
British Columbia Ferry Services Inc.

Annual Report
to the
British Columbia Ferry Commissioner

Year Ended March 31, 2006



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Introduction

In accordance with Section 66 of the Coastal Ferry Act ("Act"), British Columbia Ferry Services Inc. ("BC Ferries" or the "Company") is pleased to submit its annual report for the year ended March 31, 2006 (the "fiscal year"), to the British Columbia Ferry Commissioner (the "Commissioner").

This report is a compilation of information on the services BC Ferries has provided during the fiscal year on designated ferry routes and includes information on the costs and quality of services provided and the actions taken by the Company to investigate alternative service providers to deliver services on these designated routes. This report responds to the specified information requirements conveyed to BC Ferries by the Commissioner and as identified in the Act.¹

Part 1: Services on Designated Routes

BC Ferries delivers coastal ferry services on 25 designated ferry routes under the Coastal Ferry Services Contract (the "Contract") between BC Ferries and the Province of British Columbia as represented by the Ministry of Transportation. These ferry routes are regulated under the Act. Part 1 of this report contains financial statistics, as well as information on traffic levels, and operating and performance statistics for the fiscal year for each of the designated ferry routes.

Safety continues to be a priority for BC Ferries. We have voluntarily adopted and implemented a safety management system based on the International Marine Organization's International Safety Management Code and have chosen Lloyds Registry, widely considered to be the foremost world authority on marine safety, to be our external auditors and advisors regarding our safety practices. Due to the size of our fleet, Lloyds' audit program operates on a continuous basis. BC Ferries is in full compliance with Lloyds Registry and holds all required certifications. In addition, we have an internal safety management system audit department that inspects and audits each vessel and terminal at least once per year. BC Ferries meets or exceeds all Transport Canada requirements regarding vessel and crew regulations, including training. Transport Canada inspects each vessel at least annually and tests crews' safety proficiency.

¹ This document provides information regarding the delivery of core service levels as defined in the Contract. On March 22, 2006 the *M.V. Queen of the North* ran aground on Gil Island in Wright Sound and subsequently sank in 425 meters of water. This event is noted in reporting related to Route Group 3 and the northern services.

Part 2: Service Quality

As in past years, BC Ferries commissioned an independent professional consulting organization to conduct and document a comprehensive customer satisfaction survey in 2005/06. In addition to meeting BC Ferries' obligations under the Contract, it is an important part of the Company's ongoing market research program that supports various operational and marketing initiatives. For comparative purposes, each year's survey includes an identical set of questions. In 2005/06, three additional questions were added and will be included in future surveys. The questions and responses from the survey conducted in 2005/06 are contained in Part 2 of this report.

Part 3: Additional or Alternative Service Providers

Under the Act, BC Ferries is required to seek additional or alternative service providers to provide ferry services on the designated ferry routes. In accordance with Section 69 of the Act, BC Ferries has filed an Additional or Alternative Service Providers Plan (the "ASP Plan") with the Commissioner which sets out the manner in which the Company intends to meet this requirement during the first performance term under the Contract. A summary of the proposals received and actions taken by the Company to implement the ASP Plan in 2005/06 is provided in Part 3 of this report.

Part 1

Services on Designated Routes



Part 1: Services on Designated Routes

Overview

This report contains financial statistics, as well as information on traffic levels, and operating and performance statistics for 2005/06 for each of the designated ferry routes.

The following three reports are included:

Operations Report

This report provides the following information for the designated ferry routes, presented in numeric format for each route and graphic format for each route group:

➤ Round Trips

The total number of round trips BC Ferries delivered on each of the designated ferry routes is provided with a comparison made to the total number of round trips that were scheduled for the fiscal year.

Overall, BC Ferries provided a total of 84,034.5 round trips during the year, which was 739 more round trips than were scheduled and above core service levels as specified in the Contract.

Route Group 5 (Brentwood Bay to Mill Bay) delivered 96% of the number of scheduled round trips with the 4% in missed round trips due to the vessel being removed from service to undertake maintenance work and replace life saving equipment. The northern routes delivered 98% of the number of scheduled round trips, with the 2% in missed round trips primarily due to weather cancellations and the sinking of the *M.V. Queen of the North* on March 22, 2006. All other route groups, including the major routes, delivered 100.5% of the scheduled number of round trips.

➤ Vessel Capacity

For each designated ferry route, the vessel capacity BC Ferries provided in the fiscal year is presented along with the calculation of capacity utilization. Capacity is calculated on the basis of Automobile Equivalent (AEQ). An AEQ represents the amount of vessel capacity occupied by a particular vehicle type expressed as the number of under height vehicles it displaces (e.g. a bus which displaces three under height vehicles would have an AEQ of 3). On all routes, BC Ferries provided capacity sufficient to carry the traffic, with capacity utilization on the designated ferry routes ranging from 27% to 80%. Year over year, there was generally no change in capacity utilization.

➤ Traffic and Revenue

Vehicle traffic (AEQs or Automobile Equivalents) and passenger traffic carried on each of the designated ferry routes during the year is presented and compared to the traffic carried in the previous year. The associated tariff revenue generated from each route is also shown.

On a year over year basis, AEQs carried decreased by 0.1% and the number of passengers carried decreased by 1.3%. On the major routes, the number of AEQs carried decreased by 0.5% and passengers carried decreased by 1.5 % from the previous year. On all other routes, the number of AEQs carried increased year over year by 0.3 %, while the number of passengers carried decreased by 1.2%.

Factors that may have contributed to the decline in traffic in 2005/06 include:

- Easter (and the associated additional traffic with the Easter long weekend) occurred twice in 2004/05, while there was no Easter in 2005/06; and,
- A general decline in the tourism industry, which was reflected in a decrease in tour bus traffic on the designated ferry routes.

Revenue from all traffic on the designated ferry routes totalled \$354 million in the fiscal year. This included revenue of \$265 million from the major routes and \$89 million from all other routes.

➤ Overload Statistics

A sailing for which one or more vehicles waiting to travel could not be accommodated is referred to as an "overload sailing". Overall, 10% of the BC Ferries' sailings on the designated ferry routes were overloaded in 2005/06. On a year over year basis, the percentage of overloaded sailings on the major routes increased from 31.2% to 33.2%, while the percentage of overloads on all other routes remained the same at 7%.

➤ On-time Performance

The percentage of sailings departing within 10 minutes of the scheduled time is provided for each of the designated ferry routes.

On a fleet wide basis 85.3% of the sailings in 2005/06 departed within 10 minutes of the scheduled departure time up from the previous year of 84.3%. The major routes improved on-time performance year over year by 6.4% and all other routes improved by 0.3%.

Various initiatives by BC Ferries contributed to the improvement in on-time performance during the year. These included:

- For summer 2005, schedules for Horseshoe Bay and the Southern Gulf Islands were adjusted by increasing the schedule time. This change allowed for additional time both in dock and in transit to address increased peak period congestion. During peak travel times, heavy traffic can cause delays because it takes longer to load and unload a vessel. With additional time allotted in the schedule, on-time performance was maintained.
- Implementation of improved loading procedures on several routes in order to expedite vessel in-dock time. Again, delays generally occur during peak

- periods. By improving loading and unloading procedures, a vessel can turn around more quickly and therefore, keep to the schedule, and,
- o An extensive engine upgrade on the Quadra Queen II to improve performance. This resulted in year-over-year improvements to on-time performance of over 20% for Route 25.

BC Ferries is committed to improving the on-time performance of the fleet. In 2006/07, initiatives that improve on-time performance will continue to be a focus of the Company.

Temporary Service Disruptions Report

This report outlines the reasons BC Ferries was not able to deliver all of the round trips as specified in its published schedule for the year. There are three sections of the report:

1. Cancelled Round Trips by Route and Route Group
2. Cancelled Round Trips by Days For Route and Route Group, and,
3. Cancelled and Extra Round Trips by Route and Route Group.

For each designated ferry route, the cumulative and consecutive number of days for which scheduled round trips were missed and the causes of the missed round trips are noted. The cumulative information is reported on a calendar year basis, consistent with BC Ferries' reporting requirements under the Contract. It is important to note that although a specific scheduled sailing may have been missed on a route BC Ferries, on most routes, provides more sailings than those required.

In 2005/06, BC Ferries exceeded its core service level commitments under the Contract by 739 round trips.

Route Financial Report

This report provides financial information for the fiscal year with comparative figures for the previous fiscal year for each of the designated ferry routes.

The information is provided by individual route and is also summarized by the route groups specified in the Contract. Revenues and expenses are assigned directly to a route where possible or allocated to routes where direct assignment is not possible. Allocation to routes is based on various factors which reflect the activity that gave rise to the revenue or expense. Included in operating expenses for each route, are the costs of refit and maintenance of vessels serving that route. Refit and maintenance costs for each vessel may vary significantly from year to year with a corresponding effect on route net income (loss).

Operations Report

(Year Ended March 31, 2006)



Operations Summary Report for the Year Ended March 31, 2006

	A	B	C	D	E	F	G	
	Actual Round Trips	Capacity Provided (AEQ's)	AEQ's Carried Fiscal 2006	Capacity Utilization (C / B)	AEQ's Carried Fiscal 2005	AEQ Growth (C - E)	AEQ Revenue Fiscal 2006	
Route 1	4,032.0	2,849,650	2,266,467	79.5%	2,286,695	(20,228)	\$ 81,166,794	Note 2
Route 2	3,134.0	2,258,654	1,461,497	64.7%	1,468,089	(6,592)	50,206,704	Note 2
Route 30	2,804.0	1,554,004	815,014	52.4%	813,109	1,905	36,677,236	Note 2
Majors	9,970.0	6,662,308	4,542,978	68.2%	4,567,893	(24,915)	168,050,734	
Route 4	2,922.0	570,615	349,527	61.3%	351,445	(1,918)	2,112,787	
Route 5	3,458.0	688,465	291,833	42.4%	282,015	9,818	2,182,009	
Route 6	5,035.0	704,830	277,964	39.4%	273,308	4,656	1,972,602	
Route 7	2,881.0	712,586	206,610	29.0%	200,334	6,276	2,993,142	
Route 8	5,558.5	970,650	562,056	57.9%	557,031	5,025	3,459,560	
Route 9	913.0	323,242	173,303	53.6%	177,782	(4,479)	4,677,681	
Route 17	1,446.0	555,264	178,968	32.2%	171,388	7,580	4,209,248	
Route 18	3,654.0	358,092	104,250	29.1%	102,557	1,693	513,817	
Route 19	5,735.0	802,900	426,123	53.1%	431,931	(5,808)	1,972,481	
Route 20	3,996.0	243,236	83,183	34.2%	85,975	(2,792)	381,547	
Route 21	6,366.0	636,600	285,355	44.8%	288,246	(2,891)	1,085,176	
Route 22	4,800.0	288,000	123,424	42.9%	125,336	(1,912)	525,362	
Route 23	6,265.0	877,100	450,793	51.4%	456,219	(5,426)	1,935,210	
Route 24	2,155.0	129,300	62,182	48.1%	62,665	(483)	347,228	
Route 25	3,952.0	239,100	97,308	40.7%	96,569	739	575,465	
Route 26	4,369.0	227,522	60,237	26.5%	67,324	(7,087)	284,808	
Minors	63,505.5	8,327,502	3,733,116	44.8%	3,730,125	2,991	29,228,123	
Route 10	124.0	26,667	19,241	72.2%	19,256	(15)	4,129,941	
Route 11	185.0	31,374	22,925	73.1%	23,146	(221)	2,538,347	
Northern	309.0	58,041	42,166	72.6%	42,402	(236)	6,668,288	
Route 3	3,024.0	2,161,016	1,262,511	58.4%	1,244,819	17,692	16,925,784	
Route 12	3,093.0	98,976	70,514	71.2%	76,281	(5,767)	589,471	
Route 13	4,094.0	Pass. Only	Pass. Only	Pass. Only	Pass. Only	Pass. Only	618	Note 1
Route 40	39.0	8,970	3,611	40.3%	3,199	412	622,387	
Total	84,034.5	17,316,813	9,654,896	55.8%	9,664,719	(9,823)	222,085,405	

Note 1) Revenue from bike traffic and freight

Note 2) Fares collected (AEQ & Passenger) were \$957,925 in excess of price cap at March 31, 2006 on the major routes. The above figures have not been reduced to reflect this overage.

Operations Summary Report for the Year Ended March 31, 2006

	<i>H</i>	<i>I</i>	<i>J</i>	<i>K</i>	
	Passengers Fiscal 2006	Passengers Fiscal 2005	Passenger Growth (<i>H - I</i>)	Passenger Revenue Fiscal 2006	
Route 1	6,104,728	6,263,312	(158,584)	\$ 53,984,740	<i>Note 2</i>
Route 2	3,589,209	3,600,358	(11,149)	31,464,624	<i>Note 2</i>
Route 30	1,361,921	1,358,686	3,235	11,937,762	<i>Note 2</i>
Majors	11,055,858	11,222,356	(166,498)	97,387,126	
Route 4	658,791	674,274	(15,483)	1,642,937	
Route 5	515,083	508,451	6,632	1,206,758	
Route 6	523,168	520,066	3,102	1,156,496	
Route 7	375,392	369,006	6,386	1,352,061	
Route 8	1,219,930	1,248,208	(28,278)	2,031,482	
Route 9	480,110	498,828	(18,718)	3,197,529	
Route 17	391,407	382,414	8,993	2,676,706	
Route 18	196,578	191,368	5,210	337,454	
Route 19	899,618	918,650	(19,032)	1,336,421	
Route 20	252,946	257,366	(4,420)	367,122	
Route 21	537,259	548,612	(11,353)	745,234	
Route 22	247,645	256,994	(9,349)	387,641	
Route 23	916,450	925,120	(8,670)	1,331,215	
Route 24	107,488	110,064	(2,576)	230,930	
Route 25	264,148	264,197	(49)	497,015	
Route 26	111,248	128,209	(16,961)	177,425	
Minors	7,697,261	7,801,827	(104,566)	18,674,426	
Route 10	61,400	61,290	110	5,102,639	
Route 11	45,868	46,585	(717)	913,240	
Northern	107,268	107,875	(607)	6,015,879	
Route 3	2,652,455	2,675,997	(23,542)	9,017,371	
Route 12	152,717	154,401	(1,684)	520,899	
Route 13	54,250	54,760	(510)	129,042	
Route 40	9,794	9,327	467	752,379	
Total	21,729,603	22,026,543	(296,940)	132,497,122	

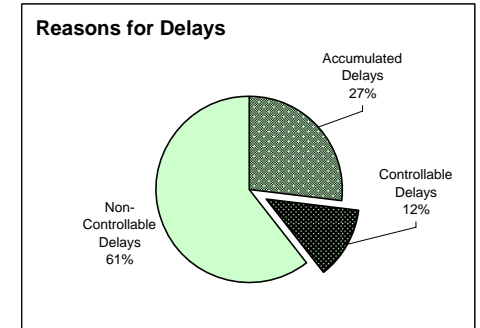
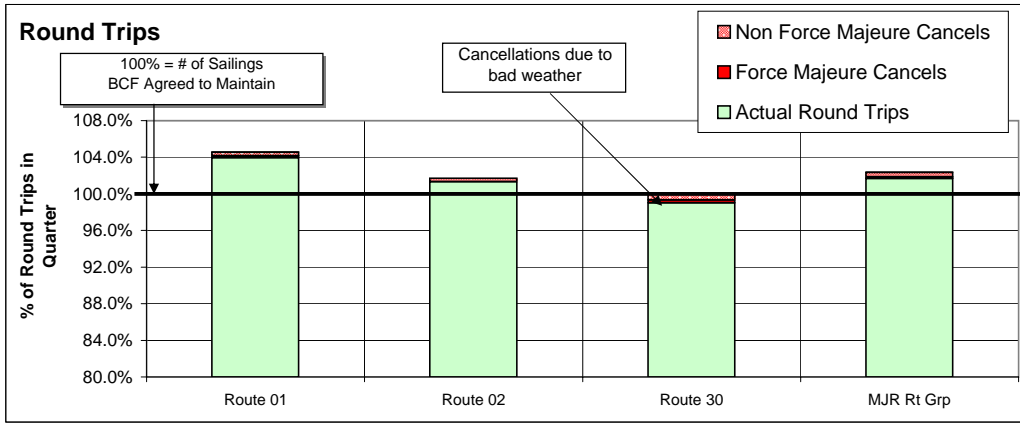
% Sailings Departing Within 10 Min.		
Fiscal 2004	Fiscal 2005	Fiscal 2006
79.7%	82.8%	89.4%
73.4%	78.6%	81.4%
78.4%	81.2%	91.2%
77.3%	81.0%	87.4%
94.3%	96.5%	93.0%
74.3%	74.2%	68.3%
86.3%	80.7%	80.8%
60.6%	63.4%	65.6%
87.3%	87.8%	81.5%
62.2%	59.6%	64.4%
93.5%	92.7%	91.8%
91.8%	96.4%	95.3%
94.1%	89.6%	89.4%
77.3%	83.9%	82.9%
93.3%	92.4%	93.9%
91.1%	91.0%	92.5%
97.5%	97.3%	97.9%
90.1%	95.2%	93.0%
63.1%	63.8%	81.1%
98.5%	97.3%	97.2%
85.4%	85.6%	85.8%
50.7%	47.1%	58.6%
51.5%	46.5%	49.2%
51.0%	46.9%	54.7%
80.6%	81.4%	81.5%
83.7%	73.2%	75.1%
69.0%	Not available	83.5%
	68.0%	
84.1%	84.3%	85.3%

Note 2) Fares collected (AEQ and Passenger) were \$957,925 in excess of price cap at March 31, 2006 on the major routes. The above figures have not been reduced to reflect this overage.

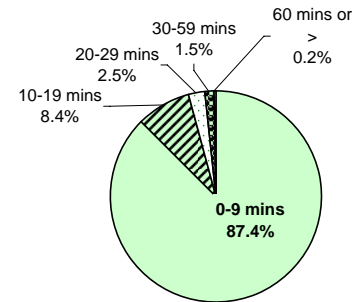
Operations Report - For the Year Ended March 31, 2006

Round Trip Service Delivery and On Time Performance for 2005/06

ROUTE GROUP: Major Routes

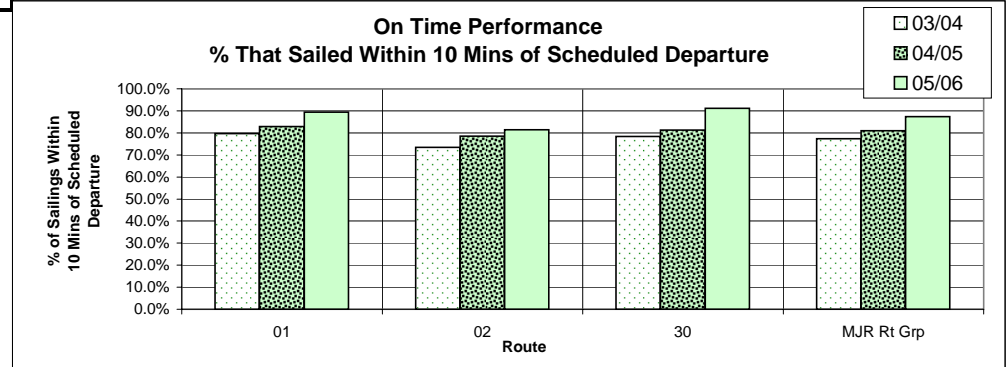


On Time Performance 2005/06



Controllable = Under the control of the company (loading procedure, crewing level, etc.)
Non-Controllable = Out of the control of the company (bad weather, vehicle stalled, etc.)
Accumulated = Delays accumulated over the course of the day as a result of an earlier delay

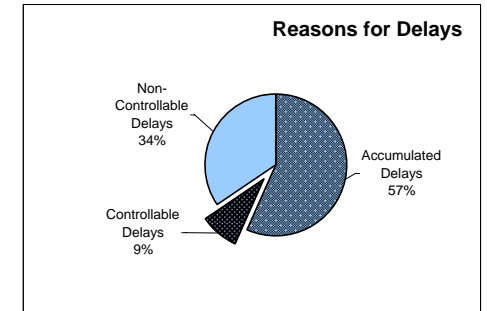
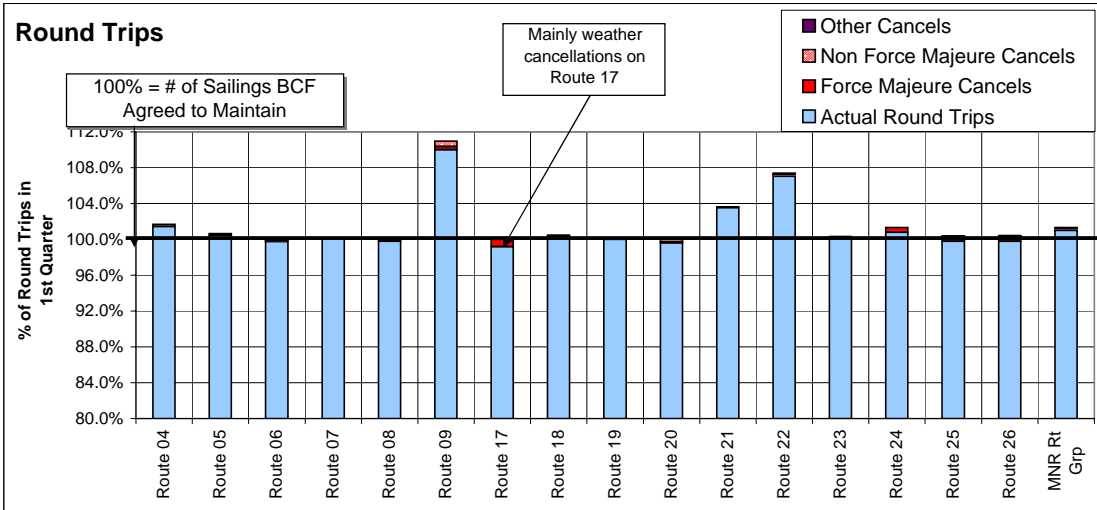
Major Routes	Major Route Description	# of Scheduled Round Trips (RT)	# of Actual RT	Net Extra RT (Short RT)	% Sailings Overloaded
Route 01	Swartz Bay-Tsawwassen	3,879.0	4,032.0	153.0	47.4%
Route 02	Horseshoe Bay-Departure Bay	3,093.5	3,134.0	40.5	31.7%
Route 30	Duke Point-Tsawwassen	2,832.0	2,804.0	-28.0	13.6%
MAJOR Route Group Total		9,804.5	9,970.0	165.5	33.0%



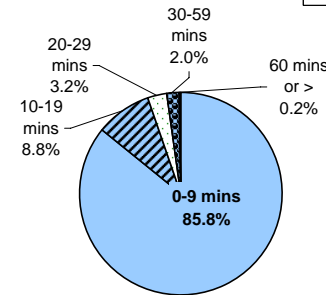
Operations Report - For the Year Ended March 31, 2006

