



2006/07 – 2008/09 SERVICE PLAN

February 2006
www.bctransit.com

Honourable Kevin Falcon
Minister of Transportation
and Minister Responsible for
British Columbia Transit

This Service Plan presents the goals, objectives and strategies that will guide BC Transit in the delivery of programs and services for the 2006/07 - 2008/09 fiscal years. The Plan lays out the actions that BC Transit will take to ensure the Corporation continues to provide excellent public transportation services in an efficient and effective manner.

BC Transit works in cooperation with more than 50 local governments, service delivery partners, and other agencies to meet the core public transportation needs of BC communities and transit customers.

The next three years will see a continuation of the successful efforts to expand partnership opportunities and bring more resources and community support to the transit program. Transit's role in providing a connection to health care, jobs and training, and education centres is growing in importance. The success of senior and local government initiatives in these areas is, in part, reliant upon improving access. Health districts, First Nations, employers and post-secondary institutions will all be the target of expanded efforts by BC Transit to increase these activities.

New technologies will continue to be assessed and, where feasible, adopted in order to enhance the environmental benefits of transit and improve on-street operations, customer information and management decision-making. The initial results of Canada's first acquisition of production hybrid diesel electric vehicles are positive, and an initiative to retrofit a significant portion of the mainstream conventional bus fleet is being pursued. Proposals have been made to the federal government to operate twenty hydrogen fuel cell powered buses.

The capital program for this 2006-09 Service Plan is closely tied to the recent announcement and launch of funding programs for transit including the 'New Deal for Cities and Communities' program, the Canada/BC Infrastructure Program and other federal government capital funding initiatives to which transit is eligible to apply. Success in these funding applications will be essential for most of the planned program enhancements to be implemented.

The Board has continued a comprehensive process of dialogue with local government partners, through direct meetings with councils and regional district boards and a transit workshop at the 2005 annual UBCM convention. A strong consensus view has emerged that further development of transit services is a high priority for most communities in British Columbia. The Board and BC Transit staff will be focusing on initiatives to enhance service efficiency and capacity and will also continue to work with a number of small town and rural communities to identify partnership opportunities and other sources of support to implement transit in new areas.

In the coming year, the Board of Directors will provide any support requested by your office, Minister, as you conduct a process of review of BC Transit's current programs, funding and governance framework.

This 2006/07- 2008/09 BC Transit Service Plan was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of this Plan, including the selection of performance measures and targets. This Plan is consistent with the government priorities articulated in the Five Great Goals for a Golden Decade issued in 2005. All significant assumptions, policy decisions, and identified risks as of January 2006 have been considered in preparing the Plan.

I am accountable for ensuring BC Transit achieves the specific objectives identified in the Plan, and for measuring and reporting actual performance. The performance targets in this Plan have been determined based on an assessment of BC Transit's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read 'G. Slocombe', written in a cursive style.

Gregory Slocombe
Chair
BC Transit Board of Directors

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ORGANIZATIONAL OVERVIEW

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation throughout British Columbia outside Greater Vancouver. In partnership with local government, the Corporation’s mandate includes planning, funding, marketing, fleet management and contracting for the operations of transit services. According to the British Columbia Transit Act (Section 3.1) BC Transit is to:

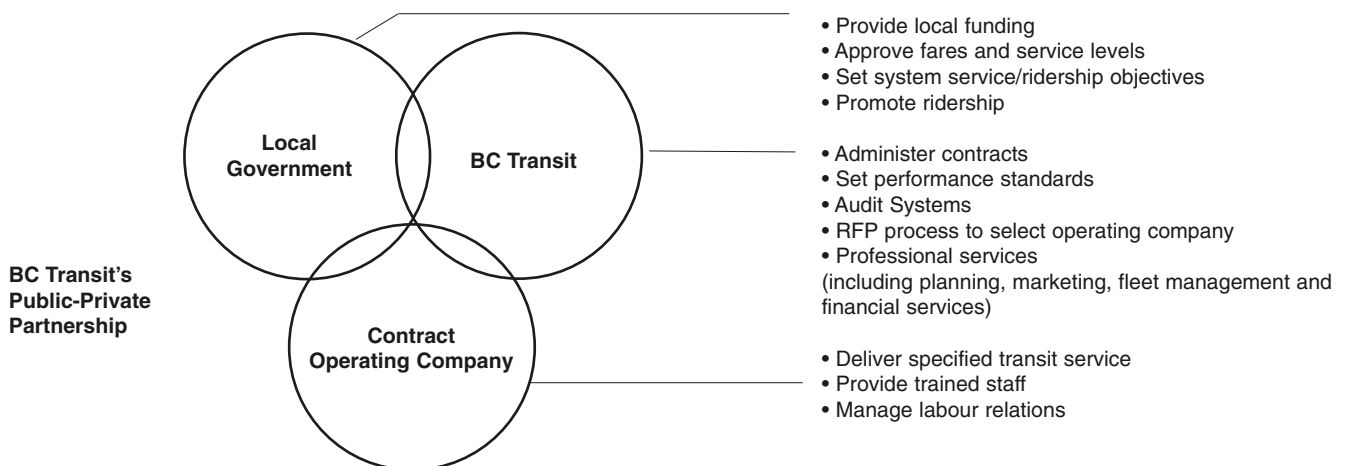
“... plan, acquire, construct or cause to be constructed public passenger transportation systems and rail systems that support regional growth strategies, official community plans, and the economic development of transit service areas”, [and] “to provide for the maintenance and operation of those systems.”

