

COASTAL FERRY SERVICES CONTRACT

Between

British Columbia Ferry Corporation

And

The Province of British Columbia

April 1, 2003

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COASTAL FERRY SERVICES CONTRACT

THIS AGREEMENT is made as of the 1 day of April, 2003

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA, as represented by the Minister of Transportation

(the "Province")

OF THE FIRST PART

AND:

BRITISH COLUMBIA FERRY CORPORATION, a corporation continued under the *Ferry Corporation Act*, R.S.B.C. 1996, c. 137

("BC Ferries")

OF THE SECOND PART

WHEREAS:

- A. BC Ferries was formed on January 1, 1977 to operate the coastal ferry service that was initiated by the Province in 1960 to provide marine vehicle and passenger transportation services on the British Columbia coast.
- B. The coastal ferry system is integral to economic growth and development in British Columbia, and getting people and goods to their destinations safely, efficiently and on time is essential if British Columbia is to be competitive in the world economy in which it operates.
- C. BC Ferries is an integral part of British Columbia's coastal ferry system, linking Vancouver Island to the mainland of British Columbia and linking many other coastal communities.
- D. BC Ferries will be independent from government and will operate on a commercial basis, subject to regulatory oversight by an independent regulator, known as the British Columbia Ferries Commissioner.
- E. Coordination between the public and private sectors in the delivery of coastal ferry services will serve to enhance and strengthen the transportation sector in British Columbia.
- F. As a service integrator, BC Ferries will plan and co-ordinate ferry transportation activity throughout the BC Ferry System.
- G. For the travelling public, fares and schedules should be predictable and consumer choice should be expanded significantly, when financially viable.

- H. Core Service Levels are designed to ensure basic ferry service is, at a minimum, maintained, recognising the need for some operational flexibility.
- I. As published schedules are designed to provide certainty and predictability for the travelling public, commencing April 2, 2003, BC Ferries will publish sailing schedules by route for the next two years, which schedule will be essentially the same as the schedule in place for the fiscal year 2002/2003.

NOW THEREFORE in consideration of the premises and the covenants and agreements set out in this Agreement and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the parties), the parties agree as follows:

ARTICLE 1 - INTERPRETATION

Definitions

- 1.01 In this Agreement, its Schedules and the Recitals to it, unless the context otherwise requires, the following definitions will apply:

“Act” means the Coastal Ferry Act;

“BC Ferry System” means the coastal marine vehicle and passenger ferry transportation system operated by or on behalf of BC Ferries using the Designated Ferry Routes to serve Vancouver Island, the Gulf Islands, the Queen Charlotte Islands and the mainland using the Vessels and the ferry terminals;

“Commencement Date” means April 1, 2003;

“Commissioner” means the British Columbia Ferries Commissioner appointed under the Act;

“Commissioner’s Report” means a report prepared by the Commissioner in anticipation of a new Performance Term which outlines the Commissioner’s preliminary views as to average tariffs and Price Caps for the next ensuing Performance Term in the context of different levels of Service Fees payable by BC;

“Core Service Level” means the service level that BC Ferries is required by this Agreement to meet in relation to a Designated Ferry Route operated by or on behalf of BC Ferries as more particularly specified in Appendix 1 of Schedule “A” or as otherwise adjusted in accordance with this Agreement;

“Designated Ferry Route” means any one of the ferry transportation service routes identified in Schedule “A” to this Agreement, but for greater certainty excludes the Unregulated Routes;

“Event of Default” means an event referred to in Article 14;

“Ferry Terminal Lease” means a lease of any or all of the ferry terminal properties (as defined in the Act) entered into by the BC Transportation Financing Authority and BC Ferries pursuant to section 31 of the Act;

"First Performance Term" means the period commencing on the Commencement Date and ending on the day before the fifth anniversary of the Commencement Date;

"Minister" means that member of the Executive Council of the Province who is, from time to time, charged with the administration of the Act and includes any one appointed by the Province or the Minister to act as his representative;

"Necessary Government Approvals" mean the issuance by any government (including the Province and Canada) or municipality or any department, branch, official or agency thereof of all consents, tenures, permits, licences or approvals, required for BC Ferries to perform the Services;

"Option to Purchase" means the option to purchase the Vessels referred to in Article 8 of the Agreement;

"Order" means a determination or authorization made by the Commissioner pursuant to the Act with respect to any one or more of the following matters

- (a) an application to reduce the Core Service Level in relation to a Designated Ferry Route or Route Group,
- (b) an application to discontinue a Designated Ferry Route or Route Group, or
- (c) an application to remove a Designated Ferry Route from regulation under the Act;

"Performance Term" means

- (a) the First Performance Term;
- (b) the four year period that commences on the day following the last day of First Performance Term; and
- (c) any other four year period that commences on an anniversary, divisible by four, of the day following the last day of the First Performance Term;

"Price Cap" in relation to a Designated Ferry Route or Route Group means the price cap established in relation to that Designated Ferry Route or Route Group by the Commissioner under the Act;

"Route Group" means a Designated Ferry Route or grouping of Designated Ferry Routes identified in Schedule "A" to this Agreement as a Route Group;

"Service Fees" mean the Service Fees described in Article 5 of this Agreement;

"Services" means the provision of the services described in Sections 4.01 and 4.02 and Schedule A of the Agreement;

"Temporary Service Disruption" means a short term temporary ferry service disruption for the period described in section 2 of Schedule "A";

“**Term**” means a period described in Article 3 and includes any renewal agreed pursuant to that Article;

“**Unregulated Route**” means any one of the ferry transportation service routes operated by independent operators and administered by BC Ferries identified in Appendix 2 of Schedule “A” to this Agreement, but for greater certainty excludes the Designated Ferry Routes;

“**Vessels**” means, collectively, any and all of the vessels and their various components owned or leased by BC Ferries and used to provide the Services on a Designated Ferry Route;

“**Vessel Purchase Price**” means, in respect of a Vessel, the net book value of the Vessel and its various components on the date of its purchase pursuant to the Option to Purchase with the original cost of the vessel and their various components being amortized on a straight line basis over their respective useful lives, as determined in accordance with Canadian generally accepted accounting principles.

1.02 The following Schedules are incorporated into and form an integral part of this Agreement:

- Schedule A – Designated Ferry Routes and Services
 - Appendix 1 - Core Service Levels
 - Appendix 2 - Unregulated Routes
- Schedule B - Service Fees for Regulated Routes
 - Appendix 1 – Ferry Transportation Fee Table 1
 - Appendix 2 – Table 2
- Schedule C – Service Fees for Unregulated Routes

1.03 Other capitalized terms used in this Agreement are defined in the context in which they are used and shall have their respective meaning there indicated.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

Representations and warranties of BC Ferries

- 2.01 BC Ferries represents and warrants to the Province that on the execution of this Agreement
- (a) it is a corporation continued under the *Ferry Corporation Act*, R.S.B.C. 1996, c. 137;
 - (b) it has the power and capacity to enter into this Agreement and to observe, perform and comply with the terms of this Agreement;
 - (c) this Agreement has been duly authorized by all necessary corporate action of the BC Ferries and this Agreement constitutes a valid, subsisting and legally binding obligation upon the BC Ferries that is enforceable against the BC Ferries in accordance with its terms;

- (d) the observance and performance of the terms and conditions of this Agreement will not constitute a breach by it of or a default by it under
 - (i) any statute or regulation of British Columbia or Canada applicable to or binding upon it,
 - (ii) its constating documents, or
 - (iii) any contract or agreement to which it is a party;
- (e) it has filed all tax, corporate information and other returns required to be filed by the laws of British Columbia and Canada and has complied with all workers compensation legislation and other similar legislation to which it may be subject and has paid all taxes, fees and assessments calculated to be due by it under those laws as of the date of this Agreement;
- (f) to its knowledge, it is not in material breach of any statute or regulation of British Columbia or Canada applicable to it or its operations;
- (g) it holds all material permits, licenses, consents and authorizations issued by any federal or provincial government, or an agency of either of them, that are necessary in connection with its operations; and
- (h) it has sufficient trained staff, facilities, materials and appropriate equipment in place and available to enable it to fully perform its obligations under this Agreement.

2.02 All representations, warranties, covenants and agreements made in this Agreement and all certificates and other documents delivered by or on behalf of the BC Ferries to the Province under this Agreement are material and will conclusively be deemed to have been relied upon by the Province, notwithstanding any prior or subsequent investigation by the Province.

Representations and Warranties of the Province

2.03 The Province represents and warrants to BC Ferries that all necessary proceedings have been taken to authorize the execution of this Agreement by the Province and this Agreement constitutes a valid, subsisting and legally binding obligation upon the Province that is enforceable against the Province in accordance with its terms.

Trust Deeds and Permitted Charges

2.04 The Province acknowledges that BC Ferries will be entering into one or more trust deeds to secure borrowings, which trust deeds will

- (a) contain a mortgage of BC Ferries' property interests and a security interest in all of the other assets of BC Ferries, and
- (b) grant to the Province the right in its absolute discretion to purchase all of the issued and outstanding bonds under the trust deed at any time at a price equal to the redemption price of the bonds.

- 2.05 The Province agrees to enter into an acknowledgement agreement directly with the trustees under any such trust deeds acknowledging that
- (a) the trustee will have the right on default under the trust deed, to take possession of all the assets of BC Ferries and to appoint a receiver to operate the business in accordance with the terms of this Agreement;
 - (b) without limiting its right described in section 2.04(b), the Province will not exercise its remedies under Article 14.02 of this Agreement so long as the receiver is properly conducting the business of BC Ferries in accordance with this Agreement.
- 2.06 In addition to entering into the trust deeds described in section 2.04, BC Ferries may also grant other security interests in its assets if such security interests allow prepayment and the right of the Province to acquire them at a price equal to the prepayment price.

ARTICLE 3 TERM AND RENEWAL

Term

- 3.01 Subject to section 3.03(b)(ii) and 3.04, the term of this Agreement will be sixty (60) years commencing on the Commencement Date and ending on the day before the sixtieth anniversary of the Commencement Date (the "End Date").

Renewal

- 3.02 Commencing on April 1, 2058, BC Ferries and the Province will begin meeting to discuss the possible renewal of this Agreement for an additional period of sixty (60) years beginning on the End Date.
- 3.03 If the parties have not mutually agreed to a renewal of this Agreement by April 1, 2060, the Province may, by written notice delivered to BC Ferries within ninety (90) days after that date, either
- (a) elect to purchase all of the issued and outstanding shares of BC Ferries as a going concern at fair market value on the End Date, with fair market value determined as if the Agreement had been renewed and extended by BC Ferries pursuant to section 3.04 for one additional period of twenty (20) years; or
 - (b) elect to solicit proposals from other persons interested in providing ferry services on any one or more of the Designated Ferry Routes commencing on the End Date, in which case
 - (i) if BC Ferries is the unsuccessful proponent in respect of a proposal relating to ferry services on a Designated Ferry Route, BC Ferries may, by written notice delivered to the Province, require the Province to purchase the Vessel that was used on that Designated Ferry Route on

the End Date at the Vessel Purchase Price, but only if

- (A) BC Ferries delivers that written notification within three (3) months after the date BC Ferries received notice that it was the unsuccessful proponent,
- (B) BC Ferries has used all reasonable commercial efforts to redeploy the Vessel; and
- (C) on the End Date, the Vessel has a valid Transport Canada Steamship Inspection Certificate;

(ii) if the Province elects to solicit proposals only in respect of some Designated Ferry Routes and not other Designated Ferry Routes (the "Non Tendered Routes"), BC Ferries may, by written notice delivered to the Province not less than twenty four (24) months prior to the End Date, renew and extend the Term for one additional period of twenty (20) years on the same terms and conditions as are contained in this Agreement, except that

- (A) the Agreement will apply only to the Non Tendered Routes,
- (B) this section and section 3.04 will be deleted, and
- (C) the parties will renegotiate the terms of sections 5.10 and 5.11.

3.04 If the Province does not give BC Ferries notice of its election under section 3.03 within the times specified in that paragraph, BC Ferries may, by written notice delivered to the Province not less than twelve (12) months prior to the End Date, renew and extend the Term for one additional period of twenty (20) years on the same terms and conditions as are contained in this Agreement, except that there will be no further right of renewal.

ARTICLE 4 SERVICES, SERVICE LEVEL ADJUSTMENTS AND ROUTE DISCONTINUANCE

Ferry Services

4.01 BC Ferries will operate the BC Ferry System in accordance with the provisions of this Agreement and, without limiting the generality of this obligation, BC Ferries

- (a) will operate the BC Ferry System in a manner that complies with, or exceeds, the Core Service Levels in relation to the Designated Ferry Routes;
- (b) will not reduce service on a Designated Ferry Route below the Core Service Level required in relation to that Designated Ferry Route unless
 - (i) the reduction is made by agreement of the parties as part of the Service Fee Review or Performance Term Review processes set out in Article 5 and the reduction is made in accordance with those processes,

- (ii) the Commissioner issues an Order authorizing BC Ferries to reduce a Core Service Level in respect of a Designated Ferry Route and the reduction is made in accordance with the terms and conditions specified in the Order,
 - (iii) the reduction is necessary in order for BC Ferries to comply with a request made by the Province in the circumstances described in section 4.02, and the reduction continues only for the period of the request,
 - (iv) the reduction is made by agreement of the parties in respect of a Designated Ferry Route after the Commissioner has issued an Order authorizing the removal of that Designated Ferry Route from regulation under the Act,
 - (v) the reduction occurs as a result of a lockout lawfully initiated by BC Ferries in compliance with the Labour Relations Code of British Columbia (in which case the provisions of section 3 of Schedule B will apply); or
 - (vi) the reduction is made by agreement of the parties in the circumstances described in sections 4.08 or 4.10 of the Agreement; and
- (c) in the event of a Temporary Service Disruption, use reasonable efforts to provide passengers with alternate ferry services during the period of the Temporary Service Disruption.

Emergency Response Services

4.02 In the event that a state of emergency has been declared under the *Emergency Program Act*, R.S.B.C, 1996, c. 111

- (a) at the request of the Province, BC Ferries will provide the following emergency response services for the duration of the state of emergency
 - (i) priority loading for the transport of emergency personnel, equipment and supplies, and
 - (ii) Vessels to serve as reception centres, hospitals, response centres or other emergency facilities; and
- (b) the Province will reimburse BC Ferries for the reasonable costs expended or incurred and net income forgone by BC Ferries in respect of the services provided pursuant to paragraph (a).

Commissioner Authorized Service Level Reductions

4.03 If the Commissioner authorizes BC Ferries to reduce service on a Designated Ferry Route below the Core Service Level required in relation to that Designated Ferry Route

- (a) the parties will amend any portions or provisions of the Agreement affected by the reduction, including, as applicable, the Core Service Level or Service Fee in

relation to the Designated Ferry Route; and

- (b) any such amendment will be made in accordance with the terms and conditions specified by the Commissioner in the Order.

Route Discontinuance

4.04 BC Ferries will not

- (a) apply to discontinue ferry transportation services in relation to a Designated Ferry Route earlier than the third anniversary of the Commencement Date; or
- (b) BC Ferries will not at any time following the First Performance Term apply to discontinue ferry transportation services in relation to a Designated Ferry Route during any period commencing on the twelfth month before the beginning of a Performance Term and ending on the sixth month before the beginning of a Performance Term.

4.05 In no event will BC Ferries discontinue ferry transportation services in relation to a Designated Ferry Route unless BC Ferries first obtains an Order authorizing discontinuance.

4.06 Subject to section 4.07, if the Commissioner issues an Order authorizing BC Ferries to discontinue ferry transportation services in relation to a Designated Ferry Route

- (a) the parties will amend any portions or provisions of the Agreement affected by the discontinuance, including the Service Fee in relation to the Designated Ferry Route, in accordance with the terms and conditions specified by the Commissioner in the Order; and
- (b) the Province will continue to pay the Service Fee in respect of the Designated Ferry Route in accordance with this Agreement until the date of discontinuance authorized by the Commissioner in accordance with the Act.

4.07 If BC Ferries applies to discontinue ferry transportation services in relation to a Designated Ferry Route during the first year of a Performance Term and that application was made due to the Province having reduced the Service Fee in relation to the Designated Ferry Route to which the application applies, then, upon the Commissioner issuing an Order authorizing BC Ferries to discontinue ferry transportation services in relation to that Designated Ferry Route

- (a) the Province will pay a Service Fee in relation to that Designated Ferry Route in an amount equal to the amount of the Service Fee that was payable to BC Ferries during the previous Performance Term; and
- (b) that Service Fee is payable by the Province until the date of discontinuance authorized by the Commissioner.

First Performance Term Service Level Adjustments

- 4.08 Subject to section 4.09 of this Agreement and section 2 of Schedule A, the parties will not adjust the Core Service Level in relation to a Designated Ferry Route during the First Performance Term unless:
- (a) the proposed adjustment will result in improvements to schedules, customer service or operational efficiency on the Designated Ferry Route;
 - (b) the proposed adjustment is made after the second anniversary of the Commencement Date; and
 - (c) the parties are agreeable to the proposed adjustment.
- 4.09 If the parties agree to adjust the Core Service Level in relation to a Designated Ferry Route during the First Performance Term, the parties will amend the portions or provisions of the Agreement affected by the adjustment, including, as applicable, Appendix 1 of Schedule A and the Service Fee specified in Schedule B in relation to that Designated Ferry Route, to incorporate the agreed adjustment for the remainder of the First Performance Term and any such amendment will become effective on the date agreed upon in writing by the parties.

Adjustments Following Deployment of a New Capital Asset

- 4.10 The parties may review and amend the Core Service Level required in relation to a Designated Ferry Route if
- (a) BC Ferries deploys a new capital asset in the form of one or more Vessels on that Designated Ferry Route, and
 - (b) the size of the new Vessel or Vessels enhances capacity on that Designated Ferry Route.
- 4.11 If the parties agree to amend the Core Service Level in relation to a Designated Ferry Route following deployment of one or more new Vessels, the parties will amend the portions or provisions of the Agreement affected by the amendment, including, as applicable, the Core Service Level and the Service Fee in relation to that Designated Ferry Route, and any such amendment will become effective on the date agreed upon in writing by the parties.

Ferry Schedules

- 4.12 Commencing on the Commencement Date and continuing on each anniversary of the Commencement Date thereafter, BC Ferries will publish a ferry schedule for each Designated Ferry Route for the following twenty four (24) months.
- 4.13 BC Ferries will not adjust a ferry schedule during the first two years of the First Performance Term unless an adjustment is necessary for normal maintenance or in response to extraordinary circumstances.

**ARTICLE 5
SERVICE FEES, REVIEWS
AND FEDERAL SUBSIDY**

Service Fees

- 5.01 Subject to the provisions of this Agreement, the Province will pay BC Ferries
- (a) the Service Fees in relation to the Designated Ferry Routes in the amounts and instalments, and at the times and in the manner specified in Schedule "B"; and
 - (b) the Service Fees in relation to the Unregulated Routes in the amounts and instalments, and at the times and in the manner specified in Schedule "C".

Service Fee Review

- 5.02 If BC Ferries applies to the Commissioner under the Act for an extraordinary price cap increase in relation to a Designated Ferry Route or Route Group and the Commissioner issues a preliminary decision in respect of that application, then, within 10 days after receiving the preliminary decision, the parties will meet to review the preliminary decision and to discuss whether the Province is willing to increase the Service Fees in relation to the Designated Ferry Route or Route Group that is the subject of the preliminary decision for the remainder of the Performance Term.
- 5.03 If the Province agrees to increase the Service Fee in relation to the Designated Ferry Route or Route Group, the parties will promptly, and in no event later than 20 days after receiving the preliminary decision
- (a) amend the Agreement to incorporate the agreed Service Fee in relation to that Designated Ferry Route or Route Group for the remainder of the Performance Term; and
 - (b) notify the Commissioner of the amendment.
- 5.04 If the Province chooses not to increase the Service Fee in relation to the Designated Ferry Route or Route Group, the parties will promptly, and in no event later than 20 days after receiving the preliminary decision, so inform the Commissioner.

Performance Term Reviews

- 5.05 No later than eighteen months before the end of a Performance Term, BC Ferries will provide the Commissioner with the information required under the Act in order for the Commissioner to set Price Caps for the next Performance Term.
- 5.06 Promptly after receiving the Commissioner's preliminary decision about Price Caps for the next Performance Term, the parties will meet to review the Commissioner's preliminary decision and, having regard to the terms, conditions and underlying assumptions contained in the Commissioner's preliminary decision, to discuss proposed changes, if any, to the Core Service Levels or the Service Fees, or both, for the next Performance Term.

- 5.07 If following the meetings and discussions referred to in section 5.06 the parties are able to agree to both the Core Service Levels to be provided by BC Ferries for the next Performance Term and the amount of the Service Fees to be paid by the Province in relation to the Designated Ferry Routes or Route Groups for the next Performance Term, the parties will
- (a) amend the Agreement to incorporate those agreed changes for the next Performance Term; and
 - (b) no later than nine (9) months before the end of the current Performance Term, submit a copy of the amended Agreement to the Commissioner, as required by the Act.
- 5.08 If following the meetings and discussions referred to in section 5.06 the parties are unable to agree to one or more Core Service Levels in relation to one or more Designated Ferry Routes for the next Performance Term, or to the amount of the Service Fees to be paid by the Province in relation to one or more Designated Ferry Routes for the next Performance Term, or to both, then the following rules will apply:
- (a) if the parties are unable to agree to the Core Service Level in relation to a Designated Ferry Route, the Core Service Level for that Designated Ferry Route will remain the same for the next Performance Term;
 - (b) if the parties are unable to agree to the amount of a Service Fee to be paid in relation to one or more Designated Ferry Routes, the Province may nevertheless specify the amount of such Service Fee; and
 - (c) no later than nine (9) months before the end of the current Performance Term, the parties will amend the Agreement to incorporate the Core Service Levels and Service Fees as agreed upon by the parties or as established pursuant to paragraphs (a) and (b) for the next Performance Term, and submit a copy of the amended Agreement to the Commissioner, as required by the Act.

Federal Subsidy

- 5.09 The parties acknowledge that BC Ferries is receiving a federal subsidy payable in respect of the provision of coastal ferry services pursuant to the Canada/British Columbia coastal ferry subsidy agreement dated April 18, 1977.
- 5.10 Subject to section 5.11, the Province will continue to make the proceeds of the Canada/British Columbia coastal ferry subsidy agreement available to BC Ferries, either through direct assignment from the Federal government or by remitting the funds to BC Ferries.
- 5.11 In the event that the Canada/British Columbia coastal ferry subsidy agreement is amended or renewed, BC Ferries and the Province will meet to discuss the application of proceeds to BC Ferries under the amended or renewed subsidy agreement, including the terms and conditions of the application of such proceeds.

**ARTICLE 6
ADDITIONAL COVENANTS OF BC FERRIES**

Customer Satisfaction Surveys

- 6.01 During the first year of the Term and continuing in each calendar year thereafter, BC Ferries will engage a professional consulting organization, independent of BC Ferries, to conduct and complete a customer satisfaction survey with respect to Designated Ferry Routes.
- 6.02 The survey will be undertaken using a representative group of Designated Ferry Routes and will measure the full range of activities in respect of which a customer is engaged with BC Ferries in some way, including the following service components:
- (a) service prior to arriving at the terminal (e.g., contact via website or phone)
 - (b) service at the terminal, before boarding
 - (c) service on board the vessel, before disembarking
 - (d) service pertaining to loading/unloading from the vessel
 - (e) overall safety of operations, and
 - (f) value for money for fare paid.
- 6.03 Within three months after its fiscal year-end, BC Ferries will
- (a) prepare a customer satisfaction survey report, which will include the following components:
 - (i) a copy of the questionnaire used in the study
 - (ii) a summary of the methodology
 - (iii) year end results of the study in table format, and
 - (iv) a comparison between benchmark measures and stated objectives;
 - (b) deliver a copy of the customer satisfaction survey report to the Province and the Commissioner; and
 - (c) post a copy of the customer satisfaction survey report on the BC Ferries website.

General Covenants

- 6.04 So long as this Agreement remains in force, BC Ferries will:
- (a) comply with all requirements and orders of the Commissioner;

- (b) observe and comply with any statute, rule or regulation of any government or branch or agency thereof applicable to or binding upon it, including, without limitation, all federal government maritime and safety regulations;
- (c) maintain its corporate existence and carry on and conduct its business in a proper business-like manner in accordance with good business practice;
- (d) keep or cause to be kept accurate accounting records, books of accounts, invoices, receipts, vouchers and other supporting documents relating to the Service Fees, and maintain those accounting records and books of account in accordance with Canadian generally accepted accounting principles applied on a consistent basis;
- (e) permit the Province, its servants, agents, employees or authorized representatives, at any time or times during regular business hours and upon giving five (5) days notice, at the Province's expense, to inspect, copy or audit any of the records or documents referred to in paragraph (d);
- (f) quarterly after the Commencement Date, deliver to the Province a report in the form and with the content satisfactory to the Province, containing
 - (i) ridership and traffic patterns,
 - (ii) frequency of ferry service, and
 - (iii) capacity of the Vessels;
- (g) within one hundred and twenty (120) days after each anniversary of the Commencement Date, deliver to the Province a copy of its audited Financial Statements for that period;
- (h) give to the Province notice of an Event of Default under this Agreement;
- (i) apply for and maintain in good standing all Necessary Government Approvals and submit to the Province satisfactory evidence thereof when so requested by the Province;
- (j) pay punctually all taxes, rates and assessments required to be paid by it or on any of its undertaking;
- (k) within 180 days of the end of its fiscal year, hold an annual public meeting relating to the management and operation of its business and, in holding such a meeting, it will
 - (i) publish 30 days prior notice of such meeting in a daily newspaper of general circulation on Vancouver island, the Gulf Islands, the Queen Charlotte Islands, Prince Rupert and Vancouver;
 - (ii) afford a reasonable opportunity to the public for the asking of questions and expressing of views;
 - (iii) ensure that at least a majority of its Board of Directors is present; and

- (iv) present and distribute copies of its most recent audited financial statement;
- (v) present and distribute copies of the annual report provided to the Commissioner pursuant to section 66 of the Act for the prior fiscal year;
- (vi) present and distribute its business plan for the current fiscal year;
- (l) meet with the Province to determine performance measures relating to the quality of services; and
- (m) generally perform each of its obligations under this Agreement.

ARTICLE 7 VESSELS AND DISPOSITIONS

Disposition of Vessels

- 7.01 BC Ferries will not dispose of a Vessel that is no longer necessary for the purpose of providing Services in respect of a Designated Ferry Route unless
- (a) BC Ferries has notified the Province in writing of its intention to dispose of the Vessel, and
 - (b) the Province has not exercised its Option to Purchase in respect of that Vessel within the times specified in section 7.02.
- 7.02 Upon being notified in writing of BC Ferries' intention to dispose of a Vessel, the Province may, within thirty (30) days, exercise its Option to Purchase the Vessel, in which case
- (a) during the option period, the Province, its servants, employees and agents and persons authorized the Province will have the right at all reasonable times to enter, access, inspect and view the Vessel and its various components;
 - (b) the Province will pay to BC Ferries the Vessel Purchase Price in respect of that Vessel; and
 - (c) BC Ferries will execute all documentation necessary in order to affect the transfer of the title and ownership of the Vessel from BC Ferries to the Province.

Stranded Vessel Purchase

- 7.03 BC Ferries may elect to require the Province to purchase a Vessel if
- (a) the Commissioner has issued an Order authorizing BC Ferries to discontinue a Designated Ferry Route;
 - (b) BC Ferries has used all reasonable commercial efforts to redeploy the Vessel that was used on the discontinued Designated Ferry Route to another ferry route in British Columbia;

- (c) the Vessel is either the Vessel that was used on the discontinued Designated Ferry Route or a Vessel that has become surplus to BC Ferries' requirements following redeployment of the Vessel that was used on the discontinued Designated Ferry Route;
 - (d) at the time of the election by BC Ferries, the Vessel has a valid Transport Canada Steamship Inspection Certificate; and
 - (e) BC Ferries delivers written notification of its election to the Province within three (3) months after the date of discontinuance authorized by the Commissioner in the Order authorizing discontinuance.
- 7.04 Upon receiving notification of an election complying with section 7.03, the Province will, within 60 days or such other time as the parties mutually agree, purchase the Vessel that is the subject of the election, in which case
- (a) the Province will pay to BC Ferries the Vessel Purchase Price in respect of that Vessel, and
 - (b) BC Ferries will execute all documentation necessary in order to affect the transfer of the title and ownership of the Vessel from BC Ferries to the Province.

ARTICLE 8 OPTION TO PURCHASE VESSELS

Option to Purchase

- 8.01 BC Ferries grants to the Province the full and exclusive first right and option, irrevocable during the Term of this Agreement, to purchase each of the Vessels for the Vessel Purchase Price, free and clear of all liens, charges and encumbrances.
- 8.02 The option granted in section 8.01 may be exercised by the Province by notice in writing delivered to BC Ferries only in the following circumstances:
- (a) upon the occurrence of an Event of Default by BC Ferries; or
 - (b) in the circumstances described in section 7.02 of this Agreement.
- 8.03 If the option granted in section 8.01 is exercised, this Option to Purchase will become a binding agreement for the purchase and sale of the Vessels, which transaction will be completed in accordance with the terms and conditions of this Article.

ARTICLE 9 UNREGULATED ROUTES

- 9.01 The parties acknowledge that
- (a) the ferry services in relation to Unregulated Routes are operated and delivered by independent contractors under contracts that are administered by BC Ferries

(referred to herein as “Operator Contracts”); and

- (b) the Province contributes a portion of the funding that BC Ferries pays to those independent contractors under the Operator Contracts in the amounts set out in Schedule “C”.
- 9.02 BC Ferries will do the following with respect to any Operator Contracts that become subject to renewal during the First Performance Term of this Agreement:
- (a) within six (6) months before the end of an Operator Contract, give notice to the Province that the contract is coming to the end;
 - (b) during the six (6) month period before the end of the Operator Contract, either
 - (A) meet with the operator for the purpose of negotiating a new Operator Contract having a term coinciding with the last day of a Performance Term under this Agreement, or
 - (B) solicit proposals from other persons interested in providing ferry services in relation to the Unregulated Route under a new Operator Contract having a term coinciding with the last day of a Performance Term under this Agreement; and
 - (c) provide the Province with written notice that an Operator Contract has been renewed or replaced, including the date of the end of the term of the renewed or replaced Operator Contract.
- 9.03 Following the First Performance Term, within six (6) months before the end of an Operator Contract, BC Ferries will give notice to the Province that the Operating Contract is coming to the end and, promptly after receiving notice, the Province and BC Ferries will determine whether
- (a) the funding arrangement in relation to the Operating Agreement and the Unregulated Route to which it relates will continue as then structured, or
 - (b) the Unregulated Route will become a Regulated Route under this Agreement and be subject to the terms and conditions of this Agreement.
- 9.04 If the parties agree that the Unregulated Route will become a Regulated Route under this Agreement
- (a) the parties will amend the Agreement to
 - (i) include the former Unregulated Route as Regulated Route, and
 - (ii) set out the Service Fee that the Province will make available in relation to that new Regulated Route for the Performance Term; and
 - (b) BC Ferries will apply to the Commissioner to establish a Price Cap in respect of the new Regulated Route for the Performance Term.

- 9.05 If the parties agree that the Unregulated Route will not become a Regulated Route under this Agreement, the parties will amend Schedule "C" to include the amount of the Service Fee, if any, that the Province will make available in relation to that Unregulated Route for the term of its contract with BC Ferries.
- 9.06 If the parties are unable to agree whether the Unregulated Route will become a Regulated Route under this Agreement, the Province will determine the matter, in which case sections 9.04 or 9.05, as the case may be, will apply.
- 9.07 During the period from the Commencement Date until the end of the First Performance Term, BC Ferries will not permit the level of ferry service provided by an operator of an Unregulated Route under an Operator Contract to be reduced below the service levels that were being provided under that Operator Contract immediately prior to the Commencement Date.

ARTICLE 10 INDEMNITIES AND INSURANCE

Indemnity

- 10.01 BC Ferries will indemnify and save harmless the Province from and against all losses, claims, damages, actions, causes of action, costs and expenses (each a "Loss") that the Province may sustain, incur, suffer or be put to at any time, which are based upon, arise out of or occur, directly or indirectly, by reason of any act or omission of BC Ferries or any of its agents, subsidiaries, employees, officers, directors or subcontractors, in connection with the provision of the Services; provided that BC Ferries is not obligated to indemnify and hold harmless the Province for any Loss that arises out of or occurs, directly or indirectly, by reason of any act or omission of the Province or any of its agents, subsidiaries, employees, officers, directors or subcontractors.

Marine Insurance

- 10.02 BC Ferries shall, at its own expense, obtain and maintain insurance contracts or equivalent financial security, according to the form, nature, in the amounts, for the term of this Agreement and containing the terms and conditions specified:

Protection & Indemnity (P&I) – the policy shall be written to cover legal liability of BC Ferries for loss, damage or expense arising out of, or incidental to, the ownership, operation, chartering, maintenance or use of any vessel pursuant to this Agreement, including liability of BC Ferries for personal injury, illness or death, or for loss or damage to the property of a third party.

The policy or equivalent financial security shall include but not necessarily be limited to the following coverages:

- (a) Protection & Indemnity Insurance including pollution insurance coverage for not less than US \$500 million per incident, and

- (b) Hull and machinery insurance subject to the customary form currently in common usage for a ferry system, placed with reputable insurers.

Where applicable, the Province is to be named as an Additional Insured under Hull & Machinery coverage, and Protection & Indemnity insurers and BC Ferries are to waive their rights of subrogation against the Province.

- 10.03 BC Ferries shall submit to the Province no later than 30 days following renewal, a certificate of insurance, signed by BC Ferries insurance broker, as proof that the hull and machinery and Protection & Indemnity insurance policies have been renewed.
- 10.04 The insurance coverage required by the provisions of these Marine Insurance conditions shall in no way limit BC Ferries obligations under the Agreement, and any additional coverage BC Ferries may deem necessary to fulfil its obligations under this Agreement shall be at BC Ferries own discretion and expense.

ARTICLE 11 ASSIGNMENT AND SUBCONTRACTING

- 11.01 BC Ferries will not, without the prior written consent of the Province, assign or transfer this Agreement.
- 11.02 BC Ferries may subcontract any or all of its obligations under this Agreement, provided however that no subcontract entered into by BC Ferries will relieve BC Ferries from any of its obligations under this Agreement or impose any obligation or liability upon the Province to any such subcontractor.

ARTICLE 12 APPROPRIATION

- 12.01 Notwithstanding any other provision of this Agreement, the payment of money by the Province to BC Ferries under this Agreement is subject to
 - (a) there being sufficient monies available in the appropriation, as defined in the *Financial Administration Act*, R.S.B.C. 1996, c.138 (the "FAA"), to enable the Province, in any fiscal year or part thereof when any payment of money by the Province to BC Ferries falls due under this Agreement, to make that payment; and
 - (b) Treasury Board (as defined in the FAA) not having controlled or limited, under the FAA, expenditure under any appropriation referred to in subparagraph (a) of this paragraph.
- 12.02 In the event that the payment of money by the Province to BC Ferries is reduced, restricted or terminated due to the events described in 12.01(a) or (b), BC Ferries may apply to the Commissioner for an authorization to reduce services on the Designated

Ferry Routes below the Core Service Levels.

**ARTICLE 13
DISPUTE RESOLUTION**

- 13.01 Any disputes that arise under this Agreement, except disputes pertaining to Articles 4 and 5, will be referred to and finally resolved by arbitration administered by the British Columbia International Commercial Arbitration Centre or, if the Centre is unavailable, any other independent and impartial body or individual acceptable to the parties.
- 13.02 The place of arbitration will be Victoria, British Columbia.

**ARTICLE 14
DEFAULT AND REMEDIES**

- 14.01 Notwithstanding any other provision of this Agreement, any of the following events will constitute an Event of Default whether that event be voluntary, involuntary or results from the operation of law or any judgment or order of any court or administrative or government body:
- (a) BC Ferries fails to observe, perform or comply with any material provision of this Agreement on the part of BC Ferries to be observed, performed or complied with and
 - (i) such failure continues for a period of thirty (30) business days after written notice thereof has been given by the Province to BC Ferries or
 - (ii) if any such failure because if its nature would reasonably require more than thirty (30) business days to rectify, BC Ferries has not commenced rectification within the thirty (30) day notice period and, thereafter, promptly, effectively and continuously proceeds with the rectification of the failure;
 - (b) any representation or warranty made by BC Ferries in this Agreement is materially untrue or incorrect;
 - (c) any information, statement, document, certificate or report furnished or submitted by or on behalf of BC Ferries to the Province under or as a result of this Agreement is materially untrue or incorrect;
 - (d) BC Ferries fails to furnish and give to the Province notice that there has occurred or is continuing a default under this Agreement specifying particulars of the same;
 - (e) an order is made, a resolution is passed or a petition is filed, for the liquidation or winding up of BC Ferries;

- (f) BC Ferries becomes insolvent, commits an act of bankruptcy, makes an assignment for the benefit of its creditors or otherwise acknowledges its insolvency;
- (g) a bankruptcy petition is filed or presented against, or a proposal under the *Bankruptcy and Insolvency Act* (Canada) is made by, BC Ferries;
- (h) a receiver or receiver-manager of any property of BC Ferries is appointed;
- (i) BC Ferries permits any sum that is not disputed to be due by it to remain unpaid after legal proceedings have been commenced to enforce payment thereof if such failure will materially adversely affect BC Ferries' ability to perform its obligations under this Agreement;
- (j) BC Ferries ceases to carry on business as a going concern;
- (k) if any action is taken to enforce any security interest, charge or encumbrance granted, created or issued by BC Ferries that materially affects the ability of BC Ferries to carry on business as a going concern;
- (l) BC Ferries fails to pay any costs or expenses, or both, due and payable to the BC Transportation Financing Authority under any one or more Ferry Terminal Leases within the times specified therein; or
- (m) BC Ferries fails to comply with any Order issued by the Commissioner.

14.02 Upon the occurrence of an Event of Default by BC Ferries, or at any time thereafter, the Province may, at its option, but subject to the terms of any trust deed referred to in section 2.04, elect to do any one or more of the following:

- (a) suspend or adjust any instalment of the Service Fee or any other amount that is due or that becomes due to BC Ferries while the Event of Default continues;
- (b) require that the Event of Default be remedied within a time period specified by the Province and, if BC Ferries has not remedied the Event of Default within that time, observe and perform the obligations in respect of which BC Ferries has made default, or make payment of the moneys BC Ferries has failed to pay, as the case may be; and BC Ferries will promptly pay all costs and expenses reasonably incurred by the Province, excluding the costs of any salary, wages and benefits payable by the Province to any of its employees but including legal costs as between solicitor and own client, in the observance or performance of such BC Ferries obligations;
- (c) waive the Event of Default;
- (d) exercise the Option to Purchase;
- (e) notify the Commissioner and request that the Commissioner issue an order

requiring BC Ferries to remedy the Event of Default within a time period specified by the Commissioner in the order;

- (f) bring an action or suit at law, in equity or in admiralty or other proceeding for the specific performance of any term contained herein or for an injunction against a violation of any such term or in aid of any right, power or remedy granted herein or therein or by law, in equity, in admiralty or otherwise, or to recover judgment for all amounts due or declared due hereunder;
- (h) in the circumstances referred to in section 14.01 (l), reduce the Service Fee by the amount BC Ferries failed to pay to the BC Transportation Financing Authority under any one or more Ferry Terminal Leases; or
- (g) pursue any other remedy available to it at law or in equity.

