
British Columbia Ferry Services Inc.

Annual Report
to the
British Columbia Ferries Commissioner

Year Ended March 31, 2007



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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, 2007 (the "fiscal year"), to the British Columbia Ferries 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.

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.

For each of the designated ferry routes, safety continues to be our highest priority. BC Ferries has voluntarily adopted and implemented a safety management system based on the International Maritime Organization's International Safety Management Code and has chosen Lloyds Register, widely considered to be the foremost world authority on marine safety, to be our external auditors to ensure full compliance with the ISM Code. Lloyds' audit program operates on a continuous basis to ensure each ship is audited twice in five years and BC Ferries' head office is audited on an annual basis. BC Ferries is in full compliance with Lloyds Register and holds all required certifications. Also, 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 evaluates crews' safety proficiency.

As part of our commitment to provide the best and safest ferry system, BC Ferries engaged George Morfitt, former Auditor General of British Columbia, to review the Company's safety program. Mr. Morfitt's report was issued in January, 2007 and concluded that BC Ferries operates a safe ferry system. The report made 41 recommendations which BC Ferries has committed to implement. In response to the Morfitt Safety Review, in 2006/07 BC Ferries integrated the regional safety teams and consolidated them into one division, Safety, Security and the Environment, under a Vice President reporting to the Chief Operating Officer. This new division will lead the Company in its efforts to fully implement Mr. Morfitt's recommendations.

In addition, over the next year BC Ferries will launch a safety program, in partnership with the BC Ferry and Marine Workers Union and two leading international companies, to review our current operating practices and incorporate international best practices with a goal to continuously improve our Safety Management System.

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 2006/07. 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. Last year, three additional questions were added to the survey and these were also included in the 2006/07 survey. The questions and responses from the survey conducted in 2006/07 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 2006/07 is provided in Part 3 of this report.

Part 1

Services on Designated Routes



Part 1: Services on Designated Routes

Overview

This section contains financial statistics, as well as information on traffic levels, and operating and performance statistics for 2006/07 for each of the designated ferry routes. The following three reports are included: Operations Summary Report; Temporary Service Disruptions Report; and Route Financial Report.

Northern Service

It should be noted that the reporting in this section, as it relates to the northern service, reflects the full range of transportation services provided by the Company during the fiscal year. In the aftermath of the sinking of the M.V. *Queen of the North* on March 22, 2006, BC Ferries' sought and received approvals from the Commissioner for temporary service disruptions for Route Group 3 (Northern Routes) for the 2006 spring and summer seasons. Service levels for ferry travel were adjusted to reflect one less vessel operating on the Northern Routes.

Notwithstanding these service level adjustments, in an effort to ensure the transportation needs of the northern coastal communities continued to be met, the Company supplemented ferry service with chartered air, as well as tug and barge service. The Company also expedited the refit and dry docking of the M.V. *Queen of Prince Rupert* to permit an earlier return of the vessel to service on the northern routes.

Operations Summary Report

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

➤ **Round Trips**

The total number of round trips BC Ferries delivered on each of the designated ferry routes is provided.

Overall, BC Ferries delivered a total of 84,759.5 round trips during the year, which was 1,525 more net round trips than were scheduled and above core service levels as specified in the Contract.

➤ **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 Equivalents (AEQ). An AEQ represents the amount of vessel capacity occupied by a particular vehicle type expressed as the number of under height vehicles (like a car) 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 during the year on the designated ferry routes ranging from 27% to 79%.

For the northern service, the loss of the M.V. "Queen of the North" resulted in less vessel capacity being available immediately following the loss of the vessel and over the summer on Route 10 (Prince Rupert to Port Hardy) and Route 11 (Prince Rupert to the Queen Charlotte Islands). To augment capacity, BC Ferries provided chartered air service for Route 10 passengers and supplemental tug and barge service on Route 11 for commercial vehicles three times each week to free up space for non-commercial travellers to the Queen Charlotte Islands. As well, as part of its service on Route 40 (Discovery Coast), the Company provided additional direct service from Port Hardy to Bella Coola resulting in more capacity being made available on that route than in the previous year.

➤ **Traffic**

Vehicle traffic (AEQs or Automobile Equivalent) 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.

On a year over year basis, AEQs carried decreased by 0.4% and the number of passengers carried decreased by 0.3%. On the major routes, the number of AEQs carried increased by 0.3% and passengers carried also increased by 0.8% from the previous year. On Routes 10 and 11, the AEQs carried decreased year over year by 31% and passengers carried decreased by 39%. On Route 40 additional direct service from Port Hardy to Bella Coola was provided, which contributed to a year over year increase in AEQs and passengers carried of 29% and 25%, respectively. On all other routes, the number of AEQs carried decreased by 1.1% and the number of passengers carried decreased by 1.5% from the previous year. Contributing to the overall reduction in traffic carried during the year, were severe winter wind and snow storms which necessitated cancellations of some sailings in November and December, 2006.

➤ **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 86.3% of the sailings in 2006/07 departed within 10 minutes of the scheduled departure time up from the previous year of 85.3%. The major routes' on-time performance declined 1.2% from the previous year. Construction at Horseshoe Bay and Departure Bay terminal contributed to this decline. All other non-major routes' on time performance improved by 1.3%.

Temporary Service Disruptions Report

This report outlines whether any round trips were missed at the route and route group level as specified in the published schedule for the year and the reasons for the missed round trips. There are four sections of this report:

1. Cancelled Round Trips by Route and Route Group
2. Cancelled Round Trips by Days For Route and Route Group,
3. Cancelled and Extra Round Trips by Route and Route Group, and,
4. Round Trip Service Delivery and On Time Performance.

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, on most routes, BC Ferries provides more sailings than those required.

In 2006/07, BC Ferries exceeded its core service level commitments under the Contract by 1,525 net round trips (BC Ferries delivered a total of 1787 additional round trips offset by 262 round trips that were not delivered). Overall, the Company delivered 101.8% of the round trips required under the Contract.

In the "Round Trip Service Delivery and On Time Performance" report, certain elements of reporting are graphically presented including the scheduled and actual round trips and on-time performance. The percentage of sailings departing within 10 minutes of the scheduled time is provided for each of the designated ferry routes as well as the reasons for the delays.

This report also provides information on "overload sailings" which is defined as a sailing for which one or more vehicles waiting to travel could not be accommodated. Overall, 10.6% of the BC Ferries' sailings on the designated ferry routes were overloaded in 2006/07. On a year over year basis, the percentage of overloaded sailings on the major routes increased from 33.2% to 34.4%. The growth in overloads on the major routes primarily impacted commercial and over-height vehicle categories. Overloads for under-height vehicles (cars) has improved in the last two years versus the previous two. The percentage of overloads on all other routes remained the same at 7%.

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, 2007)



Operations Summary Report for the Year Ended March 31, 2007

		A	B	C	D	E	F	G
Route Group	Route	Actual Round Trips	Capacity Provided (AEQ's)	AEQ's Carried Fiscal 2007	Capacity Utilization (C / B)	AEQ's Carried Fiscal 2006	AEQ Growth (C - E)	AEQ Revenue Fiscal 2007
1	1	4,029.0	2,873,400	2,257,713	78.6%	2,266,467	(8,754)	\$ 82,478,544
1	2	3,154.0	2,258,162	1,480,832	65.6%	1,461,497	19,335	52,491,211
1	30	2,763.0	1,586,017	819,984	51.7%	815,014	4,970	36,428,185
Majors		9,946.0	6,717,579	4,558,529	67.9%	4,542,978	15,551	171,397,940
2		3,043.0	2,164,986	1,255,151	58.0%	1,262,511	(7,360)	17,715,141
3	10	137.5	17,493	10,051	57.5%	19,241	(9,190)	2,203,412
3	11	236.5	24,844	18,880	76.0%	22,925	(4,045)	2,299,805
Northern		374.0	42,337	28,931	68.3%	42,166	(13,235)	4,503,217
4		59.0	17,074	4,642	27.2%	3,611	1,031	905,616
5		3,207.0	102,624	74,152	72.3%	70,514	3,638	633,348
6	4	2,883.0	573,100	352,016	61.4%	349,527	2,489	3,050,263
6	5	3,487.0	698,896	285,502	40.9%	291,833	(6,331)	2,538,016
6	6	5,042.0	705,810	273,652	38.8%	277,964	(4,312)	1,991,564
6	7	2,874.0	716,956	203,546	28.4%	206,610	(3,064)	3,123,524
6	8	5,554.5	947,276	551,134	58.2%	562,056	(10,922)	3,649,877
6	9	897.0	345,974	171,991	49.7%	173,303	(1,312)	4,873,522
6	17	1,449.0	524,016	183,883	35.1%	178,968	4,915	4,537,963
6	18	3,642.0	356,916	103,190	28.9%	104,250	(1,060)	505,742
6	19	5,711.0	799,238	418,401	52.3%	426,123	(7,722)	2,051,309
6	20	3,998.0	229,036	79,731	34.8%	83,183	(3,452)	347,652
6	21	6,769.0	577,700	278,340	48.2%	285,355	(7,015)	1,098,005
6	22	4,929.0	295,740	124,407	42.1%	123,424	983	539,917
6	23	6,265.0	877,148	445,372	50.8%	450,793	(5,421)	2,000,227
6	24	2,118.0	117,140	60,283	51.5%	62,182	(1,899)	345,592
6	25	3,945.0	236,700	98,260	41.5%	97,308	952	615,933
6	26	4,416.0	232,336	63,869	27.5%	60,237	3,632	328,183
Minors		63,979.5	8,233,982	3,693,577	44.9%	3,733,116	(39,539)	31,597,289
7		4,151.0	<i>Pass. Only</i>	<i>Pass. Only</i>	<i>Pass. Only</i>	<i>Pass. Only</i>	<i>Pass. Only</i>	1,917
Total		84,759.5	17,278,582	9,614,982	55.6%	9,654,896	(39,914)	226,754,468

Operations Summary Report for the Year Ended March 31, 2007

Route Group	Route	H	I	J	K	% Sailings Departing Within 10 Min.		
		Passengers Fiscal 2007	Passengers Fiscal 2006	Passenger Growth (H - I)	Passenger Revenue Fiscal 2007	Fiscal 2005	Fiscal 2006	Fiscal 2007
1	1	6,050,038	6,104,728	(54,690)	\$ 55,277,569	82.8%	89.4%	88.0%
1	2	3,704,200	3,589,209	114,991	33,631,262	78.6%	81.4%	78.8%
1	30	1,392,073	1,361,921	30,152	12,033,600	81.2%	91.2%	92.2%
Majors		11,146,311	11,055,858	90,453	100,942,431	81.0%	87.4%	86.2%
2		2,626,258	2,652,455	(26,197)	9,532,218	81.4%	81.5%	83.2%
3	10	32,559	61,400	(28,841)	2,869,348	47.1%	58.6%	82.6%
3	11	33,327	45,868	(12,541)	696,122	46.5%	49.2%	70.9%
Northern		65,886	107,268	(41,382)	3,565,470	46.9%	54.7%	78.3%
4		12,273	9,794	2,479	975,712	68.3%	83.5%	88.9%
5		143,741	152,717	(8,976)	503,299	73.2%	75.1%	89.3%
6	4	652,826	658,791	(5,965)	2,071,273	96.5%	93.0%	95.8%
6	5	512,141	515,083	(2,942)	1,410,536	74.2%	68.3%	77.8%
6	6	504,553	523,168	(18,615)	1,174,913	80.7%	80.8%	78.1%
6	7	368,518	375,392	(6,874)	1,392,961	63.4%	65.6%	64.4%
6	8	1,209,865	1,219,930	(10,065)	2,083,420	87.8%	81.5%	82.8%
6	9	476,816	480,110	(3,294)	3,328,255	59.6%	64.4%	73.3%
6	17	397,858	391,407	6,451	2,833,660	92.7%	91.8%	92.1%
6	18	198,264	196,578	1,686	361,420	96.4%	95.3%	95.3%
6	19	871,270	899,618	(28,348)	1,327,039	89.6%	89.4%	93.7%
6	20	255,669	252,946	2,723	402,877	83.9%	82.9%	83.3%
6	21	526,906	537,259	(10,353)	796,736	92.4%	93.9%	88.4%
6	22	247,248	247,645	(397)	419,973	91.0%	92.5%	89.1%
6	23	909,268	916,450	(7,182)	1,376,353	97.3%	97.9%	97.8%
6	24	104,972	107,488	(2,516)	238,203	95.2%	93.0%	92.2%
6	25	261,361	264,148	(2,787)	525,188	63.8%	81.1%	76.6%
6	26	117,795	111,248	6,547	197,656	97.3%	97.2%	97.8%
Minors		7,615,330	7,697,261	(81,931)	19,940,463	85.6%	85.8%	86.4%
7		55,154	54,250	904	146,003	Not available		
Total		21,664,953	21,729,603	(64,650)	135,605,596	84.3%	85.3%	86.3%

CANCELLED ROUND TRIPS BY ROUTE AND ROUTE GROUP

(see detail for number of days allowed in contract in Appendix 1a, see detail for number of days not allowed in contract and in Appendix 1b and 1c-with applicable fee calculations as appropriate)

2006/07 Year Ended Mar. 31/07				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					Grand Total of Round Trip Cancellations	% Cancelled of Scheduled Round Trips		
				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						Other RT Total	
Route Group	Terminal 1	Terminal 2	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				
1: MJR	Route 01	Swartz Bay	Tsawwassen	3,877.0		8	8.0						6	6.0					0.0	14	0.36%	
	Route 02	Horseshoe Bay	Departure Bay	3,103.0		7	7.0							0.0					0.0	7	0.23%	
	Route 30	Duke Point	Tsawwassen	2,778.0		10	10.0			1	1	3		5.0					0.0	15	0.54%	
MJR Total				9,758.0	0	25	25.0	0	0	1	0	1	9	11.0	0	0	0	0	0	0.0	36	0.37%
2: R03	Route 03	Langdale	Horseshoe Bay	2,994.0			0.0				1		1	2.0					0.0	2	0.07%	
R03 Total				2,994.0	0	0	0.0	0	0	0	1	0	1	2.0	0	0	0	0	0	0.0	2	0.07%
3: NR	Route 10	Port Hardy	Prince Rupert	124.5			0.0					1	1.0						0.0	1	0.80%	
	Route 11	Skidegate	Prince Rupert	190.0		1	1.0					3	3.0						0.0	4	2.11%	
NR Total				314.5	0	1	1.0	0	0	0	0	0	4	4.0	0	0	0	0	0.0	5	1.59%	
4: R40	Route 40	Port Hardy	Mid-coast	39.0			0.0							0.0					0.0	0	0.00%	
R40 Total				39.0	0	0	0.0	0	0	0	0	0	0	0.0	0	0	0	0	0.0	0	0.00%	
5: R12	Route 12	Mill Bay	Brentwood Bay	3,215.0		9	9.0	1						1.0					0.0	10	0.31%	
R12 Total				3,215.0	0	9	9.0	1	0	0	0	0	0	1.0	0	0	0	0	0.0	10	0.31%	
6: MNR	Route 04	Fulford Harbour	Swartz Bay	2,879.0			0.0							0.0					0.0	0	0.00%	
	Route 05	Swartz Bay	Four SGIs	3,439.0		1	1.0					1	1.0						0.0	2	0.06%	
	Route 06	Crofton	Vesuvius Bay	5,046.0		4	4.0		1	1			2.0		1				1.0	7	0.14%	
	Route 07	Earls Cove	Saltery Bay	2,876.0		2	2.0			1	1	1	3.0						0.0	5	0.17%	
	Route 08	Horseshoe Bay	Bowen Island	5,571.0		6	6.0				2	19	21.0						0.0	27	0.48%	
	Route 09	Tsawwassen	Long Harbour	830.0			0.0							0.0					0.0	0	0.00%	
	Route 17	Little River	Powell River	1,458.0		7	7.0					2	2.0						0.0	9	0.62%	
	Route 18	Texada	Powell River	3,648.0		10	10.0		1			3	4.0						0.0	14	0.38%	
	Route 19	Nanaimo Harbour	Gabriola Island	5,732.0	20	1	21.0					1	1.0						0.0	22	0.38%	
	Route 20	Chemainus	Thetis Island	4,013.0		9	9.0			1	1	8	10.0		1				1.0	20	0.50%	
	Route 21	Buckley Bay	Denman West	6,149.0			0.0				1		1.0						0.0	1	0.02%	
	Route 22	Denman East	Hornby Island	4,482.0		18	18.0						0.0						0.0	18	0.40%	
	Route 23	Campbell River	Quadra Island	6,254.0		4	4.0						0.0						0.0	4	0.06%	
	Route 24	Quadra Island	Cortes Island	2,136.0		25	25.0					3	3.0						0.0	28	1.31%	
Route 25	Port McNeill	Alert Bay	3,961.0		21	21.0						0.0						0.0	21	0.53%		
Route 26	Skidegate	Alliford Bay	4,378.0		28	28.0					3	3.0						0.0	31	0.71%		
MNR Total				62,852.0	20	136	156.0	0	3	3	4	0	41	51.0	0	2	0	0	0	2.0	209	0.33%
7: R13	Route 13	Langdale	Gambier/Keats	4,062.0			0.0						0.0						0.0	0	0.00%	
R13 Total				4,062.0	0	0	0.0	0	0	0	0	0	0	0.0	0	0	0	0	0.0	0	0.00%	
Company Total				83,234.5	20	171	191.0	1	3	4	5	1	55	69.0	0	2	0	0	0	2.0	262.0	0.31%

% Cancelled of Total Scheduled Round Trips 0.02% 0.21% 0.23% 0.00% 0.00% 0.00% 0.01% 0.00% 0.07% 0.08% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.31%

*Note: On Route 30, 24 round trips were eliminated on Saturday nights. As this was a change in Core Service levels as per agreement with the Ministry of Transportation, these cancellations have been removed from all analysis.

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

2007 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 2007 Allowed 30 Cumulative Days per Contract	Highest Consecutive # of Days when Round Trips Missed / FISCAL YEAR: Apr/06 - Mar/07 Allowed 20 Consecutive Days per Contract
Route Group	Terminal 1	Terminal 2					
1: MJR	Route 01	Swartz Bay	Tsawwassen			0.0	1
	Route 02	Horseshoe Bay	Departure Bay			0.0	1
	Route 30	Duke Point	Tsawwassen		2.0	2.0	2
2: R03	Route 03	Langdale	Horseshoe Bay			0.0	1
3: NR	Route 10	Port Hardy	Prince Rupert			0.0	1
	Route 11	Skidegate	Prince Rupert			0.0	2
4: R40	Route 40	Port Hardy	Mid-coast			0.0	0
5: R12	Route 12	Mill Bay	Brentwood Bay			0.0	2
6: MNR	Route 04	Fulford Harbour	Swartz Bay			0.0	0
	Route 05	Swartz Bay	Four SGIs			0.0	1
	Route 06	Crofton	Vesuvius Bay	1.0		1.0	1
	Route 07	Earls Cove	Saltery Bay			0.0	1
	Route 08	Horseshoe Bay	Bowen Island			0.0	2
	Route 09	Tsawwassen	Long Harbour			0.0	0
	Route 17	Little River	Powell River			0.0	1
	Route 18	Texada	Powell River	2.0	1.0	3.0	1
	Route 19	Nanaimo Harbour	Gabriola Island	3.0		3.0	3
	Route 20	Chemainus	Thetis Island	1.0	1.0	2.0	2
	Route 21	Buckley Bay	Denman West			0.0	1
	Route 22	Denman East	Hornby Island			0.0	1
	Route 23	Campbell River	Quadra Island			0.0	1
	Route 24	Quadra Island	Cortes Island	5.0		5.0	2
Route 25	Port McNeill	Alert Bay			0.0	1	
Route 26	Skidegate	Alliford Bay			0.0	3	
7: R13	Route 13	Langdale	Gambier/Keats			0.0	1

Notes:

(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

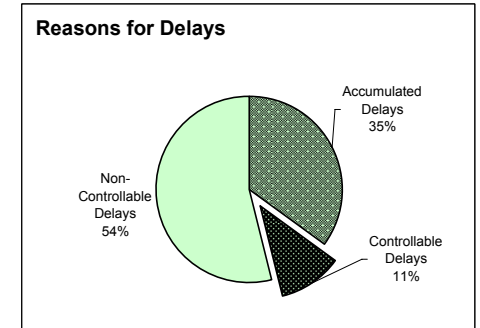
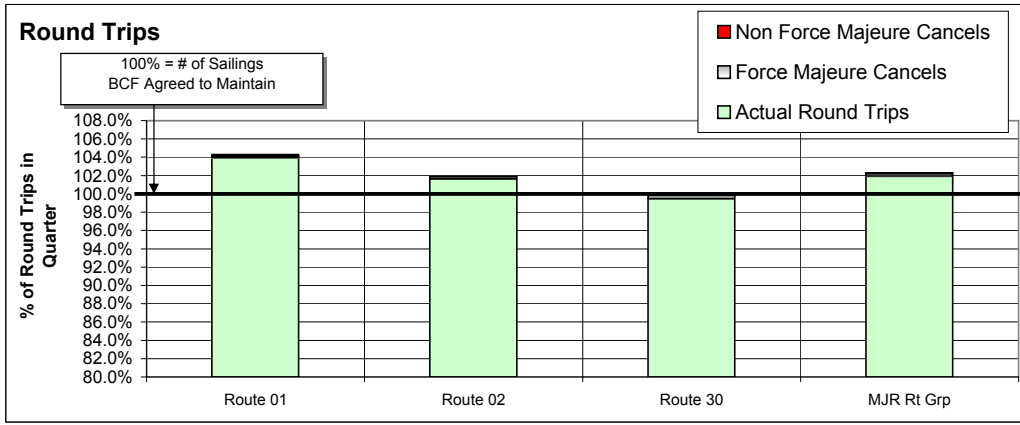
2006/07 Year Ended Mar. 31/07				A	B	C=(B-A)	E	D=(C+E)
				Scheduled Round Trips	Reported Actual # Round Trips	Net Extra/Short Round Trips	# Round Trips Cancelled (allowed + not allowed)	Calculated Extra Round Trips
Route Group		Terminal 1	Terminal 2					
1: MJR	Route 01	Swartz Bay	Tsawwassen	3,877.0	4,029.0	152.0	14.0	166.0
	Route 02	Horseshoe Bay	Departure Bay	3,103.0	3,154.0	51.0	7.0	58.0
	Route 30	Duke Point	Tsawwassen	2,778.0	2,763.0	-15.0	15.0	0.0
MJR Total				9,758.0	9,946.0	188.0	36.0	224.0
2: R03	Route 03	Langdale	Horseshoe Bay	2,994.0	3,043.0	49.0	2.0	51.0
R03 Total				2,994.0	3,043.0	49.0	2.0	51.0
3: NR	Route 10	Port Hardy	Prince Rupert	124.5	137.5	13.0	1.0	14.0
	Route 11	Skidegate	Prince Rupert	190.0	236.5	46.5	4.0	50.5
NR Total				314.5	374.0	59.5	5.0	64.5
4: R40	Route 40	Port Hardy	Mid-coast	39.0	59.0	20.0	0.0	20.0
R40 Total				39.0	59.0	20.0	0.0	20.0
5: R12	Route 12	Mill Bay	Brentwood Bay	3,215.0	3,207.0	-8.0	10.0	2.0
R12 Total				3,215.0	3,207.0	-8.0	10.0	2.0
6: MNR	Route 04	Fulford Harbour	Swartz Bay	2,879.0	2,883.0	4.0	0.0	4.0
	Route 05	Swartz Bay	Four SGIs	3,439.0	3,487.0	48.0	2.0	50.0
	Route 06	Crofton	Vesuvius Bay	5,046.0	5,042.0	-4.0	7.0	3.0
	Route 07	Earls Cove	Saltery Bay	2,876.0	2,874.0	-2.0	5.0	3.0
	Route 08	Horseshoe Bay	Bowen Island	5,571.0	5,554.5	-16.5	27.0	10.5
	Route 09	Tsawwassen	Long Harbour	830.0	897.0	67.0	0.0	67.0
	Route 17	Little River	Powell River	1,458.0	1,449.0	-9.0	9.0	0.0
	Route 18	Texada	Powell River	3,648.0	3,642.0	-6.0	14.0	8.0
	Route 19	Nanaimo Harbour	Gabriola Island	5,732.0	5,711.0	-21.0	22.0	1.0
	Route 20	Chemainus	Thetis Island	4,013.0	3,998.0	-15.0	20.0	5.0
	Route 21	Buckley Bay	Denman West	6,149.0	6,769.0	620.0	1.0	621.0
	Route 22	Denman East	Hornby Island	4,482.0	4,929.0	447.0	18.0	465.0
	Route 23	Campbell River	Quadra Island	6,254.0	6,265.0	11.0	4.0	15.0
	Route 24	Quadra Island	Cortes Island	2,136.0	2,118.0	-18.0	28.0	10.0
Route 25	Port McNeill	Alert Bay	3,961.0	3,945.0	-16.0	21.0	5.0	
Route 26	Skidegate	Alliford Bay	4,378.0	4,416.0	38.0	31.0	69.0	
MNR Total				62,852.0	63,979.5	1,127.5	209.0	1,336.5
7: R13	Route 13	Langdale	Gambier/Keats	4,062.0	4,151.0	89.0	0.0	89.0
R13 Total				4,062.0	4,151.0	89.0	0.0	89.0
Company Total				83,234.5	84,759.5	1,525.0	262.0	1,787.0

Note: During the refit of the regular vessel on Route 21, additional round trips were provided to carry all the traffic as a smaller replacement vessel was on the route.