The scope of BC Transit’s program in 2006/07 is as follows:

- 50 local government partners and in Victoria, the Victoria Regional Transit Commission
- 20 private sector operating companies and 13 non-profit agencies contracted to provide service
- over 40 million passengers carried annually
- 1.4 million B.C. residents served with public transit
- 70 transit systems
- fleet of 710 buses, minibuses and vans

Working within a framework of provincial/local government/private partnerships, BC Transit benefits from a strong component of local government decision-making and private sector expertise. Victoria is the only location where BC Transit directly operates the conventional transit service. In four locations (Nanaimo, Nelson, Powell River and the Sunshine Coast) the municipality operates the service. Elsewhere, private sector companies or non-profit societies deliver services under contract to BC Transit and the municipal funding partner.

Three types of transit ensure services are tailored to local markets and community needs. **Conventional transit** serves the general population in urban settings using mid-sized, large or double deck buses - mostly fully accessible and low-floor - with fixed routes and fixed schedules. Recent conventional transit innovations have ranged from Community Bus to Bus Rapid Transit. **Custom transit** serves those who cannot use conventional transit because of a disability, using vans and minibuses for dial-a-ride, door-to-door handyDART service, and through contracted Taxi Supplement and Taxi Saver (discounted coupon) programs. In small town, rural and suburban areas **Paratransit** offers flexible routing and schedules for passengers using minibuses, taxis and vans.



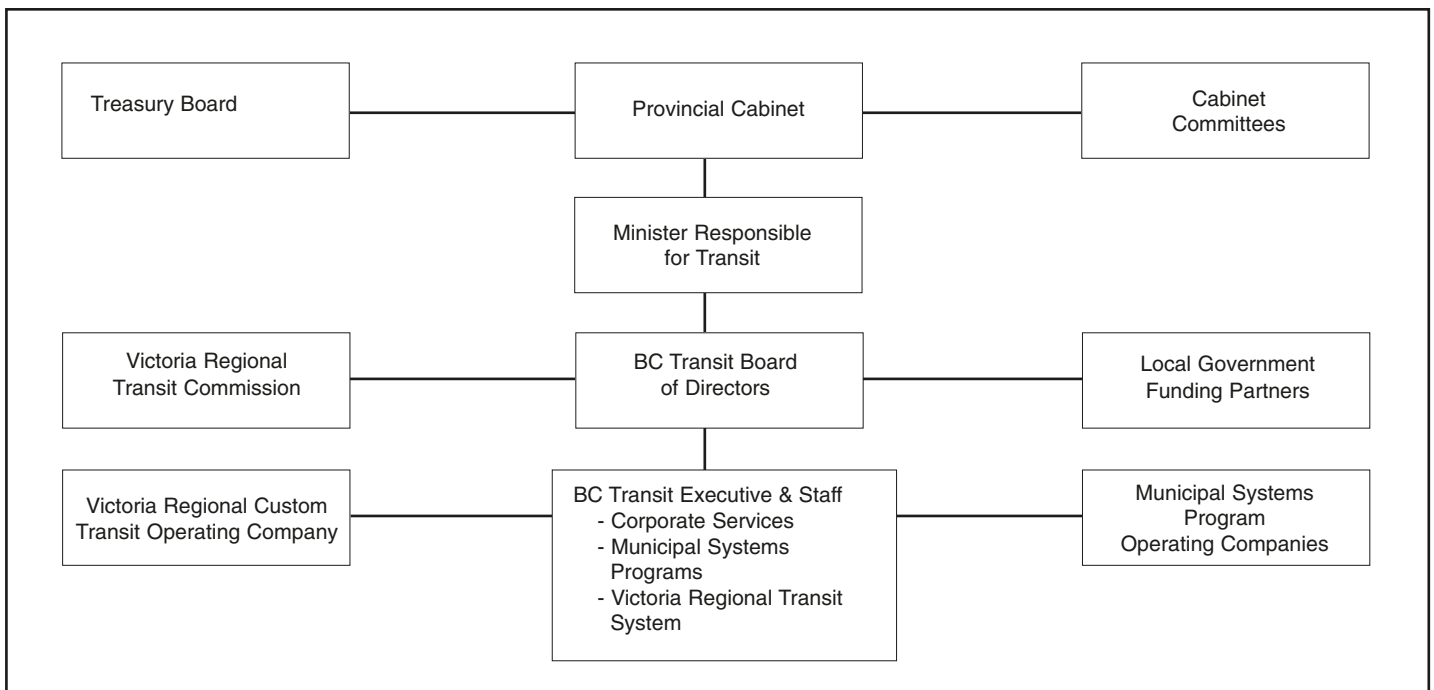
Governance and Budget Development

The Corporation is governed by a seven-member Board of Directors appointed by the province according to the BC Transit Act. The Act requires four of the Board members to be municipally elected representatives. The Chair reports to a provincial cabinet minister. Membership on the Board of Directors as of December 2005 is as follows:

Mr. Gregory Slocombe (Chair), President, General Manager and COO of Ridley Terminals Inc., Prince Rupert
 Mayor Walter Gray, City of Kelowna (to December 2005)
 Mayor Colin Kinsley, City of Prince George
 Mr. Bob De Clark, Human Resources Consultant, Nanaimo
 Mayor Christopher Causton, District of Oak Bay
 Mayor Don Amos, Town of Sidney
 Vacancy - 1

The Audit Committee is the only standing committee of the Board, and meets either as a Committee of the Whole or as the full Board in regular session.

The relationship of BC Transit and its local government partners to the provincial government is represented below.



With respect to budget development, estimates are approved by BC Transit's Board of Directors and forwarded to the Minister Responsible for review and presentation to Treasury Board. Local funding requirements are submitted for the endorsement of the Victoria Regional Transit Commission, other local government partners and approval by BC Transit's Board. Provincial funding is provided through the public transportation sub-vote of the Ministry of Transportation.