Round Trip Service Delivery and On Time Performance for 2005/06

ROUTE GROUP: Minor Routes

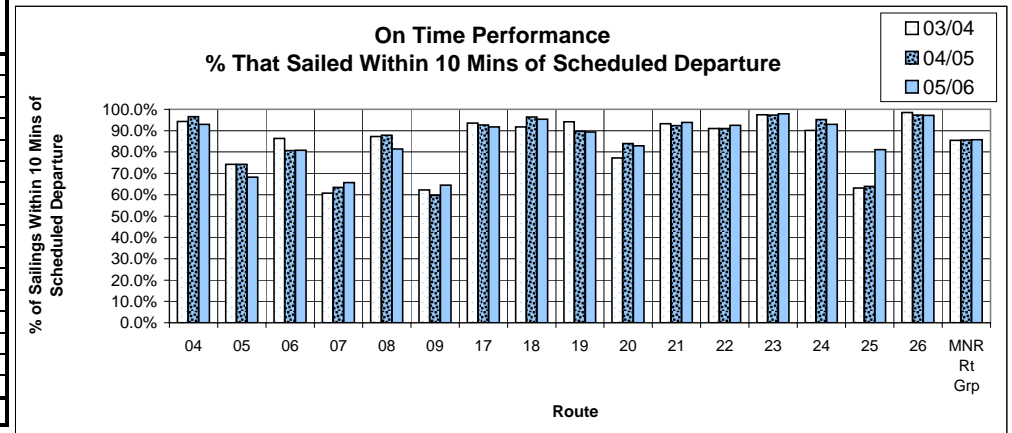


On Time Performance 2005/06



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Non-Controllable = Out of the control of the company (bad weather, vehicle stalled, etc.)
Accumulated = Delays accumulated over the course of the day as a result of an earlier delay

Minor Routes	Minor Route Description	# of Scheduled Round Trips (RT)	# of Actual RT	Net Extra RT (Short RT)	% Sailings Overloaded
Route 04	Swartz Bay-Fulford Harbour	2,881.0	2,922.0	41.0	8.6%
Route 05	Swartz Bay-Southern Gulf Islands	3,442.0	3,458.0	16.0	6.3%
Route 06	Crofton-Vesuvius Bay	5,048.0	5,035.0	-13.0	2.6%
Route 07	Earls Cove-Saltery Bay	2,878.0	2,881.0	3.0	2.3%
Route 08	Horseshoe Bay-Bowen Island	5,571.0	5,558.5	-12.5	13.0%
Route 09	Tsawwassen-Long Harbour	830.0	913.0	83.0	13.3%
Route 17	Little River (Comox)-Powell River	1,458.0	1,446.0	-12.0	0.7%
Route 18	Westview (Powell River)-Blubber Bay (Texada)	3,648.0	3,654.0	6.0	0.8%
Route 19	Nanaimo Harbour-Descanso Bay (Gabriola)	5,734.0	5,735.0	1.0	12.0%
Route 20	Chemainus-Thetis-Kuper	4,012.0	3,996.0	-16.0	3.5%
Route 21	Buckley Bay-Denman West	6,149.0	6,366.0	217.0	5.9%
Route 22	Gravelley Bay (Denman East)-Shingle Spit (Hornby)	4,485.0	4,800.0	315.0	9.6%
Route 23	Campbell River-Quathiaski Cove (Quadra)	6,256.0	6,265.0	9.0	12.2%
Route 24	Heriot Bay (Quadra)-Whaletown (Cortes)	2,138.0	2,155.0	17.0	12.0%
Route 25	Port McNeill-Sointula-Alert Bay	3,961.0	3,952.0	-9.0	2.2%
Route 26	Skidegate-Alliford Bay	4,378.0	4,369.0	-9.0	0.8%
MINOR Route Group Total		62,869.0	63,505.5	636.5	6.8%



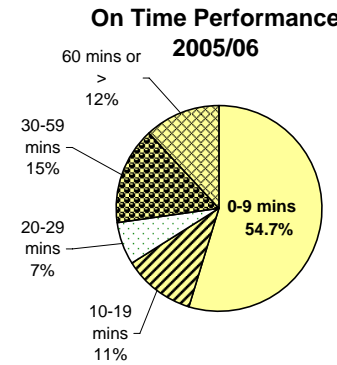
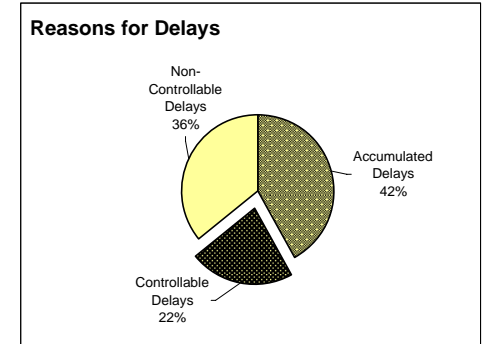
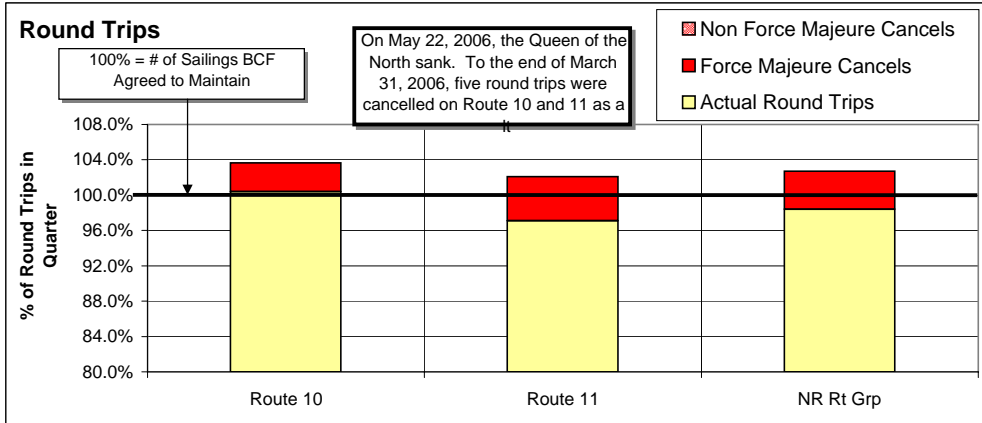
NOTES: (1) Sailings greater than the 100% BCF agreed to maintain are a result of traffic demand

(2) Force Majeure means something beyond control of the company (e.g. bad weather)

Operations Report - For the Year Ended March 31, 2006

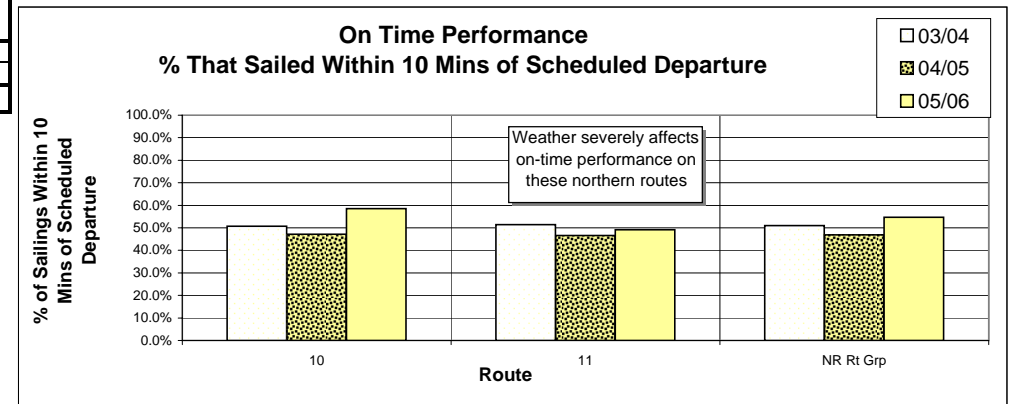
Round Trip Service Delivery and On Time Performance for 2005/06

ROUTE GROUP: Northern Routes



Controllable = Under the control of the company (loading procedure, crewing level, etc.)
Non-Controllable = Out of the control of the company (bad weather, vehicle stalled, etc.)
Accumulated = Delays accumulated over the course of the day as a result of an earlier delay

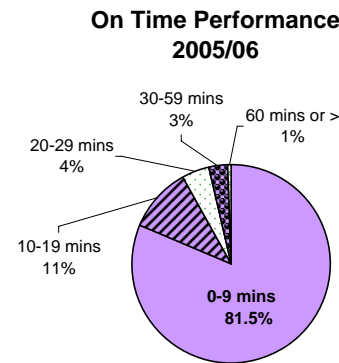
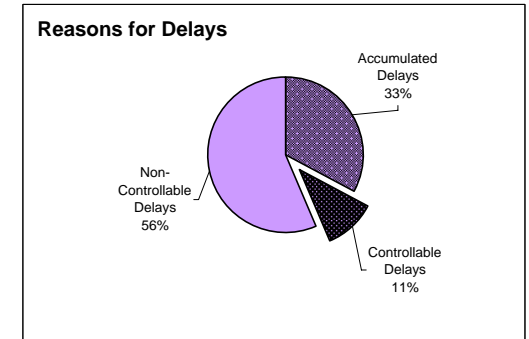
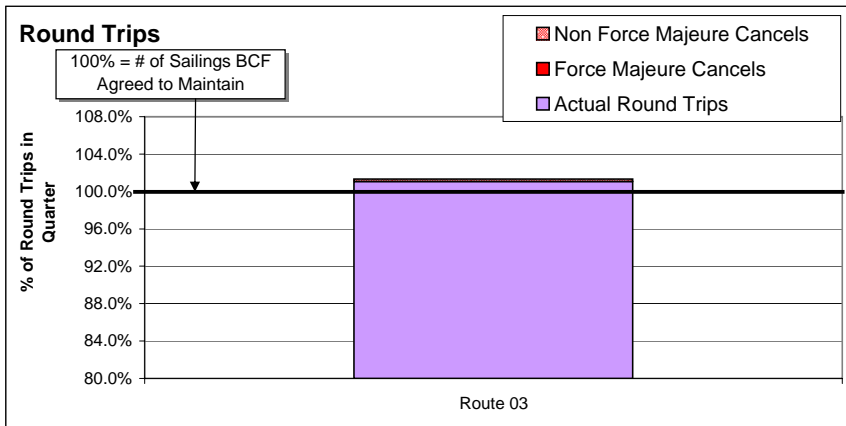
Northern Routes	Northern Route Description	# of Scheduled Round Trips (RT)	# of Actual RT	Net Extra RT (Short RT)	% Sailings Overloaded
Route 10	Port Hardy-Prince Rupert	123.5	124.0	0.5	2.3%
Route 11	Skidegate-Prince Rupert	190.5	185.0	-5.5	2.4%
NORTHERN Route Group Total		314.0	309.0	-5.0	2.4%



Operations Report - For the Year Ended March 31, 2006

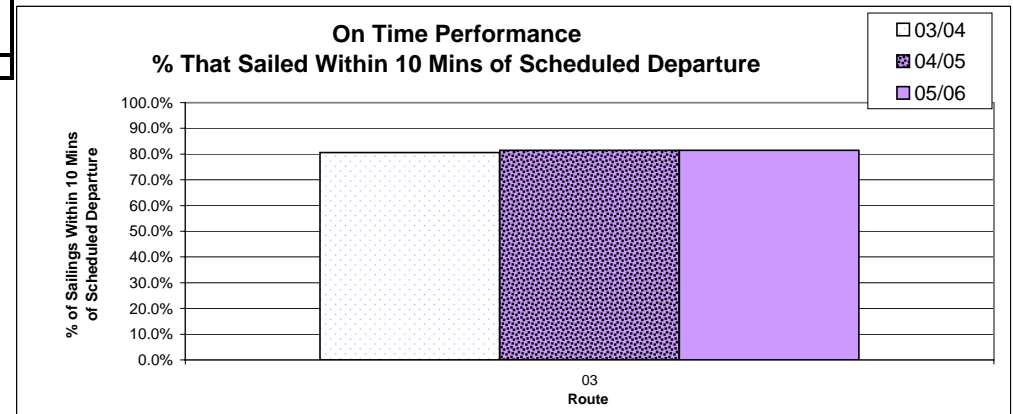
Round Trip Service Delivery and On Time Performance for 2005/06

ROUTE GROUP: Route 03



Controllable = Under the control of the company (loading procedure, crewing level, etc.)
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Accumulated = Delays accumulated over the course of the day as a result of an earlier delay

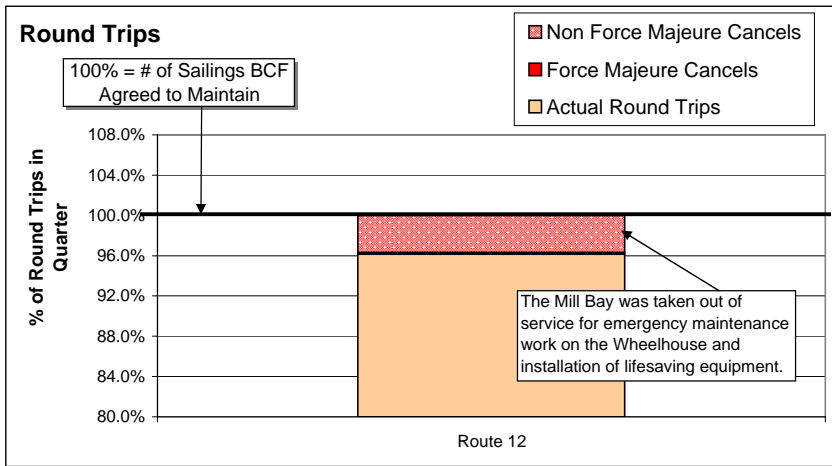
Route 03	Route Description	# of Scheduled Round Trips (RT)	# of Actual RT	Net Extra RT (Short RT)	% Sailings Overloaded
Route 03	Horseshoe Bay-Langdale	2,993.0	3,024.0	31.0	13.1%



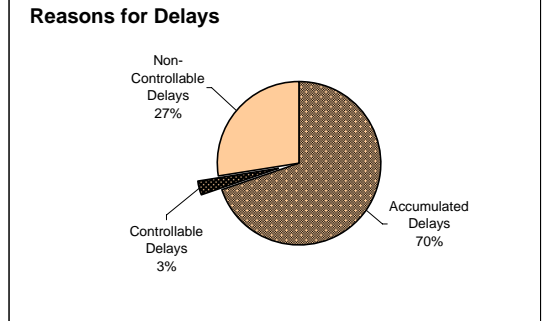
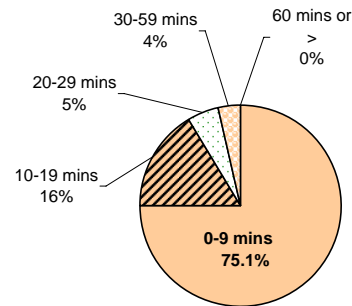
Operations Report - For the Year Ended March 31, 2006

Round Trip Service Delivery and On Time Performance for 2005/06

ROUTE GROUP: Route 12



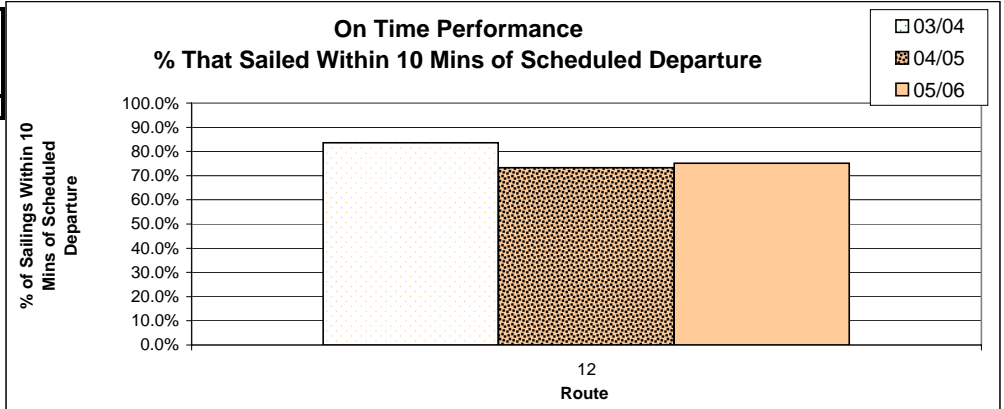
On Time Performance 2005/06



Controllable = Under the control of the company (loading procedure, crewing level, etc.)
Non-Controllable = Out of the control of the company (bad weather, vehicle stalled, etc.)
Accumulated = Delays accumulated over the course of the day as a result of an earlier delay

Route 12	Route Description	# of Scheduled Round Trips (RT)	# of Actual RT	Net Extra RT (Short RT)	% Sailings Overloaded
Route 12	Mill Bay-Brentwood Bay	3,217.0	3,093.0	-124.0	14.0%

On Time Performance % That Sailed Within 10 Mins of Scheduled Departure

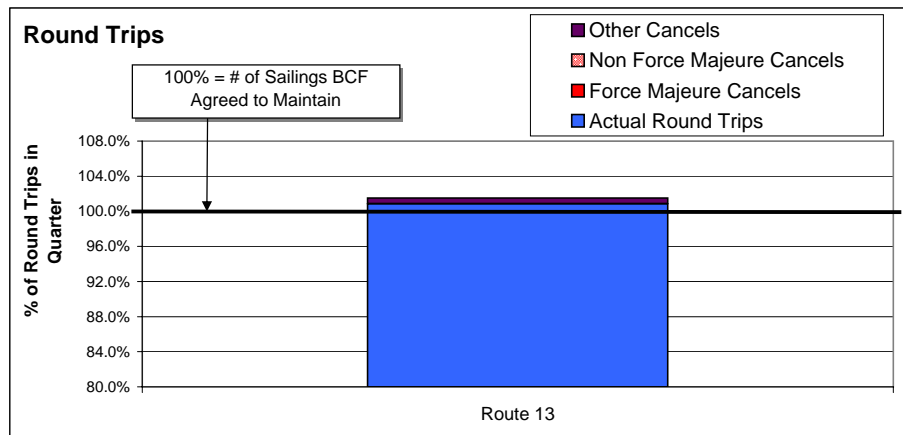


NOTES: (1) Sailings greater than the 100% BCF agreed to maintain are a result of traffic demand
 2) Force Majeure means something beyond control of the company (e.g. bad weather)

Operatons Report - For the Year Ended March 31, 2006

Round Trip Service Delivery and On Time Performance for 2005/06

ROUTE GROUP: Route 13 - Contracted Route



Route 13	Route Description	# of Scheduled Round Trips (RT)	# of Actual RT	Net Extra RT (Short RT)	% Sailings Overloaded
Route 13	Langdale - Keats - Gambier Island	4,059.0	4,094.0	35.0	Pass Only

On Time Performance

On-time performance figures are not available for this route due to the nature of these trips (sailing usually run every 10 mins or less)

NOTES: (1) Sailings greater than the 100% BCF agreed to maintain are a result of traffic demand

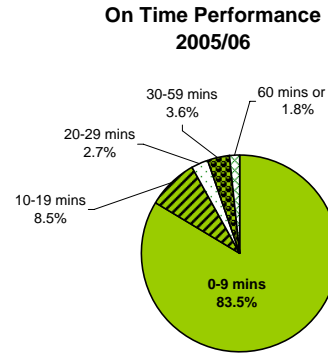
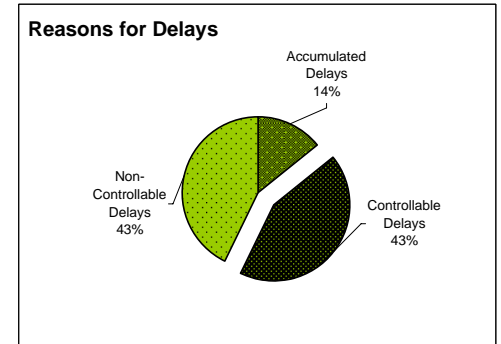
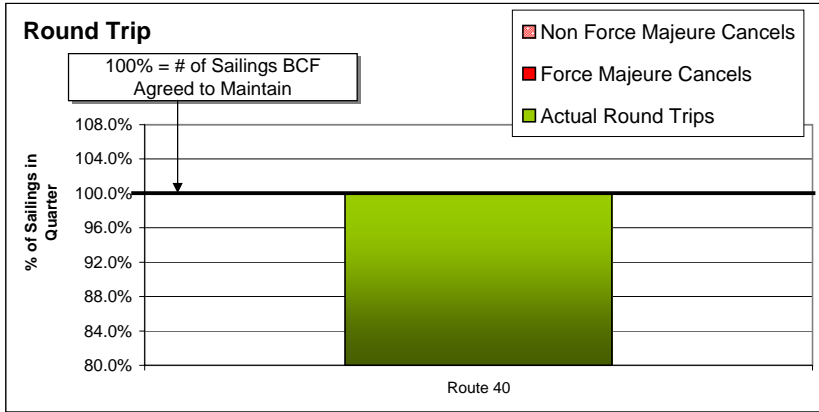
(2) Force Majeure means something beyond control of the company (e.g. bad weather)

31 July 2006 □□2005/06 Annual Report to the BC Ferry Commissioner□□□16

Operations Report - For the Year Ended March 31, 2006

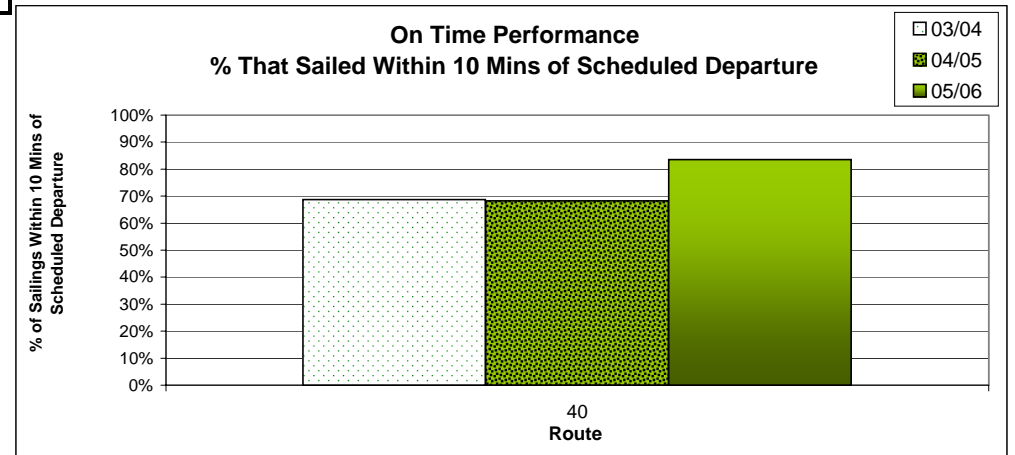
Round Trip Service Delivery and On Time Performance for 2005/06

ROUTE GROUP: Route 40



Controllable = Under the control of the company (loading procedure, crewing level, etc.)
Non-Controllable = Out of the control of the company (bad weather, vehicle stalled, etc.)
Accumulated = Delays accumulated over the course of the day as a result of an earlier delay

Route 40	Route Description	# of Scheduled Round Trips (RT)	# of Actual RT	Net Extra RT (Short RT)	% Sailings Overloaded
Route 40	Port Hardy - Mid Coast	39.00	39.00	0.0	0.0%



Temporary Service Disruptions Report

(Year Ended March 31, 2006)