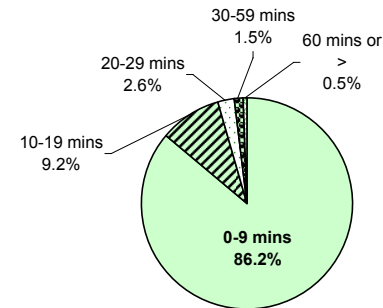
Note: Route 13 - some sailings within the core service level are subject to passenger request - when no request is made, no sailing occurs.

Round Trip Service Delivery and On Time Performance for 2006/07

ROUTE GROUP 1: Major Routes



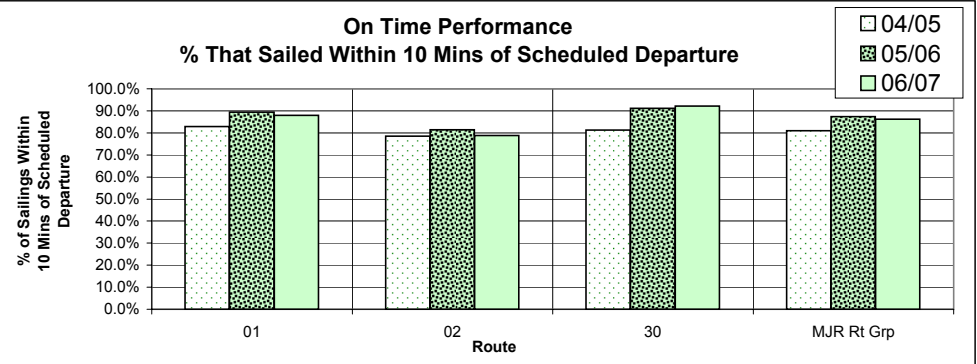
On Time Performance 2006/07



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	3,877.0	4,029.0	152.0	49.5%
Route 02	Horseshoe Bay-Departure Bay	3,103.0	3,154.0	51.0	34.4%
Route 30	Duke Point-Tsawwassen	2,778.0	2,763.0	(15.0)	18.5%
MAJOR Route Group Total		9,758.0	9,946.0	188	36.1%

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



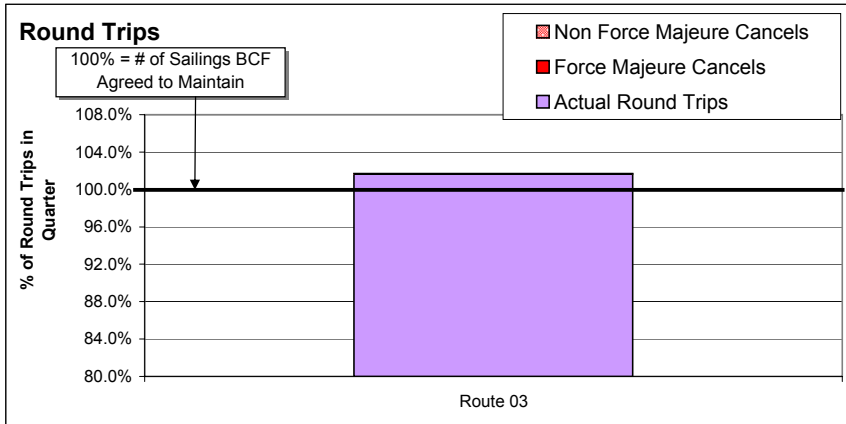
NOTES: (1) Sailings greater than the 100% BCF agreed to maintain are a result of traffic demand

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

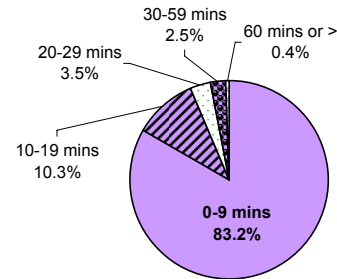
2006/07 Annual Report to the BC Ferry Commissioner

Round Trip Service Delivery and On Time Performance for 2006/07

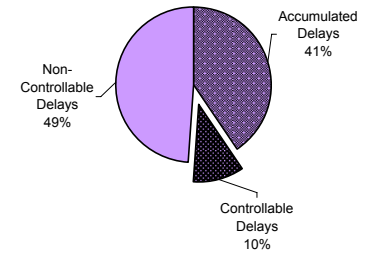
ROUTE GROUP 2: Route 03



On Time Performance 2006/07



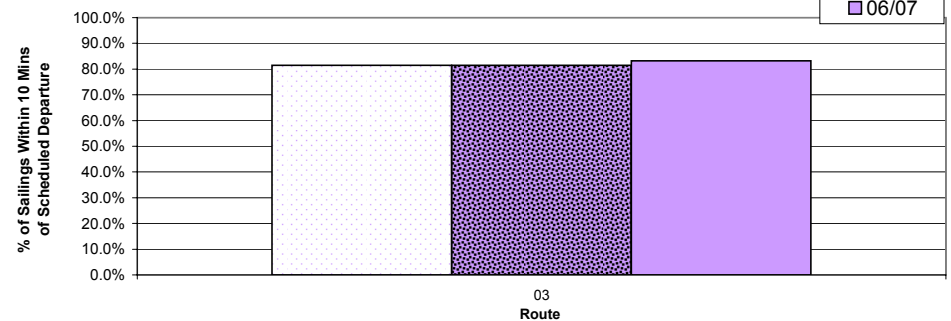
Reasons for Delays



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 03	Route Description	# of Scheduled Round Trips (RT)	# of Actual RT	Net Extra RT (Short RT)	% Sailings Overloaded
Route 03	Horseshoe Bay-Langdale	2,994.0	3,043.0	49.0	13.3%

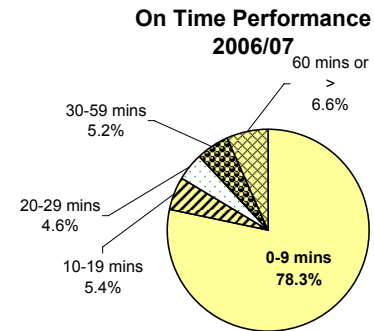
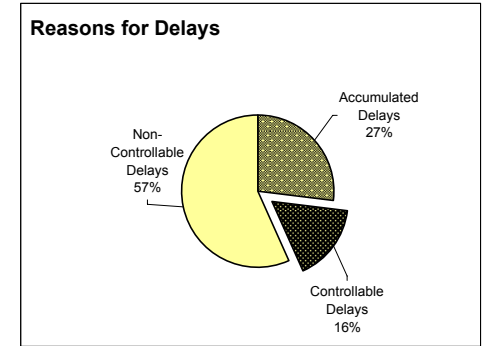
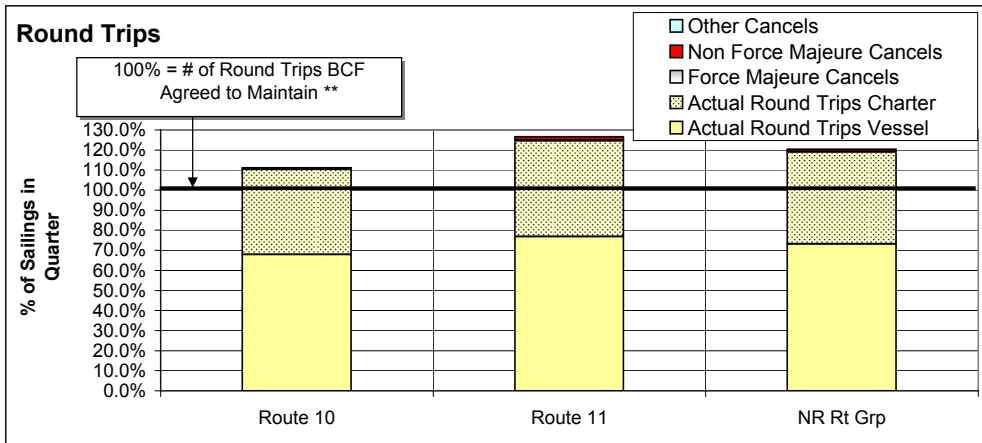
On Time Performance % That Sailed Within 10 Mins of Scheduled Departure



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)
 2006/07 Annual Report to the BC Ferry Commissioner

Round Trip Service Delivery and On Time Performance for 2006/07

ROUTE GROUP 3: Northern Routes



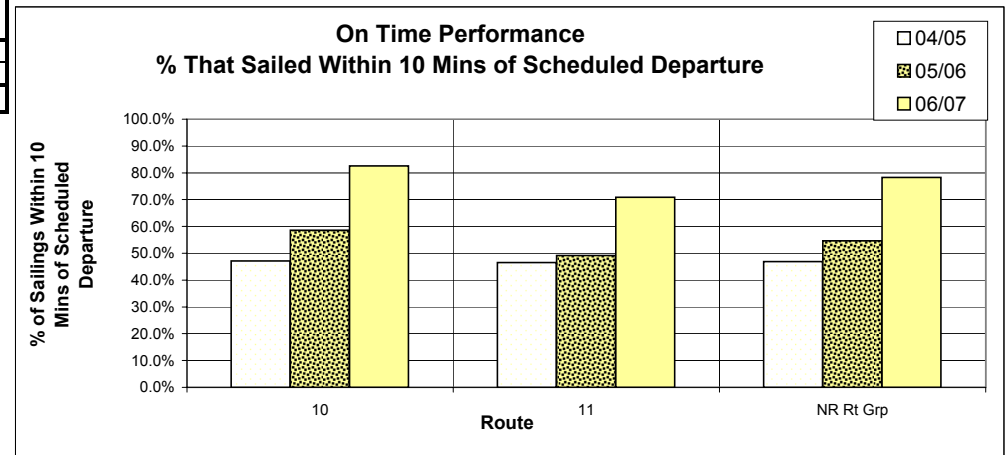
Controllable = Under the control of the company (loading procedure, crewing level, etc.)
Non-Controllable = Out of the control of the company (bad weather, vehicle stalled, etc.)
Accumulated = Delays accumulated over the course of the day as a result of an earlier delay

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	124.5	137.5	13.0	0.0%
Route 11	Skidegate-Prince Rupert	190.0	236.5	46.5	0.4%
NORTHERN Route Group Total		314.5	374.0	59.5	0.2%

**Agreed Trips do not take into consideration the Commissioner's Temporary Service Disruption Order. See Below for how trips were delivered:

Round Trip Breakdown

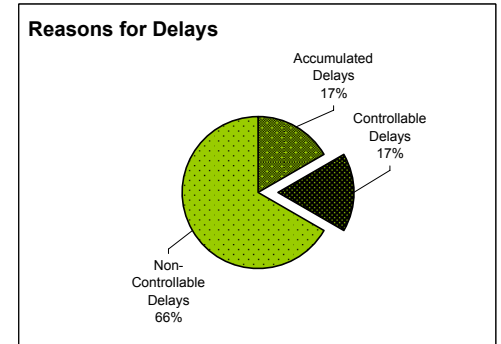
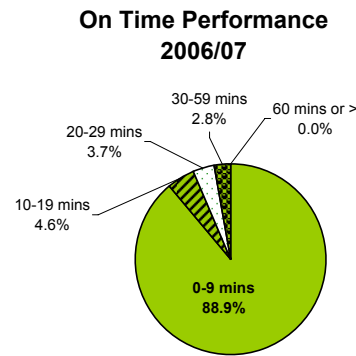
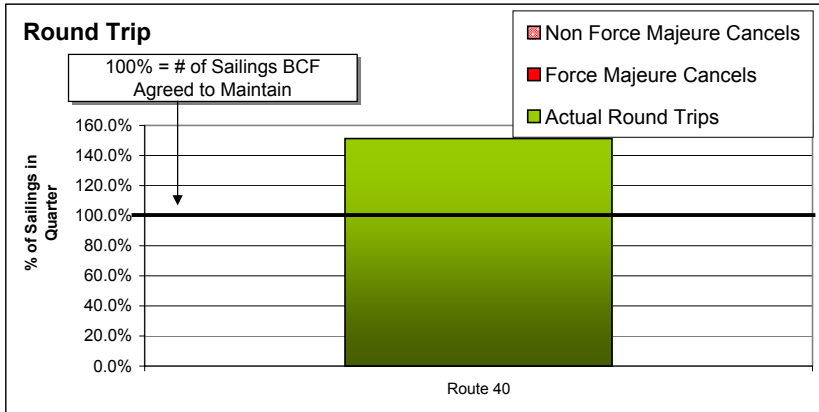
Route	Type	# of Actual RT
ROUTE 10	Vessel Round Trips	84.5
	Barge Round Trip	0.0
	Flights Round Trips	53.0
		137.5
ROUTE 11	Vessel Round Trips	146.0
	Barge Round Trips	26.0
	Flights Round Trips	64.5
		236.5



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)
 2006/07 Annual Report to the BC Ferry Commissioner

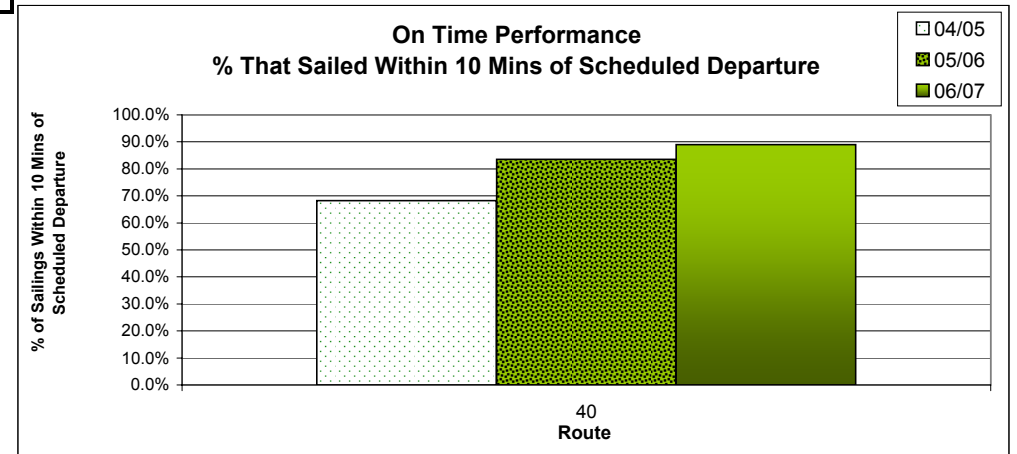
Round Trip Service Delivery and On Time Performance for 2006/07

ROUTE GROUP 4: 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

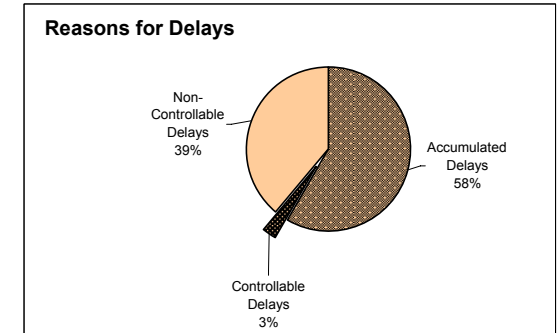
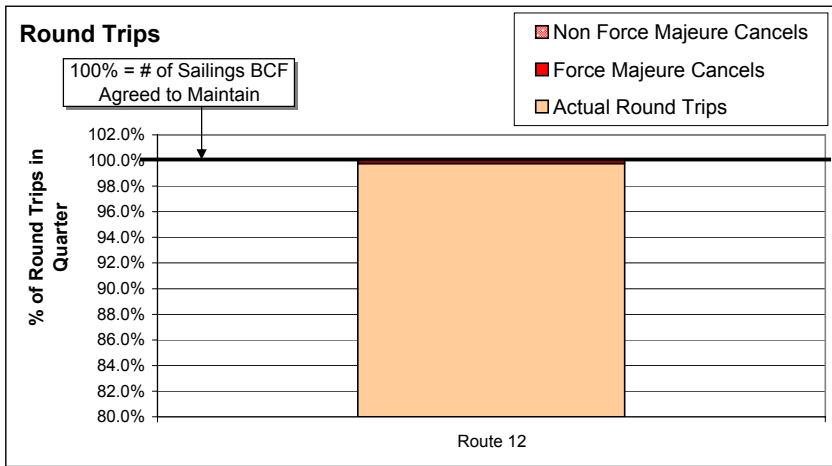
Route 40	Route Description	# of Scheduled Round Trips (RT)	# of Actual RT	Net Extra RT (Short RT)	% Sailings Overloaded
Route 40	Port Hardy - Mid Coast	39.00	59.00	20.0	0.0%



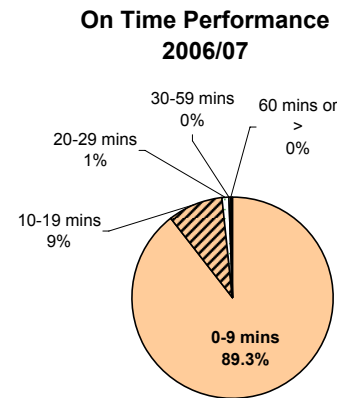
NOTES: (1) Sailings greater than the 100% BCF agreed to maintain are a result of traffic demand
 (2) Force Majeure means something beyond control of the company (e.g. bad weather)
 2006/07 Annual Report to the BC Ferry Commissioner

Round Trip Service Delivery and On Time Performance for 2006/07

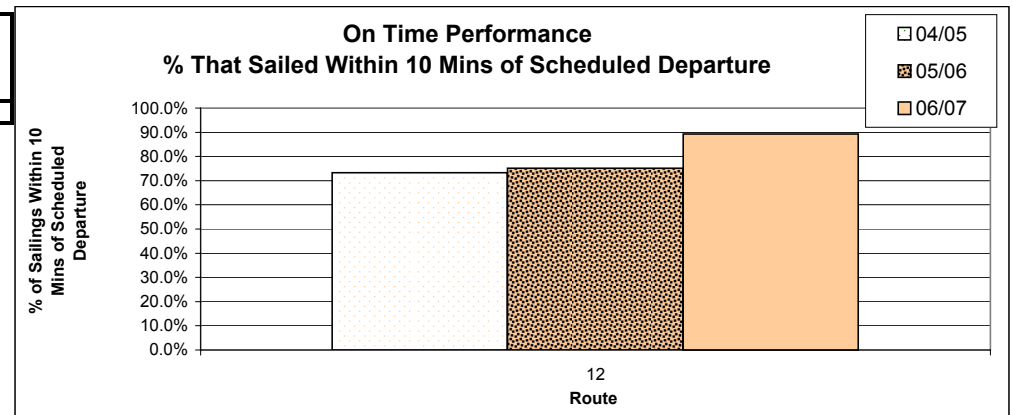
ROUTE GROUP 5: Route 12



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



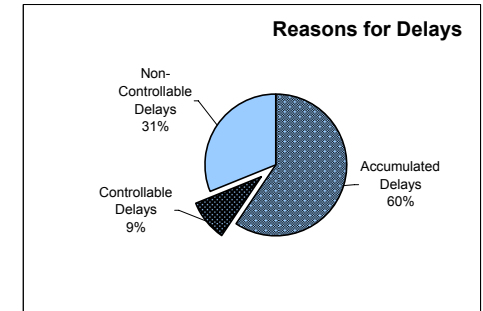
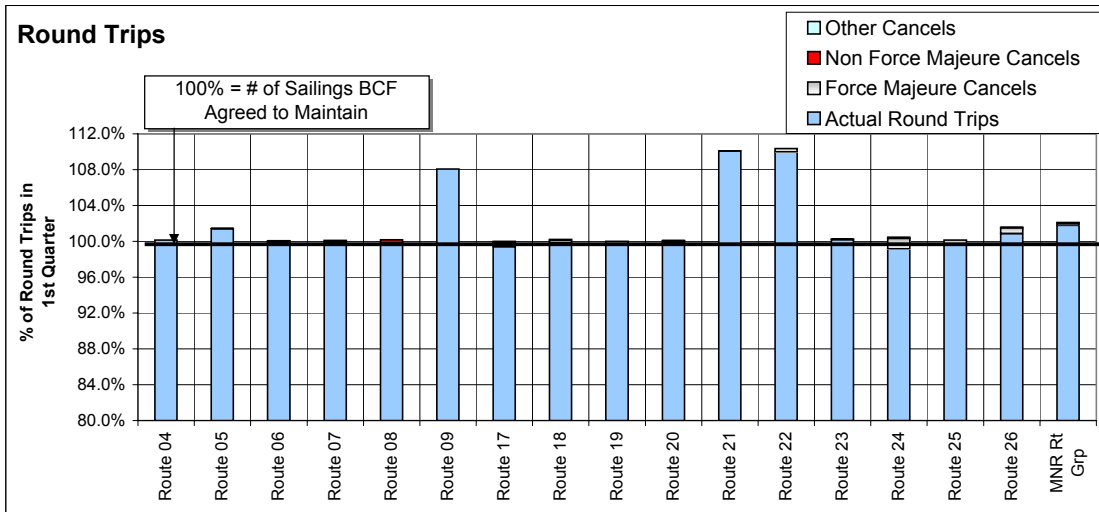
Route 12	Route Description	# of Scheduled Round Trips (RT)	# of Actual RT	Net Extra RT (Short RT)	% Sailings Overloaded
Route 12	Mill Bay-Brentwood Bay	3,215.0	3,207.0	(8.0)	15.2%