This Service Plan and the public transportation budget were tabled in the legislature on February 21, 2006. Actual results compared to financial and performance targets set out in this Service Plan are detailed in BC Transit's Annual Report, available on the Corporation's website in July of each year.

STRATEGIC CONTEXT

Vision

In recognition of the pivotal role public transportation plays in sustaining vibrant, healthy communities, BC Transit's vision is for the:

Development of transit services, in partnership with each community, to provide essential mobility and travel choice for all residents, where costs of traffic congestion are reduced, air quality and associated health benefits enhanced, more compact and efficient urban development supported and costly new roadway construction deferred.

Mission

BC Transit's mission statement integrates the Corporation's purpose, products and client base:

To excel in the provision of safe, reliable, cost-efficient and market-focused public transportation systems that support the social, economic and environmental goals of the customers and communities served.

Values

BC Transit strives to ensure that the wide-ranging benefits of public transportation - access to jobs, education and health care; reducing transportation infrastructure and traffic congestion costs; contributing to improved air quality; and enhancing community and regional development - are realized to the fullest extent possible. BC Transit is guided by the following core values:

- A strong commitment to partnerships with local government and operating companies - and a commitment to continue developing new community partners throughout the province;
- Transparent local decision-making on transit matters - including budgets, services and tariffs - in open sessions at regional districts, municipalities and the Victoria Regional Transit Commission;
- Focus on the market in order to maximize service convenience and appeal to transit riders;
- Ensure safety and security for customers, staff and the public;
- Foster innovation in planning, fleet procurement, service delivery, customer service and administration;
- Utilize sound financial practices, and a competitive procurement process to ensure the highest value is received for dollars spent; and
- Show environmental stewardship through responsible purchasing practices and facilities management, and support for community, provincial, national and international efforts to protect the environment.

These values are reflected in the day-to-day operations of the Corporation in a myriad of ways - in business jointly and openly conducted with local government partners; in accountabilities shared and embedded in operating agreements with private service providers and funding partners; in a regular tender process that brings the discipline of the marketplace to bear on service delivery; and in performance measures geared to reflect BC Transit's primary focus on safety, the market, and service efficiency and effectiveness.

Issues, Opportunities and Risks

Market Strengths and Service Capacity

In the past year ridership on the Victoria Regional Transit System and in the Municipal Systems Program has reached unprecedented levels. This has been driven by many factors - a higher level of economic activity; the increased cost of automobile ownership; demographic trends and growing ridership by students, commuters and seniors; more extensive use of bus pass programs; and regional growth strategies which emphasize the role of public transit in building and maintaining environmentally healthy and economically vital communities.

In the Victoria Regional Transit System, ridership has increased by 10% between 2000 and 2005. Public transit now carries more than 80,000 passengers region-wide on a typical weekday and accounts for 21% of all peak-hour traffic to and from downtown Victoria. To meet projected demand over the next five years - and to develop transit services in keeping with the objectives of the Regional Growth Strategy and local government plans - the Victoria Regional Transit Commission has approved plans calling for an increase of 35% in service. In the Municipal Systems Program ridership has increased by 28% over the past five years. More than 1.1 million British Columbians reside in the 50 communities participating in the Municipal Systems Program. Over the next five years population is forecast to grow by 6%, and more than two-thirds of this population growth will take place in the six largest communities: Abbotsford, Whistler/Squamish, Nanaimo, Kelowna, Kamloops and Prince George. Planning studies forecast that a 32% increase in conventional transit service will be required in order to accommodate growing demand in the next five years across the program. Some 60% of this growth will be targeted to the six largest centres. Custom transit services for the disabled and elderly market cannot meet current demand levels, and are now experiencing up to a six-day booking backlog in some markets.

Significant improvements in service efficiency and ridership have been achieved in recent years, in part through re-allocation of service from lower performing areas to markets experiencing growth. Average rides per service hour operated have improved but opportunities for further reallocation are limited.

Transit services are a priority to ensure residents have access to jobs, education and health services. In order to support the continued expansion of transit services, the Minister Responsible for BC Transit has indicated that a review of the Corporation's funding and governance structure will be conducted over the coming year.

Since 2002/03, the provincial government has continued to increase its annual contribution to transit services. Beginning in 2003/04 the province also made a flex-funding option available to local governments choosing to increase their financial contribution in order to enhance services. This year, out of a total of 50 local government partners, 21 have opted for flex-funding. In addition, BC Transit continues to actively develop new community partnerships - with school districts, health authorities, First Nations and businesses - to promote or fund new or improved services. Although these measures have eased the situation, current demands for services will continue to challenge the ability of BC Transit and the local government partners to supply desired levels of public transit capacity.

Financial Risks

As a result of the strengthening economy there are greater underlying inflationary pressures than in prior years. Several significant risks are associated with the Corporation's financial projections over the Service Plan period. (These are described in more detail on page 12.)

Collective agreements for the Victoria Regional Transit System, comprising 27% of the Corporation's budget expire on March 31, 2006. In addition, the Request for Proposals process in the Municipal Systems is subject to competitive bidding and local market factors. Over the course of this Service Plan 34 systems will be tendered, representing a further 29% of the Corporation's budget. It is expected that rising cost pressures will remain as local economies and job markets show continuing strength in communities around the province. BC Transit will seek to mitigate labour cost pressures by internal efficiencies and cost savings.

Fuel accounts for 13% of BC Transit's total operating costs, and each 1% increase in the price of fuel would add an annual cost of \$164,000 to the Corporation's budget. The financial forecast included in this Service Plan reflects current pricing. The impact of the introduction of ultra low sulphur diesel fuel is unknown. Delivery of this cleaner fuel is scheduled to begin in summer 2006.