14.03 The rights, powers and remedies conferred on the parties under this Agreement are not intended to be exclusive and each will be cumulative and in addition to and not in substitution for every other right, power and remedy existing or available to the parties under this Agreement, any other agreement, at law or in equity and the exercise by the parties of any right, power or remedy will not preclude the simultaneous or later exercise by that party of any other right, power or remedy.

14.04 No failure or delay on the part of either party to complain of an act or failure of the other party or to declare the other party in default, irrespective of how long such act or failure to act continues, will constitute a waiver by such party of its rights under this Agreement.

ARTICLE 15 MISCELLANEOUS

15.01 BC Ferries

- (a) is an independent contractor and not the servant, employee or partner of the Province, and
- (b) if converted into a company under the *Company Act*, will not be an agent of the Province.

15.02 BC Ferries will not, in any manner whatsoever, commit or purport to commit the Province to the payment of any money to any person.

15.03 No partnership, joint venture or agency will be created or will be deemed to be created by this Agreement or any action of the parties under this Agreement.

15.04 Any public announcement relating to this Agreement made by either party will be arranged in consultation with the other before the announcement is made.

15.05 Any notice, document, statement, report, demand or payment desired or required to be given or made under this Agreement, will be in writing and may be given or made by personal delivery to the party to whom it is to be given or made, or by mailing in Canada with postage prepaid addressed

if to the Province:

The Ministry of Transportation
PO Box 9850 Stn Prov Govt,
5th floor, 940 Blanshard Street
Victoria, BC V8W 9T5

Attention: Deputy Minister

and if to BC Ferries:

British Columbia Ferry Corporation
1112 Fort St.
Victoria, BC V8V 4V2

Attention: President and CEO

and any such notice, document, statement, report, demand or payment so mailed will be deemed given to and received by the addressee on the fifth business day after the mailing of the same except in the event of disruption of postal services in Canada in which case any such notice, document, statement, report, demand or payment will be deemed given to and received by the addressee when actually delivered to the particular address set out above.

15.06 In addition to paragraph 15.05, any notice, report, document, statement or demand transmitted by facsimile transmission from either party to the other will be conclusively deemed validly given to and received by the intended recipient when so transmitted if transmitted to the following numbers:

If to the Province: (250) 387-6431
If to BC Ferries: (250) 381-7238

15.07 Either party may, from time to time, advise the other by notice in writing of any change of address or facsimile number of the party giving such notice and from and after the giving of such notice, the address or facsimile number specified in the notice will, for purposes of this Agreement, be deemed to be the address or facsimile number of the party giving such notice.

15.08 A reference in this Agreement

(a) to a statute whether or not that statute has been defined, means a statute of the Province of British Columbia unless otherwise stated and includes every

amendment to it, every regulation made under it and any enactment passed in substitution therefor or in replacement thereof; and

- (b) to any other agreement between the parties means that other agreement as it may be amended from time to time by the parties.
- 15.09 Unless the context otherwise requires, any reference to "this Agreement" means this instrument and its Schedules and any reference to any paragraph or subparagraph by number is a reference to the appropriate paragraph or subparagraph in this Agreement.
- 15.10 The headings or captions in this Agreement are inserted for convenience only and do not form a part of this Agreement and in no way define, limit, alter or enlarge the scope or meaning of any provision of this Agreement.
- 15.11 In this Agreement, "person" includes a corporation, firm, association and any other legal entity where the context or the parties so require.
- 15.12 Each Schedule attached to this Agreement is an integral part of this Agreement as if set out at length in the body of this Agreement.
- 15.13 This Agreement and its Schedules constitute the entire agreement between the parties and no understandings, representations or agreements, oral or otherwise, exist between the parties with respect to the subject matter of this Agreement except as expressly set out or incorporated by reference in this Agreement.
- 15.14 Each of the parties will, upon the reasonable request of the other, make, do, execute or cause to be made, done or executed all further and other lawful acts, deeds, things, devices, documents, instruments and assurances whatever for the better or more perfect and absolute performance of the terms and conditions of this Agreement.
- 15.15 If any provision of this Agreement or the application thereof to any person or circumstance is invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected or impaired thereby and will be valid and enforceable to the extent permitted by law.
- 15.16 This Agreement will enure to the benefit of and be binding upon the Province and its assigns and upon BC Ferries and its successors and permitted assigns.
- 15.17 All dollar amounts expressed in this Agreement refer to lawful currency of Canada.
- 15.18 The Province certifies that the property and/or services ordered and purchased under this Agreement are for the use of, and are being purchased by, the Province with crown funds and are therefore not subject to the Goods and Services Tax.
- 15.19 No waiver by either party of a breach or default by the other party in the observance, performance or compliance of any of its obligations under this Agreement will be effective unless it is in writing and no such waiver will be deemed or construed to be a

waiver of any other breach or default and failure or delay on the part of either party to complain of an act or failure of the other party or to declare such other party in default, irrespective of how long such failure or delay continues, will not constitute a waiver by such party of any of its rights against the other party.

- 15.20 Without limiting the provisions of Article 3, the provisions of Article 10 of this Agreement will, notwithstanding the expiration or sooner termination of this Agreement, remain and continue in full force and effect.
- 15.21 Time will be of the essence of this Agreement.
- 15.22 This Agreement will be governed by and construed and interpreted in accordance with the laws of the Province of British Columbia.
- 15.23 For the purpose of paragraphs 15.24 and 15.25, an "Event of Force Majeure" means an event that is beyond the reasonable control and without the fault of a party and includes, but is not limited to, acts of God, changes in the laws of Canada, governmental restrictions or control on imports, exports or foreign exchange, wars (declared or undeclared), fires, floods, storms, strikes (including illegal work stoppages or slowdowns), lockouts (other than lockouts initiated by BC Ferries in compliance with the Labour Relations Code of British Columbia), labour shortages, freight embargoes and power failures, provided always that lack of money, financing or credit will not be and will not be deemed to be an "Event of Force Majeure".
- 15.24 No party will be liable to another for any delay, interruption or failure in the performance of their respective obligations if caused by an Event of Force Majeure, in which case the time period for the performance or completion of any such obligation will be automatically extended for the duration of the Event of Force Majeure.
- 15.25 If an Event of Force Majeure occurs or is likely to occur which will reduce Services below the Core Service Levels, then the party directly affected will notify the other party forthwith, and will use its reasonable efforts to remove, curtail or contain the cause of the delay, interruption or failure and to resume with the least possible delay compliance with its obligations under this Agreement.
- 15.26 In this Agreement, words in the singular include the plural, and words in the plural include the singular, unless the context otherwise requires.
- 15.27 Any alteration or amendment to the terms, conditions, Appendixes or Schedules of this Agreement must be in writing and duly executed by both parties.
- 15.28 Nothing in this Agreement prohibits, restricts or affects the right or power of the Province to enact any laws whatsoever with respect to any area of law for which the Province has legislative jurisdiction, even if the enactment of any such law affects this Agreement, its interpretation or the rights of either party.
- 15.29 Nothing in this Agreement prohibits, restricts, or affects the right of the Province to assess or impose on BC Ferries or any other person any charge or fee which the Province has the power under any law to assess or impose.

15.30 Nothing in this Agreement relieves BC Ferries from its obligation to observe and comply with any statute, rule or regulation of any government or branch or agency thereof applicable to or binding upon it, including, without limitation, all federal government maritime and safety regulations.

WHEREFORE this Agreement has been duly executed as of the date first above written.

SIGNED on behalf of Her Majesty)
the Queen in right of the Province)
of British Columbia by a duly)
authorized representative of the)
Minister of Transportation in the)
presence of:)



(Witness)



Dan Doyle, Deputy Minister

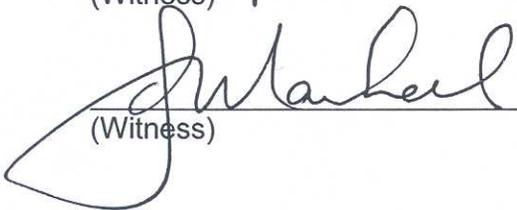
SIGNED on behalf of the British)
Columbia Ferry Corporation)
by duly authorized representatives)
in the presence of:)



(Witness)



Doug Allen, President and Chief Executive Officer



(Witness)



Rob Clarke, Executive Vice President, Finance and
Chief Financial Officer

Schedule “A” Designated Ferry Routes And Services

1. BC Ferries will operate the BC Ferry System in a manner that complies with, or exceeds, the Core Service Levels in relation to the following Designated Ferry Routes, listed by Route Group:

ROUTE GROUPS	DESIGNATED FERRY ROUTES
MAJOR ROUTES	
1	Tsawwassen/Swartz Bay
2	Horseshoe Bay/Nanaimo
30	Tsawwassen/Nanaimo
MINOR ROUTES	
4	Swartz Bay/Saltspring
5	Swartz Bay/Outer Gulf Islands
6	Crofton/Saltspring
7	Saltery Bay/Earls Cove
8	Horseshoe Bay/Bowen Island
9	Tsawwassen/Gulf Island
17	Comox/Powell River
18	Powell River/Texada
19	Nanaimo Harbour/Gabriola
20	Chemainus/Thetis/Kuper
21	Buckley Bay/Denman
22	Denman/Hornby
23	Campbell River/Quadra
24	Quadra/Cortes
25	Port McNeill/Alert Bay/Sointula
26	Skidegate/Alliford Bay
NORTHERN ROUTES	
10	Port Hardy/Prince Rupert
11	Prince Rupert/Skidegate
ROUTE 3	Horseshoe Bay/Langdale
ROUTE 12	Brentwood Bay/Mill Bay
ROUTE 13	Langdale/Gambier/Keats
ROUTE 40	Discovery Coast

2. The Core Service Levels for each of the Designated Ferry Routes are described and contained in Appendix 1 of this Schedule, entitled “Route Overview Document”, and include the following additional service level allowances, service requirements and adjustments:
- (a) Temporary Service Disruptions: The Core Service Level in relation to each Designated Ferry Route includes an allowance for a short term, temporary service disruption if
- (i) the disruption is for a duration of not more than twenty (20) consecutive days,
 - (ii) the disruption is due to any one or more of the following circumstances:

- Vessel or dock breakdown or mechanical failure,
 - situations that compromise safety,
 - tasking of Vessels for emergency response,
 - bad weather,
 - maintenance to Vessels or docks,
 - sinking or grounding of Vessels,
 - fire, or
 - labour disputes, except lockouts initiated by BC Ferries; and
- (iii) the aggregate of all temporary service disruptions for the calendar year does not exceed thirty (30) days;
- (b) Provincial Social Program Requirement: The Core Service Levels include a requirement that BC Ferries carry passengers falling within the provincial social programs identified in section 1(b) of Schedule B and traveling on any of the Designated Ferry Routes;
- (c) Designated Ferry Routes 12 and 26: The Core Service Level in relation to Designated Ferry Routes 12 and 26 includes an allowance for a temporary service disruption of up to sixty five (65) consecutive days once in every four (4) years on those Designated Ferry Routes for the purpose of carrying out quadrennial surveys and refits;
- (d) Designated Ferry Routes 10, 11, and 40: As BC Ferries is consulting with communities and stakeholders using Designated Ferry Routes 10, 11 and 40 for the purpose of developing a “Northern Strategy” to improve customer service and to enhance operational efficiency on those routes by April 2004, the Core Service Level in relation to Designated Ferry Routes 10, 11 and 40 includes any adjustments arising out of the Northern Strategy and made with the written concurrence of the Province, which concurrence will not be unreasonably withheld;
- (e) Designated Ferry Route 30: As BC Ferries is consulting with the trucking industry concerning the suitability of adjusting the Saturday service levels on Designated Ferry Route 30, the Core Service Level in relation to Designated Ferry Route 30 includes any adjustment to the Saturday service levels arising out of that consultation and made with the written concurrence of the Province, which concurrence will not be unreasonably withheld; and
- (f) Designated Ferry Routes 17 and 18: As BC Ferries is consulting with communities to develop a vessel and service strategy with respect to Designated Ferry Routes 17 and 18 by April 2005, the Core Service Level in relation to Designated Ferry Routes 17 and 18 includes any adjustments arising out of that consultation and made with the written concurrence of the Province, which concurrence will not be unreasonably withheld.

DEFINITIONS AND INTERPRETATIONS USED IN APPENDIX 1

Core Service Levels

In this Route Overview Document, subject to the service level allowances in section 2 of Schedule A, the Core Service Levels in relation to a Designated Ferry Route are:

- for the first two years of the First Performance Term, the number of trips and the number of hours during which home port departures occurred, as specified in the 2002/03 published schedule for the Designated Ferry Route.
- for the last three years of the First Performance Term,
 - the total number of round trips that were required to be delivered under the 2002/03 published schedule for the Designated Ferry Route;
 - the number of hours during which home-port departures occur for the Designated Ferry Route (such home-port departures being identified herein as "*Hours of Operation*");
 - the number of home port departures per day that were required to be delivered under the 2002/03 published schedule for the Designated Ferry Route (identified herein as "*Number of Round Trips per Day*"); and
 - the capacity provided on the Designated Ferry Route will be sufficient to carry the previous year's traffic.

Changes to Core Service Levels

To ensure services are clearly defined and predictable, Core Service Levels have been established for the First Performance Term. During the First Performance Term, BC Ferries will look at innovative ways to deliver services that respond to the needs of the communities and customers it serves.

For Designated Ferry Routes 10, 11 and 40 (the Northern Routes) that means developing, in consultation with the communities and stakeholders, an improved Northern Strategy by April 2004. For Designated Ferry Routes 17 and 18, a vessel and service strategy will be developed with community input by April 2005. For Designated Ferry Route 30, the suitability of adjusting the Saturday service levels will be reviewed in consultation with the trucking industry. As these strategies are developed, core service levels will be reviewed and adjusted, if there is agreement between BC Ferries and the Province that changes in service levels should be made.

The goal is to improve customer service and to enhance operational efficiency. Efficiencies may result through, for example, changes to the Collective Agreement that allow for more flexibility in scheduling, hours of operation that are more responsive to customer demand, or the use of different vessels on a particular route. During the First Performance Term, where the Province and BC Ferries agree that an adjustment in Core Service Levels is warranted, that adjustment will be made. With respect to core service adjustments put forward by the Company, concurrence by the Province is not to be unreasonably withheld.

Note:

- Core Service Levels do not apply on Christmas Day and/or New Years Day for the following routes: (Routes 6,8,12,19,20,21,23,25,30);
- Round trips on the Northern Routes (Routes 10,11,40) are calculated on a weekly rather than a daily basis.

Peak & Off-Peak Seasons

Core Service Levels have been divided into peak and off-peak seasons as defined below:

1. Routes other than Northern Routes:

<u>Peak</u>	The end of the school year through Labour Day weekend
<u>Off-Peak</u>	Post Labour Day weekend to the end of the school year

2. Northern Routes:

<u>Peak</u>	Route 10: Mid May to the end of September Route 11 & 40: Mid June to Mid September
<u>Off-Peak</u>	Route 10: October to Mid May Route 11 & Mid-Coast/Port Hardy: Mid September to Mid June

Home port is defined as the port providing overnight berthing for the vessel.

- On Designated Ferry Routes 1, 2 and 30, both terminals are treated as home ports as there are overnight vessels at both.
- On Designated Ferry Route 25, Port McNeill is designated as the home port instead of Alert Bay as Port McNeill provides the best representation of capacity.
- For Northern Routes (Designated Ferry Routes 10, 11, 40), the number of trips taken per month was calculated as the number of trips departing from the major terminal. For greater clarity, on Routes 10 and 40, the major terminal is assumed to be Port Hardy.

Hours of Operation

- For **Single Home Port** routes, the hours of operation are defined as the lapsed time from when the first sailing leaves the home port to the time the last sailing leaves from the home port.
- For **Designated Ferry Routes 1, 2 & 30**, the hours of operation are define as the lapsed time from when the first sailing leaves the home port to the time it commences the last return sailing to its home port.
- Hours of operation are rounded down to the nearest hour.

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ROUTE 1 – SWARTZ BAY TO TSAWWASSEN



OVERVIEW

Route 1 connects the two largest metropolitan areas in the province between Swartz Bay on Vancouver Island and Tsawwassen on the Lower Mainland. As a result, it is the largest of the Corporation’s routes, both in terms of traffic and revenue. Route 1 carries 25 percent of the Corporation’s vehicle traffic and 29 percent of passenger traffic and generates 40 percent of total revenue.

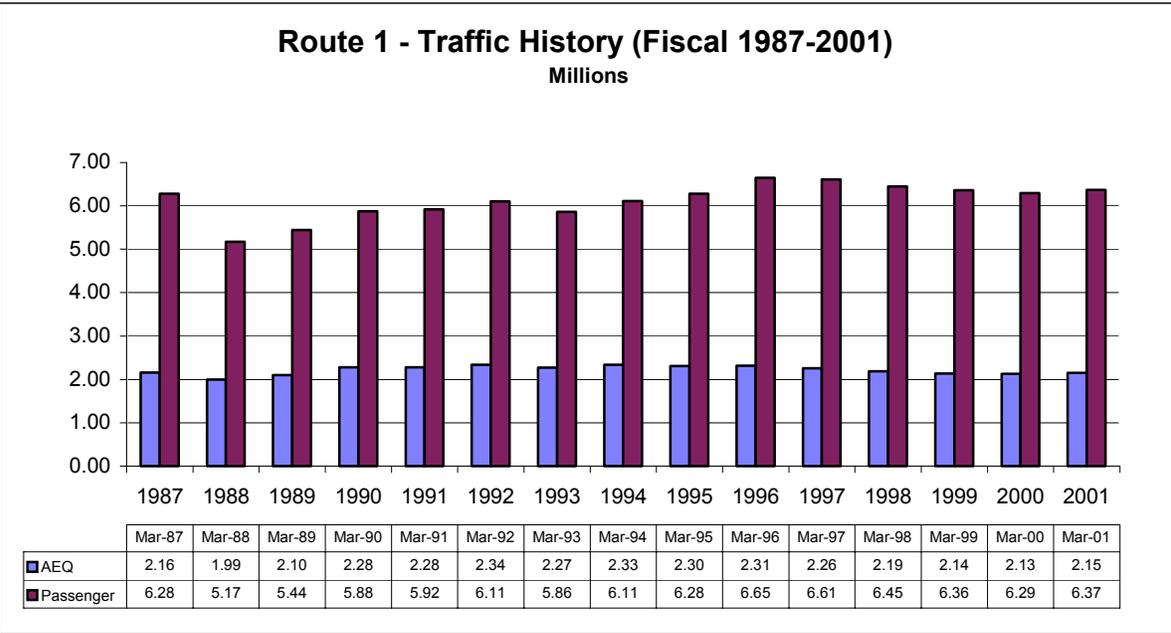
CORE SERVICE LEVELS

Hours of Operation	Peak	14, (15 on 43 days)
	Off Peak	14
Number of Round Trips per Day	Peak	14 – 16 (varies by day)
	Off Peak	8, (8-10 Friday & Sunday)
Total Number of Round Trips to be delivered:		3,877

ROUTE AND SERVICE DESCRIPTION

Distance	24 nautical miles	
Crossing Time	1 hour and 35 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	1,895,488
	Passengers	6,190,803
	Students	64,843
	Disabled	26,316
	Seniors	218,298
	Medical Travel Assistance Program	11,142

15-YEAR TRAFFIC (HISTORICAL)



VESSEL AND TERMINAL DESCRIPTIONS

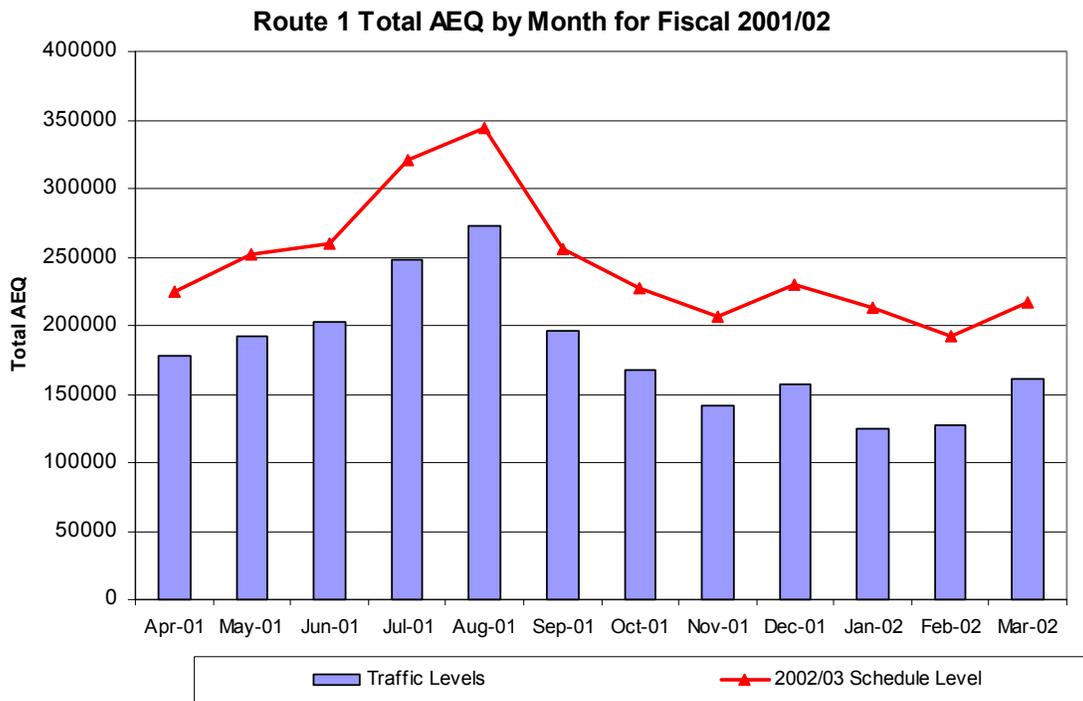
Vessel	Spirit of BC (SoBC), Spirit of Vancouver Island (SoVI)	Queen of Saanich, Queen of Vancouver
<i>Silhouette</i>		
<i>Years Built</i>	1993 – SoBC 1994 – SoVI	1963 – Saanich 1962 – Vancouver
<i>Retirement Dates</i>	2038/2039 – SoBC 2039/2040 – SoVI	2008/2009 – Saanich 2009/2010 – Vancouver
<i>Passenger Capacity (Max.)</i>	2052	1360
<i>Vehicle Capacity (Max.)</i>	470*	338**
<i>Crew size</i>	48	36
<i>Onboard Services</i>	Cafeteria, Buffet, Snack Bar, Gift Shop, Coffee Bar (SoVI), Vending, Video Arcades, Staterooms, Conference Room, Work Stations	Cafeteria, Upper Deck Restaurant (Saanich), Snack Bar, Gift Shop, Vending, Video Arcades, Work Stations (Saanich)

* Operational capacity for a Spirit Class vessel averages approximately 410 cars

** Operational capacity for a V-class vessel averages approximately 275 cars

Terminal	Tsawwassen	Swartz Bay
<i>Location</i>	Delta	North Saanich
<i>Holding Capacity</i>	2,000 cars	820 cars
<i>Short Term Parking</i>	240 car spaces	193 car spaces
<i>Long Term Parking</i>	1,100 car spaces	657 car spaces
<i>Waiting Room</i>	Yes	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	5	5
<i>Terminal Services</i>	Cafeteria, Vending, Video Games, Marketplace (spring-fall only)	Cafeteria, Vending, Video Games, Marketplace (summer only)

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	14%	56%	4%	29%
Winter	27%	27%	7%	39%

RESIDENCY

	Vancouver Island	Lower Mainland	Outside BC or Canada	USA	Other
Summer	31%	33%	12%	18%	6%
Winter	44%	38%	12%	4%	2%

DEMAND

- Fluctuates by month increasing 215% from January to August.
- Fluctuates by day increasing from 30% to 50% between Tuesday and Friday (depending on the month).
- Fluctuates by time of day decreasing from fully subscribed sailings at 7:00 am and 5:00 pm to 40% capacity utilization at 9:00 pm.

SERVICE ANALYSIS

Peak

- Large ship size required for peak daily traffic volumes.
- During peak periods, at full capacity, utilization is the highest of all routes. Sailings are often over subscribed.

Off Peak

- Service frequency of 8 round trips in the low season provides adequate choice for time sensitive traveller, which make up the majority of the market.
- Service Capacity is altered to match demand achieving over 60% capacity utilization in the lowest month.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$140.65	\$78.64	\$62.01	\$36.26	\$25.75

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$0
Fee per Round Trip	\$0

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.25
Disabled	\$0.12
Seniors	\$2.02
Medical Travel Assistance Program	\$0.46

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$32.00	\$33.25	\$34.25
Shoulder	\$37.50	\$39.25	\$40.25
Peak	\$41.00	\$42.75	\$44.00

*One-way fare

** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$305.4 million have been identified for Route 1. The most significant investment will be the purchase of two new Spirit-sized vessels to allow for the retirement of two ageing V-class vessels and to meet current and future traffic demand. Passenger accommodations of the two existing Spirit class vessels will also be upgraded.

At Tsawwassen and Swartz Bay, significant investments are required in the berths to accommodate the increased number of Spirit-sized vessels and to replace ageing marine structures. Besides berth related work, Swartz Bay requires a new sewage treatment plant and will see improvements/expansions to the foot passenger waiting area, the passenger pick-up/drop-off area, and long- term parking. Tsawwassen and Swartz Bay will receive upgrades to their vehicle passenger waiting areas to improve both profitability and customer satisfaction.

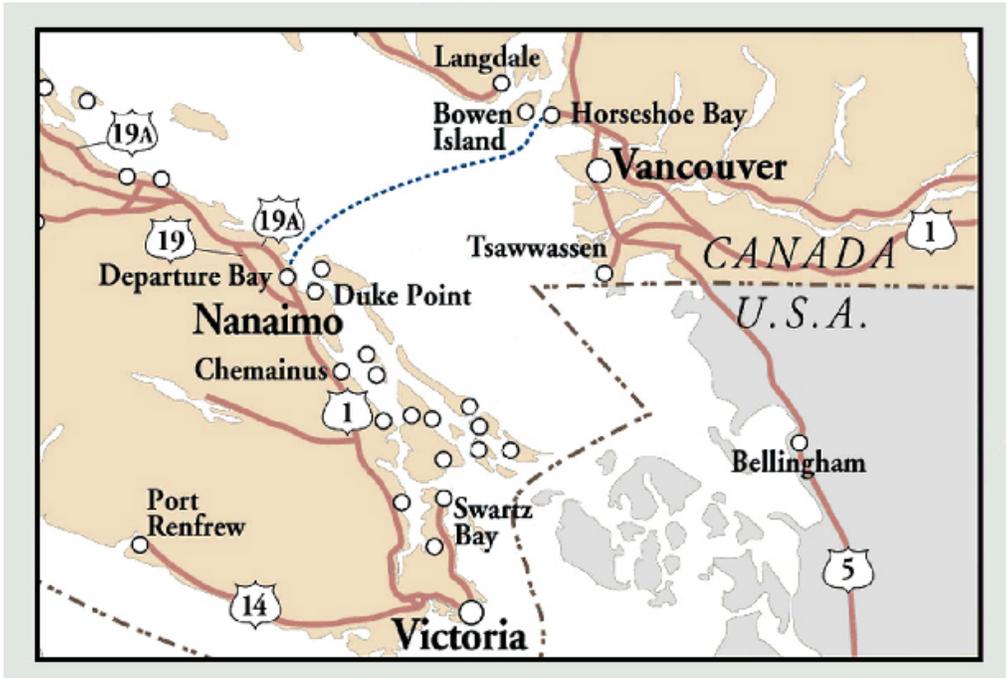
The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	New Vessels	\$ 224,800,000	
	Mid-Life Upgrade	\$ 15,000,000	
	Vessel Components	<u>\$ 2,246,000</u>	
	<i>Subtotal</i>		\$ 242,046,000
Shore Structures	Swartz Bay - Buildings	\$ 1,000,000	
	Swartz Bay - Compound	\$ 7,107,000	
	Tsawwassen - Buildings	\$ 2,500,000	
	Tsawwassen - Compound	<u>\$ 500,000</u>	
	<i>Subtotal</i>		\$ 11,107,000
Marine Structures	Swartz Bay - Berth 1	\$ 100,000	
	Swartz Bay - Berth 2	\$ 23,202,000	
	Tsawwassen - Berth 2	\$ 10,103,000	
	Tsawwassen - Berth 3	\$ 7,646,000	
	Tsawwassen - Berth 4	\$ 9,800,000	
	Tsawwassen - Berth 5	<u>\$ 1,400,000</u>	
	<i>Subtotal</i>		\$ 52,251,000
Total			\$ 305,404,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

Note: In addition to Route 1, the Tsawwassen terminal provides service to Routes 9 and 30. Similarly, Swartz Bay terminal provides service to Routes 4 and 5.

ROUTE 2 – HORSESHOE BAY TO NANAIMO



OVERVIEW

Route 2 is the main connector for the Trans Canada highway between Horseshoe Bay on the Lower Mainland and Departure Bay in Nanaimo, Vancouver Island. It is BC Ferries’ second largest route, carrying 16 percent of total vehicle traffic and passengers and generates 22 percent of total revenue.

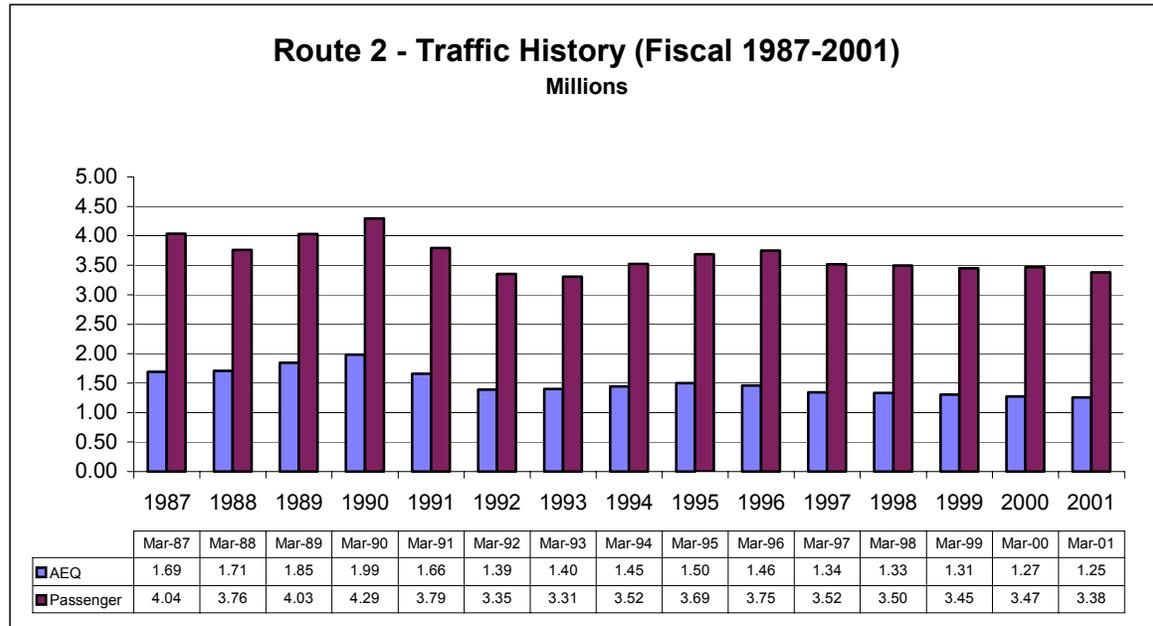
CORE SERVICE LEVELS

Hours of Operation	Peak	14
	Off Peak	14
Number of Round Trips per Day	Peak	11, (10 on Sat), (8-10 Tues & Wed)
	Off Peak	8
Total Number of Round Trips to be delivered:		3,088

ROUTE AND SERVICE DESCRIPTION

Distance	32 nautical miles	
Crossing Time	1 hour and 35 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	1,201,572
	Passengers	3,377,408
	Students	37,389
	Disabled	17,800
	Seniors	171,225
	Medical Travel Assistance Program	22,276

15-YEAR TRAFFIC (HISTORICAL)



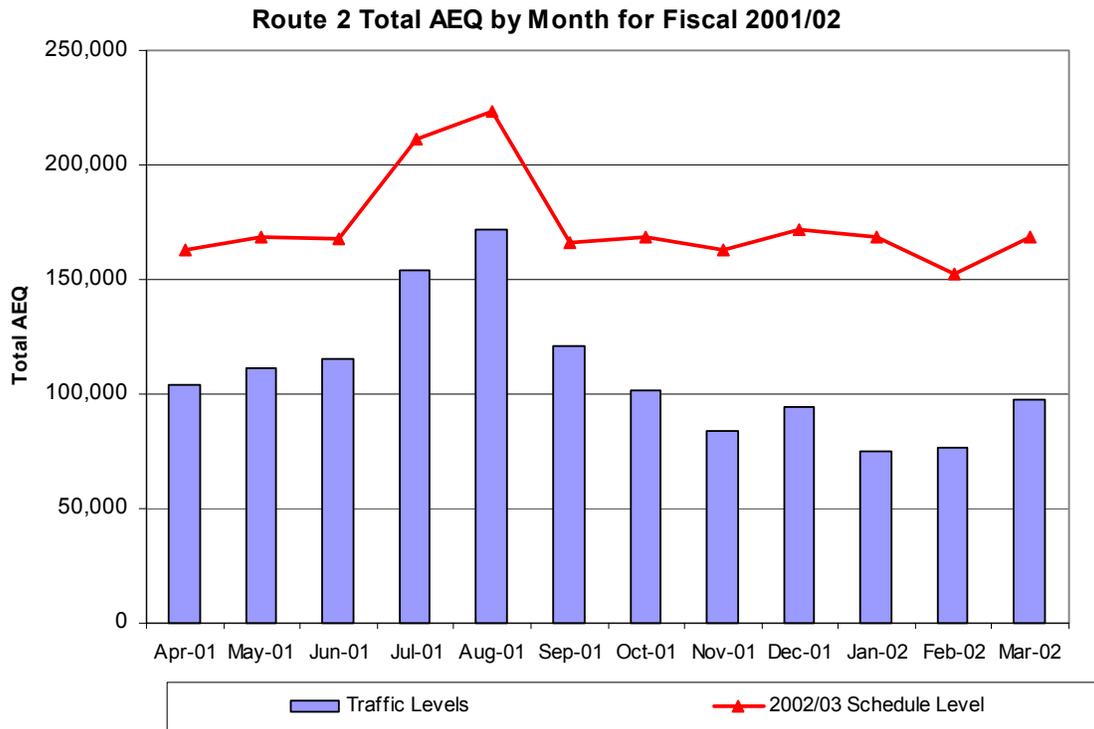
VESSEL AND TERMINAL DESCRIPTION

Vessel	Queen of Cowichan	Queen of Coquitlam	Queen of Oak Bay
<i>Silhouette</i>			
<i>Years Built</i>	1976	1976	1981
<i>Retirement Dates</i>	2021/2022	2021/2022	2026/2027
<i>Passenger Capacity (Max.)</i>	1466	1466	1466
<i>Vehicle Capacity (Max.)</i>	362*	362	362
<i>Crew size</i>	34	34	34
<i>Onboard Services</i>	Cafeteria, Snack Bar, Gift Shop, Vending, Video Games	Cafeteria, Snack Bar, Gift Shop, Vending, Video Games	Cafeteria, Snack Bar, Gift Shop, Vending, Video Games

* Operational capacity for a C-class vessel on Route 2 averages approximately 340 cars.

Terminal	Horseshoe Bay	Departure Bay
<i>Location</i>	West Vancouver	Nanaimo
<i>Holding Capacity</i>	1,265 cars	900 cars
<i>Short Term Parking</i>	140 car spaces	70 car spaces
<i>Long Term Parking</i>	466 car spaces	220 car spaces
<i>Waiting Room</i>	Yes	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	3	3
<i>Terminal Services</i>	Limited - Vending	Cafeteria, Vending, Video Games

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-Related	Vacation	Shopping	Visiting
Summer	14%	48%	6%	34%
Winter	29%	27%	9%	36%

RESIDENCY

	Vancouver Island	Lower Mainland	Outside BC or Canada	USA	Other
Summer	39%	41%	12%	6%	2%
Winter	52%	35%	11%	1%	1%

DEMAND

- Fluctuates by month increasing 230% from January to August. Commercial travel remains relatively constant.
- Fluctuates by day with capacity utilization increasing from 30% to 50% between Tuesday and Friday (depending on the month).
- Fluctuates by time of day with capacity utilization ranging from 52% to 18% on Tuesday in January (a worst day, worst month).

SERVICE ANALYSIS

Peak

- Service Capacity and schedule follow demand. Route 30 (Duke Point to Tsawwassen) takes overflow at peak travel times.

Off Peak

- Route experiences high capacity utilization, other than for short periods in the low season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$77.06	\$53.42	\$23.64	\$15.00	\$8.64

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$0
Fee per Round Trip	\$0

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.15
Disabled	\$0.08
Seniors	\$1.59
Medical Travel Assistance Program	\$0.93

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$32.00	\$33.25	\$34.25
Shoulder	\$37.50	\$39.25	\$40.25
Peak	\$41.00	\$42.75	\$44.00

*One-way fare

**Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$129.2 million have been identified for Route 2. The most significant investments will be on the Queen of Coquitlam, Queen of Cowichan and the Queen of Oak Bay. All three of these vessels will receive a mid-life upgrade, a propulsion upgrade and an upgrade to the vessel's sewage treatment system. At the terminals, investments will concentrate on the replacement of ageing marine structures at Horseshoe Bay.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Mid-Life Upgrades / Life Extensions	\$ 79,937,000	
	Propulsion Upgrades	\$ 36,975,000	
	Vessel Components	\$ 3,686,000	
	<i>Subtotal</i>		\$ 120,598,000
Marine Structures	Horseshoe Bay - Berth 1	\$ 1,256,000	
	Horseshoe Bay - Berth 2	\$ 2,393,000	
	Horseshoe Bay - Berth 3	\$ 4,700,000	
	Departure Bay - Berth 1	\$ 295,000	
	<i>Subtotal</i>		\$ 8,644,000
Total			\$ 129,242,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

Note: In addition to Route 2, the Horseshoe Bay terminal provides service to Routes 3 and 8.