CANCELLED ROUND TRIPS BY ROUTE AND ROUTE GROUP

2005/06				Cancels Allowed for in Schedule A, 2(a) of the Coastal Ferry Services Contract									Cancels Not Allowed for in Schedule A, 2(a) of the Coastal Ferry Services Contract					Other RT Total	Grand Total of Round Trip Cancellations	% Cancelled of Scheduled Round Trips		
Route Group	Terminal 1	Terminal 2	Scheduled Round Trips	Force Majeure Round Trip Cancels		Force Majeure RT Total	Non Force Majeure Round Trip Cancels						Non Force Majeure RT Total	Other Round Trip Cancels								
				Major Incident	Weather		Emerg. Response	Medical Emerg.	Regulatory Issue	Terminal Maint.	Vessel Maint.	Vessel Mech. Failure		Community Event	Traffic Problem	No Traffic	Stat Holiday/Fee Routes	Stat Holidays/Non Fee Routes				
MJR	Route 01	Swartz Bay	Tsawwassen	3,879.0		8	8.0						12	14.0		1				1.0	23	0.593%
	Route 02	Horseshoe Bay	Departure Bay	3,093.5			0.0			1			11	12.0						0.0	12	0.388%
	Route 30	Duke Point	Tsawwassen	2,832.0		9	9.0					6	14	21.0						0.0	30	1.059%
MJR Total				9,804.5	0	17	17.0	0	3	1	0	6	37	47.0	0	1	0	0	0	1.0	65	0.663%
MNR	Route 04	Fulford Harbour	Swartz Bay	2,881.0			0.0					2	5	7.0						0.0	7	0.243%
	Route 05	Swartz Bay	Four SGIs	3,442.0		1	1.0						5	5.0						0.0	6	0.174%
	Route 06	Crofton	Vesuvius Bay	5,048.0		2	2.0			2			7	9.0		4				4.0	15	0.297%
	Route 07	Earls Cove	Saltery Bay	2,878.0			0.0				1			1.0						0.0	1	0.035%
	Route 08	Horseshoe Bay	Bowen Island	5,571.0		2	2.0			1			14	15.0			1			1.0	18	0.323%
	Route 09	Tsawwassen	Long Harbour	830.0		3	3.0						5	5.0						0.0	8	0.964%
	Route 17	Little River	Powell River	1,458.0		12	12.0						1	1.0						0.0	13	0.892%
	Route 18	Texada	Powell River	3,648.0		9	9.0			1	1			2.0						0.0	11	0.302%
	Route 19	Nanaimo Harbour	Gabriola Island	5,734.0			0.0						5	5.0						0.0	5	0.087%
	Route 20	Chemainus	Thetis Island	4,012.0		4	4.0					1	13	14.0	1					1.0	19	0.474%
	Route 21	Buckley Bay	Denman West	6,149.0			0.0				4			4.0						0.0	4	0.065%
	Route 22	Denman East	Hornby Island	4,485.0		7	7.0					5	5	10.0						0.0	17	0.379%
	Route 23	Campbell River	Quadra Island	6,256.0		9	9.0			2				2.0						0.0	11	0.176%
Route 24	Quadra Island	Cortes Island	2,138.0		11	11.0							0.0						0.0	11	0.514%	
Route 25	Port McNeill	Alert Bay	3,961.0		12	12.0				10		2	12.0						0.0	24	0.606%	
Route 26	Skidegate	Alliford Bay	4,378.0		19	19.0						7	7.0	1					1.0	27	0.617%	
MNR Total				62,869.0	0	91	91.0	0	0	6	22	2	69	99.0	2	4	1	0	0	7.0	197	0.313%
NR	Route 10	Port Hardy	Prince Rupert	123.5		3	4.0						0.0						0.0	4	3.239%	
	Route 11	Skidegate	Prince Rupert	190.5		4	9.5						0.0						0.0	9.5	4.987%	
NR Total				314.0	7	6.5	13.5	0	0	0	0	0	0.0	0	0	0	0	0	0.0	13.5	4.299%	
R03	Route 03	Langdale	Horseshoe Bay	2,993.0			0.0	1				9	10.0						0.0	10	0.334%	
R03 Total				2,993.0	0	0	0.0	1	0	0	0	0	9	10.0	0	0	0	0	0	0.0	10	0.334%
R12	Route 12	Mill Bay	Brentwood Bay	3,217.0		5	5.0				2	117	119.0		1				1.0	125	3.886%	
R12 Total				3,217.0	0	5	5.0	0	0	0	2	117	0	119.0	0	1	0	0	0	1.0	125	3.886%
R13	Route 13	Langdale	Gambier/Keats	4,059.0			0.0						0.0			26			26.0	26	0.641%	
R13 Total				4,059.0	0	0	0.0	0	0	0	0	0	0	0.0	0	0	26	0	0	26.0	26	0.641%
R40	Route 40	Port Hardy	Mid-coast	39.0			0.0						0.0						0.0	0	0.000%	
R40 Total				39.0	0	0	0.0	0	0	0	0	0	0	0.0	0	0	0	0	0	0.0	0	0.000%
Company Total				83,295.5	7	119.5	126.5	1	3	7	24	125	115	275.0	2	6	27	0	0	35.0	436.5	0.524%

% Cancelled of Total Scheduled Round Trips

0.008% 0.143% 0.152% 0.001% 0.004% 0.008% 0.029% 0.150% 0.138% 0.330% 0.002% 0.007% 0.032% 0.000% 0.000% 0.042% 0.524%

CANCELLED ROUND TRIPS
(by *Days***)**
FOR ROUTE AND ROUTE GROUP
 (for cancels on days for allowed reasons only)

2006 Calendar Year (Cumulative/YTD)			Force Majeure DAYS when Round Trips Missed	Non Force Majeure DAYS when Round Trips Missed	Cumulative # Days when Round Trips Missed / CALENDAR YEAR: Jan-Dec 2006 Allowed 30 Cumulative Days per Contract	Highest Consecutive # of Days when Round Trips Missed / FISCAL YEAR: Apr/05 - Mar/06 Allowed 20 Consecutive Days per Contract	
Route Group	Terminal 1	Terminal 2					
MJR	Route 01	Swartz Bay	Tsawwassen	4.0		4.0	2
	Route 02	Horseshoe Bay	Departure Bay		1.0	1.0	4
	Route 30	Duke Point	Tsawwassen	3.0	1.0	4.0	3
MNR	Route 04	Fulford Harbour	Swartz Bay		2.0	2.0	1
	Route 05	Swartz Bay	Four SGIs	1.0		1.0	1
	Route 06	Crofton	Vesuvius Bay	1.0		1.0	2
	Route 07	Earls Cove	Saltery Bay		1.0	1.0	1
	Route 08	Horseshoe Bay	Bowen Island		1.0	1.0	1
	Route 09	Tsawwassen	Long Harbour	3.0	1.0	4.0	1
	Route 17	Little River	Powell River	6.0		6.0	1
	Route 18	Texada	Powell River	4.0	2.0	6.0	1
	Route 19	Nanaimo Harbour	Gabriola Island			0.0	1
	Route 20	Chemainus	Thetis Island	3.0	2.0	5.0	2
	Route 21	Buckley Bay	Denman West			0.0	1
	Route 22	Denman East	Hornby Island	3.0	3.0	6.0	2
	Route 23	Campbell River	Quadra Island	4.0		4.0	1
	Route 24	Quadra Island	Cortes Island	5.0		5.0	1
Route 25	Port McNeill	Alert Bay	3.0	1.0	4.0	1	
Route 26	Skidegate	Alliford Bay	3.0	1.0	4.0	3	
NR	Route 10	Port Hardy	Prince Rupert	3.0		3.0	1
	Route 11	Skidegate	Prince Rupert	6.0		6.0	2
R03	Route 03	Langdale	Horseshoe Bay		4.0	4.0	3
R12	Route 12	Mill Bay	Brentwood Bay	1.0	1.0	2.0	13
R13	Route 13	Langdale	Gambier/Keats			0.0	0
R40	Route 40	Port Hardy	Mid-coast			0.0	0

Note:

(1) Cancellations noted under 'Other' reasons are not included in Days calculations as fees are deducted on an individual occurrence basis for these cancellations

(2) The Coastal Ferry Services Contract requires reporting to Calendar Year for Cumulative Days and to Fiscal Year for Consecutive Days

CANCELLED & EXTRA ROUND TRIPS BY ROUTE AND ROUTE GROUP

2005/06				A	B	C=(B-A)	E	D=(C-E)
				Scheduled Round Trips	Reported Actual # Round Trips	Net Extra/Short Round Trips	# Round Trips Cancelled (allowed + not allowed)	Calculated Extra Round Trips
Route Group		Terminal 1	Terminal 2					
MJR	Route 01	Swartz Bay	Tsawwassen	3,879.0	4,032.0	153.0	-23.0	176.0
	Route 02	Horseshoe Bay	Departure Bay	3,093.5	3,134.0	40.5	-12.0	52.5
	Route 30	Duke Point	Tsawwassen	2,832.0	2,804.0	-28.0	-30.0	2.0
MJR Total				9,804.5	9,970.0	165.5	-65.0	230.5
MNR	Route 04	Fulford Harbour	Swartz Bay	2,881.0	2,922.0	41.0	-7.0	48.0
	Route 05	Swartz Bay	Four SGIs	3,442.0	3,458.0	16.0	-6.0	22.0
	Route 06	Crofton	Vesuvius Bay	5,048.0	5,035.0	-13.0	-15.0	2.0
	Route 07	Earls Cove	Saltery Bay	2,878.0	2,881.0	3.0	-1.0	4.0
	Route 08	Horseshoe Bay	Bowen Island	5,571.0	5,558.5	-12.5	-18.0	5.5
	Route 09	Tsawwassen	Long Harbour	830.0	913.0	83.0	-8.0	91.0
	Route 17	Little River	Powell River	1,458.0	1,446.0	-12.0	-13.0	1.0
	Route 18	Texada	Powell River	3,648.0	3,654.0	6.0	-11.0	17.0
	Route 19	Nanaimo Harbour	Gabriola Island	5,734.0	5,735.0	1.0	-5.0	6.0
	Route 20	Chemainus	Thetis Island	4,012.0	3,996.0	-16.0	-19.0	3.0
	Route 21	Buckley Bay	Denman West	6,149.0	6,366.0	217.0	-4.0	221.0
	Route 22	Denman East	Hornby Island	4,485.0	4,800.0	315.0	-17.0	332.0
	Route 23	Campbell River	Quadra Island	6,256.0	6,265.0	9.0	-11.0	20.0
	Route 24	Quadra Island	Cortes Island	2,138.0	2,155.0	17.0	-11.0	28.0
	Route 25	Port McNeill	Alert Bay	3,961.0	3,952.0	-9.0	-24.0	15.0
Route 26	Skidegate	Alliford Bay	4,378.0	4,369.0	-9.0	-27.0	18.0	
MNR Total				62,869.0	63,505.5	636.5	-197.0	833.5
NR	Route 10	Port Hardy	Prince Rupert	123.5	124.0	0.5	-4.0	4.5
	Route 11	Skidegate	Prince Rupert	190.5	185.0	-5.5	-9.5	4.0
NR Total				314.0	309.0	-5.0	-13.5	8.5
R03	Route 03	Langdale	Horseshoe Bay	2,993.0	3,024.0	31.0	-10.0	41.0
R03 Total				2,993.0	3,024.0	31.0	-10.0	41.0
R12	Route 12*	Mill Bay	Brentwood Bay	3,217.0	3,093.0	-124.0	-125.0	1.0
R12 Total				3,217.0	3,093.0	-124.0	-125.0	1.0
R13	Route 13	Langdale	Gambier/Keats	4,059.0	4,094.0	35.0	-26.0	61.0
R13 Total				4,059.0	4,094.0	35.0	-26.0	61.0
R40	Route 40	Port Hardy	Mid-coast	39.0	39.0	0.0	0.0	0.0
R40 Total				39.0	39.0	0.0	0.0	0.0
Company Total				83,295.5	84,034.5	739.0	-436.5	1,175.5

* Route 12 - vessel taken out of service for emergency maintenance work on the Wheelhouse and installation of lifesaving equipment

APPENDIX 5: DEFINITIONS

<u>General Categories</u>	<u>Category</u>	<u>Type of Occurrence</u>
Force Majeure (Article 15.23, 15.24 and 15.25)	Labour Disruption	Strikes, work stoppages, slowdowns.
	Weather	High winds, extreme tides, fog, heavy snow, storms, land slides, power outages etc.
	Major Incident	Sinking of a vessel
Non-Force Majeure (Schedule A, Article 2a)	Emergency Response	Vessel involved in marine rescue operation.
	Medical Emergency	Medical emergency on board with passenger or crew, ambulance requested assistance.
	Regulatory Issue	Labour shortages resulting in low license that would compromise safety, Transport Canada drills or inspections.
	Terminal Maintenance	Dock damaged and needs repair before it can be used, dock closed for maintenance reasons. Maintenance of ramps or terminal facility.
	Vessel Maintenance	Vessel delayed returning to service due to maintenance requirement, or taken out of service for extraordinary maintenance or repair.
	Vessel Mechanical Failure	Conditions in propulsion, navigation or other main systems requiring removal of vessel from service for repair.
Other	Community Event	Special events such as Christmas carol sailing.
	Heavy Traffic	Heavy traffic on route that delays sailing(s) and the vessel is unable to make up the time by the end of the day, resulting in cancelled sailing(s).
	No Traffic	On Route 13, some sailings within the core service level are subject to passenger request. When no request is made, no sailing occurs.
	Stat Holidays/ Fee Routes	On routes that receive fees from the Government, normally first sailings are cancelled during Statutory Holiday, such as Christmas and New Year, but some of these cancellations were not included in the Coastal Ferry Services contract.
	Stat Holidays/ Non Fee Routes	On routes that do not receive fees from the Government, normally first sailings are cancelled during Statutory Holiday, such as Christmas and New Year, but some of these cancellations were not included in the Coastal Ferry Services contract.

Route Financial Report

(Year Ended March 31, 2006)





British Columbia Ferry Services Inc.
Route Statement
For the Twelve Months Ended March 31, 2006
(in 000's)

	Group 1		Group 2		Group 3		Group 4			
	Corporate Total		Major Routes		03-Horseshoe Bay - Langdale		Northern Routes		40-Bear Cove - Mid-Coast	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Tariff Revenue	353,624	345,852	264,479	259,600	25,943	24,794	12,684	12,182	1,375	1,131
Ancillary Revenue	65,925	61,224	53,933	49,935	5,098	4,634	2,804	2,544	157	147
Social Program Reimbursements	14,674	13,412	7,789	7,258	1,622	1,455	520	482	28	12
Contracted Routes Fee	1,700	1,724	0	0	0	0	0	0	0	0
Total Operating Revenue	435,923	422,212	326,201	316,793	32,663	30,883	16,008	15,208	1,560	1,290
Total Operating Expenses	425,162	426,427	232,160	234,990	30,996	27,748	34,427	31,081	3,386	3,223
Earnings from Operations	10,761	(4,215)	94,041	81,803	1,667	3,135	(18,419)	(15,873)	(1,826)	(1,933)
Amortization	(52,926)	(47,490)	(35,387)	(32,247)	(4,032)	(2,834)	(3,214)	(2,891)	(78)	(65)
Financing Expense	(24,407)	(24,030)	(14,962)	(15,429)	(2,528)	(1,938)	(712)	(519)	(18)	(15)
Cost of Capital	(77,333)	(71,520)	(50,349)	(47,676)	(6,560)	(4,772)	(3,926)	(3,410)	(96)	(80)
(Loss) Gain on Disposal of Capital Assets	(302)	(628)	(166)	(517)	(37)	(47)	(9)	(11)	0	0
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(66,874)	(76,363)	43,526	33,610	(4,930)	(1,684)	(22,354)	(19,294)	(1,922)	(2,013)
Ferry Service Fees	91,849	91,834	0	0	5,005	5,000	13,457	13,457	1,893	1,893
Federal Contract	24,890	24,343	0	0	1,378	1,347	3,704	3,623	521	510
Net Route Earnings (Loss)	49,865	39,814	43,526	33,610	1,453	4,663	(5,193)	(2,214)	492	390
Fuel Costs Deferred (See note 1)	25,082	8,000	14,152	4,173	2,203	965	2,496	796	332	130

Note 1: The British Columbia Ferry Commissioner has authorized the use of deferral accounts whereby differences between established set prices and the actual prices of fuel oil are recorded in the deferral accounts. Without the use of these deferral accounts, operating expenses for each route would have been higher and net earnings lower by the amounts indicated.



British Columbia Ferry Services Inc.
Route Statement
For the Twelve Months Ended March 31, 2006
(in 000's)

Group 5		Group 6		Group 7			
12-Mill Bay - Brentwood		Minor Routes		13-Langdale - Gambier Island - Keats Island		Unregulated Routes	
2006	2005	2006	2005	2006	2005	2006	2005
1,110	1,045	47,903	46,956	130	144	0	0
13	16	3,880	3,909	40	39	0	0
72	13	4,606	4,165	37	27	0	0
0	0	0	0	0	0	1,700	1,724
1,195	1,074	56,389	55,030	207	210	1,700	1,724
1,670	1,485	120,216	125,570	518	511	1,789	1,819
(475)	(411)	(63,827)	(70,540)	(311)	(301)	(89)	(95)
(497)	(491)	(9,714)	(8,959)	(4)	(3)	0	0
(107)	(128)	(6,080)	(6,000)	0	(1)	0	0
(604)	(619)	(15,794)	(14,959)	(4)	(4)	0	0
(1)	(1)	(89)	(52)	0	0	0	0
(1,080)	(1,031)	(79,710)	(85,551)	(315)	(305)	(89)	(95)
1,425	1,425	69,540	69,530	529	529	0	0
0	0	19,141	18,721	146	142	0	0
345	394	8,971	2,700	360	366	(89)	(95)
14	6	5,885	1,930	0	0	0	0

Note 1: The British Columbia Ferry Commissioner has authorized the use of deferral accounts whereby differences between established set prices and the actual prices of fuel oil are recorded in the deferral accounts. Without the use of these deferral accounts, operating expenses for each route would have been higher and net earnings lower by the amounts indicated.



*British Columbia Ferry Services Inc.
Route Statement
Group 1 - Major Routes
For the Twelve Months Ended March 31, 2006
(in 000's)*

	01-Tsawwassen - Swartz Bay		02-Horseshoe Bay - Nanaimo		30-Nanaimo - Tsawwassen		Major Routes	
	2006	2005	2006	2005	2006	2005	2006	2005
Tariff Revenue	134,666	132,622	81,373	79,485	48,440	47,493	264,479	259,600
Ancillary Revenue	30,525	28,617	16,850	14,885	6,558	6,433	53,933	49,935
Social Program Reimbursements	3,309	3,177	3,314	3,034	1,166	1,047	7,789	7,258
Contracted Routes Fee	0	0	0	0	0	0	0	0
Total Operating Revenue	168,500	164,416	101,537	97,404	56,164	54,973	326,201	316,793
Total Operating Expenses	109,147	111,819	69,629	67,951	53,384	55,220	232,160	234,990
Earnings from Operations	59,353	52,597	31,908	29,453	2,780	(247)	94,041	81,803
Amortization	(18,489)	(17,604)	(10,600)	(8,492)	(6,298)	(6,151)	(35,387)	(32,247)
Financing Expense	(8,371)	(7,971)	(3,529)	(4,296)	(3,062)	(3,162)	(14,962)	(15,429)
Cost of Capital	(26,860)	(25,575)	(14,129)	(12,788)	(9,360)	(9,313)	(50,349)	(47,676)
(Loss) Gain on Disposal of Capital Asse	(80)	(271)	(58)	(156)	(28)	(90)	(166)	(517)
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	32,413	26,751	17,721	16,509	(6,608)	(9,650)	43,526	33,610
Ferry Service Fees	0	0	0	0	0	0	0	0
Federal Contract	0	0	0	0	0	0	0	0
Net Route Earnings (Loss)	32,413	26,751	17,721	16,509	(6,608)	(9,650)	43,526	33,610
Fuel Costs Deferred (See note 1)	5,654	1,669	4,223	1,214	4,275	1,290	14,152	4,173

Note 1: The British Columbia Ferry Commissioner has authorized the use of deferral accounts whereby differences between established set prices and the actual prices of fuel oil are recorded in the deferral accounts. Without the use of these deferral accounts, operating expenses for each route would have been higher and net earnings lower by the amounts indicated.

British Columbia Ferry Services Inc.
Route Statement
Group 6 - Minor Routes
For the Twelve Months Ended March 31, 2006
(in 000's)

	04-Swartz Bay - Fulford Harbour		05-Swartz Bay - Gulf Islands		06-Vesuvius Bay - Crofton		07-Salter Bay - Earls Cove		08-Horseshoe Bay - Snug Cove		09-Tsawwassen - Gulf Islands	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Tariff Revenue	3,756	3,756	3,389	3,263	3,129	3,109	4,345	4,092	5,491	5,484	7,875	7,808
Ancillary Revenue	310	292	421	377	91	84	457	405	397	375	1,302	1,457
Social Program Reimbursements	311	287	461	410	292	258	255	217	578	566	357	325
Contracted Routes Fee	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Revenue	4,377	4,335	4,271	4,050	3,512	3,451	5,057	4,714	6,466	6,425	9,534	9,590
Total Operating Expenses	7,960	7,269	19,202	14,443	3,815	5,537	12,384	12,607	9,740	10,814	16,655	15,997
Earnings from Operations	(3,583)	(2,934)	(14,931)	(10,393)	(303)	(2,086)	(7,327)	(7,893)	(3,274)	(4,389)	(7,121)	(6,407)
Amortization	(1,378)	(1,334)	(1,426)	(1,276)	(267)	(252)	(405)	(375)	(1,215)	(1,207)	(1,227)	(587)
Financing Expense	(1,135)	(1,155)	(1,105)	(1,024)	(104)	(97)	(282)	(280)	(1,087)	(1,137)	(417)	(304)
Cost of Capital	(2,513)	(2,489)	(2,531)	(2,300)	(371)	(349)	(687)	(655)	(2,302)	(2,344)	(1,644)	(891)
(Loss) Gain on Disposal of Capital Assets	(3)	(5)	(5)	(1)	(22)	(3)	(4)	(4)	(11)	(8)	(6)	(13)
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(6,099)	(5,428)	(17,467)	(12,694)	(696)	(2,438)	(8,018)	(8,552)	(5,587)	(6,741)	(8,771)	(7,311)
Ferry Service Fees	5,048	5,046	10,932	10,930	1,444	1,443	9,381	9,381	5,175	5,173	6,880	6,880
Federal Contract	1,390	1,359	3,008	2,943	397	389	2,582	2,525	1,424	1,393	1,894	1,852
Net Route Earnings (Loss)	339	977	(3,527)	1,179	1,145	(606)	3,945	3,354	1,012	(175)	3	1,421
Fuel Costs Deferred (See note 1)	401	71	1,076	254	99	60	777	392	551	98	831	156

Note 1: The British Columbia Ferry Commissioner has authorized the use of deferral accounts whereby differences between established set prices and the actual prices of fuel oil are recorded in the deferral accounts. Without the use of these deferral accounts, operating expenses for each route would have been higher and net earnings lower by the amounts indicated.