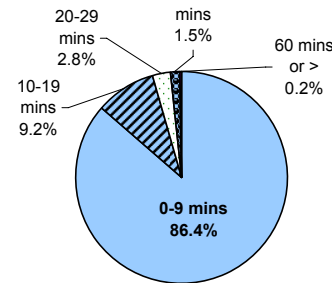
NOTES: (1) Sailings greater than the 100% BCF agreed to maintain are a result of traffic demand
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 2006/07 Annual Report to the BC Ferry Commissioner

Round Trip Service Delivery and On Time Performance for 2006/07

ROUTE GROUP 6: Minor Routes

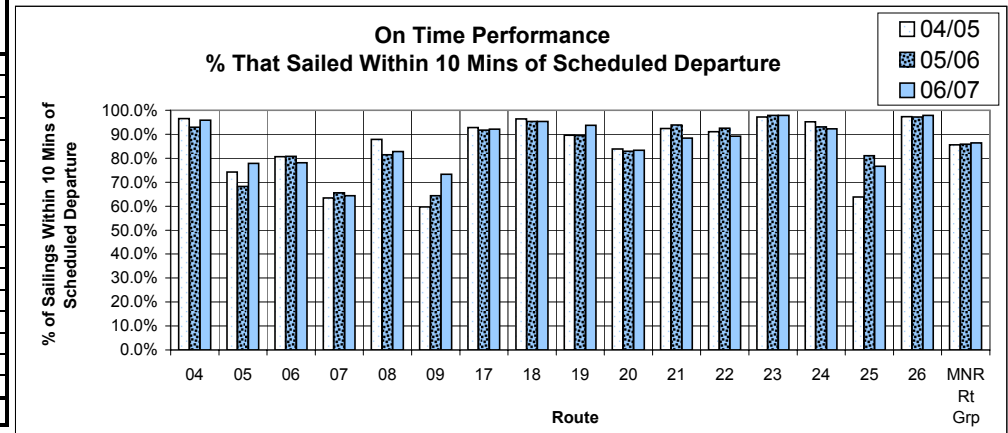


On Time Performance 2006/07



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

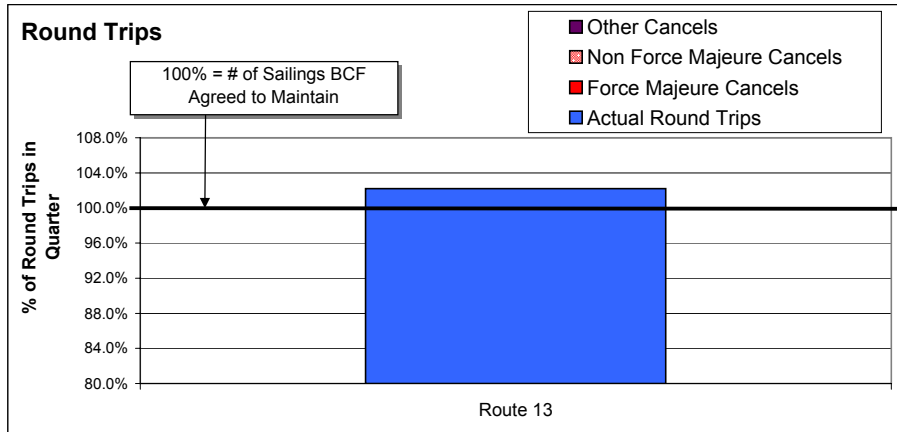
Minor Routes	Minor Route Description	# of Scheduled Round Trips (RT)	# of Actual RT	Net Extra RT (Short RT)	% Sailings Overloaded
Route 04	Swartz Bay-Fulford Harbour	2,879.0	2,883.0	4.0	8.6%
Route 05	Swartz Bay-Southern Gulf Islands	3,439.0	3,487.0	48.0	4.0%
Route 06	Crofton-Vesuvius Bay	5,046.0	5,042.0	(4.0)	2.9%
Route 07	Earls Cove-Saltery Bay	2,876.0	2,874.0	(2.0)	1.8%
Route 08	Horseshoe Bay-Bowen Island	5,571.0	5,554.5	(16.5)	13.5%
Route 09	Tsawwassen-Long Harbour	830.0	897.0	67.0	3.9%
Route 17	Little River (Comox)-Powell River	1,458.0	1,449.0	(9.0)	1.7%
Route 18	Westview (Powell River)-Blubber Bay (Texada)	3,648.0	3,642.0	(6.0)	0.7%
Route 19	Nanaimo Harbour-Descanso Bay (Gabriola)	5,732.0	5,711.0	(21.0)	11.7%
Route 20	Chemainus-Thetis-Kuper	4,013.0	3,998.0	(15.0)	4.0%
Route 21	Buckley Bay-Denman West	6,149.0	6,769.0	620.0	9.5%
Route 22	Gravelley Bay (Denman East)-Shingle Spit (Hornby)	4,482.0	4,929.0	447.0	10.0%
Route 23	Campbell River-Quathiaski Cove (Quadra)	6,254.0	6,265.0	11.0	10.9%
Route 24	Heriot Bay (Quadra)-Whaletown (Cortes)	2,136.0	2,118.0	(18.0)	13.2%
Route 25	Port McNeill-Sointula-Alert Bay	3,961.0	3,945.0	(16.0)	2.0%
Route 26	Skidegate-Alliford Bay	4,378.0	4,416.0	38.0	1.9%
MINOR Route Group Total		62,852.0	63,979.5	1127.5	6.8%



NOTES: (1) Sailings greater than the 100% BCF agreed to maintain are a result of traffic demand
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 2006/07 Annual Report to the BC Ferry Commissioner

Round Trip Service Delivery and On Time Performance for 2006/07

ROUTE GROUP 7: 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	4,062.0	4,151.0	89.0	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)

Route Financial Report

(Year Ended March 31, 2007)





British Columbia Ferry Services Inc.
Route Statement
For the Twelve Months Ended March 31, 2007
(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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Tariff Revenue	363,228	353,624	273,298	264,479	27,247	25,943	8,069	12,684	1,791	1,375
Ancillary Revenue	71,409	65,925	59,804	53,933	5,745	5,098	1,258	2,804	195	157
Social Program Reimbursements	15,967	14,674	8,284	7,789	1,879	1,622	372	520	8	28
Contracted Routes Fee	1,700	1,700	-	-	-	-	-	-	-	-
Total Operating Revenue	452,304	435,923	341,386	326,201	34,871	32,663	9,699	16,008	1,994	1,560
Total Operating Expenses	445,518	425,162	253,550	232,160	32,333	30,996	25,108	34,427	4,768	3,386
Earnings (Loss) from Operations	6,786	10,761	87,836	94,041	2,538	1,667	(15,409)	(18,419)	(2,774)	(1,826)
Amortization	(55,374)	(52,926)	(35,989)	(35,387)	(5,404)	(4,032)	(1,923)	(3,214)	(120)	(78)
Financing Expense	(18,482)	(24,407)	(12,778)	(14,962)	(615)	(2,528)	(605)	(712)	(21)	(18)
Cost of Capital	(73,856)	(77,333)	(48,767)	(50,349)	(6,019)	(6,560)	(2,528)	(3,926)	(141)	(96)
(Loss) Gain on Disposal of Capital Assets	(183)	(302)	(9)	(166)	(6)	(37)	-	(9)	(1)	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(67,253)	(66,874)	39,060	43,526	(3,487)	(4,930)	(17,937)	(22,354)	(2,916)	(1,922)
Motor Fuel Tax Subsidy (adjustment to pre 2004)	(223)	-	(17)	-	(14)	-	(27)	-	(4)	-
Ferry Service Fees	90,952	91,849	-	-	5,005	5,005	12,606	13,457	1,893	1,893
Federal Contract	25,309	24,890	-	-	1,401	1,378	3,766	3,704	530	521
Net Route Earnings (Loss)	48,785	49,865	39,043	43,526	2,905	1,453	(1,592)	(5,193)	(497)	492
Extraordinary Gain	61,272	-								
Net Earnings	110,057	49,865								
Fuel Costs Deferred (See note 1)	37,350	25,082	23,497	14,152	2,572	2,203	2,021	2,496	509	332

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, 2007
(in 000's)

	Group 5		Group 6		Group 7			
	12-Mill Bay - Brentwood		Minor Routes		13-Langdale - Gambier Island - Keats Island		Unregulated Routes	
	2007	2006	2007	2006	2007	2006	2007	2006
Tariff Revenue	1,137	1,110	51,538	47,903	148	130	-	-
Ancillary Revenue	22	13	4,337	3,880	48	40	-	-
Social Program Reimbursements	81	72	5,313	4,606	30	37	-	-
Contracted Routes Fee	-	-	-	-	-	-	1,700	1,700
Total Operating Revenue	1,240	1,195	61,188	56,389	226	207	1,700	1,700
Total Operating Expenses	1,485	1,670	126,174	120,216	502	518	1,598	1,789
Earnings (Loss) from Operations	(245)	(475)	(64,986)	(63,827)	(276)	(311)	102	(89)
Amortization	(496)	(497)	(11,438)	(9,714)	(4)	(4)	-	-
Financing Expense	(61)	(107)	(4,402)	(6,080)	-	-	-	-
Cost of Capital	(557)	(604)	(15,840)	(15,794)	(4)	(4)	-	-
(Loss) Gain on Disposal of Capital Assets	-	(1)	(167)	(89)	-	-	-	-
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(802)	(1,080)	(80,993)	(79,710)	(280)	(315)	102	(89)
Motor Fuel Tax Subsidy (adjustment to pre 2004)	(3)	-	(157)	-	(1)	-	-	-
Ferry Service Fees	1,425	1,425	69,523	69,540	500	529	-	-
Federal Contract	-	-	19,464	19,141	148	146	-	-
Net Route Earnings (Loss)	620	345	7,837	8,971	367	360	102	(89)
Fuel Costs Deferred (See note 1)	23	14	8,728	5,885	-	-	-	-

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, 2007
(in 000's)

	01-Tsawwassen - Swartz Bay		02-Horseshoe Bay - Nanaimo		30-Nanaimo - Tsawwassen		Major Routes	
	2007	2006	2007	2006	2007	2006	2007	2006
Tariff Revenue	138,241	134,666	86,421	81,373	48,636	48,440	273,298	264,479
Ancillary Revenue	32,917	30,525	19,631	16,850	7,256	6,558	59,804	53,933
Social Program Reimbursements	3,514	3,309	3,577	3,314	1,193	1,166	8,284	7,789
Contracted Routes Fee	-	-	-	-	-	-	-	-
Total Operating Revenue	174,672	168,500	109,629	101,537	57,085	56,164	341,386	326,201
Total Operating Expenses	120,706	109,147	73,529	69,629	59,315	53,384	253,550	232,160
Earnings (Loss) from Operations	53,966	59,353	36,100	31,908	(2,230)	2,780	87,836	94,041
Amortization	(18,180)	(18,489)	(10,430)	(10,600)	(7,379)	(6,298)	(35,989)	(35,387)
Financing Expense	(7,043)	(8,371)	(3,014)	(3,529)	(2,721)	(3,062)	(12,778)	(14,962)
Cost of Capital	(25,223)	(26,860)	(13,444)	(14,129)	(10,100)	(9,360)	(48,767)	(50,349)
(Loss) Gain on Disposal of Capital Assets	(1)	(80)	(7)	(58)	(1)	(28)	(9)	(166)
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	28,742	32,413	22,649	17,721	(12,331)	(6,608)	39,060	43,526
Motor Fuel Tax Subsidy (adjustment to pre 2004)	(7)	-	(8)	-	(2)	-	(17)	-
Ferry Service Fees	-	-	-	-	-	-	-	-
Federal Contract	-	-	-	-	-	-	-	-
Net Route Earnings (Loss)	28,735	32,413	22,641	17,721	(12,333)	(6,608)	39,043	43,526
Fuel Costs Deferred (See note 1)	9,686	5,654	7,041	4,223	6,770	4,275	23,497	14,152

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 3 - Northern Routes
For the Twelve Months Ended March 31, 2007
(in 000's)

	10-Bear Cove - Bella Bella - Prince		11-Prince Rupert - Skidegate		Northern Routes	
	2007	2006	2007	2006	2007	2006
Tariff Revenue	5,073	9,233	2,996	3,451	8,069	12,684
Ancillary Revenue	727	2,023	531	781	1,258	2,804
Social Program Reimbursements	180	306	192	214	372	520
Contracted Routes Fee	-	-	-	-	-	-
Total Operating Revenue	5,980	11,562	3,719	4,446	9,699	16,008
Total Operating Expenses	14,999	22,691	10,109	11,736	25,108	34,427
Earnings (Loss) from Operations	(9,019)	(11,129)	(6,390)	(7,290)	(15,409)	(18,419)
Amortization	(1,202)	(2,027)	(721)	(1,187)	(1,923)	(3,214)
Financing Expense	(486)	(448)	(119)	(264)	(605)	(712)
Cost of Capital	(1,688)	(2,475)	(840)	(1,451)	(2,528)	(3,926)
(Loss) Gain on Disposal of Capital Assets	-	(6)	-	(3)	-	(9)
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(10,707)	(13,610)	(7,230)	(8,744)	(17,937)	(22,354)
Motor Fuel Tax Subsidy (adjustment to pre 2004)	(10)	-	(17)	-	(27)	-
Ferry Service Fees	4,456	5,307	8,150	8,150	12,606	13,457
Federal Contract	1,485	1,461	2,281	2,243	3,766	3,704
Net Route Earnings (Loss)	(4,776)	(6,842)	3,184	1,649	(1,592)	(5,193)
Fuel Costs Deferred (See note 1)	1,334	1,760	687	736	2,021	2,496

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British Columbia Ferry Services Inc.
Route Statement
Group 6 - Minor Routes
For the Twelve Months Ended March 31, 2007
(in 000's)

	04-Swartz Bay - Fulford Harbour		05-Swartz Bay - Gulf Islands		06-Vesuvius Bay - Crofton		07-Salterey Bay - Earls Cove		08-Horseshoe Bay - Snug Cove		09-Tsawwassen - Gulf Islands	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Tariff Revenue	5,122	3,756	3,948	3,389	3,166	3,129	4,516	4,345	5,733	5,491	8,202	7,875
Ancillary Revenue	319	310	432	421	92	91	504	457	406	397	1,510	1,302
Social Program Reimbursements	349	311	500	461	320	292	286	255	603	578	435	357
Contracted Routes Fee	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	5,790	4,377	4,880	4,271	3,578	3,512	5,306	5,057	6,742	6,466	10,147	9,534
Total Operating Expenses	8,385	7,960	15,249	19,202	3,720	3,815	12,581	12,384	11,307	9,740	16,914	16,655
Earnings (Loss) from Operations	(2,595)	(3,583)	(10,369)	(14,931)	(142)	(303)	(7,275)	(7,327)	(4,565)	(3,274)	(6,767)	(7,121)
Amortization	(1,464)	(1,378)	(1,470)	(1,426)	(265)	(267)	(399)	(405)	(1,238)	(1,215)	(2,503)	(1,227)
Financing Expense	(827)	(1,135)	(806)	(1,105)	(71)	(104)	(296)	(282)	(785)	(1,087)	117	(417)
Cost of Capital	(2,291)	(2,513)	(2,276)	(2,531)	(336)	(371)	(695)	(687)	(2,023)	(2,302)	(2,386)	(1,644)
(Loss) Gain on Disposal of Capital Assets	(9)	(3)	(24)	(5)	(10)	(22)	(14)	(4)	(13)	(11)	(11)	(6)
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(4,895)	(6,099)	(12,669)	(17,467)	(488)	(696)	(7,984)	(8,018)	(6,601)	(5,587)	(9,164)	(8,771)
Motor Fuel Tax Subsidy (adjustment to pre 2004)	(11)	-	(24)	-	(4)	-	(20)	-	(12)	-	(15)	-
Ferry Service Fees	5,049	5,048	10,900	10,932	1,400	1,444	9,381	9,381	5,176	5,175	6,900	6,880
Federal Contract	1,413	1,390	3,060	3,008	404	397	2,626	2,582	1,448	1,424	1,926	1,894
Net Route Earnings (Loss)	1,556	339	1,267	(3,527)	1,312	1,145	4,003	3,945	11	1,012	(353)	3
Fuel Costs Deferred (See note 1)	655	401	1,609	1,076	149	99	1,176	777	834	551	1,279	831

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, 2007
(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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Tariff Revenue	7,372	6,886	867	851	3,378	3,309	751	749	1,895	1,831	960	913
Ancillary Revenue	770	676	24	24	56	57	84	16	33	23	12	13
Social Program Reimbursements	904	739	173	136	452	428	165	135	221	165	178	134
Contracted Routes Fee	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	9,046	8,301	1,064	1,011	3,886	3,794	1,000	900	2,149	2,019	1,150	1,060
Total Operating Expenses	16,429	11,231	3,865	4,956	5,295	6,899	3,443	3,322	5,083	3,587	3,671	2,483
Earnings (Loss) from Operations	(7,383)	(2,930)	(2,801)	(3,945)	(1,409)	(3,105)	(2,443)	(2,422)	(2,934)	(1,568)	(2,521)	(1,423)
Amortization	(1,304)	(1,314)	(410)	(403)	(411)	(491)	(284)	(278)	(382)	(270)	(148)	(149)
Financing Expense	(344)	(521)	(174)	(252)	(185)	(266)	(226)	(182)	(217)	(153)	(75)	(105)
Cost of Capital	(1,648)	(1,835)	(584)	(655)	(596)	(757)	(510)	(460)	(599)	(423)	(223)	(254)
(Loss) Gain on Disposal of Capital Assets	(10)	(5)	(11)	(2)	(4)	(3)	(13)	(20)	(7)	(1)	(5)	(1)
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(9,041)	(4,770)	(3,396)	(4,602)	(2,009)	(3,865)	(2,966)	(2,902)	(3,540)	(1,992)	(2,749)	(1,678)
Motor Fuel Tax Subsidy (adjustment to pre 2004)	(15)	-	(7)	-	(6)	-	(6)	-	(6)	-	(5)	-
Ferry Service Fees	6,289	6,289	3,245	3,245	2,549	2,549	2,483	2,483	2,694	2,694	2,100	2,064
Federal Contract	1,760	1,731	908	893	713	702	695	684	754	741	578	568
Net Route Earnings (Loss)	(1,007)	3,250	750	(464)	1,247	(614)	206	265	(98)	1,443	(76)	954
Fuel Costs Deferred (See note 1)	1,177	858	234	161	360	268	156	103	133	102	77	54

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British Columbia Ferry Services Inc.
Route Statement
Group 6 - Minor Routes
For the Twelve Months Ended March 31, 2007
(in 000's)

	23-Quadra Island - Campbell River		24-Cortes Island - Quadra Island		25-Alert Bay - Sointula - Port		26-Skidegate - Alliford Bay		Minor Routes	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Tariff Revenue	3,377	3,267	584	578	1,141	1,072	526	462	51,538	47,903
Ancillary Revenue	41	37	12	30	23	21	19	5	4,337	3,880
Social Program Reimbursements	377	300	103	72	220	219	27	24	5,313	4,606
Contracted Routes Fee	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	3,795	3,604	699	680	1,384	1,312	572	491	61,188	56,389
Total Operating Expenses	6,073	7,322	4,169	2,418	6,602	4,071	3,388	4,171	126,174	120,216
Earnings (Loss) from Operations	(2,278)	(3,718)	(3,470)	(1,738)	(5,218)	(2,759)	(2,816)	(3,680)	(64,986)	(63,827)
Amortization	(353)	(356)	(199)	(188)	(231)	(198)	(377)	(149)	(11,438)	(9,714)
Financing Expense	(98)	(143)	(88)	(119)	(136)	(158)	(191)	(51)	(4,402)	(6,080)
Cost of Capital	(451)	(499)	(287)	(307)	(367)	(356)	(568)	(200)	(15,840)	(15,794)
(Loss) Gain on Disposal of Capital Assets	(7)	(3)	(8)	(1)	(12)	(2)	(9)	-	(167)	(89)
Route Earnings (Loss) Before Ferry Service Fees & Federal Contract	(2,736)	(4,220)	(3,765)	(2,046)	(5,597)	(3,117)	(3,393)	(3,880)	(80,993)	(79,710)
Motor Fuel Tax Subsidy (adjustment to pre 2004)	(7)	-	(6)	-	(7)	-	(6)	-	(157)	-
Ferry Service Fees	2,894	2,894	2,647	2,646	3,168	3,168	2,648	2,648	69,523	69,540
Federal Contract	810	797	741	729	887	872	741	729	19,464	19,141
Net Route Earnings (Loss)	961	(529)	(383)	1,329	(1,549)	923	(10)	(503)	7,837	8,971
Fuel Costs Deferred (See note 1)	372	258	152	103	270	192	95	51	8,728	5,885

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.

Part 2

Service Quality

Customer Satisfaction Tracking Annual Report 2006

British Columbia Ferry Services Inc.