BC Transit is addressing fuel cost risks in a number of ways. Like other major transportation companies, it is continuing to purchase short term fuel futures contracts to hedge costs, while remaining flexible in the medium term. Through the SmartDriver Fuel Sense Program the Corporation is also taking steps to improve fuel economy through operator education.

Expenditures for vehicle parts represent a further 6% of costs corporately. As a result of increasing technical complexity of vehicles and the increasing age profile of the fleet (which requires kilometre based overhauls) parts costs are forecast to escalate. In addition, parts and materials prices have increased due to the increasing energy and base metals prices, both in the component manufactured cost and for delivery. BC Transit maintains an active competitive bid process for parts supply, and also receives discounted pricing based on provincial volumes ordered.

Opportunities to Apply New Technologies to Help Improve Air Quality

BC Transit is making important contributions to furthering the provincial government's goal of demonstrating world leadership in air quality. The Corporation is continuing to seek opportunities to partner with local governments, suppliers and the federal government to further the adoption of alternate fuels and new transit vehicle technologies, where economically viable.

In 2005 the Corporation purchased six hybrid-diesel electric buses. It is presently assessing the business case for conversion of vehicles in the existing fleet, or purchase of new hybrid-diesel electric vehicles as the bus fleet is replaced.

In addition, with federal funding support, BC Transit is evaluating the feasibility of deploying 20 hydrogen fuel cell buses in normal operation, and showcasing the technology.

Opportunities for New Deal Funding Support from the Federal Government

Beginning in 2005/06, the federal government's "New Deal for Cities and Communities" will see a portion of federal gas tax revenues redirected to cities for infrastructure renewal. BC Transit is working closely with the local government partners to identify infrastructure plans and pursue federal funding for projects that result in reduced greenhouse gas emissions, cleaner water, or cleaner air.

The potential scope of the program encompasses alternative fuel and vehicle technologies; small town and rural transit system start-ups; transit facilities including transit exchanges and park and ride facilities; transit priority measures; and transit information technology.

BC Transit will also continue to pursue funding from other senior government programs, such as federal support for Intelligent Transit Systems (ITS) initiatives, and provincial Ministry of Environment funding programs for environmental projects.

Workforce Capacity and Cost Management Issues

BC Transit's workforce is aging. Risks associated with an aging workforce include the potential for future shortages of in-demand skills and trades; insufficient workforce capacity; and loss of specialized organizational knowledge. BC Transit is off-setting this risk through succession planning, targeted employee development, competitive recruitment and transition to off-the-shelf software that is less dependent on the knowledge of specific individuals.

Employee health benefit costs, long term disability benefit costs and employer pension contributions, are increasing throughout the country - and at BC Transit. This stems from an aging work force, and rising drug and health care costs along with declining investment returns for pension funds. In the Victoria Regional Transit System the Corporation pays these costs directly, while in the Municipal Systems these are paid as contract costs. BC Transit is meeting these challenges through early return to work programs, vigorous claims management, and health and wellness promotion programs.

Security and Emergency Preparedness

Transit agencies are increasingly being looked to as a critical resource for moving large numbers of people in natural disasters, public health or other emergencies. At the same time there is a call for heightened security and vigilance throughout large transit operations across the nation.

BC Transit cooperates on an ongoing basis with Transport Canada, the Canadian Urban Transit Association and other transit agencies to ensure the Corporation's emergency and security procedures are consistent with best practices in the industry. The skills, training and standard emergency and security procedures of BC Transit's front line staff are continually being upgraded and refreshed.

CORPORATE GOALS, OBJECTIVES AND STRATEGIES

Alignment with Government's Strategic Plan

This 2006-09 Service Plan is consistent with the government's strategic priorities as stated in the Five Great Goals for the Golden Decade.

Lead in sustainable environmental management

Lead in healthy living and physical fitness

- BC Transit services reduce traffic congestion, provide travel options, reduce auto dependency, support regional growth strategies, and provide access to community and health services
- BC Transit is an early adopter of new environmentally-friendly technologies

Best system of support for disabled, special needs, children at risk and seniors

Best educated, most literate jurisdiction

- BC Transit services provide essential access and mobility for seniors and youth; provide low cost, fully accessible links to education, training, community and health services

Create more jobs per capita

- BC Transit services provide lower cost access to jobs, training, commercial and retail activity centres
- BC Transit has partnered with employers, educational institutions and others to enhance transit services and infrastructure.

BC Transit's programs - which provide access to jobs, education health and community services for 1.4 million British Columbians - clearly align with, and support, the government's Five Great Goals. The following sections describe these public transit program goals, objectives and strategies in more detail.

GOAL 1 – SERVICE DELIVERY

Maximize the efficient and cost effective use of resources in the provision of safe, innovative and customer-oriented services to meet present and evolving market demands.

1. OBJECTIVE: Deliver core services and target services to new and/or growing priority areas.

Strategy A. Reallocate service from lower demand periods to areas of higher demand, and develop service and tariff strategies to promote increased market share.

Targets

Continuous improvement in average rides/hour program-wide for conventional transit services: 34.4 rides/hour in Victoria and 25.5 rides/hour in Municipal Systems.

Maintain industry leadership in productivity level for custom transit service: 4.8 rides/hour in Municipal Systems and 2.8 rides/hour in Victoria.

2. OBJECTIVE: Improve service efficiency and effectiveness.

Strategy A. Expand strategic purchasing initiatives to contain costs.

Target

Cost/hour and cost/ride at or below inflation (BC-CPI).

Strategy B. Evaluate alternative techniques to reduce fuel consumption.

Target

Develop a recommendation based on results of pilot testing for fleet-wide fuel efficiency improvements including Smart Driver Training, real-time fuel consumption monitoring and reconfiguration of vehicle transmissions.

