



# A Unique Infrastructure Investment Opportunity

BMO Capital Markets: 2008 Infrastructure Conference (Feb. 7, 2008)



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*In some cases, forward looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, prospective investors should specifically consider various factors including, but not limited to, the risks and uncertainties associated with traffic volume and tariff revenue risk, the impact of competition, asset risk, accident/casualty loss risk, tax risk, environmental risk, regulatory risk, labour disruption risk, risk of default under material contracts and aboriginal land claims.*

*Actual results may differ materially from any forward looking statement. Although management believes that the forward looking statements contained in this presentation and other information provided are based upon reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this presentation, and British Columbia Ferry Services Inc. assumes no obligation to update or revise them to reflect new events or circumstances.*

- Company Overview
- Regulatory Update
- Vessels & Terminals
- Financial Review
- Other Developments
- Summary Highlights



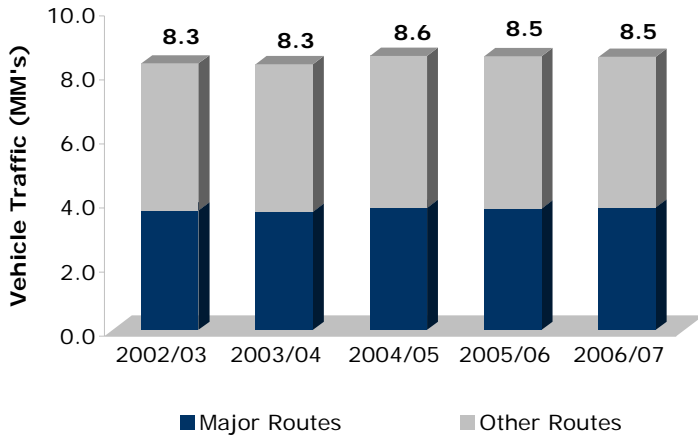
Company Overview

 **BC Ferries**

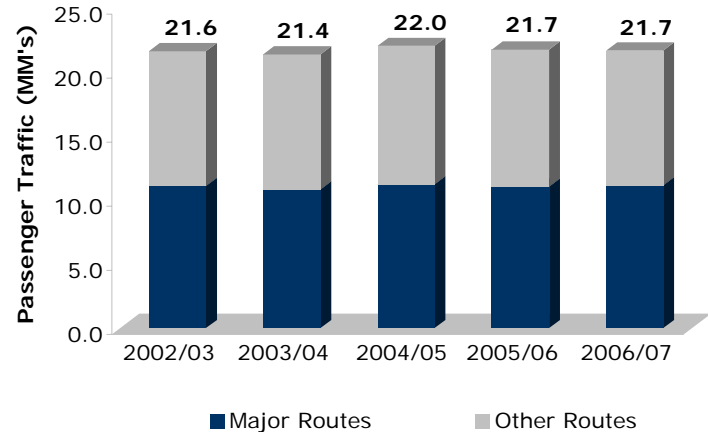
- **Business:** British Columbia Ferry Services Inc. (“BC Ferries”) operates a coastal ferry transportation system that provides vehicle and passenger transportation in the coastal waters of British Columbia
- **Fleet:** Fleet of 37 vessels serves a diverse range of communities on 25 routes with 47 ports of call
- **Terminals:** Exclusive control of 44 of the 47 terminals from which it operates
- **Service Contract:** 60 year contract with Province of BC (“Province”) for delivery of coastal ferry services
- **Regulation:** Subject to the provisions of the *Coastal Ferry Act* (the “Act”) and is economically regulated by the BC Ferry Commissioner appointed under the Act
- **Essential Service:** Designated by the Province as an essential service for purposes of the Labour Relations Code

## Historical Traffic Volumes

### BC Ferries' Vehicle Traffic



### BC Ferries' Passenger Traffic



- In the 6 months ending Sept. 30, 2007, BC Ferries experienced increased traffic levels on our major and northern routes and an overall decrease in traffic levels on our other routes
- Ferry traffic levels are affected by a number of factors including transportation costs, value of Canadian dollar, weather, global security, levels of tourism, disposable personal income, local economy and population growth