Presented to:

British Columbia Ferry Services Inc.
Victoria, British Columbia



MUSTEL GROUP

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Executive Overview

Background

British Columbia Ferry Services Inc. (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 4 years is shown on the graphs, to allow for easy comparison.

In addition to graphs showing the overall scores, the Appendix in this report includes detailed tables by route showing satisfaction scores for each of the 69 service attributes for 2006. The Appendix also includes detailed satisfaction scores for each of the 28 terminal-related attributes, shown separately for each of the main terminals.

Methodology

The research involves a two-phased approach. First a random sample of passengers are intercepted onboard to collect key data including frequency of travel on BC Ferries, purpose of trip, area of residence, origin/destination, and standard demographic questions. Immediately following this screener, passengers are given a longer follow-up survey to complete *after* they disembark and leave the terminal area.

Interviews are distributed across 8 routes in total, both larger and smaller, during three different time periods: peak, shoulder and low season. In 2006, a total of 14,148 screeners were completed and 5,625 questionnaires returned. 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 89% of passengers in 2006 reported to be satisfied overall with their experience travelling on BC Ferries, slightly higher than the satisfaction level measured in 2005 (86%). The increase is most notable among those 'very satisfied' increasing from 30% a year ago to a current level of 36%, the highest top box score achieved to date in a year end measure.

Satisfaction Before Arriving at Terminal

- Ratings of BC Ferries web site and highway signage are similar to levels attained in 2005.
- 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*, with ratings unchanged from a year ago.

Satisfaction at the Terminal

- Overall satisfaction levels with the terminal experience before boarding are significantly higher than measured a year ago (84% satisfied in contrast to 78% in 2005). All terminals have increased satisfaction levels with ratings improving most at the Departure Bay and Langdale terminals.
- Passengers who did not get on their desired sailing are understandably less satisfied with their terminal experience, as are those travelling for business purposes, and frequent travellers (who tend to overlap); however, ratings have strengthened among all these segments.
- In terms of demographic segments, satisfaction levels have increased among virtually all segments except among younger passengers (under 35 years) who continue to be slightly more critical about their experience at the terminal than their older counterparts (age 35 or older)
- Satisfaction levels continue to be high with all aspects of the ticket purchase process with average ratings more or less similar to a year ago but with some significant increases in the percentage of those who are 'very satisfied'.

- Satisfaction levels have improved with food and beverage services at all terminals, particularly with the *food/beverages offered*, and to a lesser extent with *value for money*.
- Similarly, satisfaction has also increased with the gift shop/news stand services at the terminals, in terms of both *variety/selection* and *value for money*. Satisfaction has also increased with the outdoor market areas.
- Overall, there have been no dramatic changes in satisfaction levels with foot passenger services with the exception that ratings for *parking value for money* are significantly higher compared to a year ago (39% satisfied compared to 30% in 2005).
- Satisfaction levels with other terminal services are quite consistent with past measures, but with some improvements in ratings of *availability* and *cleanliness of washrooms, overall look and décor inside the terminal and outside appearance of terminal*.

Satisfaction Onboard

- Onboard satisfaction levels have increased slightly among all passenger segments and demographic groups except among those 18-34 years of age and Gulf Island residents.

[**NOTE:** For route-specific results that follow, please refer to page 6 for all the route number codes]

- A total of 89% of passengers in 2006 were satisfied with their overall experience onboard, slightly higher than the 2005 level (86%) but note that the top box score has increased from 21% to 25% over the year, the highest level achieved to date. Ratings have increased on all major routes.
- Satisfaction levels with all aspects of the onboard gift shop/news stand have strengthened over the past year.
- Satisfaction with the seating (cleanliness, availability and comfort) are higher in all three main areas of food services. Ratings have been relatively static on all other attributes in each food service area over the past year, but note that in general, satisfaction with the Pacific Buffet has improved more than has satisfaction with the cafeteria or snack bar.
- Satisfaction levels with the *cleanliness of washrooms* have improved with 79% satisfied in 2006, in contrast to 71% in 2005.

- Travellers continue to be increasingly satisfied with the *comfort* and *cleanliness* of indoor lounge seating with a slight increase in the top box score ('very satisfied') for comfort and cleanliness.
- There have been minor improvements in ratings from 2005 on virtually all other onboard facilities and services.

Satisfaction with Sailing Schedules

- Ratings have been improving consistently with respect to sailing schedule attributes, with particular improvement over the past year of *on-time departures* (79% now satisfied compared to 73% in 2005). On-time departure ratings are notably higher on Routes 2, 3, 30, 4, 19 and 5/9.

Satisfaction with Safety

- Perceptions of the *safety of the ferry operations* continue to be stable and high, with the current satisfaction level at 85%.

Satisfaction with Overall Value

- Satisfaction levels continue to be low with perceived *value for money of the fares*, with no change in ratings.

Key Conclusions

Passenger satisfaction levels increased in 2006 overall, and in the following specific areas:

- Food/beverage services, gift shop/ news stand and outdoor market areas at terminals
- Availability and cleanliness of terminal washrooms
- Overall look and décor inside the terminal
- Outside appearance of terminal
- Onboard gift shop/ news stand
- Seating area of onboard food/beverage services
- Cleanliness of onboard washrooms
- On-time departures

BC Ferries also continues to perform well for:

- Staff in all areas
- Usefulness of the Web site
- Ease of using on-line reservations
- Highway signage
- Availability of terminal and onboard washrooms
- Outside decks
- Availability of tourist and travel info
- Procedures for loading and unloading
- Earliest ferry early enough
- Safety of ferry operations and loading/unloading

Areas of opportunity to enhance the customer experience continue to include:

Pre-terminal

- Usefulness of BC Ferries phone service
- Ease of using automated phone system

Terminal

- Value for money of food/beverages, merchandise and outdoor market
- Clarity of public address system
- Usefulness of TV screens
- Parking value for money

Onboard

- Ease of moving inside gift shop/ news stand
- Value for money of gift shop/ news stand/ food services
- Video arcade

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 - 2006	
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

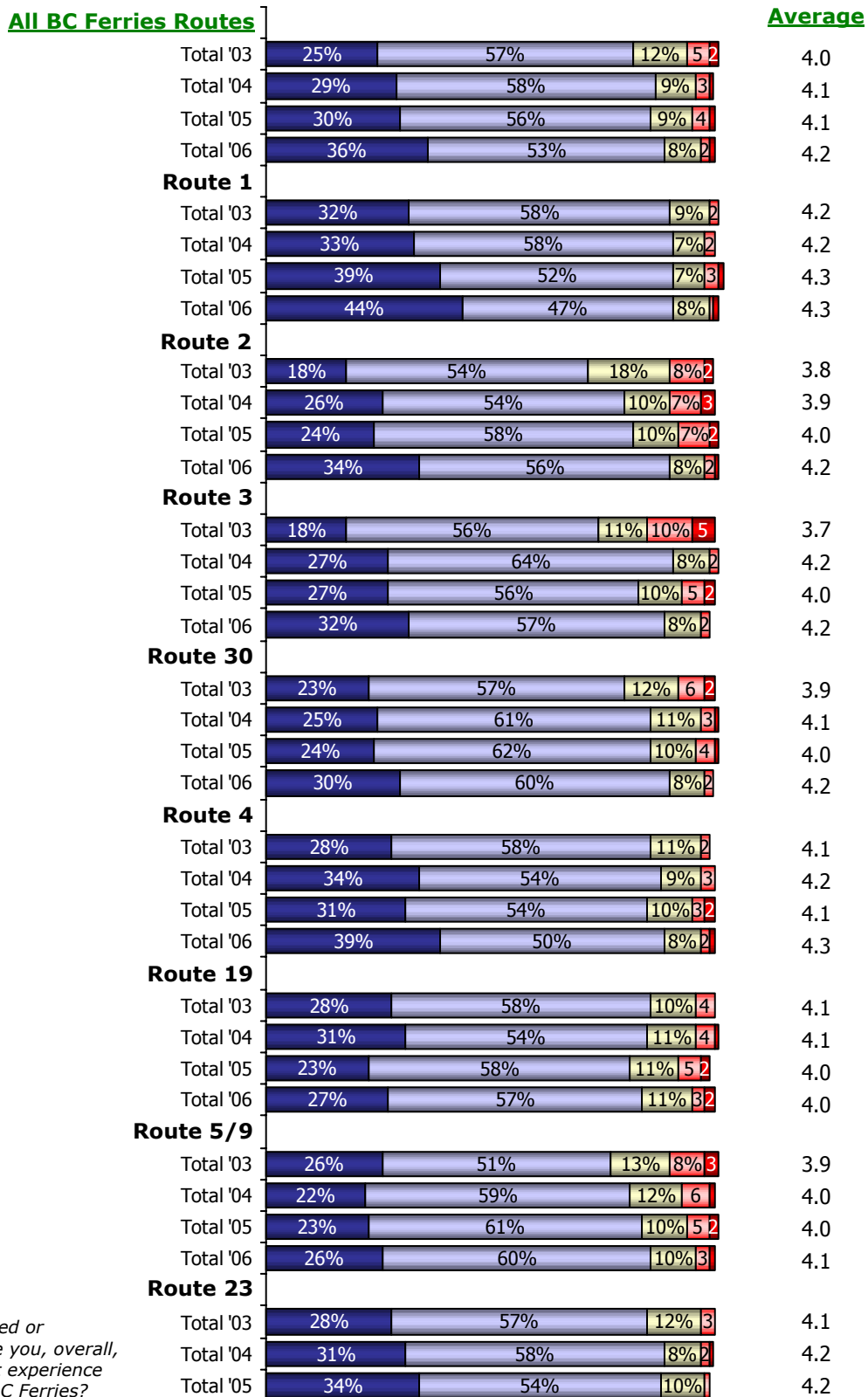
A total of 89% of passengers in 2006 reported to be satisfied overall with their experience travelling on BC Ferries, slightly higher than the satisfaction level measured in 2005 (86%). The increase is most notable among those 'very satisfied' increasing from 30% a year ago to a current level of 36%, the highest top box score achieved to date in a year end measure. Further note that the results are quite consistent by season.

[NOTE: Refer to page 6 for route number codes]

On a five-point scale where '1' means 'very dissatisfied' and '5' means 'very satisfied' an average score of 4.2 is achieved, an increase from 4.1 in 2004 and 2005 and from 4.0 in earlier years.

Satisfaction levels have strengthened on all major routes as well as on minor Route 4. Levels are stable on the remaining minor routes.

Overall Satisfaction Level with Recent Experience Travelling with BC Ferries



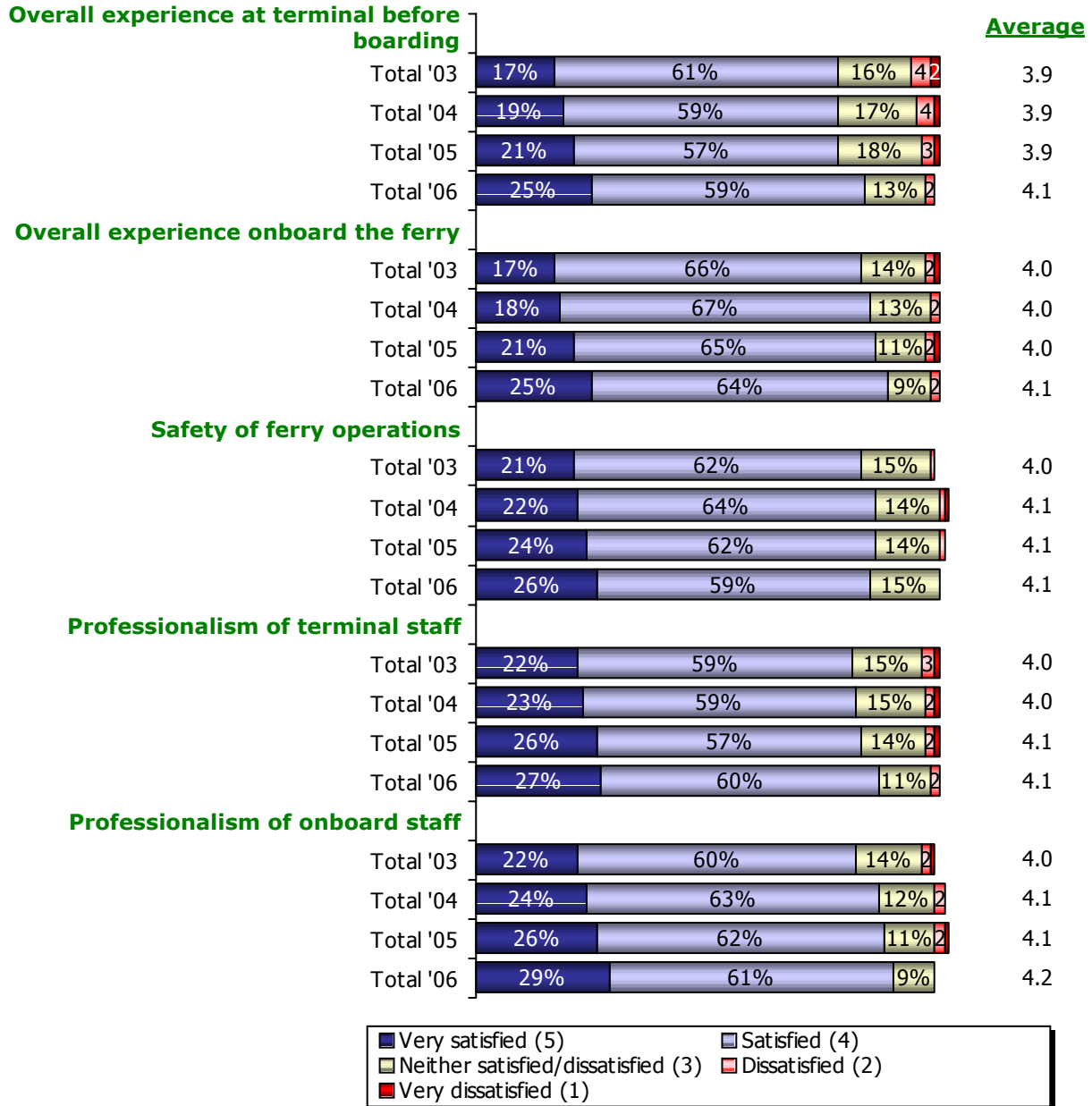
Q.1) How satisfied or dissatisfied were you, overall, with your recent experience travelling with BC Ferries?

Note: Route 23 not surveyed in 2006.



The following chart summarizes the results from overall measures of each main point of contact and specifically with BC Ferries staff. As a whole, performance ratings have steadily improved on most key measures. *Safety of ferry operations* remains high, at 4.1 out of 5, and has stayed at that high level over the past three years.

Summary of Main Satisfaction Scores



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

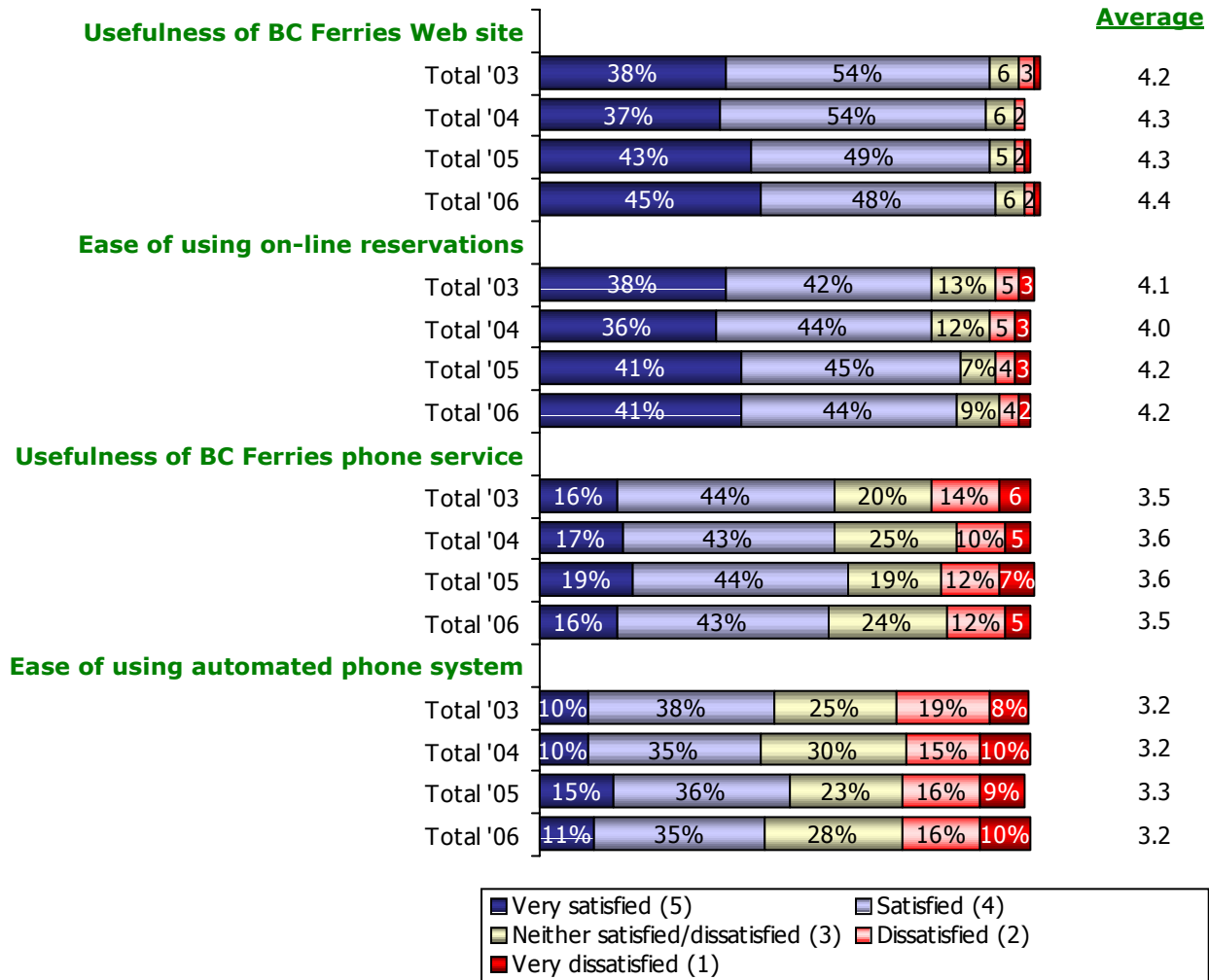
Before Arriving at Terminal

Web site and Phone Contact

Ratings of BC Ferries Web site are similar to levels obtained in 2005.

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*, with ratings unchanged from a year ago.

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



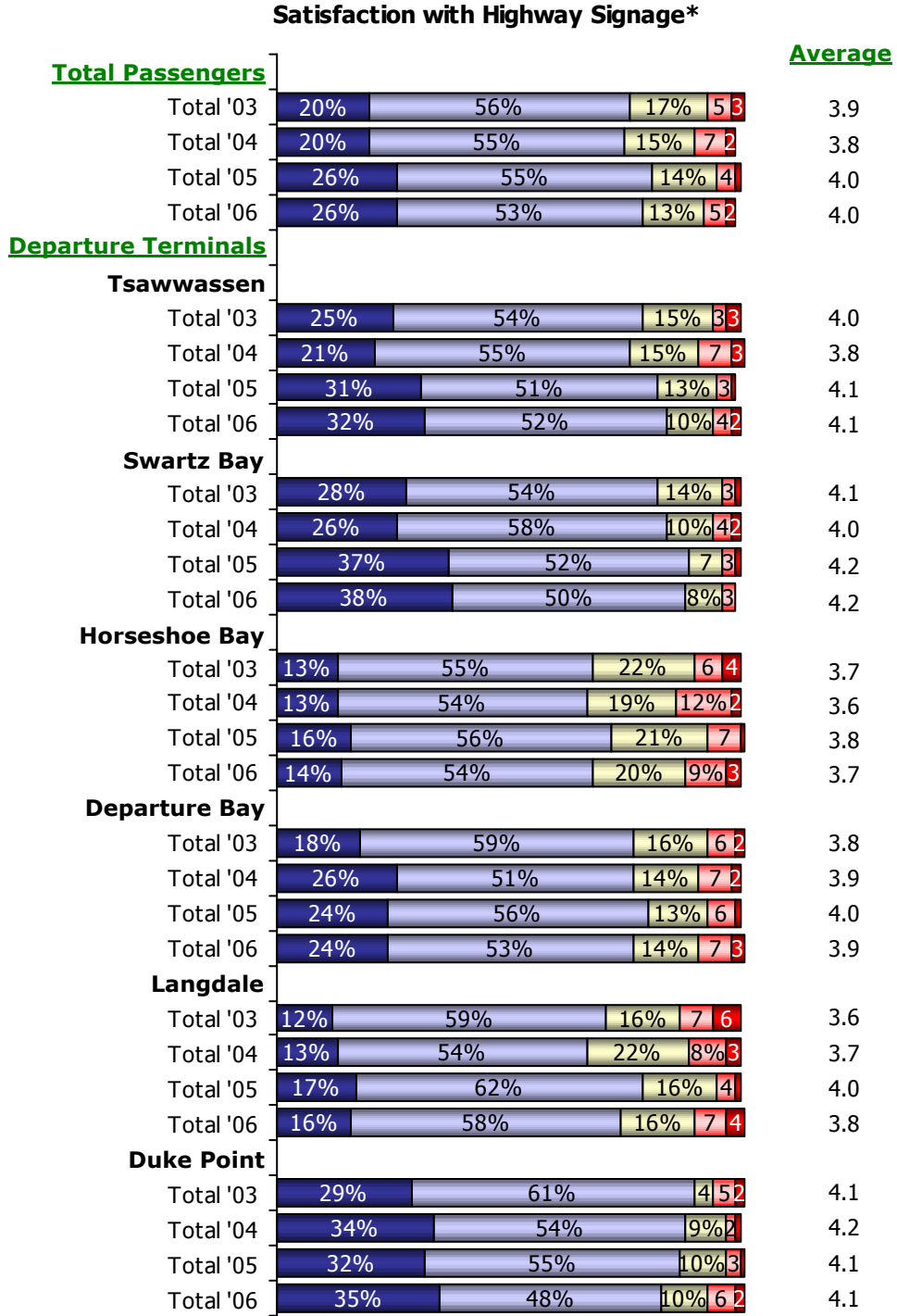
Q.2) Please rate how satisfied or dissatisfied you were with each of the following.