British Columbia Ferry Services Inc.
Route Statement
Group 6 - Minor Routes
For the Twelve Months Ended March 31, 2006
(in 000's)

	17-Comox - Powell River		18-Texada Island - Powell River		19-Gabriola Island - Nanaimo Harbour		20-Thetis Island - Kuper Island -		21-Denman Island - Buckley Bay		22-Hornby Island - Denman Island	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Tariff Revenue	6,886	6,320	851	831	3,309	3,347	749	773	1,831	1,617	913	1,176
Ancillary Revenue	676	678	24	27	57	61	16	29	23	26	13	15
Social Program Reimbursements	739	623	136	115	428	393	135	107	165	208	134	109
Contracted Routes Fee	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Revenue	8,301	7,621	1,011	973	3,794	3,801	900	909	2,019	1,851	1,060	1,300
Total Operating Expenses	11,231	16,646	4,956	4,831	6,899	5,054	3,322	4,218	3,587	4,341	2,483	4,090
Earnings from Operations	(2,930)	(9,025)	(3,945)	(3,858)	(3,105)	(1,253)	(2,422)	(3,309)	(1,568)	(2,490)	(1,423)	(2,790)
Amortization	(1,314)	(1,308)	(403)	(403)	(491)	(465)	(278)	(255)	(270)	(419)	(149)	(162)
Financing Expense	(521)	(553)	(252)	(267)	(266)	(272)	(182)	(157)	(153)	(168)	(105)	(96)
Cost of Capital	(1,835)	(1,861)	(655)	(670)	(757)	(737)	(460)	(412)	(423)	(587)	(254)	(258)
(Loss) Gain on Disposal of Capital Assets	(5)	(10)	(2)	0	(3)	(4)	(20)	1	(1)	(2)	(1)	(1)
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(4,770)	(10,896)	(4,602)	(4,528)	(3,865)	(1,994)	(2,902)	(3,720)	(1,992)	(3,079)	(1,678)	(3,049)
Ferry Service Fees	6,289	6,289	3,245	3,245	2,549	2,549	2,483	2,484	2,694	2,694	2,064	2,064
Federal Contract	1,731	1,693	893	874	702	686	684	668	741	725	568	556
Net Route Earnings (Loss)	3,250	(2,914)	(464)	(409)	(614)	1,241	265	(568)	1,443	340	954	(429)
Fuel Costs Deferred (See note 1)	858	241	161	121	268	66	103	54	102	59	54	30

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Route Statement
Group 6 - Minor Routes
For the Twelve Months Ended March 31, 2006
(in 000's)

	23-Quadra Island - Campbell River		24-Cortes Island - Quadra Island		25-Alert Bay - Sointula - Port		26-Skidegate - Alliford Bay		Minor Routes	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Tariff Revenue	3,267	3,226	578	587	1,072	1,053	462	514	47,903	46,956
Ancillary Revenue	37	38	30	15	21	22	5	8	3,880	3,909
Social Program Reimbursements	300	271	72	59	219	192	24	25	4,606	4,165
Contracted Routes Fee	0	0	0	0	0	0	0	0	0	0
Total Operating Revenue	3,604	3,535	680	661	1,312	1,267	491	547	56,389	55,030
Total Operating Expenses	7,322	7,007	2,418	2,997	4,071	6,933	4,171	2,786	120,216	125,570
Earnings from Operations	(3,718)	(3,472)	(1,738)	(2,336)	(2,759)	(5,666)	(3,680)	(2,239)	(63,827)	(70,540)
Amortization	(356)	(340)	(188)	(229)	(198)	(246)	(149)	(101)	(9,714)	(8,959)
Financing Expense	(143)	(149)	(119)	(142)	(158)	(161)	(51)	(38)	(6,080)	(6,000)
Cost of Capital	(499)	(489)	(307)	(371)	(356)	(407)	(200)	(139)	(15,794)	(14,959)
(Loss) Gain on Disposal of Capital Assets	(3)	(4)	(1)	1	(2)	1	0	0	(89)	(52)
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(4,220)	(3,965)	(2,046)	(2,706)	(3,117)	(6,072)	(3,880)	(2,378)	(79,710)	(85,551)
Ferry Service Fees	2,894	2,894	2,646	2,643	3,168	3,167	2,648	2,648	69,540	69,530
Federal Contract	797	779	729	713	872	853	729	713	19,141	18,721
Net Route Earnings (Loss)	(529)	(292)	1,329	650	923	(2,052)	(503)	983	8,971	2,700
Fuel Costs Deferred (See note 1)	258	141	103	71	192	54	51	62	5,885	1,930

Note 1: The British Columbia Ferry Commissioner has authorized the use of deferral accounts whereby differences between established set prices and the actual prices of fuel oil are recorded in the deferral accounts. Without the use of these deferral accounts, operating expenses for each route would have been higher and net earnings lower by the



British Columbia Ferry Services Inc.
Route Statement
Group 3 - Northern Routes
For the Twelve Months Ended March 31, 2006
(in 000's)

	10-Bear Cove - Bella Bella - Prince		11-Prince Rupert - Skidegate		Northern Routes	
	2006	2005	2006	2005	2006	2005
Tariff Revenue	9,233	8,825	3,451	3,357	12,684	12,182
Ancillary Revenue	2,023	1,809	781	735	2,804	2,544
Social Program Reimbursements	306	285	214	197	520	482
Contracted Routes Fee	0	0	0	0	0	0
Total Operating Revenue	11,562	10,919	4,446	4,289	16,008	15,208
Total Operating Expenses	22,691	19,956	11,736	11,125	34,427	31,081
Earnings from Operations	(11,129)	(9,037)	(7,290)	(6,836)	(18,419)	(15,873)
Amortization	(2,027)	(1,826)	(1,187)	(1,065)	(3,214)	(2,891)
Financing Expense	(448)	(386)	(264)	(133)	(712)	(519)
Cost of Capital	(2,475)	(2,212)	(1,451)	(1,198)	(3,926)	(3,410)
(Loss) Gain on Disposal of Capital Assets	(6)	(6)	(3)	(5)	(9)	(11)
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(13,610)	(11,255)	(8,744)	(8,039)	(22,354)	(19,294)
Ferry Service Fees	5,307	5,307	8,150	8,150	13,457	13,457
Federal Contract	1,461	1,429	2,243	2,194	3,704	3,623
Net Route Earnings (Loss)	(6,842)	(4,519)	1,649	2,305	(5,193)	(2,214)
Fuel Costs Deferred (See note 1)	1760	558	736	238	2,496	796

Note 1: The British Columbia Ferry Commissioner has authorized the use of deferral accounts whereby differences between established set prices and the actual prices of fuel oil are recorded in the deferral accounts. Without the use of these deferral accounts, operating expenses for each route would have been higher and net earnings lower by the amounts indicated.

Note 2: Prior year results (Operating expenses only) for routes 10 and 11 have been restated (prior year route group 3 total remains unchanged) to reflect revised allocation bases used in the current year. This change has been made to further refine and improve the allocations of certain indirect operating expenses between these two routes.

Part 2

Service Quality

Customer Satisfaction Tracking Annual Report 2005

British Columbia Ferry Services Inc.

Presented to:

British Columbia Ferry Services Inc.
Victoria, British Columbia



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Executive Overview

Background

British Columbia Ferry Services Inc., known as BC Ferries, conducts a Customer Satisfaction Tracking (CST) study each year. The CST study is designed to monitor customer satisfaction with various aspects of service on BC Ferries in order to determine areas that passengers believe are performing well and areas that require improvement. This study is part of a regular program of ongoing research conducted each year by BC Ferries.

The following report provides annual customer satisfaction results for the following:

- Overall ferry service
- Service prior to arriving at the terminal
- Service at the ferry terminal
- Service onboard the ferry
- Service pertaining to loading/unloading
- Overall safety of operations, and
- Value for money of fares paid

For each of the more than sixty attributes, the scores for the last 3 years are shown on the graphs, to allow for easy comparison.

In addition to graphs showing the overall scores, this report includes detailed tables by route - in the Appendix - showing satisfaction scores for each of the 69 service attributes for 2005. The Appendix also includes detailed satisfaction scores for each of the 28 terminal-related attributes, shown separately for each of the main terminals.

Methodology

Results are based on a comprehensive two-phased research approach. First a random sample of passengers was intercepted onboard using a screener questionnaire to collect basic information about frequency of travel on BC Ferries, purpose of trip, area of residence, origin/destination, and standard demographic data. Immediately following this screener, passengers were given a separate longer questionnaire, which they were asked to complete *after* they disembarked and left the terminal.

A total of 14,285 screener interviews were conducted and 5,431 longer questionnaires were completed and returned to the research firm. Interviews were distributed across different routes, both larger and smaller routes, during three different times of the year; peak season, shoulder season and low season. A sample of eight designated routes was included in the survey, representing almost 80% of

the annual passenger traffic carried by BC Ferries. A more detailed explanation of the research design is included in the *Research Methodology* section, in the Appendix of this report.

Findings

Customers were asked to rate their satisfaction with 69 different aspects of the services they received from BC Ferries on a scale from 1 to 5 where 1 means Very Dissatisfied and 5 means Very Satisfied.

Satisfaction with BC Ferries Overall

A total of 86% of passengers in 2005 reported to be satisfied overall with their experience travelling on BC Ferries, very similar to the satisfaction level measured in 2004. On a five-point scale, an average score of 4.1 was achieved.

Satisfaction Before Arriving at Terminal

- Ratings of BC Ferries Web site have improved, increasing for both the *usefulness of the website*, and the *ease of using online reservations*.
- Passengers making phone contact with BC Ferries continue to be less complimentary of the *usefulness of BC Ferries phone service*, and specifically with *ease of using the automated system*, but ratings have improved slightly for the *automated system* compared to a year ago.
- Satisfaction levels with highway signage have improved over the year at all terminals with the exception of Duke Point, which declined just slightly to 4.1 from the high 4.2 score last year. Passengers continue to be most critical of signage at Horseshoe Bay.

Satisfaction at the Terminal

- Overall satisfaction levels with the terminal experience are similar to a year ago, except at the Tsawwassen terminal, where ratings have strengthened significantly, to 4.1 from an average score of 3.9 in 2004 and 2003.
- Satisfaction levels continue to be high with all aspects of the ticket purchase process with no shifts from last year.
- While passengers using food and beverage services at the terminal continue to be critical of the *food/beverages offered*, and *value for money*, both have seen improvements in ratings since last year, particularly at Tsawwassen terminal.

- Overall satisfaction has increased with retail services at the terminal with *variety/selection of merchandise at the gift shop/news stand* showing a significant increase.
- Overall, foot passengers continue to be somewhat dissatisfied with many of their services. However, there are improvements in ratings with respect to *cleanliness of pre-boarding lounge, availability of seating, comfort of seating and usefulness of TV info screens*. For *ease of using passenger drop-off/pick-up area, availability of parking spaces, and parking value for money*, ratings had declined significantly in 2004; this year the decline has been reversed and ratings have returned to their 2003 levels.
- Satisfaction levels with other terminal services have been quite consistent, with a slight improvement in some areas; namely, *cleanliness of washrooms, and overall look and décor inside the terminal*.

Satisfaction Onboard

- Onboard satisfaction maintained a high rating of 4.0 this year, same as in 2004 and 2003.

[NOTE: For route-specific results that follow, please refer to page 8 for all the route number codes]

- A total of 86% of passengers in 2005 were satisfied with their overall experience onboard, similar to 2004 levels (85%). Scores are similar on each route with the following exceptions:
 - Route 1: an increase in the 'very satisfied' top box score to 26%, from a level of 20% in 2004, with a resulting increase in the overall average score to 4.2 out of 5 from 4.1 last year;
 - Route 4: decrease from 81% satisfied in 2004 to 75% satisfied this year;
 - Routes 5/9: decrease from 82% satisfied last year to 77% satisfied this year.
- Satisfaction levels continue to be highest with the *staff courtesy* and *variety/selection of merchandise* in the gift shop/news stand, with no significant changes from last year. Ratings continue to be lower for *ease of moving around inside the shop*, and for *value for money*, but ratings have improved for *ease of moving around inside*.
- Food services continue to perform well for *staff courtesy*, *cleanliness of seating area*, and *availability of seating*. Satisfaction levels are still lower with respect to *comfort of seating*, *length of time in line*, *food/beverages offered*, and *value for money*. However, there has been some improvement in ratings for *food/beverage offered* and continued improvement in ratings for *length of time in line*.
- Passengers continue to be satisfied with the *availability of washrooms* with no change in ratings from last year, but are more critical of the *cleanliness*, although *cleanliness* has been gradually improving.
- Travellers continue to be relatively satisfied with the *comfort* and *cleanliness of indoor lounge seating* with no change in ratings.
- In terms of other onboard facilities and services, satisfaction levels continue to be reasonably high; passengers are most complimentary of the *professionalism of onboard staff* and less satisfied with the *video arcade*, *play area for children*, and *ease of access for people with disabilities*, with no movement in ratings.

Satisfaction with Sailing Schedules

- Some aspects of the sailing schedule still are not meeting passengers' requirements; however, the gains made in 2004 with respect to *on-time departures* have been sustained, with further improvement in the 'very satisfied' top box score (24% this year compared with 20% a year ago).
- Passengers continue to be most critical of *sailing frequency*, *last ferry late enough*, and with *ability to make connections* (although ratings have improved for both *connections* and *last ferry late enough*).

[NOTE: Refer to page 8 or page 30 for Route number codes]

- Individually, each route (except 3 and 19) has seen an increase in satisfaction with *on-time departures*; the most significant improvement was on route 2 which went from 3.3 out of 5 last year to 3.7 this year.
- Satisfaction with *on-time departure* also improved for route 5/9 but continues to score low compared with all other routes.

Satisfaction with Safety

- Perceptions of the *safety of the ferry operations* continue to be quite strong on all routes, with no significant changes over the year.

Satisfaction with Overall Value

- Satisfaction levels continue to be low with perceived *value for money of the fares*, with 28% reporting to be dissatisfied, an increase of four percentage points over the year – this seems to be attributable to the introduction of a fuel surcharge.

Key Conclusions

Overall passenger satisfaction levels have been maintained over the year but with improvements in several areas including:

- Usefulness of the Web site;
- Ease of using on-line reservations;
- Slight improvement in ease of using automated phone system;
- Highway signage;
- Food/beverage services and gift shop/ news stand at Tsawwassen and Swartz Bay terminals;
- Overall look and décor inside the Tsawwassen and Swartz Bay terminals;
- Cleanliness of pre-boarding lounge for foot passengers;

- Availability and comfort of seating for foot passengers;
- Usefulness of TV info screens;
- Cleanliness of washrooms both at the terminal and onboard;
- Ease of moving around onboard gift shop;
- Food/beverage offered on board;
- Length of time in line for food service;
- Ability of connect with other sailings.

The gains made in 2004 with respect to on-time departures have been maintained and, in fact, the average length of delay is gradually declining. A slightly higher number than in 2004 were unable to board their desired sailing, but average terminal wait times have been stable.

BC Ferries also continues to perform well on:

- Staff in all areas;
- Efficiency of ticket purchase transaction;
- Procedures for loading/unloading;
- Availability of seating in food services area;
- Cleanliness of onboard lounge and food services seating areas;
- Availability of onboard washrooms;
- Availability of tourist and travel info;
- Earliest ferry early enough;
- Safety of ferry operations and safety of loading/unloading.

Areas of opportunity to enhance the customer experience include:

Terminal

- Ease of using the automated phone system;
- Food/beverages offered at terminals;
- Value for money of food/beverages at terminals;
- Value for money of merchandise at terminal(gift shop/ news stand/ outdoor market area);
- Variety selection of merchandise at terminal (including outdoor market);
- Clarity of public address system;
- Ease of using passenger drop-off / pick-up area;
- Availability of parking spaces;
- Parking value for money;
- Comfort of seating in pre-boarding lounge.

On-board

- Ease of moving inside gift shop/ news stand;
- Value for money of gift shop/ news stand/ food services;
- Length of time in line for food services;
- Food/ beverages offered;
- Value for money of food services;
- Play area for children;
- Video arcade;
- Ease of access for those with disabilities.

Schedules

- Frequent enough;
- Latest ferry late enough;
- Ability to connect.

Overall

- Value for money of fares

Detailed Findings

The following section shows the detailed findings from the study. It graphically displays the satisfaction scores for each of the sixty-nine service attributes, showing both the average satisfaction score out of 5 as well as the percentage for each level of satisfaction; that is, Very Dissatisfied, Dissatisfied, Neither Satisfied/Dissatisfied, Satisfied and Very Satisfied. The ratings are shown for all surveyed BC Ferry routes combined and, where appropriate, the route-by-route scores are shown as well.

NOTE: When route numbers are shown in the graphs, please refer to the following table that explains each route number.

Ferry Routes Included in Customer Satisfaction Survey - 2005	
Route No.	Description of Route
Route 1	Tsawwassen-Swartz Bay
Route 2	Horseshoe Bay-Departure Bay
Route 3	Horseshoe Bay-Langdale
Route 30	Tsawwassen-Duke Point
Route 4	Swartz Bay-Fulford Harbour, Salt Spring Island
Route 19	Departure Bay-Descanso Bay, Gabriola Island
Route 5/9	Southern Gulf Islands (from Swartz Bay/from Tsawwassen)
Route 23	Campbell River-Quathiaski Cove, Quadra Island

Overall Satisfaction with BC Ferries

A total of 86% of passengers in 2005 reported to be satisfied overall with their experience travelling on BC Ferries, very similar to the satisfaction level measured in 2004 (88%). On a five-point scale where '1' means 'very dissatisfied' and '5' means 'very satisfied' an average score of 4.1 is achieved.

[NOTE: Refer to page 8 for route number codes]

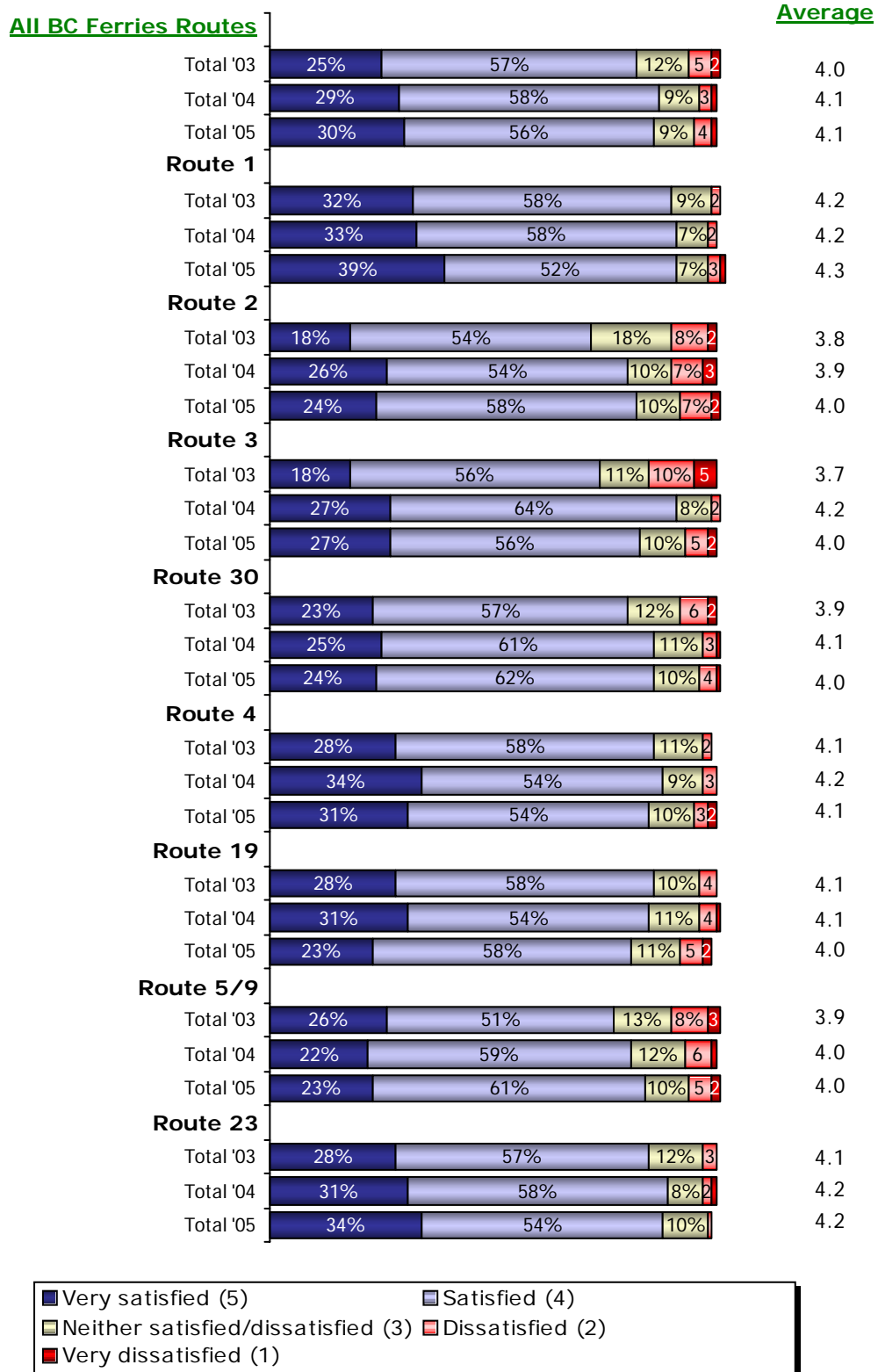
Overall satisfaction levels have strengthened on:

- Route 2 (82% satisfied compared to 80% in 2004)

Satisfaction has remained at a high level on Route 1 (91% satisfied).

Satisfaction levels are relatively unchanged on all other routes with the exception of Route 3. Ratings had improved considerably in 2004 on this route and these higher satisfaction levels were maintained for much of 2005 except during the peak season. As a result, the overall satisfaction level for 2005, 4.0, is lower than it was a year ago, 4.2.

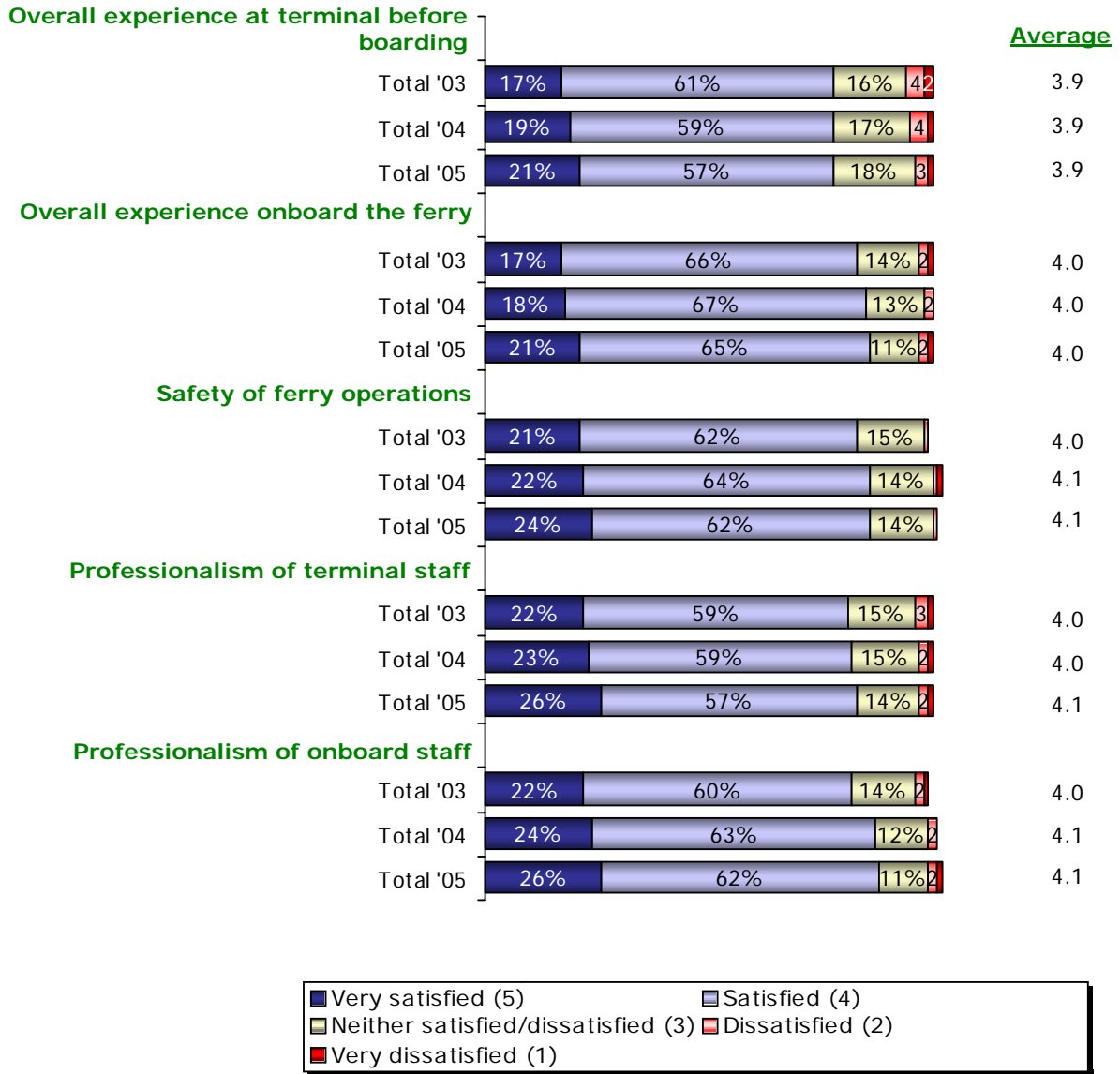
Overall Satisfaction Level with Recent Experience Travelling with BC Ferries



Q.1) How satisfied or dissatisfied were you, overall, with your recent experience travelling with BC Ferries?