Strategy C. In recognition of the importance of retaining an engaged and high performing workforce, support continual employee development and performance enhancement.

Targets

Complete introduction of enhanced performance and development reviews for all employees by Year 3.

Conduct refresher/upgrade training on performance/development management for all supervisors and managers in Year 1.

Strategy D. Pursue new funding and operational efficiencies to offset anticipated cost increases, in order to maintain core transit services through the term of the Plan.

Target

Secure new funding and operational efficiencies to offset anticipated cost increases currently forecast to be \$1.9 million in Year 1, \$2.9 million in Year 2 and \$3.9 million in Year 3.

3. OBJECTIVE: Improve transit safety for passengers and reduce the costs of accidents.

Strategy A. Reduce preventable accidents through ongoing training and improved performance feedback.

Targets

Victoria Regional Transit System: reduce preventable accidents below last three-year average in each year of the 2006/09 Service Plan period.

Municipal Systems Program: develop and implement a standard accident reporting framework by end of Year 1.

4. OBJECTIVE: Implement high priority service improvements.

Strategy A. Pursue new community funding partnerships to implement enhanced service.

Targets

Expand partnership activities with Health Authorities, School Districts, employers, others.

Seek \$2.4 million start-up funding for small towns and rural areas from “New Deal” funding program.

Implement a minimum of one U-Pass program annually.

GOAL 2 – COMMUNITY DEVELOPMENT

Plan and deliver transit services that meet local land-use and growth priorities, while furthering the development of safe, healthy communities and a sustainable environment.

1. OBJECTIVE: Identify and adopt new technologies to enhance customer service, improve air quality and reinforce transit's community benefits.

Strategy A. Evaluate and expand hybrid diesel electric technology.

Target

Develop the business case for repowering selected vehicles in BC Transit's existing fleet. Includes application to the federal government for funding to implement in Year 2.

Strategy B. Commence work on a program that would see BC Transit acquire and place hydrogen fuel cell buses in regular service.

Target

Subject to successful application for federal funding by spring 2006, commence the Hydrogen Fuel Cell Project. Issue RFP to undertake fleet acquisition and development of fueling systems by the end of Year 1.

2. OBJECTIVE: Support regional growth strategies, community planning initiatives and municipal empowerment.

Strategy A. Work with local governments in the development of strategic transportation initiatives that support local and regional growth strategies.

Target

Implement Kelowna and Victoria Regions' Bus Priority Projects (Phase 1 - funded in Victoria by a federal infrastructure program, and in Kelowna from Transport Canada, the provincial Ministry of Transportation and the City of Kelowna). Secure funding for future phases of these projects prior to Year 2.

Strategy B. Work with local government partners and others to advance applications for capital funding for priority projects under the federal government's "New Deal for Cities and Communities" and other senior government programs.

Target

Applications submitted with local government partners' endorsement for all eligible projects in Year 1 of BC Transit's Long Term Capital Plan (LTCP).

Strategy C. Broaden the awareness of public transit benefits through environmental education and climate change efforts.

Target

Subject to funding, increase BC communities participating in Clean Air Day by 15% in Year 1.

Build and deliver public transit and active transportation youth educational programs through partnership with 2010 Legacies Now.

GOAL 3 – FUNDING AND GOVERNANCE

Review BC Transit's current funding and governance structure.

1. OBJECTIVE: Support the Ministry of Transportation in conducting a review of BC Transit's funding and governance structure.

Strategy A. Assist the Minister in the planned funding and governance review.

Target

Develop supportive strategies for the review of BC Transit's funding and governance framework in consultation with the Minister of Transportation and ministry staff.

SUMMARY FINANCIAL OUTLOOK

The following section provides high-level projections of revenues and expenditures, and also sets out key forecast assumptions and risks.

2006/07 - 2008/09 Summary Financial Outlook

The three year forecast for the Corporation across all programs is presented in Table 1. This table summarizes funding, expenditures, and full-time employee equivalents (FTE) forecast for BC Transit corporately over the Service Plan period. Key assumptions, risk factors and sensitivities are presented immediately following Table 1. Actuals for 2004/05 are based on audited financial statements. The forecasts forward to 2008/09 are based on corporate financial forecasting models.

Table 1
Corporate Financial Outlook

<i>(figures in thousands)</i>	2004/05 Actual	2005/06 Forecast	2006/07 Budget	2007/08 Plan	2008/09 Plan
Income Statement:					
Revenue:					
Contributions from the Province	46,531	47,758	49,264	49,264	49,264
Deferred capital contributions from the Province	21,046	19,325	19,624	20,055	20,055
Passenger & Advertising Revenue	44,996	47,881	47,866	48,705	49,585
Local Taxation	30,877	34,305	38,376	39,834	41,488
Investment and other income*	2,178	3,048	3,364	4,641	5,919
	145,627	152,317	158,494	162,499	166,311
Expenditures:					
Salaries and benefits	38,217	38,687	39,224	39,720	40,229
Operating costs	72,655	79,637	83,566	85,944	87,813
Amortization of capital assets	28,479	26,893	28,604	29,735	30,669
Interest on long-term debt	6,276	7,100	7,100	7,100	7,600
	145,627	152,317	158,494	162,499	166,311
Other:					
Gain (loss) on disposal of capital assets	103	801	-	-	-
Net Income (Loss)	103	801	-	-	-
Capital Expenditures:	8,429	24,339	9,899	14,524	30,775
Full-Time Equivalents (FTEs):	578	597	611	611	611
* Includes additional funding or operational efficiencies of \$1,392 in 2005/06, \$1,980 in 2006/07, \$2,932 in 2007/08 and \$3,864 in 2008/09 that may be required should forecasted inflation materialize over the Service Plan period.					

