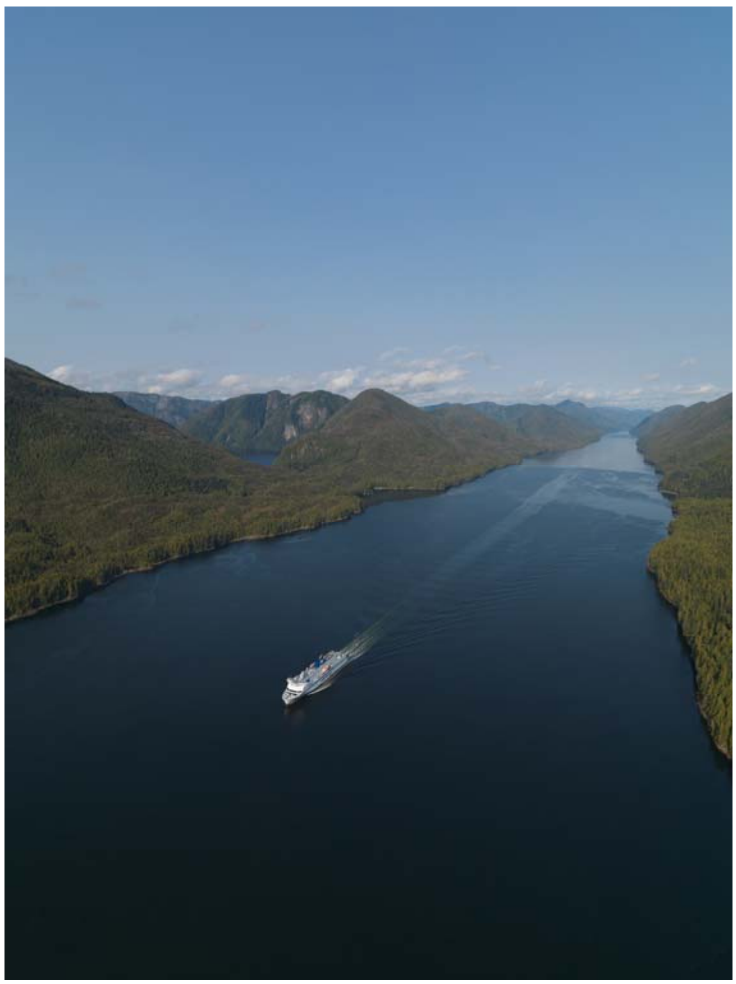
Business Plan

Fiscal Year Ending March 31, 2014



BCFerries

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Introduction and Purpose

This plan describes the strategies and initiatives we will undertake to achieve our business goals over the next year.

The plan focuses on achieving five goals:

1. SAFETY
To protect our customers and employees by continuously improving the safety of our operations, inclusive of vessels, terminals and facilities.

2. OPERATIONAL RELIABILITY
To continuously improve the operational reliability of vessels, terminals and facilities.

3. CONTINUOUS IMPROVEMENT
To be better at everything we do.

4. VALUE FOR MONEY
To continuously improve value to our customers at every point along the customer experience chain.

5. FINANCIAL INTEGRITY
To achieve key financial targets, ensuring that sufficient capital and retained earnings are available to revitalize our fleet, facilities and infrastructure.

This Business Plan moves the company into the next phase of its journey as we look to replace or life-extend 11 of our aged vessels over the next ten years. We also plan to complete significant terminal upgrades to improve efficiency, and offer new services and choices to our customers.

The five goals described in this plan provide a framework for our efforts and are essential to achieving success. Of these, none is more important, or receives greater attention, than safety.

Changeover to International Financial Reporting Standards (IFRS)

Commencing fiscal 2013, all of BC Ferries financial reporting, including operating and capital budgets and forecasts, were prepared in accordance with IFRS. Accordingly, our operating results for fiscal 2013 and forecast for fiscal 2014 as presented in this document reflect this changeover to IFRS. The change to IFRS from previous Canadian Generally Accepted Accounting Principles (CGAAP) will have a significant impact on certain items reflected in our financial statements. The following is a description of the significant differences between IFRS and CGAAP reflected in the figures presented:

- Under IFRS, the cost of regular, periodic major overhauls and inspections of our vessels are included in property, plant & equipment on our balance sheet and amortized (reflected in amortization expense on our income statement) over the period to the next major overhaul and inspection of the vessel. Under CGAAP, these overhaul and inspection costs were expensed as incurred and reflected in current period operating expenses (as maintenance expense).
- As a rate-regulated entity and following CGAAP, we capitalized some costs such as feasibility, research and training that directly related to a specific asset and these costs were amortized over the expected service life of these assets. Under IFRS these costs are expensed as incurred and reflected in current period operating expenses.
- As permitted under IFRS, cumulative actuarial losses on certain of our defined benefit employee benefit plans were recognized through opening retained earnings at transition (April 1, 2011). Under CGAAP these actuarial losses were amortized to expense over the expected remaining service life of our employees. The result of this difference is lower operating expenses under IFRS than under CGAAP.
- IFRS does not permit, as CGAAP did, the recognition on our balance sheet of regulatory assets and liabilities. As a result, our operating results under IFRS will include items included in our deferred accounts such as the following:
    - fuel surcharges levied and fuel rebates given will be included in tariff revenue;
    - realized fuel hedge gains or losses;
    - fuel expense will reflect our total delivered cost of marine diesel fuel (including all differences between actual fuel prices and those set by the British Columbia Ferries Commissioner (Commissioner));
    - interest on deferred fuel cost accounts;
    - payments from (or to) the Province of British Columbia (Province) made to (or from) our deferred fuel cost accounts; and
    - tariffs collected in excess of price caps.

  Within this Business Plan, these regulatory assets and regulatory liabilities are reflected in all financial targets and results presented. The transition to IFRS did not change how these items are treated for regulatory purposes. For this reason, we continue to establish and measure against our targets to reflect the economic reality and impact of rate regulation.

Our Vision, Mission, and Definition of Success

Our Vision

To provide a continuously improving west coast travel experience that consistently exceeds customer expectations and reflects the innovation and pride of our employees.

Our Mission

To provide safe, reliable and efficient marine transportation services which consistently exceed the expectations of our customers, employees and communities, while creating enterprise value.

Definition of Success

Our definition of success is to provide to our customers integrated marine transportation services that are safe, reliable and continuously improving, while delivering best value for money and operating in a manner that preserves our financial integrity.

Measuring Success

In support of our Vision, Mission, and Definition of Success, the Board of Directors and management of BC Ferries have implemented comprehensive long-term performance measures to gauge the progress of the business and its ongoing commitment to continuous improvement.

The safety of our passengers and employees is our primary focus:

1. Employee Safety (employee injury frequency rate X severity rate divided by 1000)
2. Passenger Safety (number of passenger injuries per one million passengers)

	Fiscal 2011		Fiscal 2012		Fiscal 2013		Fiscal 2014
	Actual	Target	**Actual**	Target	**Actual**	Target	Target
Employee Safety	**1.53**	1.56	**1.34**[1]	1.31	**1.04**	1.22	0.90
Passenger Safety	**17.09**[1]	21.50	**15.31**	18.11	**13.28**	15.45	13.49

Other important areas of focus include:

3. Reliability (actual round trips divided by scheduled round trips, less weather, medical or rescue related cancellations)
4. Customer Satisfaction Rating
5. Cost per passenger (total operation cost - ancillary revenue) / total passengers
6. Earnings before interest, taxes, depreciation and amortization (EBITDA, in $ millions), including the impact of our rate regulated assets and liabilities.

	Fiscal 2011		Fiscal 2012		Fiscal 2013		Fiscal 2014
	Actual	Target	**Actual**	Target	**Actual**	Target	Target
Reliability Index[2]	**99.83%**	99.4-99.59%	**99.76**	99.4-99.59%	**99.75**	99.5-99.69%	99.5-99.69%
Customer Satisfaction	**89%**	84%	**88%**	83%	**88%**	88%	88%
Cost per Passenger	**$21.90**	$21.66	**$23.04**	$23.29	**$23.74**	$23.85	$24.14
EBITDA (millions)[3]	**$180.9**	$195.6[4]	**$177.3**	$176.2	**$221.7**	$206.4	$218.0

1 Restated

2 The reliability index has been recalculated commencing fiscal 2011 to represent actual round trips divided by scheduled round trips less weather, medical or rescue related cancellations.