ROUTE 30 – TSAWWASSEN TO DUKE POINT



OVERVIEW

Route 30 links Tsawwassen, on the Lower Mainland, and Duke Point, on Vancouver Island. It is served by two vessels with large commercial vehicle capacity. Commercial traffic is the mainstay of this route as it carries 25 percent of BC Ferries total commercial volume, compared to only 8 percent of the total traffic. This route generates 14 percent of total revenue.

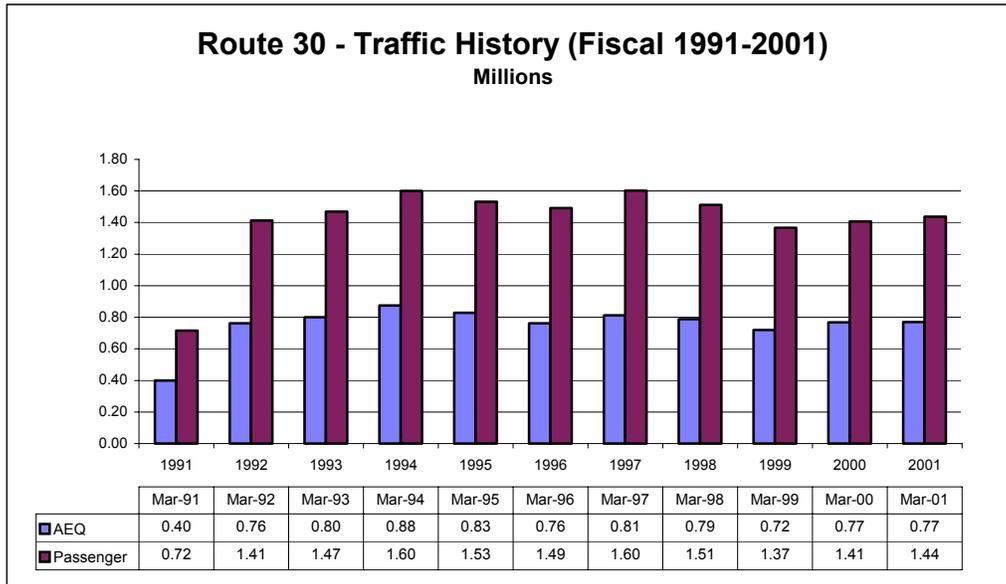
CORE SERVICE LEVELS

Hours of Operation	Peak	17
	Off Peak	17, (12 on Sunday)
Number of Round Trips per Day	Peak	8
	Off Peak	8, (6 on Sunday)
Total Number of Round Trips to be delivered:		2,834

ROUTE AND SERVICE DESCRIPTION

Distance	37 nautical miles	
Crossing Time	2 hours	
Annual Traffic Fiscal 2001/02	Vehicles	573,511
	Passengers	1,421,367
	Students	11,325
	Disabled	7,480
	Seniors	79,682
	Medical Travel Assistance Program	5,371

10-YEAR TRAFFIC (HISTORICAL)



VESSEL AND TERMINAL DESCRIPTION

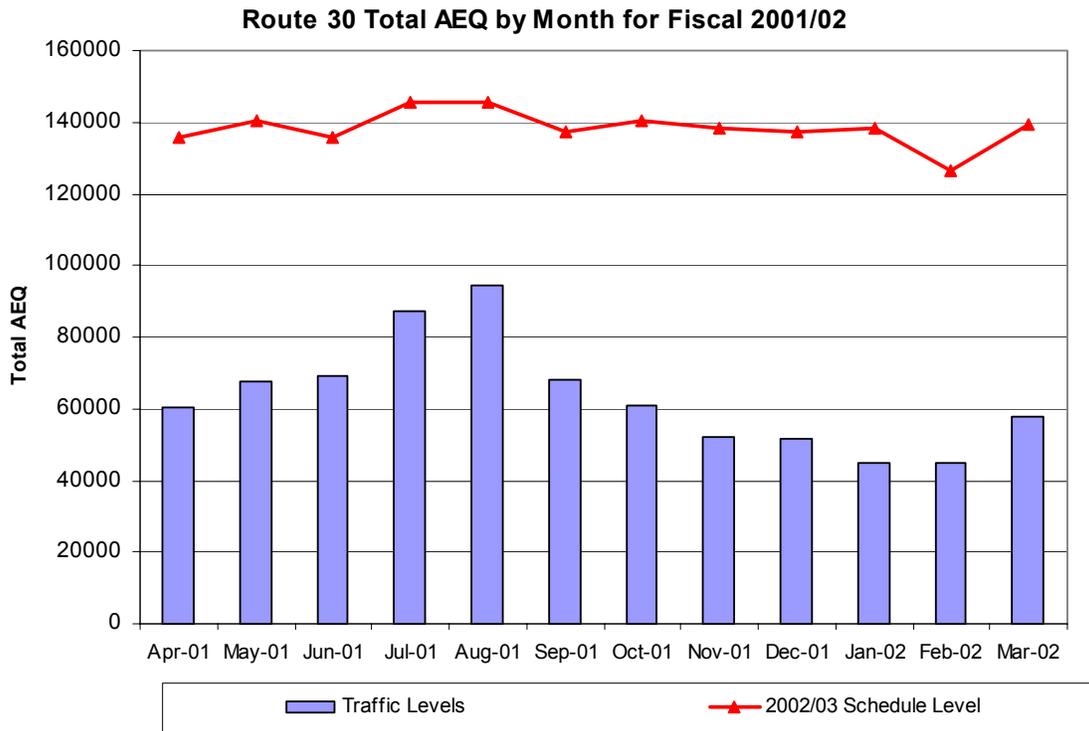
Vessel	Queen of Alberni	Queen of New Westminster
<i>Silhouette</i>		
<i>Years Built</i>	1976	1964
<i>Retirement Dates</i>	2021/22	2014/15
<i>Passenger Capacity (Max.)</i>	1170	1306
<i>Vehicle Capacity (Max.)</i>	295*	286**
<i>Crew size</i>	30	34
<i>Onboard Services</i>	Cafeteria, Snack Bar, Gift Shop, Vending, Video Arcades	Cafeteria, Snack Bar, Gift Shop, Vending, Video Arcades

* Operational capacity for the Queen of Alberni averages approximately 290 cars.

** Operational capacity for the Queen of New Westminster averages approximately 275 cars

Terminal	Tsawwassen	Duke Point
<i>Location</i>	Delta	Nanaimo
<i>Holding Capacity</i>	2,000 cars	1,000 cars
<i>Short Term Parking</i>	240 car spaces	80 car spaces
<i>Long Term Parking</i>	1,100 car spaces	200 car spaces
<i>Waiting Room</i>	Yes	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	5	1
<i>Terminal Services</i>	Cafeteria, Vending, Video Games, Marketplace (spring-fall)	Limited - Vending

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	16%	47%	6%	34%
Winter	26%	26%	6%	42%

RESIDENCY

	Vancouver Island	Lower Mainland	Outside BC or Canada	USA	Other
Summer	31%	45%	13%	12%	1%
Winter	44%	41%	9%	6%	0%

DEMAND

- Fluctuates by month with August traffic 2.7 times that of January. Commercial travel remains relatively constant throughout the year.
- Fluctuates by day with Saturday and Sunday being well below other days due to the low volume of commercial traffic on the weekends.
- Fluctuates by time of day with utilization ranging from 59% to 19% on Tuesday in January (a worst day, worst month).

SERVICE ANALYSIS

Peak

- Service Capacity for underheights, on average, is under utilized in the off peak. However, the available commercial space is well utilized throughout the year. 60%-70% of daily commercial capacity utilization is achieved in the off peak.

Off Peak

- Off peak Saturday pm service can be reduced.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$49.05	\$43.47	\$5.58	\$9.99	(\$4.41)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$0
Fee per Round Trip	\$0

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.05
Disabled	\$0.03
Seniors	\$0.74
Medical Travel Assistance Program	\$0.23

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$32.00	\$33.25	\$34.25
Shoulder	\$37.50	\$39.25	\$40.25
Peak	\$41.00	\$42.75	\$44.00

*One-way fare

**Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$80.1 million have been identified for Route 30. The most significant investment will be on the Queen of Alberni as it receives a mid-life upgrade, a propulsion upgrade, and an upgrade to its sewage treatment system. The Queen of New Westminster will also receive an upgrade to address the vibration problems experienced when operating at its service speed.

At the Tsawwassen terminal, the upgrades to accommodate the new Route 1 vessels will also benefit Route 30 as the Queen of New Westminster and Queen of Alberni are planned to be replaced with new Spirit-sized vessels in 2011/12 and 2013/14 respectively. The Queen of Alberni will be re-deployed when it is replaced.

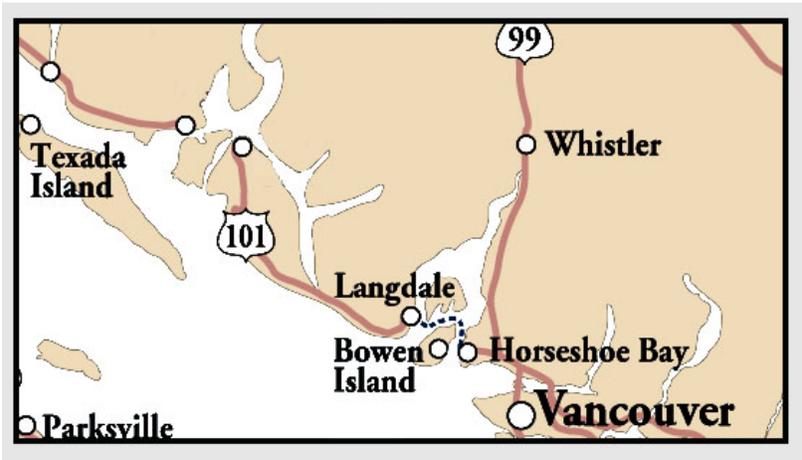
The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Mid-Life Upgrade / Life Extension	\$ 34,500,000	
	Propulsion Upgrade	\$ 12,325,000	
	Vessel Components	\$ 1,821,000	
	<i>Subtotal</i>		\$ 48,646,000
Shore Structures	Tsawwassen - Buildings	\$ 2,500,000	
	<i>Subtotal</i>		\$ 2,500,000
Marine Structures	Tsawwassen - Berth 2	\$ 10,103,000	
	Tsawwassen - Berth 3	\$ 7,646,000	
	Tsawwassen - Berth 4	\$ 9,800,000	
	Tsawwassen - Berth 5	\$ 1,400,000	
	<i>Subtotal</i>		\$ 28,949,000
Total			\$ 80,095,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

Note: In addition to Route 30, the Tsawwassen terminal provides service to Routes 1 and 9.

ROUTE 3 – HORSESHOE BAY TO LANGDALE



OVERVIEW

Route 3 serves the Sunshine Coast connecting the Horseshoe Bay and Langdale terminals. The service is primarily used by commuters, weekenders, frequent travellers and commercial vehicles. Tourist and weekend residents increase demand on Fridays, Sundays and holidays. Route 3 carries 14 percent of total vehicle traffic, 12 percent of total passenger traffic and generates 7 percent of total revenue.

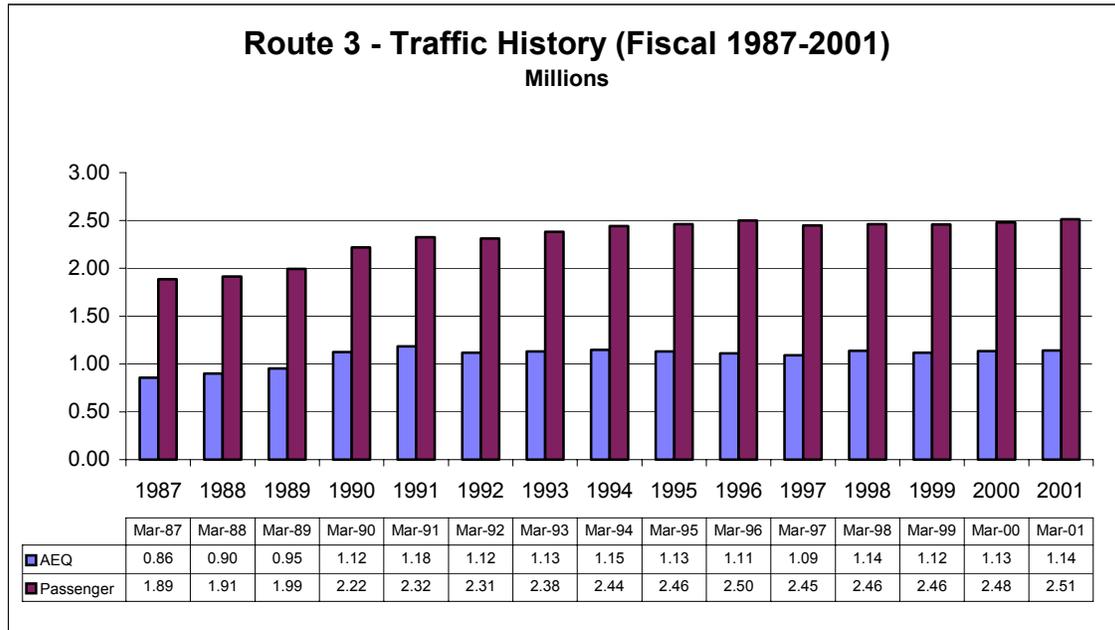
CORE SERVICE LEVELS

Hours of Operation	Peak	14
	Off Peak	14
Number of Round Trips per Day	Peak	(8 on Tues/Wed), (9 on Mon/Thur/Sat), (10 on Fri/Sun)
	Off Peak	8
Total Number of Round Trips to be delivered:		2,985

ROUTE AND SERVICE DESCRIPTION

Distance	10 nautical miles	
Crossing Time	40 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	1,062,878
	Passengers	2,516,207
	Students	27,092
	Disabled	15,562
	Seniors	163,128
	Medical Travel Assistance Program	27,066

15-YEAR TRAFFIC (HISTORICAL)



VESSEL AND TERMINAL DESCRIPTION

Vessel	Queen of Surrey	Queen of Esquimalt*
<i>Silhouette</i>		
Years Built	1981	1963
Retirement Dates	2026/2027	2007/2008**
Passenger Capacity (Max.)	1416	1138
Vehicle Capacity (Max.)	362^	376^^
Crew size	26	27
Onboard Services	Cafeteria, Snack Bar, Gift Shop, Vending, Video Arcades	Cafeteria, Snack Bar, Gift Shop, Vending, Video Arcades

* Supplementary vessel

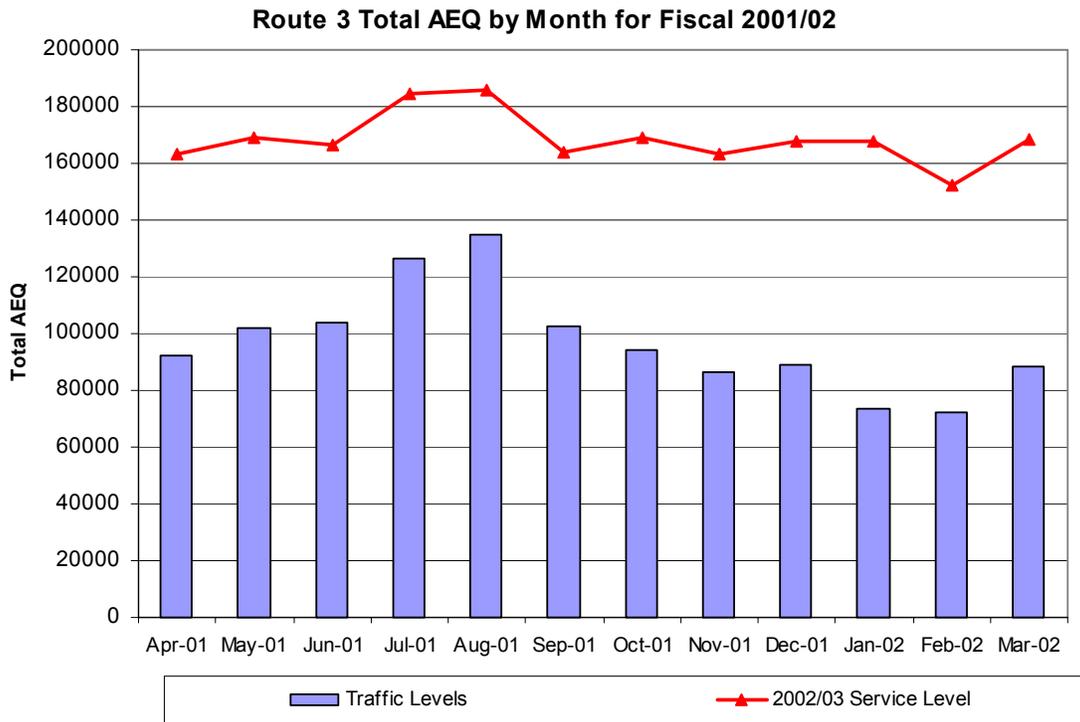
** Either this vessel or another V-Class vessel will require a minor upgrade/ life extension to provide supplementary service to Route 3 beyond 2007.

^ Operational capacity for a C-Class vessel on Route 3 averages approximately 350 cars.

^^ Operational capacity for V-Class vessel averages approximately 275 cars.

Terminal	Horseshoe Bay	Langdale
Location	West Vancouver	Sunshine Coast
Holding Capacity	1,265 cars	985 cars
Short Term Parking	140 car spaces	61 car spaces
Long Term Parking	466 car spaces	240 car spaces
Waiting Room	Yes	Yes
Washrooms	Yes	Yes
Docks	3	2
Terminal Services	Limited - Vending	Limited - Vending

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	23%	42%	11%	28%
Winter	35%	27%	13%	24%

RESIDENCY

	Vancouver Island	Lower Mainland	Sunshine Coast	Other BC or Canada	USA
Summer	3%	51%	38%	5%	3%
Winter	3%	36%	54%	5%	2%

DEMAND

- Fluctuates by month, however the change is less than other routes due to the commuter influence. August traffic is 1.7 times greater than January.
- Fluctuates by day, however change is less pronounced than other routes due to commuter influence. Weekends carry the largest volumes with the difference being greatest in the shoulder season.
- Fluctuates by time of day with utilization ranging from 74% to 9% on Tuesday in January.

SERVICE ANALYSIS

- Service is dominated year round by commuters and commercial vehicles.
- Service Capacity follows demand with average capacity utilization at 50% in the low season and peak trips fully subscribed at all times.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$24.55	\$24.18	\$0.36	\$9.07	(\$8.71)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$5.0 million
Fee per Round Trip	\$1,676.65

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.05
Disabled	\$0.03
Seniors	\$0.68
Medical Travel Assistance Program	\$0.52

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$30.50	\$31.50	\$32.75
Peak	\$35.75	\$37.00	\$38.75
Prepaid	\$24.24	\$25.04	\$26.14

* The fares on Route 3 are for one-round trip between Horseshoe Bay and Langdale or one through trip between Horseshoe Bay and Saltery Bay.

** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$64.3 million have been identified for Route 3. The most significant investment will be on the Queen of Surrey as it receives a mid-life upgrade, a propulsion upgrade, and an upgrade to its sewage treatment system. The summer season supplementary vessel will also receive a minor upgrade/life extension. At the terminals, investments will concentrate on the replacement of ageing marine structures at Horseshoe Bay and Langdale.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Mid-Life Upgrade / Life Extension	\$ 38,500,000	
	Propulsion Upgrade	\$ 12,325,000	
	Vessel Components	\$ 1,415,000	
	<i>Subtotal</i>		\$ 52,240,000
Marine Structures	Horseshoe Bay - Berth 1	\$ 787,000	
	Horseshoe Bay - Berth 2	\$ 3,743,000	
	Horseshoe Bay - Berth 3	\$ 3,818,000	
	Langdale - Berth 1	\$ 1,700,000	
	Langdale - Berth 2	\$ 1,970,000	
	<i>Subtotal</i>		\$ 12,018,000
Total			\$ 64,258,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

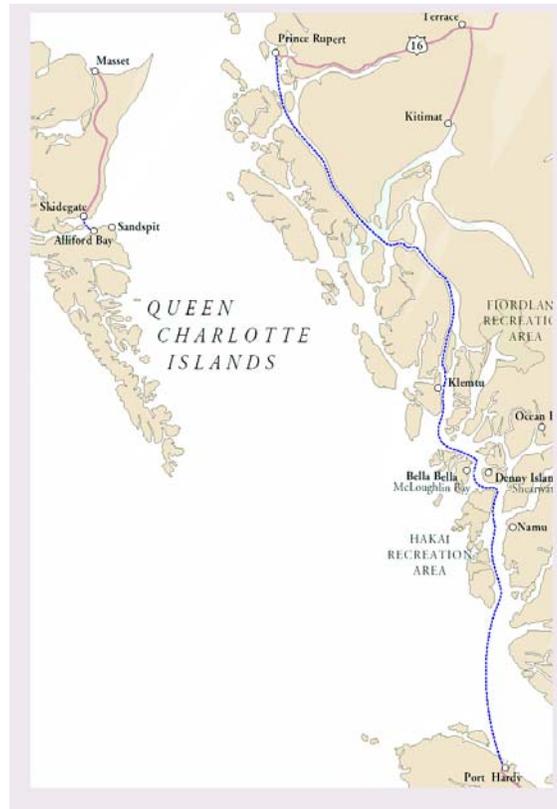
Note: In addition to Route 3, the Horseshoe Bay terminal provides service to Routes 2 and 8. Similarly, the Langdale terminal provides service to Route 13.

ROUTE 10 – PORT HARDY TO PRINCE RUPERT

Note:

Core Service Levels will reflect the status quo for two years. However, all three northern vessels (Queen of the North, Queen of Prince Rupert and Queen of Chilliwack) must be replaced within ten years and the service needs to be rationalised.

Therefore, as part of the Coastal Ferry Services Contract commitments, BC Ferry Services will develop a comprehensive North and Mid Coast Strategic Plan including appropriate discussions with stakeholders, by April 1, 2004.



OVERVIEW

Summer Route 10 service (Inside Passage) connects Prince Rupert (2001 population approximately 14,600) and Port Hardy (2001 population approximately 4,600) on the northern tip of Vancouver Island. The season starts in mid-May and continues to the end of September.

Winter Route 10 service connects Prince Rupert, Bella Bella, Klemtu, Ocean Falls, Shearwater and Port Hardy. The season starts in mid-September and continues to mid-June. Although the winter service is used primarily to provide basic access and freight services to the Mid-Coast communities, about 60 percent of the traffic travel the full distance from Prince Rupert to Port Hardy, mostly as tourists.

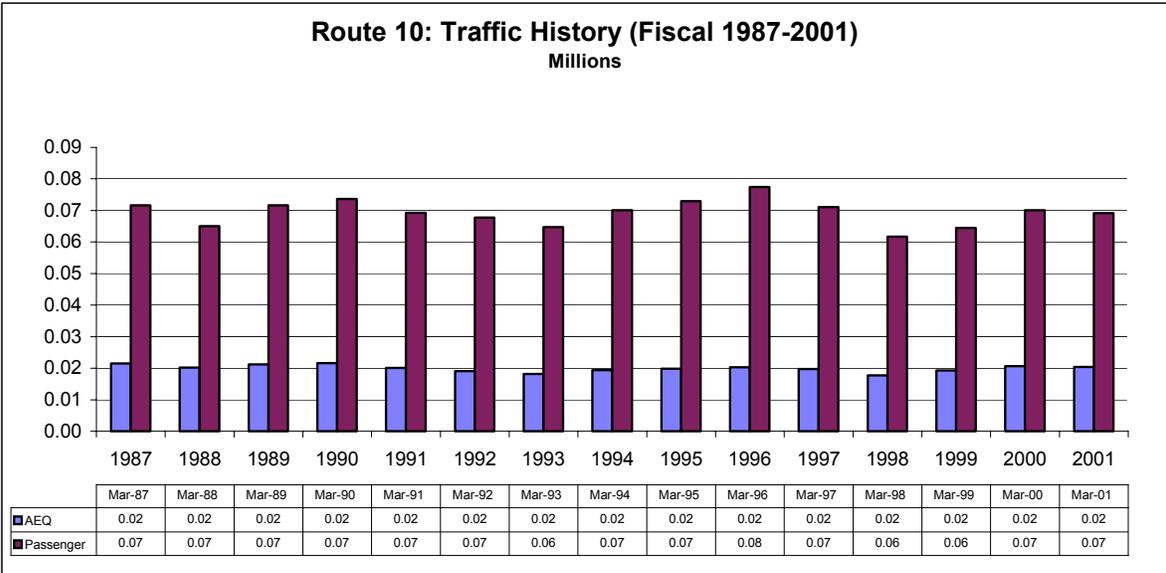
CORE SERVICE LEVELS

Hours of Operation	Peak Off Peak	Varies Varies
Number of Round Trips per Week	Peak Off Peak	3.5 1.5
Total Number of Round Trips to be delivered:		122

ROUTE AND SERVICE DESCRIPTION

Distance	273 nautical miles	
Crossing Time	15-21 hours depending on number of stops	
Annual Traffic Fiscal 2001/02	Vehicles	17,020
	Passengers	62,400
	Students	580
	Disabled	432
	Seniors	3,142
	Medical Travel Assistance Program	260

15-YEAR TRAFFIC (HISTORICAL)



VESSEL AND TERMINAL DESCRIPTIONS

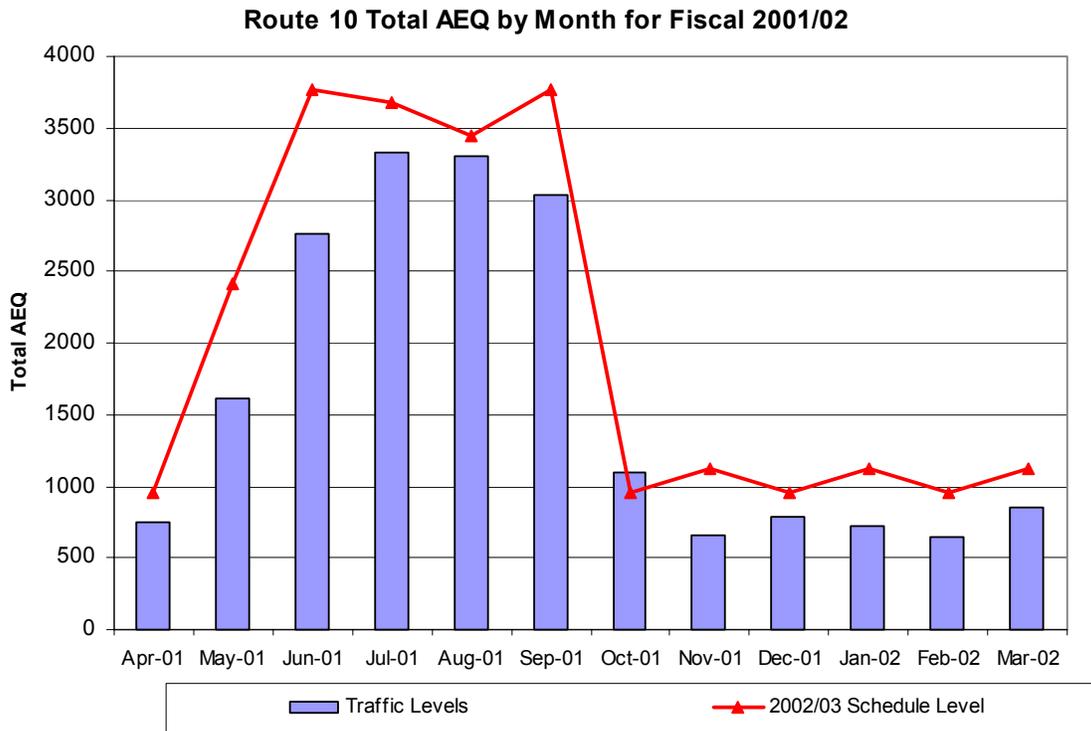
Vessel	Queen of the North*	Queen of Prince Rupert^
<i>Silhouette</i>		
<i>Year Built</i>	1969	1966
<i>Retirement Date</i>	2010/2011	2009/2010
<i>Passenger Capacity (maximum)</i>	600	400
<i>Vehicle Capacity (official)</i>	110	80
<i>Crew Size</i>	52	34
<i>Onboard Services</i>	Cafeteria, buffet dining and lounge, bar, gift shop, a video arcade, children's play area, cabin accommodation, and reserved seating lounge.	Cafeteria, bar, gift shop and cabin accommodation.

* Summer Vessel

^ Winter Vessel

Terminal	Bear Cove	Prince Rupert
<i>Location</i>	10 km from Port Hardy	Prince Rupert
<i>Holding Capacity</i>	110 AEQ	186 AEQ
<i>Parking</i>	Yes	Yes
<i>Waiting Area</i>	Yes	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	1	1

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	6%	86%	1%	6%
Winter	34%	34%	15%	19%

RESIDENCY

	Prince Rupert/Port Hardy/Mid-Coast	Other BC	Other Canada	United States	International
Summer	8%	20%	10%	18%	44%
Winter	62%	31%	1%	4%	2%

DEMAND

Summer Inside Passage

- Fluctuates by month increasing 520% from January to August.
- Vehicle Utilization: May 59% and August 97%.
- Fluctuates by day with stronger demand south-bound than north-bound.
- No time of day fluctuation.

Winter Mid-Coast Service

- Fluctuates by month increasing 520% from January to August.
- Vehicle Utilization: Feb 49% and May 59%.
- Fluctuates by day with stronger demand for the weekend round trip.
- No time of day fluctuation.

SERVICE ANALYSIS

Summer Inside Passage

- The one ship assigned to the route provides fixed capacity during the season.
- Numbers of round trips are designed to maximize travel opportunities for tourists.

Winter Mid-Coast Service

- The one ship assigned to the route provides fixed capacity during the season.
- Numbers of round trips are designed to provide basic access for Mid-Coast communities.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$10.46	\$16.77	(\$6.31)	\$4.80	(\$11.11)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$5.3 million
Fee per Round Trip	\$43,496.47

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.02
Disabled	\$0.02
Seniors	\$0.09
Medical Travel Assistance Program	\$0.12

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003***
Low	\$176.25	\$182.75	\$191.00
Shoulder	\$234.50	\$243.00	\$253.75
Peak**	\$332.00	\$332.00	\$344.00

* One-way fare

** To allow for long-term marketing and tour operator planning, peak fares are staged a year in advance.

*** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$5.7 million have been identified for Route 10. The major capital issues include:

- passenger and crew area renovations on the Queen of Prince Rupert; and
- replacement and upgrade of marine and shore structures at Prince Rupert.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Passenger & Crew Renovations**	<u>\$ 5,150,000</u>	
	<i>Subtotal</i>		\$ 5,150,000
Shore Structures	Prince Rupert - Compound	<u>\$ 350,000</u>	
	<i>Subtotal</i>		\$ 350,000
Marine Structures	Prince Rupert - Berth 1	<u>\$ 200,000</u>	
	<i>Subtotal</i>		\$ 200,000
Total			\$ 5,700,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

** This project includes the extraordinary maintenance costs identified from the Level 2 survey.

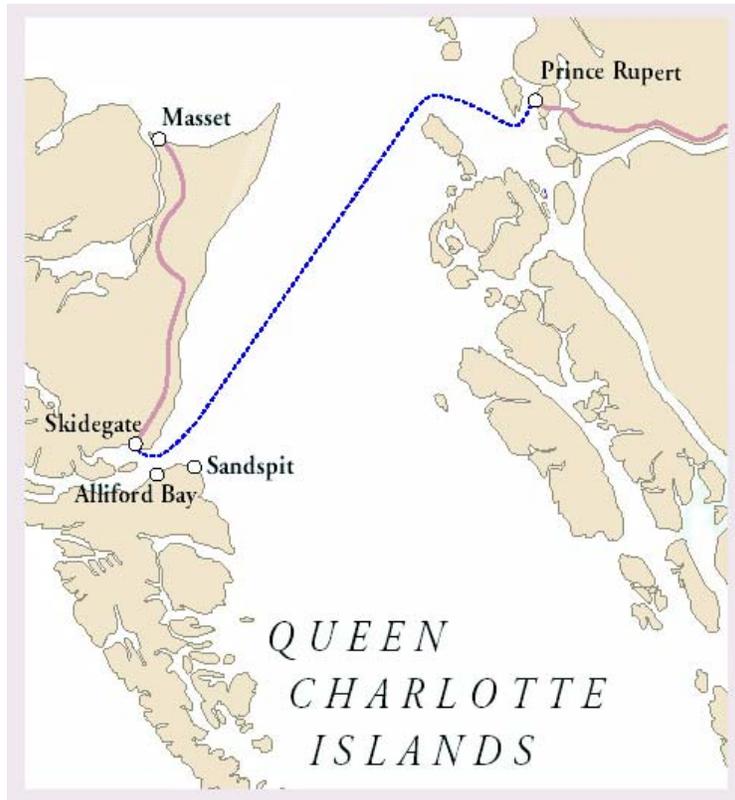
Note: In addition to Route 10, Prince Rupert also provides service to Route 11. Similarly, Port Hardy (Bear Cove) provides service to both Routes 10 and 40.

ROUTE 11 – QUEEN CHARLOTTE ISLANDS TO PRINCE RUPERT

Note:

Core Service Levels will reflect the status quo for two years. However, all three northern vessels (Queen of the North, Queen of Prince Rupert and Queen of Chilliwack) must be replaced within ten years and the service needs to be rationalised.

Therefore, as part of the Coastal Ferry Services Contract commitments, BC Ferry Services will develop a comprehensive North and Mid Coast Strategic Plan including appropriate discussions with stakeholders, by April 1, 2004.



OVERVIEW

Route 11 connects the Queen Charlotte Islands (2001 population approximately 3,700) with Prince Rupert (2001 population approximately 14,600) and the Mainland. Route 11 is used by Queen Charlotte Island residents to access services in Prince Rupert. This route also brings workers, primarily in the forest industry, and tourists to the Queen Charlotte Islands. Freight movement is also important in both directions. Hecate Strait, which separates the Queen Charlotte Islands from the Mainland, is subject to high winds and rough water any time of year, although both are far more common in the winter months.

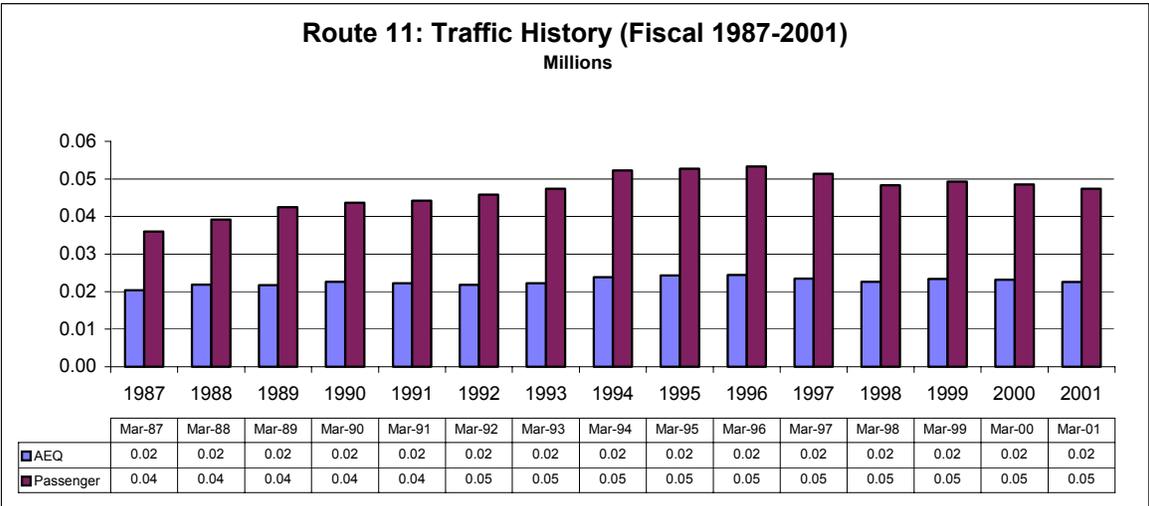
CORE SERVICE LEVELS

Hours of Operation	Peak Off Peak	Varies Varies
Number of Round Trips per Week	Peak Off Peak	4-6 (varies by week) 3
Total Number of Round Trips to be delivered:		191

ROUTE AND SERVICE DESCRIPTION

Distance	93 nautical miles	
Crossing Time	7 hours	
Annual Traffic Fiscal 2001/02	Vehicles	17,588
	Passengers	48,062
	Students	972
	Disabled	408
	Seniors	2,775
	Medical Travel Assistance Program	718

15-YEAR TRAFFIC (HISTORICAL)



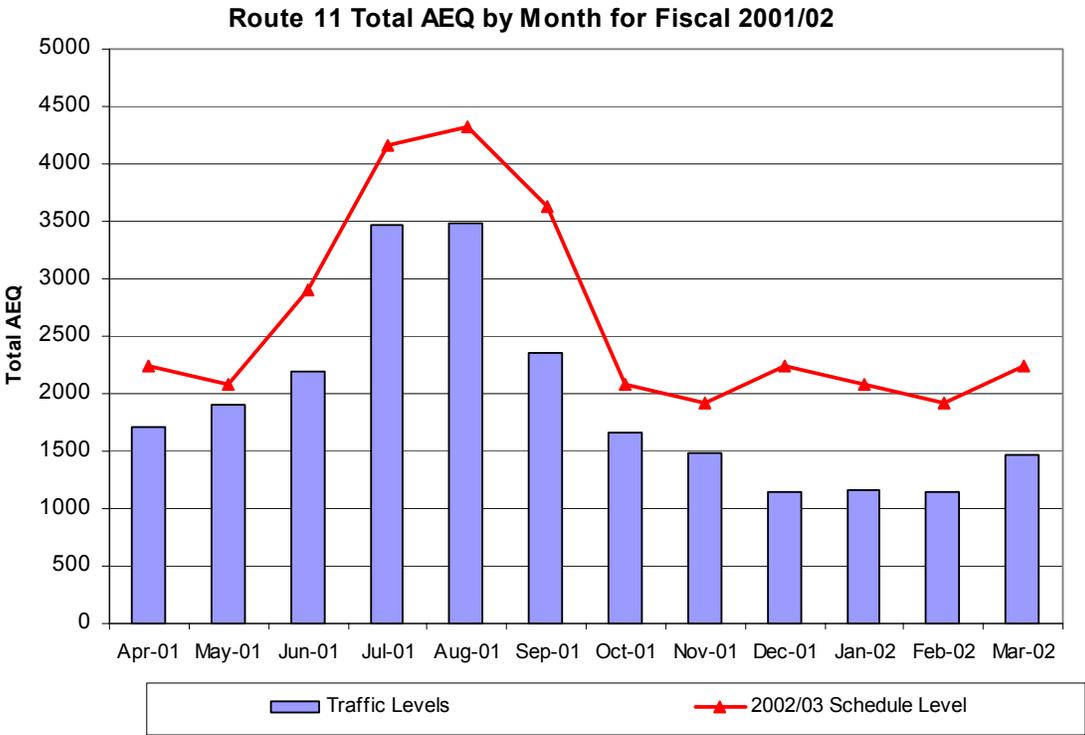
VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Queen of Prince Rupert*
<i>Silhouette</i>	
<i>Year Built</i>	1966
<i>Retirement Date</i>	2009/2010
<i>Passenger Capacity (maximum)</i>	400
<i>Vehicle Capacity (official)</i>	80
<i>Crew Size</i>	34
<i>Onboard Services</i>	Cafeteria, bar, gift shop and cabin accommodation

* The Queen of the North provides relief service for this vessel for one month a year.