* 60% usage Web site, 34% for on-line reservations

** 30% usage phone service, 24% for automated system

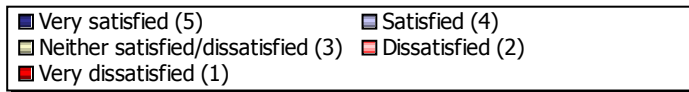
Highway Signage

Satisfaction levels with highway signage have been stable.



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

* Usage: 77%

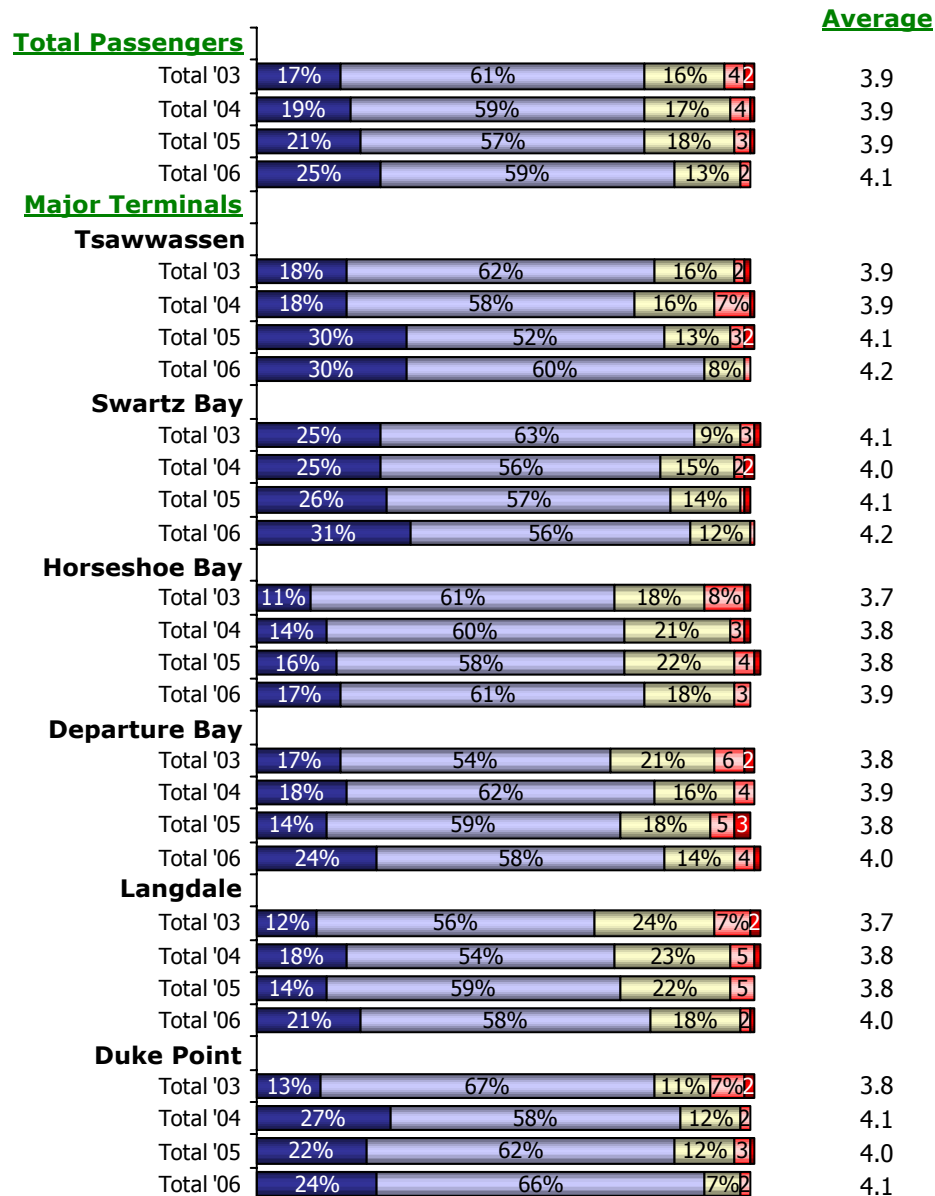


At the Terminal

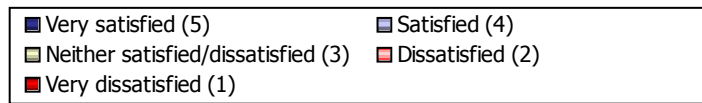
Overall Experience at the Terminal

Overall satisfaction levels with experience at the terminal before boarding are significantly higher than measured a year ago (84% satisfied in contrast to 78% in 2005). All terminals have increased satisfaction levels with ratings improving most at the Departure Bay and Langdale terminals.

Overall Satisfaction with Experience at the Terminal Before Boarding



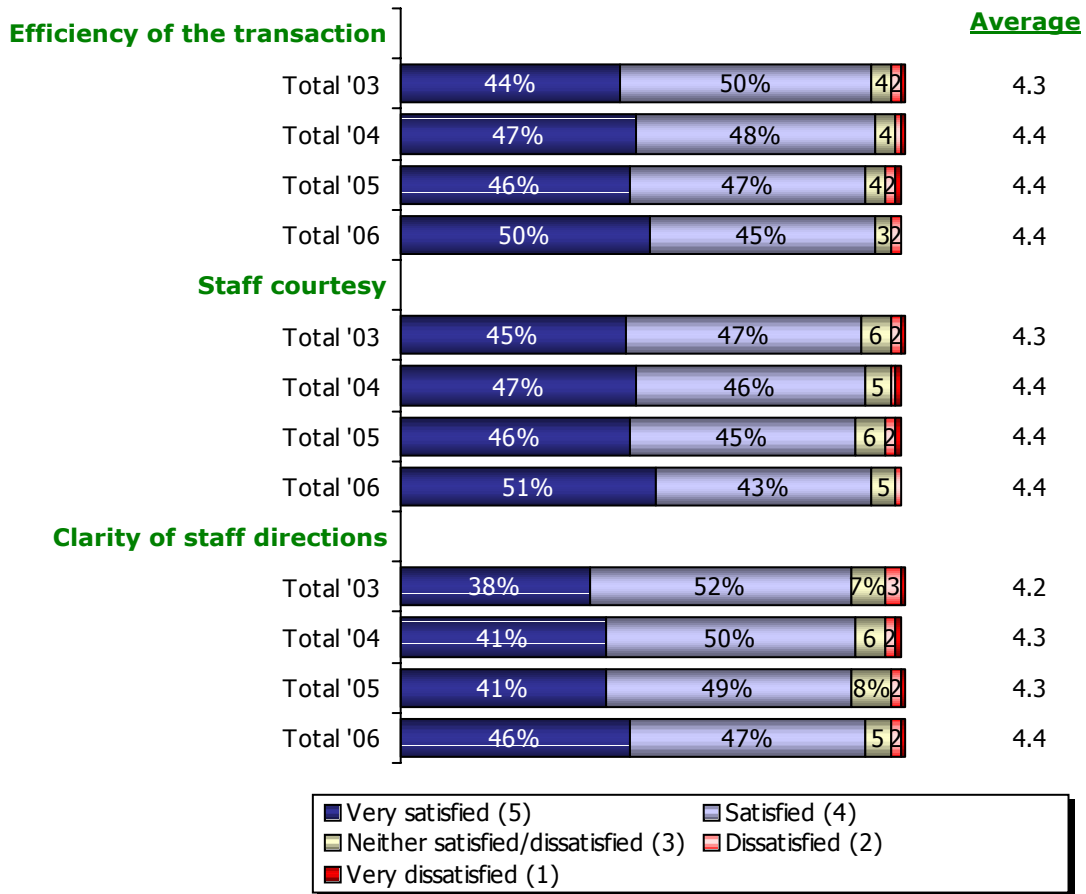
Q.3) Please rate how satisfied or dissatisfied you were with each of the following.



Ticket Purchase

Satisfaction levels continue to be high with all aspects of the ticket purchase process with average ratings more or less similar to a year ago but with some significant increases in the percentage of those who say 'very satisfied'.

Satisfaction with Aspects of Ticket Purchase

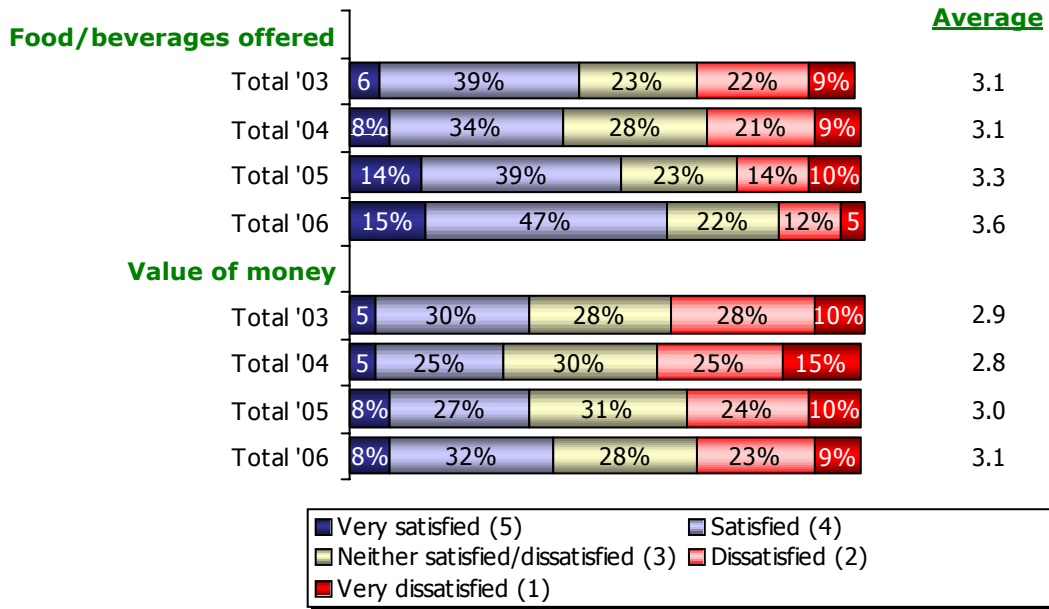


Q.3) Please rate how satisfied or dissatisfied you were with each of the following.

Food/Beverage Services at Terminal

Satisfaction levels have improved with food and beverage services at all terminals, particularly with the *food/beverages offered*, and to a lesser extent with *value for money*.

Satisfaction with Aspects of Food and Beverage Services at Terminal*



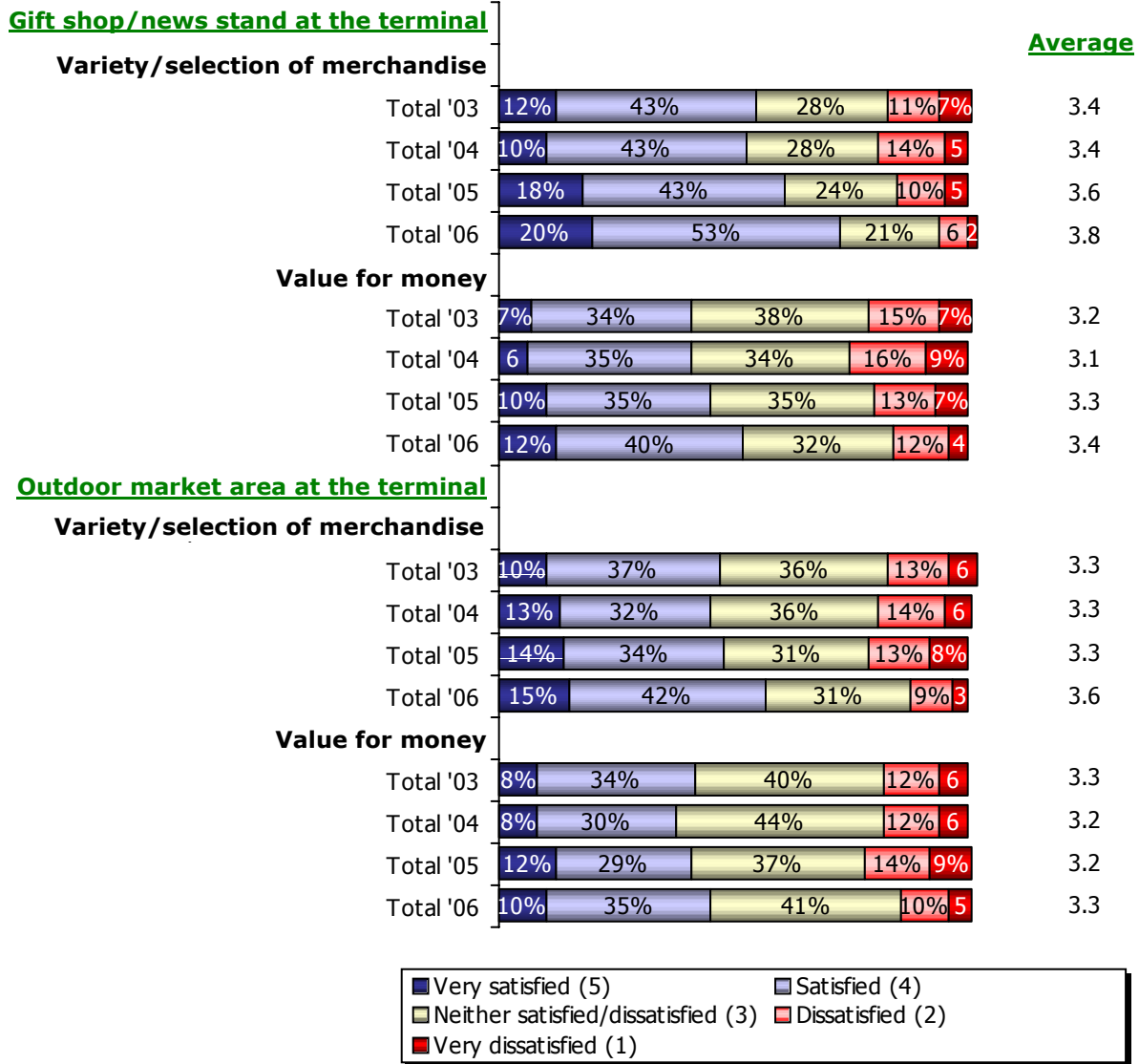
Q.3) Please rate how satisfied or dissatisfied you were with each of the following.

* 47% usage overall; excluding routes 19 and 23.

Retail Services at Terminal

Similarly, satisfaction has also increased with the gift shop/news stand services and outdoor market areas at the terminals, in terms of both *variety/selection* and *value for money*.

Satisfaction with Aspects of Retail Services at Terminal*



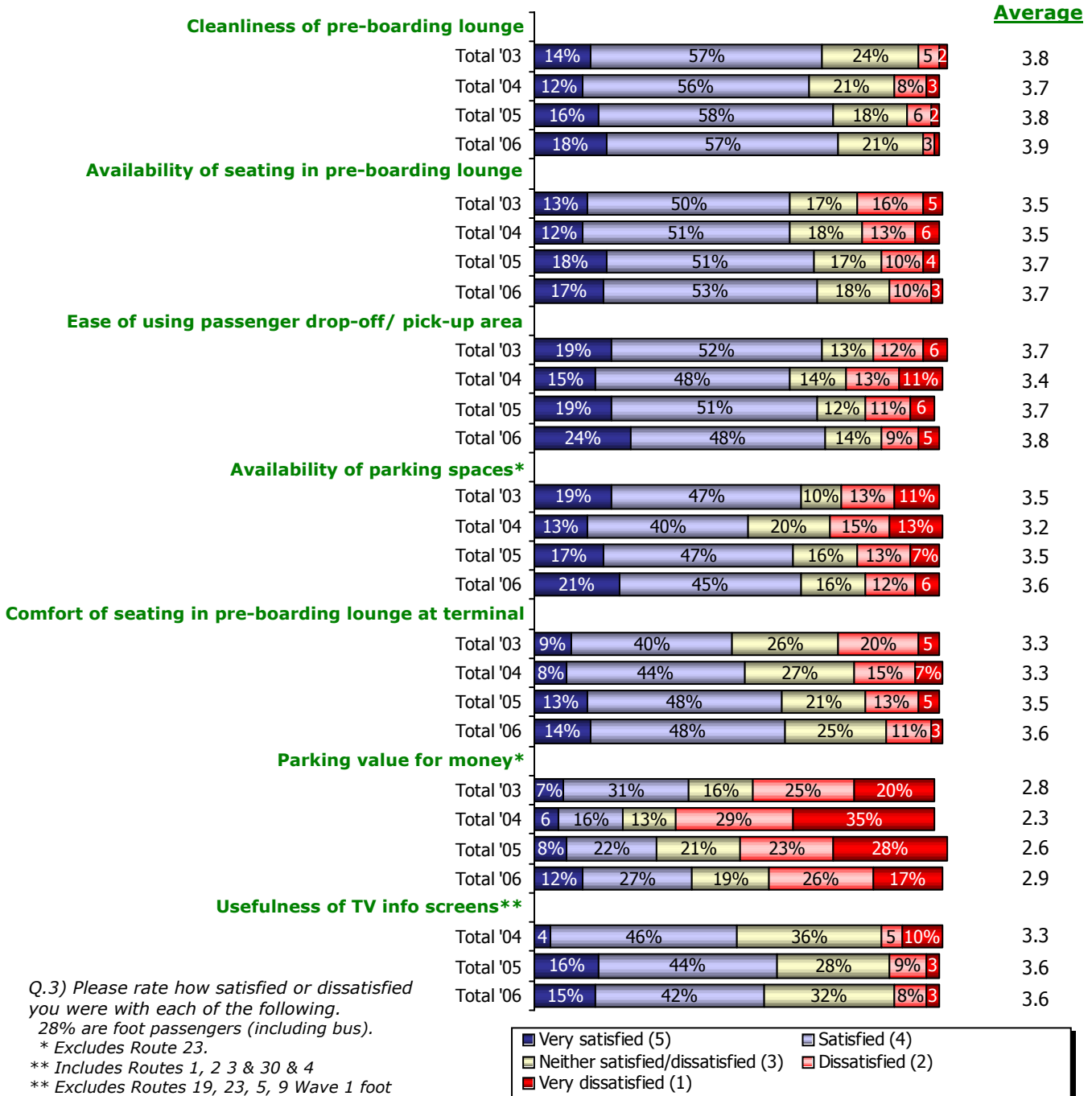
Q.3) Please rate how satisfied or dissatisfied you were with each of the following.

* 36% usage gift shop, 24% usage outdoor market; excludes route 19, and route 23.

Foot Passenger Services

Overall, there have been no dramatic changes in satisfaction levels with foot passenger services with the exception that ratings for *parking value for money* are considerably higher compared to a year ago (39% satisfied compared to 30% in 2005).

Satisfaction with Foot Passenger Services*



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

28% are foot passengers (including bus).

* Excludes Route 23.

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

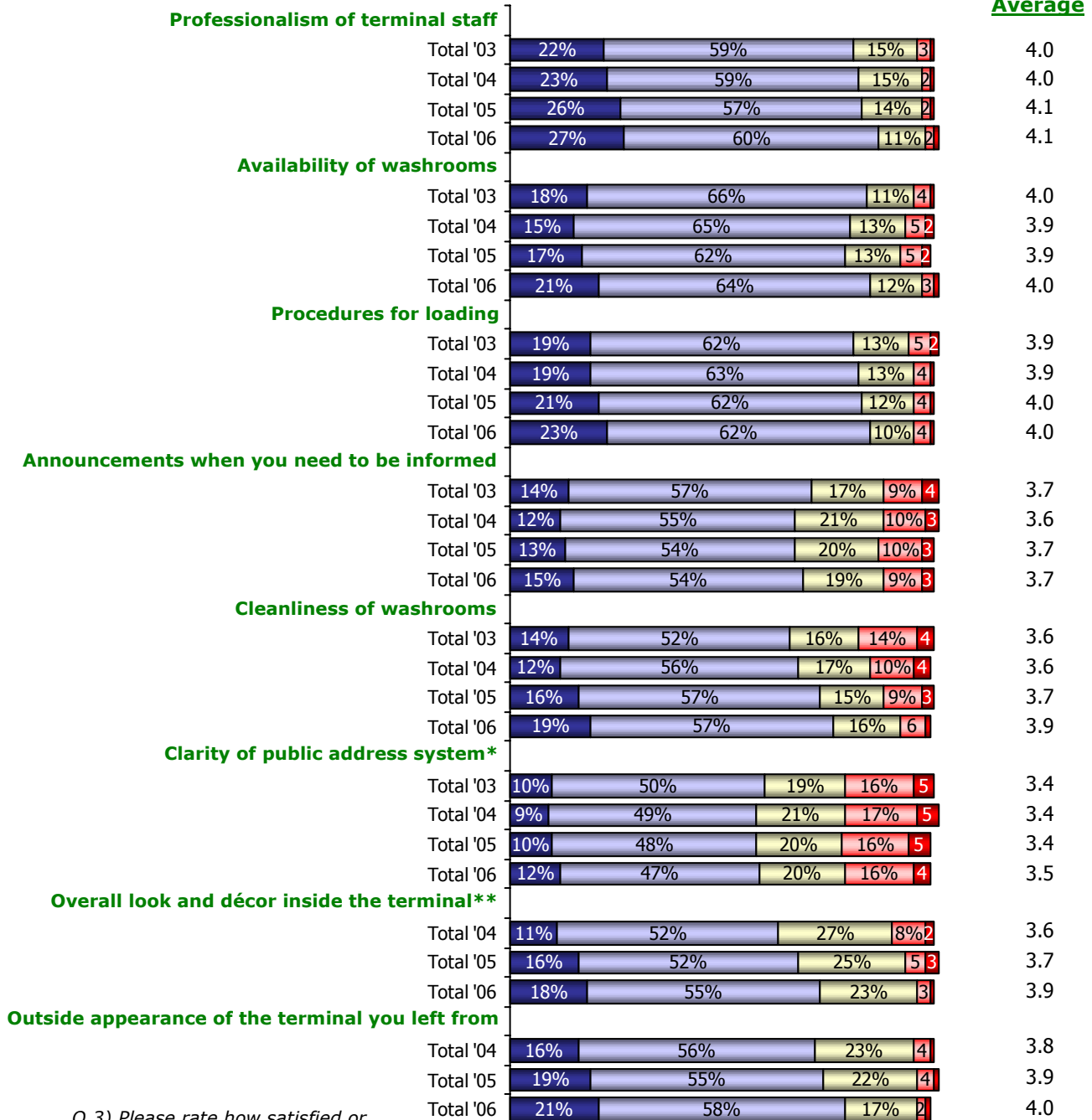
** Excludes Routes 19, 23, 5, 9 Wave 1 foot passengers only, Wave 2 & 3 all passengers) 2005

Other Terminal Services

Satisfaction levels with other terminal services are quite consistent with past measures, but with some improvements in ratings of *availability* and *cleanliness of washrooms*, *overall look and décor inside the terminal* and *outside appearance of terminal*.