3 Commencing fiscal 2013, BC Ferries financial reporting was prepared in accordance with IFRS. Major overhauls and inspections are now capitalized rather than expensed and training and feasibility costs associated with capital projects are being expensed rather than capitalized under CGAAP. IFRS does not permit recognition of these assets and liabilities; however, the treatment of these items for rate regulation purposes is unchanged. For further discussion, please see page 2.

4 Restated

Business Plan Goals

Our strategies are structured around five key goals that are critical to our success. Of these goals, the most important is safety.

The following sections define the supporting strategies and tactics for each of the five goals.

1. Safety

To protect our customers and employees by continuously improving the safety of our operations, inclusive of vessels, terminals and facilities.

2. Operational Reliability

To continuously improve the operational reliability of vessels, terminals and facilities.

3. Continuous Improvement

To be better at everything we do.

4. Value for Money

To continuously improve value to our customers at every point along the customer experience chain.

5. Financial Integrity

To achieve key financial targets, ensuring that sufficient capital and retained earnings are available to revitalize our fleet, facilities and infrastructure.

Safety

To protect our customers and employees by continuously improving the safety of our operations, inclusive of vessels, terminals, and facilities.

Safety - Strategies and Tactics

At BC Ferries, the safety of our customers and employees has been, and will continue to be, our top priority.

In January 2007, former B.C. Auditor General, George Morfitt reviewed operational safety and made 41 recommendations to strengthen safety within BC Ferries. In January 2012, a comprehensive follow-up review was conducted which concluded that there had been significant improvements in the culture and safety practices at BC Ferries and that most of the recommendations had been implemented. It stated,

> *"The company directors, management and staff have demonstrated their commitment to safety being number one both for the travelling public and for BC Ferries personnel."*

Our commitment to safety has led to significant improvements in our employee injury rates over the past five years. There has been:

- a 40% reduction in the number of employee days lost due to injuries; and
- a 45% reduction in the number of employee time loss injuries.

Since the introduction of our SailSafe program in 2007, we have experienced a reduction in employee time loss injuries of more than 50%. Additionally, in the past three years there has been close to a 40% reduction in the number of passenger injuries.

In fiscal 2014, we will:

- Continue to foster a culture of safety through training, education and communication including such activities as "Town Hall" employee meetings, audits, investigations, safety newsletters, and employee-supervisor education partnering;
- Focus on solidifying a long term sustainable safety environment in partnership with the BC Ferry and Marine Workers' Union as part of SailSafe Phase III. This will include:
    - ensuring lessons learned from operational events are shared across the company;
    - actively managing risk in all areas of the company, using operational risk management, training and tracking of identified issues;
    - ensuring operational readiness for abnormal or emergency events through ongoing readiness training exercises and drills;
- Continue to focus on reducing time loss injuries and days lost through awareness and early intervention when injuries occur. This will include:
    - musculoskeletal injury prevention training for all at risk employees;
    - developing an overall health and wellness strategy to promote the health of our employees;
- Continue to reduce controllable passenger injuries and maintain high standards for food safety throughout the fleet; and
- Continue to meet or exceed all safety regulations.

1. Operational Reliability

To continuously improve the operational reliability of vessels, terminals and facilities.

Operational Reliability - Strategies and Tactics

In fiscal 2014, we will continue to invest in our assets to improve overall system reliability.

Our total capital investment budget for fiscal 2014 is approximately $158 million (including interest during construction):

- $132 million in vessel and terminal capital expenditures is expected to be made in fiscal 2014. This includes:
    - investing $31 million in vessel major overhauls and inspections;
    - working on a cable ferry between Buckley Bay and Denman Island;
    - commencing the replacement of the *Queen of Burnaby* and *Queen of Nanaimo*, which will be retiring in fiscal 2016;
    - completing the life extension of the *Tachek;*
    - performing a ¾ life upgrade on the *Kwuna;*
    - replacing/upgrading marine structures at Westview;
    - replacing/upgrading marine structures at Little River;
    - modifying the berth at McLoughlin Bay;
    - completing the replacement/upgrades of marine structures at Alert Bay; and
    - commencing the replacement/upgrades of marine structures at Port McNeill;
- Information technology systems and other capital expenditures of $24 million will be made in fiscal 2014 to support business requirements and improve infrastructure reliability and service delivery. We will continue updating our reservations, point of sale, payment and card services systems website and automation of our terminal operations.