Key Assumptions

The forecast includes provincial funding of \$49.3 million for 2006/07 - 2008/09. Currently local government partners can elect to increase their share of funding to maintain or increase service levels, although they are not compelled to do so. For purposes of this plan only confirmed flex-funding arrangements are incorporated in the budget. The forecasts also assume no tariff changes beyond those already approved through the budget planning period. Tariff decisions are the responsibility of the local government partners.

Inflation factors for the Victoria Regional Transit System reflect:

- Compensation/benefits projections for 2006/07 - 2008/09 within government guidelines
- Materials and services inflation per provincial government guidelines, 2%
- Insurance cost increases at 0% in 2006/07 and increasing at 2% per annum thereafter
- Fuel costs at the Victoria benchmark of 90 cents/litre in 2006/07 and increasing at 2% per annum
- Maintenance costs reflect required maintenance previously deferred, major component overhauls and mid-life tune-ups

Inflation factors for the Municipal Systems program reflect:

- Known contracts (collective agreements, contract terms with operating companies, building leases, etc.)
- Materials and services inflation per provincial guidelines, 2.0%
- 2% annual increase in direct operating cost including compensation/benefits (excluding contracts noted above) in 2006/07 and at the projected inflation rate thereafter
- Fuel costs based on the Victoria benchmark of 90 cents/litre in 2006/07 and increasing at 2% per annum thereafter
- Fixed costs at 2%
- Insurance cost increases at 0% in 2006/07 and increasing at 2% per annum thereafter
- Contract renewals through the RFP process include anticipated increases for fixed and variable hourly costs
- Maintenance costs reflect required maintenance previously deferred, major component overhauls and mid-life tune-ups

Forecast risk factors and sensitivities

Significant risks associated with the projection for the coming years include:

- The single largest forecast risk is fuel cost. A six-month fixed-price contract expired on September 30, 2005 (78.88 cents/litre), and was renewed for 3 months at 90.64 cents/litre. The forecast period reflects current pricing - a 73% lift in average price over the 2004/05 year. Although future oil prices may remain at current levels, there is no consensus opinion of industry analysts. Further, refining margins for diesel products have increased relative to regular gasoline. In addition, the cost impact of the pending introduction of ultra low sulphur diesel is unknown. BC Transit continues to purchase fuel futures contracts, but for shorter terms. This strategy is consistent with that of other major transportation companies.
- Insurance costs have experienced significant increases since September 11, 2001. Current premium rates are now stable, however, a major natural disaster or global security event could trigger an increase, particularly for liability coverage. BC Transit is a shareholder in a shared services insurance company with TransLink. This arrangement significantly reduces insurance costs.

- Employee benefit costs continue to rise with new health care technologies, increasing drug costs, an aging workforce and declining investment returns for public service pension plans.
- The cost of fleet maintenance has increased significantly in the last five years. This area continues to be an expenditure risk. A number of input factors contribute to this trend:
 - Expenditure requirements for vehicle running repairs, major component overhauls and mid-life tune-ups have increased faster than the Consumer Price Index, largely due to the fleet age profile. Parts costs remain volatile.
 - Vehicles purchased now are more complex than the vehicles being replaced. The newest vehicles - which include advanced electronic systems, air conditioning, and greater complexity in the drive train and other major components - contribute to an ongoing challenge to manage fleet maintenance costs.
 - Passenger amenities have also been added including large format electronic signage, bike racks, and electronic fare processing.
- Collective agreements in Victoria expire on March 31, 2006.
- The RFP process in the Municipal Systems Program is subject to competitive bidding and local market factors. Regional economic recovery leads to more competitive labour markets and may expose transit to cost increases beyond those assumed.
- Interest rates are starting to trend upwards in response to inflationary factors.

Table 2 below summarizes the external risk factors beyond the company's direct control which may have an impact on the budget, and sensitivity analysis corresponding to cost increases/decreases.

Table 2
Risk Factors and Sensitivities, Corporate Risk Summary

Risk Factor		Dollar Exposure		
		Victoria	Municipal Systems	Total
Interest Rates (new issues)	1%			\$51,000
Maintenance Parts Pricing	1%	\$40,000	\$75,000	\$115,000
Fuel	1%	\$64,000	\$100,000	\$164,000
RFP Process	1%		\$32,000	\$32,000
Benefits	1%	\$73,000	\$25,000	\$98,000
Insurance	1%	\$8,000	\$15,000	\$23,000

PERFORMANCE MEASURES AND TARGETS

This section provides a discussion of key performance measures and targets by program area - the Victoria Regional Transit System and the Municipal Systems Program – for the three year plan period. Performance measures used in this Service Plan are those universally adopted by the North American transit industry. Industry-wide standard indicators are used to track BC Transit’s achievement of strategic goals. These are defined in Appendix A. The same information is used by Statistics Canada for its “Standard Industrial Classification” (SIC) reports. Ridership estimates are based on industry-standard, statistically valid counting methodologies.

Table 3 Corporate Performance Outlook

Performance	2004/05 Actual	2005/06 Target	2006/07 Projection	2007/08 Projection	2008/09 Projection
Service Hours					
Victoria Regional Transit System	668	692	707	707	707
Municipal Systems Program	933	949	962	962	962
Total	1,601	1,641	1,669	1,669	1,669
Passengers					
Victoria Regional Transit System	19,982	20,057	20,921	21,078	21,235
Municipal Systems Program	18,628	18,657	19,458	19,661	19,888
Total	38,610	38,714	40,379	40,739	41,123
Municipal System Annual Operating Agreements					
	63	64	63	63	63

Performance Measures - Victoria Regional Transit System

Table 4 presents performance measures for the Victoria Regional Transit System’s conventional and custom transit services.