The following chart summarizes the results from overall measures of each main point of contact and with BC Ferries. Overall, results are similar to those obtained in 2004. Further analysis of each measure is provided in subsequent sections.

Summary of Main Satisfaction Scores



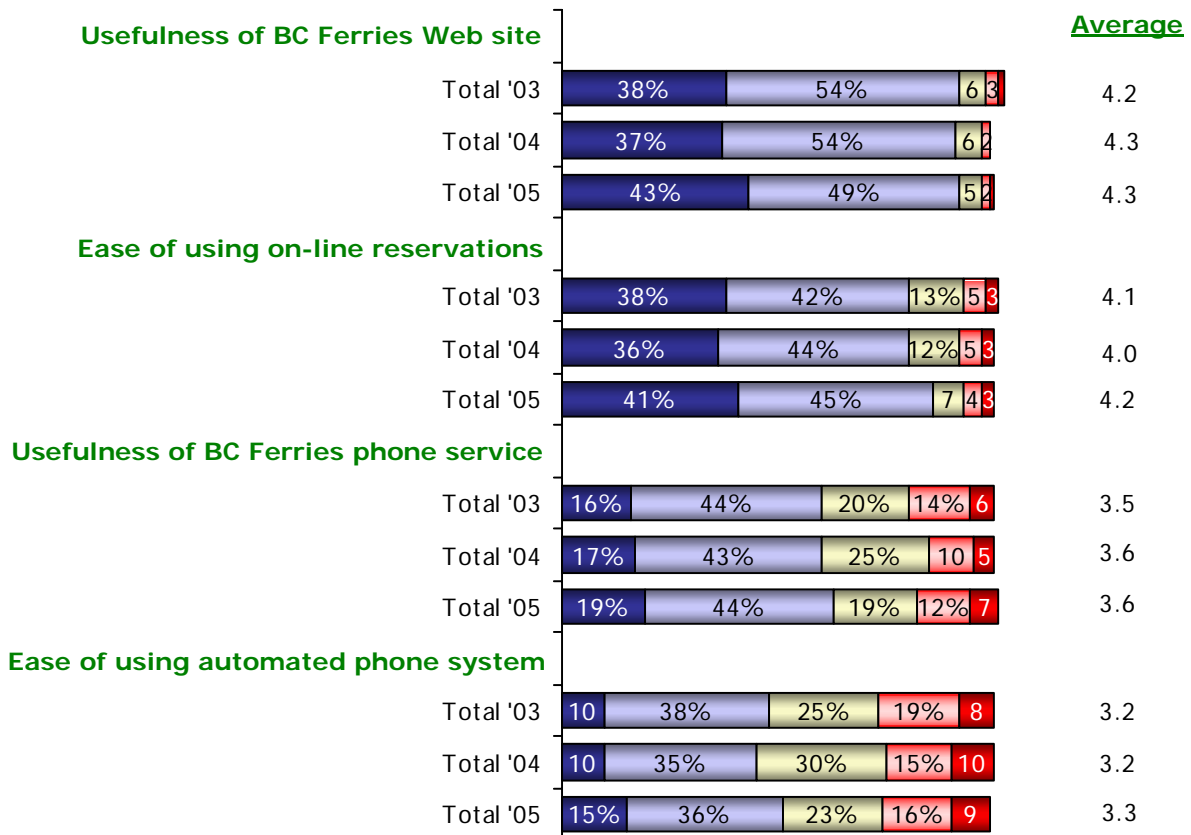
Before Arriving at Terminal

Web site and Phone Contact

Ratings of BC Ferries Web site have improved, increasing for both the *usefulness of the website*, and the *ease of using online reservations*.

Passengers making phone contact with BC Ferries continue to be less complimentary of the *usefulness of BC Ferries phone service*, and specifically with *ease of using the automated system*, but ratings have improved slightly for the *automated system* compared to a year ago.

Satisfaction with Aspects of Web site* and Phone Contact**

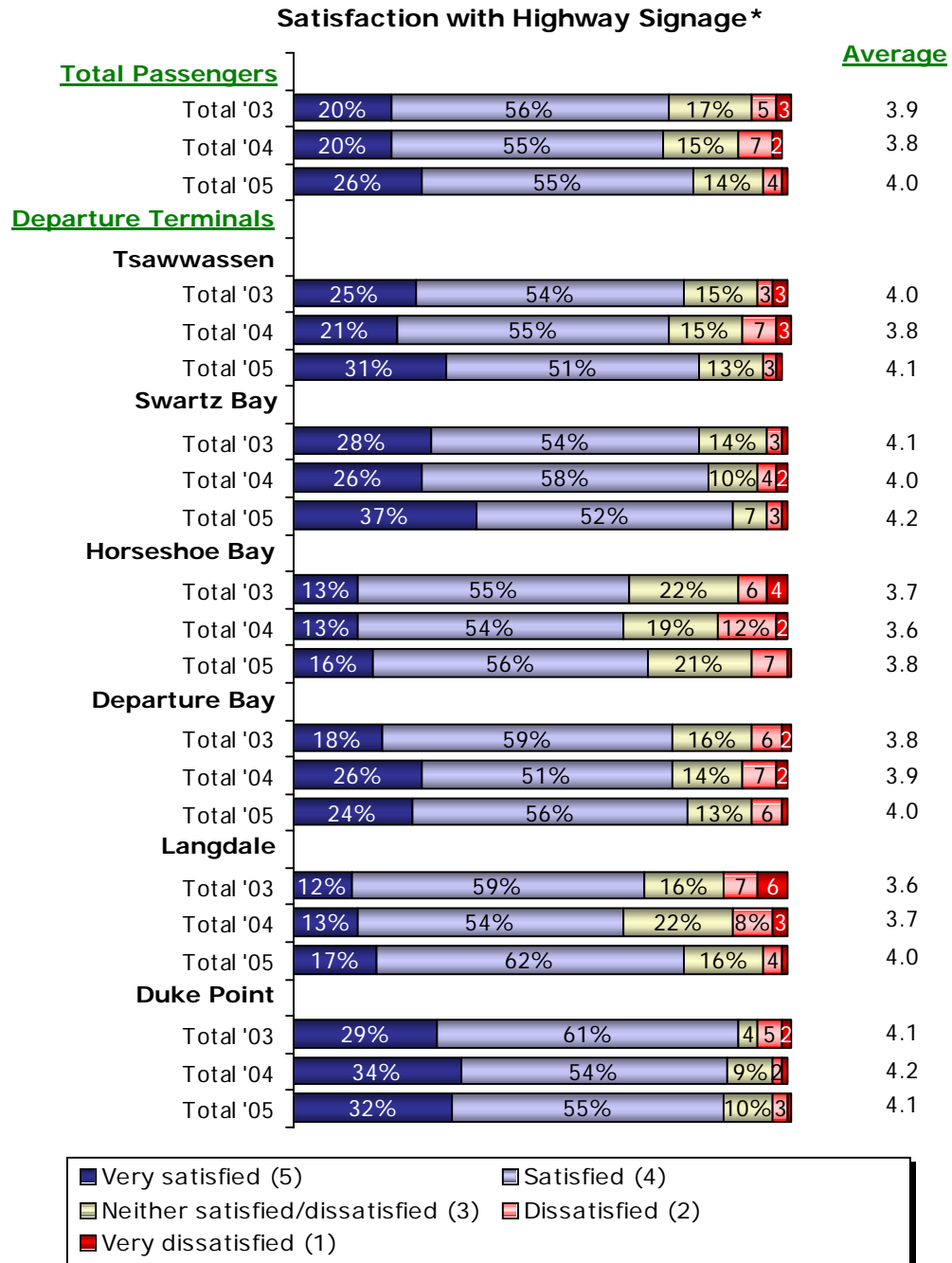


Very satisfied (5)
 Satisfied (4)
 Neither satisfied/dissatisfied (3)
 Dissatisfied (2)
 Very dissatisfied (1)

Q.2) Please rate how satisfied or dissatisfied you were with each of the following.
 * 55% usage Web site, 30% for on-line reservations
 ** 30% usage phone service, 26% for automated system

Highway Signage

Satisfaction levels with highway signage have improved over the year at all terminals with the exception of Duke Point, which declined just slightly to 4.1 from the high 4.2 score last year. Passengers continue to be most critical of signage at Horseshoe Bay.



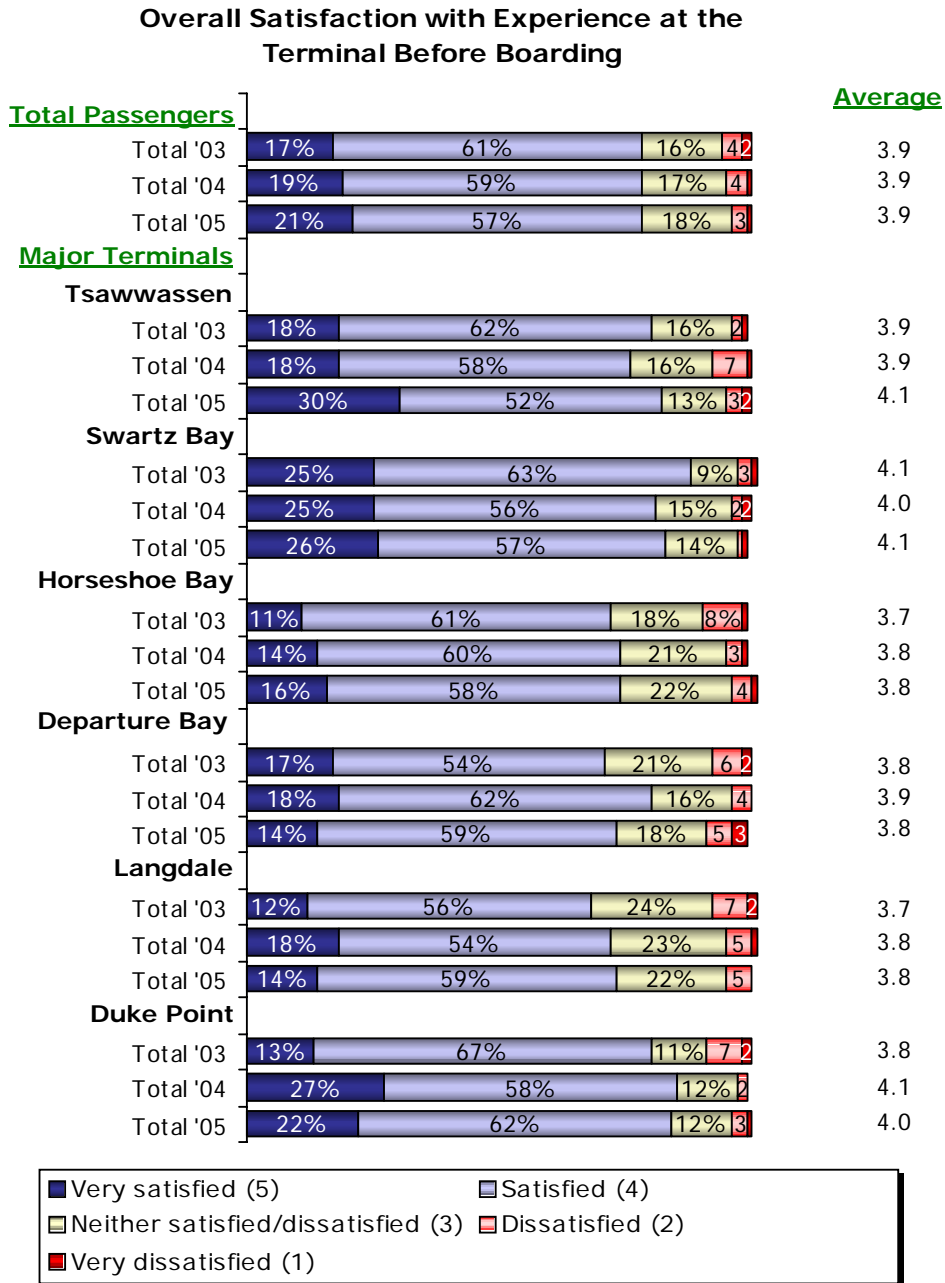
Q.2) Please rate how satisfied or dissatisfied you were with each of the following.

* Usage: 74%

At the Terminal

Overall Experience at the Terminal

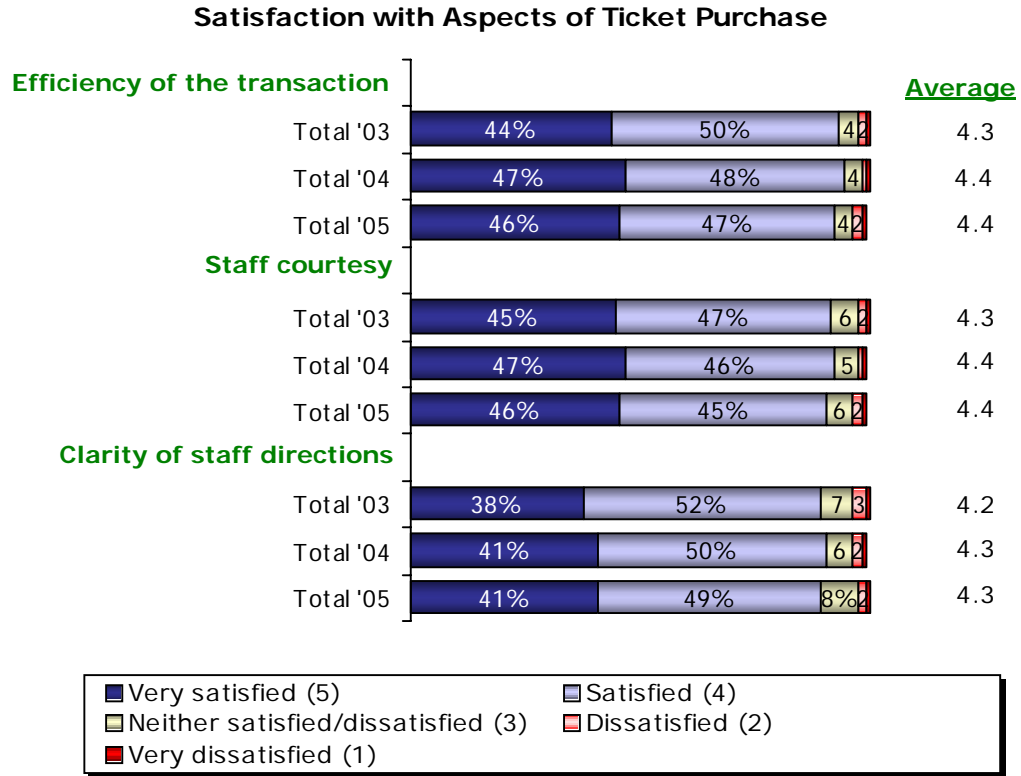
Overall satisfaction levels with the terminal experience are similar to a year ago, except at the Tsawwassen terminal, where ratings have strengthened significantly to 4.1 from an average score of 3.9 in 2004 and 2003.



Q.3) Please rate how satisfied or dissatisfied you were with each of the following.

Ticket Purchase

Satisfaction levels continue to be high with all aspects of the ticket purchase process with no shifts from last year.

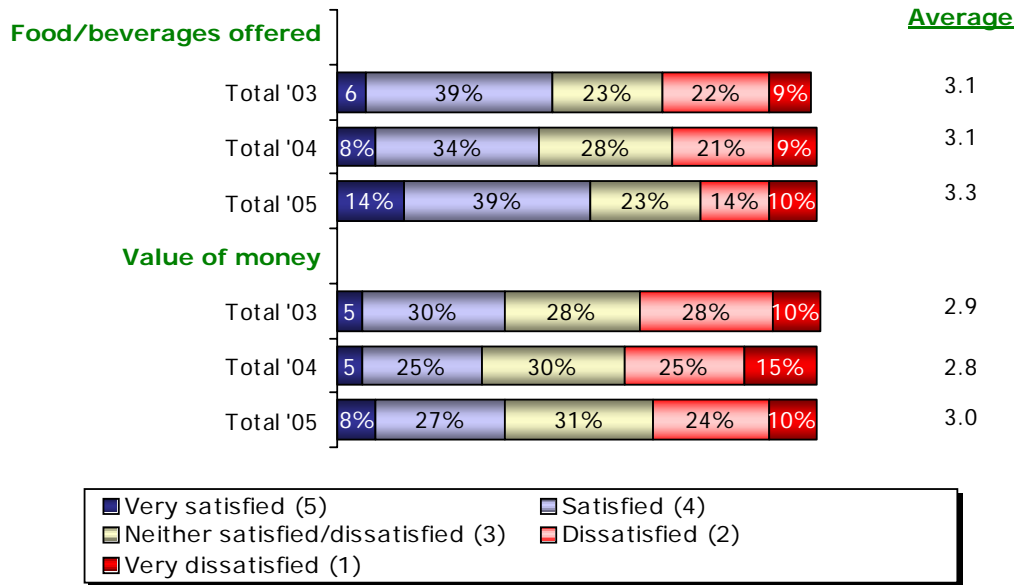


Q.3) Please rate how satisfied or dissatisfied you were with each of the following.

Food/Beverage Services at Terminal

While passengers using food and beverage services at the terminal continue to be critical of the *food/beverages offered*, and *value for money*, both have seen improvements in ratings since last year, particularly at Tsawwassen terminal.

Satisfaction with Aspects of Food and Beverage Services at Terminal*



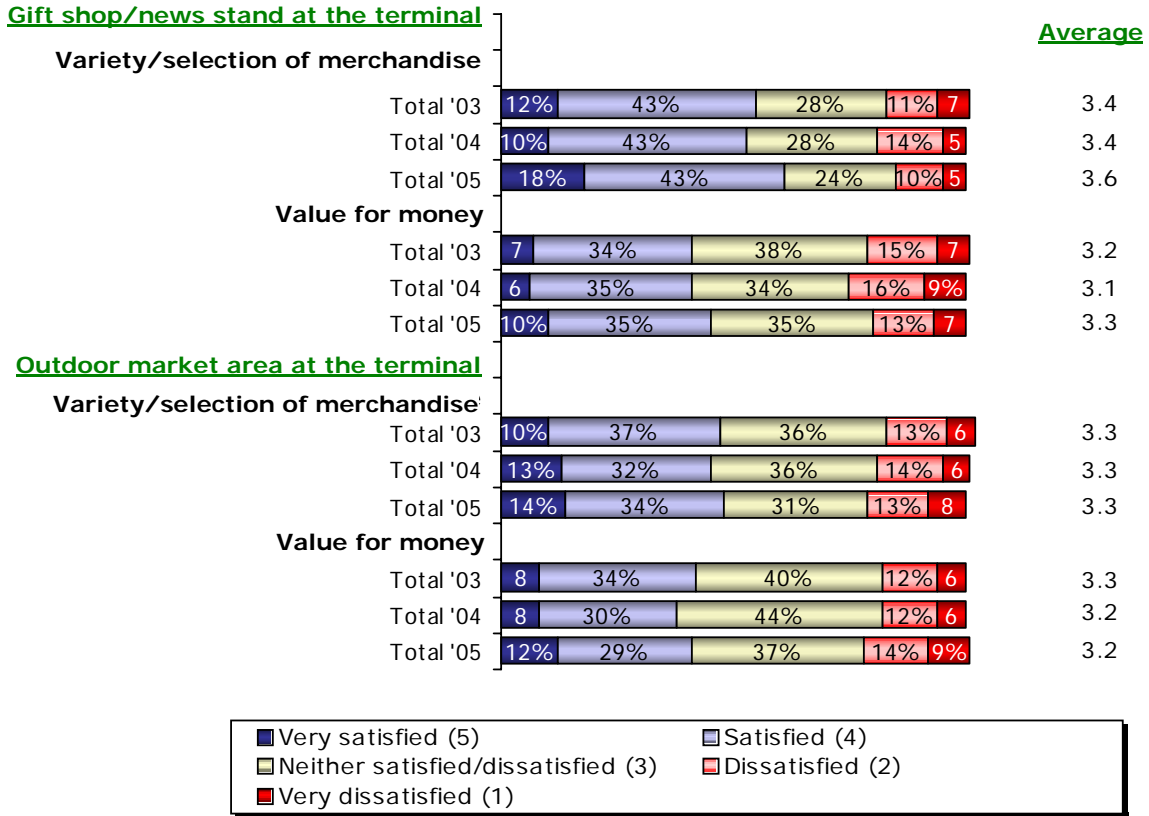
Q.3) Please rate how satisfied or dissatisfied you were with each of the following.

* 35% usage overall; excluding routes 19 and 23.

Retail Services at Terminal

Overall satisfaction has increased with retail services at the terminal with *variety/selection of merchandise at the gift shop/news stand* showing a significant increase.