Other operational reliability initiatives include:

- Leveraging bridge simulation training to build and strengthen team skills, improve communication and clarify roles and responsibilities;
- Continuing to refine standard operating procedures and improving ship to shore communications to upgrade procedural consistency and better align operations;
- Continuing to maintain state of 'readiness' by ensuring vessels are effectively crewed with trained personnel, and that bridge electronics, firefighting equipment and safety equipment is constantly monitored and fully functional;
- Continuing to improve vessel and terminal turn around times through effective communication and issue resolution;
- Continuing to reduce the percentage of round-trip cancellations due to mechanical incidents to 0.3% or less; and
- Over the next few years, we will also:
    - focus on the successful replacement of the *Queen of Burnaby*, *Queen of Nanaimo* and *North Island Princess*;
    - develop and implement succession plans to ensure operational skills are available as current workers move into retirement; and
    - develop a standardized bridge layout.

2. Continuous Improvement

To be better at everything we do.

Continuous Improvement - Strategies and Tactics

In fiscal 2014, with the objective of improving our productivity through enhancing efficiencies, we will:

- Continue to work with the Province to identify appropriate service levels and corresponding capital asset investment requirements, in an effort to minimize the impact on fares while ensuring ongoing sustainable service;
- Continue to optimize fuel consumption through capital investment, vessel load management and appropriate use of shore power;
- Continue the pursuit for excellence in safety awareness, improved service, reduced risk and quick decision making through training, risk management and accessibility of leadership;
- Continue to optimize vessel maintenance procedures and processes to ensure reliability and effective use of resources;
- Continue to pursue efficiencies at the ship repair facility through the development of people, project management and infrastructure investments;
- Continue to strengthen employee knowledge and skills through enhanced simulator and situational training, professional development, apprentice sponsorship, and Ferry Academy website.

In fiscal 2014, with the objective of improving customer experiences, we will:

- Launch an electronic Gift Card program;
- Continue work to upgrade our reservations, point of sale, payment and card services systems, website and automation of terminal operations;
- Improve 'way finding' signage throughout our terminals and vessels to better communicate with our customers;
- Develop and implement a customer service enhancement program aimed at improving customer service skills;
- Explore improvements to security and reliability of baggage handling process;
- Continue to provide high quality, high demand travel package offerings representing west coast communities and popular destination spots;
- Execute a Corporate and Community Giving program to support coastal festivals, events, community organizations, amateur sports, the United Way and select childrens charities; and
- Respond to shifts in the commercial sector and enable the smooth transport of commercial goods for our customers.

In fiscal 2014, we will continue to ensure safety and environmental initiatives are priorities through:

- The quest for a long term sustainable safety environment as part of SailSafe Phase III;
- The pursuit of liquefied natural gas as a viable alternative to marine diesel fuel; and
- An optimized balance of in-port fuel efficiency savings with hydro consumption.

3. Value for Money

To continuously improve value to our customers at every point along the customer experience chain.

Value for Money - Strategies and Tactics

In fiscal 2014, we will continue to pursue opportunities to provide better value and service to our customers by:

- Continuing to work with the Province to identify appropriate service levels and a long term vision for connecting coastal communities;
- Continuing to pursue viable alternative fuel sources such as liquefied natural gas;
- Continuing to optimize fuel consumption;
- Continuing to create a comprehensive mix of vacation products that incorporate travel on many of our routes;
- Developing and executing leveraged marketing opportunities with private sector partnership programs;
- Promoting tariff and ancillary purchases through the launch of an electronic Gift Card program;
- Refreshing retail and food marketing programs and promotions, and expanding new product introduction;
- Continuing development of a new onboard brand and layout standard for vessels in preparation for the Spirit class vessel mid-life upgrades;
- Continuing to support commercial customers by providing supply chain solutions that focus on total transportation costs;
- Continuing to monitor claims and key performance indicators for loss prevention opportunities; and
- Continuing to monitor for opportunities to access funding through the provincial and federal governments, as well as other programs wherever possible to minimize costs.

Financial Integrity

To achieve key financial targets, ensuring that sufficient capital and retained earnings are available to revitalize our fleet, facilities and infrastructure.

Financial Integrity - Strategies and Tactics

Our commitment:

We will continue to ensure the company's financial integrity during this period of uncertain economic conditions while providing safe, efficient service for our customers.