Satisfaction with Other Terminal Services

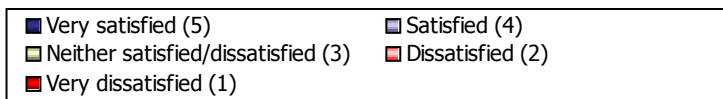
Average



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

* Excluding Route 23.

** Excludes Route 19 & 23.



Onboard Experience

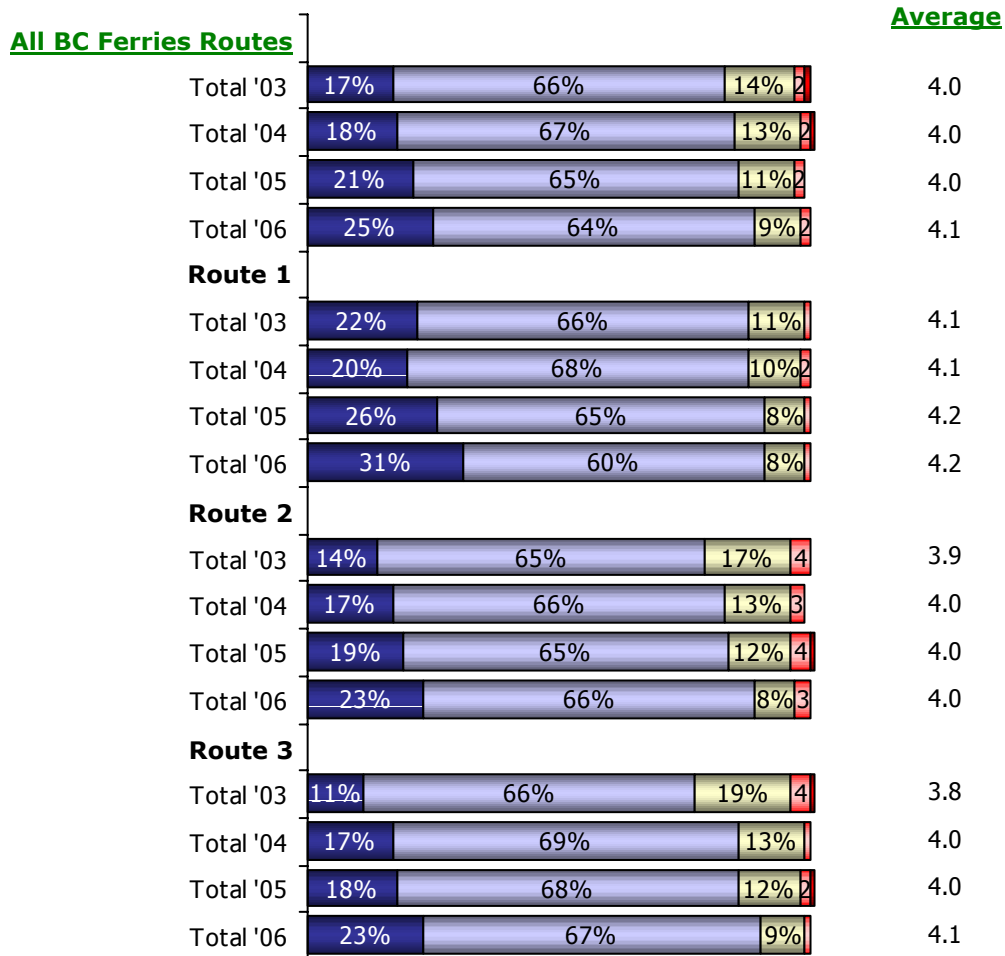
Overall Onboard Experience

Onboard satisfaction achieved a rating of 4.1 this year, a slight increase from previous years.

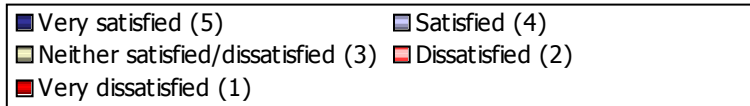
A total of 89% of passengers in 2006 were satisfied with their overall experience onboard, slightly higher than the 2005 level (86%) but note that the top box score has increased from 21% to 25% over the year, the highest level achieved to date. Ratings have increased mostly on all major routes.

[NOTE: Refer to page 6 or page 30 for Route number codes]

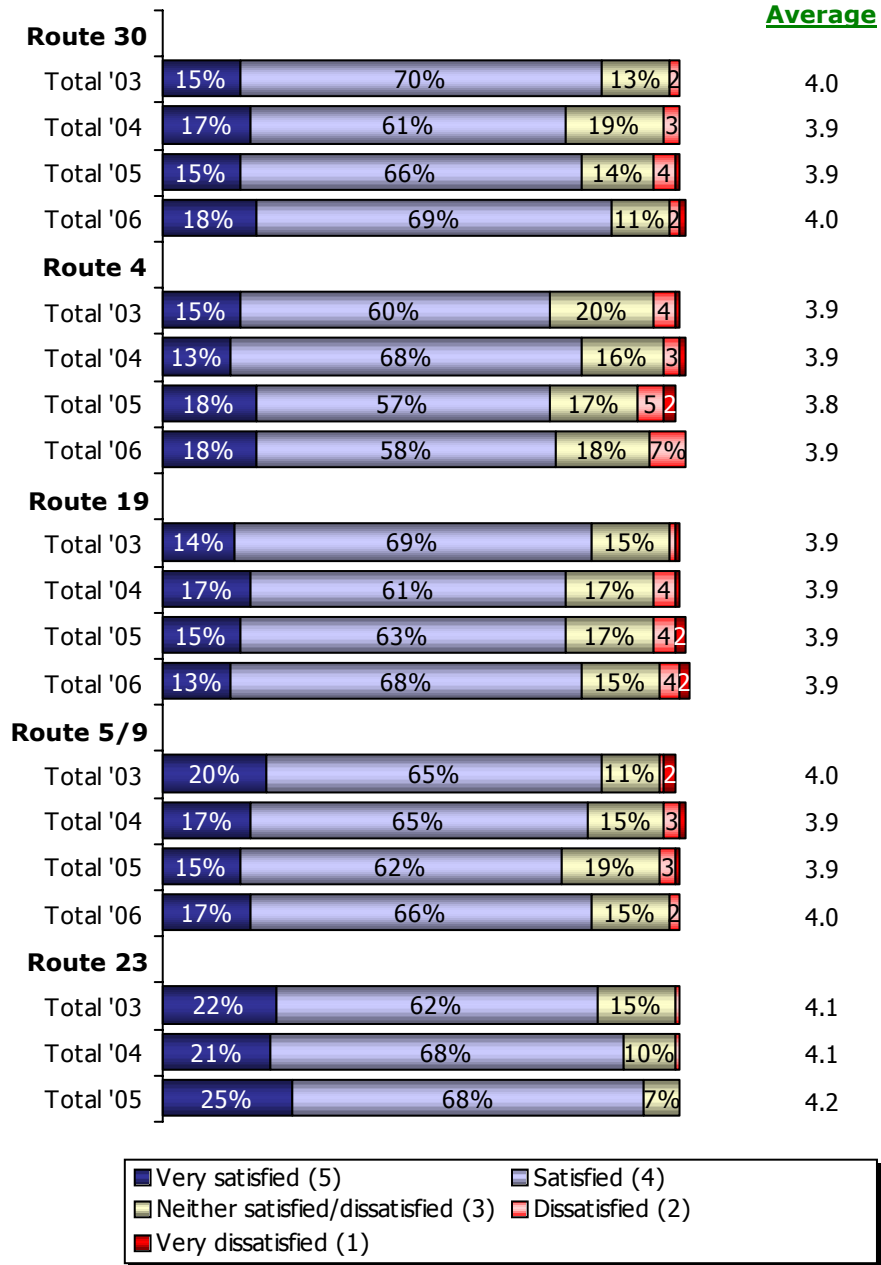
Overall Satisfaction with Onboard Experience



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



**Overall Satisfaction with Onboard Experience
(cont'd)**



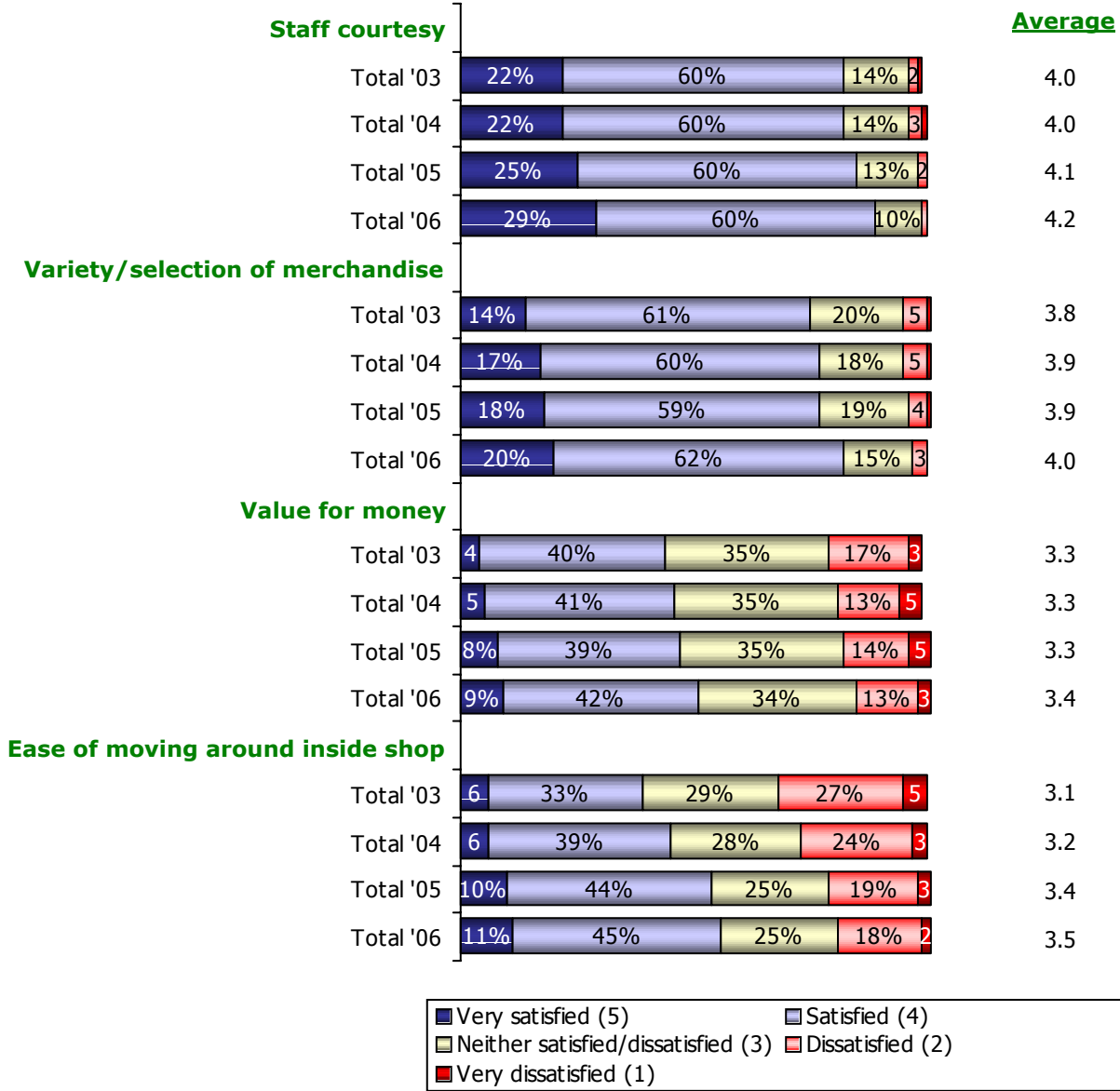
Q.4) Please rate how satisfied or dissatisfied you were with each of the following.

Note: Route not surveyed in 2006

Onboard Gift Shop/News Stand

Satisfaction levels with all aspects of the onboard gift shop/news stand have strengthened over the past year.

Satisfaction with Aspects of Gift Shop/News Stand Onboard*



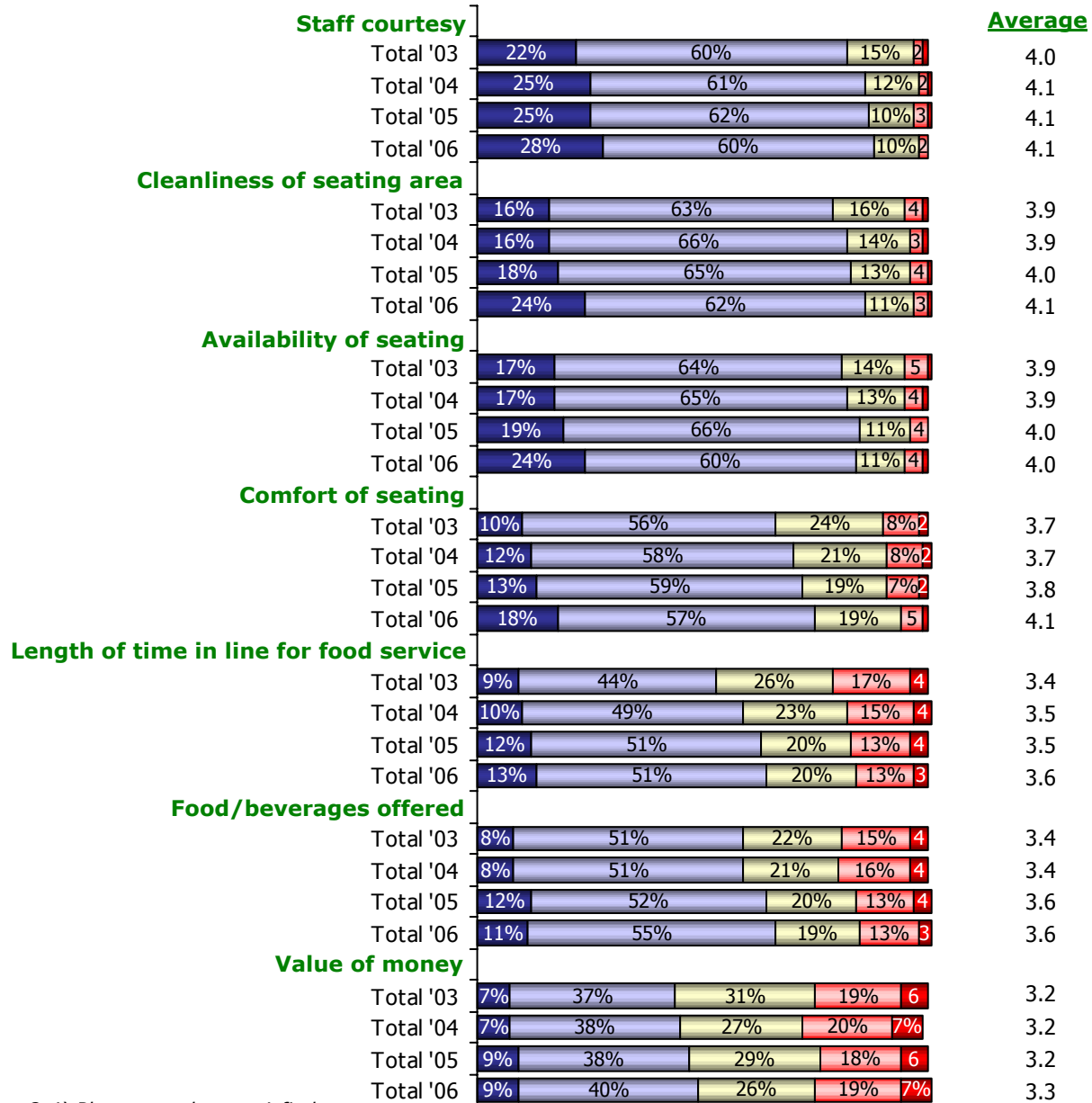
Q.4) Please rate how satisfied or dissatisfied you were with each of the following.

* Excludes Routes 4, 19 and 23. Otherwise usage is 58%.

Onboard Food Services

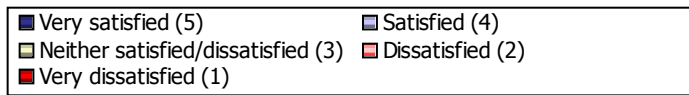
Satisfaction levels have strengthened with the following aspects of onboard food services: *cleanliness of seating area, availability of seating, and for comfort of seating.* Either total satisfaction levels or the top box scores have increased compared to 2005 on these attributes.

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 76%

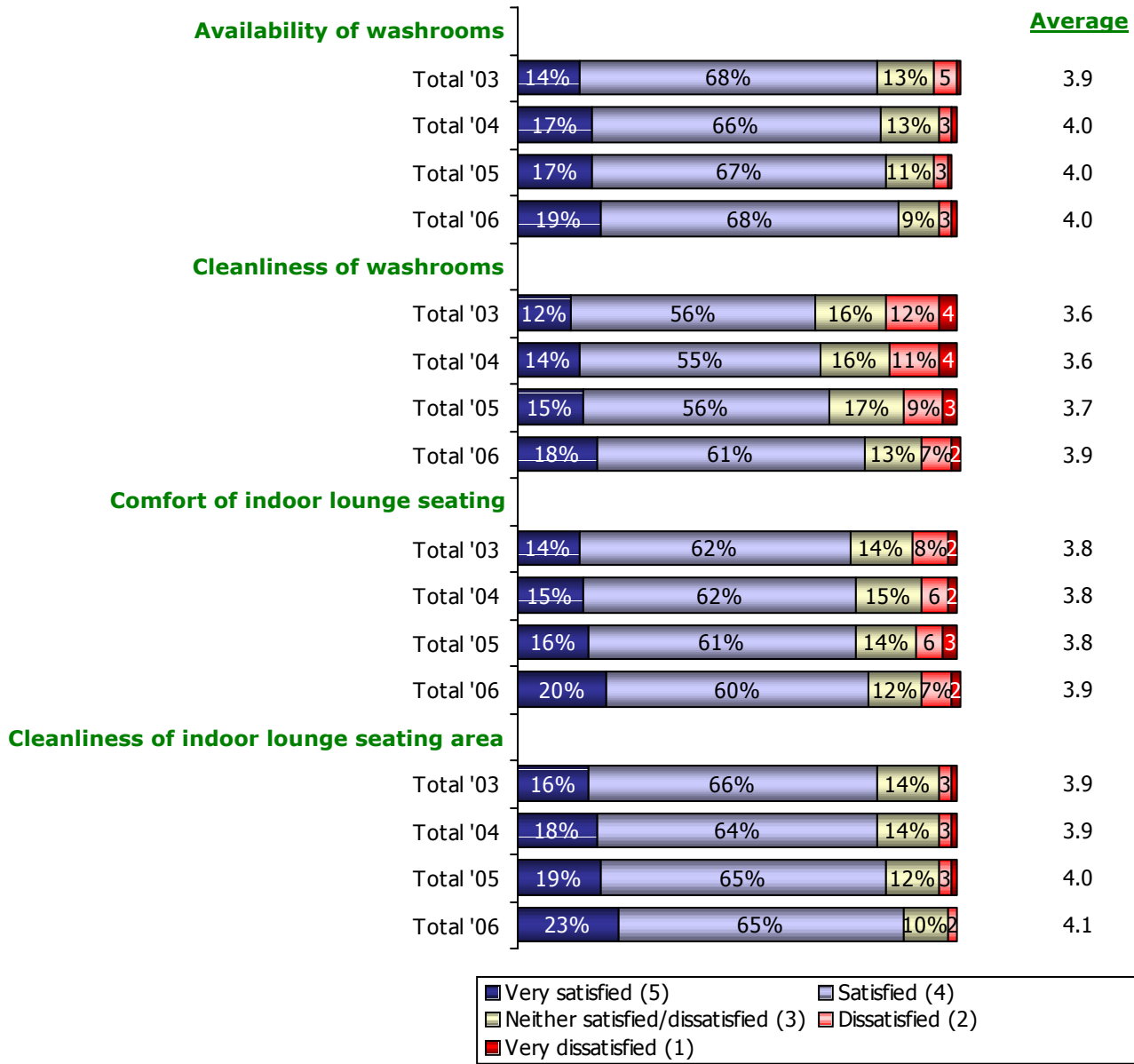


Onboard Washrooms and Onboard Seating

Satisfaction levels with the *cleanliness of washrooms* have improved with 79% satisfied in 2006, in contrast to 71% in 2005.

Travellers continue to be increasingly satisfied with the *comfort and cleanliness* of indoor lounge seating with a slight increase in the top box score ('very satisfied') for comfort and cleanliness.