Terminal	Skidegate	Prince Rupert
<i>Location</i>	Graham Island	Prince Rupert
<i>Holding Capacity</i>	175 AEQ	186 AEQ
<i>Parking</i>	No	Yes
<i>Waiting Area</i>	Yes	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	1	1

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	17%	64%	7%	12%
Winter	20%	49%	19%	12%

RESIDENCY

	Queen Charlottes	Other BC	Other Canada	United States	International
Summer	37%	32%	19%	6%	5%
Winter	93%	4%	1%		

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 360% from January to August.
- Vehicle Utilization: February 59%, May 85%, August 85%.
- Fluctuates by day with 89% utilization on Sundays and 57% utilization on Tuesdays
- Fluctuates by time of day with 82% utilization on the sailings departing at 23:00 and 58% utilization on the sailings leaving at 11:00.

SERVICE ANALYSIS

- The one ship assigned to the route adjusts capacity by adding round trips in the summer.
- Numbers of round trips are designed to meet seasonal needs for travellers and freight.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$4.00	\$9.21	(\$5.20)	\$1.68	(\$6.88)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$8.1 million
Fee per Round Trip	\$42,669.37

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.01
Disabled	\$0.01
Seniors	\$0.03
Medical Travel Assistance Program	\$0.12

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003***
Low	\$89.75	\$93.00	\$97.00
Peak**	\$110.00	\$110.00	\$113.75

* One-way fare

** To allow for long-term marketing and tour operator planning, peak fares are staged a year in advance.

*** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$5.7 million have been identified for Route 11. The major capital issues include:

- passenger and crew area renovations on the Queen of Prince Rupert; and
- replacement of various marine structures at Prince Rupert.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Passenger and Crew Renovations**	\$ 5,150,000	
	<i>Subtotal</i>		\$ 5,150,000
Marine Structures	Prince Rupert - Berth 1	\$ 550,000	
	<i>Subtotal</i>		\$ 550,000
Total			\$ 5,700,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

** This project includes the extraordinary maintenance costs identified from the Level 2 Survey.

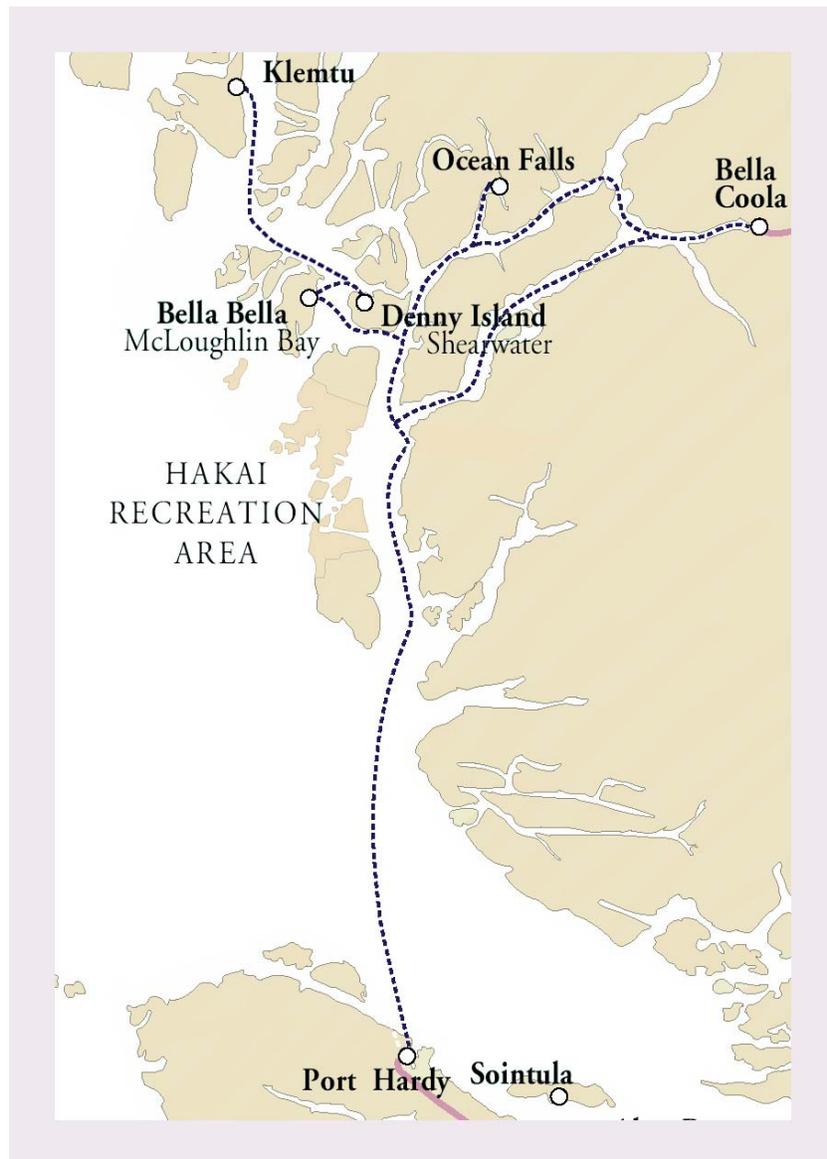
Notes: In addition to Route 11, Prince Rupert also provides service to Route 10. Similarly, Skidegate provides service to both Routes 11 and 26.

ROUTE 40 – DISCOVERY COAST PASSAGE (PORT HARDY TO MID-COAST)

Note:

Core Service Levels will reflect the status quo for two years. However, all three northern vessels (Queen of the North, Queen of Prince Rupert and Queen of Chilliwack) must be replaced within ten years and the service needs to be rationalised.

Therefore, as part of the Coastal Ferry Services Contract commitments, BC Ferry Services will develop a comprehensive North and Mid Coast Strategic Plan including appropriate discussions with stakeholders, by April 1, 2004.



OVERVIEW

Route 40 service connects Port Hardy (2001 population approximately 4,600) on the northern tip of Vancouver Island with Bella Bella, Klemtu, Ocean Falls, Shearwater and Bella Coola. The season starts in mid-June and continues to early September. The service, which began in 1996, has two roles: to provide basic access and freight services to the Mid-Coast communities, and to carry tourists between Port Hardy and Bella Coola (approximately 60 percent of total traffic).

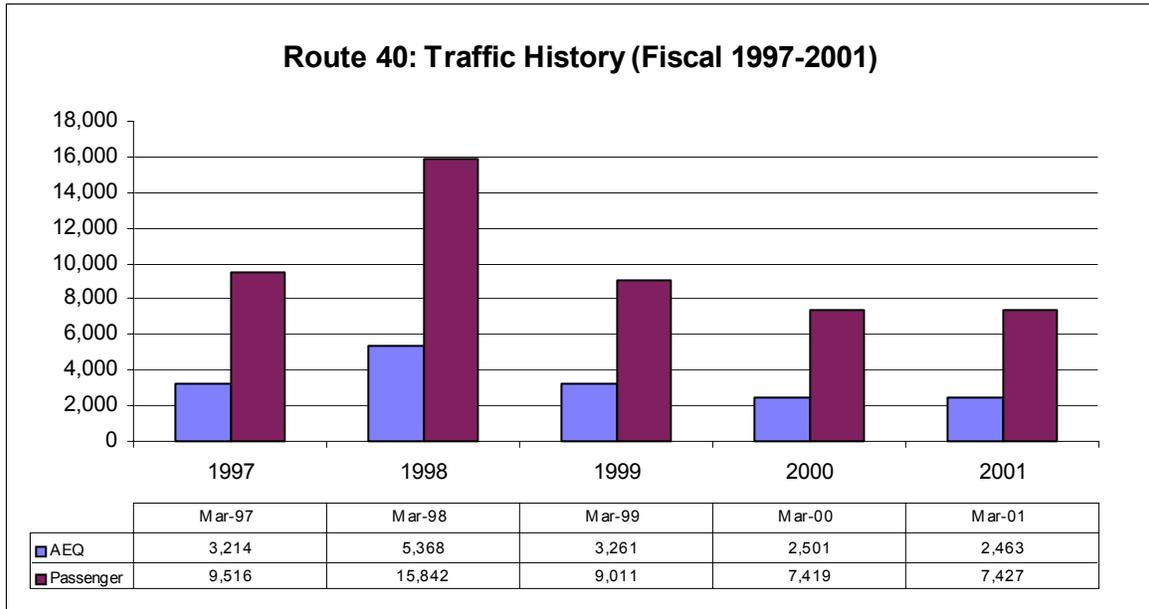
CORE SERVICE LEVELS

Hours of Operation	Peak Off Peak	Varies None
Number of Round Trips per Week	Peak Off Peak	3 None
Total Number of Round Trips to be delivered:		39

ROUTE AND SERVICE DESCRIPTION

Distance	Approximately 450 nautical miles for complete round trip at all stops	
Crossing Time	Varies depending on routing. Direct trip Port Hardy to Bella Coola is 13 hours. Port Hardy to Bella Coola with 3 other	
Annual Traffic Fiscal 2001/02	Vehicles	2,434
	Passengers	8,919
	Students	13
	Disabled	60
	Seniors	323
	Medical Travel Assistance Program	0

5-YEAR TRAFFIC (HISTORICAL)



VESSEL AND TERMINAL DESCRIPTIONS

Vessel

Queen of Chilliwack

Silhouette



Year Built

1978

Retirement Date

2008/2009

Passenger Capacity (maximum)

389

Vehicle Capacity (official)

115

Crew Size

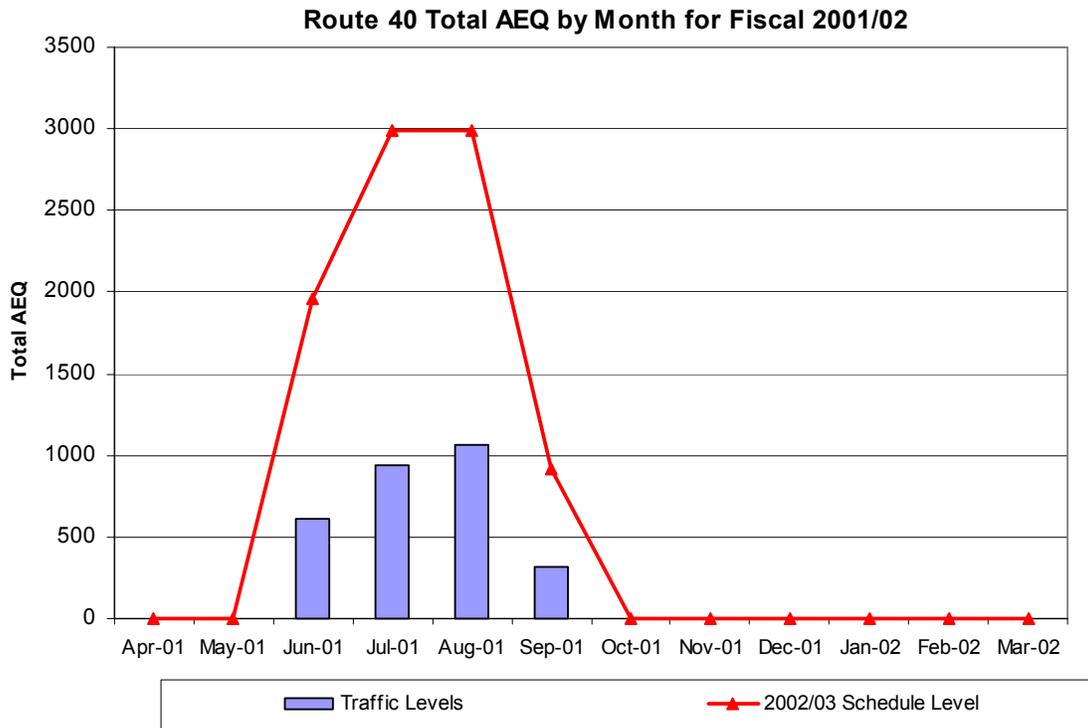
24

Onboard Services

Cafeteria, bar, gift shop, coin operated shower facilities and reclining seating in lounge areas

Terminal	McLoughlin Bay	Klemtu	Shearwater	Ocean Falls	Bear Cove	Bella Coola
<i>Location</i>	3 km from Bella Bella	1 km from village	Shearwater	Ocean Falls	10 km from Port Hardy	4 km from Bella Coola
<i>Holding Capacity / Parking</i>	Ample parking but no formal compound	Very limited	Ample parking but no formal compound	Ample parking but no formal compound	110 AEq	Lease arrangement in town
<i>Waiting Area</i>	Yes	No	No	No	Yes	No
<i>Washrooms</i>	Yes	No	No	No	Yes	No
<i>Docks</i>	1	1	1	1	1	1

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	17%	64%	7%	12%

RESIDENCY

	Port Hardy/ Mid-Coast/ Bella Coola	Other BC	Other Canada	United States	International
Summer	37%	32%	19%	6%	5%

DEMAND

- Fluctuates by month with strongest demand in August.
- Vehicle Utilization: August 23%.
- Fluctuates by day with stronger demand for the direct trips between Port Hardy and Bella Coola.
- No time of day fluctuation.

SERVICE ANALYSIS

- Route 40 was the subject of a Board submission dated September 13, 2002.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$1.21	\$3.13	(\$1.92)	\$0.36	(\$2.28)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$1.9 million
Fee per Round Trip	\$48,546.64

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.00
Disabled	\$0.00
Seniors	\$0.01
Medical Travel Assistance Program	\$0.00

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003***
Low	\$112.00	\$116.00	\$121.00
Shoulder	\$146.25	\$151.50	\$158.25
Peak**	\$192.50	\$192.50	\$199.50

* One-way fare

** To allow for long-term marketing and tour operator planning, peak fares are staged a year in advance.

*** Proposed

Note: These fares represent a typical Mid-Coast trip and do not include fares to travel to Bella Coola.

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of approximately \$5.2 million have been identified for Route 40.

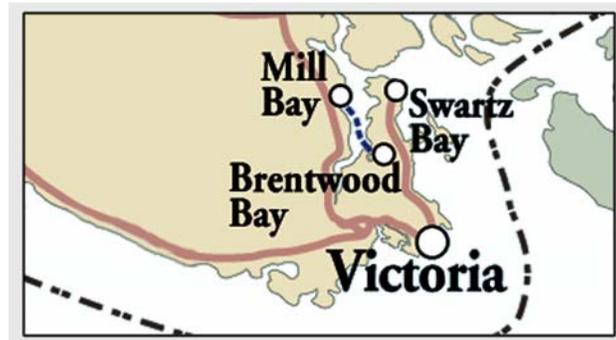
The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Mid-Life Upgrade	<u>\$ 5,150,000</u>	
	Subtotal		\$ 5,150,000
Total			\$ 5,150,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

Note: In addition to Route 40, Port Hardy also provides service to Route 10.

ROUTE 12 – MILL BAY TO BRENTWOOD BAY



OVERVIEW

Route 12 connects Brentwood Bay on the Saanich Peninsula with Mill Bay on Vancouver Island. Route 12 is used by local commuters as well as a significant number of non-local residents who use the route as an alternative to the Malahat section of the Island Highway.

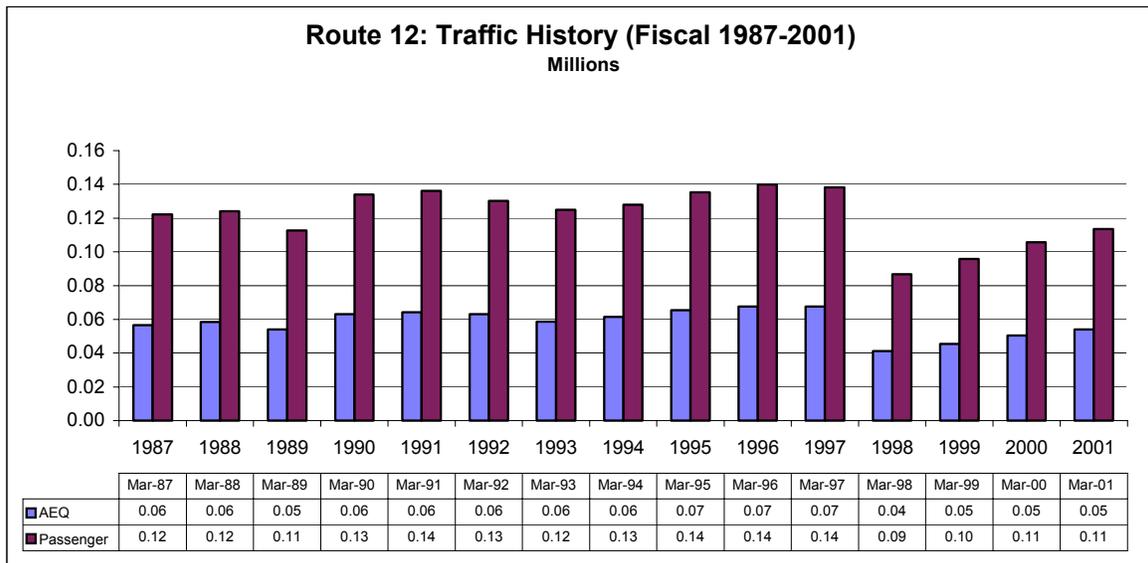
CORE SERVICE LEVELS

Hours of Operation	Peak	10, (9 on Sunday)
	Off Peak	10, (9 on Sunday)
Number of Round Trips per Day	Peak	9, (8 on Sunday)
	Off Peak	9, (8 on Sunday)
Total Number of Round Trips to be delivered:		3,215

ROUTE AND SERVICE DESCRIPTION

Distance	3 nautical miles	
Crossing Time	25 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	64,772
	Passengers	135,338
	Students	0
	Disabled	0
	Seniors	0
	Medical Travel Assistance Program	0

15-YEAR TRAFFIC (HISTORICAL)

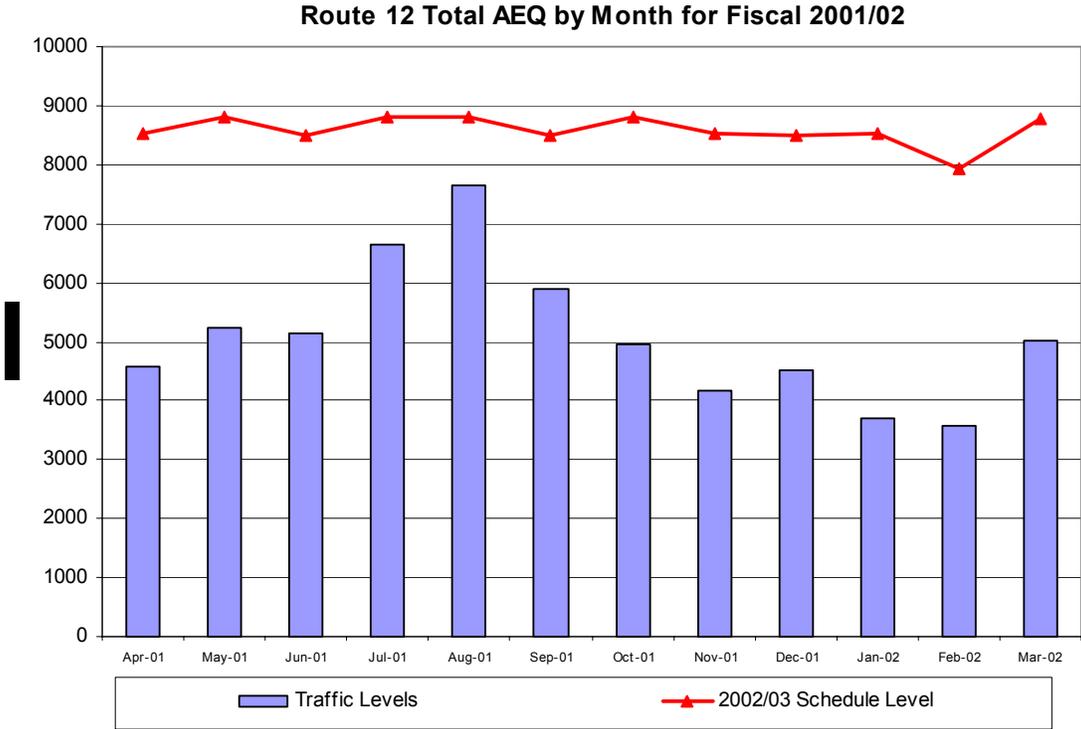


VESSEL AND TERMINAL DESCRIPTIONS

Vessel	MV Mill Bay
<i>Silhouette</i>	
<i>Year Built</i>	1956
<i>Retirement Date</i>	2009/2010
<i>Passenger Capacity (maximum)</i>	134
<i>Vehicle Capacity (official)</i>	16
<i>Crew Size</i>	4
<i>Onboard Services</i>	None

Terminal	Brentwood Bay	Mill Bay
<i>Location</i>	Brentwood Bay	Mill Bay
<i>Holding Capacity</i>	12 AEQ on trestle	None – queue on road
<i>Parking</i>	No	No
<i>Waiting Room</i>	No	Shelter only
<i>Washrooms</i>	No	Portable toilet
<i>Docks</i>	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-Related	Vacation	Shopping	Visiting
Summer	15%	48%	19%	18%

RESIDENCY

	Saanich Peninsula	Mill Bay & Area	Other Vancouver Island	Other BC & Canada	US and International
Summer	28%	8%	27%	25%	12%

Note: Winter research has not been conducted

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 210% from January to August.
- Vehicle Utilization: February 45%, May 60%, August 87%.
- Fluctuates by day with 47% utilization on Mondays and 56% utilization on Saturdays.
- Fluctuates by time of day with 81% utilization on the 17:20 sailing leaving Mill Bay and 28% utilization on the 18:30 leaving Mill Bay. There is a fairly even flow of traffic between the communities with a slight bias in the Brentwood Bay to Mill Bay direction.

SERVICE ANALYSIS

Since the decision to continue Route 12 until 2010 (with upgrades to the vessel and terminals), Route 12 traffic has been growing and is approaching traffic levels last experienced in the mid-1990's. Because of the easy highway alternative to using the ferry, it is important to provide predictable service in order to preserve and build ridership.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$0.66	\$1.25	(\$0.59)	\$0.20	(\$0.80)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$1.4 million
Fee per Round Trip	\$443.32

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.00
Disabled	\$0.00
Seniors	\$0.00
Medical Travel Assistance Program	\$0.00

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$13.50	\$14.00	\$14.75
Peak	\$15.25	\$16.00	\$16.75
Prepaid	\$9.20	\$9.53	\$9.96

* One-way fare

** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, there are no planned major capital asset projects identified for Route 12. However, the replacement of the M.V. Mill Bay (built in 1956) has been identified for 2009/10.

ROUTE 4 – SWARTZ BAY TO FULFORD HARBOUR



OVERVIEW

Route 4 connects Salt Spring Island (via Fulford Harbour) with Swartz Bay. The route can also serve as a connection to the Lower Mainland from Salt Spring by combining travel on Route 4 and Route 1 (Swartz Bay – Tsawwassen). Salt Spring Island is the largest of the Southern Gulf Islands with a population of approximately 9,400 (2001 census). Route 4 is used by residents to access services and employment on Vancouver Island, and by visitors to access Salt Spring tourist facilities.

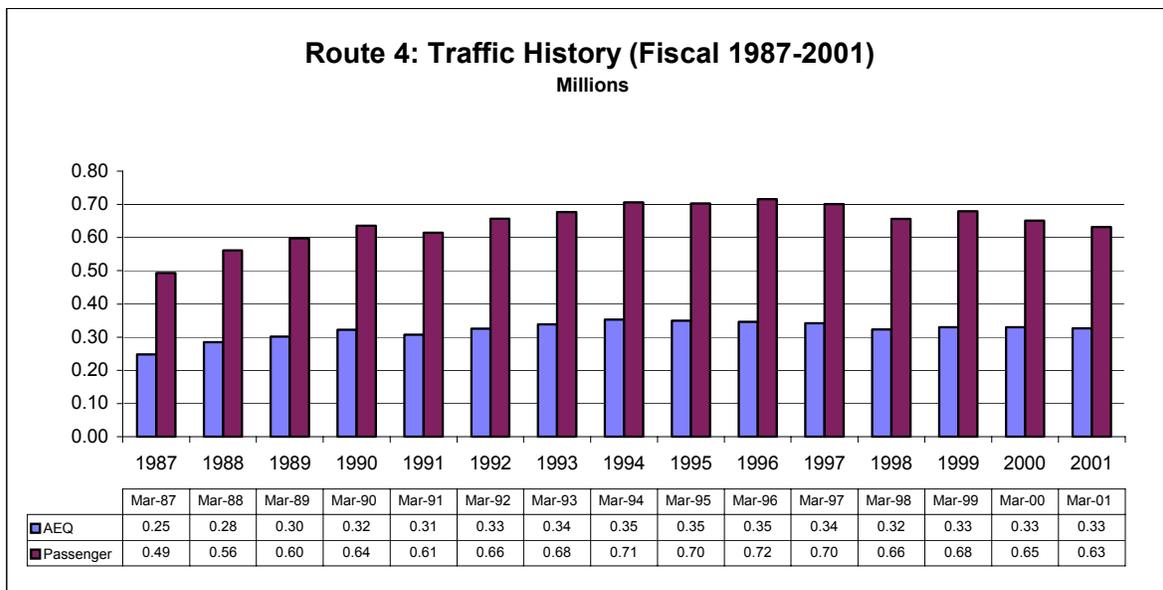
CORE SERVICE LEVELS

Hours of Operation	Peak	13
	Off Peak	13
Number of Round Trips per Day	Peak	8, (7 on Sunday , 9 on Saturday)
	Off Peak	8, (7 on Sunday)
Total Number of Round Trips to be delivered:		2,880

ROUTE AND SERVICE DESCRIPTION

Distance	5 nautical miles	
Crossing Time	35 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	315,515
	Passengers	644,789
	Students	16,264
	Disabled	3,690
	Seniors	41,332
	Medical Travel Assistance Program	6,440

15-YEAR TRAFFIC (HISTORICAL)

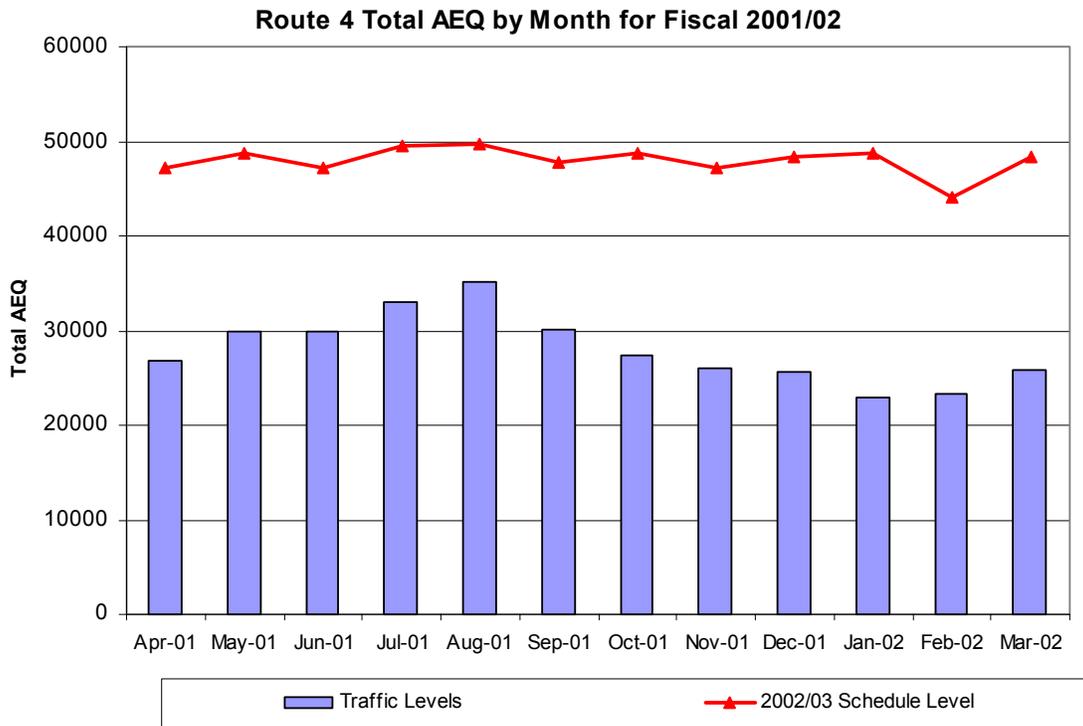


VESSEL AND TERMINAL DESCRIPTION

Vessel	Skeena Queen
<i>Silhouette</i>	
<i>Year Built</i>	1996
<i>Retirement Date</i>	2041/2042
<i>Passenger Capacity (maximum)</i>	592
<i>Vehicle Capacity (official)</i>	100
<i>Crew Size</i>	8
<i>Onboard Services</i>	Washroom (with disabled access) Vending Machines

Terminal	Fulford Harbour	Swartz Bay
<i>Location</i>	Salt Spring Island	North Saanich
<i>Holding Capacity</i>	60AEQ	820 cars
<i>Short Term Parking</i>	None	193 car spaces
<i>Long Term Parking</i>	None	657 car spaces
<i>Waiting Room</i>	Yes	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	One operational / One tie-up	5

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	23%	36%	20%	21%
Winter	41%	14%	27%	18%

RESIDENCY

	Salt Spring	Vanc Isl	Lwr Mnland	Outside BC	Other
Summer	36%	45%	9%	9%	1%
Winter	60%	32%	5%	2%	1%

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 150% from January to August.
- Vehicle Utilization: February 53%, May 61%, August 72%
- Fluctuates by day with 53% utilization on Thursdays and 43% utilization on Saturdays
- Fluctuates by time of day with 84% utilization on the 17:00 sailing leaving Swartz Bay and 9% utilization on the 20:00 leaving Fulford. There is a general trend of strong morning commuter demand leaving Salt Spring and strong afternoon/evening demand returning to Salt Spring

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization noted on Saturday mornings in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$3.59	\$6.12	(\$2.53)	\$1.28	(\$3.82)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$5.0 million
Fee per Round Trip	\$1,753.01

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.04
Disabled	\$0.01
Seniors	\$0.13
Medical Travel Assistance Program	\$0.09

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$22.50	\$23.25	\$24.25
Peak	\$25.25	\$26.25	\$27.50
Prepaid	\$14.45	\$14.93	\$15.58

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$11.8 million have been identified for Route 4. The major capital issues include upgrades and improvements to the buildings, compound and marine structures at Swartz Bay and Fulford Harbour.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Shore Structures	Swartz Bay - Buildings	\$ 2,145,000	
	Swartz Bay - Compounds	<u>\$ 5,463,000</u>	
	<i>Subtotal</i>		\$ 7,608,000
Marine Structures	Fulford Harbour - Berth 1	\$ 1,200,000	
	Swartz Bay - Berth 3	\$ 202,000	
	Swartz Bay - Berth 4	\$ 1,300,000	
	Swartz Bay - Berth 5	<u>\$ 1,450,000</u>	
	<i>Subtotal</i>		<u>\$ 4,152,000</u>
Total			\$ 11,760,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

Note: In addition to Route 4, Swartz Bay terminal also provides services to Routes 1 and 5.

ROUTE 5 – SWARTZ BAY TO GULF ISLANDS



OVERVIEW

Route 5 (which includes Route 5A) connects Pender, Saturna, Mayne and Galiano Islands to Swartz Bay on Vancouver Island. Connections in Swartz Bay with Route 1 (Swartz Bay – Tsawwassen) allows travel to the Lower Mainland. The approximate populations from the 2001 census are: Pender 3,000, Saturna 300, Mayne 900 and Galiano 1,100. This route is used by Southern Gulf Island residents to access employment and services on Vancouver Island. Also, there is demand by tourists travelling to the Gulf Islands. In addition, the Federal Government has announced the creation of a new 645 hectare national park which includes, but is not limited to Saturna Island, Pender Island and Mayne Island.

CORE SERVICE LEVELS

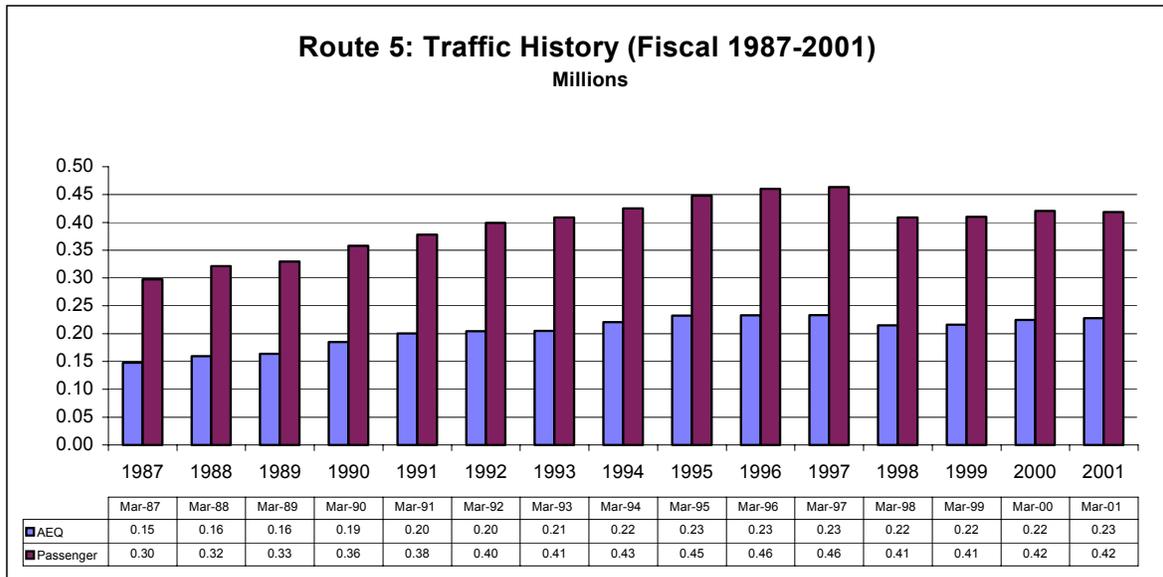
Hours of Operation	Peak	Route 5: 12-14 (varies daily) Route 5A: 12-14 (varies daily)
	Off Peak	Route 5: 12-14 (varies daily) Route 5A: 13-14 (varies daily)
Number of round trips departing from Swartz Bay per day*	Peak	Route 5: 5, (4 on Sun & Holiday Mon) Route 5A: 5, (4 on Saturday)
	Off Peak	Route 5: 6, (4 on Sat/Sun/Hol. Mon), (7 on Fri) Route 5A: 4, 3 (Saturday)
Total Number of Round Trips to be delivered:		3,456

* Service will go to Pender, Mayne, Galiano and Saturna daily. Each sailing may go to one or more of these ports.

ROUTE AND SERVICE DESCRIPTION

Distance	Depends on destination. Nautical miles from Swartz Bay: Pender (7.5), Mayne (11), Galiano (14), Saturna (16)	
Crossing Time	Depends on routing. Direct Swartz Bay to Pender is 40 minutes. Swartz Bay to Galiano with two stops is 2 hours.	
Annual Traffic Fiscal 2001/02	Vehicles	232,842
	Passengers	457,607
	Students	6,112
	Disabled	2,756
	Seniors	69,709
	Medical Travel Assistance Program	6,758

15-YEAR TRAFFIC (HISTORICAL)



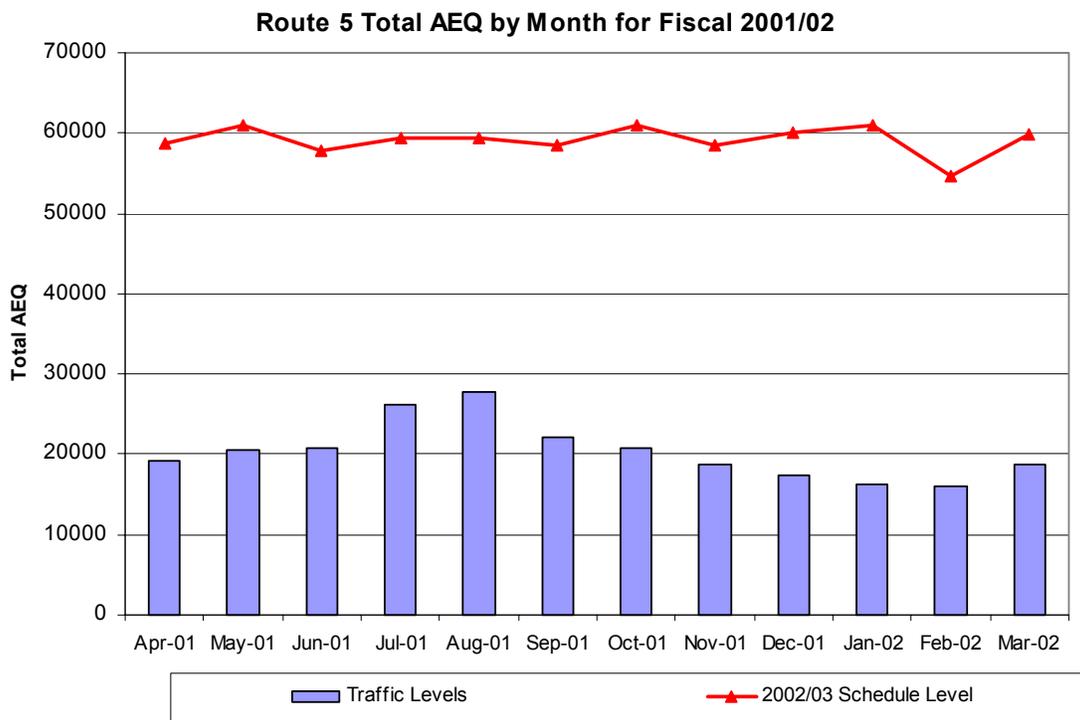
VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Queen of Cumberland*	Mayne Queen*
<i>Silhouette</i>		
<i>Year Built</i>	1992	1965
<i>Retirement Date</i>	2036/2037	2015/2016
<i>Passenger Capacity (maximum)</i>	450	393
<i>Vehicle Capacity (official)</i>	127	70
<i>Crew Size</i>	10-14	7
<i>Onboard Services</i>	Snack Bar, Elevator, Washroom with disabled access	Vending machines, Washroom with disabled access

* Both vessels based at Swartz Bay

Terminal	Sturdies Bay	Village Bay	Otter Bay	Lyll Harbour	Swartz Bay
<i>Location</i>	Galiano Isl.	Mayne Isl.	Pender Isl.	Saturna Isl.	North Saanich
<i>Holding Capacity</i>	95 AEQ	140 AEQ	110 AEQ	None	820 cars
<i>Short Term Parking</i>	None	18 spaces	30 spaces	None	193 car spaces
<i>Long Term Parking</i>	None	None	None	None	657 car spaces
<i>Waiting Room</i>	Yes	Yes	Yes	Yes	Yes
<i>Washrooms</i>	Yes	Yes	Yes	Yes	Yes
<i>Docks</i>	One	Two	One	One	5

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	12%	46%	15%	27%
Spring	27%	26%	30%	17%

RESIDENCY

	Gulf Islands	Vancouver Island	Lower Mainland	Other BC	Outside BC
Summer	28%	42%	14%	2%	14%
Spring	57%	28%	8%	1%	6%

*Note: market research for the winter season is not available.