Table 4 Victoria Regional Transit System Performance Measures 2006/07 - 2008/09

Conventional	2004/05 Actual	2005/06 Target	2006/07 Projection	2007/08 Projection	2008/09 Projection
SERVICE EFFECTIVENESS					
Service Hours (<i>thousands</i>)	560	582	596	596	596
Revenue Passengers (<i>thousands</i>)	19,613	19,670	20,526	20,680	20,835
Revenue Passengers / Hour	35.0	33.8	34.4	34.7	35.0
Rides / Capita	58.6	58.3	60.3	60.2	60.1
COST EFFICIENCY					
Operating Cost Recovery	53.2%	52.4%	52.0%	51.3%	51.1%
Operating Cost Per hour	\$82.50	\$84.62	\$84.77	\$86.47	\$87.58
Operating Cost per Revenue Passenger	\$2.36	\$2.50	\$2.46	\$2.49	\$2.51

Table 4 (continued) Victoria Regional Transit System Performance Measures 2006/07 - 2008/09

Custom	2004/05 Actual	2005/06 Target	2006/07 Projection	2007/08 Projection	2008/09 Projection
SERVICE EFFECTIVENESS					
Service Hours (<i>thousands</i>)	108	110	111	111	111
Revenue Passengers -Total (<i>thousands</i>) *	368	387	395	398	400
Revenue Passengers - handyDART (<i>thousands</i>)	298	306	312	312	312
Revenue Passengers / Hour - handyDART	2.8	2.8	2.8	2.8	2.8
COST EFFICIENCY					
Operating Cost Recovery - Total	7.3%	6.1%	6.8%	6.6%	6.5%
Operating Cost Per hour - handyDART	\$42.85 **	\$49.34	\$48.98	\$50.18	\$51.43
Operating Cost per Revenue Passenger - Total	\$13.39 **	\$14.73	\$14.47	\$14.72	\$15.02
* Total custom ridership includes Taxi Saver Program					
** Includes a one-time cost recovery for taxi saver accrual reversal in 2004/05					

In the Victoria Regional Transit System the performance highlights reflected in Table 4 are as follows:

- Ridership observations for the fall of 2005 have been significantly higher than in previous years. Nevertheless, the passenger forecast has been conservatively estimated until the full extent of recent spikes in ridership are analyzed in more detail. In addition, the ridership projection reflects the fact that certain routes are already running at capacity. Passengers per hour show a decrease in 2005/06 as a result of the implementation of Community Bus service which utilizes smaller capacity vehicles. Current ridership in 2005/06 is exceeding target levels.
- Operating cost per hour increases through 2008/09 largely as a result of inflation. While cost containment strategies, such as Community Bus, mitigate these pressures to some degree, the underlying inflation rate in the general economy is trending upward.
- There is a slight decrease in cost per revenue passenger in 2006/2007. However, the following two years there is projected to be a slight increase in cost per passenger as input costs increase faster than ridership growth, which will be constrained by limited capacity.
- The table assumes no tariff changes through the budget planning period for both the conventional and custom transit services. Tariff decisions are the responsibility of the Victoria Regional Transit Commission. Consequently, projected cost recovery is forecast to decline slightly through 2008/09.

Performance Measures - Municipal Systems Program

Table 5 presents performance measures for the Municipal Systems Program conventional and custom transit services.

Table 5
Municipal Systems Program Performance Measures 2006/07 - 2008/09

Conventional					
	2004/05 Actual	2005/06 Target	2006/07 Projection	2007/08 Projection	2008/09 Projection
SERVICE EFFECTIVENESS					
Service Hours (<i>thousands</i>)	692	700	710	710	710
Revenue Passengers (<i>thousands</i>)	17,347	17,342	18,094	18,284	18,496
Revenue Passengers / Hour	25.1	24.8	25.5	25.8	26.1
Rides / Capita	21.1	20.8	21.5	21.5	21.5
COST EFFICIENCY					
Operating Cost Recovery	37.8%	36.0%	36.2%	36.3%	36.6%
Operating Cost Per hour	\$68.91	\$71.51	\$74.52	\$76.49	\$78.25
Operating Cost per Revenue Passenger	\$2.75	\$2.89	\$2.92	\$2.97	\$3.00

Custom					
	2004/05 Actual	2005/06 Target	2006/07 Projection	2007/08 Projection	2008/09 Projection
SERVICE EFFECTIVENESS					
Service Hours (<i>thousands</i>)	241	249	252	252	252
Revenue Passengers -Total (<i>thousands</i>) [*]	1,281	1,315	1,363	1,377	1,392
Revenue Passengers - Van (<i>thousands</i>)	1,098	1,138	1,205	1,217	1,230
Revenue Passengers / Hour - Van	4.6	4.6	4.8	4.8	4.9
COST EFFICIENCY					
Operating Cost Recovery - Total	17.0%	15.5%	15.3%	15.4%	15.5%
Operating Cost Per hour - Van	\$46.32 ^{**}	\$48.19	\$50.51	\$51.79	\$53.07
Operating Cost per Revenue Passenger - Total	\$9.36 ^{**}	\$9.78	\$10.03	\$10.16	\$10.28
<i>* Total custom ridership includes Taxi Saver Program</i>					
<i>** Includes a one-time cost recovery for taxi saver accrual reversal in 2004/05</i>					

In the Municipal Systems the performance highlights reflected in Table 5 are as follows:

- Ridership on the conventional system is projected to continue showing steady growth of over 6% over the three year plan period. This growth reflects more efficient utilization of existing resources, targeted and aggressive marketing to growing sectors such as student riders, changing demographics which favour transit use and population growth in some areas.
- Operating cost per hour in both the conventional and custom/paratransit systems is expected to increase faster than inflation. This is due primarily to rising vehicle maintenance costs, and RFP cost pressures resulting from strong local economies.
- Custom transit productivity increases slightly over the plan period, although it is expected demand will continue to exceed supply of these services.