## Competition

Competition		
Type of Travel	Type of Competition	Comments
Vehicle & Passenger	Currently none	<ul style="list-style-type: none"><li>▪ Alternate terminal facilities limited</li></ul>
Passenger Only	Water Taxis	<ul style="list-style-type: none"><li>▪ Limited capacity; typically smaller routes</li></ul>
	Air Services	<ul style="list-style-type: none"><li>▪ Offered between Greater Vancouver &amp; Vancouver Island</li><li>▪ Higher cost alternative</li></ul>
Freight	Primarily Drop Trailer Service	<ul style="list-style-type: none"><li>▪ Historically has represented about 50% of the freight market to and from Vancouver Island and the Lower Mainland</li></ul>



Regulatory Update



## Performance Term Two ("PT2") Price Cap Decision

### Price Caps

<u>Route Group</u>	<u>On April 1, 2008</u>	<u>On each of April 1 2009, 2010 and 2011</u>	
	Increase	Increase	plus CPI* times
3 Major Routes	7.3%	2.7%	0.49
All other designated routes	4.0%	5.7%	0.73

*\*Latest available published annual percentage increase in the CPI for BC*

## PT2 Price Cap Decision – Fuel

- Regulatory applications for fuel price surcharges will no longer be required
- BC Ferries will be responsible for part of the costs/savings within a limited range of fuel price fluctuations with periodic surcharges or rebates if fuel prices move outside that limited range
  - Set “price” for fuel to increase by annual change in the Vancouver CPI
  - Any variances within +/- 5 cents/litre “band width” of the set price shared equally between BC Ferries and fare payers
  - Variances >5 cents/litre for the Northern Routes are Province’s responsibility
  - Variances >5 cents/litre for all other Route Groups will go to the Fuel Deferral Account
  - If Fuel Deferral Account balance is >2% of annual fare revenue, a surcharge/rebate is implemented to eliminate the balance over 12 months



Vessels & Terminals



## New Fleet Additions

Vessels Underway	Budgeted Cost (\$MM)	Scheduled Delivery	Route Group
<i>Coastal Renaissance</i> (Super C-class)	} \$542	Delivered Dec. 2007; expected in service spring 2008	Major
<i>Coastal Inspiration</i> (Super C-class)		Early 2008	Major
<i>Coastal Celebration</i> (Super C-class)		Mid 2008	Major
<i>Northern Expedition</i> (replacement for <i>Queen of Prince Rupert</i> )	\$200	Early 2009	Northern
<i>Island Sky</i>	\$57	Mid 2008	Minor
<b>New Vessels In Service</b>			
<i>Northern Adventure</i> (replacement for <i>Queen of North</i> )	\$103	In service March 07	Northern
<i>Kuper</i>	\$12	In service March 07	Minor



*Coastal Renaissance sailing under Lions Gate Bridge, Vancouver*

## Terminal Development

- Master Plans are being developed for the terminals that take into account major development, short-term revenue enhancement opportunities and a long term maintenance plan
- Completed Project:
  - New berth at Swartz Bay in Oct. 2006 (\$24MM)
- Projects Underway:
  - Departure Bay Terminal Master Plan project (\$54MM)
  - Berth upgrades at Horseshoe Bay (\$12MM)
  - Northern terminal modifications in preparation for the *Northern Expedition* (\$29MM)