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 160% from January to August.
- Vehicle Utilization: February 31%, May 36%, August 49%.
- Fluctuates by day with 37% utilization on Saturdays and 25% utilization on Fridays for the *Cumberland*, and 44% utilization on Thursdays and 16% utilization on Sundays for the *Mayne Queen*.
- Fluctuates by time of day with 82% utilization on the 11:30 sailing leaving Otter Bay for Swartz Bay and 3% utilization on the 21:20 leaving Galiano for Swartz Bay. There is generally equal traffic flow between the Southern Gulf Islands and Swartz Bay.

SERVICE ANALYSIS

- Two ships assigned to the routes provide fixed capacity all year.
- Hours of operation are established to meet access needs of residents and tourists.
- Low capacity utilization noted in the winter season on non-commuter legs.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$3.06	\$12.32	(\$9.26)	\$2.05	(\$11.31)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$10.9 million
Fee per Round Trip	\$3,163.09

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.01
Disabled	\$0.00
Seniors	\$0.22
Medical Travel Assistance Program	\$0.09

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$24.75	\$25.75	\$26.75
Peak	\$27.75	\$28.75	\$30.00
Prepaid	\$15.67	\$16.30	\$17.02

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$12.7 million have been identified for Route 5. The major capital issues include upgrades and improvements to the buildings, compound and marine structures at Swartz Bay, Otter Bay, Village Bay and Sturdies Bay.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Vessel Components	<u>\$ 660,000</u>	
	<i>Subtotal</i>		\$ 660,000
Shore Structures	Otter Bay - Compound	\$ 252,000	
	Sturdies Bay - Compound	\$ 50,000	
	Swartz Bay - Compound	\$ 5,463,000	
	Swartz Bay - Buildings	<u>\$ 1,145,000</u>	
	<i>Subtotal</i>		\$ 6,910,000
Marine Structures	Otter Bay - Berth 1	\$ 200,000	
	Sturdies Bay - Berth 1	\$ 1,216,000	
	Swartz Bay - Berth 3	\$ 202,000	
	Swartz Bay - Berth 4	\$ 1,300,000	
	Swartz Bay - Berth 5	\$ 1,450,000	
	Village Bay - Berth 1	<u>\$ 800,000</u>	
	<i>Subtotal</i>		<u>\$ 5,168,000</u>
Total			\$ 12,738,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

Note: In addition to Route 5, Swartz Bay also provides services to Routes 1 and 4. Similarly, Village Bay, Otter Bay and Sturdies Bay provides services to both Routes 5 and 9.

ROUTE 6 – CROFTON TO VESUVIUS BAY



OVERVIEW

Route 6 connects Salt Spring Island (via Vesuvius Bay) with Crofton on Vancouver Island. Salt Spring Island is the largest of the Southern Gulf Islands with a population of approximately 9,400 (2001 census). Route 6 is used by residents to access services and employment on Vancouver Island, and by visitors to access Salt Spring tourist facilities.

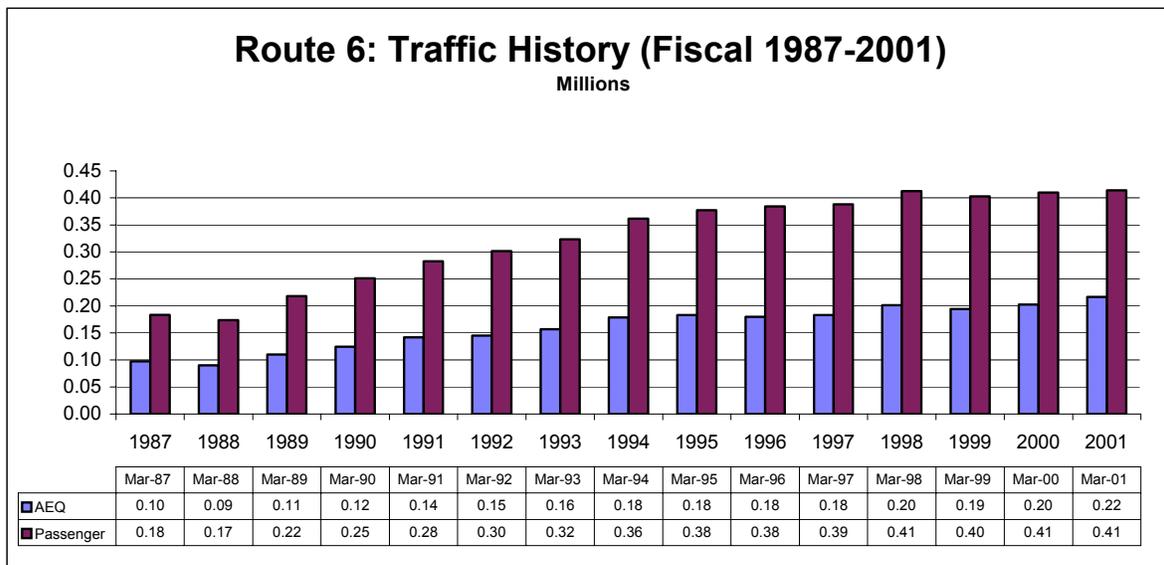
CORE SERVICE LEVELS

Hours of Operation	Peak	14
	Off Peak	14
Number of Round Trips per Day	Peak	14, (13 on Sunday)
	Off Peak	14, (13 on Sunday)
Total Number of Round Trips to be delivered:		5,066

ROUTE AND SERVICE DESCRIPTION

Distance	2.8 nautical miles	
Crossing Time	20 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	214,787
	Passengers	437,435
	Students	17,844
	Disabled	2,836
	Seniors	35,466
	Medical Travel Assistance Program	3,726

15-YEAR TRAFFIC (HISTORICAL)

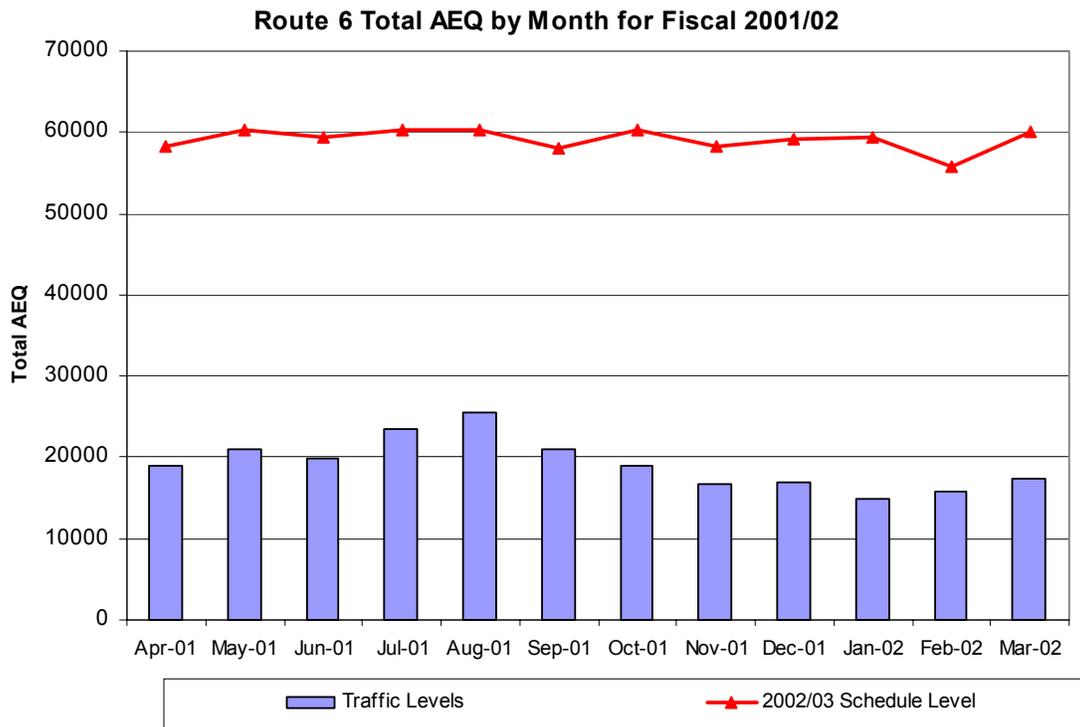


VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Howe Sound Queen
<i>Silhouette</i>	
<i>Year Built</i>	1964
<i>Retirement Date</i>	2012/2013
<i>Passenger Capacity (maximum)</i>	330
<i>Vehicle Capacity (official)</i>	70
<i>Crew Size</i>	6
<i>Onboard Services</i>	None

Terminal	Crofton	Vesuvius
<i>Location</i>	Vancouver Island	Salt Spring Island
<i>Holding Capacity</i>	18AEQ on trestle	70AEQ
<i>Parking</i>	None	5 spaces
<i>Waiting Room</i>	Shelter Only	Shelter Only
<i>Washrooms</i>	None	Portable Toilets
<i>Docks</i>	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	20%	44%	16%	22%
Winter	44%	12%	26%	18%

RESIDENCY

	Salt Spring	Vancouver Island	Lower Mainland	Outside BC	Other
Summer	40%	44%	5%	10%	1%
Winter	58%	38%	3%	1%	0%

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 190% from January to August.
- Vehicle Utilization: February 29%, May 35%, August 42%.
- Fluctuates by day with 33% utilization on Thursdays and 24% utilization on Mondays.
- Fluctuates by time of day with 55% utilization on the 10:00 sailing leaving Vesuvius and 0% utilization on the 23:00 leaving Crofton. There is a general trend of morning commuter demand leaving Salt Spring and afternoon/evening demand returning to Salt Spring.

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization noted on late evening sailings in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$2.46	\$3.16	(\$0.70)	\$0.62	(\$1.32)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$1.4 million
Fee per Round Trip	\$284.94

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.05
Disabled	\$0.00
Seniors	\$0.11
Medical Travel Assistance Program	\$0.05

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$22.50	\$23.25	\$24.25
Peak	\$25.25	\$26.25	\$27.50
Prepaid	\$14.45	\$14.93	\$15.58

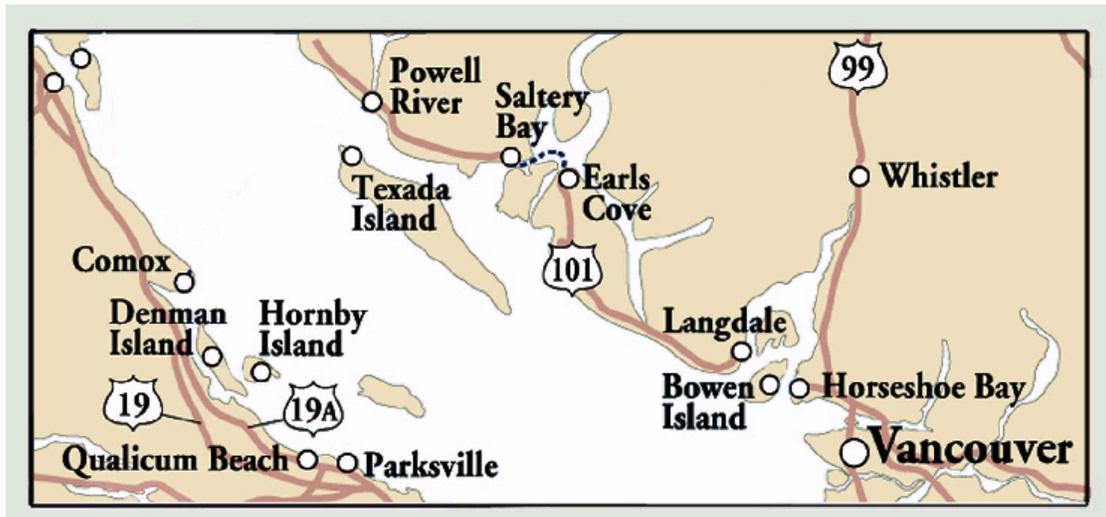
* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

At this time there are no projects in progress or in planning stages. However, over the next 5 years, there is a proposed terminal expansion at Crofton, which is in preliminary planning stages. There is a new standard 110/118 AEQ minor vessel planned for 2012/13.

ROUTE 7 – EARLS COVE TO SALTERY BAY



OVERVIEW

Route 7 connects the Powell River area (2001 population approximately 19,800) with the Sechelt Peninsula and the Lower Mainland via Route 3 (Langdale - Horseshoe Bay). Route 7 is mainly used by residents for local access to employment, and for services on the Lower Mainland. There is a significant increase in vacation travellers in the summer season.

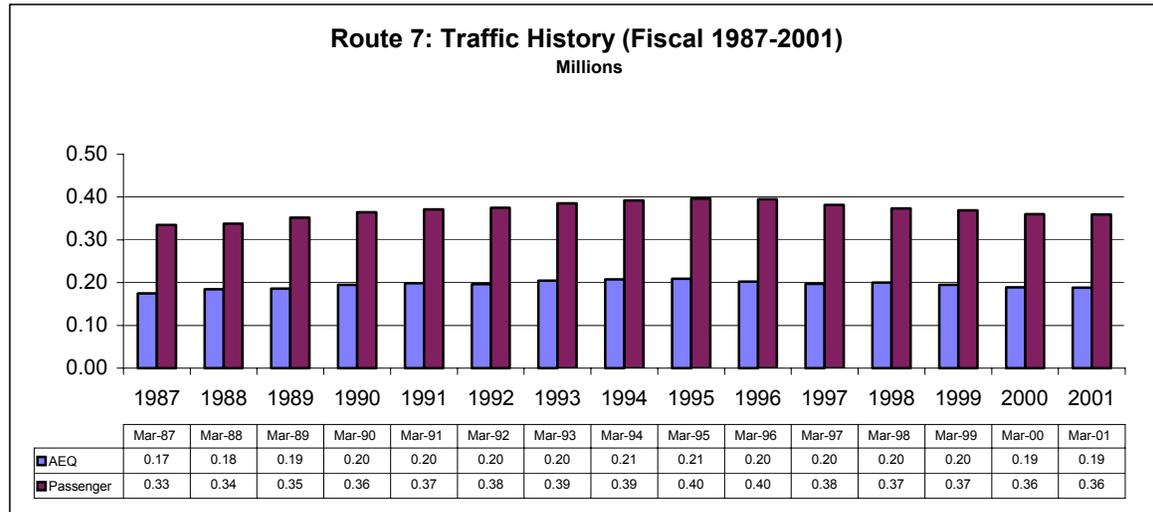
CORE SERVICE LEVELS

Hours of Operation	Peak	14
	Off Peak	15, (13 on Sunday)
Number of Round Trips per Day	Peak	8
	Off Peak	8, (7 on Sunday)
Total Number of Round Trips to be delivered:		2,880

ROUTE AND SERVICE DESCRIPTION

Distance	9.5 nautical miles	
Crossing Time	50 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	170,186
	Passengers	357,345
	Students	2,174
	Disabled	2,206
	Seniors	18,954
	Medical Travel Assistance Program	6,116

15-YEAR TRAFFIC (HISTORICAL)

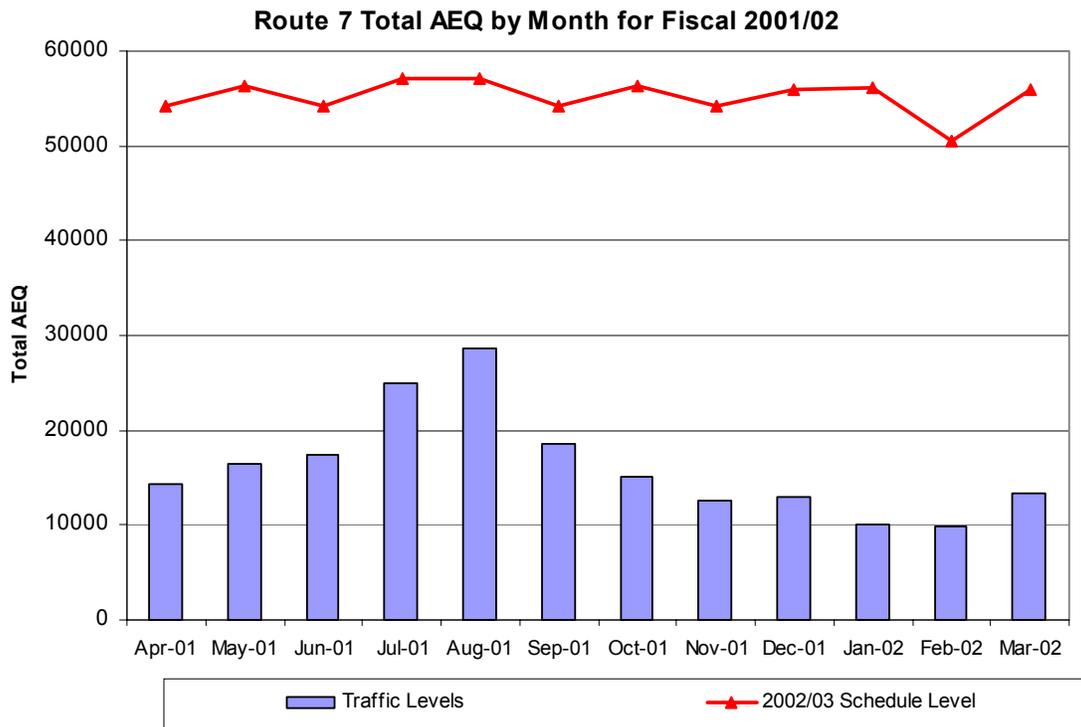


VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Queen of Tsawwassen (summer)	Queen of Chilliwack (winter)
<i>Silhouette</i>		
<i>Year Built</i>	1960	1978
<i>Retirement Date</i>	2006/2007	2008/2009
<i>Passenger Capacity (maximum)</i>	936	389
<i>Vehicle Capacity (official)</i>	138	115
<i>Crew Size</i>	16	11
<i>Onboard Services</i>	Cafeteria, Elevator, Gift shop	Cafeteria, bar, gift shop, coin operated shower facilities and reclining seating in lounge areas

Terminal	Earls Cove	Saltery Bay
<i>Location</i>	Jervis Inlet, Southern Sunshine Coast	Jervis Inlet, Northern Sunshine Coast
<i>Holding Capacity</i>	80 AEQ	200 AEQ
<i>Parking</i>	9 spaces	44 spaces
<i>Waiting Room</i>	Yes	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	Two	Two

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	12%	56%	6%	26%
Winter	40%	16%	14%	30%

RESIDENCY

	Powell River & North	Other Sunshine Coast	Lower Mainland	Other BC	Outside BC
Summer	56%	15%	21%	5%	3%
Winter	80%	6%	12%	2%	

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 270% from January to August.
- Vehicle Utilization: February 20%, May 29%, August 51%.
- Fluctuates by day with 21% utilization on Saturdays and 28% utilization on Sundays.
- Fluctuates by time of day with 52% utilization on the 16:25:00 sailing leaving Earls Cove and 2% utilization on the 21:15 leaving Saltery Bay. There is a general trend of morning demand leaving Powell River and late afternoon demand returning to Powell River.

SERVICE ANALYSIS

- Two ships of similar size are assigned to the route.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization noted on Saturday morning sailings in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$3.99	\$10.35	(\$6.36)	\$1.68	(\$8.04)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$9.4 million
Fee per Round Trip	\$3,257.24

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.00
Disabled	\$0.00
Seniors	\$0.08
Medical Travel Assistance Program	\$0.12

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$30.50	\$31.50	\$32.75
Peak	\$35.75	\$37.00	\$38.75
Prepaid	\$24.24	\$25.04	\$26.14

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$6.6 million have been identified for Route 7. The major capital issues include:

- platform decks will be installed on the Queen of Capilano to increase vehicle capacity from 85 AEQ to 127 AEQ; and
- there are various marine structure replacements and terminal improvement projects identified.

In addition, the Queen of Capilano will be redeployed to replace the retiring Queen of Tsawwassen in 2006/07.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Vessel Components	\$ 2,500,000	
	<i>Subtotal</i>		\$ 2,500,000
Marine Structures	Earls Cove - Berth 1	\$ 500,000	
	Saltery Bay - Berth 1	\$ 3,600,000	
	<i>Subtotal</i>		\$ 4,100,000
Total			\$ 6,600,000

** This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.*

ROUTE 8 – HORSESHOE BAY TO BOWEN ISLAND (SNUG COVE)



OVERVIEW

Route 8 connects Bowen Island with Horseshoe Bay on the Lower Mainland. Bowen Island has a population of approximately 3,000 (2001 census). Route 8 is mainly used by residents to access services and employment on the Lower Mainland, including high school students who commute to West Vancouver.

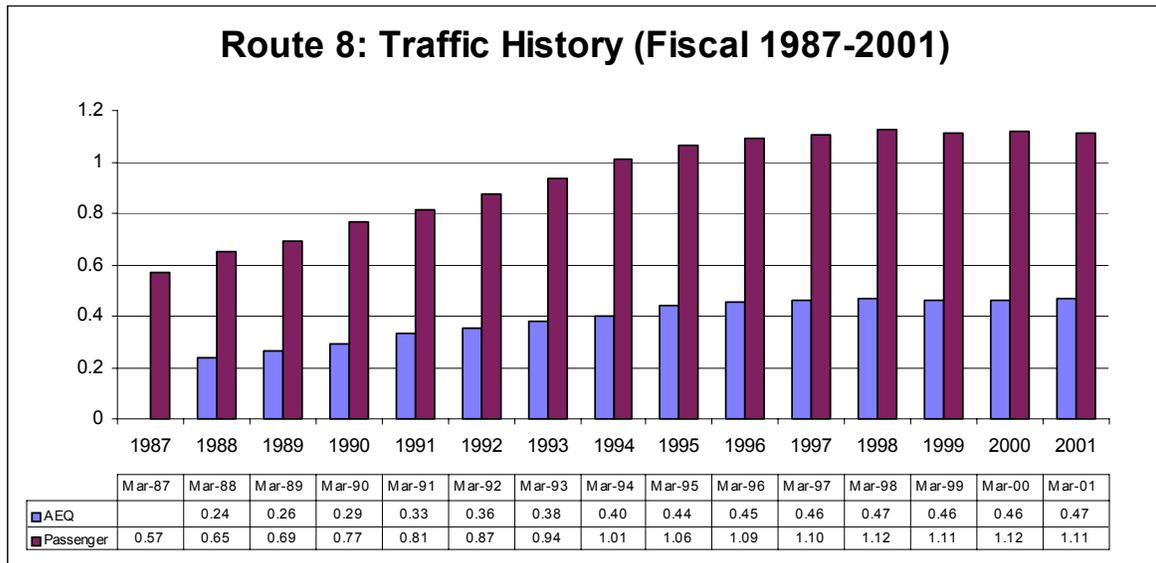
CORE SERVICE LEVELS

Hours of Operation	Peak	16 (Mon- Fri & Sat), 15 (Sunday)
	Off Peak	16 (Mon- Fri & Sat), 15 (Sunday)
Number of Round Trips per Day	Peak	15.5 (Mon – Fri), 15 (Sun), 14.5 (Sat)
	Off Peak	15.5 (Mon – Fri), 15 (Sun), 14.5 (Sat)
Total Number of Round Trips to be delivered:		5,569

ROUTE AND SERVICE DESCRIPTION

Distance	3 nautical miles	
Crossing Time	20 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	478,536
	Passengers	1,139,321
	Students	105,252
	Disabled	4,288
	Seniors	49,532
	Medical Travel Assistance Program	1,956

15-YEAR TRAFFIC (HISTORICAL)

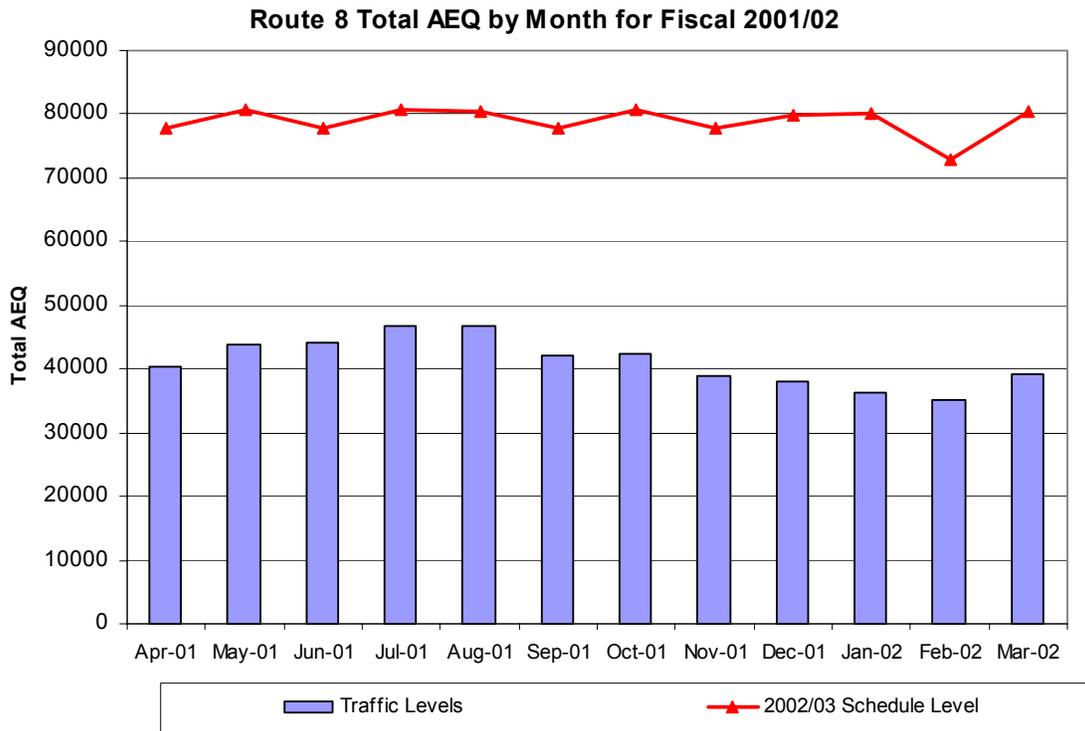


VESSEL AND TERMINAL DESCRIPTION

Vessel	Queen of Capilano
<i>Silhouette</i>	
<i>Year Built</i>	1991
<i>Retirement Date</i>	2035/2036
<i>Passenger Capacity (maximum)</i>	445
<i>Vehicle Capacity (official)</i>	85
<i>Crew Size</i>	10-14
<i>Onboard Services</i>	Snack Bar, Elevator

Terminal	Snug Cove	Horseshoe Bay
<i>Location</i>	Bowen Island	West Vancouver
<i>Holding Capacity</i>	None (queue on road right-of-way)	1,265 cars
<i>Short Term Parking</i>	None	140 car spaces
<i>Long Term Parking</i>	None	466 car spaces
<i>Waiting Room</i>	Shelter Only	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	One	3

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	49%	24%	12%	15%
Winter	63%	13%	16%	8%

RESIDENCY

	Bowen Island	North & West Vancouver	Other Greater Vancouver	Other BC	Outside BC
Summer	56%	15%	21%	5%	3%
Winter	80%	6%	12%	2%	0%

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 130% from January to August.
- Vehicle Utilization: February 44%, May 50%, August 53%.
- Fluctuates by day with 53% utilization on Thursdays and 36% utilization on Sundays.
- Fluctuates by time of day with 96% utilization on the 17:35:00 sailing leaving Horseshoe Bay and 3% utilization on the 6:10 leaving Horseshoe Bay. There is a general trend of strong morning commuter demand leaving Bowen and late afternoon demand returning to Bowen.

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization noted on weekend morning sailings in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$4.66	\$8.02	(\$3.37)	\$1.27	(\$4.64)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$5.2 million
Fee per Round Trip	\$929.35

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.28
Disabled	\$0.01
Seniors	\$0.15
Medical Travel Assistance Program	\$0.02

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$21.50	\$22.25	\$23.25
Peak	\$24.00	\$25.00	\$26.00
Prepaid	\$12.27	\$12.70	\$13.25

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$36.0 million have been identified for Route 8. One of the major capital issues is the construction of a new 118 AEQ standard minor vessel in 2003/2004 to replace the Queen of Capilano which will be re-deployed to Route 7 (Jervis Inlet – Sunshine Coast).

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	New Vessel	<u>\$ 27,300,000</u>	
	<i>Subtotal</i>		\$ 27,300,000
Marine Structures	Horseshoe Bay - Berth 1	\$ 1,256,000	
	Horseshoe Bay - Berth 2	\$ 2,393,000	
	Horseshoe Bay - Berth 3	\$ 4,700,000	
	Snug Cove - Berth 1	<u>\$ 350,000</u>	
	<i>Subtotal</i>		<u>\$ 8,699,000</u>
Total			\$ 35,999,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

Note: In addition to Route 8, Horseshoe Bay also provides services to Route 2 and 3.

ROUTE 9 – TSAWWASSEN TO SOUTHERN GULF ISLANDS



OVERVIEW

Route 9 (which includes Route 9A) connects Salt Spring Island (via Long Harbour) with Tsawwassen on the Lower Mainland. Connections are also made with Galiano, Mayne and Pender Islands. Transfers from Saturna Island at Mayne allow Saturna residents to travel to the Lower Mainland without going through Swartz Bay. The approximate populations from the 2001 census are: Salt Spring 9,400, Galiano 1,100, Mayne 900, Pender 3,000 and Saturna 300. Approximately half the traffic is derived from Salt Spring with the other half distributed amongst the other islands. A small group of customers regularly commute to the Lower Mainland for employment.

In the summer period there is a supplementary service with the Bowen Queen that sails directly between Tsawwassen and Long Harbour five days a week.

CORE SERVICE LEVELS

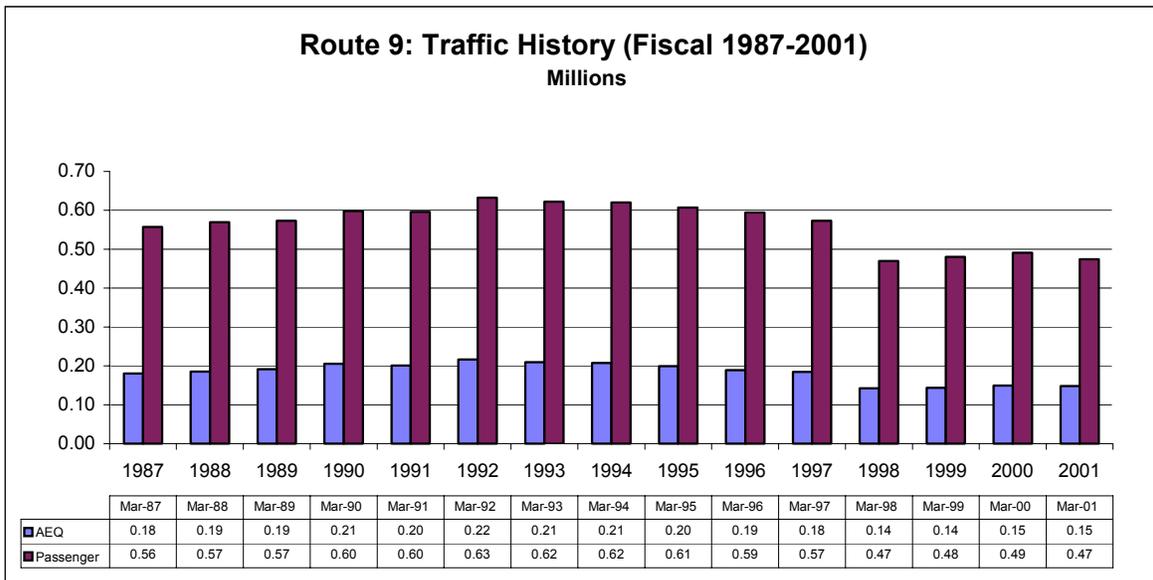
Hours of Operation	Peak	Route 9: 7-9 (varies daily) Route 9A: 3-4 (varies daily)
	Off Peak	Route 9: 7-10 (varies daily) Route 9A: None
Number of round trips departing from Long Harbour – Rt 9 or Tsawwassen – Rt 9A per day*	Peak	Route 9 & 9A: 2
	Off Peak	Route 9: 2
Total Number of Round Trips to be delivered:		3,456

* Service from Tsawwassen or Long Harbour will go to Pender, Mayne and Galiano daily. Each sailing may go to one or more of these ports.

ROUTE AND SERVICE DESCRIPTION

Distance	Depends on destination. Nautical miles from Tsawwassen: Long Harbour (18), Pender (18), Mayne (14), Galiano (11)	
Crossing Time	Depends on routing. Direct Galiano to Tsawwassen is 50 minutes. Long Harbour to Tsawwassen with 3 stops is 3 hours.	
Annual Traffic Fiscal 2001/02	Vehicles	160,462
	Passengers	490,596
	Students	2,973
	Disabled	2,261
	Seniors	27,322
	Medical Travel Assistance Program	1,913

15-YEAR TRAFFIC (HISTORICAL)



VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Queen of Nanaimo*	Bowen Queen ^
<i>Silhouette</i>		
<i>Year Built</i>	1964	1965
<i>Retirement Date</i>	2005/2006**	2014/2015
<i>Passenger Capacity (maximum)</i>	1183	393
<i>Vehicle Capacity (official)</i>	192	70
<i>Crew Size</i>	33	7
<i>Onboard Services</i>	Snack Bar, Cafeteria, Gift Shop, Elevator	Snack Bar

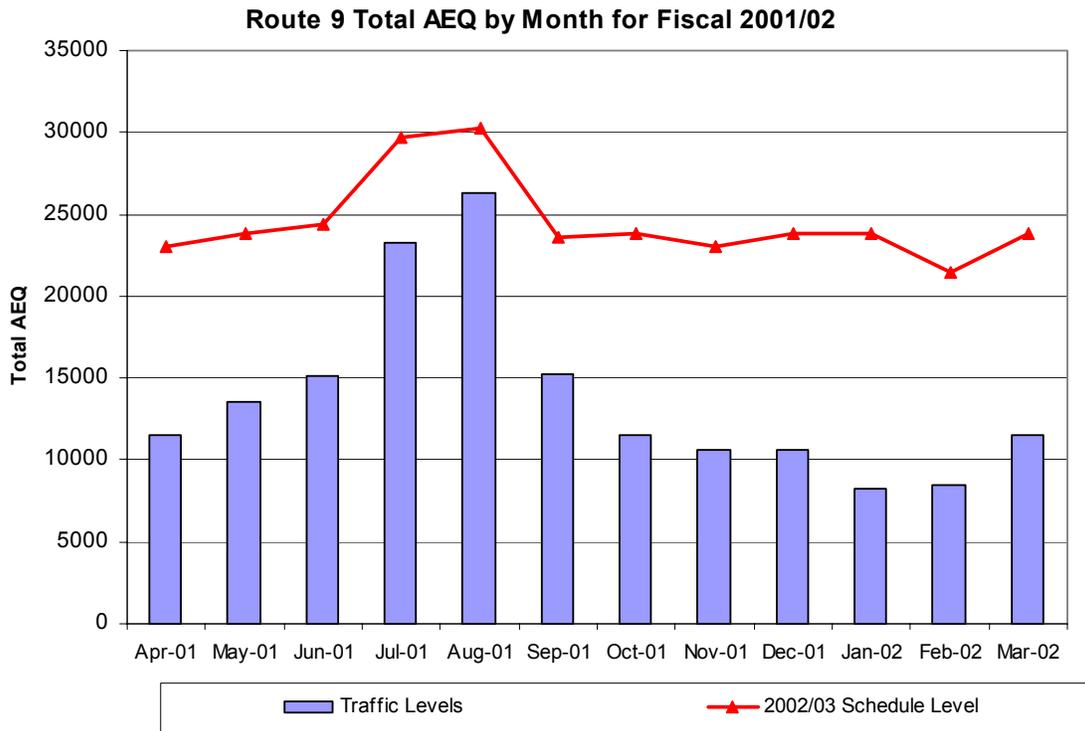
* Queen of Nanaimo is based at Long Harbour, Salt Spring

^ Bowen Queen is based at Tsawwassen

** The retirement date is under review

Terminal	Sturdies Bay	Village Bay	Otter Bay	Long Harbour	Tsawwassen
<i>Location</i>	Galiano Isl.	Mayne Isl.	Pender Isl.	Salt Spring Isl.	Delta
<i>Holding Capacity</i>	95 AEQ	140 AEQ	110 AEQ	85 AEQ	2,000 cars
<i>Short Term Parking</i>	None	18 spaces	30 spaces	30 spaces	240 car spaces
<i>Long Term Parking</i>	None	None	None	None	1,100 car spaces
<i>Waiting Room</i>	Yes	Yes	Yes	Yes	Yes
<i>Washrooms</i>	Yes	Yes	Yes	Yes	Yes
<i>Docks</i>	One	One	One	One	5

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	8%	62%	6%	24%
Winter	28%	30%	12%	30%

RESIDENCY

	Gulf Islands	Lower Mainland	Vancouver Island	Other BC	Outside BC
Summer	20%	59%	2%	2%	17%
Winter	49%	47%	1%	1%	2%

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 330% from January to August.
- Vehicle Utilization: February 36%, May 52%, August 82%.
- Fluctuates by day with 79% utilization on Fridays and 50% utilization on Tuesdays
- Fluctuates by time of day with 61% utilization on the 6:30 sailing leaving Long Harbour and 33% utilization on the 19:10 leaving Tsawwassen. There is generally equal traffic flow to and from the Lower Mainland.