In fiscal 2014, we will:

- Work with the Province to identify appropriate service levels and corresponding capital asset investment requirements, as well as a long term vision for connecting coastal communities;
- Work to ensure the successful outcome of our applications to the Commissioner for approval of major capital expenditures in order to continue to provide long term sustainable ferry service;
- Continue to:
    - manage our resources prudently to ensure services are provided efficiently and effectively;
    - actively manage long-term capital and operating plans;
    - encourage ridership and generate non-fare revenues to ultimately offset increases in ferry fares with ancillary revenues through product development and marketing such as CoastSavers, BC Ferries Experience Card, retail product offerings, vacation packages and gift certificates;
    - promote BC Ferries by strengthening our image and marketing BC Ferries Vacations products in order to grow our destination travel business within the Province of British Columbia;
    - focus on providing transportation solutions for the commercial market, building market share through diversification and strong customer relationships;
    - monitor the capital markets for appropriate opportunities to re-finance two bond issues totalling $390 million maturing over the next several months;
    - use best practices in supply chain management and risk/insurance coverage to manage costs.

Financial Plan

Our financial plan supports the strategies and tactics within the business plan. It contains detailed information about our fiscal 2014 operating and capital budgets.

The major strategic issue facing us when we were established as an independent company on April 1, 2003, was the replacement of our aged assets, specifically vessels, terminals and information technology systems. Since that time, we have invested $1.9 billion to bring seven new vessels into service, upgrade 17 existing vessels, make numerous improvements to terminals and marine structures, upgrade security, and implement sewage pump-ashore and waste water treatment systems. In fiscal 2013 alone, we completed 22 vessel refits, 1 vessel upgrade, 7 large terminal upgrades and various other projects. As a result of this significant investment in our assets, interest and amortization expenses have increased from $68 million in fiscal 2004 to $204 million in fiscal 2013, an increase of $136 million.

Beginning with the global economic downturn in 2008, we have experienced significant erosion in our traffic, reaching a 22 year low in passenger and vehicle levels. Concurrently, there has been considerable pressure on operating expenses. The cost of fuel has increased over 140% since 2004, along with increases in insurance premiums, property taxes, environmental and security regulations, utilities, benefit program rates and labour agreements.

While faced with these uncertain economic conditions, we have continued to focus on providing a safe, reliable and efficient marine transportation service. We have significantly reduced our time loss injuries and our WCB claim costs, while at the same time, improving our on time performance and reliability. Furthermore, fuel efficiencies were achieved resulting in an overall decrease in consumption of 4.8%; a savings of 5.8 million litres from fiscal 2004 and a reduction of over 8.3 million litres from fiscal 2003. In addition, administrative costs remained below those experienced in fiscal 2004, even before taking inflation into account.

($ millions)	Fiscal 2004 Actual[5]	Fiscal 2013 Actual
Operations Costs		
Labour	202	263
Fuel[6]	50	121
Materials, Supplies, Contracted services and other	33	33
Insurance[7], property tax, utilities and credit card fees	10	21
Maintenance Expenses	84	70[8]
Administration Expenses	32	30
Net Financing and Amortization[9]	68	204

5 The fiscal 2004 figures for Operations, Maintenance and Administration (OM&A) expenses have been adjusted from those figures previously reported to reflect classifications of expenses used in fiscal 2013. Total OM&A expenses for fiscal 2004 are identical to those previously reported.

6 Fuel reflects the total cost of fuel net of fuel price hedging, gains or losses.

7 Insurance includes gains or losses from our subsidiary, BCF Captive Insurance Company Ltd.

8 Vessel major overhauls and inspections (MOI) were previously expensed as maintenance; under IFRS, they are now capitalized and expensed over their expected life through amortization. For fiscal 2013, under CGAAP, $20 million in MOI would have been expensed to maintenance increasing total maintenance to $90 million.

9 Net financing includes financing for the *Kuper* owned by our subsidiary Pacific Marine Leasing Inc.

Looking forward, as we have described earlier in this document, we will continue to pursue opportunities to minimize costs and work towards replacing or life-extending 11 of our aged vessels over the next 10 years. To support safe and efficient operations and minimize the impact on fares, we plan to build standardized vessels to provide interoperability and design optimization. We will also explore the use of liquefied natural gas as a fuel source. Liquefied natural gas is not only currently 50% to 60% cheaper than marine diesel, it is also better for the environment. We are also proceeding with plans to design and build a cable ferry to operate between Buckley Bay on Vancouver Island and Denman Island as announced in November 2012. The cable ferry is expected to enter into service in the fall of 2014 and will provide cost savings of over $80 million throughout the 40-year life of the project (as compared to the current service).