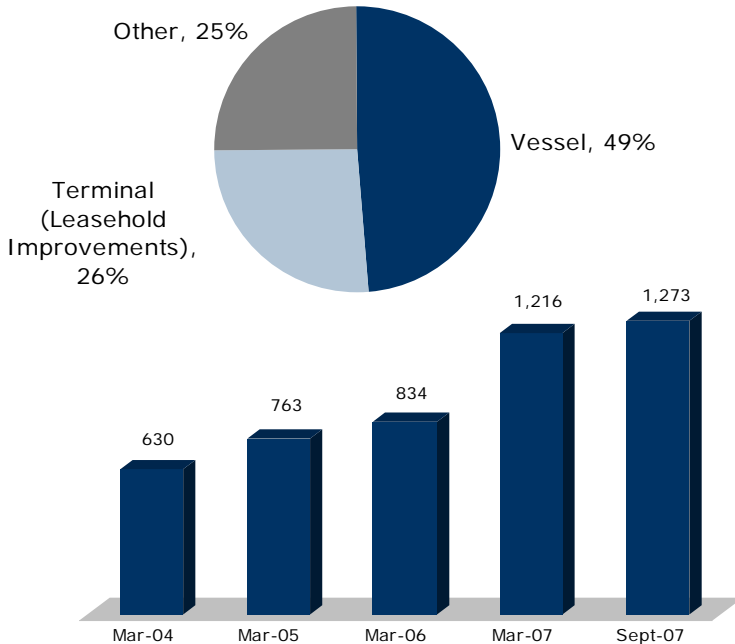


# Financial Review

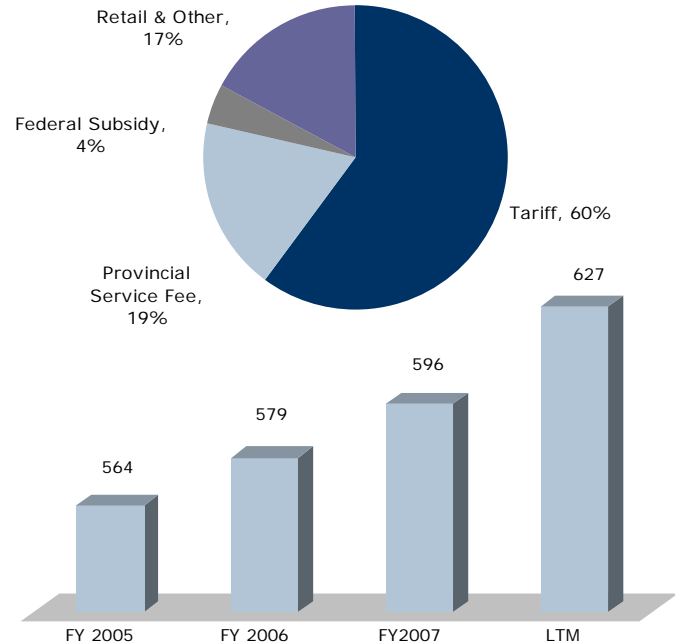


## Key Financial Measures

**Assets - \$1,273MM**  
*(as of Sept. 30, 2007)*

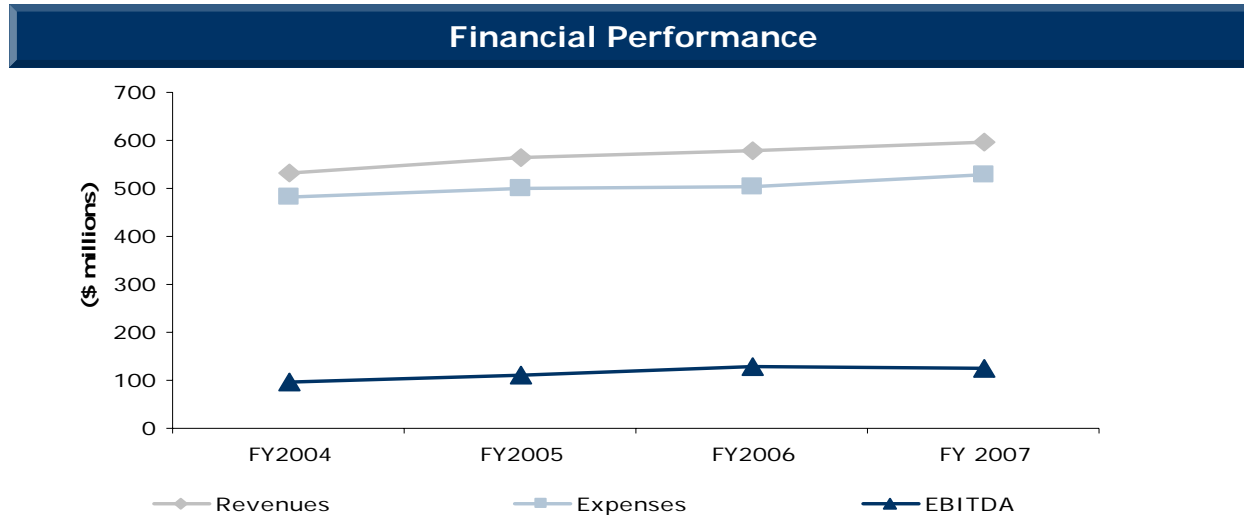


**Revenue - \$627MM**  
*(LTM as of Sept. 30, 2007)*



LTM = last twelve months

## Operating Results



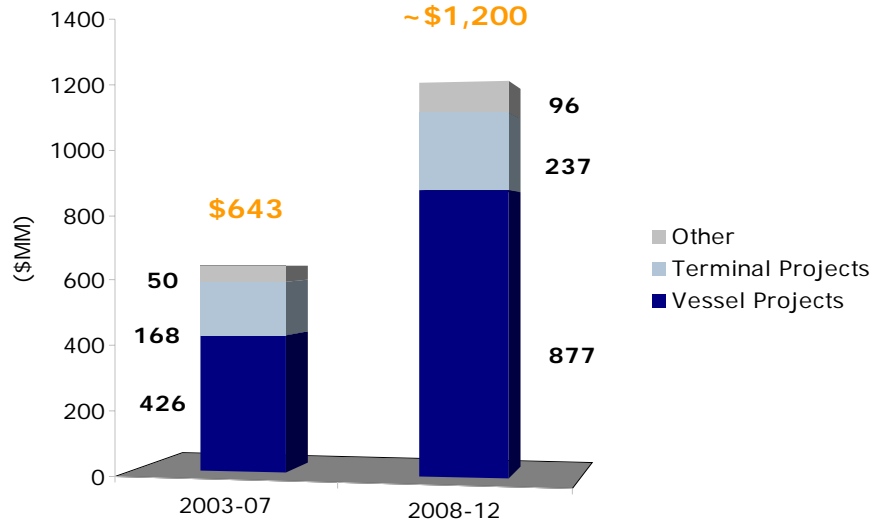
- Consistent operating results
- As of Sept. 30, 2007, LTM revenues were \$627MM and LTM operating expenses were \$561MM (includes amortization of \$61MM)
- In Q2/08, EBITDA decreased by 1.2% compared to the same period last year

## Liquidity

- Sources of Liquidity
  - As of Sept. 30 2007, cash and cash equivalents totalled \$136.1MM
  - Closed \$200MM bond financing in Jan. 2008
  - \$155MM five-year revolving credit facility (maturing May 2012)
  - Up to \$180MM from KfW available to finance the purchase of two Super C's
- Investment policy only permits certain types of investments (not ABCP) with a rating no less than R-1 (mid) by DBRS or its equivalent
- Financial Ratios For Additional Indebtedness
  - Debt Service Coverage Ratio at least 1.5x: as of Sept. 30, 2007 = 4.1x
  - Leverage Ratio not to exceed 85%: as of Sept. 30, 2007 = 75.2%

## Capital Expenditure Plan

### Capital Expenditures





Other Developments



**Morfitt Safety Review:** Former B.C. Auditor General George Morfitt conducted a comprehensive, independent review of all BC Ferries' safety practices and released a 70-page report on January 22, 2007

- Principal finding: *"We concluded from our review that, overall, the company is operating a safe coastal ferry transportation system"*, but made 41 recommendations on safety enhancements which BC Ferries has committed to implement
- In addition, BC Ferries has launched a significant safety initiative fleet wide in partnership with our union

**Security:** In November 2005, the Federal Minister of Transport announced that security regulations would include domestic ferry operations

- \$3.8MM in federal funding has been approved to offset costs of perimeter security, access control measures and training at the larger terminals
- Will apply for additional reimbursement - up to 75% of security related capital investments

- New regulations came into effect in July 2007, including Marine Personnel Regulations
  - Some uncertainty regarding their full impact (e.g., required crewing levels on ships)
- Damage Stability Regulations were implemented in November 2007
  - Single compartment vessels carrying more than 400 passengers will have to be replaced within five years
  - Two single compartment vessels in our fleet; one will be replaced within next two years and the other carries less than 400 passengers and thus is compliant. This vessel is expected to be replaced by 2013/14



Summary Highlights

 **BC Ferries**

*BC Ferries represents a unique infrastructure investment opportunity*

- Essential transport service/link
- Tested light handed regulatory framework
- Strong competitive position
- Planned & achievable asset renewal program
- Financial integrity