SERVICE ANALYSIS

- Summer demand is met with supplementary service from a second ship.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization noted on Tuesdays and Wednesdays in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$8.12	\$15.26	(\$7.14)	\$3.75	(\$10.89)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$6.9 million
Fee per Round Trip	\$8,268.98

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.00
Disabled	\$0.00
Seniors	\$0.14
Medical Travel Assistance Program	\$0.06

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

Tsawwassen to Southern Gulf Islands**	November 2002	December 2002	November 2003***
Low	\$36.00	\$41.00	\$43.00
Peak	\$44.50	\$46.50	\$48.50
Southern Gulf Islands to Tsawwassen			
Low	\$18.75	\$15.50	\$16.25
Peak	\$23.25	\$23.25	\$24.25

* One-way fare

** Tsawwassen to Southern Gulf Islands fare is higher in one direction to allow for travel via Swartz Bay.

*** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$32.0 million have been identified for Route 9. The major capital issues include:

- the replacement of marine structures in Berth 2 at Tsawwassen;
- the replacement of marine structures (wingwalls) at Otter Bay;
- the replacement of marine structures (ramp and towers) at Sturdies Bay; and
- the need to upgrade marine structures at Tsawwassen as well as some additional marine structures in the Southern Gulf Island terminals.

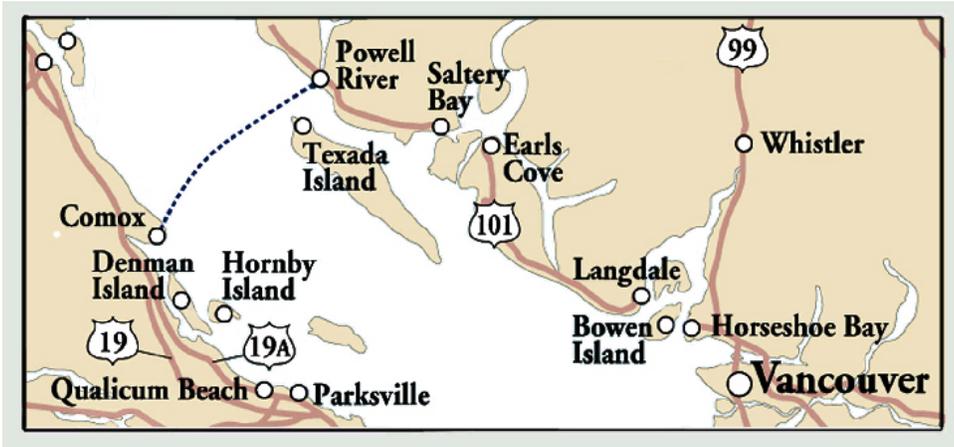
The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Vessel Components	\$ 2,924,000	
	<i>Subtotal</i>		\$ 2,924,000
Shore Structures	Otter Bay - Compound	\$ 252,000	
	Sturdies Bay - Compound	\$ 50,000	
	Tsawwassen - Buildings	\$ 2,500,000	
	<i>Subtotal</i>		\$ 2,802,000
Marine Structures	Otter Bay - Berth 1	\$ 200,000	
	Sturdies Bay - Berth 1	\$ 1,216,000	
	Tsawwassen - Berth 1	\$ 4,503,000	
	Tsawwassen - Berth 2	\$ 10,103,000	
	Tsawwassen - Berth 3	\$ 3,646,000	
	Tsawwassen - Berth 4	\$ 5,800,000	
	Village Bay - Berth 1	\$ 800,000	
	<i>Subtotal</i>		\$ 26,268,000
Total			\$ 31,994,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

Note: In addition to Route 9, Tsawwassen also provides service to Routes 1 and 30. Similarly, Village Bay, Otter Bay and Sturdies Bay provides service to both Routes 5 and 9.

ROUTE 17 – COMOX (LITTLE RIVER) TO POWELL RIVER (WESTVIEW)



OVERVIEW

Route 17 connects the Powell River area (2001 population approximately 19,800) with the Comox/Courtenay area on Vancouver Island (2001 population approximately 60,500). Over the last five years there has been growth on Route 17, which may indicate a growing trend for Powell River residents to seek goods and services on Vancouver Island rather than on the Lower Mainland.

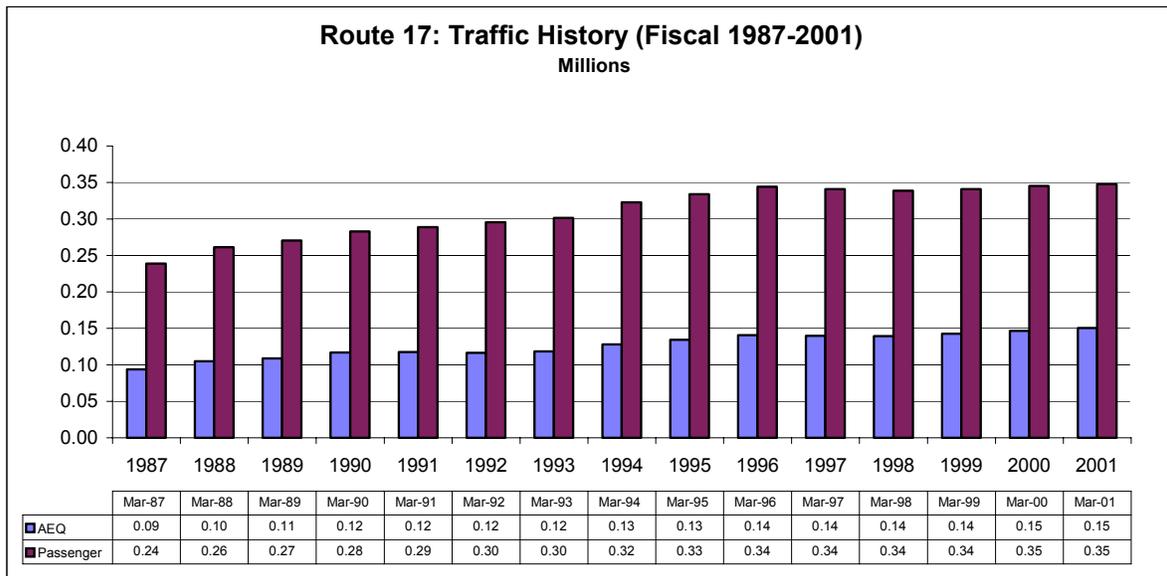
CORE SERVICE LEVELS

Hours of Operation	Peak	12
	Off Peak	12
Number of Round Trips per Day	Peak	4
	Off Peak	4
Total Number of Round Trips to be delivered:		1,462

ROUTE AND SERVICE DESCRIPTION

Distance	17 nautical miles	
Crossing Time	1 hour 15 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	145,444
	Passengers	365,120
	Students	5,949
	Disabled	2,063
	Seniors	20,656
	Medical Travel Assistance Program	9,327

15-YEAR TRAFFIC (HISTORICAL)

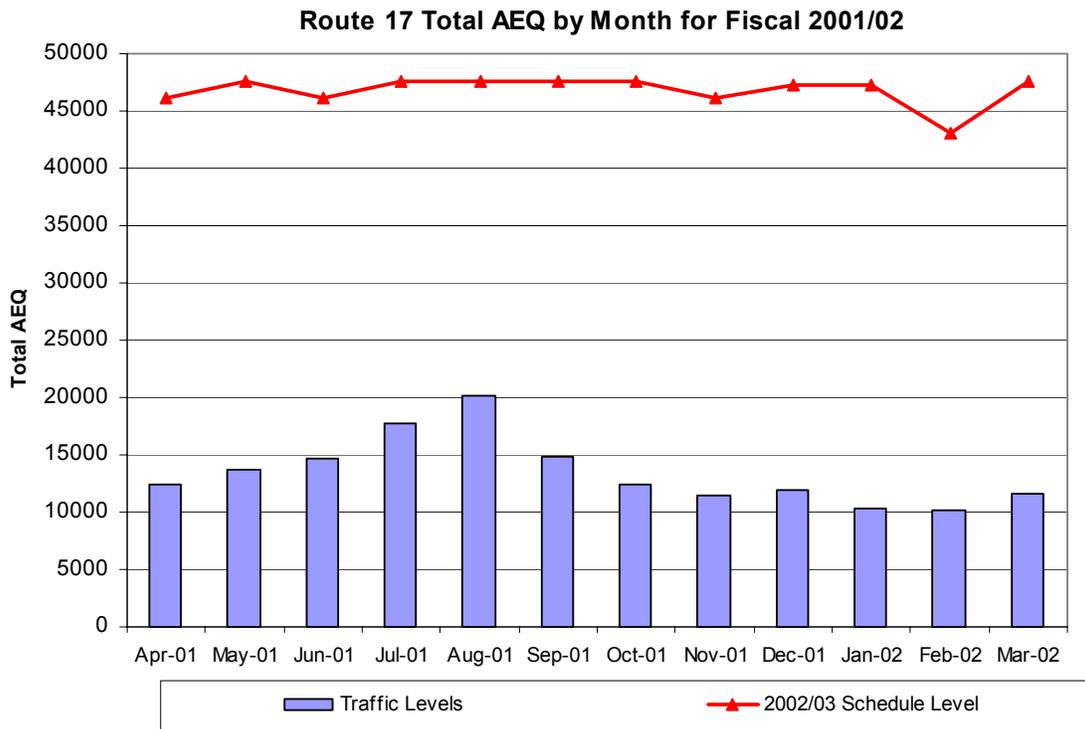


VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Queen of Burnaby
<i>Silhouette</i>	
<i>Year Built</i>	1964
<i>Retirement Date</i>	2016/2017
<i>Passenger Capacity (maximum)</i>	1,183
<i>Vehicle Capacity (official)</i>	192
<i>Crew Size</i>	17-33
<i>Onboard Services</i>	Snack Bar, Cafeteria, Elevator, Gift Shop

Terminal	Little River	Westview
<i>Location</i>	Comox	Powell River
<i>Holding Capacity</i>	117 AEQ	127 AEQ
<i>Parking</i>	114 spaces	None
<i>Waiting Room</i>	Yes	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	22%	46%	8%	24%
Winter	40%	16%	17%	27%

RESIDENCY

	Powell River & North	Comox Valley	Other Vancouver Island	Other BC	Outside BC
Summer	32%	11%	28%	17%	12%
Winter	49%	14%	27%	9%	1%

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 210% from January to August.
- Vehicle Utilization: February 24%, May 29%, August 42%.
- Fluctuates by day with 30% utilization on Fridays and 20% utilization on Saturdays.
- Fluctuates by time of day with 33% utilization on the 8:00 sailing leaving Powell River and 4% utilization on the 20:45 leaving Powell River. There is a general trend of morning demand leaving Powell River and late afternoon demand returning to Powell River.

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.
- Hours of operation are established to meet access needs of residents.
- The vessel is over-sized for the traffic requirements on the route. The previous vessel on the route, the *Queen of Sidney* (now retired), had approximately 30% less vehicle capacity.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$5.81	\$10.97	(\$5.16)	\$2.15	(\$7.30)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$6.3 million
Fee per Round Trip	\$4,301.63

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.02
Disabled	\$0.01
Seniors	\$0.16
Medical Travel Assistance Program	\$0.33

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$29.00	\$30.00	\$31.25
Peak	\$32.50	\$33.75	\$35.25
Prepaid	\$24.24	\$25.05	\$26.14

* One-way fare

** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$34.9 million have been identified for Route 17. One of the major capital issues is the construction of a new 185 AEQ standard intermediate vessel to replace the Queen of Burnaby.

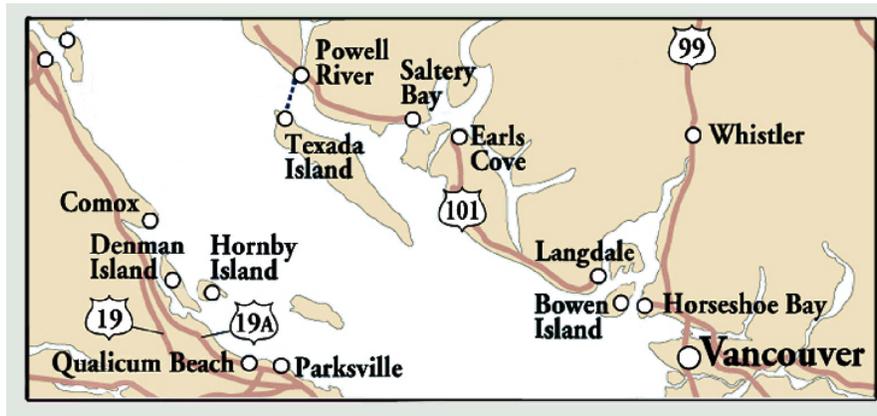
The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	New Vessel	<u>\$ 32,900,000</u>	
	<i>Subtotal</i>		\$ 32,900,000
Shore Structures	Little River - Compound	<u>\$ 250,000</u>	
	<i>Subtotal</i>		\$ 250,000
Marine Structures	Westview - Berth 1	<u>\$ 1,800,000</u>	
	<i>Subtotal</i>		\$ 1,800,000
Total			\$ 34,950,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

Note: In addition to Route 17, Westview also provides service to Route 18.

ROUTE 18 – POWELL RIVER (WESTVIEW) TO TEXADA ISLAND (BLUBBER BAY)



OVERVIEW

Route 18 connects Texada Island (2001 population approximately 1,200) with Powell River (2001 population approximately 19,800). Route 18 is used by Texada residents to access employment and services in Powell River, including students who commute to high school. Also, some Powell River residents work on Texada. In the summer season, tourism increases.

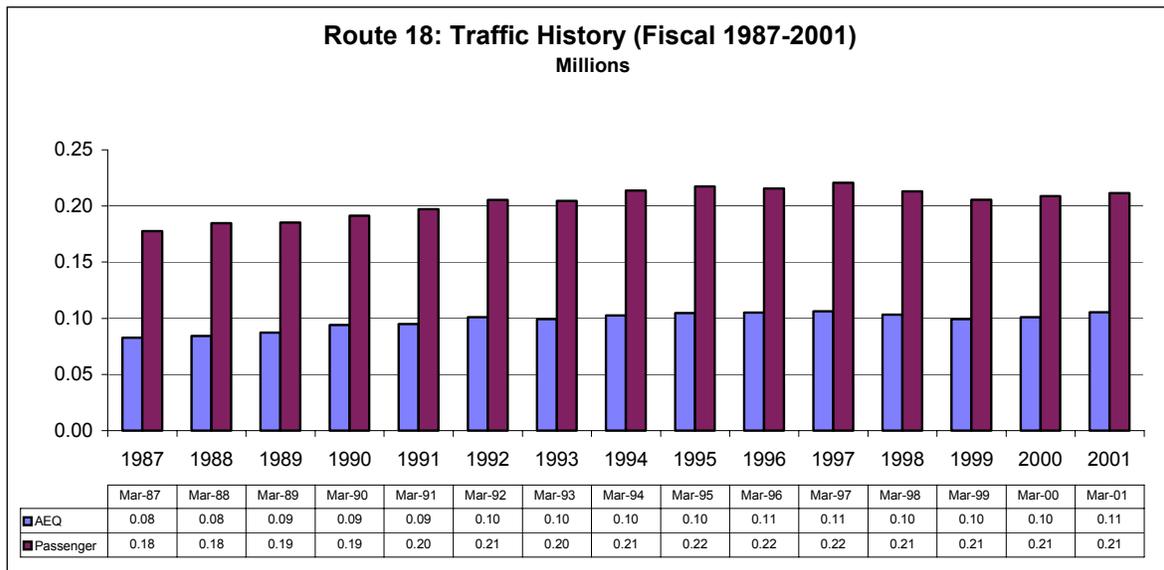
CORE SERVICE LEVELS

Hours of Operation	Peak	15
	Off Peak	15
Number of Round Trips per Day	Peak	10
	Off Peak	10
Total Number of Round Trips to be delivered:		3,648

ROUTE AND SERVICE DESCRIPTION

Distance	4.7 nautical miles	
Crossing Time	35 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	105,825
	Passengers	220,900
	Students	19,086
	Disabled	832
	Seniors	14,700
	Medical Travel Assistance Program	2,344

15-YEAR TRAFFIC (HISTORICAL)

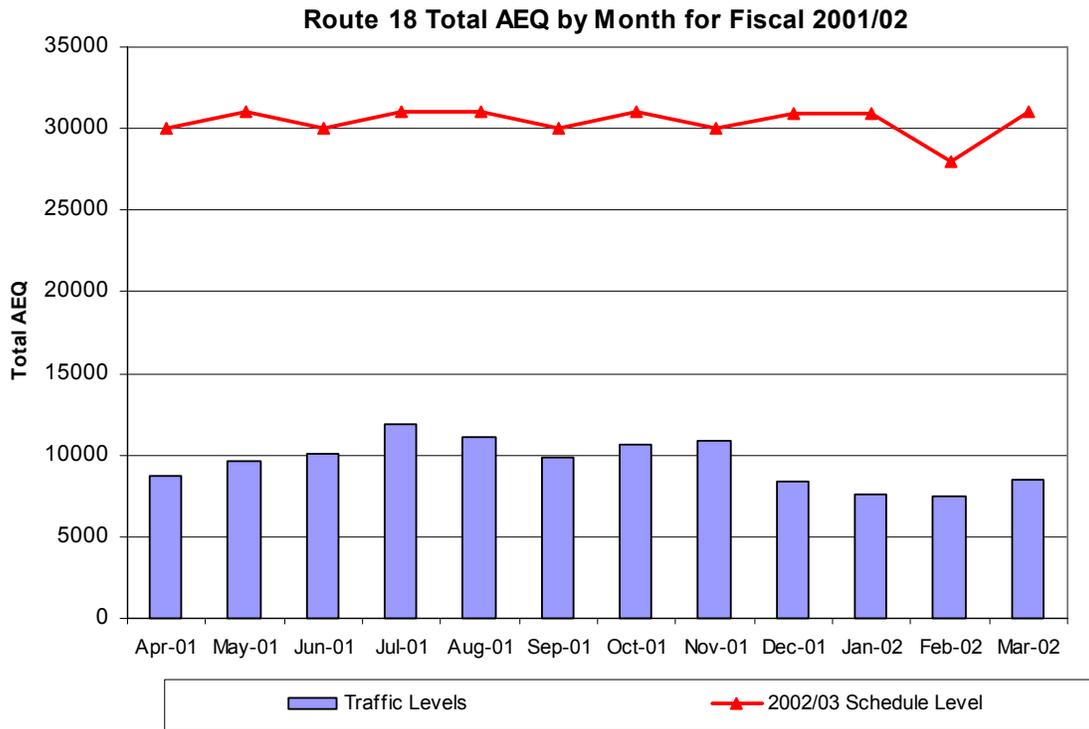


VESSEL AND TERMINAL DESCRIPTIONS

Vessel	North Island Princess
<i>Silhouette</i>	
<i>Year Built</i>	1958
<i>Retirement Date</i>	2005/2006
<i>Passenger Capacity (maximum)</i>	293
<i>Vehicle Capacity (official)</i>	49
<i>Crew Size</i>	7
<i>Onboard Services</i>	Elevator, Vending

Terminal	Westview	Blubber Bay
<i>Location</i>	Powell River	Texada Island
<i>Holding Capacity</i>	127 AEQ	45 AEQ (on road)
<i>Parking</i>	None	None
<i>Waiting Room</i>	Yes	Shelter only
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	22%	37%	26%	15%
Winter	36%	14%	33%	17%

RESIDENCY

	Texada Island	Powell River & North	Other Sunshine Coast	Other BC	Outside BC
Summer	43%	30%	4%	22%	1%
Winter	61%	30%	3%	6%	

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 140% from January to August.
- Vehicle Utilization: February 27%, May 31%, August 36%.
- Fluctuates by day with 34% utilization on Thursdays and 16% utilization on Sundays.
- Fluctuates by time of day with 72% utilization on the 15:00 sailing leaving Texada and 3% utilization on the 22:10 leaving Texada. There is a general trend of morning demand leaving Texada and late afternoon demand returning to Texada.

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization on Sundays in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$0.90	\$4.46	(\$3.56)	\$0.38	(\$3.94)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$3.2 million
Fee per Round Trip	\$889.66

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.05
Disabled	\$0.00
Seniors	\$0.04
Medical Travel Assistance Program	\$0.02

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003
Low	\$17.00	\$17.75	\$18.50
Peak	\$18.75	\$19.50	\$20.25
Prepaid	\$10.10	\$10.54	\$11.01

* Round-trip fare

MAJOR CAPITAL ISSUES

Over the next five years, projects with a value of \$16.0 million have been identified for Route 18. The major capital issue includes the possibility of life-extending the North Island Princess (originally built in 1958, then converted to catamaran, lengthened and raised in 1971) or constructing a new 60 AEQ standard minor vessel in 2005/2006.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

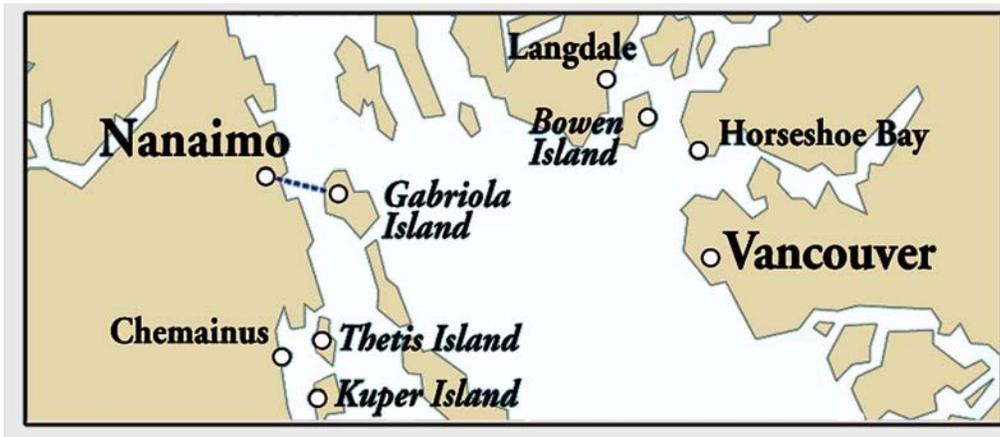
Vessels	New Vessel	\$ 14,200,000	
	<i>Subtotal</i>		\$ 14,200,000
Marine Structures	Westview - Berth 1	\$ 1,800,000	
	<i>Subtotal</i>		\$ 1,800,000
Total			\$ 16,000,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

Note 1: There is a possibility to life-extend the North Island Princess (estimated capital cost of \$2.8 million), which would defer the replacement of the new vessel for Route 18.

Note 2: In addition to Route 18, Westview also provides service to Route 17.

ROUTE 19 – NANAIMO HARBOUR TO GABRIOLA ISLAND (DESCANSO BAY)



OVERVIEW

Route 19 connects Gabriola Island (2001 population approximately 3,500) with Nanaimo (2001 population approximately 109,000). Route 19 is used by Gabriola residents to access employment and services in Nanaimo, including students who commute to high school. Approximately 16 percent of passengers are foot passengers who travel by foot or by bus once in Nanaimo.

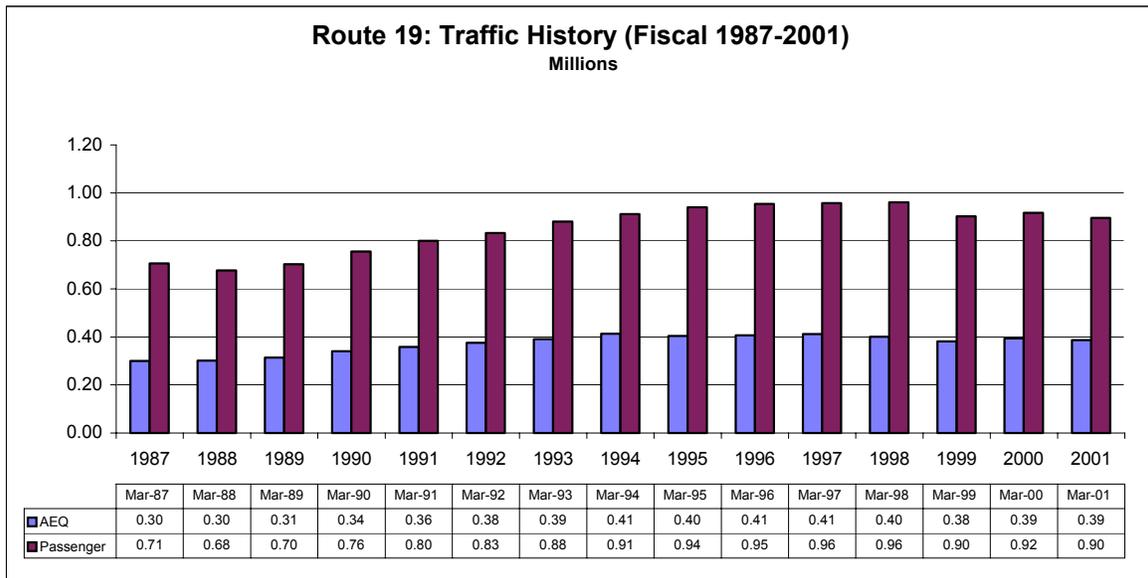
CORE SERVICE LEVELS

Hours of Operation	Peak	16
	Off Peak	16
Number of Round Trips per Day	Peak	16, (15 on Wednesday & Sunday)
	Off Peak	16, (15 on Wednesday & Sunday)
Total Number of Round Trips to be delivered:		5,732

ROUTE AND SERVICE DESCRIPTION

Distance	2.8 nautical miles	
Crossing Time	20 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	390,900
	Passengers	896,846
	Students	81,058
	Disabled	7,176
	Seniors	64,662
	Medical Travel Assistance Program	1,406

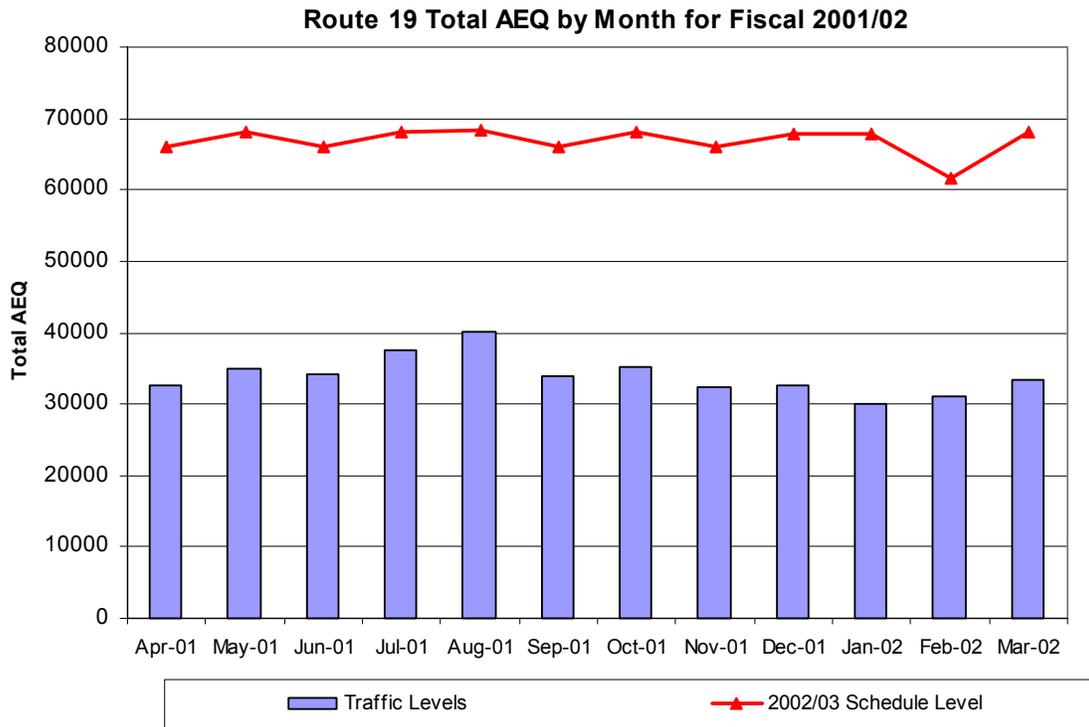
15-YEAR TRAFFIC (HISTORICAL)



VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Quinsam	
<i>Silhouette</i>		
<i>Year Built</i>	1982	
<i>Retirement Date</i>	2027/2028	
<i>Passenger Capacity (maximum)</i>	400	
<i>Vehicle Capacity (official)</i>	70	
<i>Crew Size</i>	7	
<i>Onboard Services</i>	Vending Machine	
Terminal	Nanaimo Harbour	Descanso Bay
<i>Location</i>	Vancouver Island	Gabriola Island
<i>Holding Capacity</i>	80 AEQ	75 AEQ (on road)
<i>Parking</i>	18 spaces	35 spaces
<i>Waiting Room</i>	Yes	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	35%	22%	25%	18%
Winter	46%	10%	28%	16%

RESIDENCY

	Gabriola Island	Nanaimo	Southern Vancouver Island	Lower Mainland	Other BC and Canada
Summer	54%	13%	4%	5%	24%
Winter	74%	11%	4%		11%

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 140% from January to August.
- Vehicle Utilization: February 50%, May 51%, August 59%.
- Fluctuates by day with 56% utilization on Thursdays and 37% utilization on Sundays.
- Fluctuates by time of day with 100% utilization on the 15:45 sailing leaving Nanaimo and 4% utilization on the 22:25 leaving Gabriola. There is a strong trend of morning demand leaving Gabriola and late afternoon demand returning to Gabriola.

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization on Saturdays and Sundays in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$2.89	\$5.28	(\$2.39)	\$0.92	(\$3.31)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$2.5 million
Fee per Round Trip	\$444.67

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.20
Disabled	\$0.01
Seniors	\$0.17
Medical Travel Assistance Program	\$0.01

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$17.00	\$17.75	\$18.50
Peak	\$18.75	\$19.50	\$20.25
Prepaid	\$9.28	\$9.69	\$10.12

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

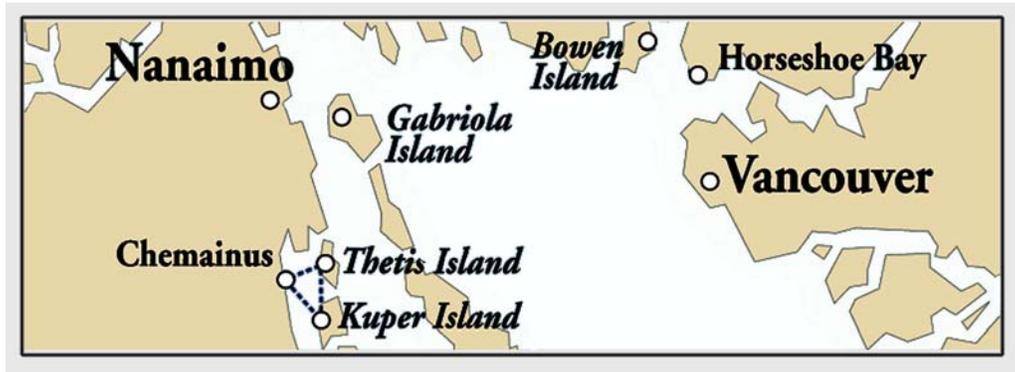
Over the next five years, one project with a value of \$150,000 has been identified for Route 19. However, a proposed terminal reconfiguration and berth re-alignment at Nanaimo Harbour have been identified and are in preliminary planning stages.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Marine Structures	Gabriola - Berth 1	\$ 150,000
	<i>Subtotal</i>	\$ 150,000
Total		\$ 150,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

ROUTE 20 – CHEMAINUS – THETIS ISLAND – KUPER ISLAND



OVERVIEW

Route 20 connects Thetis Island (2001 population approximately 350) and Kuper Island (2001 population approximately 300) with Chemainus (2001 population approximately 560) on Vancouver Island. Kuper Island is home to the Penelakut First Nation. Route 20 is used by Thetis and Kuper residents to access employment and services on Vancouver Island, including Thetis students who commute to high school. In the summer season, tourism increases on Thetis Island.

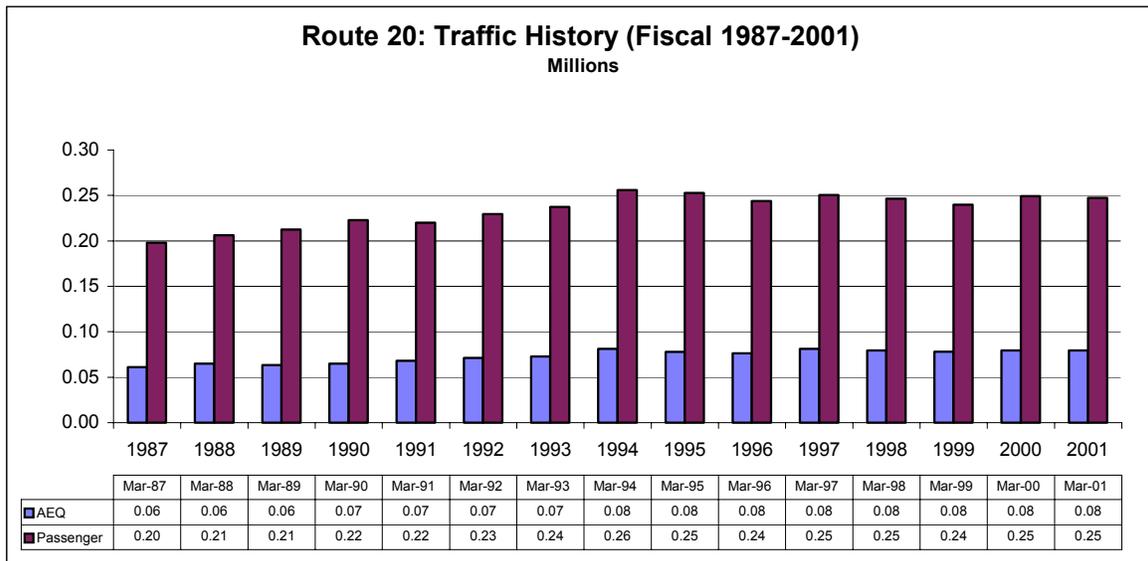
CORE SERVICE LEVELS

Hours of Operation	Peak	13 - 16 (varies daily)
	Off Peak	13 - 16 (varies daily)
Number of round trips departing from Thetis Island per day	Peak	11, (10 on Sunday), (12 on Friday)
	Off Peak	11, (10 on Sunday), (12 on Friday)
Total Number of Round Trips to be delivered:		4,013

ROUTE AND SERVICE DESCRIPTION

Distance	8.5 nautical miles for a round trip to all ports	
Crossing Time	55 minutes for a round trip to all ports	
Annual Traffic Fiscal 2001/02	Vehicles	74,375
	Passengers	238,846
	Students	26,958
	Disabled	1,992
	Seniors	11,990
	Medical Travel Assistance Program	22

15-YEAR TRAFFIC (HISTORICAL)

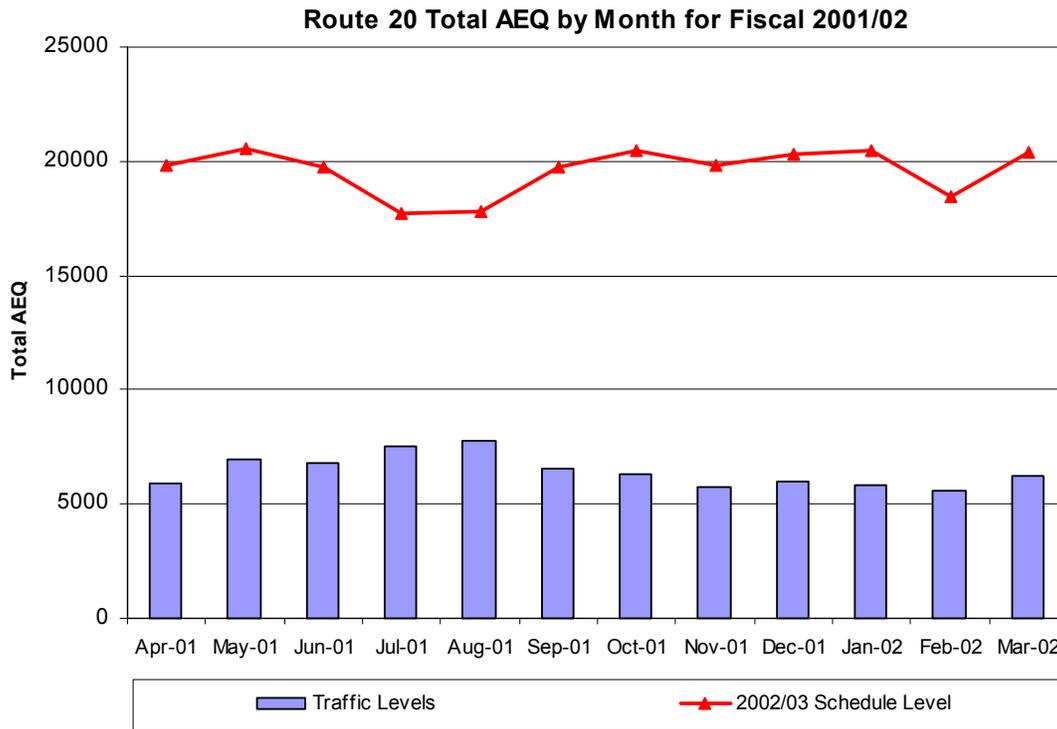


VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Klitsa (Summer Vessel)	Kahloke (Winter Vessel)
<i>Silhouette</i>		
<i>Year Built</i>	1972	1973
<i>Retirement Date</i>	2017/2018	2019/2020
<i>Passenger Capacity (maximum)</i>	195	195
<i>Vehicle Capacity (official)</i>	26	30
<i>Crew Size</i>	5	5
<i>Onboard Services</i>	None	None

Terminal	Chemainus	Thetis	Kuper
<i>Location</i>	Vancouver Island	Thetis Island	Kuper Island
<i>Holding Capacity</i>	35 AEQ	None (queue on road right-of-way)	None (queue on road right-of-way)
<i>Parking</i>	15 Spaces	None	None
<i>Waiting Room</i>	Yes	Shelter Only	Shelter Only
<i>Washrooms</i>	Yes	Portable Toilets	None
<i>Docks</i>	One	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	19%	45%	20%	16%
Winter	32%	27%	25%	16%

RESIDENCY

	Thetis/Kuper	Chemainus	Other Vancouver Island	Lower Mainland	Other BC and Canada
Summer	41%	8%	24%	13%	13%
Winter	46%	7%	26%	13%	7%

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 140% from January to August.
- Vehicle Utilization: February 32%, May 36%, August 40%.
- Fluctuates by day with 41% utilization on Thursdays and 23% utilization on Saturdays.
- Fluctuates by time of day with 88% utilization on the 16:55 sailing leaving Chemainus and 4% utilization on the 20:00 leaving Thetis. There is a general trend of morning demand leaving Thetis and Kuper, and late afternoon demand returning to the islands.