Satisfaction with Onboard Washrooms and Onboard Seating

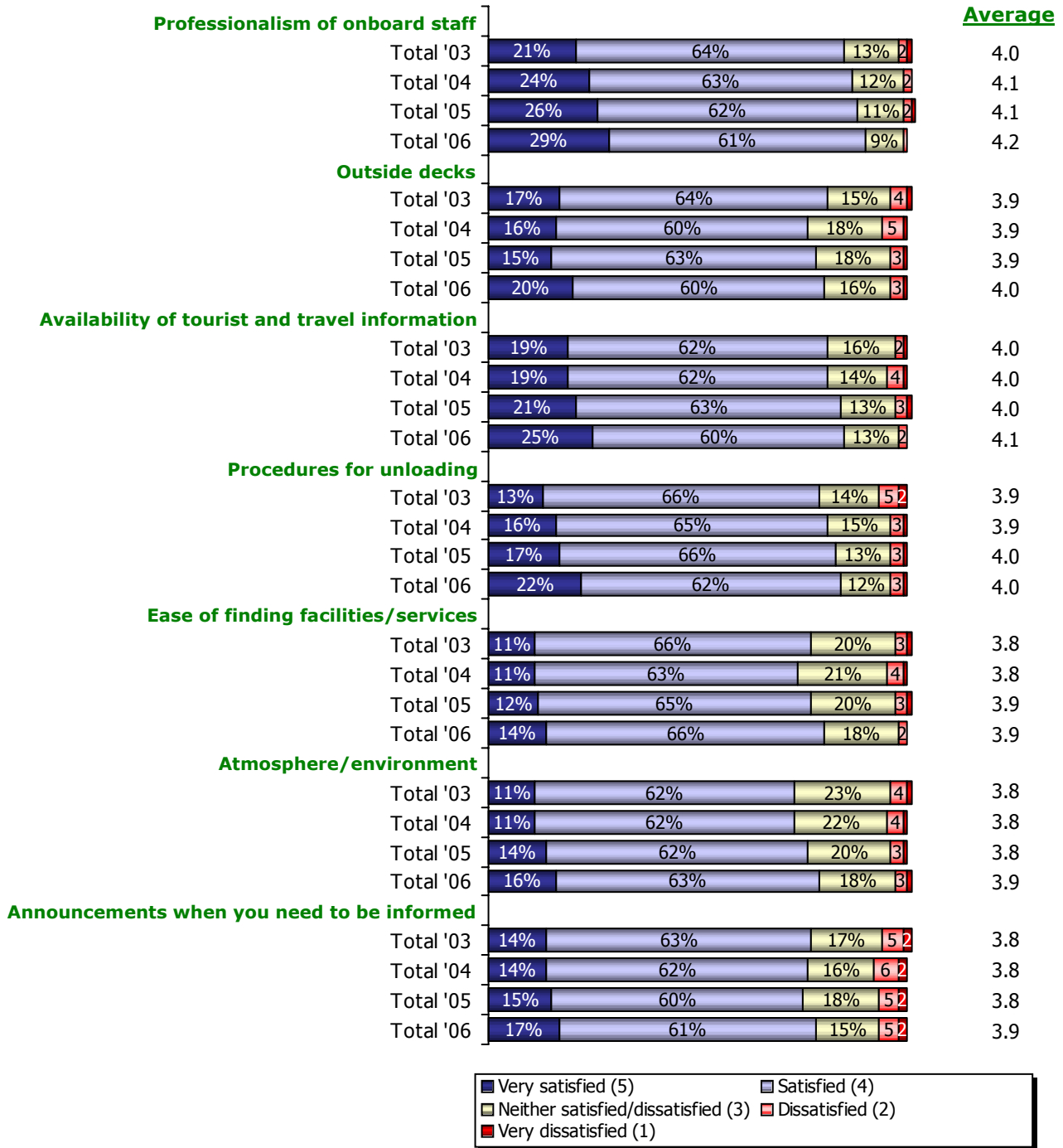


Q.4) Please rate how satisfied or dissatisfied you were with each of the following.

Other Onboard Facilities/Services

There have been minor improvements in ratings from 2005 on virtually all other onboard facilities and services (see following page also).

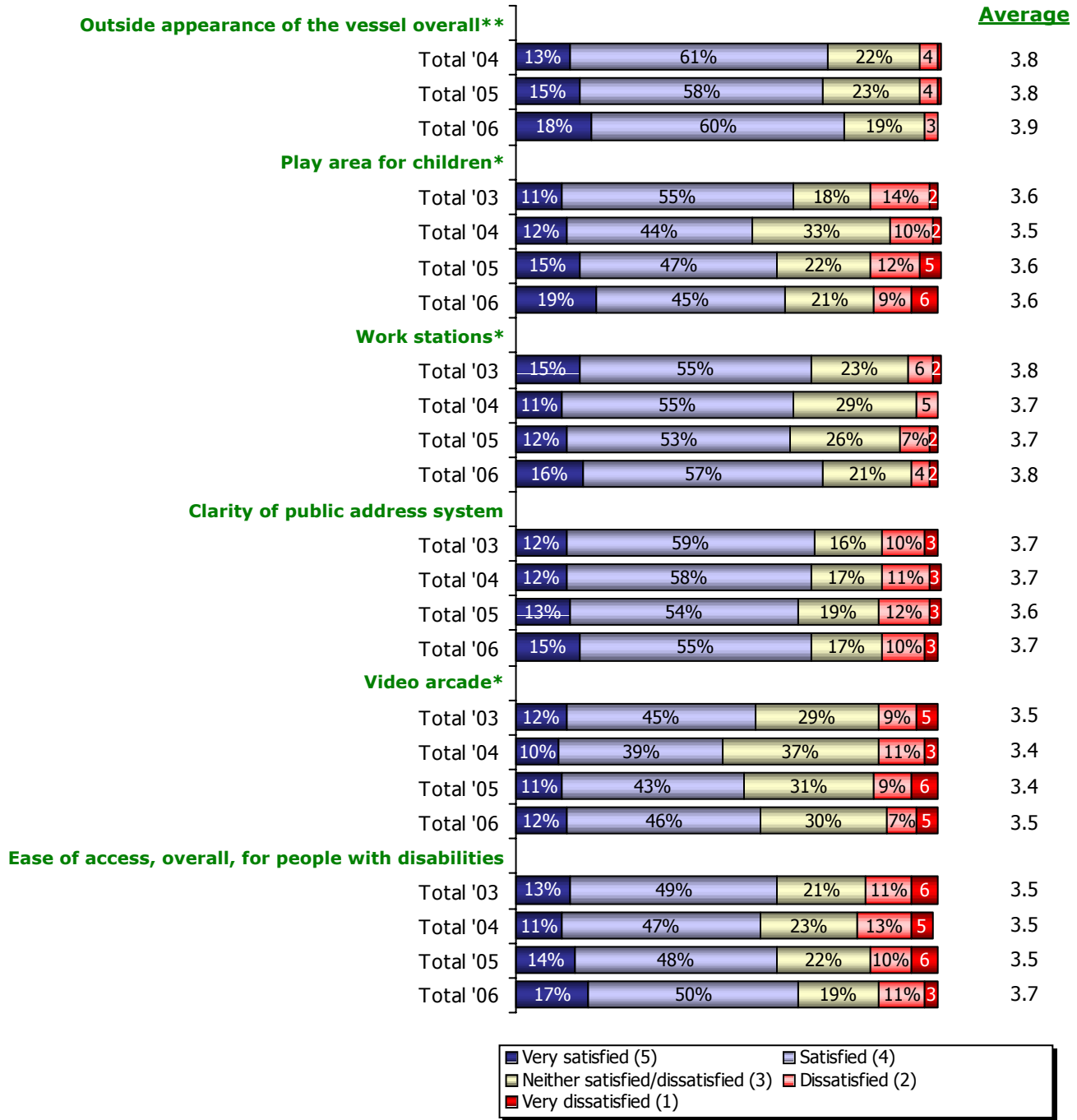
Satisfaction with Other Facilities/Services Onboard



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.

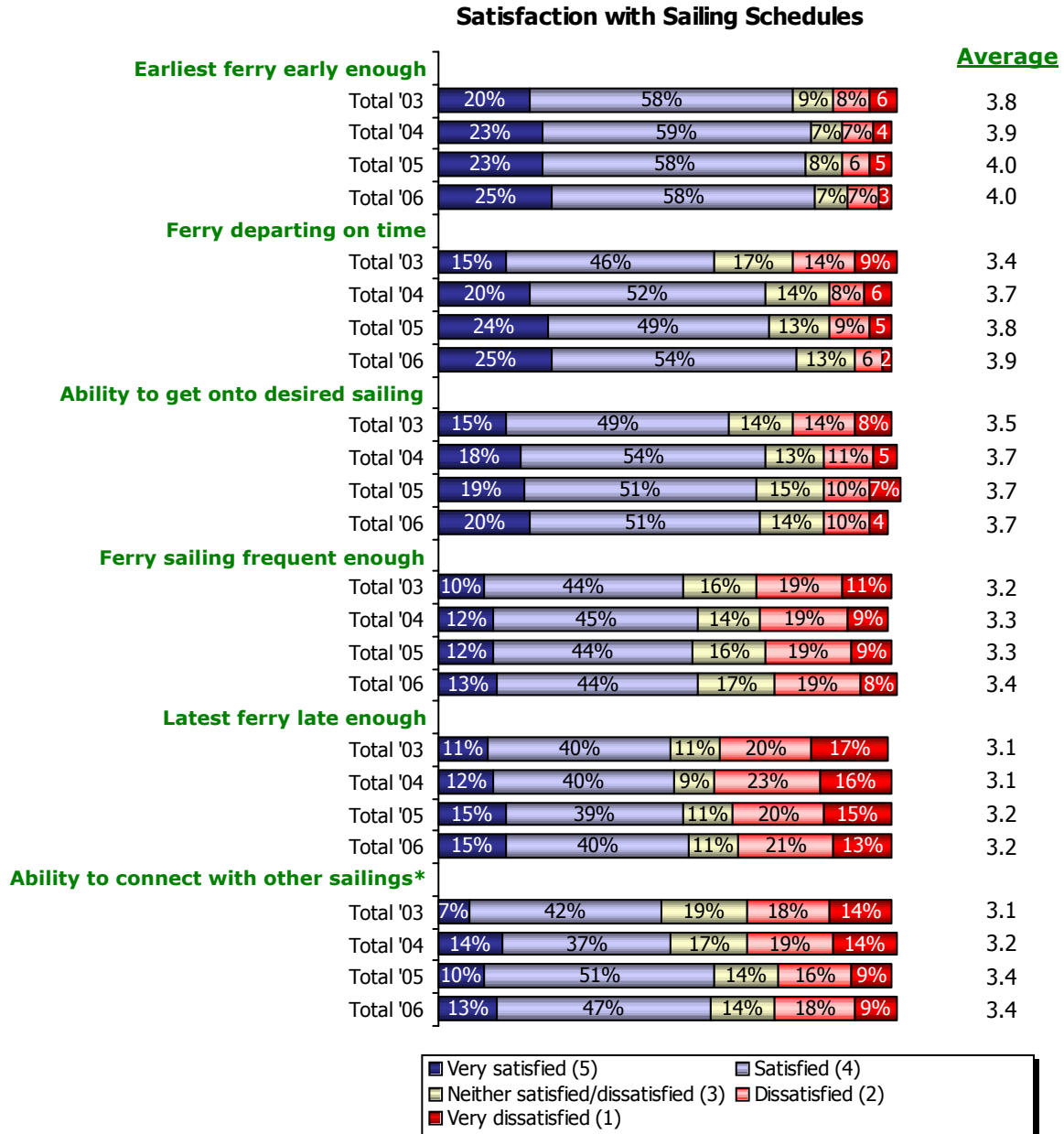
* Excludes routes 4, 19, and 23.

** Question not asked in 2003

Sailing Schedules

Various Aspects of Sailing Schedules

Ratings have been improving consistently with respect to sailing schedule attributes, with particular improvement over the past year of *on-time departures* (79% now satisfied compared to 73% in 2005)



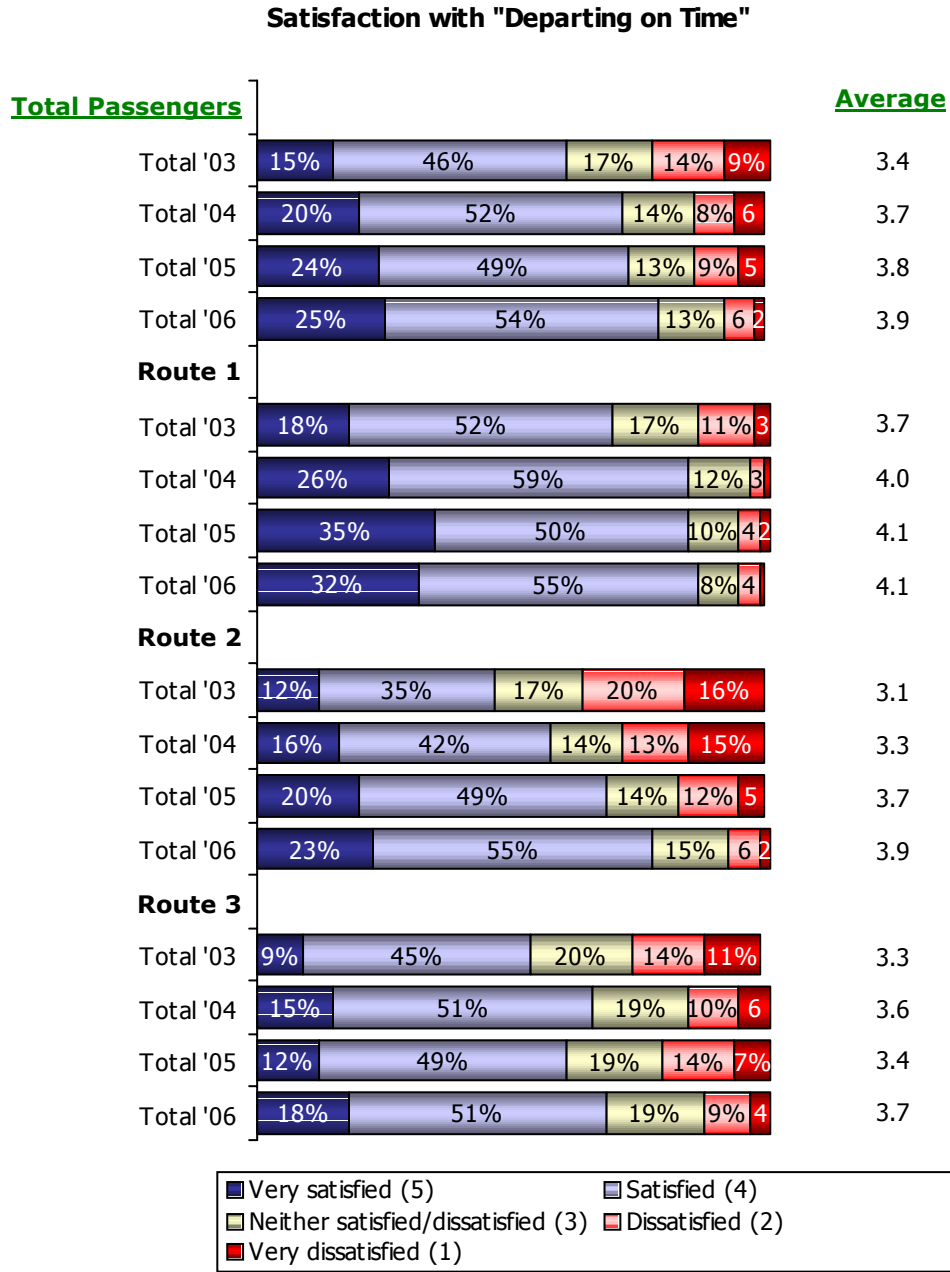
Q.5) Please rate how satisfied or dissatisfied you were with each of the following.

* Based on those connecting (n=493).

Departing on Time

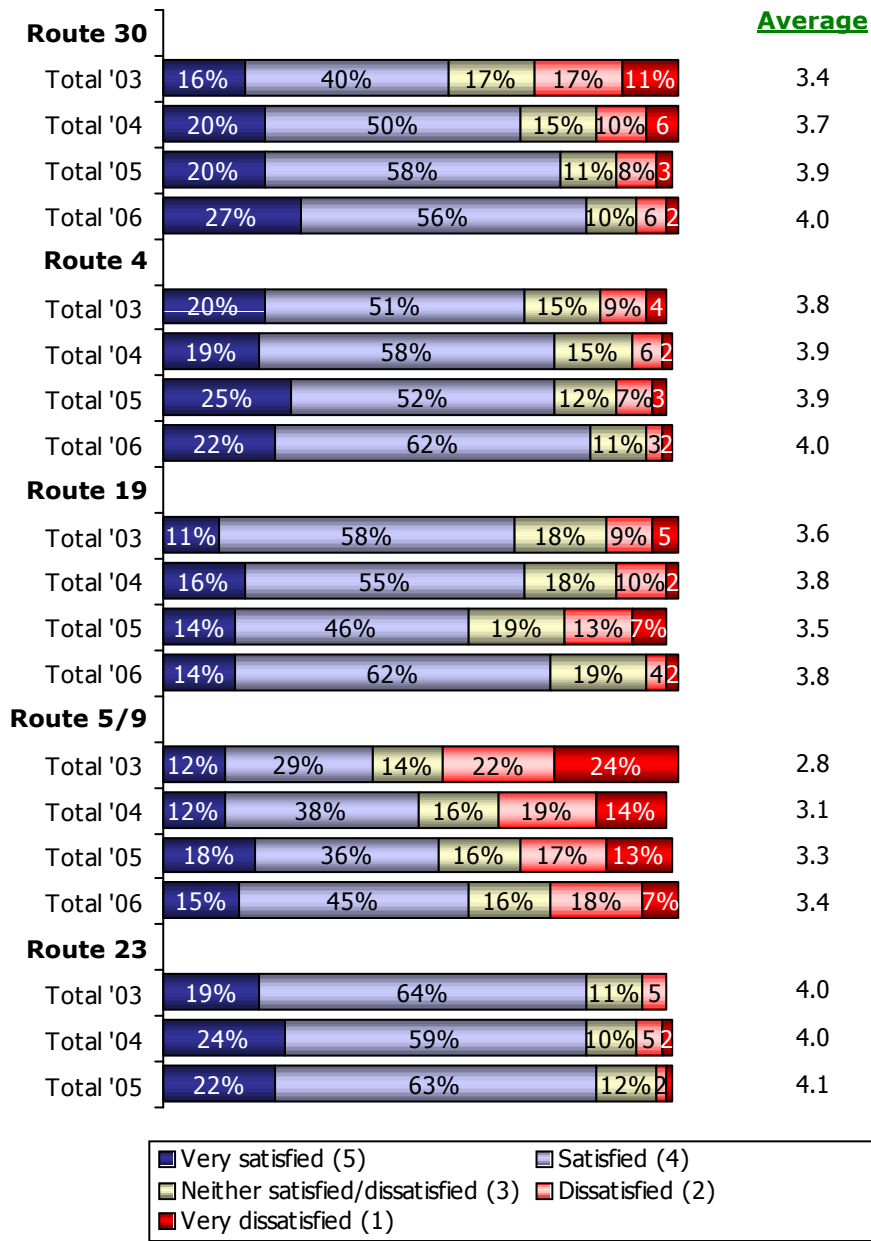
The following graph details the ratings for "departing on time" by route. In comparison to 2005, ratings are notably higher on Routes 2, 3, 30, 4, 19 and 5/9.

[NOTE: Refer to page 6 or page 30 for Route number codes]



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

**Satisfaction with "Departing on Time"
(cont'd)**

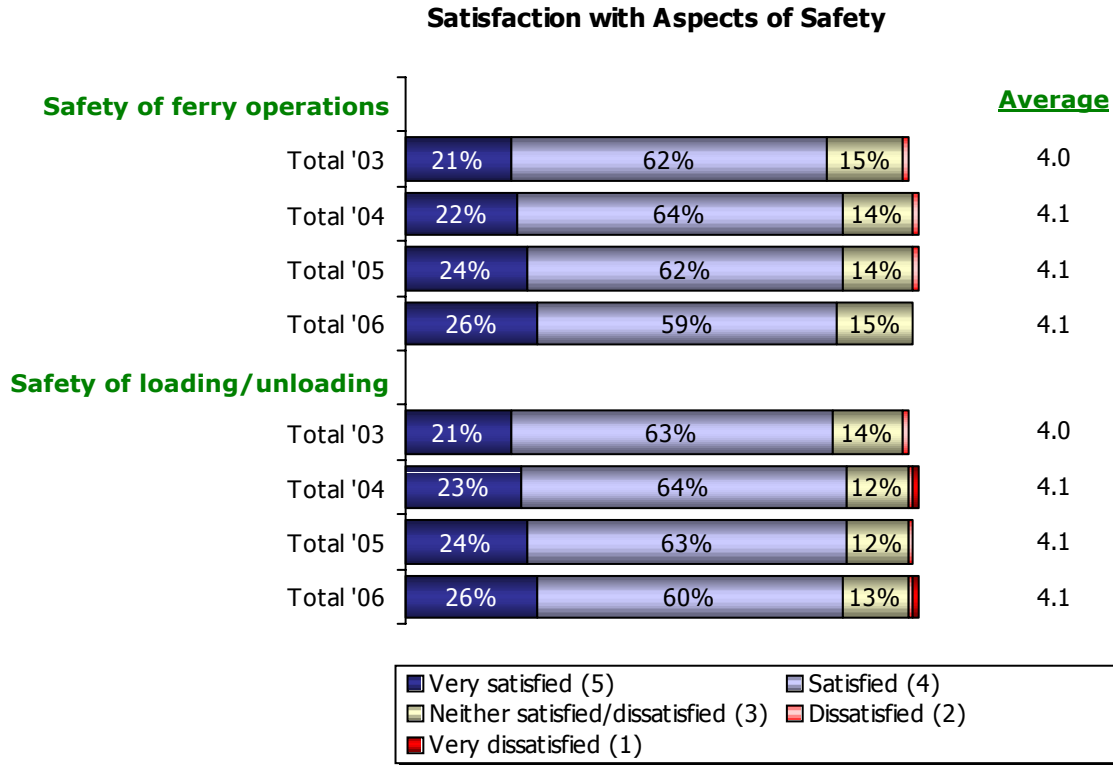


Q.5) Please rate how satisfied or dissatisfied you were with each of the following.

Note: Route 23 not surveyed in 2006.

Safety

Perceptions of the *safety of the ferry operations* continue to be stable and high, with the current satisfaction level at 85%.

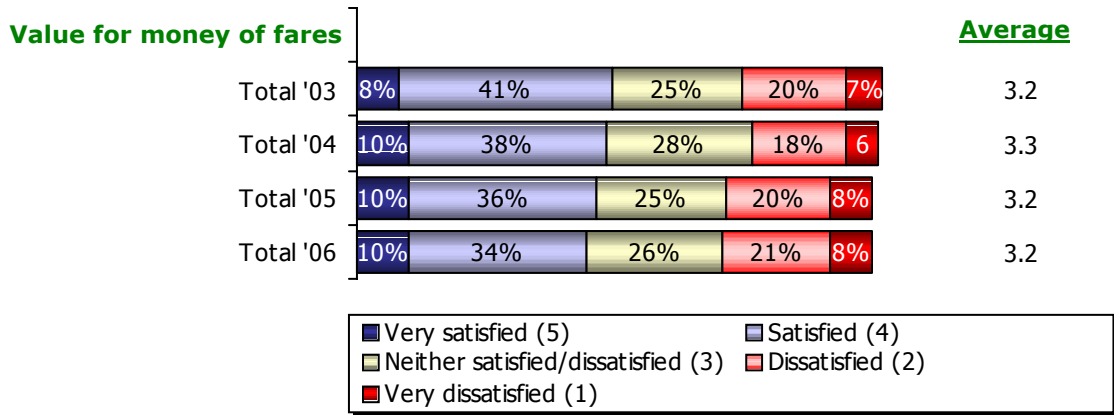


Q.5) Please rate how satisfied or dissatisfied you were with each of the following.

Overall Value

Satisfaction levels continue to be low with perceived *value for money of the fares*, with no change in ratings.

