



PRESIDENT & CHIEF EXECUTIVE OFFICER

British Columbia Ferry Services Inc.
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January 2, 2014

RE: BC FERRIES TO IMPLEMENT A FUEL SURCHARGE

Due to current world fuel market conditions that influence the prices that BC Ferries must pay its diesel fuel suppliers, we are advising our customers that a fuel surcharge will be implemented on the majority of its routes on January 17.

The fuel surcharge will be 3.5 per cent on average on all of its routes with the exception of the Port Hardy - Prince Rupert and Prince Rupert – Haida Gwaii routes. There will not be a fuel surcharge added to these routes at this time.

BC Ferries is currently paying approximately \$0.14 per litre higher than the Commissioner approved fuel price included in its fares (set price). In determining price caps (maximum average fares) for the current four year performance term, the Commissioner established a regulatory set price for fuel for the current year of \$0.952 per litre. In November 2013, monthly fuel prices reached a new high for this year of \$1.09 per litre.

Market pricing indicates that the price differential will continue throughout the year. We are well aware that implementing a fuel surcharge is unpopular with our customers, and we are doing everything we can to keep our fuel costs as low as possible, including building new ships with LNG capability. We have waited as long as we can to implement a surcharge, however we must act now as it is clear that fuel prices are unlikely to decline in the foreseeable future.

While BC Ferries has reduced its fuel consumption by 5.8 million litres since 2004, the cost of fuel in fiscal 2013 was \$121 million, up from \$50 million in fiscal 2004. The company is not immune to world commodity markets and their impact on the price of diesel. Each 1 cent per litre increase in the cost of diesel translates into a \$1.2 million increase in company expenses.

Over the past nine years, BC Ferries has had fuel surcharges, fuel rebates and periods of time with neither, all based on the market price of diesel fuel. BC Ferries utilizes fuel deferral accounts as a tool to help mitigate the impact that fluctuating fuel prices has on the cost of ferry travel.

Attached is some additional information regarding the fuel surcharge.

Sincerely,

Mike Corrigan
President & Chief Executive Officer