We continue to work with the Province on service level adjustments and a long term vision for connecting coastal communities. This will assist with decision making as we work towards replacement of our vessels and marine structures, terminal improvements and information system investments.

Operating Forecast

Without compromising our commitment to provide a safe and efficient service, during fiscal 2013 we continued cost containment measures because economic conditions did not improve. These measures, which included a hiring freeze of all non-essential positions, exempt wage and salary freezes, and reduced use of outside contractors and consultants, resulted in net earnings for fiscal 2013 of $15.5 million. This is an improvement of $18.6 million from what was previously published in our fiscal 2013 Business Plan.

Recognizing that economic conditions are not expected to improve over the coming year, many of these initiatives remain in place for fiscal 2014. This approach is expected to enable us to achieve productivity savings of $4.0 million included as part of the Commissioner's final price cap order. This productivity target is over and above our continued commitment to the Commissioner to reduce operating expenditures by $10.3 million annually from the level specified in our Performance Term 3 (PT3) submission.

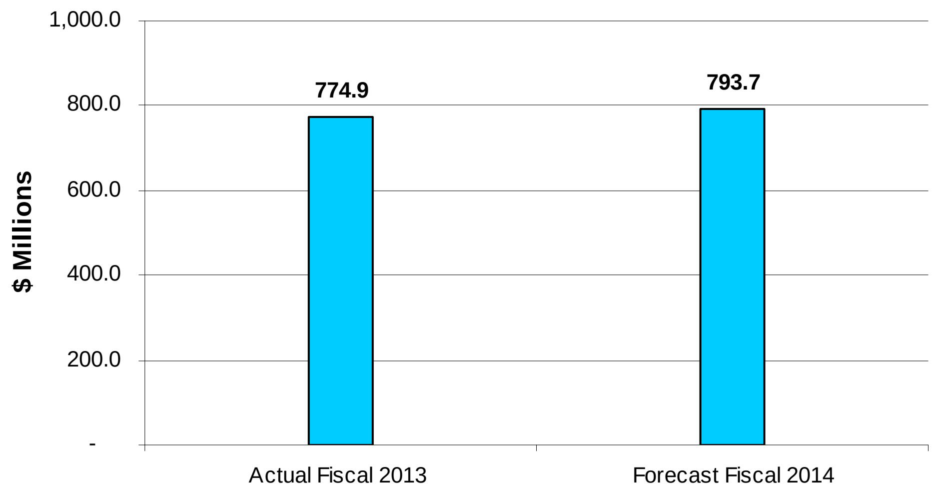
Operating Budget ($ millions)	Fiscal 2013 Actual	Fiscal 2014 Forecast
Revenues		
Total Tariffs including Social Program Fees, reservations and assured loading	512.7	536.2
Catering & Other Revenues	83.1	82.9
Federal – Provincial Subsidy Agreement	28.1	28.3
Ferry Transportation Fees	151.0	146.3
Total Revenue	**774.9**	**793.7**
Operating Expenses	557.5	578.7
(Gain) Loss on Subsidiaries	(4.3)	(3.0)
Earnings before interest, taxes, depreciation and amortization	**221.7**	**218.0**
Net Financing Expense	70.7	70.5
Amortization	135.8	139.2
(Gain) on disposal and impairment of fixed assets	-	-
Net Regulatory Earnings[10]	**$15.2**	**$8.3**
Regulatory Adjustments		
Fuel	2.7	-
Amortization	0.1	0.1
Price Cap	(2.5)	0.1
Net Earnings (Loss)	**$15.5**	**$8.5**

10 IFRS does not recognize regulatory assets and liabilities. Net regulatory earnings reflect earnings prior to those regulated expenditures and revenues giving rise to regulatory assets and liabilities, which will be returned to or recovered from our customers, either through future fuel surcharges or rebates, or through tariffs.

Fiscal 2014 is forecast to result in net earnings of $8.5 million, based on revenues of $793.7 million, offset by total expenses of $785.2 million (including regulatory adjustments).