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 - 2006	
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 2006 (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	4.2	4.3	4.3	4.2	4.2	4.2	4.1	4.3	4.0	4.1	-
BEFORE ARRIVING AT TERMINAL											
Usefulness of BC Ferries website	4.4	4.4	4.4	4.4	4.4	4.4	4.2	4.3	4.1	4.3	-
Ease of using on-line reservations	4.2	4.2	4.2	4.3	4.1	4.2	4.0	4.1	3.9	4.0	-
Usefulness of BC Ferries phone service	3.5	3.6	3.6	3.6	3.5	3.4	3.6	3.5	3.4	3.7	-
Ease of using automated phone service	3.2	3.2	3.2	3.2	3.3	3.1	3.2	3.2	3.1	3.2	-
Highway signage	4.0	4.0	4.2	3.8	4.0	3.7	3.9	4.0	3.6	4.0	-
TERMINAL EXPERIENCE											
Terminal overall	4.1	4.1	4.2	4.0	4.2	3.9	4.0	4.0	3.8	4.0	-
Outside appearance of the terminal	4.0	4.1	4.1	3.9	4.1	3.8	3.9	3.9	3.6	4.0	-
Ticket Purchase											
Efficiency of the transaction	4.4	4.5	4.5	4.4	4.5	4.3	4.4	4.4	4.3	4.4	-
Staff courtesy	4.4	4.5	4.5	4.4	4.5	4.3	4.4	4.5	4.4	4.4	-
Clarity of staff directions	4.4	4.4	4.5	4.3	4.4	4.2	4.3	4.3	4.3	4.3	-
Food & Beverage Services at the Terminal											
Food beverages offered	3.6	3.6	3.7	3.5	3.6	3.4	3.4	3.3	-	3.4	-
Value for money	3.1	3.1	3.2	2.9	3.0	3.0	3.0	2.9	-	3.1	-
Gift Shop/News Stand at the Terminal											
Variety/selection of merchandise	3.8	3.9	3.9	3.9	3.7	3.8	3.6	3.4	-	3.6	-
Value for money	3.4	3.4	3.5	3.4	3.4	3.4	3.3	3.2	-	3.3	-
Outdoor Market Area at the Terminal											
Variety/selection of merchandise	3.6	3.6	3.7	3.4	3.6	3.5	3.5	3.5	-	3.6	-
Value for money	3.3	3.3	3.4	3.1	3.4	3.4	3.3	3.2	-	3.3	-
Other Terminal Services											
Clarity of Public address system	3.5	3.6	3.6	3.5	3.5	3.3	3.3	3.2	3.2	3.4	-
Announcements when you need to be informed	3.7	3.8	3.8	3.7	3.7	3.6	3.5	3.4	3.3	3.6	-
Overall look & décor inside terminal	3.9	3.9	4.0	3.7	3.9	3.7	3.8	3.8	-	3.8	-
Availability of washrooms	4.0	4.0	4.1	3.9	4.1	4.0	3.9	4.0	3.8	4.0	-
Cleanliness of washrooms	3.9	3.9	4.0	3.7	4.0	3.8	3.8	3.9	3.6	4.0	-
Procedures for loading	4.0	4.1	4.1	4.0	4.1	3.9	3.9	4.0	4.0	3.8	-
Professionalism of terminal staff	4.1	4.1	4.2	4.0	4.2	4.0	4.1	4.1	4.2	4.1	-

continued

Average Satisfaction Ratings by Route – All Waves 2006 (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	3.6	3.7	3.3	3.7	3.3	3.5	3.5	-	-	-
Availability of parking spaces	3.6	3.8	3.8	3.6	3.9	3.6	3.2	3.0	2.5	3.7	-
Parking value for money	2.9	2.7	2.8	2.6	2.9	3.4	3.0	2.2	3.3	2.9	-
Ease of using passenger drop-off/ pick-up area	3.8	3.8	3.8	3.7	3.7	3.9	3.6	3.6	3.2	3.8	-
Availability of seating in pre-boarding lounge at terminal	3.7	3.7	3.7	3.6	3.7	3.9	3.7	3.9	3.4	3.8	-
Comfort of seating in pre-boarding lounge at terminal	3.6	3.6	3.7	3.5	3.6	3.7	3.3	3.6	2.9	3.6	-
Cleanliness of pre-boarding lounge	3.9	3.9	3.9	3.8	4.0	4.0	3.8	4.0	3.4	4.0	-
ONBOARD EXPERIENCE											
Onboard overall	4.1	4.2	4.2	4.1	4.0	4.1	3.9	3.9	3.9	4.0	-
Gift Shop/ News Stand											
Variety/ selection of merchandise	4.0	4.0	4.0	4.0	3.7	4.0	3.7	-	-	3.7	-
Staff courtesy	4.2	4.2	4.2	4.1	4.1	4.2	4.1	-	-	4.1	-
Ease of moving around inside shop	3.5	3.4	3.6	3.3	2.9	3.6	3.5	-	-	3.5	-
Value for money	3.4	3.4	3.4	3.4	3.3	3.4	3.4	-	-	3.4	-
Food Services											
Length of time in line for food services	3.6	3.6	3.7	3.5	3.7	3.5	3.7	-	-	3.7	-
Food/ beverages offered	3.6	3.6	3.6	3.6	3.6	3.6	3.4	-	-	3.4	-
Staff courtesy	4.1	4.2	4.2	4.1	4.2	4.1	4.1	-	-	4.1	-
Availability of seating	4.0	4.0	4.1	3.9	4.1	4.1	4.0	-	-	4.0	-
Comfort of seating	3.9	3.9	3.9	3.8	3.7	3.9	3.7	-	-	3.7	-
Cleanliness of seating area	4.1	4.1	4.1	4.0	4.0	4.1	4.0	-	-	4.0	-
Value for money	3.3	3.3	3.3	3.1	3.2	3.3	3.2	-	-	3.2	-
Washrooms											
Availability of washrooms	4.0	4.0	4.1	4.0	4.0	4.1	3.9	3.9	3.7	4.0	-
Cleanliness of washrooms	3.9	3.9	4.0	3.7	3.8	3.9	3.8	3.7	3.4	3.9	-
Lounge Seating											
Comfort of indoor lounge seating	3.9	4.0	4.1	3.8	3.8	4.0	3.4	2.9	2.9	3.7	-
Cleanliness of indoor lounge seating area	4.1	4.1	4.2	4.1	4.0	4.1	3.9	3.8	3.5	4.0	-

continued

Average Satisfaction Ratings by Route –All Waves 2006 (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	3.7	3.7	3.6	3.8	2.9	-	-	2.9	-
Video arcade	3.5	3.6	3.7	3.5	3.4	3.5	2.9	-	-	2.9	-
Work stations	3.8	3.8	4.0	3.8	3.4	3.9	3.6	-	-	3.6	-
Outside decks	4.0	4.0	4.1	3.9	3.8	3.9	3.8	3.8	3.7	3.9	-
Outside appearance of the vessel overall	3.9	4.0	4.1	3.9	3.6	3.9	3.8	3.9	3.7	3.8	-
Availability of tourist and travel information	4.1	4.1	4.2	4.0	4.0	4.1	3.8	3.8	3.5	3.9	-
Ease of access, overall, for people with disabilities	3.7	3.8	3.9	3.6	3.5	3.8	3.3	3.4	3.1	3.4	-
Ease of finding facilities/ services	3.9	4.0	4.0	3.9	3.9	3.9	3.7	3.6	3.6	3.8	-
Clarity of public address system	3.7	3.8	3.8	3.7	3.8	3.7	3.4	3.3	3.1	3.6	-
Announcements when you need to be informed	3.9	3.9	4.0	3.9	3.9	3.9	3.6	3.6	3.3	3.8	-
Atmosphere/ environment	3.9	3.9	4.0	3.9	3.8	4.0	3.7	3.5	3.5	3.8	-
Procedures for unloading	4.0	4.1	4.1	4.0	4.0	3.9	3.9	3.9	3.9	3.9	-
Professionalism with onboard staff	4.2	4.2	4.3	4.2	4.1	4.2	4.1	4.1	4.1	4.1	-
Experience with the Sailing Schedule											
Earliest ferry earliest enough	4.0	3.9	3.9	4.0	4.1	4.1	3.9	3.9	4.0	3.9	-
Latest ferry late enough	3.2	3.4	3.4	3.3	3.7	2.7	3.3	2.9	3.3	3.5	-
Ferry sailing frequent enough	3.4	3.5	3.7	3.2	3.3	2.9	3.3	3.4	3.5	3.0	-
Ability to get onto desired ferry	3.7	3.8	3.9	3.7	3.8	3.4	3.6	3.9	3.1	3.8	-
Ability to connect with other sailings	3.4	3.3	3.4	3.2	3.6	3.4	3.4	3.6	2.6	3.6	-
Ferry departing on time	3.9	4.0	4.1	3.9	4.0	3.7	3.7	4.0	3.8	3.4	-
Safety											
Safety of ferry operations	4.1	4.1	4.2	4.0	4.0	4.1	4.1	4.1	4.0	4.1	-
Safety of loading/unloading	4.1	4.1	4.2	4.1	4.0	4.1	4.1	4.1	4.1	4.1	-
OVERALL VALUE											
Value for money of fares	3.2	3.2	3.3	3.1	3.1	3.0	3.1	3.1	3.0	3.2	-

TERMINAL ATTRIBUTE ONLY – Satisfaction Ratings by Terminal - All Waves 2006 -							
	Total	Tsawwassen	Swartz Bay	Horseshoe Bay	Departure Bay	Langdale	Duke Point
OVERALL EXPERIENCE							
Overall	4.2	4.3	4.3	4.2	4.2	4.2	4.2
TERMINAL EXPERIENCE							
Terminal overall	4.1	4.2	4.2	3.9	4.0	4.0	4.1
Outside appearance of the terminal	4.0	4.1	4.1	3.8	3.9	3.8	4.2
Ticket Purchase							
Efficiency of the transaction	4.4	4.5	4.5	4.3	4.4	4.2	4.4
Staff courtesy	4.4	4.6	4.4	4.3	4.4	4.3	4.5
Clarity of staff directions	4.4	4.5	4.4	4.2	4.3	4.2	4.5
Food & Beverage Services at the Terminal							
Food beverages offered	3.6	3.8	3.6	3.4	3.5	3.4	3.3
Value for money	3.1	3.2	3.1	2.9	3.0	3.1	2.8
Gift Shop/News Stand at the Terminal							
Variety/selection of merchandise	3.8	3.9	3.8	3.8	3.9	3.9	3.5
Value for money	3.4	3.6	3.3	3.4	3.4	3.5	3.3
Outdoor Market Area at the Terminal							
Variety/selection of merchandise	3.6	3.8	3.6	3.4	3.4	3.6	3.3
Value for money	3.3	3.6	3.3	3.2	3.1	3.5	3.2
Other Terminal Services							
Clarity of Public address system	3.5	3.5	3.5	3.4	3.6	3.3	3.7
Announcements when you need to be informed	3.7	3.8	3.8	3.6	3.8	3.6	3.9
Overall look and décor inside terminal	3.9	4.0	4.0	3.7	3.7	3.7	3.9
Availability of washrooms	4.0	4.1	4.1	3.9	4.0	4.0	4.1
Cleanliness of washrooms	3.9	4.0	4.0	3.7	3.7	3.9	3.9
Procedures for loading	4.0	4.1	4.2	3.9	4.0	3.9	4.1
Professionalism of terminal staff	4.1	4.2	4.2	4.0	4.1	4.0	4.2
Foot Passenger Services at the Terminal							
Usefulness of TV info screens	4.0	4.1	4.1	3.9	4.0	4.0	4.1
Availability of parking spaces	3.6	3.9	3.7	3.6	3.6	3.6	4.1
Parking value for money	2.9	2.8	2.8	3.0	2.6	3.5	2.9
Ease of using passenger drop-off/ pick-up area	3.8	3.8	3.8	3.8	3.8	4.0	3.9
Availability of seating in pre-boarding lounge at terminal	3.7	3.7	3.7	3.7	3.7	3.9	4.0
Comfort of seating in pre-boarding lounge at terminal	3.6	3.7	3.6	3.6	3.5	3.8	3.6
Cleanliness of pre-boarding lounge	3.9	3.8	4.0	3.9	3.6	4.0	4.1
Overall Value							
Value for money of fares	3.2	3.2	3.3	3.0	3.1	3.1	3.0

Research Methodology

Background

British Columbia Ferry Services Inc. (BC Ferries) has commissioned tracking research to gauge customer satisfaction on specific BC Ferries Routes to determine and monitor areas of service that patrons believe are performing favourably and areas requiring improvement. Ultimately, this research will contribute to product and service enhancements for an improved service for BC Ferries travellers.

Project Overview

The 2003 Customer Satisfaction Tracking Study acted as a baseline for the newly formed B.C. Ferry Services Inc. and was designed to track performance on satisfaction levels overall and with specific service attributes. Once a year, the annual satisfaction scores will be published on the BC Ferries Web site as required by the Coastal Ferry Services Contract.

The study is designed to provide input to the Corporate Strategic Plan and to regular service and marketing plans.

Research Objectives

The specific objectives are as follows:

- Determine BC Ferries' customers' satisfaction levels overall with BC Ferries' service,
- Determine satisfaction with the specific attributes of the service,
- Uncover the relative importance of attributes,
- Measure satisfaction with attributes that span the entire range of points of customer contact with BC Ferries,
- Track changes in satisfaction over time, and across customer segments,
- Identify the critical improvements to the current service offering that will have the greatest impact on customer satisfaction,
- Ensure the tracking research is relevant and credible enough to pass internal and external scrutiny.

Quantitative Tracking Research

First, a random sample of passengers 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 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.

This self-administered portion of the survey was designed to capture satisfaction and usage information from all potential points of contact for the *last* trip—from initial information requests, access to terminal, and ticket sales, to onboard, disembarking and post-travel experience. It included:

- an overall satisfaction measure
- service/facility attribute satisfaction ratings
- expenditure data
- problems encountered and responsiveness of personnel in resolving problems
- suggested changes or additions that would enhance the experience

The survey instrument was designed in full consultation with BC Ferries.

Sample Size

The total sample of placements was disproportionately distributed across larger and smaller routes to ensure a minimum number of interviews per route for reliability.

Routes surveyed and the number of screeners and completed returned surveys from each route during 2006 are as follows:

	Screeners	Returns
Larger Routes:		
Route 1: Tsawwassen-Swartz Bay	2,178	861
Route 2: Horseshoe Bay-Departure bay	2,042	692
Route 3: Horseshoe Bay-Langdale	1,337	611
Route 30: Tsawwassen-Duke Point	1,881	708
Smaller Routes:		
Route 4: Swartz Bay-Fulford Harbour, Saltspring Island	1,553	541
Route 19: Departure Bay-Descanso Bay, Gabriola Island	1,403	421
Route 5/9: Southern Gulf Islands	3,754	1,791
TOTAL	14,148	5,625

(Note: Route 23 was not surveyed in 2006).

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
- by known BC Ferries traffic volume by wave

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 - 2006 -				
	Screeners		Returns	
	<u>Actual</u> (14,148) %	<u>Weighted</u> (14,148) %	<u>Actual</u> (5,625) %	<u>Weighted</u> (5,605) %
Larger Routes	53	84	51	85
Weekend	16	29	15	26
30	3	3	3	3
3	3	5	3	5
2	5	7	4	6
1	5	13	4	12
Weekday	37	56	36	59
30	10	6	9	5
3	7	11	8	13
2	9	15	8	14
1	10	24	11	27
Smaller Routes	47	16	49	15
Weekend	14	4	13	4
19	3	1	2	1
4	3	1	3	1
5/9	7	2	8	2
23	n/a	n/a	n/a	n/a
Weekday	34	11	36	11
19	7	4	6	3
4	8	3	7	3
5/9	19	4	24	5
23	n/a	n/a	n/a	n/a

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 the 2006 study were completed during shoulder season, peak season and off-peak season (June, August and November, respectively).

Data Analysis

Senior coding staff was briefed on relevant information and nuances. Categories for open-end responses were developed under the guidance of the senior researcher and verification was performed by the coding supervisor.

The data entry system used for this study includes an internal edit, which is custom programmed. This immediate verification during the data entry process reduces entry errors and a further more detailed computer edit is performed after entry of the data.

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 data tabulation.

Response Rate

The following outlines the response rates achieved in 2006.

Response Rates	
Larger Routes	2006
Route 1	40%
Route 2	34%
Route 3	46%
Route 30	38%
Smaller Routes	
Route 4	35%
Route 19	30%
Route 5/9	48%
Route 23	n/a
Overall response	40%

Margin of Error

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

Tolerance Limits – 2006		
	Actual Sample Size	Approximate Tolerance Limits % Points
Total Screeners	14,148	+/- 0.8%
Total Returns	5,625	+/- 1.3%
Total Larger Route Returns	2,261	+/- 2.1%
Total Smaller Route Returns	2,753	+/- 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 rigours 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.

Background

In March 2004, in accordance with the requirements under section 69 of the *Coastal Ferry Act* (the "Act"), British Columbia Ferry Services Inc. ("BC Ferries" or the "Company") filed its *Additional or Alternative Service Providers Plan* with the British Columbia Ferries Commissioner ("Commissioner"). In July, 2005, BC Ferries filed the *Supplement to the Additional or Alternative Service Providers Plan* ("ASP Plan") with the Commissioner. This supplement confirmed the specific route groups where alternative service delivery options would be assessed during the first performance term of the Coastal Ferry Services Contract ("Contract") and set out a proposed procurement model to support this 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. Principal among the changes was the elimination of BC Ferries' role as a formal proponent in the process. A more traditional procurement approach was adopted whereby 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 these changes was to ensure that alternative service delivery proposals can be fairly and properly assessed within a framework that is efficient, cost effective, and minimizes risk. These changes are described more fully in BC Ferries' *Update and Supplement to the Additional or Alternative Service Delivery Plan*, which was submitted to the Commissioner in February 2006. The changes were endorsed by the Commissioner in March, 2006.

Activities to Implement the Additional or Alternative Service Providers Plan

During 2006/07, BC Ferries undertook the following activities in accordance with its ASP Plan:

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

Request for Proposal

On February 5, 2007, BC Ferries issued a Request for Proposal (RFP) to the two proponents who had responded to the Company's earlier Request for Expressions of Interest (RFEOI). The RFP requirements in the areas of Safety, Management Qualifications, Insurance and Operations were reviewed by independent experts for reasonableness prior to the RFP being issued. Between the time of the RFP's issuance and its closing date of June 15, 2007, proponents were provided access, via a secure website, to RFP documents and to BC Ferries' responses to their requests for additional information and clarification.

In advance of the RFP being issued, there was discussion with the BC Ferry & Marine Workers' Union in accordance with the requirements under the Collective Agreement. Since issuing the RFP, BC Ferries has provided briefings to the Regional District Councils of Central Saanich and Cowichan Valley on the RFP process. Information was also provided to the Malahat and Tsartlip First Nations.

Benchmark

Prior to the closing date of the RFP, BC Ferries completed an internal assessment of its own plans, risk profile and financial forecast for the future operation of the route should it continue to be the operator, for use as a benchmark against which to compare proposals received.

Next Steps

BC Ferries' next step in the process is to conduct a comparative evaluation of the responses received from the proponents against the pre-established benchmark should BC Ferries continue to provide the service. BC Ferries' final decision on whether to proceed with an alternative service provider will be made on the basis of a business case, taking into consideration both cost-effectiveness and risk factors. Arrangements have been made with an external, expert marine consultant to conduct an independent review of this business case. It is expected that a final determination on whether to proceed with an alternative service delivery proposal will be made by the end of December 2007.

➤ **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.

➤ **Route Group 3: 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 and one of the ferry operators subsequently withdrew from the process.

The Company's original plan for seeking alternative service providers on the northern routes reflected the timeline then envisaged by BC Ferries and the provincial government to implement the Northern Services Strategy. That strategy contemplates three replacement vessels being acquired for the northern service. Through the ASP process, BC Ferries had originally intended to test the market to determine if cost efficiencies could be obtained in

the acquisition and operation of replacement vessels through sub-contracting with a third party.

The sinking of the M.V. *Queen of the North* on March 22, 2006, however, caused BC Ferries to review its original plans for seeking 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 as quickly as possible, BC Ferries expedited its procurement process for acquiring replacement vessels for service on Routes 10 and 11. The status of BC Ferries' acquisition of the northern vessels at March 31, 2007 was as follows:

- In October, 2006, BC Ferries purchased the M.V. *Northern Adventure* (formerly named the M.V. *Sonia*) to replace the M.V. *Queen of the North*. The vessel was brought into service on Route 10 in April 2007.
- In August, 2006, BC Ferries entered into a contract with Flensburger Schiffbau-Gesellschaft mbH & Co. KG for construction of a new vessel to replace the M.V. *Queen of Prince Rupert*. The replacement vessel, to be named the M.V. *Northern Expedition*, is expected to be in service on the northern routes in May, 2009.
- Discussions continue with the provincial government on the service levels required for Route 40 and the associated requirements for the third northern vessel.

In August 2006, in conjunction with its ruling under section 55 of the Act that the new vessel to replace the M.V. *Queen of Prince Rupert* was reasonably required, the Commission directed that BC Ferries: keep the proponent in the northern ASP process fully and regularly informed as negotiations resume on a new northern vessel; detail for the Commission's endorsement, the proposed approach to ASD procurement, including key features and timelines; and, provide for the Commission's review by November 16, 2006, proposals for ensuring that ASPs are given an opportunity to own and/or operate the newly acquired vessels.

On November 2, 2006, BC Ferries responded to the Commission's August 2006 directive advising the Commissioner of the steps it has taken to ensure that ASPs are given an opportunity to own and/or operate the newly acquired vessels and confirming that the ASP proponent had been apprised of this information.

At that time, the Company also confirmed that the original process and timeline for seeking ASPs on the northern routes was under review and proposed that the submission of an update on the northern ASP process be deferred until negotiations with the provincial government on the service levels and associated vessel requirements for Route 40 are concluded.

Discussions with the provincial government with respect to Route 40 are presently on-going and, as a result, next steps in respect of the ASP process for the northern routes are yet to be finalized. The Company expects to provide an update on the ASP process for the northern routes following the conclusion of these discussions.

➤ **Route 13 Langdale – Gambier Island – Keats Island**

BC Ferries' existing alternative service delivery arrangement for the provision of service on Route 13 expires in April 2008. BC Ferries is currently assessing the arrangement with the service provider to determine if the contract will be extended or re-tendered.

➤ **Route Group 6: Buckley Bay to Denman Island (Route 21) and Denman Island to Hornby Island (Route 22)**

BC Ferries is currently working with a potential alternative service provider regarding a possible pilot project for the Buckley Bay to Denman Island and Hornby Island to Denman Island routes.