Satisfaction with Aspects of Retail Services at Terminal*



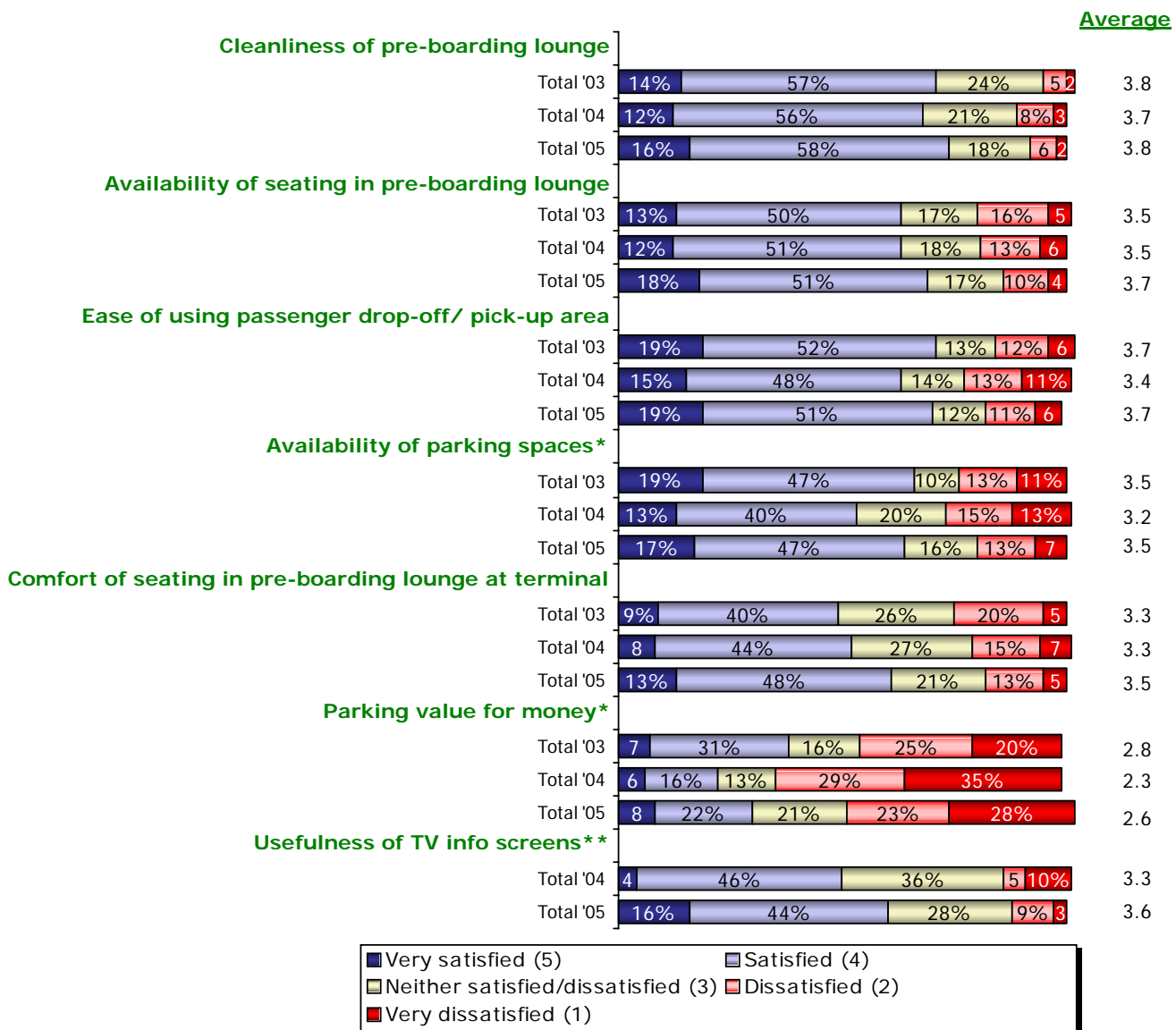
Q.3) Please rate how satisfied or dissatisfied you were with each of the following.

* 31% usage gift shop, 22% usage outdoor market; excludes route 19, and route 23.

Foot Passenger Services

Overall, foot passengers continue to be somewhat dissatisfied with many of their services. However, there are improvements in ratings with respect to *cleanliness of pre-boarding lounge, availability of seating, comfort of seating and usefulness of TV info screens*. For *ease of using passenger drop-off/pick-up area, availability of parking spaces, and parking value for money*, ratings had declined significantly in 2004; this year the decline has been reversed and ratings have returned to their 2003 levels.

Satisfaction with Foot Passenger Services*



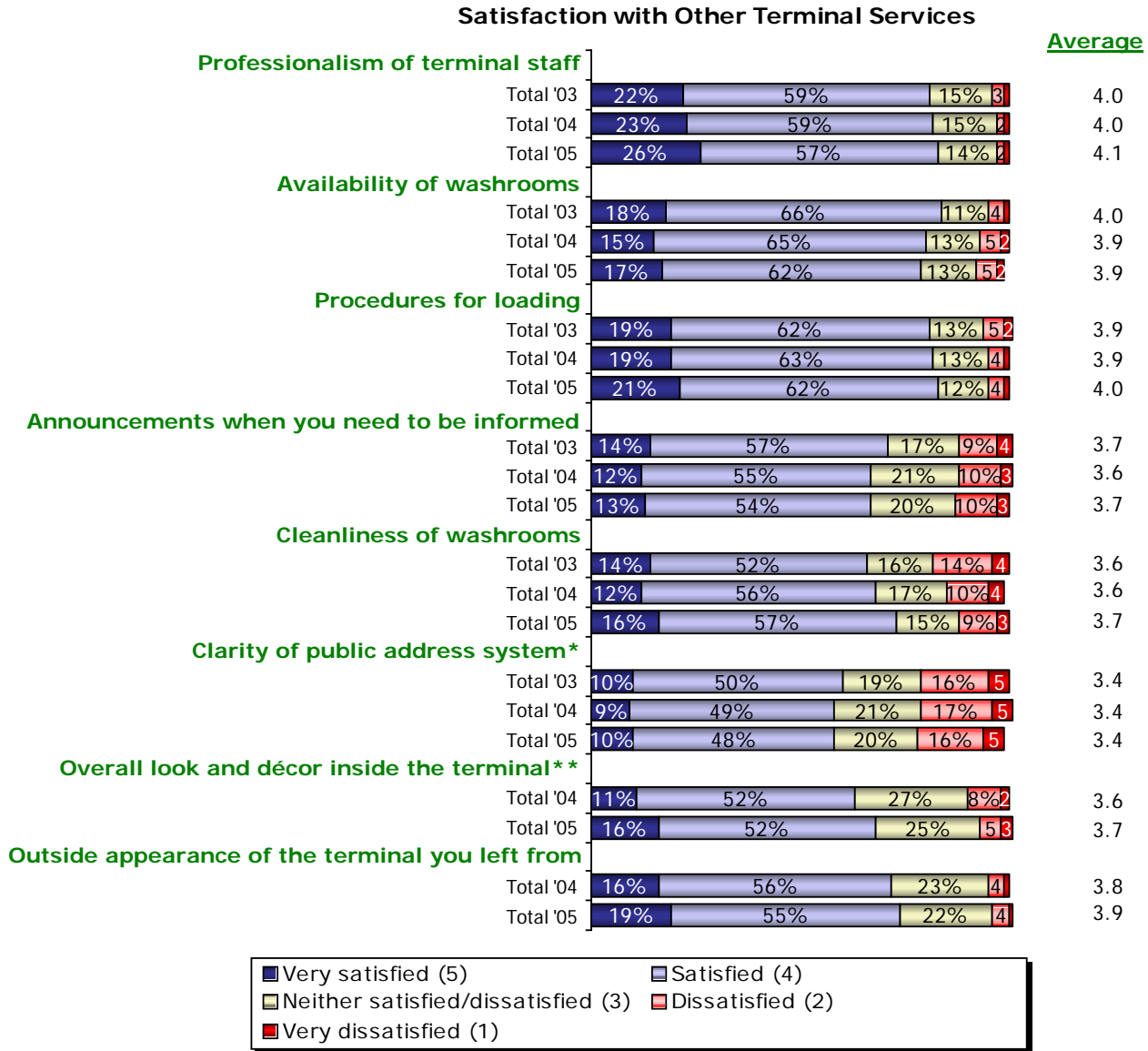
Q.3) Please rate how satisfied or dissatisfied you were with each of the following. 29% are foot passengers (including bus).

* Excludes Route 23.

** Includes Routes 1,2,3 & 30 & 4

Other Terminal Services

Satisfaction levels with other terminal services have been quite consistent, with a slight improvement in some areas; namely, *cleanliness of washrooms*, and *overall look and décor inside the terminal*.



Q.3) Please rate how satisfied or dissatisfied you were with each of the following.
 * Excluding Route 23.
 ** Excludes Route 19 & 23.

Onboard Experience

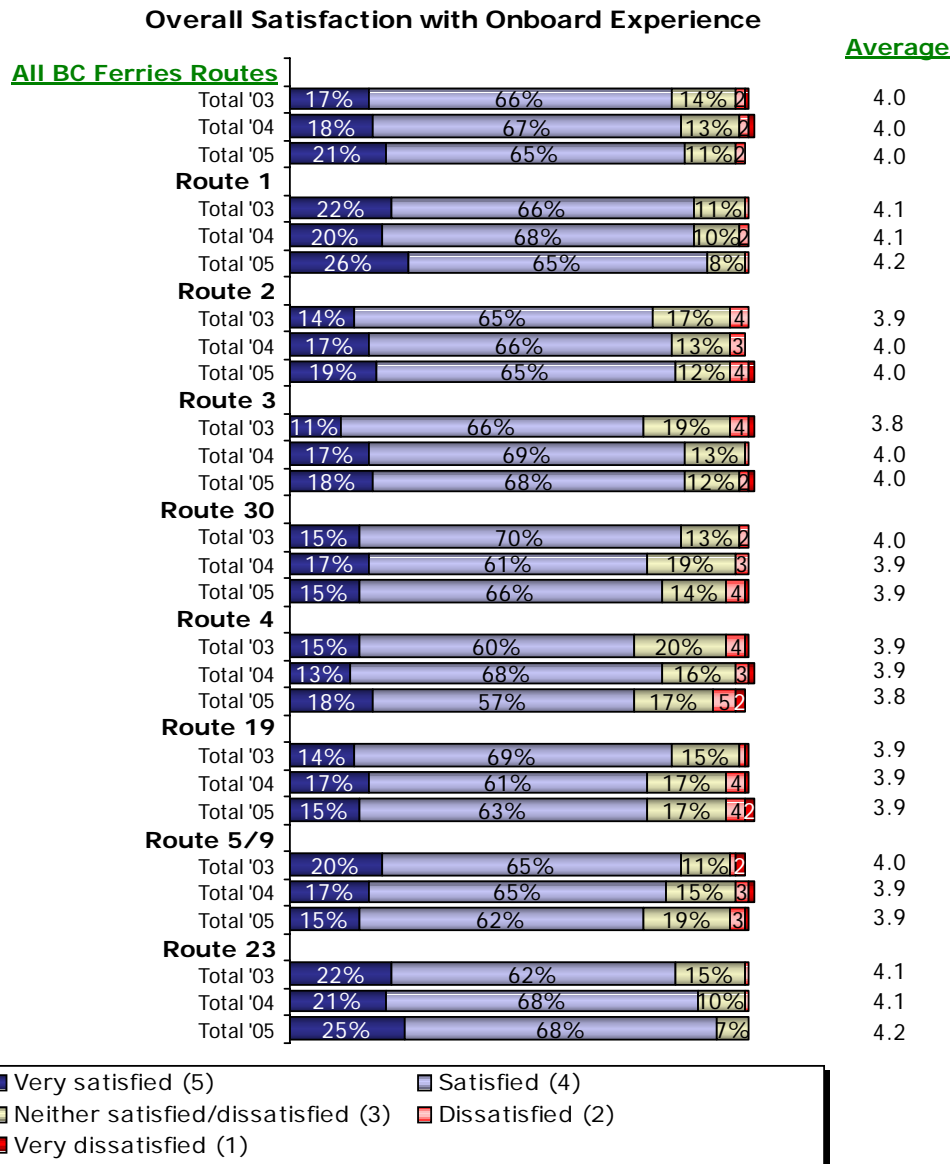
Overall Onboard Experience

Onboard satisfaction maintained a high rating of 4.0 this year, same as in 2004.

A total of 86% of passengers in 2005 were satisfied with their overall experience onboard, similar to 2004 levels (85%). Scores are similar on each route with the following exceptions:

- Route 1: an increase in the top box score (very satisfied) from 20% in 2004 to a current level of 26% and the overall average increasing from 4.1 to 4.2;
- Route 4: decrease from 81% in 2004 satisfied to 75% satisfied;
- Routes 5/9: decrease from 82% satisfied to 77% satisfied.

[NOTE: Refer to page 8 or page 30 for Route number codes]

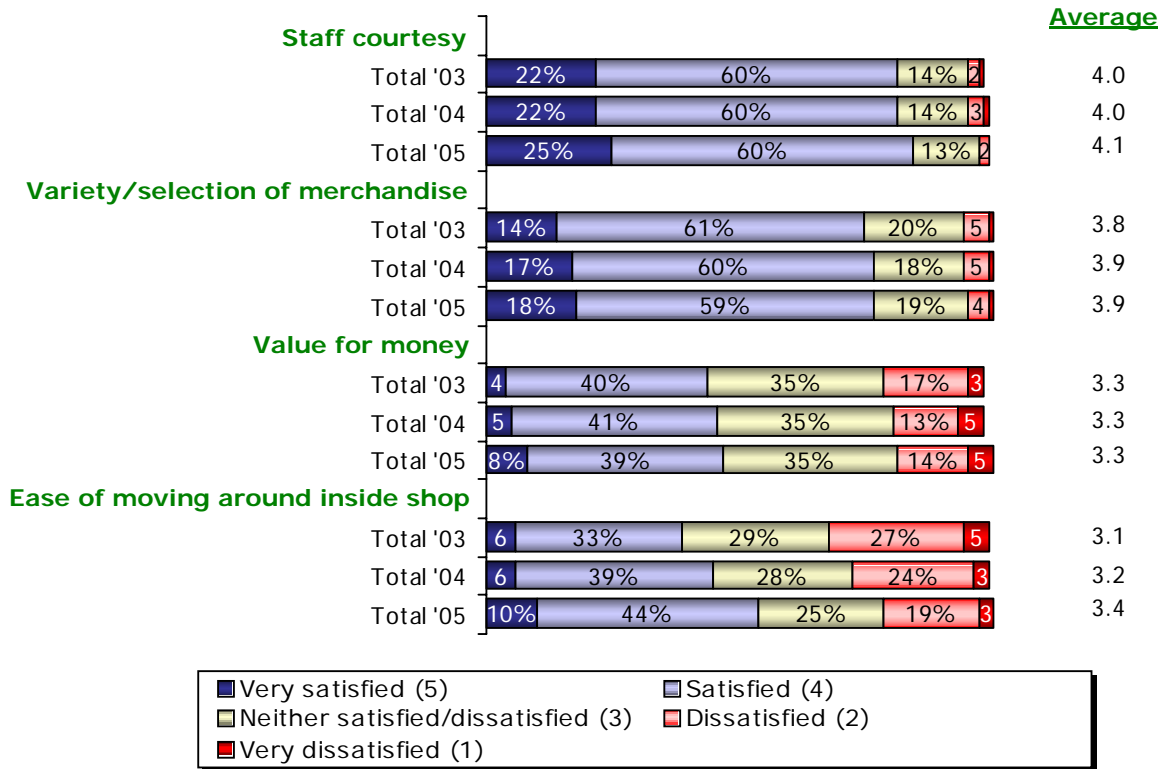


Q.4) Please rate how satisfied or dissatisfied you were with each of the following.

Onboard Gift Shop/News Stand

Satisfaction levels continue to be highest with the *staff courtesy* and *variety/selection of merchandise* in the gift shop/news stand, but with no significant changes. Ratings continue to be lower for *ease of moving around inside the shop*, and for *value for money*, but ratings have improved for *ease of moving around inside*.

Satisfaction with Aspects of Gift Shop/News Stand Onboard*



Q.4) Please rate how satisfied or dissatisfied you were with each of the following.

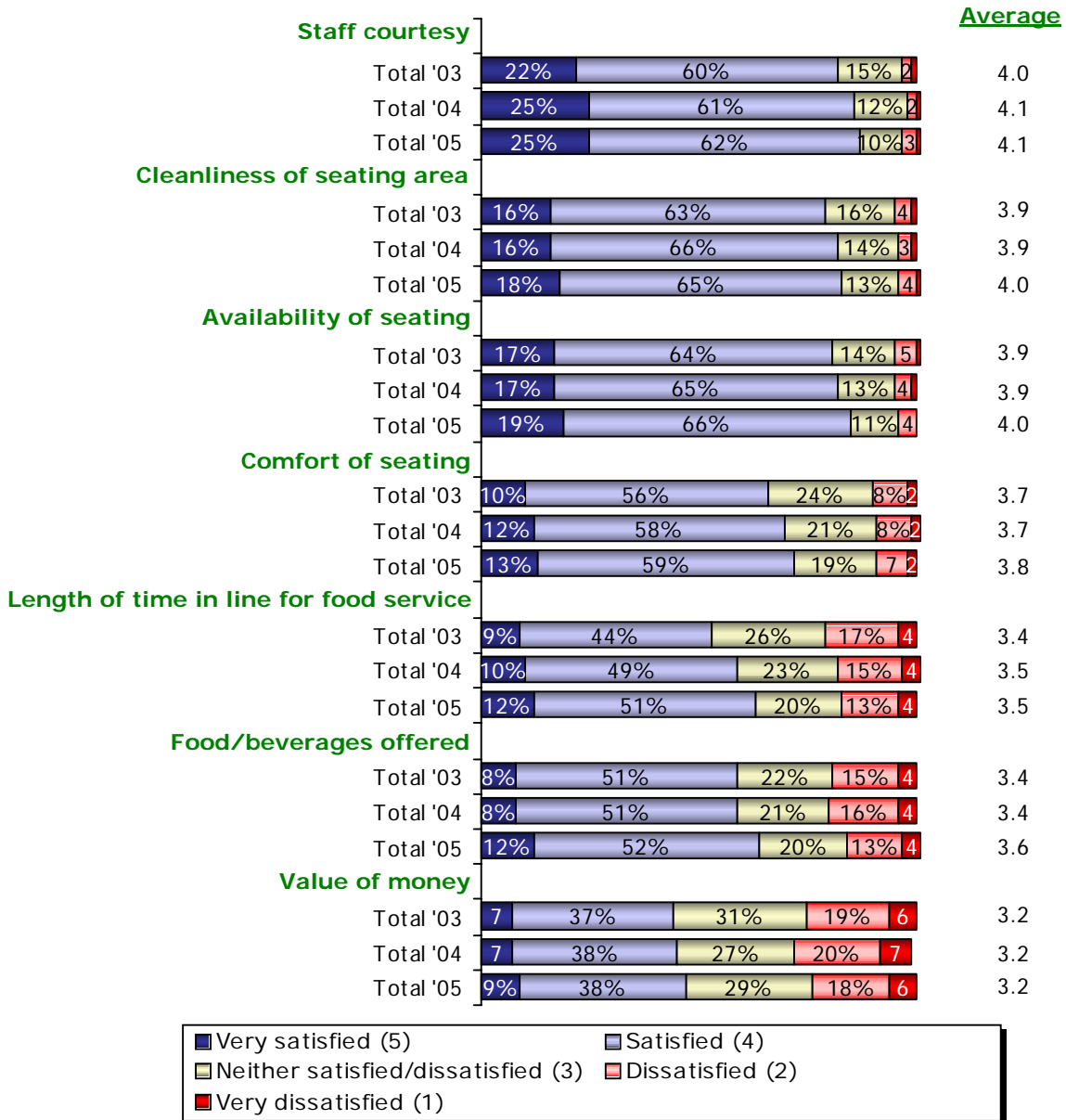
* Excludes Routes 4, 19 and 23. Otherwise usage is 56%.

Onboard Food Services

Food services continue to perform well for *staff courtesy, cleanliness of seating area, and availability of seating*. Satisfaction levels are still lower with respect to *comfort of seating, length of time in line, food/beverages offered, and value for money*.

However, there has been some improvement in ratings for *food/beverage offered* and continued improvement for *length of time in line*.

Satisfaction with Aspects of Food and Beverage Services Onboard*



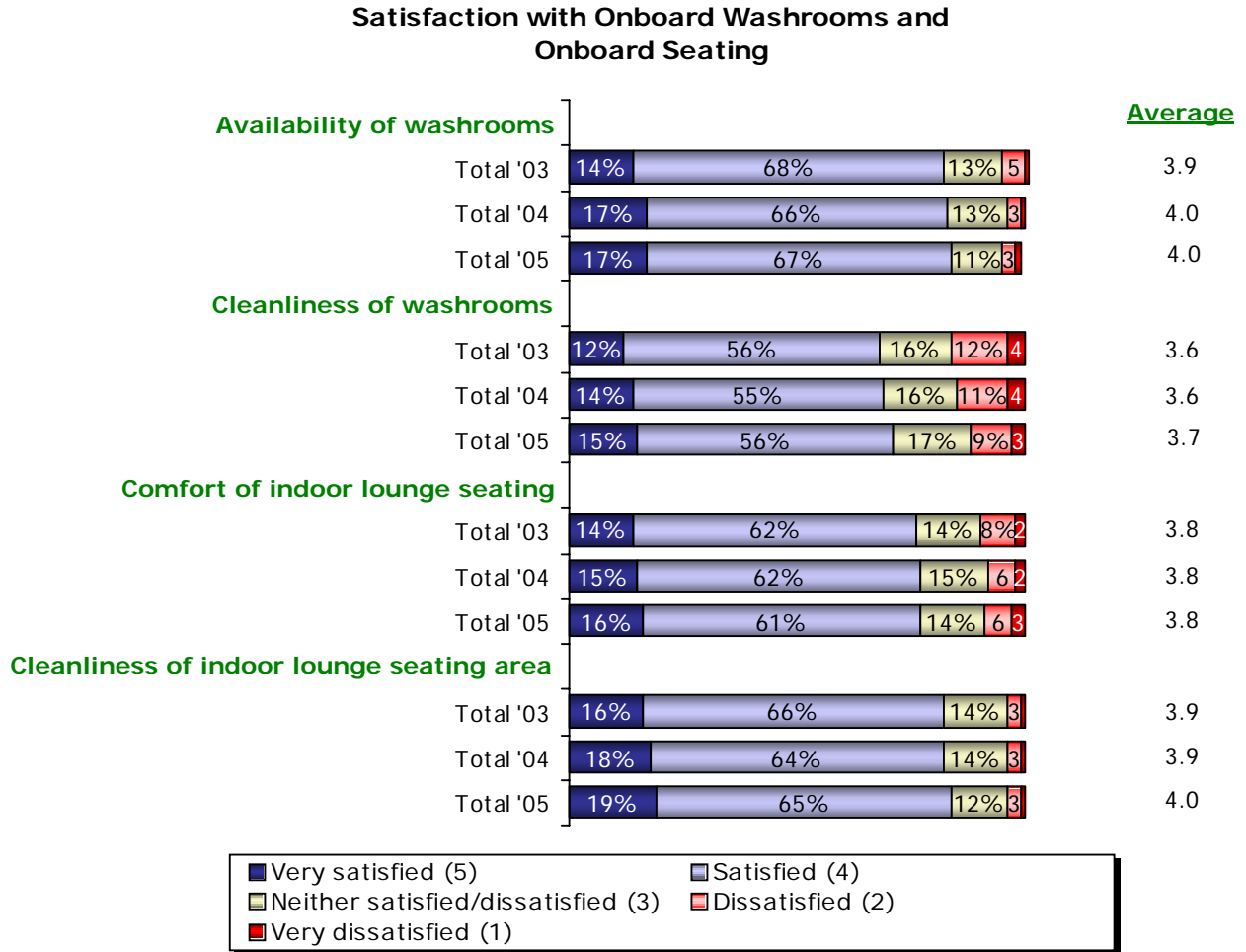
Q.4) Please rate how satisfied or dissatisfied you were with each of the following.

* Excludes Routes 4, 19 and 23. Usage 75%

Onboard Washrooms and Onboard Seating

Passengers continue to be satisfied with the *availability of washrooms* with no change in ratings, but are more critical of the *cleanliness*, although *cleanliness* has been gradually improving.

Travellers continue to be relatively satisfied with the *comfort and cleanliness of indoor lounge seating* with no change in ratings.