Revenues

Our total revenues are projected to increase by 2.4% in fiscal 2014.



Total Revenues will be affected by the following:

<u>Total Tariffs including Social Program Fees</u>

During fiscal 2013, traffic continued to decline, although at a slower rate than previously, reaching a 22 year low. However, we believe that traffic in fiscal 2014 will be at levels similar to those in fiscal 2013.

Effective April 1, 2013, the price cap index increased by 4.1% on all routes, consistent with the Commissioner's final order on price caps for PT3 (fiscal 2013 through fiscal 2016) issued September 30, 2012. Tariff revenue in fiscal 2014 is expected to increase by 4.6% over fiscal 2013 as a result of the 4.1% price cap increase in conjunction with a modest increase in traffic (less than 1%).

<u>Federal-Provincial Subsidy Agreement</u>

Under the terms of the Coastal Ferry Services Contract, we receive an annual amount from the Province based on its agreement with the Government of Canada to fulfill the obligation of providing ferry services to coastal British Columbia. The amount of this payment is adjusted annually based on the Vancouver Consumer Price Index. The Coastal Ferry Services Contract between the Province and ourselves provides that the Province will transfer to us, the full proceeds under this agreement from the federal government. For fiscal 2014, revenue from this source is anticipated to be $28.3 million.

Provincial Fees

The Coastal Ferry Services Contract between the Province and BC Ferries has three components. The primary component is for the provision of services on designated routes. The second includes reimbursement from the Province for fares associated with social programs (e.g. Ministry of Health travel assistance program, children travelling for school and B.C. seniors travelling Monday to Thursday). The final component is funding provided to us to oversee service provided by independent operators on eight non-regulated routes.

During fiscal 2013, amendments were made to the Coastal Ferry Act under Bill 47, in which the Province announced additional payments totalling $79.5 million over PT3 from April 1, 2012 to March 31, 2016 in order to reduce pressure for future fare and price cap increases. During fiscal 2014 the Province will contribute $10.5 million in addition to the base amount as part of these amendments.

During fiscal 2013, amendments were made to the Coastal Ferry Services Contract in which $30.0 million in service level reductions were targeted to be implemented over PT3. The Province has subsequently agreed to contribute an additional $7.1 million in service fees during fiscal 2014 and to reduce the targeted service level reductions by a similar amount.

The fiscal 2014 forecast also includes a $0.8 million decrease in the fees for the Northern Routes due to the amortization of assets deployed in that route group.

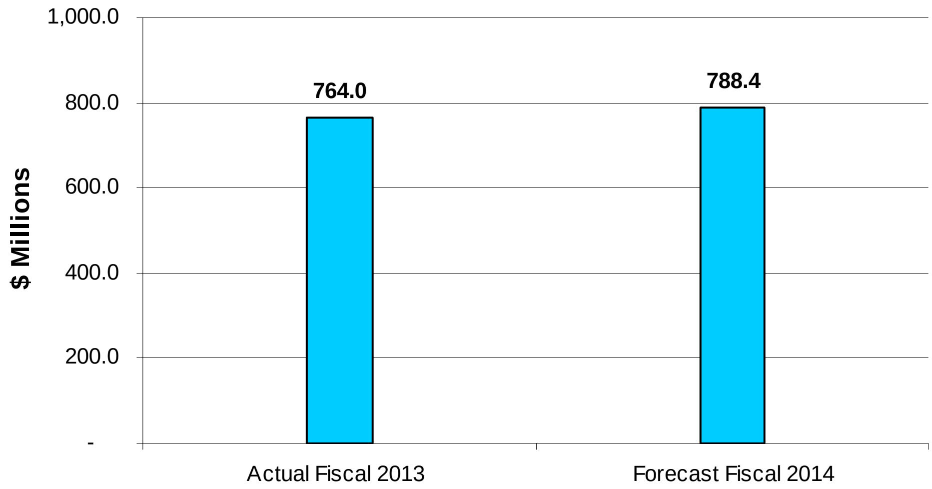
Funding for non-regulated routes is expected to be $2.5 million in fiscal 2014 based on contracts with alternative service providers.

Other Revenues

As the soft economy continues to be felt, fiscal 2014 is expected to yield similar results, in terms of other revenue generated, to those experienced during fiscal 2013. Catering and retail revenues make up the largest component of this revenue category.

