coastal Celebration - ¼ Life Upgrade	2025													
Spirit of British Columbia - ¾ Life Upgrade	2033													
Spirit of Vancouver Island - ¾ Life Upgrade	2034													
Northern Adventure - Mid Life Upgrade	2034													
TERMINAL PROJECTS														
Horseshoe Bay - Berth 2 & 3 - Active Lift & Wingwall Strenghening	2025													
Tsawwassen - Berth 5 - Construct New Waiting Room	2036													
Departure Bay - Berth 3 - Replace Wingwalls and 3 Line Dolphins and Catwalks	2029													
Departure Bay - Berth 1 - Trestle Replacement	2031													
Langdale - Berth 1 - Replacement	2027													
Village Bay - Berth 1 - Rebuild	2027													
Village Bay - Berth 2 - Rebuild	2034													
Chemainus - Berth Replacement	2026													
Thetis Island - Berth Replacement	2026													
Penelakut Island - Terminal Upgrade for Island Class	2026													
Gabriola Island - Terminal Development and Berth Rebuild	2027													
Nanaimo Harbour - Terminal Redevelopment and Berth Rebuild	2027													
Heriot Bay - Trestle and Berth Replacment	2026													
Otter Bay - Replace Ramp, Towers, Wingwalls, Shoreline Stabilization	2029													
Long Harbour - Replace Trestle and Berth Rebuild	2028													
Alliford Bay - Berth and Concrete Landing Ramp Replacement	2028													
INFORMATION TECHNOLOGY PROJECTS														
IT - Time Collection and Crew Scheduling	2023													
12 YEAR SIGNIFICANT CAPITAL EXPENDITURES (2023 TO 2034)														
Part 3.3 Other Capital Expenditures														
EXISTING VESSEL PROJECTS														
TERMINAL PROJECTS														
INFORMATION TECHNOLOGY PROJECTS														
OTHER PROJECTS														
12 YEAR OTHER CAPITAL EXPENDITURES (2023 to 2034)														
CAPITAL EXPENDITURES (2023 to 2034)		**5,239**	**203**	**358**	**639**	**568**	**541**	**466**	**466**	**433**	**331**	**412**	**388**	**434**