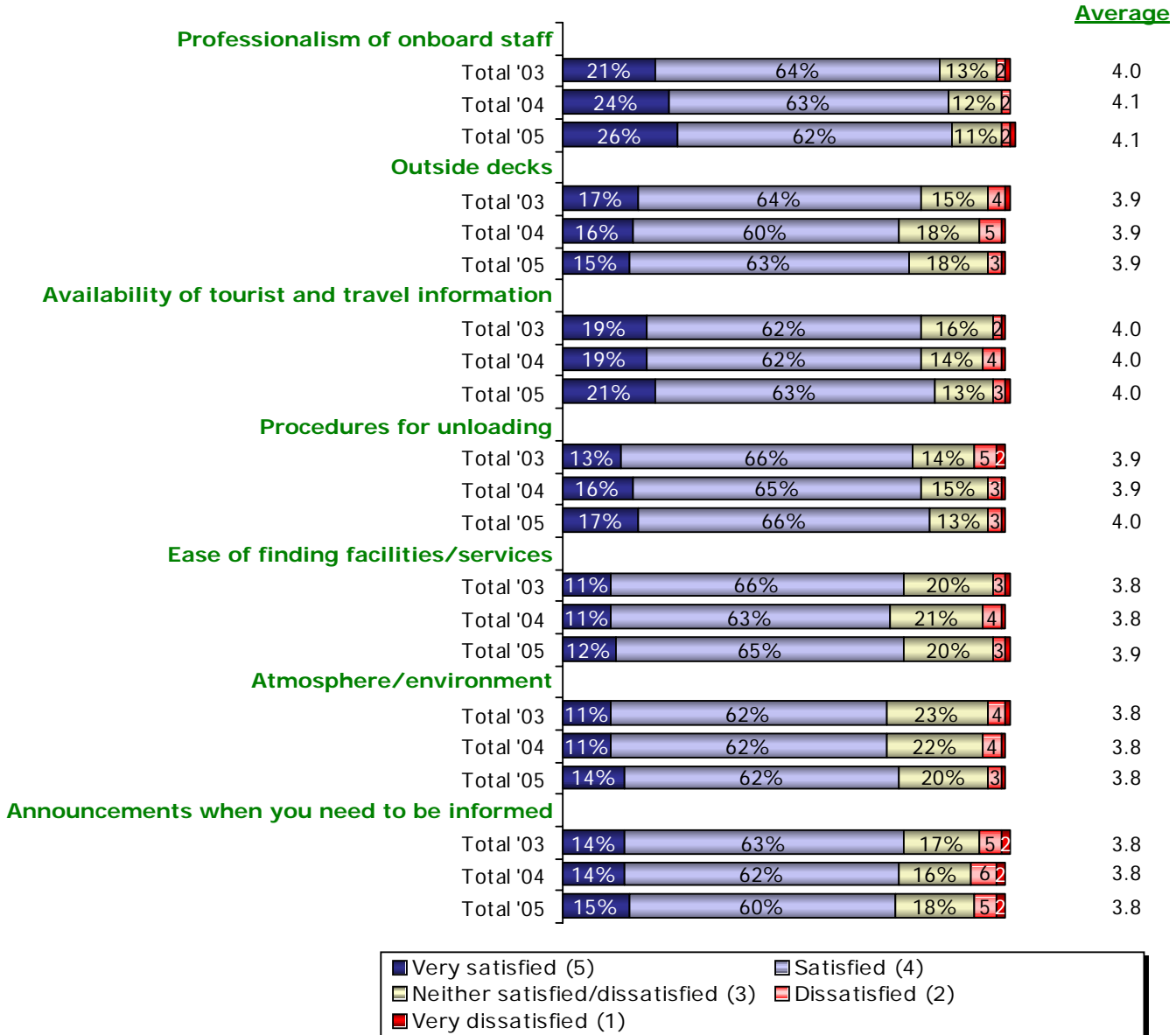


Q.4) Please rate how satisfied or dissatisfied you were with each of the following.

Other Onboard Facilities/Services

In terms of other onboard facilities and services, satisfaction levels continue to be reasonably high, with passengers most complimentary of the *professionalism of onboard staff* and less satisfied with the *video arcade, play area for children and ease of access for people with disabilities*, with no movement in ratings over last year (see following page also).

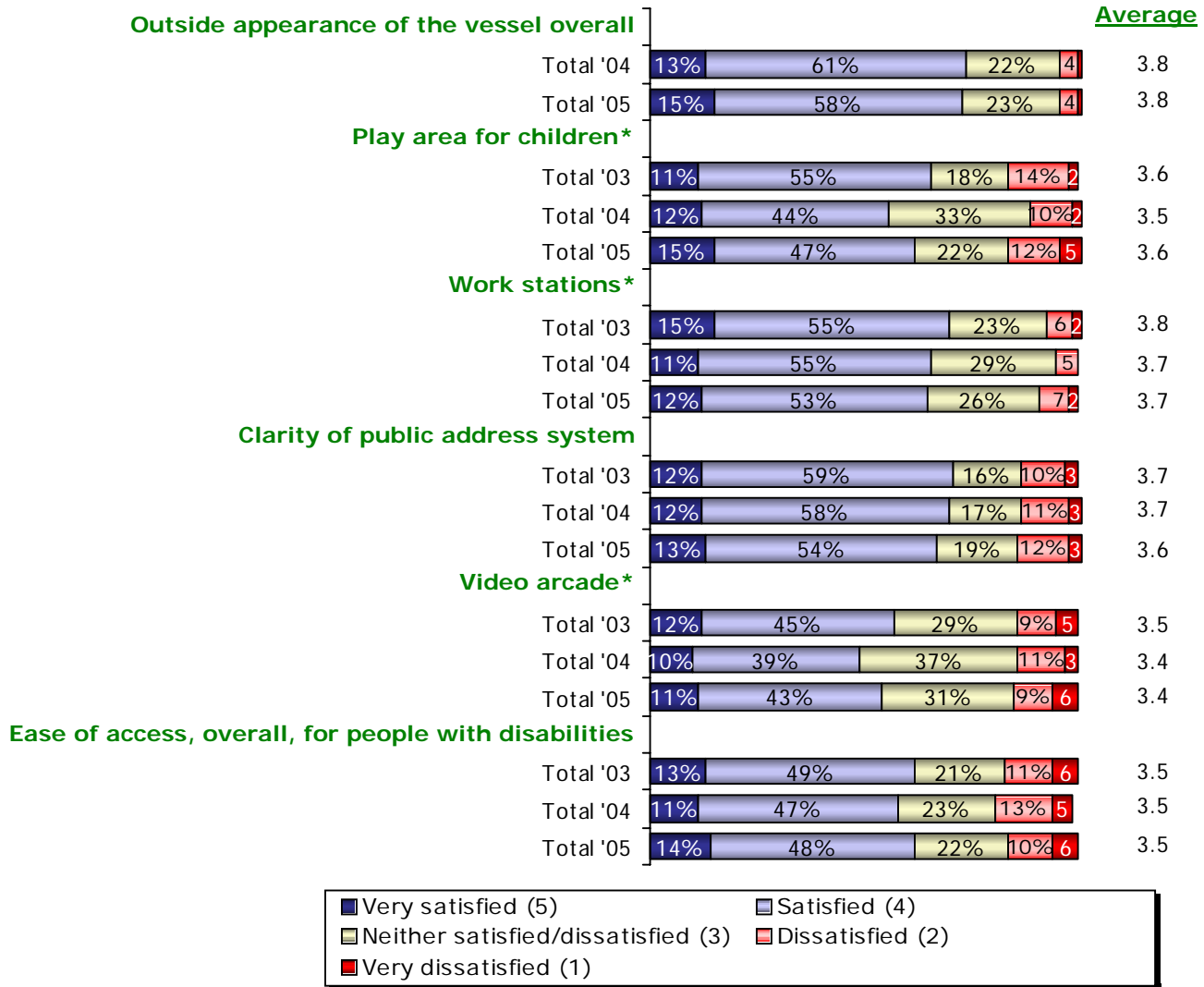
Satisfaction with Other Facilities/Services Onboard



Q. 4) Please rate how satisfied or dissatisfied you were with each of the following.

Other Onboard Facilities/Services (cont'd)

Satisfaction with Other Facilities/Services Onboard (cont'd)



Q.4) Please rate how satisfied or dissatisfied you were with each of the following.

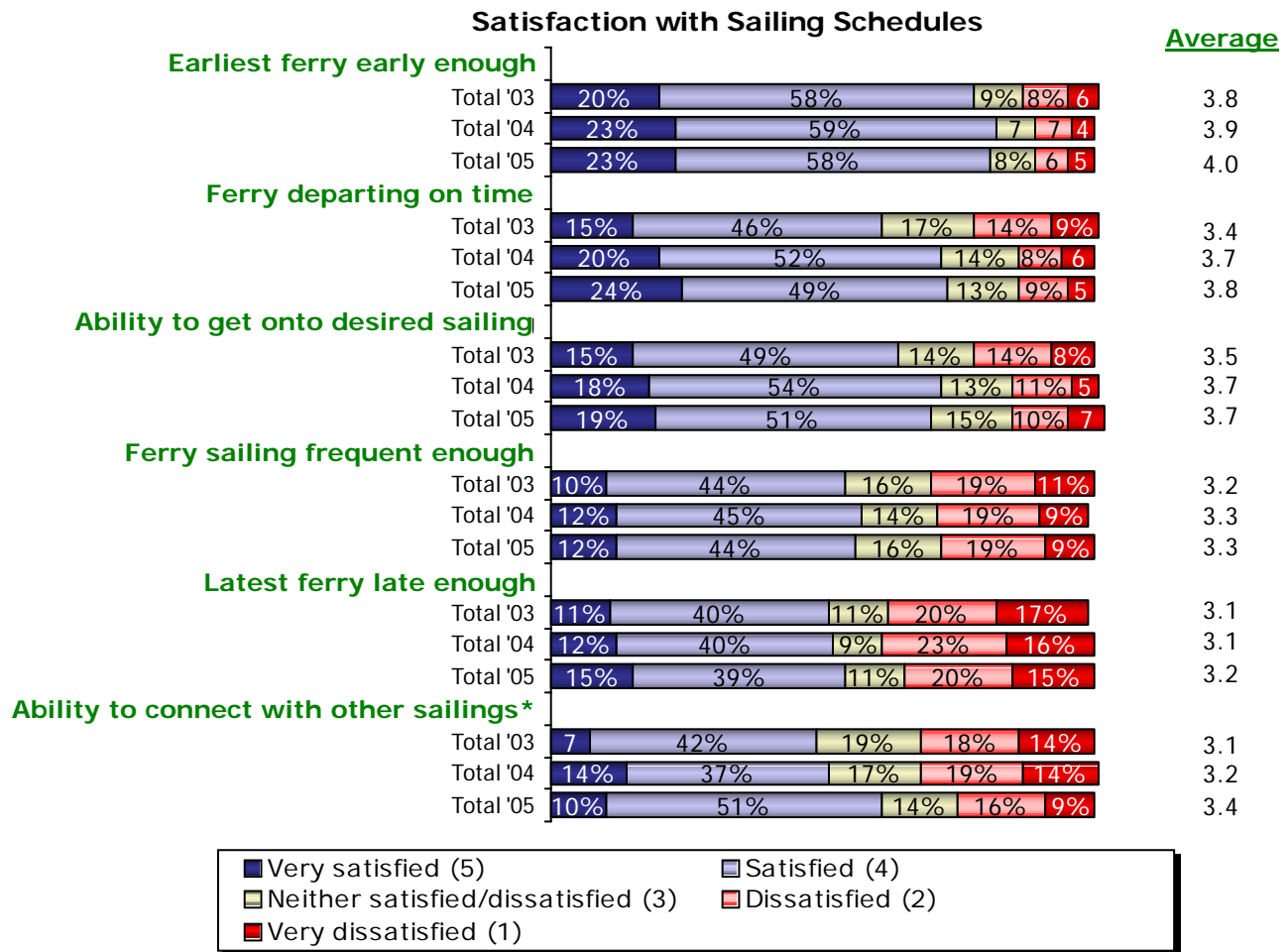
* Excludes Routes 4, 19 and 23.

Sailing Schedules

Various Aspects of Sailing Schedules

Some aspects of the sailing schedule still are not meeting passengers' requirements; however, the gains made in 2004 with respect to *on-time departures* have been sustained, with some further improvement in the top box score (24% now 'very satisfied' in contrast to 20% a year ago).

Passengers continue to be most critical of *sailing frequency*, *last ferry late enough*, and with *ability to make connections* (although ratings have improved for both connections and last ferry late enough).



Q.5) Please rate how satisfied or dissatisfied you were with each of the following.

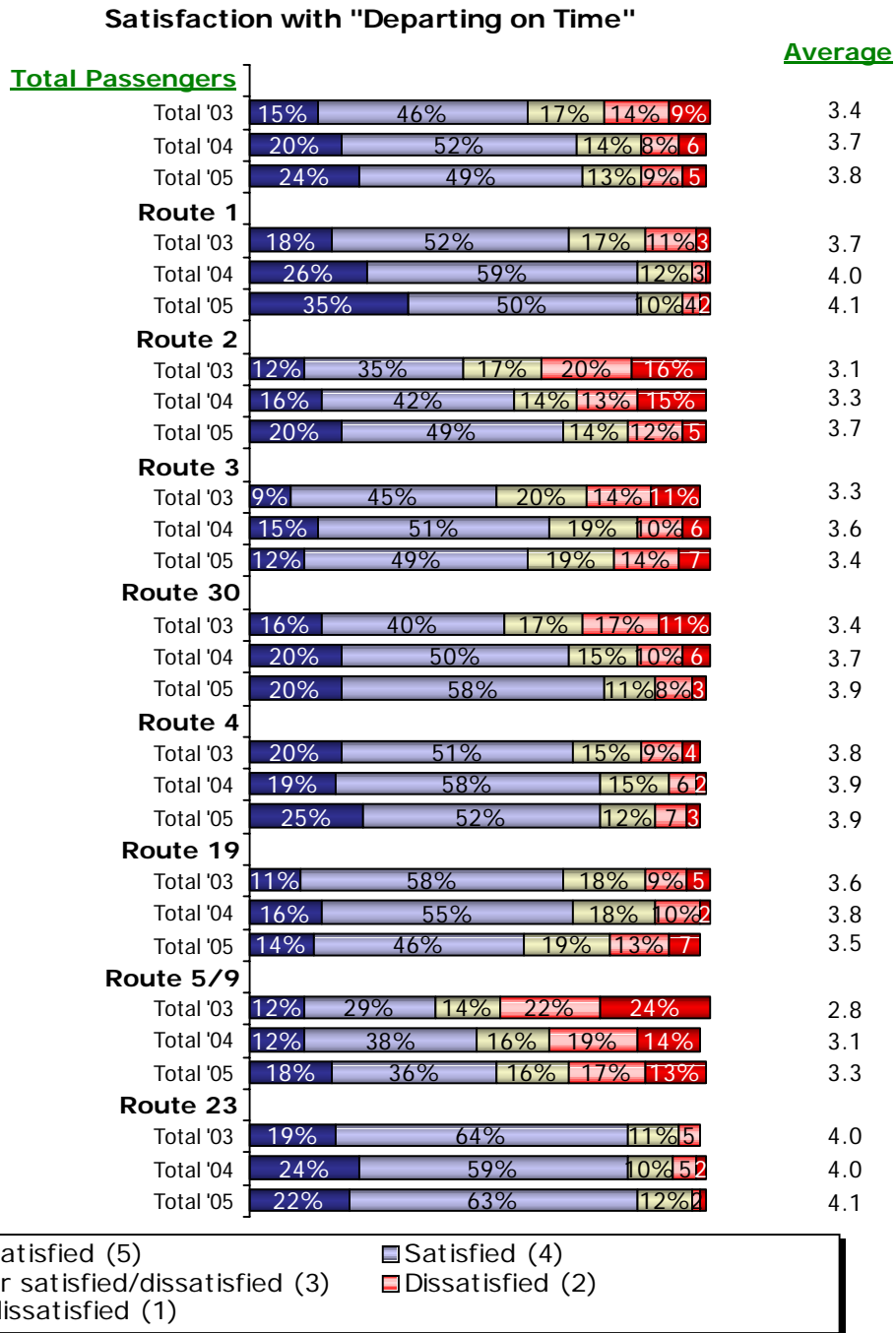
* Based on those connecting (n=136).

Departing on Time

Individually, each route (except 3 and 19) has seen an increase in *on-time departures*; the most significant improvement was on route 2 which went 3.3 out of 5 last year to 3.7 this year.

Satisfaction with *on-time departures* also improved for route 5/9 but continues to score low compared with all other routes.

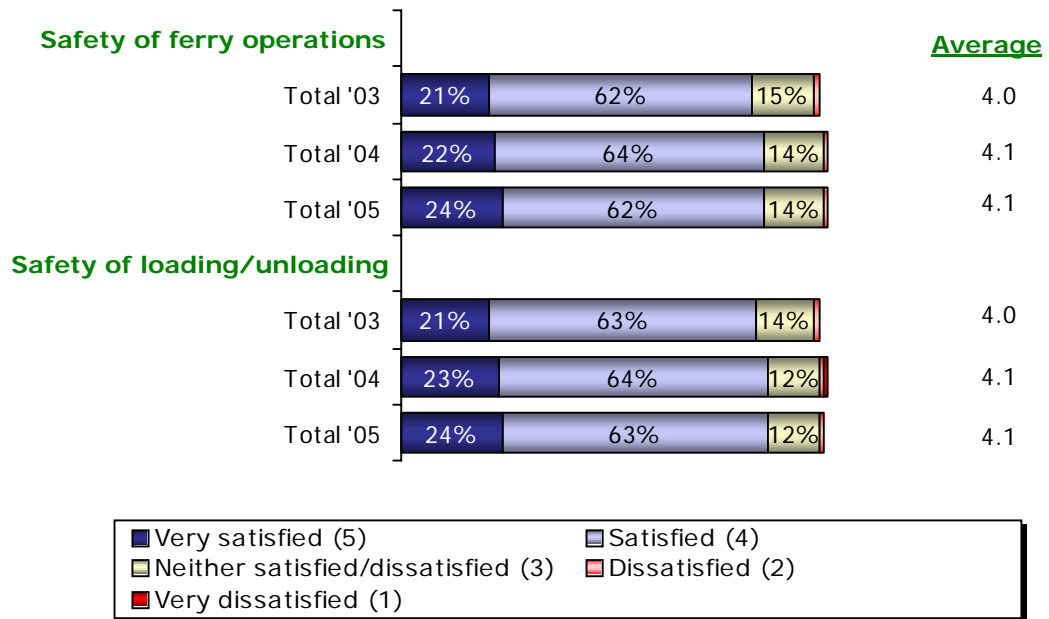
[NOTE: Refer to page 8 or page 30 for Route number codes]



Safety

Perceptions of the *safety of the ferry operations* continue to be quite strong on all routes, with no significant changes over the year.

Satisfaction with Aspects of Safety

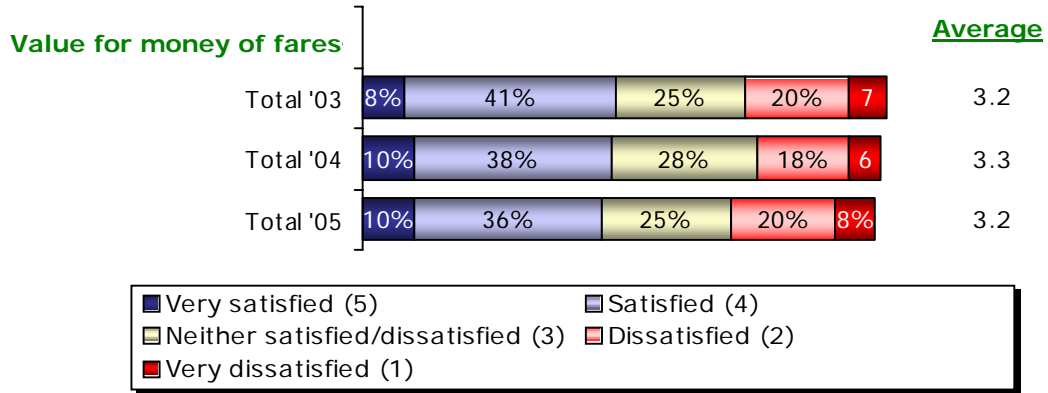


Q.5) Please rate how satisfied or dissatisfied you were with each of the following.

Overall Value

Satisfaction levels continue to be low with perceived *value for money of the fares*, with 28% reporting to be dissatisfied, an increase of four percentage points over the year, - this seems to be attributable to the introduction of a fuel surcharge.

Satisfaction with Overall Value



Q.5) Please rate how satisfied or dissatisfied you were with each of the following.

Appendices

Route-by-Route Satisfaction Score for Each Attribute:

Ferry Routes Included in Customer Satisfaction Survey - 2005	
Route No.	Description of Route
Route 1	Tsawwassen-Swartz Bay
Route 2	Horseshoe Bay-Departure Bay
Route 3	Horseshoe Bay-Langdale
Route 30	Tsawwassen-Duke Point
Route 4	Swartz Bay-Fulford Harbour, Salt Spring Island
Route 19	Departure Bay-Descanso Bay, Gabriola Island
Route 5/9	Southern Gulf Islands (from Swartz Bay/from Tsawwassen)
Route 23	Campbell River-Quathiaski Cove, Quadra Island

NOTE: Combined, these routes represent approximately 80% of the annual passenger traffic volume on BC Ferries.

