

July 3, 2014

## **BC FERRIES AWARDS \$165 MILLION IN CONTRACTS FOR THREE NEW LIQUEFIED NATURAL GAS FUELLED INTERMEDIATE CLASS FERRIES**

I am pleased to announce that following the completion of an extensive competitive bidding process, BC Ferries has awarded Remontowa Shipbuilding S.A. of Gdansk, Poland contracts totaling \$165 million to build three new intermediate class vessels.

The contracts have been approved by BC Ferries' Board of Directors, as well as a total project budget of \$252 million that includes financing and project management costs that would have been incurred regardless of where the vessels were built. The budget also includes \$51 million for Canadian taxes and federal import duties. The total project budget is within the capital envelope set by the BC Ferries Commissioner.

These are design-build, fixed-price contracts that provide BC Ferries with substantial guarantees related to delivery dates, performance criteria, cost certainty and quality construction.

Other highlights of the contracts include:

- Remontowa assumes all design, construction and delivery risk
- Guarantees are in place for vessel completion dates
- Favourable payment terms with 80 per cent payment upon vessel completion
- Vessel performance guarantees related to speed, carrying capacity, manoeuvrability and fuel consumption
- Warranties above industry standard
- Penalties for late delivery
- Refund guarantee

As we begin the next phase of our newbuild program, a key objective is to achieve capital and operating cost savings and efficiencies through an overall class and standardization strategy. Standardization offers greater interoperability and lower crew training and maintenance costs, and also enhances safety. This is a significant step forward in taking BC Ferries from 17 classes of ships to five classes.

The new intermediate class vessels will be the first vessels in BC Ferries' fleet to operate as dual-fuel capable using Liquefied Natural Gas (LNG) or diesel fuel for propulsion and power generation. This is an exciting initiative for us that can reduce upward pressure on fares due to lower fuel costs for LNG, and reduce the environmental emissions substantially since LNG is a cleaner and greener fuel compared to current alternatives.

Two of the new ships will replace the 49-year old Queen of Burnaby, which sails between Comox and Powell River and the 50-year old Queen of Nanaimo, which services the Tsawwassen – Southern Gulf Islands route. The third vessel will augment peak and shoulder season service on

the Southern Gulf Islands route, plus provide refit relief around the fleet. These new 105 metre vessels will accommodate 145 vehicles and 600 passengers.

The first new intermediate class vessel is scheduled to arrive in British Columbia in August 2016, the second in October 2016 and the third in February 2017. Remontowa is responsible for delivering the vessels to Victoria. The first vessel is expected to be in service in the fall of 2016, following extensive crew training and familiarization.

BC Ferries conducted an extensive competitive bidding process to ensure that the company secured the best bid for its customers and the taxpayers of British Columbia. One shipyard from BC, Seaspans Vancouver Shipyard, was among the five shipyards shortlisted and invited to participate in the RFP process, however they decided to withdraw as they indicated they have maximized their available capacity due to commitments with the federal government building vessels under the National Shipbuilding and Procurement Strategy as well as constructing BC Ferries' new cable ferry.

Criteria for shipyard selection included the design and construction plan, recent experience building intermediate ferries, capability of introducing new technology such as LNG, customer satisfaction (references from other customers), delivery schedule, price and payment terms, financial stability and ability to provide guarantees.

We look forward to bringing these new vessels into service and improving the customer experience.

Sincerely,

**Mike Corrigan**  
President & Chief Executive Officer