SERVICE ANALYSIS

- Both ships assigned to the route provides similar capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization on Saturdays and Sundays in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$0.68	\$3.15	(\$2.47)	\$0.26	(\$2.73)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$2.5 million
Fee per Round Trip	\$618.87

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.06
Disabled	\$0.00
Seniors	\$0.03
Medical Travel Assistance Program	\$0.00

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$17.00	\$17.75	\$18.50
Peak	\$18.75	\$19.50	\$20.25
Prepaid	\$9.28	\$9.69	\$10.12

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

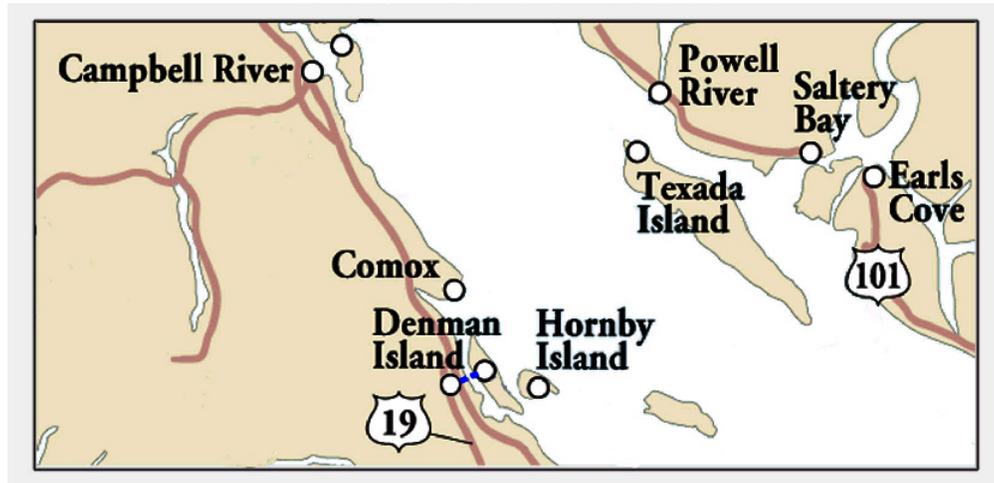
Over the next five years, projects with a value of \$3.6 million have been identified for Route 20. The major capital issue is the replacement of marine structures (various) at Kuper Island.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Vessel Components	<u>\$ 660,000</u>	
	<i>Subtotal</i>		\$ 660,000
Marine Structures	Chemainus - Berth 1	\$ 136,000	
	Kuper - Berth 1	\$ 2,000,000	
	Thetis Island - Berth 1	<u>\$ 800,000</u>	
	<i>Subtotal</i>		<u>\$ 2,936,000</u>
Total			\$ 3,596,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

ROUTE 21 – BUCKLEY BAY TO DENMAN ISLAND (DENMAN WEST)



OVERVIEW

Route 21 connects Denman Island (2001 population approximately 1,000) with Buckley Bay, 20 km south of Comox/Courtenay area on Vancouver Island (2001 population approximately 60,500). Approximately 43 percent of Route 21 traffic has an origin or destination of Hornby Island which is accessed via Route 22 (Denman – Hornby).

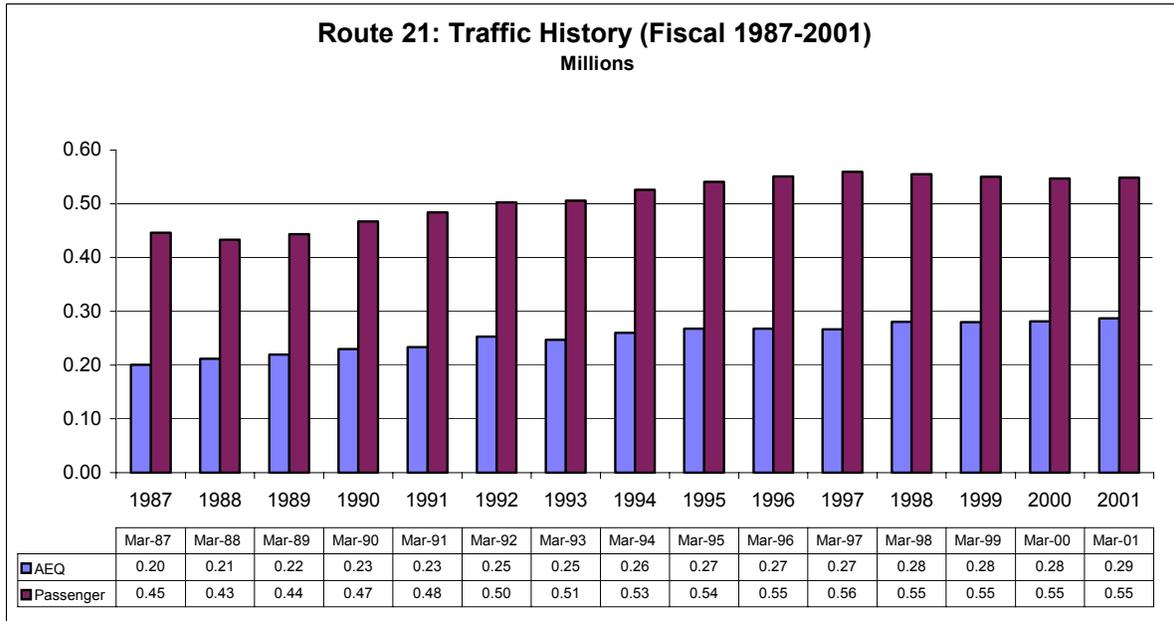
CORE SERVICE LEVELS

Hours of Operation	Peak	16
	Off Peak	16
Number of Round Trips per Day	Peak	17, (16 on Sunday)
	Off Peak	17, (16 on Sunday)
Total Number of Round Trips to be delivered:		6,149

ROUTE AND SERVICE DESCRIPTION

Distance	1.2 nautical miles	
Crossing Time	10 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	74,375
	Passengers	238,846
	Students	42,258
	Disabled	2,582
	Seniors	37,888
	Medical Travel Assistance Program	618

15-YEAR TRAFFIC (HISTORICAL)

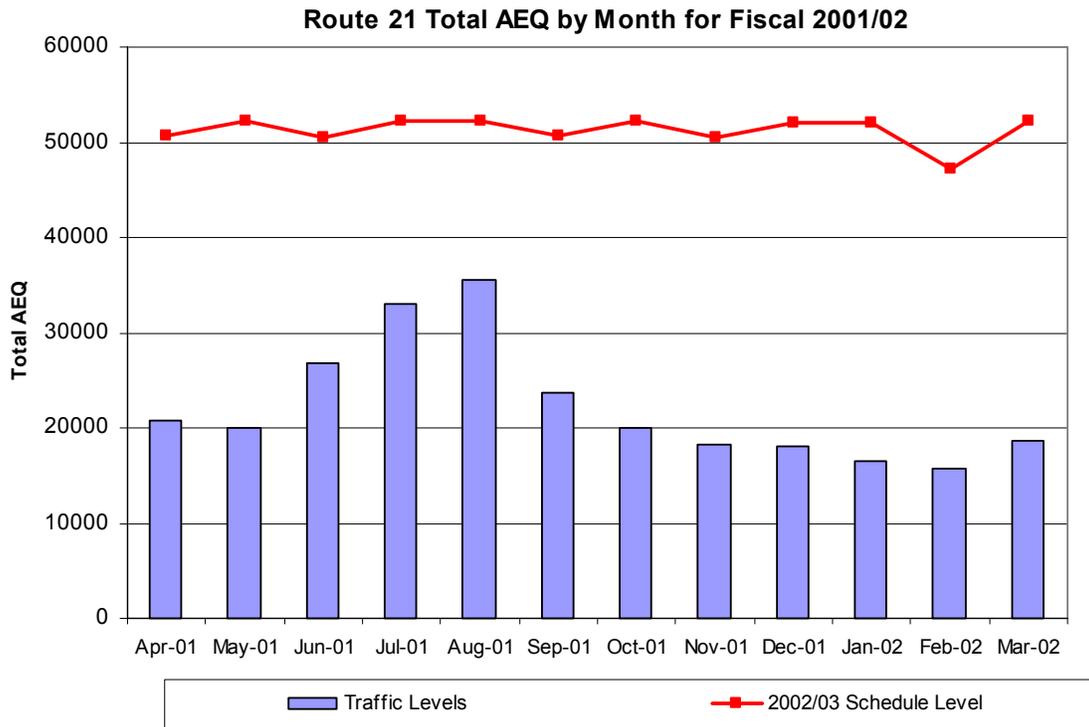


VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Quinitsa
<i>Silhouette</i>	
<i>Year Built</i>	1977
<i>Retirement Date</i>	2024/2025
<i>Passenger Capacity (maximum)</i>	394
<i>Vehicle Capacity (official)</i>	50
<i>Crew Size</i>	6
<i>Onboard Services</i>	None

Terminal	Buckley Bay	Denman West
<i>Location</i>	Vancouver Island	Denman Island
<i>Holding Capacity</i>	70 AEQ	20 AEQ
<i>Parking</i>	12 spaces	9 spaces
<i>Waiting Room</i>	Yes	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	18%	46%	20%	16%

RESIDENCY

	Denman Island	Hornby Island	Other Vancouver Island	Lower Mainland	Other BC & Outside BC
Summer	25%	7%	34%	19%	15%

Note: winter market research is not available

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 210% from January to August.
- Vehicle Utilization: February 33%, May 38%, August 68%.
- Fluctuates by day with 42% utilization on Fridays and 25% utilization on Sundays.
- Fluctuates by time of day with 82% utilization on the 17:00 sailing leaving Buckley Bay and 0% utilization on the 22:40 leaving Denman. There is a general trend of morning demand leaving Denman and late afternoon demand returning to Denman.

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization on Saturdays and Sundays in winter.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$1.35	\$3.58	(\$2.23)	\$0.41	(\$2.64)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$2.7 million
Fee per Round Trip	\$438.05

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.09
Disabled	\$0.00
Seniors	\$0.09
Medical Travel Assistance Program	\$0.01

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$14.75	\$15.25	\$16.00
Peak	\$16.50	\$17.25	\$18.00
Prepaid	\$7.64	\$7.89	\$8.24

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

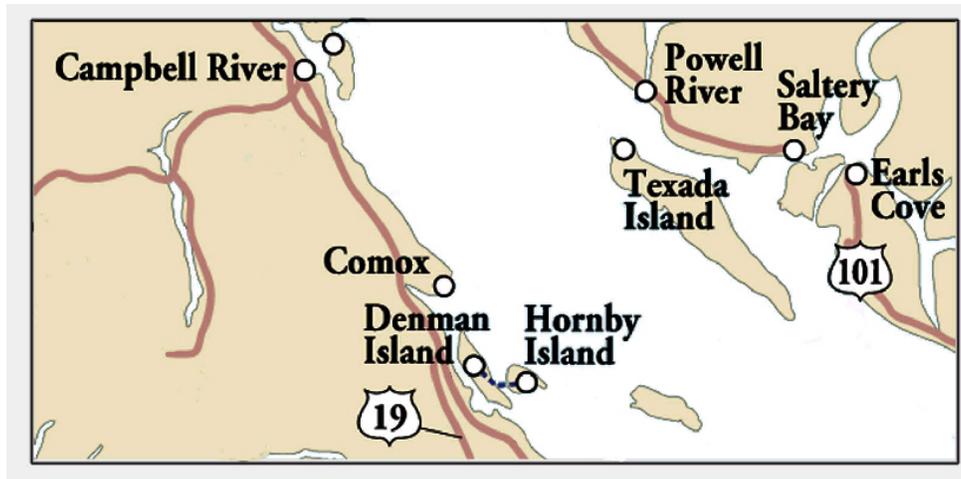
Over the next five years, projects with a value of \$4.0 million have been identified for Route 21. The major capital issues include the replacement of various marine structures at Buckley Bay and Denman Island West.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Marine Structures	Buckley Bay - Berth 1	\$ 1,328,000	
	Denman West - Berth 1	\$ 2,700,000	
	<i>Subtotal</i>		\$ 4,028,000
Total			\$ 4,028,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

ROUTE 22 – DENMAN ISLAND (GRAVELLY BAY) TO HORNBY ISLAND (SHINGLE SPIT)



OVERVIEW

Route 22 connects Hornby Island (2001 population approximately 1,000) and Denman Island (2001 population approximately 1,000). Route 22 is used by Hornby residents to access services and employment on Vancouver Island. There is a three-fold increase in summer traffic due to tourism demand for travel to Hornby Island.

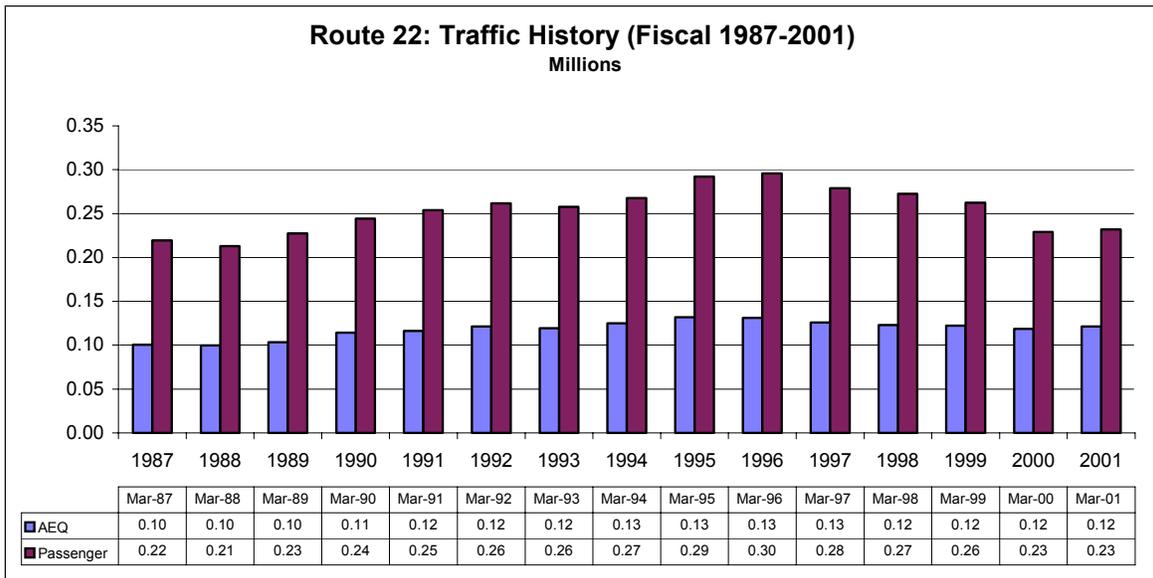
CORE SERVICE LEVELS

Hours of Operation	Peak	10, (14 on Friday)
	Off Peak	10, (14 on Friday)
Number of Round Trips per Day	Peak	12, (11 on Sunday), (15 on Friday)
	Off Peak	12, (11 on Sunday), (15 on Friday)
Total Number of Round Trips to be delivered:		4,506

ROUTE AND SERVICE DESCRIPTION

Distance	1.2 nautical miles	
Crossing Time	10 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	115,108
	Passengers	244,226
	Students	0
	Disabled	0
	Seniors	0
	Medical Travel Assistance Program	0

15-YEAR TRAFFIC (HISTORICAL)

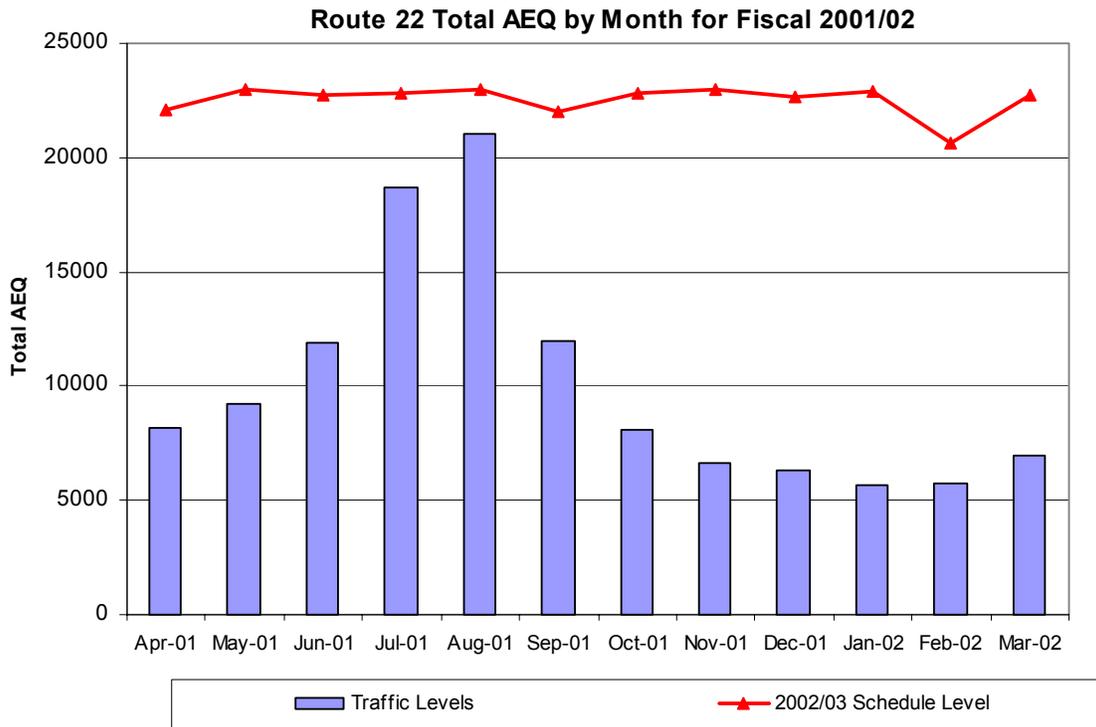


VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Kahloke (Summer)	Tachek (Winter)
<i>Silhouette</i>		
<i>Year Built</i>	1973	1969
<i>Retirement Date</i>	2019/2020	2012/2013
<i>Passenger Capacity (maximum)</i>	195	243
<i>Vehicle Capacity (official)</i>	30	30
<i>Crew Size</i>	5	7
<i>Onboard Services</i>	None	None

Terminal	Gravelly Bay	Shingle Spit
<i>Location</i>	Denman Island (East)	Hornby Island
<i>Holding Capacity</i>	20 AEQ	20 AEQ (on road)
<i>Parking</i>	None	None
<i>Waiting Room</i>	Yes	Yes
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	12%	65%	12%	11%

RESIDENCY

	Hornby Island	Vancouver Island	Lower Mainland	Other BC	Outside BC
Summer	19%	34%	28%	5%	13%

Note: winter market research is not available

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 350% from January to August.
- Vehicle Utilization: February 28%, May 40%, August 92%.
- Fluctuates by day with 32% utilization on Thursdays and 24% utilization on Saturdays.
- Fluctuates by time of day with 63% utilization on the 9:00 sailing leaving Hornby and 12% utilization on the 18:00 leaving Hornby. There is a general trend of morning demand leaving Hornby and late afternoon demand returning to Hornby.

SERVICE ANALYSIS

- Two ships of similar capacity assigned to the route provides similar capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization on Saturdays and Sundays in winter.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$1.06	\$2.19	(\$1.13)	\$0.29	(\$1.42)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$2.1 million
Fee per Round Trip	\$458.16

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.00
Disabled	\$0.00
Seniors	\$0.00
Medical Travel Assistance Program	\$0.03

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$14.75	\$15.25	\$16.00
Peak	\$16.50	\$17.25	\$18.00
Prepaid	\$7.64	\$7.89	\$8.24

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

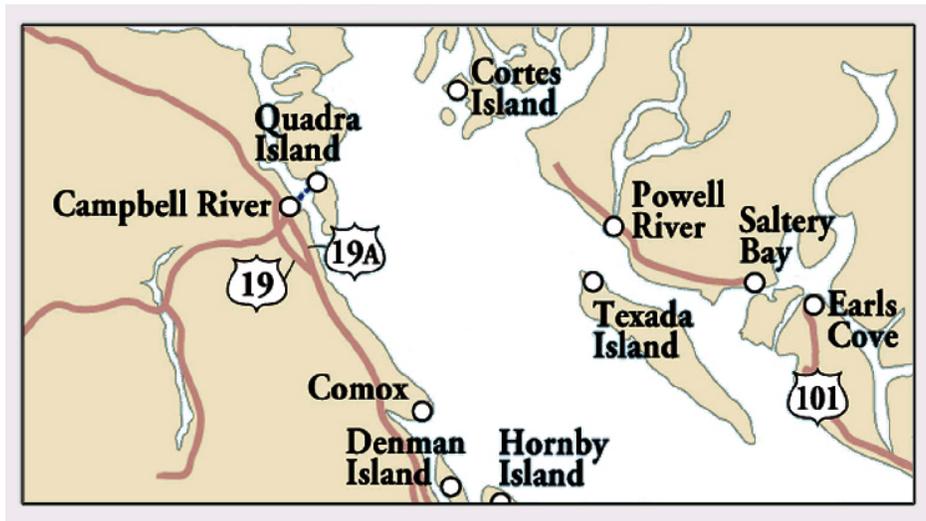
Over the next five years, projects with a value of \$7.4 million have been identified for Route 22. The major capital issues include the replacement of various marine structures at Denman Island East and Hornby Island. In addition, the replacement of the Tachek with a new 60 AEq standard minor vessel is planned for 2012/2013.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Vessel Components	\$ 266,000	
	<i>Subtotal</i>		\$ 266,000
Marine Structures	Denman East - Berth 1	\$ 2,319,000	
	Hornby Island - Berth 1	\$ 4,847,000	
	<i>Subtotal</i>		\$ 7,166,000
Total			\$ 7,432,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

ROUTE 23 – CAMPBELL RIVER TO QUADRA ISLAND (QUATHIASKI COVE)



OVERVIEW

Route 23 connects Quadra Island (2001 population approximately 2,700) and Campbell River (2001 population approximately 29,000). Route 23 is used by Quadra Island residents to access services and employment on Vancouver Island, including students commuting to high school. Approximately 13 percent of traffic is bound for Cortes Island via Route 24 (Quadra Island – Cortes Island).

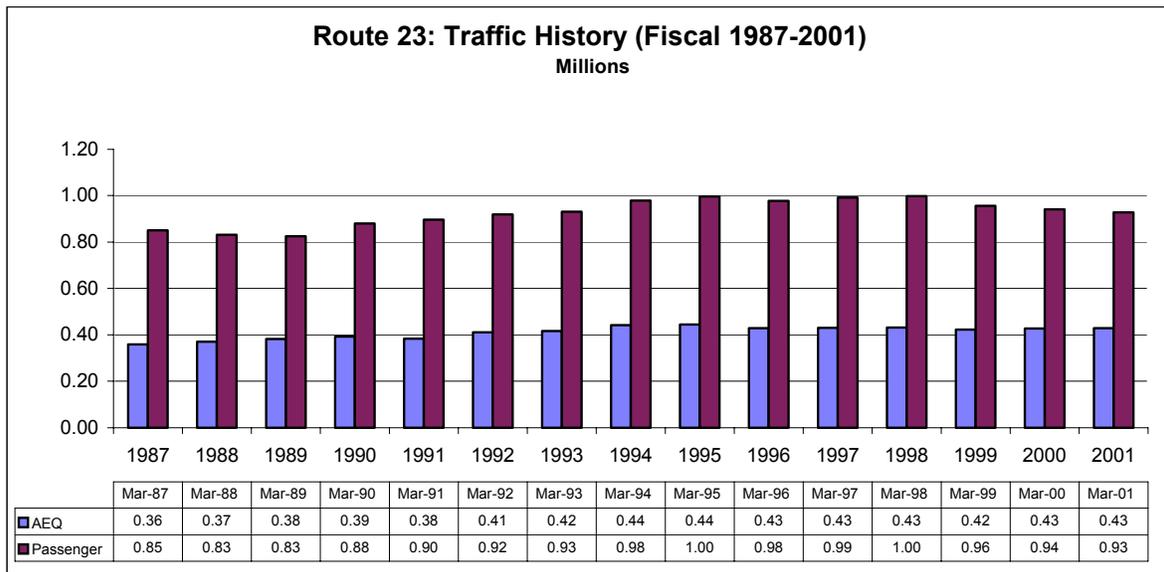
CORE SERVICE LEVELS

Hours of Operation	Peak	15, (16 on Friday & Saturday)
	Off Peak	15, (16 on Friday & Saturday)
Number of Round Trips per Day	Peak	17, (16 on Sunday), (18 on Fri/Sat)
	Off Peak	17, (16 on Sunday), (18 on Fri/Sat)
Total Number of Round Trips to be delivered:		6,253

ROUTE AND SERVICE DESCRIPTION

Distance	1.8 nautical miles	
Crossing Time	10 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	409,759
	Passengers	922,515
	Students	81,504
	Disabled	1,386
	Seniors	33,760
	Medical Travel Assistance Program	1,870

15-YEAR TRAFFIC (HISTORICAL)

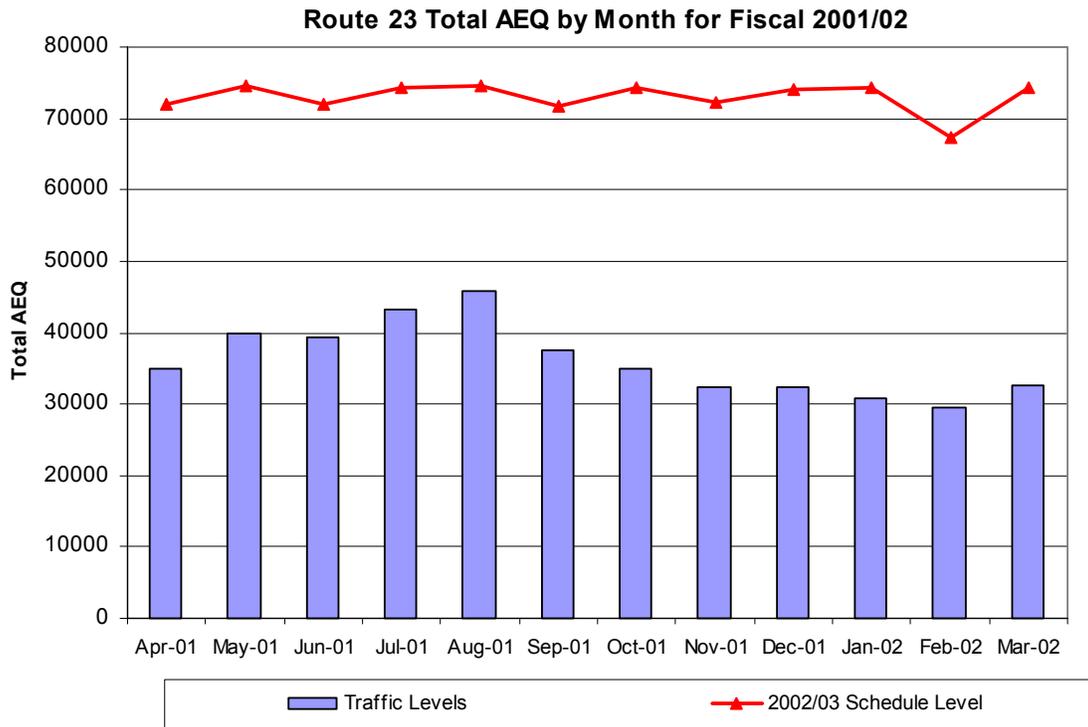


VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Powell River Queen
<i>Silhouette</i>	
<i>Year Built</i>	1965
<i>Retirement Date</i>	2016/2017
<i>Passenger Capacity (maximum)</i>	400
<i>Vehicle Capacity (official)</i>	70
<i>Crew Size</i>	6
<i>Onboard Services</i>	Vending Machine

Terminal	Campbell River	Quathiaski Cove
<i>Location</i>	Vancouver Island	Quadra Island
<i>Holding Capacity</i>	Inside: 95 AEQ/Outside 50 AEQ	98 AEQ
<i>Parking</i>	None	75 Spaces (at Federal Wharf)
<i>Waiting Room</i>	Yes	Shelter Only
<i>Washrooms</i>	Yes	Yes
<i>Docks</i>	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	60%	15%	17%	8%

RESIDENCY

	Quadra Island	Cortes Island	Vancouver Island	Other BC	Outside BC
Summer	66%	4%	25%	2%	3%

Note: winter market research is not available

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 150% from January to August.
- Vehicle Utilization: February 44%, May 54%, August 62%.
- Fluctuates by day with 52% utilization on Thursdays and 34% utilization on Saturdays.
- Fluctuates by time of day with 88% utilization on the 9:00 sailing leaving Quadra and 5% utilization on the 22:00 leaving Quadra. There is a strong trend of morning demand leaving Quadra and late afternoon demand returning to Quadra.

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.

- Hours of operation are established to meet access needs of residents.
- Low capacity utilization on Saturdays and with late sailings in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$2.77	\$5.18	(\$2.40)	\$0.72	(\$3.12)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$2.9 million
Fee per Round Trip	\$462.88

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.18
Disabled	\$0.00
Seniors	\$0.08
Medical Travel Assistance Program	\$0.02

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$15.00	\$15.75	\$16.50
Peak	\$16.75	\$17.50	\$18.25
Prepaid	\$7.98	\$8.38	\$8.78

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

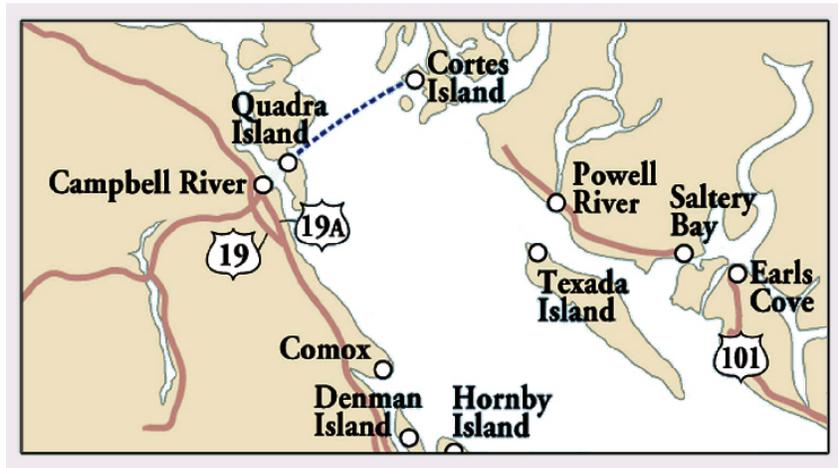
Over the next five years, projects with a value of \$1.2 million have been identified for Route 23. This includes the replacement of various marine structures at Quathiaski Cove and a sewage treatment plant on the Powell River Queen.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	Vessel Components	\$ 660,000	
	<i>Subtotal</i>		\$ 660,000
Marine Structures	Quathiaski Cove - Berth 1	\$ 520,000	
	<i>Subtotal</i>		\$ 520,000
Total			\$ 1,180,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

ROUTE 24 – QUADRA ISLAND (HERIOT BAY) TO CORTES ISLAND (WHALETOWN)



OVERVIEW

Route 24 connects Cortes Island (2001 population approximately 1,100) with Quadra Island (2001 population approximately 2,700). Route 24 is used by Cortes Island residents to access services and employment on Vancouver Island, including students commuting to high school. In the summer there is increased demand from tourists.

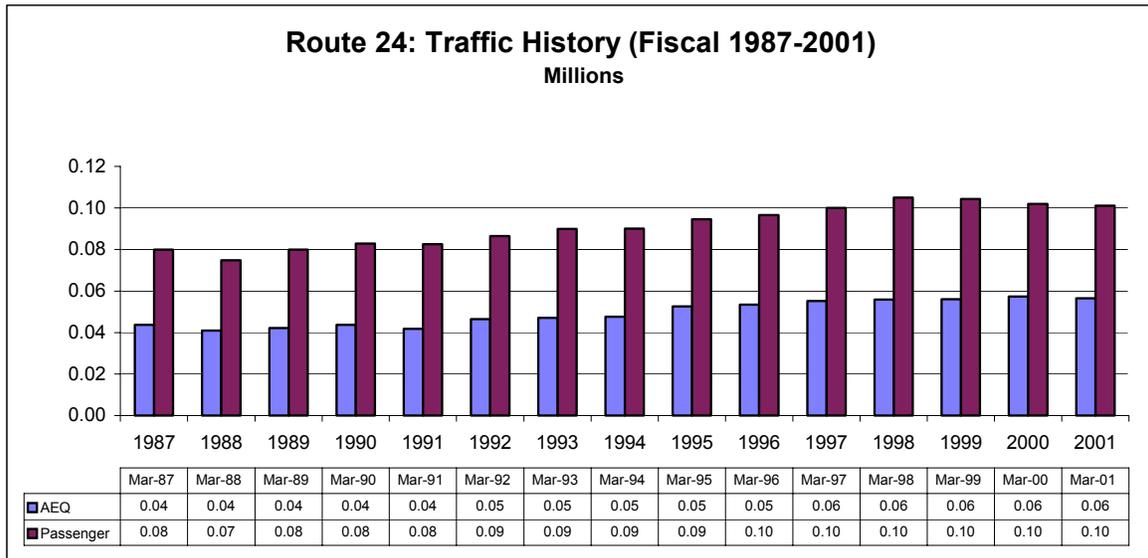
CORE SERVICE LEVELS

Hours of Operation	Peak	10, (8 on Sunday)
	Off Peak	10, (8 on Sunday)
Number of Round Trips per Day	Peak	6, (5 on Sunday)
	Off Peak	6, (5 on Sunday)
Total Number of Round Trips to be delivered:		2,134

ROUTE AND SERVICE DESCRIPTION

Distance	6.2 nautical miles	
Crossing Time	45 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	52,860
	Passengers	102,177
	Students	0
	Disabled	0
	Seniors	0
	Medical Travel Assistance Program	1,240

15-YEAR TRAFFIC (HISTORICAL)



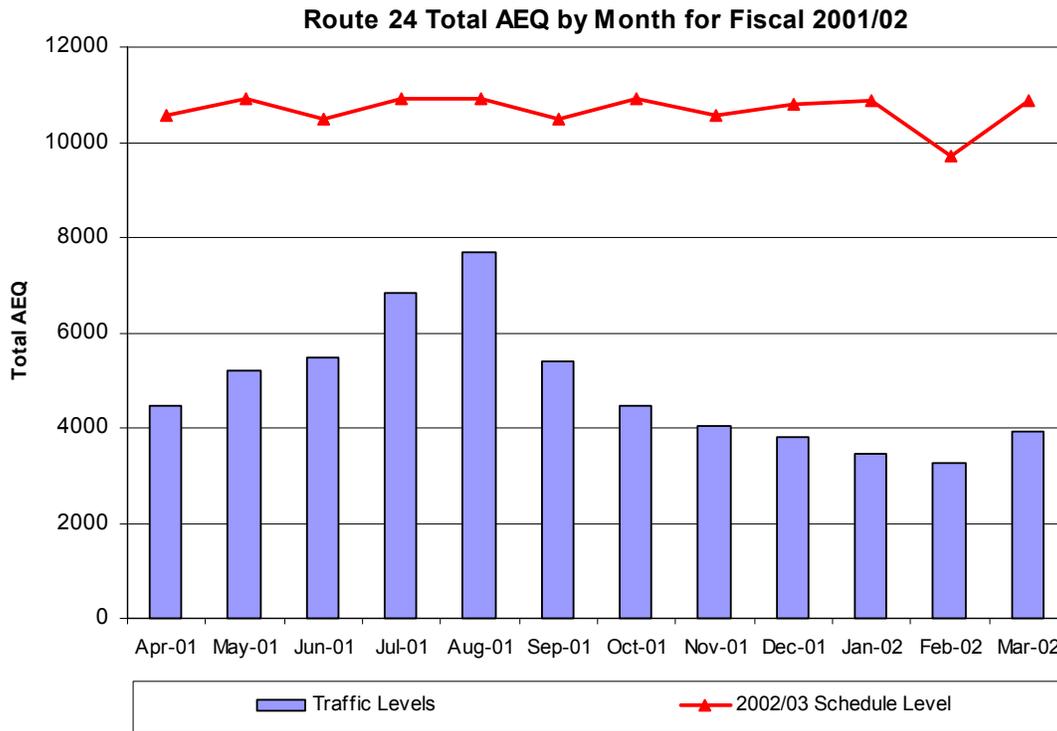
VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Tenaka
<i>Silhouette</i>	
<i>Year Built</i>	1964
<i>Retirement Date</i>	2009/2010
<i>Passenger Capacity (maximum)</i>	244
<i>Vehicle Capacity (official)</i>	30
<i>Crew Size</i>	8*
<i>Onboard Services</i>	Vending Machine

* Vessel normally operates with a reduced passenger license for 150, requiring a crew of six. The higher crew level is required because Transport Canada classifies these waters similar to those experienced in a Strait of Georgia crossing.

Terminal	Heriot Bay	Whaletown
<i>Location</i>	Quadra Island	Cortes Island
<i>Holding Capacity</i>	20 AEQ holding lane on road right of way	None (queue on road right of way)
<i>Parking</i>	None	None
<i>Waiting Room</i>	Shelter Only	Yes
<i>Washrooms</i>	Portable Toilets	Portable Toilets
<i>Docks</i>	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	20%	40%	23%	17%

RESIDENCY

	Cortes Island	Quadra Island & Campbell River	Other Vancouver Island	Lower Mainland	Other BC & Outside BC
Summer	34%	16%	17%	17%	17%

Note: winter market research is not available

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 200% from January to August.
- Vehicle Utilization: February 33%, May 48%, August 70%.
- Fluctuates by day with 42% utilization on Thursdays and 30% utilization on Saturdays.
- Fluctuates by time of day with 56% utilization on the 9:50 sailing leaving Cortes and 17% utilization on the 17:50 leaving Cortes. There is a general trend of morning demand leaving Cortes and late afternoon demand returning to Cortes.

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low utilization on Wednesday mid-day round trip in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$0.50	\$3.24	(\$2.74)	\$0.29	(\$3.03)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$2.6 million
Fee per Round Trip	\$1,240.36

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.00
Disabled	\$0.00
Seniors	\$0.00
Medical Travel Assistance Program	\$0.02

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$18.25	\$19.00	\$19.75
Peak	\$20.25	\$21.00	\$22.00
Prepaid*	\$11.59	\$12.07	\$12.59

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

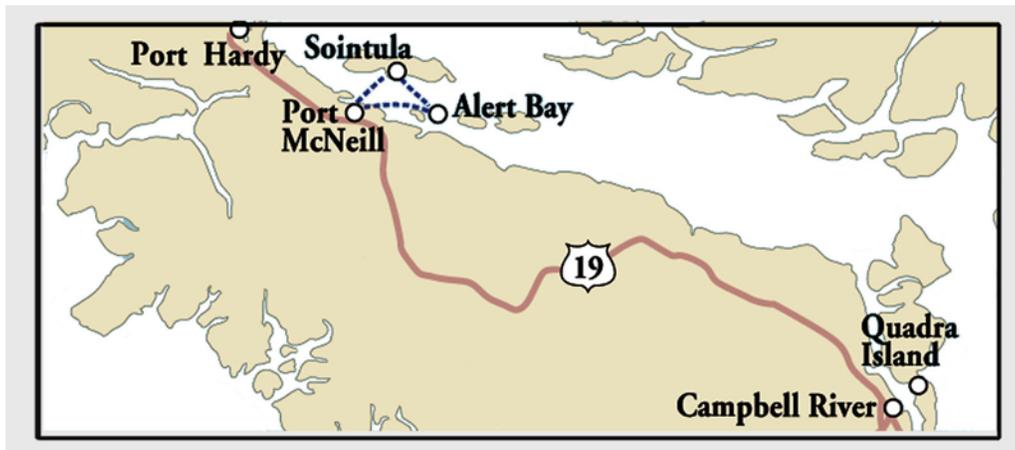
Over the next five years, projects with a value of \$1.8 million have been identified for Route 24. The major capital issue for this route is the replacement of marine structures at Whaletown. In addition, the replacement of the Tenaka with a new 60 AEQ standard minor vessel is planned for 2009/2010.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Shore Structures	Buildings	\$ 80,000	
	<i>Subtotal</i>		\$ 80,000
Marine Structures	Whaletown - Berth 1	\$ 1,200,000	
	Heriot Bay - Berth 1	\$ 500,000	
	<i>Subtotal</i>		\$ 1,700,000
Total			\$ 1,780,000

** This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.*

ROUTE 25 – VANCOUVER ISLAND (PORT MCNEILL) – MALCOLM ISLAND (SOINTULA) - CORMORANT ISLAND (ALERT BAY)



OVERVIEW

Route 25 connects Alert Bay on Cormorant Island (2001 population approximately 1,300) and Sointula on Malcolm Island (2001 population approximately 1000) with Port McNeill (2001 population approximately 2,800) on Vancouver Island. The Namgis First Nation makes up about half of the Alert Bay population. Route 20 is used by Alert Bay and Sointula residents to access employment and services on Vancouver Island, including Sointula students who commute to high school. Contracted supplementary passenger-only service also transports Alert Bay high school students to Port McNeill.