Average Satisfaction Ratings by Route – All Waves 2005 (see page 30 for Route Number Codes)											
	Total	Larger Routes			Route 3	Smaller Routes					
		Total	1	2		30	Total	4	19	5/9	23
OVERALL EXPERIENCE											
Trip overall	4.1	4.2	4.3	4.0	4.0	4.0	4.0	4.1	4.0	4.0	4.2
BEFORE ARRIVING AT TERMINAL											
Usefulness of BC Ferries website	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.2	4.3	4.3	4.2
Ease of using on-line reservations	4.2	4.2	4.2	4.2	4.1	4.2	4.1	3.9	4.1	4.1	4.1
Usefulness of BC Ferries phone service	3.6	3.6	3.6	3.6	3.4	3.4	3.8	3.8	3.4	3.9	3.8
Ease of using automated phone service	3.3	3.3	3.4	3.3	3.3	3.3	3.4	3.4	3.1	3.4	3.6
Highway signage	4.0	4.1	4.2	3.9	4.0	3.8	3.9	4.1	3.7	4.0	3.9
TERMINAL EXPERIENCE											
Terminal overall	3.9	4.0	4.1	3.8	4.0	3.8	3.9	3.9	3.8	3.9	3.9
Outside appearance of the terminal	3.9	3.9	4.0	3.9	4.0	3.7	3.8	3.9	3.6	3.9	4.0
Ticket Purchase											
Efficiency of the transaction	4.4	4.4	4.4	4.3	4.4	4.2	4.4	4.4	4.3	4.3	4.5
Staff courtesy	4.3	4.4	4.4	4.3	4.4	4.2	4.4	4.4	4.4	4.4	4.5
Clarity of staff directions	4.3	4.3	4.3	4.2	4.4	4.2	4.3	4.3	4.3	4.3	4.4
Food & Beverage Services at the Terminal											
Food beverages offered	3.3	3.5	3.6	3.3	3.2	3.0	3.1	3.3	-	3.1	-
Value for money	3.0	3.1	3.2	2.8	3.0	2.8	3.0	2.9	-	3.0	-
Gift Shop/News Stand at the Terminal											
Variety/selection of merchandise	3.6	3.7	3.8	3.6	3.5	3.3	3.2	3.4	-	3.2	-
Value for money	3.3	3.3	3.4	3.3	3.2	3.2	3.1	3.1	-	3.2	-
Outdoor Market Area at the Terminal											
Variety/selection of merchandise	3.3	3.4	3.5	3.4	3.3	2.9	3.4	3.4	-	3.5	-
Value for money	3.2	3.3	3.4	3.2	3.1	3.0	3.2	3.1	-	3.3	-
Other Terminal Services											
Clarity of Public address system	3.4	3.5	3.5	3.5	3.4	3.3	3.3	3.2	3.1	3.5	-
Announcements when you need to be informed	3.7	3.7	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.5	3.9
Overall look & décor inside terminal	3.7	3.9	4.0	3.6	3.9	3.4	3.6	3.8	-	3.5	-
Availability of washrooms	3.9	4.0	4.0	3.9	3.9	3.7	3.8	4.0	3.7	3.7	4.1
Cleanliness of washrooms	3.7	3.8	3.8	3.7	3.8	3.6	3.8	3.9	3.4	3.9	3.9
Procedures for loading	4.0	4.0	4.1	3.9	4.0	3.8	3.9	3.9	4.0	3.8	4.1
Professionalism of terminal staff	4.1	4.1	4.1	4.0	4.1	3.9	4.2	4.1	4.2	4.2	4.3

continued

Average Satisfaction Ratings by Route –All Waves 2005 (cont'd)											
(see page 30 for Route Number Codes)											
	Total	Larger Routes			Route	Smaller Routes					
		Total	1	2	30	3	Total	4	19	5/9	23
Foot Passenger Services at the Terminal											
Usefulness of TV info screens	3.6	3.7	3.8	3.2	3.8	3.2	3.5	3.5	-	-	-
Availability of parking spaces	3.5	3.7	3.8	3.4	3.8	3.7	2.9	3.3	2.2	3.6	-
Parking value for money	2.6	2.4	2.3	2.4	2.5	3.2	2.4	2.8	2.9	2.0	-
Ease of using passenger drop-off/ pick-up area	3.7	3.6	3.6	3.6	3.8	3.8	3.6	3.6	3.1	3.8	4.1
Availability of seating in pre-boarding lounge at terminal	3.7	3.7	3.8	3.5	3.9	3.6	3.7	4.0	3.3	3.8	4.0
Comfort of seating in pre-boarding lounge at terminal	3.5	3.7	3.8	3.5	3.7	3.4	3.2	3.8	2.6	3.2	3.7
Cleanliness of pre-boarding lounge	3.8	4.0	4.0	3.8	4.1	3.6	3.6	4.0	3.3	3.5	3.9
ONBOARD EXPERIENCE											
Onboard overall	4.0	4.1	4.2	4.0	3.9	4.0	3.9	3.8	3.9	3.9	4.2
Gift Shop/ News Stand											
Variety/ selection of merchandise	3.9	3.9	3.9	3.9	3.7	3.9	3.6	-	-	3.6	-
Staff courtesy	4.1	4.1	4.1	4.0	4.0	4.0	4.1	-	-	4.1	-
Ease of moving around inside shop	3.4	3.4	3.6	3.3	3.0	3.3	3.5	-	-	3.5	-
Value for money	3.3	3.3	3.4	3.2	3.2	3.3	3.3	-	-	3.3	-
Food Services											
Length of time in line for food services	3.5	3.6	3.6	3.5	3.5	3.4	3.7	-	-	3.7	-
Food/ beverages offered	3.6	3.6	3.7	3.6	3.4	3.4	3.1	-	-	3.1	-
Staff courtesy	4.1	4.1	4.1	4.0	4.1	4.0	4.1	-	-	4.1	-
Availability of seating	4.0	4.0	4.0	3.9	4.0	4.1	4.0	-	-	4.0	-
Comfort of seating	3.6	3.8	3.8	3.7	3.6	3.8	3.5	-	-	3.5	-
Cleanliness of seating area	4.0	3.9	3.9	4.0	3.9	4.0	3.9	-	-	3.9	-
Value for money	3.2	3.3	3.4	3.1	3.1	3.2	3.2	-	-	3.2	-
Washrooms											
Availability of washrooms	4.0	4.0	4.0	4.0	3.9	3.9	3.9	3.9	3.7	3.9	4.2
Cleanliness of washrooms	3.7	3.8	3.8	3.7	3.7	3.6	3.7	3.7	3.2	3.8	4.0
Lounge Seating											
Comfort of indoor lounge seating	3.8	3.9	4.1	3.8	3.6	3.9	3.4	3.0	2.8	4.0	3.9
Cleanliness of indoor lounge seating area	4.0	4.0	4.1	4.0	4.0	4.0	3.8	3.8	3.3	3.9	4.2

continued

Average Satisfaction Ratings by Route –All Waves 2005 (cont'd) (see page 30 for Route Number Codes)											
	Total	Larger Routes			Route 3	Smaller Routes					
		Total	1	2		30	Total	4	19	5/9	23
Other Onboard Facilities/ Services											
Play area for children	3.6	3.7	3.8	3.5	3.6	3.4	3.3	-	-	3.3	-
Video arcade	3.4	3.5	3.5	3.6	3.4	3.4	2.9	-	-	2.9	-
Work stations	3.7	3.7	3.8	3.9	3.4	3.6	3.5	-	-	3.5	-
Outside decks	3.9	4.0	4.1	3.8	3.8	3.8	3.8	3.7	3.5	3.9	4.1
Outside appearance of the vessel overall	3.8	3.9	4.0	3.8	3.6	3.7	3.7	3.8	3.5	3.8	3.9
Availability of tourist and travel information	4.0	4.1	4.1	4.1	4.0	4.0	3.8	3.8	3.2	4.0	4.0
Ease of access, overall, for people with disabilities	3.5	3.8	3.9	3.6	3.6	3.4	3.2	3.5	2.9	3.4	3.1
Ease of finding facilities/ services	3.9	3.9	3.9	3.9	3.8	3.8	3.8	3.7	3.5	3.9	3.9
Clarity of public address system	3.6	3.7	3.6	3.7	3.7	3.7	3.5	3.5	3.1	3.6	3.5
Announcements when you need to be informed	3.8	3.9	3.9	3.8	3.9	3.8	3.7	3.6	3.4	3.8	3.8
Atmosphere/ environment	3.8	3.9	4.0	3.9	3.7	3.8	3.7	3.5	3.4	3.8	3.9
Procedures for unloading	4.0	4.0	4.1	3.9	3.9	3.8	3.9	3.9	3.9	3.8	4.1
Professionalism with onboard staff	4.1	4.1	4.2	4.1	4.0	4.0	4.1	4.1	4.1	4.2	4.2
Experience with the Sailing Schedule											
Earliest ferry earliest enough	3.9	3.9	3.8	3.8	4.0	4.0	3.9	3.9	4.1	3.8	3.9
Latest ferry late enough	3.2	3.3	3.4	3.0	3.6	2.8	3.4	2.9	3.3	3.6	3.6
Ferry sailing frequent enough	3.3	3.5	3.7	3.1	3.2	2.9	3.3	3.4	3.6	2.8	3.6
Ability to get onto desired ferry	3.7	3.7	3.9	3.4	3.7	3.5	3.6	3.8	3.2	3.8	3.4
Ability to connect with other sailings	3.4	3.3	3.3	2.9	3.8	3.5	3.4	3.5	2.6	3.5	3.9
Ferry departing on time	3.8	4.0	4.1	3.7	3.9	3.4	3.6	3.9	3.5	3.3	4.1
Safety											
Safety of ferry operations	4.1	4.1	4.2	4.0	4.0	4.0	4.1	4.2	4.0	4.1	4.2
Safety of loading/unloading	4.1	4.1	4.2	4.1	4.1	4.0	4.1	4.2	4.1	4.1	4.2
OVERALL VALUE											
Value for money of fares	3.2	3.2	3.3	3.0	3.0	3.2	3.3	3.3	3.3	3.4	3.2

TERMINAL ATTRIBUTES ONLY - Satisfaction Ratings by Terminal - Total 2005							
	Total	Tsawwassen	Swartz Bay	Horseshoe Bay	Departure Bay	Langdale	Duke Point
OVERALL EXPERIENCE							
Overall	4.1	4.2	4.3	4.0	3.9	4.0	4.0
TERMINAL EXPERIENCE							
Terminal overall	3.9	4.1	4.1	3.8	3.8	3.8	4.0
Outside appearance of the terminal	3.9	3.9	4.0	3.8	3.9	3.7	4.0
Ticket Purchase							
Efficiency of the transaction	4.4	4.4	4.4	4.3	4.3	4.2	4.4
Staff courtesy	4.3	4.4	4.4	4.3	4.3	4.2	4.5
Clarity of staff directions	4.3	4.4	4.3	4.2	4.2	4.1	4.4
Food & Beverage Services at the Terminal							
Food beverages offered	3.3	3.5	3.6	3.2	3.2	3.0	3.1
Value for money	3.0	3.1	3.2	2.9	2.7	2.8	2.9
Gift Shop/News Stand at the Terminal							
Variety/selection of merchandise	3.6	3.7	3.8	3.5	3.6	3.3	3.3
Value for money	3.3	3.3	3.5	3.3	3.2	3.2	3.1
Outdoor Market Area at the Terminal							
Variety/selection of merchandise	3.3	3.5	3.5	3.0	3.4	2.9	3.1
Value for money	3.2	3.3	3.4	3.1	3.3	3.0	2.8
Other Terminal Services							
Clarity of Public address system	3.4	3.4	3.4	3.4	3.6	3.3	3.6
Announcements when you need to be informed	3.7	3.7	3.7	3.6	3.7	3.5	3.8
Overall look and décor inside terminal	3.7	3.9	4.0	3.6	3.7	3.3	3.9
Availability of washrooms	3.9	3.9	4.1	3.8	3.9	3.8	4.0
Cleanliness of washrooms	3.7	3.8	3.8	3.7	3.6	3.6	3.8
Procedures for loading	4.0	4.1	4.2	3.8	3.9	3.9	4.0
Professionalism of terminal staff	4.1	4.1	4.1	3.9	4.0	4.0	4.1
Foot Passenger Services at the Terminal							
Usefulness of TV info screens	3.6	3.9	3.8	3.2	3.2	3.2	3.6
Availability of parking spaces	3.5	3.6	4.0	3.5	3.3	3.8	4.1
Parking value for money	3.0	2.3	2.4	2.6	2.4	3.4	2.7
Ease of using passenger drop-off/ pick-up area	3.7	3.7	3.6	3.8	3.5	3.7	3.9
Availability of seating in pre-boarding lounge at terminal	3.7	3.7	3.9	3.6	3.4	3.6	4.0
Comfort of seating in pre-boarding lounge at terminal	3.5	3.6	3.9	3.5	3.5	3.4	3.8
Cleanliness of pre-boarding lounge	3.8	4.0	4.1	3.7	3.8	3.6	4.2
Overall Value							
Value for money of fares	3.2	3.3	3.3	3.0	3.1	3.2	3.1

Research Methodology

Background

British Columbia Ferry Services Inc. (BC Ferries) commissioned tracking research to gauge customer satisfaction on specific BC Ferries routes to determine and monitor areas of service that passengers believe are performing well and areas that require improvement. This study is part of a regular program of ongoing research conducted by BC Ferries.

Project Overview

The 2005 Customer Satisfaction Tracking study follows the 2003 and 2004 study and is designed to track performance on satisfaction levels overall, as well as satisfaction levels with specific service attributes. The resulting satisfaction scores are published annually on the BC Ferries Web site.

Research Objectives

The specific objectives are as follows:

- Determine customer satisfaction levels with BC Ferries' service, overall,
- Determine satisfaction with specific attributes of the service, spanning the entire range of points of customer contact with BC Ferries,
- Track changes in satisfaction over time,
- Ensure that the tracking research is relevant and credible so as to pass internal and external scrutiny

Sample Selection

First, a random sample of passengers aged 18 or older was intercepted onboard to collect key "screener" data including frequency of travel on BC Ferries, purpose of trip, area of residence, origin/destination, and standard demographic questions. Each questionnaire also included coding of the route, the departure time, location of interview, the vessel name and any other information of value for internal analysis. This information was collected in the form of a "batch header", which was attached to all the "screeners" completed on each sailing.

Immediately following this "screener", passengers were asked to complete a survey *after* they disembarked and left the terminal area. The completed survey was returned in a postage pre-paid envelope. Respondents were instructed to complete the survey within 48 hours of receiving it to ensure top-of-mind experiences were recorded.

Completed questionnaires were mailed directly to the professional research firm, not to BC Ferries, in order to maintain respondent anonymity. As well, the practice is in accordance with existing federal and provincial rules related to privacy legislation.

This self-administered portion of the survey was designed to capture satisfaction and usage information from all potential points of contact. The survey related to the customer's experience on their current/last trip on BC Ferries, when they received the questionnaire, rather than to their general experience onboard a ferry at some time in the past.

Sample Size

The total sample of placements was distributed across larger and smaller routes to ensure a minimum number of interviews per route for reliability. The final results were weighted to reflect actual passenger traffic volumes.

Routes surveyed and the number of screeners and completed returned surveys from each route during 2005 are as follows:

	Screeners	Returns
Larger Routes:	7,075	2,740
Route 1: Tsawwassen-Swartz Bay	1,988	761
Route 2: Horseshoe Bay-Departure bay	2,002	639
Route 3: Horseshoe Bay-Langdale	1,304	618
Route 30: Tsawwassen-Duke Point	1,781	722
Smaller Routes:	7,210	2,691
Route 4: Swartz Bay-Fulford Harbour, Salt Spring Island	1,530	499
Route 19: Departure Bay-Descanso Bay, Gabriola Island	1,348	417
Route 5/9: Southern Gulf Islands	3,545	1,572
Route 23: Campbell River-Quadra Island	787	203
TOTAL	14,285	5,431

Sample Validation and Weighting

The data was weighted to bring them into their correct proportions, based on known statistics for the field period. Data was weighted to match actual passenger distribution:

- within each wave, by routes selected for surveying,
- within each route by daypart,
- within each route by weekday and weekend traffic, and

- within the year by known BC Ferries traffic volume by season

The weighting procedures have been professionally scrutinized and approved by a professional statistician specializing in transportation research.

The table following outlines the actual and weighted distributions of the sample.

Actual & Weighted Distribution of the Sample – 2005 –				
	Screeners		Returns	
	<u>Actual</u> (14,285) %	<u>Weighted</u> (14,285) %	<u>Actual</u> (5,431) %	<u>Weighted</u> (5,431) %
Larger Routes	50	81	50	82
Weekend	15	27	15	27
30	3	3	3	3
3	3	5	3	6
2	5	7	4	6
1	5	13	5	13
Weekday	34	54	35	55
30	9	5	10	6
3	7	11	8	13
2	9	14	8	12
1	9	24	9	24
Smaller Routes	50	19	50	18
Weekend	14	5	13	4
19	3	1	1	1
4	3	1	2	1
5/9	7	2	8	2
23	2	1	1	1
Weekday	36	14	37	13
19	7	4	6	4
4	8	3	7	3
5/9	18	4	21	5
23	4	3	3	2

Data Collection

The interviewers for this study were personal intercept staff who have completed rigorous training and are experienced with general public studies as well as business-to-business studies. A detailed briefing of interviewing staff was attended by the field director, supervisory staff and the project director.

So that a proper representation of ferry travellers was interviewed, interviewers were trained in the following techniques and randomization procedures, which were strictly adhered to:

- Passengers were approached as soon as they were seated and where necessary, minimum age verified (18 years and over).
- An interview with every 5th person was attempted.
- Passengers in small as well as large groups were approached; respondents were instructed to complete the survey **individually**, not as a group.
- All areas of the vessel were covered - cafeteria, snack bar, all lounge areas, outer decks and vehicle; interviewers moved to each of these areas every 15 minutes on major routes and every 5 minutes on minor routes.
- Both foot and vehicle passengers were approached.
- To correct for inherent bias of foot to vehicle passengers (foot passengers are first on and last off), interviewing was conducted on parking decks with vehicle passengers after the announcement signaling arrival to port.
- Interviewers were instructed not to accommodate patrons requesting a survey; however, if individuals were persistent a specially marked copy was provided allowing for its removal from the total.

Interviewing and questionnaire placements for 2005 were completed during shoulder season in June, peak season in August and off-peak season in November, same as in 2003 and 2004. Results were combined for an annual total and were weighted according to actual traffic volumes.

Data Analysis

The data entry system used for this study includes an internal edit program. This immediate verification during the data entry process reduces entry error. After entry of the data, a further more detailed computer edit is performed. For standard cross-tabulations, software designed expressly for marketing research was employed. Special editing and cleaning features of this database package ensure that the records are data entered and coded with accuracy. Further rigorous checks for inherent logic and consistency were performed prior to final data tabulation.

Response Rate

The following outlines the response rates achieved in 2004 tracking program.

Response Rates	
Larger Routes	Total 2005
Route 1	38%
Route 2	32%
Route 3	47%
Route 30	41%
Smaller Routes	
Route 4	33%
Route 19	31%
Route 5/9	44%
Route 23	26%
Overall response	38%

Margin of Error

Overall, the tolerance limits at the 95% level of confidence, based on the most conservative case (i.e., a statistic of 50%) are as follows:

Tolerance Limits – 2005		
	Actual Sample Size	Approximate Tolerance Limits % Points
Total Screeners	14,285	+/- 0.8%
Total Returns	5,431	+/- 1.3%
Total Larger Route Returns	2,740	+/- 1.9%
Total Smaller Route Returns	2,691	+/- 1.9%

These tolerance limits apply to a true random sample typically achieved through a general population telephone survey. However, in similar studies, we have found that our sampling rigors have consistently produced an accuracy level well within the tolerance limits described here.

Part 3

Additional or Alternative Service Providers



Part 3: Additional or Alternative Service Providers

Overview

This section provides a review, in summary form, of the proposals received and other actions taken by BC Ferries in accordance with section 69 of the Act.

Additional or Alternative Service Providers Plan

Consistent with the requirements of section 69 of the Act, BC Ferries submitted its *Additional or Alternative Service Providers Plan* (ASP Plan) for the first performance term of the Contract to the British Columbia Ferry Commissioner (Commissioner) in March, 2004.

In June, 2005, the Commissioner sponsored a one day workshop, hosted by (WESTAC), to explore the ASP Plan. At this workshop, information and views on the potential opportunities and challenges in coastal British Columbia for ferry service providers as subcontractors, franchisees and competitors to BC Ferries were exchanged. Comments received from the workshop were taken into consideration by BC Ferries and, in July, 2005, the Company submitted the *Supplement to the Additional or Alternative Service Providers Plan* to the Commissioner. In this supplement, BC Ferries confirmed the specific route groups for which it intends to consider alternative service delivery options during the first performance term of the Contract and set out a proposed procurement model to support the ASP process.

Activities to Implement the Additional or Alternative Service Providers Plan

During the fiscal year, BC Ferries undertook the following activities in accordance with its ASP Plan:

➤ ***Route Group 5 Mill Bay to Brentwood Bay (Route 12)***

A Request for Expressions of Interest (RFEOI) was issued in October, 2005 to identify alternative service providers who are interested in delivering ferry services on the route, including ticketing, vessel provision, on-board services, terminal operations and maintenance. The RFEOI closed in November, 2005 and resulted in two existing ferry operators coming forward with expressions of interest. A Request for Proposals (RFP) is expected to be issued in 2006. In advance of the RFP being issued, there will be consultation with the BC Ferry & Marine Workers' Union in accordance with the requirements under the Collective Agreement.

➤ ***Route Group 6 Powell River to Comox (Route 17) and Powell River to Texada Island (Route 18)***

As required by the Contract, BC Ferries developed a vessel and service strategy with respect to Routes 17 and 18. This strategy was developed after extensive consultation with the community and was submitted to the Ministry of Transportation in September, 2005. BC Ferries will review the viability of pursuing alternative service delivery arrangements for this route group once a response is received from the provincial government to the strategy.

➤ **Northern Routes**

Route 10 – Port Hardy to Prince Rupert

Route 11 – Queen Charlotte Islands to Prince Rupert

Route 40 – Discovery Coast Passage (Port Hardy to Mid Coast)

Route 26 – Skidegate to Alliford Bay

A Request for Expressions of Interest (RFEOI) was issued in August, 2005 to identify alternative service providers who are interested in delivering ferry services on the northern routes, including ticketing, vessel provision, on-board services, terminal operations and maintenance. The RFEOI closed in September, 2005 and resulted in two existing ferry operators and one financial institution coming forward with expressions of interest. The financial institution subsequently withdrew from the process. In February, 2006 BC Ferries provided the two remaining proponents with detailed information on the service standards and requirements the Company considers are necessary for an alternative service provider to meet with respect to the provision of service on the northern routes. At fiscal year-end, there remained only one proponent in the process, the other having subsequently withdrawn.

The sinking of the *M.V. Queen of the North* has precipitated the need for BC Ferries to review its original plans for seeking long term alternative service delivery options for the northern routes. In order to restore service levels on the northern routes and meet its requirements under the Contract, BC Ferries has expedited its procurement process for acquiring replacement vessels for the northern routes. Consistent with this process, BC Ferries approached the sole proponent for the northern routes ASP process to determine whether that proponent had a suitable vessel that could be used for service on the northern routes. BC Ferries committed to consider alternative service delivery options the proponent might bring forward to enable the restoration of core service levels in a timely manner. The proponent submitted a conceptual proposal to BC Ferries, however, it could not be evaluated because it lacked sufficient information.

BC Ferries has had discussions with the Commissioner on possible modifications to the ASP process for the northern routes and expects to file a further update to the ASP Plan with the Commissioner once the process modifications have been fully developed.

Procurement Model Changes

BC Ferries' approach to exploring alternative service delivery options responds to the specific requirements of the Act and reflects the Company's commitment to a fair and open competitive procurement process.

As BC Ferries progressed through the preliminary stages of implementing its ASP plan, it became evident that changes to the procurement model were necessary. These changes are described in BC Ferries' *Update and Supplement to the Additional or Alternative Service Delivery Plan*, which was filed with the Commissioner in February, 2006.

Principal among the changes was the elimination of BC Ferries' role as a formal proponent in the process. A more traditional procurement approach will now be pursued, under which BC Ferries will assess alternative service proposals against the cost and risk profile of continuing to deliver the service itself. BC Ferries' objective in making this change has been to ensure that alternative service delivery proposals can be fairly and properly assessed within a framework that is efficient, cost effective, and minimizes risk.

With BC Ferries no longer being a formal proponent in the process, the need for “chinese walls” to be put in place within the Company was eliminated. As well, the change in approach to one which is less cumbersome caused the Company to reassess the appropriateness and need for fairness auditors as part of its procurement process. The use of fairness auditors in public and private sector outsourcing transactions is extremely rare. BC Ferries’ procurement activities are already conducted in an open and transparent manner with practices and procedures that are well established, tested, and based on commercial best practices. External oversight of the procurement process by a fairness auditor was viewed as redundant and unnecessary. The fairness auditors concluded their involvement in the process in mid-February, 2006.

The continued need to provide assurance to proponents, BC Ferries' Board of Directors, and the Commissioner of the fairness of the procurement process is recognized. Going forward, BC Ferries will ensure its decisions at key stages in the process receive independent external review.

BC Ferries will engage external naval architects, lawyers, financial consultants, and other expert resources to provide independent assessments of the service standards and requirements BC Ferries considers are necessary for an alternative service provider to meet. These reviews will require technical and subject matter expertise, and will be conducted with a view to determining whether the specifications BC Ferries establishes are fair, reasonable, and appropriate.

BC Ferries’ final decision on alternative service delivery proposals will be made on the basis of a business case analysis. This analysis will compare the alternative service delivery proposals to the benchmark cost and risk profile of BC Ferries itself continuing to provide the service. As the principal decision document in BC Ferries’ alternative service delivery process, the business case will be subject to independent external review. Much like the approach that has been adopted by the Commissioner in reviewing applications under section 55 of the Act, BC Ferries will engage a management consultant, or other external resource, to provide an independent assessment of the fairness and reasonableness of the recommendations presented in the business case, including a review of the process to arrive at those recommendations. The final report of this external review will be provided to BC Ferries’ Board of Directors and the Commissioner.