APPENDICES

Appendix A

Explanation of Statistics and Performance Measures Used

Statistics include operational outputs and transit service area statistics. These factors, when used in a ratio, indicate commonly compared industry standard performance measures.

Total service hours represent the total number of hours that the transit fleet is in regular passenger service.

Revenue passengers represent transit riders who have made one fare payment to use the transit service. (Passengers who use a transfer and board more than one bus to complete a trip are only counted once.)

Operating cost includes all transit expenditures with the exception of debt servicing.

Operating revenues include passenger and advertising revenue. It excludes property tax and fuel tax revenue.

Population is for the defined transit service area.

Performance measures are statistical ratios combining system outputs, and transit service area statistics to benchmark performance within the industry and operational trends over time.

Cost Recovery reflects annual operating revenue divided by total annual cost. This ratio indicates the proportion of costs recovered from operating revenue. Fares are established by the local partners. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. Fares, however, are a municipal policy decision.

Operating cost per passenger reflects annual operating cost divided by annual passengers carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Consistent or decreasing cost per passenger indicates that ridership is growing faster than costs.

Operating cost per hour reflects annual operating cost divided by annual total service hours. The ratio also reflects efficiency. Increasing cost per hour indicates operating costs are increasing faster than service hours.

Rides per capita reflect annual passengers carried divided by regional population. This is a measure of market share and the effectiveness of services in attracting customers.

Passengers per hour reflect annual passengers divided by annual total service hours. This ratio is a primary measure of the effectiveness of the service provided. The ratio improves with lower average trip lengths, or higher average speeds.

Appendix B

List of Municipal Transit Systems by Tiers

Conventional Transit Systems - 24 Systems

Tier 1

Central Fraser Valley
Kamloops
Kelowna Regional
Nanaimo Regional
Prince George
Whistler

Tier 2

Campbell River
Chilliwack
Comox Valley
Cowichan Valley
Penticton
Vernon Regional

Tier 3

Cranbrook
Dawson Creek
Fort St. John
Kitimat
Kootenay Boundary
Nelson
Port Alberni
Powell River
Prince Rupert
Squamish
Sunshine Coast
Terrace Regional

Custom Transit (handyDART) Systems - 14 Systems

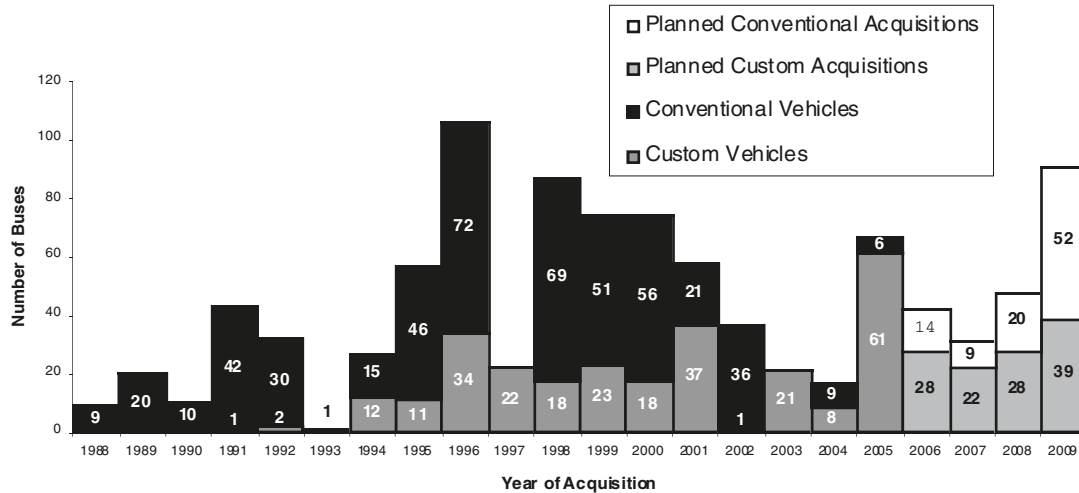
Alberni-Clayoquot
Campbell River
Central Fraser Valley
Chilliwack
Cranbrook
Kamloops
Kelowna Regional
Kitimat
Kootenay Boundary
Nanaimo Regional
Penticton
Prince George
Prince Rupert
Vernon Regional

Paratransit Systems - 32 Systems

100 Mile House & Area
Agassiz-Harrison
Boundary
Castlegar Regional
Chetwynd
Clearwater & Area
Comox Valley
Cowichan Valley
Creston Valley
Fort St. John
Hazeltons' Regional
Kaslo
Kimberley
Nakusp
Nelson and Area
Nelson-Slocan Valley
North Okanagan
Okanagan-Similkameen
Osoyoos
Pemberton Valley
Port Edward
Powell River
Princeton & Area
Quesnel
Revelstoke
Shuswap
Smithers & District
Squamish
Summerland
Sunshine Coast
Terrace Regional
Williams Lake

Appendix C

BC Transit Fleet Age Profile & Acquisition Plan (# of Vehicles)



- This acquisition plan currently matches the base fleet requirements in the Long Term Capital Plan and all other approved acquisitions.
- This acquisition plan does not fully address the fleet requirements for the 2010 Vancouver Olympic and Paralympic Games.
- In addition to the in-service fleet profile above, BC Transit maintains a contingency fleet of up to 10 useful vehicles for major campaigns, repairs or event emergencies.

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This Corporate Service Plan is available on the BC Transit website.