Expenses

Our expenses are projected to increase by 3.2% in fiscal 2014, primarily due to increases in operating expenses and amortization costs.



Operating Expenses

For fiscal 2014, operating expenses are expected to increase by 3.8% or $21.2 million. This increase is mainly attributable to an increase in bargaining unit wages in accordance with the collective agreement, an increase in non bargaining unit salaries and benefits, an increase in the price of fuel, as well as the provision for a general contingency to recognize revenue and traffic risk.

Amortization

For fiscal 2014, amortization costs are expected to increase by 2.5% as a result of a full year of amortization related to capital expenditures in fiscal 2013 and partial year amortization related to capital expenditures in fiscal 2014.

Net Financing

For fiscal 2014, our net financing expense is expected to remain relatively stable at the levels experienced during fiscal 2013.

Capital Budget

We plan to invest $158 million in fiscal 2014.

Our fleet of 35 vessels and 47 terminals, four maintenance yards, one refit complex and a head office support the year round ferry service provided on 25 regulated routes. This requires on-going capital investments in order to replace or upgrade aged assets, meet regulatory requirements and improve service to our customers.

Our major capital projects for fiscal 2014 include:

Vessels:

- New Minor Vessel - Cable Ferry between Buckley Bay and Denman Island;
- *Tachek* life extension;
- Commencement of a multi year project to replace the *Queen of Nanaimo* and *Queen of Burnaby;*
- *Kwuna* ¾ life upgrade; and
- Major overhauls and inspections on 17 vessels.

Terminals:

- Westview replace trestle, ramp aprons, towers, wingwalls and turning dolphin and upgrade active lift;
- Modification of berth structures at McLoughlin Bay to allow vessel to be securely fastened to berth;
- Little River ramp, abutment, tower, wingwall & dolphin 13 replacement; and
- Alert Bay replacement of wingwalls, tower and ramp apron.

Information Systems:

- Automated Customer Experience Program (including reservations and point of sale);
- Website software upgrade;
- Disaster recovery and Infrastructure refresh; and
- Payroll system replacement.

The following table details the actual capital expenditures for fiscal 2013 and the planned expenditures for fiscal 2014 by asset type, including interest during construction and net of expected proceeds from Infrastructure Stimulus Funding.

Asset Type ($ millions)	Fiscal 2013 Actual	**Fiscal 2014 Forecast**
Vessel Projects	$41.2	$87.1
Terminal Projects	$31.3	$46.1
Information Systems and Other projects	$23.4	$25.1
Net Capital Expenditures	**$95.9**	**$158.3**

FORWARD LOOKING STATEMENTS

This Business Plan contains certain “forward looking statements”. These statements relate to future events or future performance and reflect management’s expectations regarding our growth, results of operations, performance, business prospects and opportunities and industry performance and trends. They reflect management’s current internal projections, expectations or beliefs and are based on information currently available to management. Some of the market conditions and factors that have been considered in formulating the assumptions upon which forward looking statements are based include traffic, the Canadian Dollar relative to the US Dollar, fuel costs, construction costs, the state of the local economy, fluctuating financial markets, demographics, tax changes, and the requirements of the Coastal Ferry Services Contract.

Forward looking statements included in this document include statements with respect to:

- our expectations regarding our safety, operational, employee, regulatory, customer relations, marketing and environmental initiatives;
- our asset renewal programs for vessels and terminals;
- the Province’s role regarding service levels and a long-term vision for connecting coastal communities;
- our expectations regarding traffic levels and economic conditions;
- positive net earnings for fiscal 2014; and
- revenue, expense and budget projections.

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, safety and security, asset risk, accident risk, tax risk, environmental risk, regulatory risk, labour disruption risk, limitations of vessel repair facilities, 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 Business Plan 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 Business Plan, and British Columbia Ferry Services Inc. assumes no obligation to update or revise them to reflect new events or circumstances except as may be required by applicable law.

In addition to providing measures prepared in accordance with IFRS, we present certain supplemental non-IFRS measures. These include, but are not limited to, fleet reliability scores, employee and passenger safety scores, customer satisfaction ratings, costs per passenger, and EBITDA. These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. These supplemental non-IFRS measures are provided to assist readers in determining our ability to generate cash from operations and improve the comparability of our results from one period to another. We believe these measures are useful in assessing operating performance of our ongoing business on an overall basis.

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