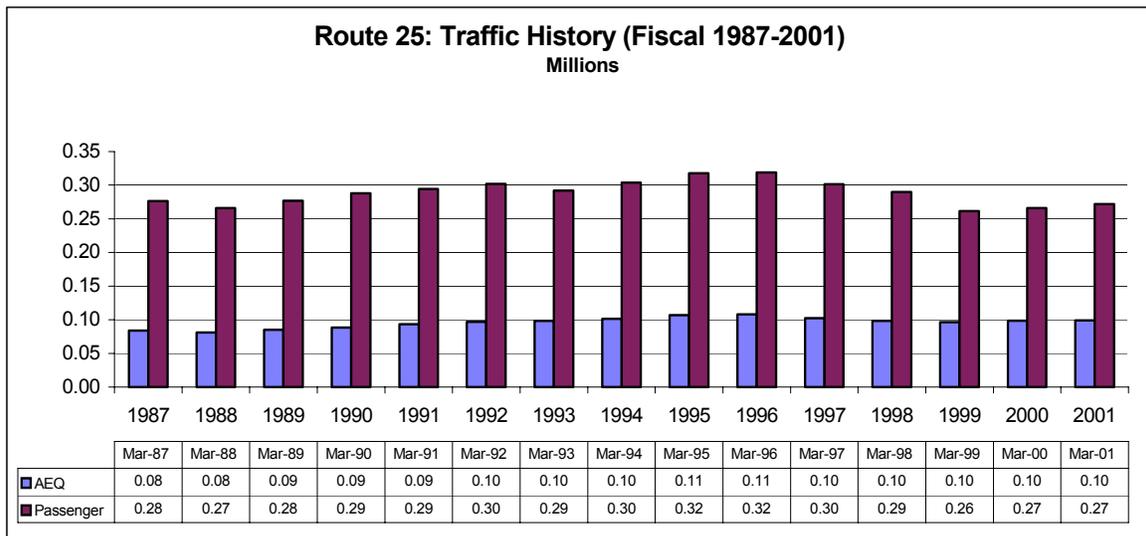
CORE SERVICE LEVELS

Hours of Operation	Peak	13, (12 on Sunday)
	Off Peak	13, (12 on Sunday)
Number of Round Trips departing from Port McNeill per day	Peak	11, (10 on Sunday)
	Off Peak	11, (10 on Sunday)
Total Number of Round Trips to be delivered:		3,961

ROUTE AND SERVICE DESCRIPTION

Distance	19.5 nautical miles for a round trip to all ports	
Crossing Time	2 hours for a round trip to all ports	
Annual Traffic Fiscal 2001/02	Vehicles	93,931
	Passengers	277,782
	Students	52,628
	Disabled	1,384
	Seniors	8,530
	Medical Travel Assistance Program	1,180

15-YEAR TRAFFIC (HISTORICAL)

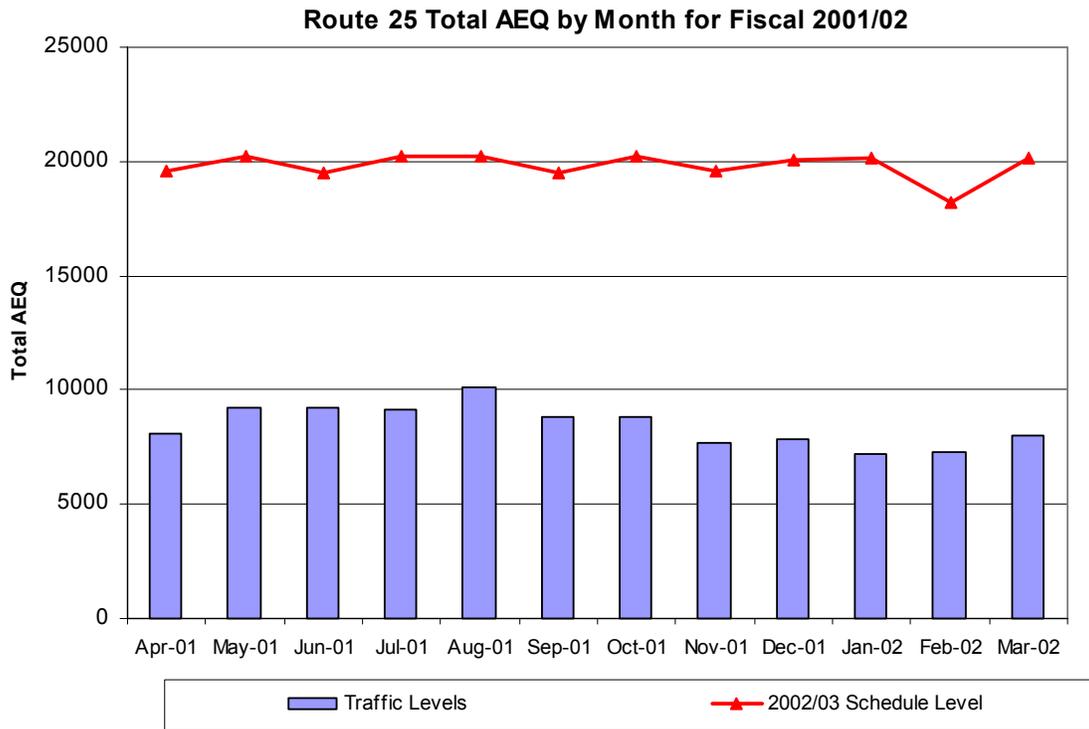


VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Quadra Queen II
<i>Silhouette</i>	
<i>Year Built</i>	1969
<i>Retirement Date</i>	2013/2014
<i>Passenger Capacity (maximum)</i>	293
<i>Vehicle Capacity (official)</i>	30
<i>Crew Size</i>	7
<i>Onboard Services</i>	Vending Machine

Terminal	Port McNeill	Sointula	Alert Bay
<i>Location</i>	Vancouver Island	Malcolm Island	Cormorant Island
<i>Holding Capacity</i>	43 AEQ	None (queue on road)	40 AEQ
<i>Parking</i>	None	None	25 Spaces (at Federal Wharf)
<i>Waiting Room</i>	Yes	Shelter Only	Shelter Only
<i>Washrooms</i>	Yes	None	None
<i>Docks</i>	One	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	29%	35%	20%	16%
Winter	47%	10%	29%	14%

RESIDENCY

	Alert Bay/Sointula	Other Vancouver Island	Lower Mainland	Other BC	Other Canada
Summer	66%	9%	8%	7%	10%
Winter	90%	7%	2%	1%	

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 140% from January to August.
- Vehicle Utilization: February 40%, May 46%, August 50%.
- Fluctuates by day with 50% utilization on Fridays and 30% utilization on Sundays.
- Fluctuates by time of day with 100% utilization on the 8:10 sailing leaving Sointula and 7% utilization on the 18:45 leaving Sointula. There is a general trend of morning demand leaving Sointula and Alert Bay, and late afternoon demand returning to those communities.

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization on Saturdays and Sundays in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$1.05	\$4.51	(\$3.46)	\$0.52	(\$3.98)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$3.2 million
Fee per Round Trip	\$799.78

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.15
Disabled	\$0.00
Seniors	\$0.03
Medical Travel Assistance Program	\$0.01

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$18.25	\$19.00	\$19.75
Peak	\$20.25	\$21.00	\$22.00
Prepaid	\$11.59	\$12.07	\$12.59

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

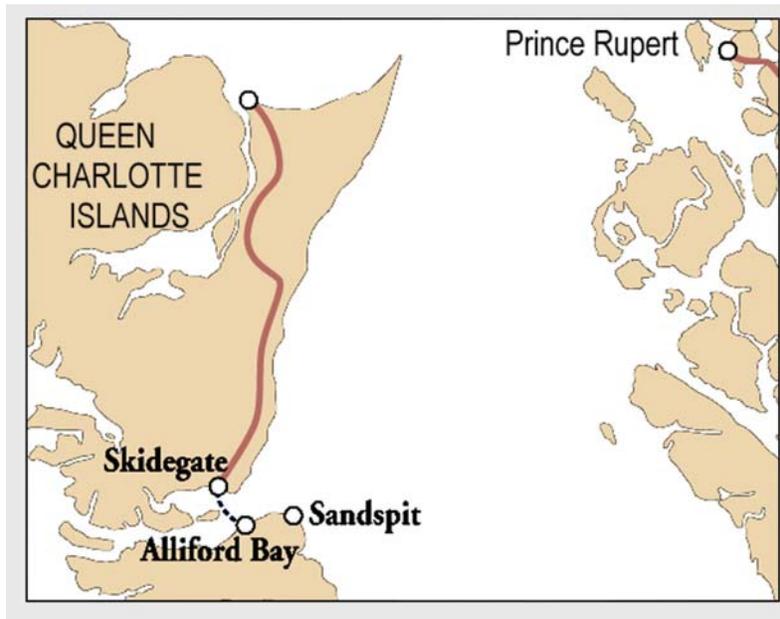
Over the next five years, projects with a value of \$3.4 million have been identified for Route 25. The major capital issue is the replacement of various marine structures at Alert Bay, Sointula, and Port McNeill. In addition, the replacement of the Quadra Queen II with a new 60 AEQ standard minor vessel is planned for 2013/2014.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Shore Structures	Port McNeil - Compound	<u>\$ 258,000</u>	
	<i>Subtotal</i>		\$ 258,000
Marine Structures	Alert Bay - Berth 1	\$ 1,915,000	
	Port McNeil - Berth 1	<u>\$ 1,250,000</u>	
	<i>Subtotal</i>		<u>\$ 3,165,000</u>
Total			\$ 3,423,000

** This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.*

ROUTE 26 – QUEEN CHARLOTTE ISLANDS: GRAHAM ISLAND (SKIDEGATE) – MORESBY ISLAND (ALLIFORD BAY)



OVERVIEW

Route 26 in the Queen Charlotte Islands connects Alliford Bay on Moresby Island (where the local airport at Sandspit is located) with Skidegate on Graham Island. Route 26 is used to access the airport and Gwai Haanas National Park Reserve, both located on Moresby Island.

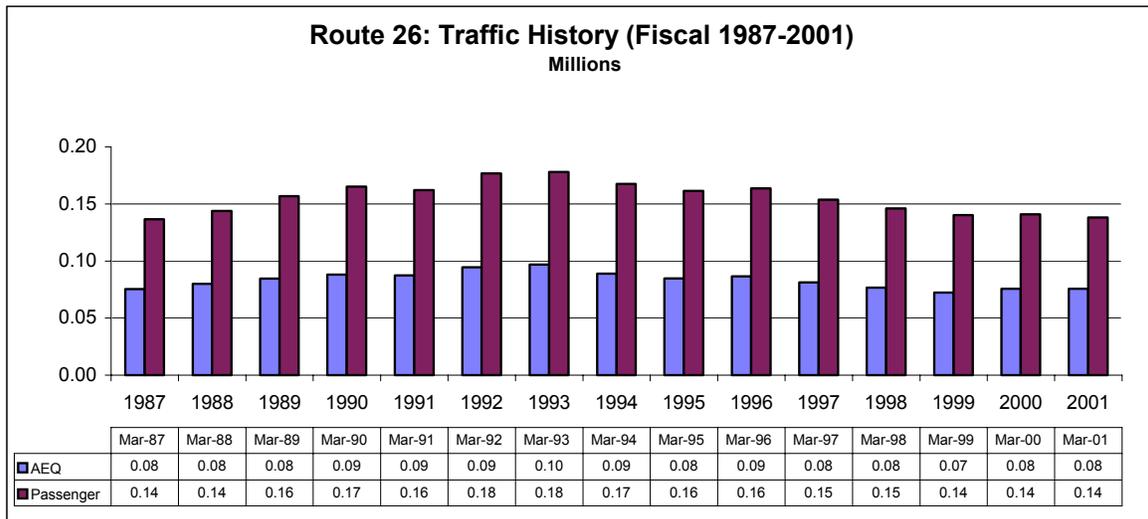
CORE SERVICE LEVELS

Hours of Operation	Peak	15
	Off Peak	15
Number of Round Trips per Day	Peak	12
	Off Peak	12
Total Number of Round Trips to be delivered:		4,378

ROUTE AND SERVICE DESCRIPTION

Distance	3.5 nautical miles	
Crossing Time	20 minutes	
Annual Traffic Fiscal 2001/02	Vehicles	64,741
	Passengers	129,933
	Students	5,114
	Disabled	128
	Seniors	3,486
	Medical Travel Assistance Program	454

15-YEAR TRAFFIC (HISTORICAL)

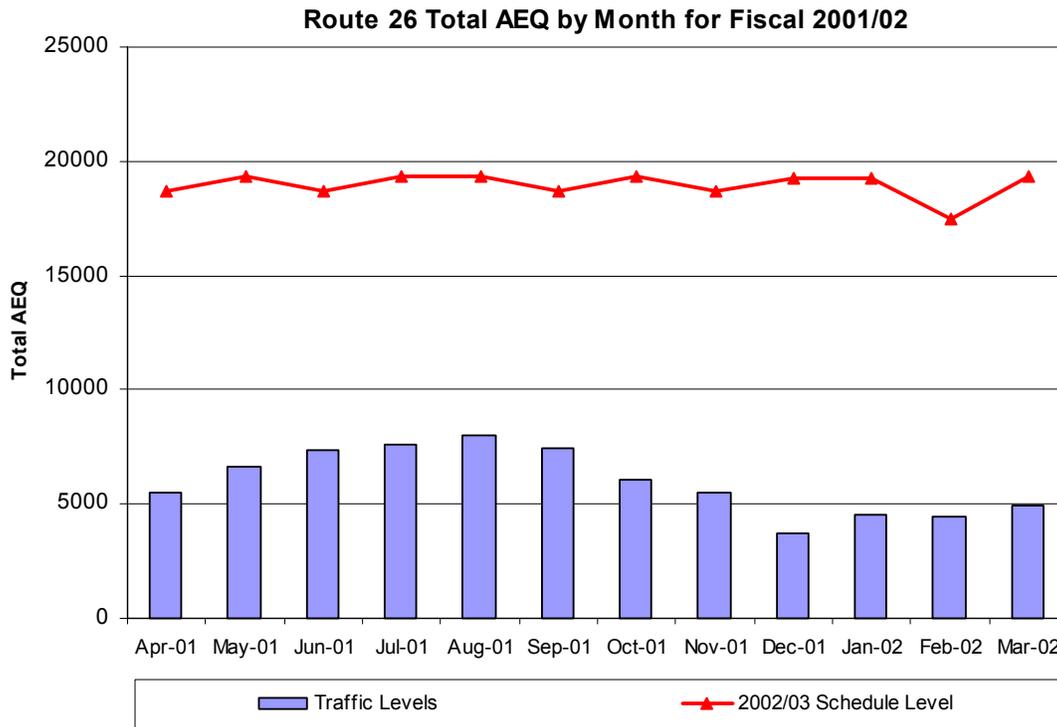


VESSEL AND TERMINAL DESCRIPTIONS

Vessel	Kwuna
<i>Silhouette</i>	
<i>Year Built</i>	1975
<i>Retirement Date</i>	2020/2021
<i>Passenger Capacity (maximum)</i>	150
<i>Vehicle Capacity (official)</i>	26
<i>Crew Size</i>	4
<i>Onboard Services</i>	None

Terminal	Skidegate	Alliford Bay
<i>Location</i>	Graham Island	Moresby Island
<i>Holding Capacity</i>	175 AEQ	None (queue on road)
<i>Parking</i>	None	None
<i>Waiting Room</i>	Yes	Shelter Only
<i>Washrooms</i>	Yes	Portable Toilets
<i>Dock</i>	One	One

TRAFFIC, SERVICE AND SCHEDULE LEVELS



TRIP PURPOSE

	Work-related	Vacation	Shopping	Visiting
Summer	33%	48%	12%	7%
Winter	20%	16%	9%	55%

**Note: market research on customer residency is not available.*

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 190% from January to August.
- Vehicle Utilization: February 25%, May 34%, August 41%.
- Fluctuates by day with 32% utilization on Thursdays and 17% utilization on Sundays.
- Fluctuates by time of day with 58% utilization on the 11:00 sailing leaving Skidegate and 1% utilization on the 22:00 leaving Alliford Bay. Traffic is roughly balanced in both directions, but depends to some extent on the airline schedule.

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization on Saturdays and Sundays in the winter season.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$0.50	\$3.25	(\$2.75)	\$0.17	(\$2.92)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$2.6 million
Fee per Round Trip	\$604.90

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.01
Disabled	\$0.00
Seniors	\$0.01
Medical Travel Assistance Program	\$0.00

TARIFFS (FOR UNDERHEIGHT CAR AND DRIVER)*

	November 2002	December 2002	November 2003**
Low	\$15.00	\$15.75	\$16.50
Peak	\$16.75	\$17.50	\$18.25
Prepaid	\$7.98	\$8.38	\$8.78

* Round-trip fare

** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, there are no major capital projects forecasted for Route 26. However, three projects have been identified for preliminary planning, including:

- a propulsion system upgrade is required for the M.V. Kwuna;
- the replacement of various marine structures at Alliford Bay and Skidegate; and
- a proposed terminal expansion at Skidegate.

Note: In addition to Route 26, Skidegate also provides service to Route 11.

ROUTE 13 – LANGDALE - KEATS - GAMBIER ISLAND



OVERVIEW

Route 13 provides passenger only service between Gambier Island (2001 population 230), Keats Island (2001 population 50), and Langdale on the Mainland. This route is used by island residents to access services and employment on the Sunshine Coast and the Lower Mainland via Route 3 (Langdale to Horseshoe Bay). Approximately 80.9 percent of all sailings on Route 13 have less than 10 passengers.

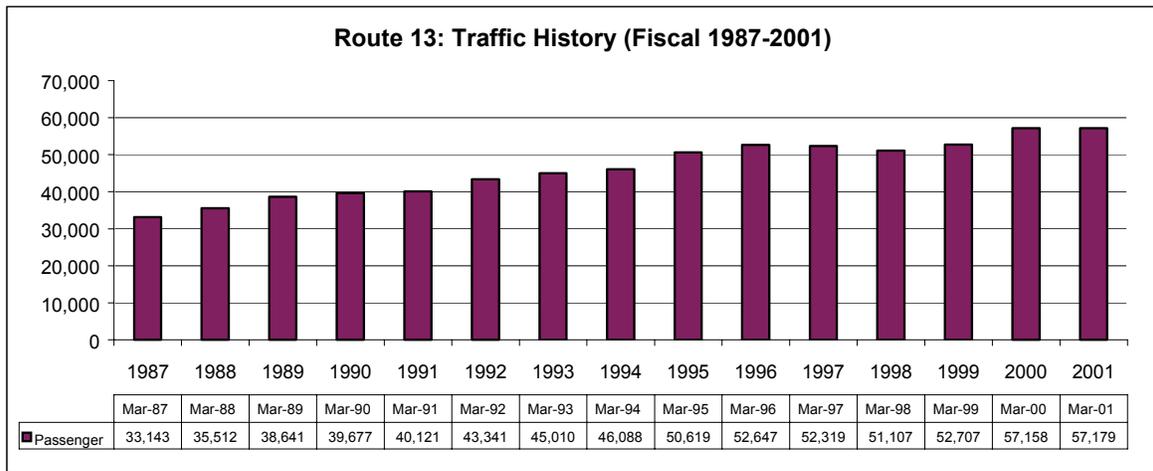
CORE SERVICE LEVELS

Hours of Operation	Peak	11
	Off Peak	11
Number of Round Trips departing from Langdale per day	Peak	10, (12 on Sun & Holiday Monday)
	Off Peak	11, (13 on Sun & Holiday Monday)
Total Number of Round Trips to be delivered:		4,142

ROUTE AND SERVICE DESCRIPTION

Distance	7.1 nautical miles for a round trip to all ports	
Crossing Time	40 minutes for a round trip to all ports	
Annual Traffic Fiscal 2001/02	Passengers	55,083
	Students	3,511
	Disabled	0
	Seniors	6,204
	Medical Travel Assistance Program	0

15-YEAR TRAFFIC (HISTORICAL)



VESSEL AND TERMINAL DESCRIPTIONS

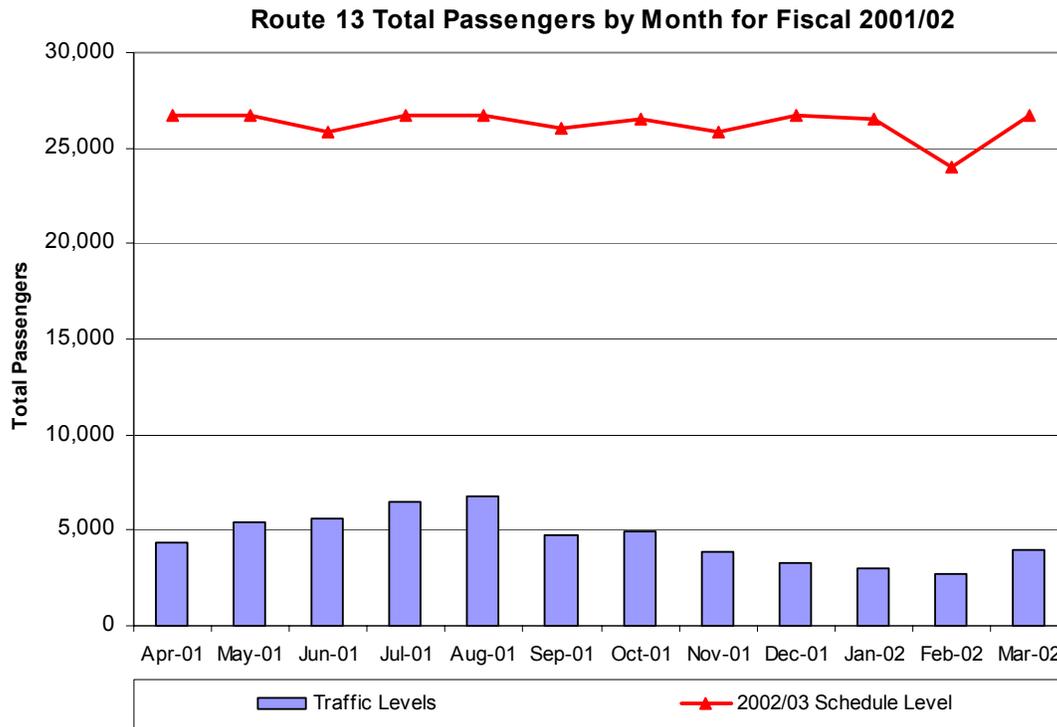
Vessel	Dogwood Princess II (42-foot Fiberglass)
<i>Silhouette</i>	
<i>Year Built</i>	1979
<i>Retirement Date</i>	2003/2004
<i>Passenger Capacity (maximum)</i>	38
<i>Vehicle Capacity (official)</i>	N/A*
<i>Crew Size</i>	2
<i>Onboard Services</i>	None

* Passenger Only

Terminal	Keats Landing	New Brighton	Langdale
<i>Location</i>	Keats Island	Gambier Island	Sunshine Coast
<i>Holding Capacity</i>	N/A*	N/A*	985 cars
<i>Short Term Parking</i>	None	None	61 car spaces
<i>Long Term Parking</i>	None	None	240 car spaces
<i>Waiting Room</i>	None	None	Yes
<i>Washrooms</i>	None	None	Yes
<i>Docks</i>	One	One	2

* Passenger Only

TRAFFIC, SERVICE AND SCHEDULE LEVELS



No market research for the route is available

DEMAND (MARCH 2002 AS THE BASIS FOR DAILY DEMAND)

- Fluctuates by month increasing 190% from January to August.
- Passenger Utilization: February 11%, May 21%, August 26%.
- Fluctuates by day with 16% utilization on Sundays and 12% utilization on Saturdays.
- Fluctuates by time of day with 42% utilization on the 8:40 sailing leaving Gambier for Langdale and 3% utilization on the 11:45 sailing leaving Langdale for Gambier.
There is a general trend of morning demand leaving Gambier and Keats, and late afternoon demand returning to the islands.

SERVICE ANALYSIS

- One ship assigned to the route provides fixed capacity all year.
- Hours of operation are established to meet access needs of residents.
- Low capacity utilization year-round on a daily basis, although there are overloads in the summer when summer camp attendees arrive all at once.

PROFIT/LOSS FOR THE YEAR ENDED MARCH 31, 2002 (\$ MILLIONS)

Revenues	Operating Expenses	Direct Contribution (Loss)	Allocated Corporate Revenues & Expenses	Net Income (Loss)
\$0.13	\$0.55	(\$0.42)	\$0.07	(\$0.48)

PROPOSED FERRY TRANSPORTATION FEE 2003/04

Maximum Fee per Annum	\$0.5 million
Fee per Round Trip	\$127.75

TOTAL ESTIMATED SOCIAL PROGRAM FEE FOR 2003/04 (\$ MILLIONS)

Students	\$0.01
Disabled	\$0.00
Seniors	\$0.03
Medical Travel Assistance Program	\$0.00

TARIFFS (PASSENGER-ONLY)*

	November 2002	December 2002	November 2003**
Low	\$3.75	\$4.00	\$4.25
Peak	\$4.00	\$4.25	\$4.50
Prepaid	\$2.55	\$2.72	\$2.89

* One-way fares

** Proposed

MAJOR CAPITAL ISSUES

Over the next five years, one capital project with a value of \$1.0 million is planned for Route 13. The major capital issue is the replacement of the Dogwood Princess II in 2003/2004.

The following table* provides a summary of the planned capital projects and the estimated costs over the next five years (2003/04 to 2007/08).

Vessels	New Vessel**	\$ 1,000,000
	Subtotal	\$ 1,000,000
Total		\$ 1,000,000

* This total represents projects in process or in planning. This does not include any minor projects in preliminary planning stages.

** Alternative options are being considered.

Appendix 2 of Schedule “A” Unregulated Routes

The following are Unregulated Routes:

- Dodge Cove – Prince Rupert
- Lasqueti – French Creek
- Kyuquot – Tahsis – Gold River
- Bamfield – Barkley Sound – Port Alberni
- Ahousat – Hot Springs Cove – Tofino
- Alert Bay – Sointula – Port McNeill
- Prince Rupert – Tuck Inlet (charter)

Hartley Bay – Prince Rupert (and other ports: Metalkata, Kitkatla, Oona River)

This contract has been renewed for an eight year period. It will be reviewed at the time of the route contract renewal.

SCHEDULE “B”

Service Fees for Designated Ferry Routes

Service Fees

1. The Service Fee payable to BC Ferries pursuant to this Agreement for Services provided in respect of each Designated Ferry Route will be allocated as follows:
 - (a) subject to sections 2 to 4 of this Schedule, an amount not exceeding \$91.9 million for ferry transportation services provided by BC Ferries on the Designated Ferry Routes (the “Ferry Transportation Fee”), and
 - (b) an amount representing reimbursement of BC Ferries in whole for any forgone revenue in respect of the following provincial social program discounts (the “Social Program Reimbursement”), as those discounts may be changed by the Province from time to time in writing and upon at least ninety (90) days notice to BC Ferries, calculated in accordance with section 5 of this Schedule.

Ferry Transportation Fee

2. The Table attached as Appendix 1 of this Schedule B (Table 1) identifies
 - (a) the Designated Ferry Route (column 1 and 2),
 - (b) the maximum annual Ferry Transportation Fee payable in respect of that Designated Ferry Route (column 3),
 - (c) the total number of core round trips to be provided on that Designated Ferry Route per year (column 4), and
 - (d) the Ferry Transportation Fee payable in respect of that Designated Ferry Route on a per core round trip basis (column 5).
3. In the event that BC Ferries reduces service on a Designated Ferry Route below the Core Service Level required in relation to that Designated Ferry Route, then, unless the Commissioner authorizes otherwise after taking into consideration the matters set out in section 4 of this Schedule, the Ferry Transportation Fee payable in respect of that Designated Ferry Route will be reduced by the smaller of the following amounts for the period of service reduction¹:
 - (a) an amount equal to the difference between

¹ Example (a): Core Service Level for a Designated Ferry Route requires 10 core round trips per day at \$100 per core round trip for a daily the Ferry Transportation Fee of \$1,000. Only 8 core round trips are provided that day. The Ferry Transportation Fee payable for ferry transportation services provided by BC Ferries on that Designated Ferry Route for that day would be reduced by \$200 to \$800.

Example (b): Core Service Level for a Designated Ferry Route requires 10 core round trips per day at \$100 per core round trip for a daily the Ferry Transportation Fee of \$1,000 (10 x 100). Only 8 core round trips are provided that day, but the amount of traffic carried on those 8 trips is 10% less than the traffic carried that same day in the previous year. The Ferry Transportation Fee payable for ferry transportation services provided by BC Ferries on that Designated Ferry Route for that day would be reduced by \$100 to \$900.

- (i) the number of core round trips that are to be provided by BC Ferries on that Designated Ferry Route to meet Core Service Levels, multiplied by the Ferry Transportation Fee per core round trip listed in the fifth column of Table 1, and
 - (ii) the number of core round trips actually provided by BC Ferries on that Designated Ferry Route multiplied by the Ferry Transportation Fee per core round trip listed in the fifth column of Table 1;
- (b) an amount equal to
 - (i) the difference between the traffic carried by BC Ferries on that Designated Ferry Route during the period of reduction and the traffic carried by BC Ferries on that Designated Ferry Route during the same period in the immediately preceding year, expressed as a percentagemultiplied by
 - (ii) the number of core round trips that are to be provided by BC Ferries on that Designated Ferry Route to meet Core Service Levels, multiplied by the Ferry Transportation Fee per Core Round Trip listed in the fifth column of Table 1.
- 4. Despite section 3, the Commissioner may relieve BC Ferries of a reduction to the Ferry Transportation Fee under that section after taking into consideration the costs incurred by BC Ferries during the time of the reduction in service and whether
 - (a) the events or circumstances causing the reduction were anticipated or predictable;
 - (b) the events or circumstances causing the reduction were in the reasonable control of BC Ferries;
 - (c) BC Ferries made reasonable efforts to avoid the events or circumstances causing the reduction;
 - (d) BC Ferries is moving expeditiously to correct the events or circumstances causing the reduction; and
 - (e) BC Ferries is taking or has taken measures to mitigate the reduction.

Social Program Reimbursement

- 5. The value of the foregone revenue is calculated on the applicable fare at time of

travel, as follows:

(a) BC Student (under 19 years of age) discount.

Students travel at a 100% discount on those routes where they must travel to attend school (Salt Spring Island students are included). The free travel also includes travel to attend or participate in school and junior association educational and sporting events. Students travel at a 50% discount on school events on all other routes (Mainland routes, Powell River/Little River, Tsawwassen/Gulf Islands and the Northern Routes).

Details of where students travel at a 100% discount and where the fare is at 50% of the adult or child fare is illustrated in the Table attached as Appendix 1 of this Schedule.

(b) Disabled discount.

Permanently disabled persons in possession of a BC Ferries Status I.D. card and attendants if required travel at a 50% discount off the passenger fare on all routes. The discount is applicable to both adults and children and an adult escort if required.

(c) Senior discount.

Seniors 65 or older in possession of a BC Gold Carecard travel at a 100% discount as passengers (they pay the normal vehicle rate) from Monday to Thursday, excluding statutory holidays. (On three of the northern services, Routes 10, 11 and 40 seniors receive a 33% discount any day of the week.)

(d) Medical Travel Assistance Program Discount.

The Province's Medical Travel Assistance Program provides a 100% discount for travel by patients, their vehicles and an escort (if necessary) for non-emergency medical treatments. To qualify, an individual must first have their doctor complete a form, which is then verified by the Ministry of Health who issue a date-restricted confirmation number.

Invoicing and Payment

6. Amounts owing will be invoiced and will be paid to BC Ferries as follows:

- Payment with respect to the Ferry Transportation Fee is to be made monthly to BC Ferries, based on the estimated monthly fee, to be paid no later than the last business day of the month in which the payment was earned. It is to be deposited in a bank account designated by the BC Ferries, in such amounts and in such manner as BC Ferries directs.
- BC Ferries will provide, on a quarterly basis according to its fiscal year, a reconciliation statement of the amounts paid against the actual service delivered based on the terms and conditions described herein.

- Any amounts owing by either party based on the quarterly reconciliation will be settled within 30 days of receipt of the reconciliation statement.
- BC Ferries will invoice the Province monthly for the Social Program Reimbursements. Payment is to be made to BC Ferries within 30 days of receipt of the invoice by deposit into a bank account designated by BC Ferries, in such amounts and in such manner as BC Ferries directs.

**Appendix 1 of Schedule “B”
Ferry Transportation Fee
Table 1**

Route #	TABLE 1	Maximum Annual Ferry Transportation Fee (\$m)	Core Round Trips	Ferry Transportation Fee per Core Round Trip (\$)
3	Horseshoe Bay/Langdale	\$ 5.0	2,985	\$ 1,676.65
4	Swartz Bay/Saltspring	5.0	2,880	1,753.01
5	Swartz Bay/Outer Gulf Islands	10.9	3,456	3,163.09
6	Crofton/Saltspring	1.4	5,066	284.98
7	Saltery Bay/Earls Cove	9.4	2,880	3,257.24
8	Horseshoe Bay/Bowen Island	5.2	5,569	929.35
9	Tsawwassen/Gulf Islands	6.9	832	8,268.98
10	BearCove/Prince Rupert	5.3	122	43,496.47
11	Prince Rupert/Skidegate	8.1	191	42,669.37
12	Brentwood/Mill Bay	1.4	3,215	443.32
13	Langdale/Gambier/Keats	0.5	4,142	127.75
17	Comox/Powell River	6.3	1,462	4,301.63
18	Powell River/Texada	3.2	3,648	889.66
19	Nanaimo Harbour/Gabriola	2.5	5,732	444.67
20	Chemainus/Thetis/Kuper	2.5	4,013	618.87
21	Buckley Bay/Denman	2.7	6,149	438.05
22	Denman/Hornby	2.1	4,506	458.16
23	Campbell River/Quadra	2.9	6,253	462.88
24	Quadra/Cortes	2.6	2,134	1,240.36
25	PortMcNeill/Alert Bay/Sointula	3.2	3,961	799.78
26	Skidegate/Alliford Bay	2.6	4,378	604.90
40	Discovery Coast	1.9	39	48,546.64
		\$91.9		

Appendix 2 of Schedule “B”
BC Student (under 19 years of age) discount
Table 2

Route #	Route Name	Adult Student at 50% Adult Fare	Child Student at 50% Child Fare	Free Adult Student	Free Child Student
Route 1	Swartz Bay/ Tsawwassen (one way fare)	X	X		
Route 2	Horseshoe Bay/ Departure Bay(one way fare)	X	X		
Route 30	Duke Point/ Tsawwassen (one way fare)	X	X		
Route 3	Horseshoe Bay/ Langdale	X	X		
Route 4	Swartz Bay/ Fulford			X	X
Route 5	Swartz Bay/ Outer Gulf Islands			X	X
Route 6	Crofton/ Vesuvius			X	X
Route 31	Inter Southern Gulf Islands(one way fare)			X	X
Route 7	Saltery Bay/ Earls Cove			X	X
Route 8	Horseshoe Bay/ Bowen Is.			X	X
Route 9s	Tsawwassen to Gulf Islands (one way fare)	X	X		
Route 9n	Gulf Islands to Tsawwassen (one way fare)	X	X		
Route 12	Mill Bay/ Brentwood Bay (one way)			X	X
Route 13	Langdale/ Keats/ Gambier Is. (one way fare)			X	X
Route 17	Powell River/Little River (one way fare)	X	X		
Route 18	Powell River/ Texada Is.			X	X
Route 19	Nanaimo Hbr/ Gabriola Is.			X	X
Route 20	Chemainus/ Thetis/ Kuper Is.			X	X
Route 21	Buckley Bay/ Denman Is.			X	X
Route 22	Denman/ Hornby Is.			X	X
Route 23	Campbell River/ Quadra Is.			X	X
Route 24	Quadra Is./ Cortes Is.			X	X
Route 25	Port McNeill/ Alert Bay/ Sointula			X	X
Route 26	Skidegate/ Alliford Bay			X	X
Route 10	Prince Rupert/ Bear Cove (Port Hardy) (one way fare)	X	X		
Route 11	Prince Rupert/ Skidegate (one way fare)	X	X		
Route 40	Bear Cove/ Mid Coast Points (one way fare)	X	X		

SCHEDULE “C”
Service Fees for Unregulated Routes

1. Subject to section 2, the Service Fee payable by the Province to BC Ferries pursuant to this Agreement for Services provided by BC Ferries in respect of all Unregulated Routes is \$1.7 million.
2. In the event that aggregate costs payable by BC Ferries to operators of the Unregulated Routes exceeds \$1.8 million (the “Excess Costs”), the Province will provide an additional Service Fee equal to the Excess Costs to a maximum of \$200,000.
3. Notwithstanding any other provision of this Schedule, in no event will the amount payable to BC Ferries pursuant to this Agreement for Services provided by BC Ferries in respect of all the Unregulated Route exceed \$1.9 million.
4. Payment Terms
 - BC Ferries will provide a quarterly invoice based on its fiscal year for the actual expenses it has incurred subject to the terms and conditions of the agreement.
 - Payment is to be made to BC Ferries within 30 days of receipt of the invoice by deposit into a bank account designated by BC Ferries, in such amounts and in such manner as BC Ferries directs.